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ECONOMIC PLANNING IN JAPAN CRITICALLY EXAMINED

KONOSUKE YAMADA

It is only a short time since economics set about a new experiment of economic planning. A new trial of economic planning, which intentionally controls and conducts the national economy, was born in Soviet Union in the middle of the World Crisis in 1920's. It was, therefore, a challenge of socialism to capitalism and had the historical significance to examine the possibility of socialism. Nowadays it has successfully grown up to maintain a third of the world population and the word "economic planning" has closely been connected with socialism, sometimes exclusively with it.

As a post-war new phenomenon, however, capitalism also has ambitiously undertaken planning the national economy and brought a new phase into the planning issue. The phase has mainly been due to the development of operations research, cybernetics and model analysis, that is methods of praxiology. Besides, at the same time it gave an impuls to reconsider the traditional idea that capitalism is an antonym of planning. During twenty years after the war the number of national economic plans prepared in Japan is more than can be counted on the fingers of both hands and Japanese economics since 1955 has attained the stage of reconsideration of the traditional idea after passing beyond the pre-war level of national economic activities. Among these economic plans the Economic Self-Support Plan (1956-60), the New Long-Term Economic Plan (1958-62) and the Doubling National Income Plan (1961-70) were prepared on the basis of new methodology provided by her contemporary economics. As one glance at the term of plan will show, it is especially characteristic of these plans that none of them can remain to be valid up to the end of the term. As for planned targets, all plans were based on, so to speak, wishful miscalculations to underestimate the reality. And it results in an unbalanced growth of the national economy. Now, as a revision of the Doubling National Income Plan, there has been prepared by the Japanese Government the Medium-Term Economic Plan (1964-68).

This paper is thus concerned with the possibility of planning in the capitalist economy by the critical examination of this Medium-Term Economic Plan.

I

It will, at first, be necessary to clear up the definition of economic

planning, because we can point out an obvious change in the meaning of the expression "economic plan", which shows that it has not always been connected with the socialist economy only. When socialism stood for planned economy as an antithesis of capitalist anarchic production, an economic plan meant, above all, a system of economic directives aimed at changing the economic structure which was to be implemented by united will of the whole nation on the background of the strong state power. These three elements, that is, the state power, united will of the whole nation and changing the economic structure, were the essence of economic planning that was to assume compulsory planned targets, their realisation and transition of the national economy to a higher stage. A number of economic plans in Soviet Union had actually passed as such. Capitalism has also experienced a similar type of economic planning in the period of the War when the free economy was replaced by the controlled economy and the state could grasp the strong power through unification of the nation for war purpose. The war economic plan prepared in such a situation possessed three above mentioned elements and was implemented effectively as for example the Mobilisation Plan in Japan. Up to the end of the War the concept of planning was just as stated above. The change happened after the War.

In the literature on economic planning, rapidly increased after the War, one can find various definitions of it, which are commonly characterized by the lack of the three elements and conceives of economic planning on the basis of free economy. For example, we have such a definition that economic planning is to examine *ex ante* the possibility of realization of aims concerning the national economy under state plans,¹ or that it is the whole of economic policies with certain aims expressed quantitatively². Thus the concept of economic planning has substantially changed so that it means only preparation of a plan and excludes its implementation and realization. In examining economic planning we have to bear in mind the fact that there exists such a change in the definition on the background of the argument in favor of the possibility to plan the capitalist economy.

Capitalist economic planning is often called a prediction under the name of planning, since it assumes free economy and has no legal compulsion in its implementation. The fact, however, that a capitalist economic plan is prepared and authorized by a government, makes it different from an ordinary economic prediction. Because it may serve

¹ Yuzo Yamada, *Keizai Keikaku*, (Economic Planning) 1952.

² Saburo Ōkita, *Keizai Keikaku*, (Economic Planning) 1963.

the government as an instrument of politics rather than of controlling the national economy.

