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JAPANESE POST-WAR ECONOMIC MIRACLE AND THE PERSPECTIVE OF ITS IMPLEMENTATION IN THE MODERN UKRAINE

Особливостями японської економіки у період «економічного дива» були: співпраця виробників, постачальників, дистриб'юторів та банків у згуртованих групах під назвою кейрецу, потужні профспілкові підприємства і сьунто, гарні відносини з державними чиновниками. Економічне диво було прискорене японською економічною політикою, Міністерством зовнішньої торгівлі і промисловості. Така модель може бути частково застосована до України для подолання кризи і забезпечення економічного зростання.

Ключові слова: японське економічне диво, кейрецу, сьунто, Міністерство зовнішньої торгівлі і промисловості Японії, українська криза, економічне зростання України

Отличительными особенностями японской экономики в период «экономического чуда» были: сотрудничество производителей, поставщиков, дистрибьюторов и банков в сплоченных группах под названием кейрецу, мощные профсоюзные предприятия и сьунто, хорошие отношения с государственными чиновниками. Экономическое чудо было ускорено в основном японской экономической политикой, в частности, Министерством внешней торговли и промышленности. Такая модель может быть частично применена к современной Украине для преодоления кризиса и обеспечения экономического роста.

Ключевые слова: японское экономическое чудо, кейрецу, сьунто, Министерство внешней торговли и промышленности Японии, украинский кризис, экономический рост Украины

The distinguishing characteristics of the Japanese economy during the «economic miracle» years included: the cooperation of manufacturers, suppliers, distributors, and banks in closely knit groups called keiretsu; the powerful enterprise unions and shuntō; good relations with government bureaucrats. The economic miracle was spurred mainly by Japanese economic policy, through the Ministry of International Trade and Industry. This model could be partly implemented to modern Ukraine in order to struggle with crisis and provide an economic growth.

Key words: Japanese economic miracle, keiretsu, shuntō, Ministry of International Trade and Industry of Japan, Ukrainian crisis, economic growth of Ukraine

1. Background

From the Meiji Restoration on 3 January 1868 to the enactment of the post-World War II Constitution of Japan on 3 May 1947 *Dai Nippon Teikoku* 大日本帝國 – Empire of Japan, literally Greater Japanese Empire existed. Imperial Japan’s rapid industrialization and militarization under the slogan *Fukoku Kyo:hei* (富国強兵, “Enrich the Country, Strengthen the Army”) led to its emergence as a world power, eventually culminating in its membership in the Axis alliance and the conquest of a large part of the Asia-Pacific region. At the height of its power in 1942, the Japanese Empire ruled over a land area spanning 7,400,000 square kilometers (2,857,000 sq mi), blocking most of the seaways to the neighboring countries, making it one of the largest maritime empires in history [Gordon 2005, 155].

After WW2, Japan was totally destroyed, but the past grandeur of the Empire was partly a motivation for America to ‘play its major role’. The miracle occurred partly due to the aid and assistance of the United States, but chiefly due to the economic interventionism of the Japanese government.

Comparison of GDP per capita between East-Asian Nations and the U.S. in 1935:

Country	GDP/capita, 1935\$ [Liu 1946, 15]	GDP-PPP/capita, 1990\$ [Fukao 2007, 10]	GDP-PPP/capita, 1990\$ [Maddison 2003, 5]
U.S.	540	5,590	5,590
Japan (excl. Taiwan and Korea)	64	1,745	2,154
Taiwan	42	1,266	1,212
Korea	24	662	1,224
China	18	543	562

2. Factors

2.1. American Contributions

In the mid- to late-1940s wartime expenses threatened to fully ruin economic in Japan. Post-WW2 inflation, unemployment and shortages in all areas seemed overwhelming. Japan’s immediate economic improvement was not achieved on its own. The American government, under the auspices of the Supreme Commander of the Allied Powers (SCAP), played a crucial role in Japan’s initial economic recovery, although Japanese government measures fostered rapid postwar growth. SCAP officials believed economic development could not only democratize Japan but also prevent the reemergence of militarism, and fend communism in Japan. Military hostilities in the Korean peninsula further boosted the economy in 1950 because the U.S. government paid the Japanese government large sums for “special procurement.” These payments amounted to 27% of Japan’s total export trade [Nakamura 1981, 56]. The United States also insisted that Japan be admitted to GATT as a “temporary member” – over British opposition. During the Korean War, SCAP departed and full sovereignty was returned to the government of Japan.

