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RESEARCH ON THE JAPANESE ECONOMY

Part II, Contributions by Western Economists

YOKO KAWASHIMA

INTRODUCTION

IT WAS ILLUSTRATED in Part I of the present survey that high rate of growth was one of the important features which impressed the economists who studied Japanese economy. As the industrialization of underdeveloped countries became one of the most urgent economic problems today, the Japanese experiences in postwar as well as in prewar period attaining the high rate of growth with her meager natural resources interested many foreign economists who tried to obtain any lessons that could be learned from her rapid industrialization. Indeed primary interest of the western economists who dealt the problem of Japanese economic development was in the field of international comparisons of conditions that accelerated or retarded the economic growth in various countries.

Progress of industrialization is made possible by the various factors that are at work during each stages of economic growth. The forces or the factors that are interpreted as being crucial for such progress often differ among economists. The present study tries to survey the economic models used by Western economists to explain the causes of rapid economic development in Japan, to point out the factors that are generally being agreed by them as important for the growth and to summarize major arguments on the controversial questions. Such study may be of some interest to the Japanese economists who would like to know how the economic development of their own country had impressed the economists of the foreign countries¹. Also the summary of the major works available in English may be useful as a detailed bibliography for those Western economists who are now starting to undertake the researches on Japan. The comparison of the factors that impressed the Western economists as contributing to the rapid economic growth in Japan with major views expressed by Japanese

¹ My experience in staying abroad taught me that some of the features particular to one's own country is understood better when one is staying outside the country. Probably we take too many things for granted when we are in the environment we are accustomed to or we need some other country to compare one's own experiences.

economists on the similar subject as it was summarized in Part 1 of the present survey may interest anyone who are undertaking the researches in the field of Japanese economic growth.

The studies taken up in the present paper were primarily limited to those works published in postwar period. Exclusion of the works in prewar period does not imply that these studies were considered as being unimportant. These prewar studies often provided the most valuable basis from which postwar works emerged. However, since our major interest in the present study is limited to how the problems of Japanese economy are interpreted today by Western economists who are well equipped with the tools of modern economic analysis, works taken up here are limited to the books and articles published in postwar period.

For the analytical convenience, the present study are divided into; 1. Factor endowments and technological progress, 2. State policies and business enterprise and 3. Conclusions.

1. FACTOR ENDOWMENTS AND TECHNOLOGICAL PROGRESS

When Japan launched into the modern industrialization, her land was already densely populated, her natural resources that could be utilized were scarce and moreover, her experiences in western technologies were extremely limited. Among her meager natural resources, only fair amount of deposits of coal that furnished one half of all the fuel and power during the early stages of industrialization are mentioned by Lockwood¹ as the factor that contributed to her growth. Reubens² stresses the relative abundant supply of water power as one of the favorable natural conditions for the industry.

Scarcity of natural resources in Japan even made Lockwood¹ to go as far to suggest that such apparent poverty of mineral deposits in Japan aided her during nineteenth century by avoiding the imperialistic aggression by the Western powers as their interests were directed towards countries endowed with rich natural resources. Although it is true that Japanese development benefited from various accidental incidents of economic history, such an argument seems to exaggerate her luck. Japan was fortunate in joining the world economy when the international trade was relatively free, and also her major export product, silk entered the world market at the time when silk worm disease spreaded in European producers. Nevertheless, what seems more important to me is the fact that Japan was able to maintain the national unity which made it possible for her to take the advantages of the opportunities that were provided to them.

Japanese industrialization was a process of constant adjustments of technologies to her factor endowments and of adopting alternative policies that suited her economic environments that she encountered.

Undoubtedly, some non-economic factors facilitated such process of industrialization. Lockwood⁵ accounts Japanese geographical position that helped her communications by sea and political orders as important conditions. Reubens² writes that homogeneity of populations, temperate climate, and linguistic, ethical and cultural homogeneity as the basic factors that contributed to her industrialization.

Japanese population which totaled 34.8 million in 1872 increased to 43.8 million by the turn of the century and the accelerated rate of increase in the early twentieth century raised its number to exceed 50 million by 1911. This tremendous increase in population was soon reflected in the subsequent increase in labor force. Total occupied population which was 18.8 million in 1878 rose to 24.7 million by 1900 and further to 27.2 million by 1920.² The population growth influenced the rate of growth in various ways, it meant more mouths to share the limited amount of products, it meant more hands to co-operate with available tools and equipments.