The Doubling National Income Plan has originated from the point of view of doubling salaries and wages which was consciously advocated by the then Prime Minister Ikeda just before the election to the House of Councilors in 1959. The Economic Council, entrusted with the preparation of the draft plan by him, calculated at 7.2% at compound interest for the annual rate of growth to double the national income for ten years. This figure, however, was, much to Mr. Ikeda's surprise, rather low for Japanese economy then marked the average annual rate of growth of 8.2% and so he, maintaining that more than 9% was probable for few years ahead, commanded the Economic Council to reconsider the rate of growth once more. The Economic Council got anxious in managing it but finally employed the flexible pattern of firstly higher and later lower rate of growth, because "you can not always leave no doubt an exact rate of growth and we have no ground to suppose that it is difficult to continue to grow at 9% on an average for some three years ahead."³ The government, however, failed in obtaining a consent of the government party, the Liberal Democrats, that insistently demanded to specify the figure 9%, the average rate of growth, for three years to come and to delete the draft plan of allocation of administrative investment in the report prepared by the Economic Council. It was also just before the general election in 1960. The government party also prepared the original report titled "The Conception of the Doubling National Income Plan" in expectation of the election, after which the Cabinet determination on the Doubling National Income Plan was barely made in the form of the Plan based on the Report of the Economic Council and guided by the Conception of the government party. These details can offer the explanation why there happened deviation of 10% in government consumption and 30% in government investment over each planned targets as early as in the starting year of the Plan. It would seem perhaps most fitting to say that the government found the political significance only in the announcement of the Plan and had not any intention to keep it from the beginning.

In Japan the Economic Planning Agency has no competence to compile the budget and to allocate the administrative investment. The planner, therefore, is completely separated from the means of implementation of the plan and so the economic plan actually remains to be an unheeded

³ The Nihon Keizai Shimbun, 6 Sept. 1960.

guidepost. In the case of the Medium-Term Economic Plan, the Cabinet determination was delayed nearly two months because of the conflict between all other ministries together with the government party, and the Ministry of Finance which had compiled the draft budget for the 1965 fiscal year on the basis of the draft plan prepared by the Economic Council. Finally, though the Ministry of Finance had made a concession in allocating public investment flexibly among ministries, the Cabinet decided to regard the Medium-Term Economic Plan as a reference in setting up economic policies, not as the core of them. It is due mainly to the representation from the business world that it may intensify the industrial distortion that the government places the plan in the centre of economic policies.⁴

As we have already seen, we have always enough reason to expect the national economy quite differ from the predicted state, even though economic prediction were scientifically carried out on the basis of plenty and enough reliable data. And it is the very characteristics of capitalist economic planning that nobody is responsible for implementation of it either in the process or in the result. We shall understand, therefore, that examination of methods employed in preparation of an economic plan can not be regarded as examination of capitalist planning itself but may be as one of econometrics at most.

Generally speaking, the scientific judgment concerning preparation and implementation of an economic plan must be through examination of three aspects: *firstly*, of the character of the national economy which is the object of planning, and of politics which is the subject of it. In capitalism where the economic subject of innumerable private enterprises independently with each other, undertakes most of national production on the basis of maximum-principle, it is very difficult to keep restrictions over the national economy such as an economic plan during a certain longer period, even though financial and monetary measures may serve temporarily as such a restriction. The traditional marxian literature denying the possibility of capitalist planning has rather too much concentrated its disputed point on this alien-to-planning character of capitalist anarchic production, though it is still a fundamental point in this issue. Actually, the emphasis solely on this point seems to be powerless against the illusion that a handicap of this character could be overcome to a certain extent by the development of planning methods. Politics, the subject of an economic plan, must be such as to pursue its purpose only from the standpoint of reasonably

⁴ The Asahi Shimbun, 7 Dec. 1964.

controlling the national economy. It is also very difficult or rather impossible, because it does consist of various representatives who pursue their own class interest. When the politics is suffering from the residue of feudalism, this difficulty will be much increased like in this country. *Secondly*, it is examination of planning methods. It is much more important compared with the first, for capitalist economic planning is destined to be an economic prediction as stated above. That will be the subject of the next section. *Lastly*, it is related to quality of statistical data applied for preparation of plan. It is closely connected with the first aspect and has not been examined sufficiently, although it is of the extreme importance. If we compare methods to machines, statistical data will be compared to raw materials and so what will happen is obvious, when we put coarse materials into machine, how it may be excellent and modern-fashioned. Economic statistics in capitalism have the structural deviation in the important fields such as profit, wage and employment etc, and is much inferior in reliability to that in socialism. In addition, we have to take into account of the special deviation particular to Japanese economic statistics and some technical problems such as improper classification. The third aspect comprehends many problems which remain untouched in this connection and also in this paper.

