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The alarming situation of the Japanese economy is being intensively debated among the economic policy makers. However, the current situation is not something new for Japan. The Japanese economy is like a patient who has been hospitalized for a long time and only shows improvement when there is a matter of an increase in consumption tax. Makoto Itoh in his book *“The Japanese economy reconsidered”* published in 2000 talks about why Japanese economy encountered the long downturn and how it exacerbated it. Given the historical background of the economic downturn, the author specifically examines the period of pre-bubble to a decade later, that is (1970's to 2000). The basic argument of the book revolves around the inability of the Japanese government to overcome the current economic crisis despite experimenting with several economic policy reforms. However, one cannot simply deny the fact that Japanese economy trapped itself in a spiral where it had no other option but to decline. Just like any other government would have acted or reacted in the situation of crisis, the Japanese government did take the initiative to bounce back its economy. The role of the government in Japan very central which can be empirically traced back since Meiji times, extensively relying on government by public. The only thing on which government can be criticized is the inability to evaluate how alarming the situation has turned till the time it actually starts to act.

The book briefly follow-ups the evidence of the long downturn in economy taking into account the changes in information technologies and competitive restructuring of capitalism with the also changes in industrial and family structure and the role of Japan in the new world order in the process of globalization.

To put light on the title, the author tries to reconsider the issues in Japanese economy through questioning the viability of economic crisis and its impact on the 21<sup>st</sup> century.

It is debatable that either one should consider Japan fortunate to achieve miraculous economic growth or unfortunate to experience a double downturn in its performance both in mere no time. Author while negating the prominent role of government in economic growth points out it's as a something which happened due to 'natural' increase of tax revenue. However, several another author such as T.C smith in his book "*Native source of Japanese industrialization (1750-1920)*" "provides the basis of Japan's economic development was centrally based on the roleplayed by its government. Japan's economic performance depicts a zigzag pattern were starting off with the high economic growth under the Keynesian macroeconomic policies. The high economic growth became unstable under the breakdown of Bretton woods system which led to the vicious spread of inflation throughout the world, recovery from the long prevailed inflationary crisis was restored through exports to the US and at the expense of huge government expenses. However, the economy started showing some sort of improvement by a speculative bubble in the 1987-1990 which turned into great depression after the bubble burst. Despite the existing ills in Japanese economy such as low consumption demand and aging population, the industrial technologies, and large foreign exchange reserves had a great strong hold on the economy.

Since technology is something on which Japanese economy can rely for its survival even now. The sense of crisis during 1973 led to a restructuring of the Japanese economy in information technology, especially in electronic and telecommunication. Industrial technologies led to change in capitalist firms, with the change these firms could economize their operating cost and could easily meet the global business activities. This led to the multi-nationalization of the Japanese firm and widespread exchange of economic information. Restructuring of workplace led to increasing in productivity and increase in international competitive power with the support of loyal workers.

Japan's economy is far more adaptable in terms of technological change. Company centered nature of society was intensified by the information technology and it did not provide any profit to the workers in terms of their realdisposableincome. Hence, on the other hand, this information revolution does any change in passive position ofcostumes as well. The capitalist restructuring reversed during the recession which led to increased role

of a trade union, the gap between the real wage and productivity increased and the role of state decreased. This was all under neo-liberalism. Keynesians could not curtail the economic crisis; neo-liberalism came up as the administrative reform. An article by Susan George "A short History of Neo-liberalism, twenty years of elite economic and emerging opportunities for structural change" (1999) mentions the ill effects of neo-liberalism on the economy, is what the same case with Japan as well. However, neo-liberalism did revitalize the competitive market but it intensified individualism which further worsened the economic condition in Japan.

While reconsidering the working population during the recession, the proportion of working population in manufacturing remained stable. Despite the appreciation of the yen, employment rate remained high in Japan. Paradoxically Japanese economy neither turned into service economy nor did it de-industrialized as many other countries did. As the introduction of automation system increased production and stagnant wages gap could be utilized to economize the cost of production and maintain competitive dollar price of Japanese exports. Consistent decrease in the dollar price of oil and appreciation of yen made Japanese manufacturing firms to go for foreign direct investment around the Asian countries. This acted negatively when absolute employment in Japanese manufacturing industry began to decrease and hollowing out started in 1992. Mexican crisis changed the rules of the game, the yen was depreciated and Japan had to now face financial crisis along with its depressed domestic economy.

Following the Rowthorn and Well's theory, author reconsiders the causes of de-industrialization in Japan was primary because of trade deficit and rising unemployment. This can be curtailed if there will be an opportunity for individuals in manufacturing and agricultural areas.