Most of the economists who dealt the problem of Japanese economic growth had analysed the role played by this increase in population and labor force during the course of industrialization in Japan. Lockwood⁵ probably is the one who most strongly stresses the adverse effect of population increase and thus excessive supply of labor on Japanese economic development. He argues that the advantages of increase in population by widening the markets and improving the productive efficiencies are only true when goods and services are produced under the conditions of increasing return to scale. However, in case of the late nineteenth and early twentieth century, such influences were small in Japan, as the goods that were required to support her growing populations were simple necessities as foods and clothes produced in humble undertakings that modern industrial techniques and advantages of large scale production were hardly present. The disadvantages that are caused by the relentless competition in industries and low paid occupations certainly more than compensated the advantages of increase in population, if there were any. With similar amount of national income, more population to share such products meant less goods available per capita. He also points out the disadvantages of having excessive amount of labor force in industries which retarded the use

² "The Growth Rate of the Japanese Economy since 1878" By K. Ohkawa and others p. 140 and p. 145

of capitalistic methods and advancement of modern technologies. There must have been large amount of capital that was allocated merely to sustain the standard of living of these growing population and not to improve productive methods.³

Other economists more or less limited their problem to the effects of increase or abundant supply of labor force that accompanied population increase on economic development. As it is clearly pointed out by Gerschenkron⁴ modern disciplined labor force is often a scarce factor in less-developed nations. Without the conditions that enables the rural labor force to transfer into the types of labor that will fulfill the needs of modern industrial systems, the abundance of labor or population will merely become a drag to the industrialization. Taeuber⁵ and Rosovsky⁶ are the ones who emphasized the importance of the conditions that were present in Japan that eased the process of transition of labor in the traditional sector into those fitted for the employment in the modern factory systems. Taeuber⁵ stresses the importance of the development of sericulture in the early phases of the industrialization and spread of additional household industries that provided the opportunities for the participation of labor in various age groups to contribute to the increase in production and thus to the economic growth. Rosovsky⁶ argues that such pattern of Japanese industrialization which centered around the increase in production of textiles was only made possible by the fact that Japan was able to find relatively disciplined labor force, often was a scarce factor in many backward nations in continental Europe. He mentions number of factors that facilitated the formation of the modern industrial labor in Japan, among them are the paternalism of the employers in early factory system which helped to reduce the social cost of transfer of labor from traditional to modern sectors.

Ranis divides the stages of Japanese economic development into two different phases, namely, labor intensive phase from 1868 to 1895 and capital intensive phase after that. The former is illustrated as an excellent example where the rapid rate of growth was achieved by the optimum factor utilizations. He finds that during this period capital was used most intensively by utilizing the Western built machinery at an accelerated rate or through increase in production of

³ "In Britain J. M. Keynes once estimated that as much as one half the total increment in home capital from 1860 to 1913 went into caring for a 50% increase in population. More recently, in studies of the economic development of backward areas it has been concluded that 1% increase in population requires saving from 2 to 5% of national income merely to provide the capital necessary to maintain the standard of living at its existing level" Lockwood, op. cit. p. 164

⁴ Alexander Gerschenkron "Economic Backwardness in Historical Perspective" in *The Progress of Underdeveloped Areas* edited by Bert F. Hoselitz, Chicago University Press 1952

domestic industries that used less capital.

It is quite plausible to assume that capital was the most scarce factor in Japan at the time when she just launched as a modern industrial state. According to the estimates prepared by Rosovsky⁸ on the capital formation in Japan, gross domestic capital formation in 1887-1896 averaged 119.4 million Yen which accounted for 12.3% of GNP. The ratio increased steadily to 18.5% in 1917-1926 and by 1931-1940 it rose to the forth. He also compares such ratio with that in United Kingdom, United States, Denmark, Sweden and Canada and concludes that "Japan started out in the modern era with fairly moderate levels of capital formation which were maintained for about thirty years, then she quickly advanced to very respectable international levels and at the very end, ranked the heavier investor of the period".⁵

Thus the next question to be asked is how did Japan succeed in becoming the heavy investor when her income level was still low, why was she able to put aside the current production that would be added to the capital assets to make further growth of income and productivity possible. Reubens² attributes rapid capital accumulation in Japan to the following three conditions that prevailed in Japan; the high rate of growth in per capita national income that left the margin over traditional level of consumption, the skewed distribution of income that favored the business operatives and also low wages that lagged behind the rise in productivity and the heavy land tax that succeeded in curtailing the mass consumption. He goes further to suggest the sociological background which was conditioned by the lack of organization, traditional loyalty and patriotic favor as prerequisites that prevented the opposition of Japanese people to bare the whole burden of capital accumulation.