II

The Medium-Term Economic Plan is the first in this country which has been prepared on the basis of econometric models. We shall summarize the features of the Plan according to the report by the Economic Council.⁵ Firstly, it has succeeded in establishing consistency among the planned figures thanks to econometric models and is much superior to preceding plans in flexibility and exactness through possible successive improvements of the model and economic policies by aftercare of the Plan. Secondly, it has succeeded in complementary check by using jointly the super long-term, long-term and interindustrial models together with the medium-term model. Thirdly, and lastly, it, having introduced variables in monetary term as well as in real term, has succeeded in making price deflators endogenous variables and pioneers the new field in combining the economic plan with financial and monetary analysis. At any rate, it is quite obvious that the report has found the special feature of the Plan not in the conception such as

⁵ The Economic Planning Agency ed., Chuki Keizai Keikaku (The Medium-Term Economic Plan) 1965.

the new vision of Japanese economy, but in the novelty of the method preparing the Plan.

The medium-term model, on the basis of which all of planned macro figures have been calculated, consists of 23 structural equations and 19 definitional equations, and is a closed model with 19 exogenous variables and 42 endogenous variables. The model includes non-linear part because of introduction of series of wage and price, and, in solution, is treated as consisting of three blocs, that is, linear system of real expenditures, non-linear system of wage and price, and non-linear system of nominal incomes which is solvable by successive substitution. Therefore, it is not simultaneous decision model but successive decision model consisting of three sub-models.

In an econometric model, it is necessary to make the number of equations equal to the number of variables which are chosen in advance, and take a form of a closed model, or in a case of an open model to specify the number of exogenous variables equal to the degree of freedom among variables and render the model an actually closed model. As it is impossible to choose all of real complicated interdependencies and almost innumerable influencing factors into the model, we have to substitute them with an extremely small number of equations and variables. Therefore, these chosen variables and assumed relations must be restricted to the most fundamental ones on the basis of a certain theory. Nowadays Keynesian theory is generally used as such a theory for macro model building and, from the very nature of things, the variables and their relations must find themselves to be uniformalized and stereotyped independently of the particular historical and social character of the national economy as the object. Such a relation which is assumed on the basis of theoretical cognition for real economic processes, however, is only one type of relation in the econometric model.

As a more popular type of relation we can point out such a relation that introduces ratio of composition based on definition in the form of linear equation or substitutes the economic with the natural relation. This type of relation can be found mostly after the definitional equation in the medium-term macro model, too. From the standpoint of convenience in calculation this type of relation has a tendency to increase in number and it is getting more difficult to discern between the theoretical relation and this type of relation. In any case such a tendency tells us the poverty of contemporary economics including econometrics.

The last type of relation is the relation which we usually call the statistical equation. It is composed on the basis of correlation coefficients

which are calculated even among the theoretically meaningless factors. In a case of economic time series the magnitude of correlation coefficient does not necessarily mean the strength of causal relation, not to speak of the universal validity of the relation. Nevertheless, it comes from formalistic-mathematical requirements that these statistical equations are so often used in econometric model. As the econometric model is built presupposing to be solvable, the formalistic-mathematical requirements have very often priority to theoretical ones and, indeed, even the theoretical equation may sometimes be replaced by the theoretically nonsensical statistical one. This is also valid to the medium-term macro model.

Classifying equations of the medium-term macro model into groups stated above, the theoretical relation equation will be less than 3, composition-ratio equation more than 13 and statistical equation 7. Thus, this model is mainly based on the mathematical procedures, being isolated from the economic theory.

III

We shall dwell on what is stated earlier with regard to individual equation in detail.

The priority of technical standpoint

1) The individual consumption function is one of a small number of theoretical equations and is formulated as follows,

$$C = 567.1 + 0.75\left(\frac{Y_a}{P_c}\right)_{-2}$$

where C denotes real individual consumption, Y_a nominal individual disposable income and P_c composite consumers' price index number.⁶ This equation is derived from the following by Koyck transformation,

$$C = 341.4 + 0.436\left(\frac{Y_a}{P_c}\right) + 0.398C_{-2}$$

In spite of the fact that the latter is fitted to the post-war data better than the former and is theoretically more desirable in introducing downward rigidity of consumption, the former has been chosen because of the technical viewpoint that we have to solve non-linear sub-model as a

⁶ The unit of time lag is equal to a half-year and the observed period is ten years from 1953 to 62.

bloc of the model. In order to derive the former from the latter, the arbitrary assumption that the degree of influence of preceding income on current consumption is to decrease by geometrical progression over time has been brought in, depending on the empirical observation that the earlier in years preceding income is the smaller its influence is on the current consumption, and, moreover, the average yearly rate of growth of individual disposable income 9.7% (1959-62) has been applied in calculation of parameters. This means that the actual relation in economic processes is arbitrarily modified by technical conveniences, and logical contradiction that the growth rate of individual disposable income which should be got as a solution of the model has already been presupposed in model building.