2.2. Governmental Contributions

The Japanese financial recovery continued even after SCAP departed and the economic boom propelled by the Korean War abated. Japan's economy survived the deep recession caused by a loss of the U.S. payments for military procurement and continued to make gains. By the late 1960s, Japan had risen from the ashes of World War II to achieve an astoundingly rapid and complete economic recovery. According to Mikiso Hane, the period leading up to the late 1960s saw "the greatest years of prosperity Japan had seen since the Sun Goddess shut herself up behind a stone door to protest her brother Susano-o's misbehavior." [Hane 1996, 21] The Japanese government contributed to the post-war Japanese economic miracle by stimulating private sector growth, first by instituting regulations and protectionism that effectively managed economic crises and later by concentrating on trade expansion.

2.3. The Ministry of International Trade and Industry of Japan

The Ministry of International Trade and Industry (MITI) was instrumental in Japan's post-war economic recovery. "The particular speed, form, and consequences of Japanese economic growth are not intelligible without reference to the contributions of MITI" [Johnson 1982, 211]. Established in 1949, MITI's role began with the "Policy Concerning Industrial Rationalization" (1950) that coordinated efforts by industries to counteract the effects of SCAP's deflationary regulations. The extent of the policy was such that if MITI wished to double steel production, the neo-zaibatsu (*zaibatsu* 財閥, lit. 'financial clique', industrial and financial business conglomerates in the Empire of Japan) already has the capital, the construction assets, the makers of production machinery, and most of the other necessary factors already available in-house. The Ministry coordinated various industries, including the emerging *keiretsu* 系列, (lit. 'system, series, grouping of enterprises', a set of companies with interlocking business relationships and shareholdings, type of business group), toward a specific end, usually toward the intersection of national production goals and private economic interests.

MITI also untied the imports of technology; productivity was greatly improved through new equipment, management, standardization. MITI gained the ability to regulate *all* imports with the abolition of the Economic Stabilization Board and the Foreign Exchange Control Board in August 1952. The Yoshida Governments transformed the Board into the Economic Deliberation Agency, a "think tank", giving MITI full control over all Japanese imports.

MITI's establishment of the Japan Development Bank also provided the private sector with low-cost capital for long-term growth. The Japan Development Bank introduced access to the Fiscal Investment and Loan Plan, a massive pooling of individual and national savings. At the time FILP controlled four times the savings of the world's largest commercial bank. With this financial power, FILP was able to maintain an abnormally high number of Japanese construction firms.

2.4. Ikeda Administration

In 1954, the economic system MITI had cultivated from 1949 to 1953 came into full effect. Prime Minister Hayato Ikeda, "the single most important individual architect of the Japanese economic miracle" [Johnson 1982, 213], pursued a policy of heavy industrializa-

tion. This policy led to the emergence of **‘over-loaning’** in which the Bank of Japan issues loans to city banks who in turn issue loans to industrial conglomerates. The conglomerates borrowed beyond their capacity to repay, often beyond their net worth, causing city banks to overborrow from the Bank of Japan. This gave the national Bank of Japan the complete control over local banks. This system combined with the relaxation of anti-monopoly laws led to the reemergence of conglomerate groups keiretsu that efficiently allocated resources and became competitive internationally.