With the factors that are similar to those pointed out by Reubens, namely, the importance of saving by upper income groups by corporate businesses, restraint of mass consumption through heavy tax burdens in rural areas, Lockwood⁶ adds generally high propensities to save as a result of inadequate social security system in Japan which forced people to prepare against unexpected contingencies thus promoting their thrifts. What seems most important in Lockwood's contribution to the discussions on the Japanese capital formation is his emphasis on the importance of incentive to invest during the growth. The process of capital accumulation in Japan proceeded with the rise in investment level, encouraged by higher returns on capital in this

⁵ Rosovsky, op. cit, p. 90

country compared to the others and to those in the earlier periods and the traditional trifts alone cannot well explain such process adequately. The rapid expansion of internal as well as external demand for Japanese products undoubtedly was the prime force that induced higher level of investment and accumulation of capital.

Development of the modern bankings and of modern money markets were also important in making available such funds to the industrial sectors. Ott¹² in his recent study on the financial development of Japan, found that ratio of primary securities outstanding to national income rose steeply in prewar period. Comparing such ratio in Japan to that in the U.S. he concludes that external finances bore more importance in Japan than in U.S. which helped Japan to achieve economic development in a shorter time span by pooling the accumulated funds into the hands of the spending units that were then provided with ample opportunities for higher marginal rate of return on capital. Also he stresses the role of the financial intermediaries for allocating such funds.

It is interesting to note that pattern of investment during the process of industrializations in Japan, in part, were conditioned by the factor endowments in each periods and seems to have taken nearly the most desirable form. Rosovsky⁸ finds that during the early phases of Japanese economic development, investment took place proportionately in both traditional and modern sectors. The proportion of investment in traditional sector accounted for 44% of the total at the turn of the century and its proportionate growth seemed to have helped each other as the traditional investment based on labor intensive methods enabled her to maximize her use of scarce supply of capital. This was particularly true in case of agriculture where the capital was scarce as the State policy for the development was primarily directed to the investment in manufacturing, transportation and other industries. Modest amount of new capital formation in agriculture was carried out by mainly utilizing the domestic labor. Johnson⁹ stresses such points and concludes that a doubling of labor productivity in agriculture over 1885 to 1915 was due to the more abundant use of fertilizers that increased the rice production and such changes were in fact land saving and also capital required was very small. Similar capital saving types of investment are pointed out in case of residential construction by Rosovsky.⁸ In contrast to the rapid introduction of western techniques in plants and machineries, residential constructions in late nineteenth and early twentieth century hardly showed any changes from that in former period; and its moderate scale thus released the scarce capital to more productive industrial use.

The economic development in Japan after the Restoration proceeded with the introduction of Western technologies and absorption of such new methods in various industrial fields. At the same time, the fact that Japan possessed certain amount of traditional industrial skills at the time when they started to introduce Western method facilitated the transformation of Japanese economy by supplying the basis from which new progress was able to proceed. The most important traditional productive skills that were inherited from the feudal period were those in agriculture. Indeed in the late nineteenth century, Rosovsky⁸ describes agriculture as the sector that required the slightest transformation. It supported the increasing population, supplied the most important export products tea and silk at the early stages of the industrialization. Especially sericulture which developed mainly to supplement farm income, earned the major portion of Japanese foreign exchange until the modern economy emerged. Primary industry supplied more than half of her national income until 1893-1897 and still it accounted for the third in 1918-1922.⁶ Allen⁹ attributes the relatively small rise in imports of foods despite the rapid increase in population to the increase in productivity in this sector mainly by more use of fertilizers and introduction of new crops.

Nevertheless, it was still in the field of industry that phenomenal technological changes took place after the Restoration. When Japan started to introduce modern technologies, three quarters of a century had elapsed since apparent new wave of industrialism emerged in Europe. There was a great backlog of technological innovations that this country was able to borrow from these advanced nations in the West. The pattern of introducing these technologies into Japan was not particularly different from those experiences of backward nations in Europe. They primarily relied on imported foreigners to teach them advanced methods, but once they have mastered the new techniques, the local personel substituted these foreign teachers. Introduction of modern technology in the fields of transportation are stressed as the most strategic steps that enable the further development of industrialization by increasing the mobilities of goods and people by Lockwood.⁵ However, what he concieves as the most fundamental factor that lead to the successful introduction of Western technologies in these fields were the positive response and eagerness of the people in Japan to learn these new methods⁷.

