Japan’s Economic Development: Success, Stress and Prospects for the Future

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In view of her unprecedented success in economic growth and development in the late 1950s and 1960s, Japan received the raptured attention of the world. Many called it a virtual “miracle,” and indeed Japan appeared to deserve the envy and adulation of the world. In 1945 she stood in the midst of ruins: her once mighty Empire was erased from the map, her huge and demoralized population was on the verge of starvation, and her cities and industrial centres were all but destroyed. Yet by 1950, she had restored financial stability, had rebuilt in large part her cities and industrial organization, had managed to feed the teeming population, had expanded trade and commerce, had increased industrial output to twice that of the 1930s, and had raised per capita income a head above the prewar level. With the first goal of economic recovery achieved almost completely by 1955, Japan’s massive efforts thereafter were purposively directed to the attainment of the second goal – a long-cherished aspiration on the part of the Japanese of catching up with the advanced countries of the West. In the decade 1950–1960, the net annual growth rate of Japan’s GNP was 9.5%, the highest in the world; again in the 1960s, she achieved the feat of over 10% net annual growth rate, far ahead of all other countries. In 1968 Japan emerged as the third industrial giant with a GNP larger than the combined total GNPs of Taiwan, Korea, India, Pakistan, the Philippines and Indonesia. Japan’s balance of payments produced a hefty surplus for the first time in her history. Today Japan’s foreign trade amounts to over $50 billion, influencing the world trade in no small measure. Thus predictions have been made, both in Japan and abroad, that by 1985 she would surely surpass the Soviet Union, and by the end of this century even the United States, in terms of industrial production and per capita income (Hedberg 1970).

Faced with the startling economic progress of Japan, the world was first stunned into amazement; the amazement was eventually turned into admiration and envy, and finally in the 1970s the admiration was transmuted into open fear and covert hostility. Suddenly Japan finds numerous obstacles for her continued economic growth and development: the crisis of the dollar, revaluation of the dollar parity, increasing trade protectionism in both North America and Europe reminiscent of the 1930s, the emergence of “resources nationalism”
among resources-endowed countries as evidenced in the recent oil crisis, and ever-growing criticisms among the Japanese themselves against pollution and destruction of the environment, and the direction of Japan's future industrial development is uncertain. All these factors seem to present evidence of growing tension and stress in the process of Japan's economic development and modernization.

In this article, therefore, the following issues will be discussed in detail: (1) a historical review of Japan's economic development, (2) some factors that have positively contributed to her economic growth, and (3) evidence of increasing stress, tension and problems in the future of Japan's economy.

A Historical Review of Japan's Economic Development

(1) Socio-Economic Development under the Tokugawa Regime (1603–1867)

Japan's industrial development is not the result of two or three spectacular five-year plans; rather it is the result of fifty to seventy years of long, arduous process since Meiji Restoration (1868). Her economic development, of which industrialization is only a part, is the corollary of a much longer modernization process and "institutional preparation" which were largely accomplished during the Tokugawa period (1603–1867). Japan's transition from feudal state to modern industrial economy was successfully achieved through an accumulation of such historical and institutional processes. It can be argued that because of such legacies from the Tokugawa period, Japan was able to successfully push her massive industrialization programme throughout the Meiji period and on through the 1920s and 1930s by which time her industrialization was largely achieved. Likewise, Japan's so-called "spectacular" economic recovery in the 1950s is also largely due to the level of industrial and economic development achieved before 1940. Viewed in this light, then, Japan's resurgent industrial and economic growth after World War II is neither "spectacular" nor "miraculous": it is simply an expected recovery of a highly competent economy and the continuation of long, sustained growth, which was temporarily suspended by the onset of the war (Lockwood 1966: 101). In order to fully understand the sustained evolutionary nature of Japan's economic development, one must examine its historical antecedents in the pre-Meiji period. Yet the importance of the Tokugawa period as a crucial institutional preparatory period for Japan's later economic development was not readily accepted by scholars, let alone by laymen. Such luminous scholars of Japan as Sansom, Latourette and even Lockwood, surely acknowledged the political significance of the Tokugawa Era but rarely did they give recognition to the economic importance of the Tokugawa period (Sansom 1950; Latourette 1951; Lockwood 1954). Implicit in such attitudes is the assumption that Japan had been in a long feudal sleep until suddenly awakened by the arrival of Commodore Perry in 1853.

Rostow asserts that any society passes from a traditional stage through four