2) The following has been chosen as the consumers' price function,

$$P_c = 58.9 + 0.959\left(\frac{C}{N}\right) + 0.391\left(\frac{w}{w_{-2}}\right) - 0.336\left(\frac{VL_{-2}}{V_{-2}L}\right) - 0.0193Z$$

where N denotes total population, w rate of wage, V real gross national products, L total employment and Z damie coefficient. If we don't separate the rate of change of labour productivity and of wage as above, we will obtain

$$P_c = 64.5 + 0.968\left(\frac{C}{N}\right) - 0.422\left(\frac{VL_{-2}}{V_{-2}L} - \frac{w}{w_{-2}}\right) - 0.019Z$$

As you see from two equations above, the degree of influence of real consumption per capita over consumers' price is changeable according to whether we regard the change rate of labour productivity and of wage as independent factors or not, in other words, according to how to formulate an equation, and as the natural result of it the parameters which are to indicate the degree of their influence over consumers' price will also be different. Therefore, it is undisguisedly shown that, in contrast to explanation of econometrics, parameters can not indicate the influence of each factor over consumers' price quantitatively. When we use nominal consumption instead of real consumption, then all parameters will take the different value once again. What is the criterion to choose one among so many alternative equations? Only the technical criterion can be left in hand such as the standard error of the equation, the stability of parameters or, in this case, the inter-connection in calculation between the nominal value- and the real value-submodel. Indeed, as the theoretical meaning of parameters is ambiguous, it would be rather inconsistent to use the nominal instead

of the real consumption faithfully to the theory.

3) The same procedure can be pointed out in the wage-labour demand function,

$$\frac{wL}{pV} = 48.5 - 0.0305\left(\frac{I_p}{I_{p-2}}\right)_{-1} - 0.0579Z$$

where I_p denotes real private equipment investment, L_w employee, p composite price index number and others are the same as before. In this equation total nominal wages are confronted with real gross national products multiplied by composite price index number, disregarding the fact that the model includes nominal national income as an endogenous variable. This is also based on the consideration to take composite price index number as an endogenous variable. Moreover, we have to notice the term of real private equipment investment, which is expressed in the form of yearly rate of change with time lag of one period. As it concerns wage-labour demand, it is theoretically unexplained to relate it to change rate of private equipment investment and with time lag at that. The period of a half-year can not also be regarded as an average gestation period in this country and, in the long run, we can not help considering it as the artificial procedure aiming at a high correlation coefficient. In economic statistics it is a well-known fact that we can increase it by such a procedure as for any economic time series up to ± 0.9 .

4) The 23rd equation of the medium-term macro model is the statistical equation of mining and manufacturing production

$$O = -20.30 + 0.0185V + 0.212Z$$

where O denotes the index number of mining and manufacturing production. As this has been introduced in order to make the model closed, it is theoretically meaningless and you can formulate any statistical equation of such a role as you like. However, you can never theoretically explain the difference among the variants which are to be obtained according to the alternative statistical equations. In the system of simultaneous equations, moreover, where every equation works quite impartially, equally, there is no substantial distinction between the theoretical and the statistical equations.

5) Another problem is raised by the total employment function,

$$\log_{10} L = 3.44 + 0.281 \log_{10} L_w - 0.0001859Z$$

The report by the Economic Council says that the production function

with net capital stock which was intended for it in the beginning has been rejected on account of instability of estimated parameters. But stability of estimated parameters is verified by the national economy of the past and does not always mean that the estimated parameters will be stable in the future, too. For the reason that empirical studies may contribute to discovering economic law controlling real processes, the empirical method is regarded as one of methods of economics. Therefore, it can not reject the theory on account of stability of correlation coefficient in a relation theoretically meaningless or wrong. Especially, in a case of economic phenomena we can not assume the identity of conditions under which economic process goes on, differently from natural phenomena and therefore we should pay attention to that the stable and high correlation coefficient obtained not on the basis of theoretical results does not suggest the existence of the hidden theory.