⁶ Ohkawa, "Growth Rate. . . op. cit. table 8, p. 26

⁷ "The initial stimuli and the new techniques, came largely from abroad. In this sense, the Industrial Revolution in Japan was the creation of foreign trade. But the national response was positive and pervasive, working throughout the economy to produce changes

It is most interesting to find that Levy⁴ attributes relatively smooth transition from the old to the new in Japan to the continual emphasis on the *Japanese way*, insistence on the traditional way of life as the factor that eased the individuals to adopt to the new ways in the fields where the changes were more essential. Allen⁵ even goes as far as to suggest that the government and the ruling class of the period took a deliberate care to protect these cultural heritages from the influences of the West and he sees no desire among Japanese people to assimilate with Western civilizations and substituting Western scale of value with that of the traditional Japan.

Such proposition may somewhat look as if it contradicts to the previous view on the eagerness of Japanese to learn new methods that were imported from the West. But it was the coexistence of the old and the new, rapidness of changes in the productive sphere and the relatively slow changes in its social background that are viewed by Western economists as the key to the unique smooth transition from traditional to the modern despite the rapidness of the economic growth. The efforts to retain the old in the national life contributing to minimize the shock that accompanied the rapid industrialization was stressed by Allen.⁴ Lag in the changes in traditional consumption to the rise in productivity induced by the introduction of modern technology leaving the balance to be spent on capital accumulation was pointed out by Reubens.² It is quite probable that the coexistence of the old and the new favored the industrialization in the earlier phases of industrialization in Japan but it seems to me that unbalance between the modern industry and the traditional mode of living will eventually become a major burden for the further development and such tendency seems to have become apparent in postwar Japan.

The growth rate of total products of Japan which amounted to 42.3%—changes per decade, 1878–87 to 1950–54—is indeed an impressive achievement when it is compared with those of other industrial nations.⁸ Only Australia, Canada and Union of South Africa more or less recorded similar rate of growth in the past decade. When we take into account of the rich natural resources that favored these countries, one must conclude that Japanese achievement in the past decade was phenomenal. But after fifty years since she made her contract with the West, how did the productivity of Japan in the 1930's compare with those in

which affected all sectors in varying degrees. It was precisely because this was so and because it brought a steady rise in productivity and wealth that imports and exports also grew"

Lockwood op. cit. p. 309

⁸ Kuznets, Simon, "Six Lectures on Economic Growth, table 1, p. 21-22. Glencoe, Free Press, 1960

Western industrial countries. Lockwood⁶ made a comparison of net value of production, employment and net product per worker in factories of Japan, United Kingdom, Germany and the United States for the period 1934-37. In 1934, net product per factory worker in Japan amounted to 105 to 125 pound sterling while it was 263 in United Kingdom, 295 in Germany and 526 in the United States⁹. Lockwood⁶ attributes these differences in net product per worker to various factors as efficiency of large scale business, level of mechanical skills, structure of demand, but the most to relative scarcity of capital in Japan. It is necessary for the underdeveloped countries of today to bare in mind that despite her success in becoming a heavy investor by the 1930's and with nearly optimum utilization of capital in the industries, rapid population increase in Japan and the relative shortages of capital in relation to large labor force had handicapped the rise in productivity per worker to reach the level of the other industrialized states.

2. STATE POLICIES AND BUSINESS ENTERPRISES

In the previous section the changes in productive methods which were conditioned by scarcity of land, capital and natural resources were taken up. Such changes were introduced and carried out directly by the States or by private entrepreneurs who deliberately saw the advantages in adopting new industrial techniques.

Though there are differences in degree in which they lay more importances, all the Western economists who discussed the problem of economic development in Japan stress the crucial role played by the Japanese government for the industrialization. Levy⁴ indicates that the basic condition which enabled Japan, not to follow the similar fate of her continental neighbors was the desire of Japanese leaders of the time to rule Japan by Japanese and their ability to see the needs for the industrialization. Indeed the foreign dominance in economic fields as well as in others feared by Japanese leaders of the late nineteenth century had largely become true in China. Levine⁷ counts government bureaucracy among other factors —military and industrialist— that made the intense and concentrated use of productive methods possible which permitted to accomplish the modernization of Japanese economy in a relatively short period of time. He describes the Japanese economic condition which prevailed in the earlier periods of industrialization as those with abundant in unskilled labor but extremely deficient in skilled labor, technical know how, basic raw materials and capital. Without successful management of these factors, Japan could have hardly made it as a modern industrial states.