While changes in the workplace such as employment of female in low-wage work, it did economies the automation system but changed the family structure as well. Increased women participation led to increasing in the nuclear family and a decline in birth rate. The author comes up with the suggestion that to overcome economic depression Japan must focus on increasing population either by allowing more foreign workers, using the

potential of its elderly people, by increasing female participation or by government initiation to restore birth rate.

Upside down situation can be seen in Japan if we compare the 1980's and 1990's. During the 1990s, the emergence of huge bubble led to bad loans, credit crunch, asset deflation etc. The Japanese economy was unable to escape this. Initially, the bubble did look as growth which turned out to be speculative in nature. Plaza accord is said to be the triggering factor of the bubble, other than that fiscal and monetary policy which were aimed at expanding domestic demand also became one of the factors that led to the emergence of a bubble. Despite the depression, the fall in interest rate by the bank of Japan led to increasing in shares prices. Expansion of domestic demand was aimed at mitigating trade friction with the US. Government deviated from its tight fiscal policy and started spending a huge amount on public investment to boost domestic demand.

The fiscal and monetary policy did generate expansion of effective demand such as demand of luxury commodities increased. Firms on the other hand due to appreciate yen concentrated on domestic demand rather than exports and flooded the domestic markets with new types of products. Feeling of economic recovery and prosperity spread across the construction to manufacturing industries. When the domestic demand increased Japanese investment in plant and equipment also increased.

While savings rates are up to 15% of income, banks could borrow money nearly at a rate of zero percent. Big business reduced its scale of investment in plant and equipment due to the introduction of the automation system. Big business focused on direct finance instead of indirect finance instead of indirect finance through banks. Banks started losing its corporate as borrowers. Now small and medium business especially the real estate agencies started borrowing from banks for a non-bank loan. This inflated the prices of shares and land through speculative transactions. When the bubble burst in 1990, the price began to fall but it did not fall much in urban areas. Bank suffered a fall in the ratio of own capital against assets as a loan to real estate rose but returns did not. This was the time when Japan vividly enters into depression.

The domestic demand which was increased under speculative demand expansion cooled down with depression deepened into household income. Manufacturing industries attempted to export but appreciated yen caused difficulties leading to hollowing out of industries. Twin forces, depression from both domestic and international reasons enhance economic crisis. After Keynesians, neo-liberalism led to company centered profit making within free market principles led to the swelling of the huge bubble that caused a lot of damage after the burst. Neo-liberalism could not prevent economic disaster in Japan.

The author points out that Japanese government did not even let neo-liberalism play its role. it continued to intervene strongly in working of the market economy led to distortions in the economic order. Government solely had an optimistic projection of the crisis by estimating 3% growth rate despite the crisis. The government also felt that the situation could be dealt without increasing the tax; it even kept on increasing its ODA and financing the US troops stationed in Okinawa. The Japanese government has a tendency of making a situation worse and then acting upon it when it becomes uncontrollable. The government, after all, the disaster increased consumption tax to get rid of bad loans.

One other important element in government is the opponent party; Japanese politics only criticize the ruling party rather than coming up with an alternate policy that could make the situation better.

The author further tries to reconsider the role of Japan in Asia in the era of globalization where the worldwide dynamism is changing. After the cold war, the US itself was facing problem to stay hegemony, new world order provided a reduction in their economic role and increase in the political and economic role in an international organization such as UN and IMF. Japan became economic power through its large amount of foreign direct investment. Foreign direct investment did not even decrease after the bubble burst to center 70% of FDI in Asia.

Asia became the center of FDI for Japan because of low wage, low land prices and strengthened Japan's exporting industries by organizing and international subcontracting system. Japan's politico-economic approach in Asia became increasingly positive because

of the flying geese model. This increased ODA in Asian countries. Through this Japan contributed to Asian countries high economic growth. However, Asian countries encountered unexpected currency crisis under the pressure of IMF and fixed rate of US dollar. The neo-liberal trend for globalization undertook financial deregulation of international bank loans. This led to increasing in the capital and financial inflow of the Asian countries in the form of securities investment. For them, the cost of such finance appeared cheaper compared to domestic investment. When in 1997 Asian countries were hit by the crisis, Japan banks rush into these markets to make up for their domestic losses. The loan to these Asian countries by Japan was around dollar 1000 billion. It was assumed that the bubble of 1980's of the advanced countries was transferred to Asian countries in 1990's.

Hence, the role of Japan in Asian crisis that Japan was exporting its bubble to Asian economy with the aim of ameliorable its own economy which somehow hit back Japan only by accumulating more bad loans for Japanese banks.

The book takes into account the performance of Japanese economy specifically from 1970's and primarily focuses on the role of the government and the failed economic policies. Author tries to prove through his argument why and how neo-liberalism has failed in Japan. Moreover, explains that despite several attempts Japan could not take bounce back towards its recovery because of domestic as well as international environment.

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