The disregard for the special features of Japanese economy

1) The biggest miscalculation in the Doubling National Income Plan has been the estimation of private equipment investment, which was found to be 80% below the realized during the first year of the Plan. Though it was estimated on the basis of private fixed capital stock and its growth rate in the Plan, in the Medium-Term Economic Plan it is treated as the function of enterprise disposable income deflated by price index and average loan interest of national banks. That is,

$$I_p = 1958.4 + 2.506 \left(\frac{Y_c - T_c}{p_i} \right)_{-1} - 799.0i$$

where Y_c denotes nominal corporate income, T_c corporate tax and non-tax share, i average interest rate on loans of all banks and p_i price index number of investment goods. If I_p had behaved fundamentally depending on these factors, many of today's serious problems around it would have not appeared. The difficulty has been brought forth by the fact that enterprises made equipment investment beyond their own financial ability. According to the Interim Report examining the Doubling National Income Plan, the recent overgrowth of private equipment investment in this country has been brought about partly by "the excessive intention to increase a market-share and the partially blind expansion for the sake of expansion in some enterprises" and partly by "the loan competition through systematic financing among banks". The Interim Report also says that it would be difficult to change in a short period the circumstances, which have their roots

mainly in historical and institutional factors⁷. It is nothing but the disregard for the special feature of Japanese economy that the same Council that had prepared this report has now applied the equation above mentioned for a behavioral principle of the enterprises to invest capital, of which the own capital ratio to total capital has been at the level of 20% in these years.

Recently it has been quite usual for the enterprises to delay payment for raw materials and new equipment in a form of an account payable or a bill of debt. At the end of 1964 total credit sold (an account receivable, a bill receivable and a discounted balance of bill receivable) amounted to some 20,000 billion yen roughly equivalent to two times as much as at the end of 1960 and the ratio of it to the receipts has remained to be 110% since 1961. Furthermore, the ratio has maintained such a high level disregarding to tight or slack financing. It is obvious that we can not only explain the behavior of private equipment investment in Japanese economy in terms of disposable income of enterprises and visible interest rate but also not seize even the direction of its change. Therefore, we can point to the fundamental defect of econometric model analysis lying in the very fact that real relations in economic processes are easily transformed to artificial and fictitious relations from a technical viewpoint.

2) Another defect of the econometric method is exposed in the depreciation reserves function too,

$$D_p = -286.4 + 0.148V - 1.316Z$$

where D_p denotes capital depreciation reserves and others are the same as before. It would be natural that capital depreciation is connected with fixed capital stock from the viewpoint of either material or theory. However, recently fixed capital stock has rapidly increased owing to the abnormal boom of equipment investment since the end of 1960 and capital depreciation also has been reserved excessively for a withdrawal of investment and a rapid technical development. Consequently, capital depreciation connected with fixed capital stock may be too much for the future amount of the latter, assuming that recent abnormal behavior of equipment investment will be brought to the normal in the near future. It means that this behavior changes its pattern in spite of the fact that it is always assumed to be unchanged in the future in econometric analysis. The capital depreciation reserves,

⁷ The Economic Council ed., Kokumin-shotoku Baizo Keikaku Chūkan Kento Hōkoku (The Interim Report examining the Doubling National Income Plan) 1964, p. 239.

thus, has been related not to fixed capital stock but to real gross national products which includes not only material production but also service production where organic composition of capital is clearly different. In other words, as for the future amount of capital depreciation reserves an equation is chosen so as to fit a certain amount of capital depreciation reserves which had been already kept in mind. It might as well be said that we still live in the period of measurement without a theory.

3) In the beginning the medium-term macro model consisted of 19 definitional equations and 24 structural equations, the additional to which was the interest rate function,

$$i = 1.92 + 0.181\delta - 0.00012(M_{-1}^d - M_{-2}^d) + 0.259Z$$

where M^d denotes balance of money supply and δ bank rate. In the long run, however, it was rejected on account of objections by the Bank of Japan and the Ministry of Finance and i has come to be treated as an exogenous variable like M^d and δ . In the capitalist economy a financial and monetary measure is the only means in hand of the government which tries to control the national economy more or less effectively. Therefore, the fact that this function was rejected by the government teaches us that the government does not put confidence in econometric method preparing the plan or does not want to be restrained in controlling the national economy by the plan. In any case it is obvious, at least, that the plan is not worthy of the name of a plan.