Aside from providing basic transportations, communication and public works, direct intervention by the government in manufacturing was only limited to the very early stages of industrialization. Rosovsky's⁸ estimates on the investment by government sector indicate more rapid growth in investment in producer's durables than in construction for the period 1870-80. This reflects the government activity in starting a pilot factories to introduce new industrial methods during this period. After this initial phase these pilot factories were transferred into the hands of private businessmen and the investment of the government was⁸ primarily in the field of transportation. Rosovsky's estimations on the share of government investment in total gross domestic capital formation range from 49% in 1922-31 to 28% in 1931-40, during the period covering 1887-1940¹⁰.

The result indicates that government remained the most important single investor during the period. The largest part of such investment was directed to building a national railroads¹⁰ whose importance in the course of industrialization had already been mentioned.

Allen⁶ probably is the one who gives the largest credit to the role played by the States and "Zaibatsu" in carrying out the modernization of Japanese economy. He stresses that power of the States drove the Japanese expansion and also sustained its growth.¹¹ He even writes that "In Japan on the other hand, rapid changes in the technical equipment and the economic organization of society was achieved as the result of the deliberate policy of the ruling class and these changes were imposed on the people whose values remained those of their native civilization"¹²

Allen's⁶ interpretation on the subject that views the government as a prime force which led to the industrialization contrasts sharply with the discussion developed by Lockwood⁹ and by Rosovsky who lay more

⁹ Lockwood, op. cit. p. 178, table 13

¹⁰ Rosovsky, op. cit. p. 24 table 4 and table 9 p. 25

¹¹ "The forms assumed by Japan's economy and the direction of her development can be explained partly by the condition of her economic systems at the time of their Restoration, partly by the political objectives which she set herself. Japan's first problem was to take over quickly as possible the technical apparatus of the West. Because of her backwardness and since entrepreneurial initiative was not widely diffused, she could not hope to achieve this purpose merely by thoroughly open to Western economic influences. The *laissez-faire* prescription was not for her. Moreover, she feared to her security and her leaders could not neglect the strategic aspects of economic development. Hence the active part played by the state in the early and middle years of Meiji in the founding of new industries; hence the continued concern of the Government and of the business families through which it worked with enterprises that touched on national power."

Allen op. cit. p. 159

¹² Allen op. cit. p. 158

importance on the participation of numerous private individuals for the modernization and for rapid economic growth. Though Lockwood agrees that States played an important role in the process of Japanese industrialization by building transports, communications and basic credit systems, he objects strongly to the view that government was the only driving force for the modernization of Japan. He says such interpretation of Japanese economic development as oversimplification of what actually took place when real drive for the development came from outside the State activity. He stresses that those who really contributed to Japanese growth were small farmers who supplied home demand as well as exports, small business enterprises that fulfilled the basic needs of the growing population. Indeed, it was cotton textile industry where government intervention was the least that earned the major portion of her foreign exchange for long time. The Japanese economic development heavily depended on these private activities and at the most State helped to accelerate the process of growth by providing them the basic conditions necessary.

Lockwood's⁵ interpretation on the role of the government is closely related to his view on the importance of big business families. The real force that drove industrialization in Japan according to him is not the big business subsidized by the government or handful of large industrial combines but the improvement in agriculture, increase in productivities in small scale enterprises and local trade which were carried out by small entrepreneurs that adopted new technologies and wide diffusion of modern technological knowledges to large number of workers who worked in these humble factories and shops.¹³

On the importance of State's demand as a stimulus for the economic expansion, Lockwood⁵ argues that though expansion of State's borrowing and spending had stimulated the full employment and technological progress, their heavy outlay on military expenditures which amounted to 40-50% of the total revenue in 1895-1935 was a major drain for the Japanese capital formation that almost nullified its contributions in other fields by using resources that may have had an alternative

¹³ "Meanwhile, at home, those industries for which the government was always most solicitous, and where the zaibatsu were prominent the strategic industries-furnished only small part of the growth in Japanese national income before 1935. Probably, they served as an actual drag insofar as they were expanded after 1920 by political protection which attracted capital and skills from more productive employment. However, this may be, they remained a small segment of Japanese economy, despite their sheltered position. By way of illustration, the entire complex of mining metallurgy, and machinery industries furnished no more than 8% of Japan's national product in 1930 and still less of her gainful employment." Lockwood op. cit. p. 575

more productive use. This heavy government spending in military field was partly responsible for the relative shortages in public works and welfare facilities in Japan.