At the heart of the keiretsu success lay city banks, which lent generously, formalizing cross-share holdings in diverse industries. The keiretsu spurred horizontal and vertical integration, locking out foreign companies from Japanese industries. Keiretsu had close relations with MITI and each other through the cross-placement of shares, providing protection from foreign take-overs. E. g., 83% of Japan’s Development Bank’s finances went toward strategic industries: shipbuilding, electric, coal, steel production [Johnson 1982, 211].

Keiretsu were and more concerned about interest payments. Approximately only two-thirds of the shares of a given company were traded, cushioning keiretsu against market fluctuations and allowing keiretsu managers to plan for the long-term and maximize market shares instead of focusing on short-term profits.

The Ikeda Administration also instituted the Foreign Exchange Allocation Policy, a system of import controls designed to prevent the flooding of Japan’s markets by foreign goods. MITI used the foreign exchange allocation to stimulate the economy by promoting exports, managing investment and monitoring production capacity. In 1953, MITI revised the Foreign Exchange Allocation Policy to promote domestic industries and increase the incentive for export.

2.5. “Golden Sixties”

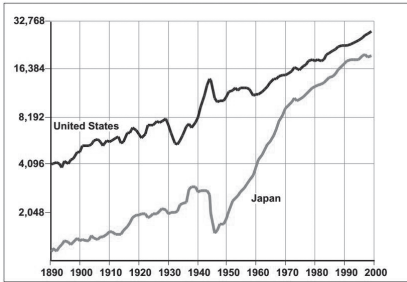
The period of rapid economic growth between 1955 and 1961 paved the way for the “Golden Sixties”, the second decade that is associated with the Japanese economic miracle. In 1965, Japan’s nominal GDP was estimated at just over \$91 billion. In 1980, the nominal GDP had soared to a record \$1.065 trillion.

Under the leadership of Prime Minister Ikeda, former minister of MITI, the Japanese government undertook an ambitious “income-doubling plan”. Ikeda lowered interest rates and taxes to private players to motivate spending. In addition, due to the financial flexibility afforded by the FILP, Ikeda’s government rapidly expanded government investment in Japan’s infrastructure: building highways, high-speed railways, subways, airports, port facilities, dams. Ikeda’s government also expanded government investment in the communications sector of the Japanese economy previously neglected. Each of these acts continued the Japanese trend towards managed economy that epitomizes the mixed economic model.

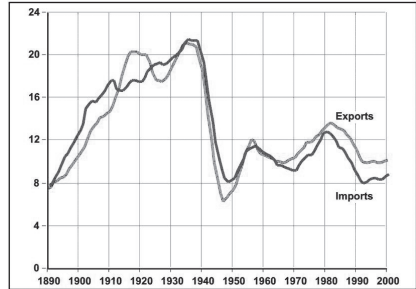
Besides Ikeda’s adherence to government intervention and regulation of the economy his government pushed trade liberalization. By April 1960, trade imports had been 41 percent liberalized (compared to 22 percent in 1956). Ikeda planned to liberalize trade to 80 percent within three years. His plans however met severe opposition from both industries who had thrived on over-loaning and the nationalist public who feared foreign enterprise takeovers. The income-doubling plan was a response to this growing opposition and panic over liberalization. He moved toward liberalization of trade only after protecting Japanese market.

Ikeda also set up numerous foreign aid distribution agencies to demonstrate Japan's willingness to participate in the international order and to promote exports. Ikeda furthered Japan's global economic integration by joining the GATT in 1963, the IMF, and the OECD in 1964. By the time Ikeda left office, the GNP growth was at a phenomenal rate 13.9% because of protected domestic economy.