IV

In the medium-term macro model the two-stages least square method and the limited information maximum likelihood method are applied for the estimation of parameters in addition to the least square method, which has been exclusively used in the preceding plans. In the model the number of equations of which parameters have been estimated by the limited information maximum likelihood method is 14, by the two stages least square method is 4, by the simple least square method is 1 and the remainder is such an equation of which the estimated values by these three methods coincide with each other. Formally speaking, as all these equations are closely connected with each other, all parameters of all equations should be simultaneously determined by the single method of estimation. In fact, the maximum likelihood method was intended to apply to every equation in the beginning but was actually applied partly because of the unsatisfactory condition of sign,

excessive difference from the estimate by other methods or excessive standard error of the equation compared with by other methods. It is also well known that this method has been devised as such a method applying to a linear shock model of which stochastic variables are assumed to be of normal distribution with a certain restriction. As such a method applying with a severe condition is obviously not so effective for the reality, then a case when this method does not fit often happens naturally and therefore a problem turns into how to choose a possible alternative method relying upon technical indices such as correlation coefficient. Because econometrics cannot offer any theoretical ground to judge the significance of behavior equation except the technical ground, having built the model only from the technical standpoint. The essence of such a way of thinking is nothing but the expectation that a quantitative relation among the variables will follow the same path in the future as in the past. Reminding that in 1920's, when it had turned to be impossible to expect the same pattern in the future as in the past, economic forecasting appeared for the first time, the limit of such an approach as seeking more accurate prediction only in improvement of methods might be said to be clearly exposed in the whole history of econometrics.

Econometric prediction is often said to be a conditional prediction, and that is true also of the Medium-Term Economic Plan. It simply means that econometric prediction is presupposed to be given the political means expressed quantitatively and data as the assumptions and hence it is not responsible for the discrepancy caused by changes in these assumption. Furthermore, it means "we are in a position to verify quantitatively what extent of the discrepancy between the realized and the planned figures is depending on that of political means and data and what extent of it is on error in estimation of parameters. In revising the plan, the planned figures can be replaced on the basis of more realistic data and political variables, and structural parameters also can be reestimated on the basis of new informations. Hence the accuracy of prediction will be much more improved."⁸ Though we agree that it is a conditional prediction, the third assumption, in addition to the political means and data, must be added, that is the assumption that the composition of equations involved in the model is reasonable one. The verification of contribution to the above mentioned discrepancy is carried out by the simulation test, by which the discrepancy between the realized and the planned figures of one variable is systematically pursued on the basis of the model alternatively re-

⁸ The Economic Planning Agency ed., *ibid.*, p. 76.

garding to a simulative set of values allotted to the remained variables. Therefore, this test assumes also that the model sufficiently corresponds to the behavior of the real mechanism and, in other words, is theoretically reasonable one, because, if not, then the above mentioned discrepancy can not be regarded to be homogeneous and all in quantitative dimension, that is, it consists of not only an error in estimation of parameters and the difference in political means and data, but also of the deviation originated in an unreasonable model. As it is only for the past that a model may be verified to fit the real mechanism of the economy, the prediction would still be repeated at the same stage of accuracy as before, even if the plan is revised in such a way.

Lastly, we shall refer to a reason supporting national economic planning by means of econometric methods in spite of such fundamental defects as mentioned above, the reason being that to do something, however defective it may be, is better than do nothing. The reason may be valid only in a case when an approach is on the affirmative route to the end. Moreover, in the case of national economic planning its preparation necessarily accompanies either social or political responsibilities. Therefore, in preparing it we have to start, above all, from detailed examination of results of the preceding plans and the reconsideration of planning methodology applied in them. Planning experiences must be accumulated one by one and every national economic plan must be connected with the preceding one not only in time but also in methodology in such a way that it is prepared on the basis of methodological reconsideration of the preceding plan. It is a minimum prerequisite to the assertion that to do something is better than do nothing. But it is not satisfactory in this country where national economic planning has been prepared every time on the basis of imported foreign experiences or has been offered a tentative application of newly developed methods in foreign countries. Planning experiences in Japan tell us that her economy and politics are not so simple as to assume that an improvement of method directly results in qualitative progress of national economic planning, and her statistical data are not yet so high in quality as to discuss only the quantitative accuracy of a national economic plan. Disregarding all these circumstances surrounding a national economic plan being only proud of application of electronic computers in preparation of the plan, and emphasizing the aspect of a conditional prediction as the Medium-Term Economic Plan does, we can state with a firm assurance that to do something would not always be better than do nothing. (March, 1965.)