Rosovsky⁸ shares Lockwood's view that efforts by the government to stimulate economic development by direct intervention, subsidies, guaranteed markets, loans, quotas, duties and other devices had been exaggerated by many economists who studied Japanese economic growth. He suggests one of the major influences of the government was in the field of investment, as an important customer to the heavy industries.

Levine⁹ sees major feature of Japanese economic structure as one developed with the existence of small enterprise alongside the big undertakings and both were important in supplying the employment to the growing population. But the former was particularly important in functioning as a shock absorber for economic fluctuations that accompanied the modern industrialization.

CONCLUSIONS

The experiences of Japanese economic development seemed to have impressed the Western economists in two ways, its rapidness of growth and its relatively smooth transition from the traditional economy to the modern industrial state. The initial stimulus for the change apparently came when she made her contact with the West, however, once she launched into the course for the modernization, the dynamic process was self-sustained. The major interests of the Western economists were centered to seek the factors contributing to these dynamic processes and to study the factors facilitating these changes.

It is apparent that even before Japan made her contact with the Western culture, she had attained certain degrees of proficiency in industrial skills, showed business talents in running enterprises and obtained administrative experiences in keeping the national unity. Discontinuity of the economic system in the period prior to the Meiji Restoration and the period that followed it is less emphasized in the recent researches and the importance of the pre-conditions for the modern industrial development have increasingly been stressed in case of Japan. Japanese government and the people at the time of the Restoration were relatively well equipped to absorb and to take the advantages of the opportunities that were provided to them. The prime force that carried out these changes are attributed to the government and leading social groups in case of Allen,⁶ while to the small entrepreneurs, local traders and farmers in case of Lockwood.⁵ Allocation of factors of production which nearly maximized their economic

uses are regarded as a key to the rapid growth with her factor endowments by Rosovsky⁸ and Ranis.¹⁰ Efficient managing of these limited factors are stressed by Levine⁷ as the condition that favored the growth.

The changes were more rapid in industrial sphere compared to that in the daily life. The coexistence of the old alongside the new in the social sphere, proportionate development of modern industries with traditional industries in the economic sphere often seem to have struck the eyes of the Western economists as factor contributing to the smooth transitional period. For example, lag in traditional consumption over rapid increase in productivities left the balance to be spent on capital accumulation—Reubens;² Vertical structure of business enterprise and traditional loyalty in part of labor had enabled them to tolerate the burden of capital accumulation during the early phase of industrialization—Levine.⁷ Investment in agriculture which remained capital saving was more optimum to utilize its factor endowments—Johnson;⁹ all point out traditional element facilitating the emerging of the new.

Undoubtedly other non-economic historical incidents had favored the Japanese economic development, such as favorable international market conditions when she launched into industrialization, World War I that brought her unprecedented prosperity. But what seems more important to me is the ability of the Japanese leaders to see the necessity to launch as an industrial state, the courage of the Japanese entrepreneurs to adopt and to apply new industrial techniques and the efforts of the Japanese labor to absorb such new productive methods in short span of time. Although I share the view that proportionate increase of production in traditional sector with that in modern sector had helped to facilitate the smooth transition, I do not think that coexistence of the old and the new, survival of the feudal elements deliberately contributed to the Japanese growth. The feudal sense of loyalty in the part of labor may have eased the social tension that may have been serious when the heavy burden of capital accumulation was chiefly born by them. But at the same time industrial relationship motivated by traditional grounds may limit mobility of labor thus preventing the efficient allocation based on more rational grounds.

The social changes tend to lag to the changes in industries. The differences in social, cultural and ethical background of Japan from those of the Western countries seem to have induced most of the Western economists to unduly emphasize these factors as enabling the "Japanese pattern of development". When income grow rapidly consumption which is conditioned by the experiences in the past will

tend to lag regardless of the fact that such experiences are named "traditional." What is more important for the growth is the spread of modern credit system that channels these funds into the hands of entrepreneurs. Today, feudal elements are disappearing rapidly from the Japanese social life as well as from economic structure. It is always tempting to attribute the experiences of Japanese economic development to the elements that were particular to this country in particular period. But such studies only help to illustrate the past but cannot serve as an useful guide for the future nor provide useful lessons to the less developed countries of today.

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