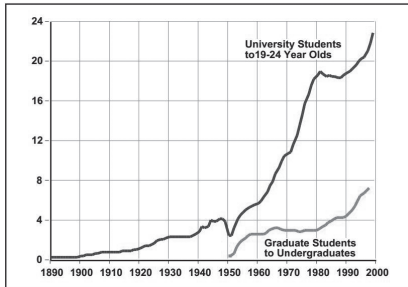
3. Statistics Brief



GDP per capita, 1890-1999, Japan & US



Japan's Exports & Imports, 1890-1999
 (*Note: up to 1947 we count Empire of Japan)



University students to 19-24 years old; graduate students to undergraduate in Japan 1890-1999

Year Boys Girl

1875	50.8	18.7
1880	58.7	21.9
1885	65.8	32.1
1890	65.1	31.1
1895	76.7	43.9
1900	90.4	71.7
1905	97.7	93.3
1910	98.8	97.4
1915	98.9	98.0
1920	99.2	98.8

Elementary School, children from 6 to 12, Japan 1875-1920

4. ‘Economic Wonder’ Implementation in Ukraine

4.1. Economic Factors of Ukraine

Rating Title	Source	No/ Among	Year	Commentary
GDP per capita	IMF	▼ 114 / 18	2011	After: Indonesia, Paraguay, Swaziland
10 Worst Economies of the World	“Forbes” Magazine	▼ 4 / 10	2011	After: Jamaica, Venezuela, Kirgizstan, Swaziland, Nicaragua, Iran
Economic Freedom	Heritage Foundation	▼ 164 / 179	2011	Evaluation: strangled economy
Competitiveness	WEF	▼ 89 / 139	2010	The index is based on other indexes
Business easiness	World Bank	145 / 183	2010	Based on the law analysis

4.2. Economic Wonder Model Implementation Analysis

Factor Title	Possibility	Commentary
American Contribution	Might be	Due to the history of numerous contributions of US to Ukrainian economics and other spheres of life, there is a possibility of the US contribution in case if Ukraine approves the new ambitious economic plan
Governmental Contribution		Taking into consideration corruption index – 154 th place of Ukraine among others, corruption rate makes the governmental role practically impossible. All of this is underlined by lately strengthened taxation especially in private sector.
Ministry of International Trade and Industry or Similar Structure Role	N	Similar structure in Ukraine plays perceptibly weaker role than its analogue in postwar Japan. Even in the case of its role strengthening that will most probably lead to a resulting strong power accumulated in the hands of the narrow circle of people and corruption strengthening
Ikeda Administration Practices	N	‘Over-loaning’ system would not be appropriate for Ukraine due to keiretsu-type conglomerates absence. Ukraine also could not adopt keiretsu-type conglomerates due to the difference of the economic-systems. Ukraine is also poorly protected from foreign take-over and import.
Mentality	N	This factor despite it was not described in the body of the article should also be considered. Japanese mentality played its role in the construction of the economic miracle, overworking and <i>hatarakisugi</i> were classic practices. Ukrainian mentality is built in the other way that is not used for it and is not ready for self-scarifying in the name of all-national good and development.

*** Note: In this article that introduces the topic we simply applied Japanese post-war economic model to the modern Ukraine. Further research will include the possible ways of adaptation of the model to Ukrainian realities and further model development.*

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I. Срібняк,

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ГАЗЕТА «АСАХІ ШІМБУН» В СУСПІЛЬНО-ПОЛІТИЧНОМУ ТА КУЛЬТУРНОМУ ЖИТТІ ЯПОНІЇ

В статті відтворено процес заснування та функціонування японської загальнонаціональної газети «Асахі Шімбун», проаналізовано інноваційні та маркетингові рішення її редакції, встановлено динаміку зростання накладу цього видання, визначено ступень впливу газети на японське суспільство.

Ключові слова: газета, Японія, «Асахі Шімбун», редакція, видання, примірник, новини.

В статье отображен процесс основания и функционирования японской общенациональной газеты «Асахи Шимбун», проанализированы инновационные и маркетинговые решения её редакции, установлена динамика увеличения тиража этого издания, определена степень влияния газеты на японское общество.

Ключевые слова: газета, Япония, «Асахи Шимбун», редакция, издание, экземпляр, новости.

In the article it is reconstructed the process of establishment and functioning of the Japanese national newspaper «Asahi Shimbun», analyzed the innovation and marketing