

Yutaka Kosai / translated by Jacqueline Kaminski

The Era of High-Speed Growth

UNIVERSITY

The Era of High-Speed Growth

Notes on the Postwar Japanese Economy

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translated by
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The Era of High-Speed Growth

Preface

This book is one viewer's history of the contemporary Japanese economy, from 1945 until the early 1980s. I have attempted to clarify the correspondence between (1) macro and micro, (2) the real and the financial aspects of the economy, (3) data and explanation, (4) "illustrations" and analysis, and so on, and in each instance to strike a balance between the two. Through my professional work as an economist, I am most familiar with the figures on the macro economy from the National Economic Accounts, and a primary concern of this book has been to present the substance in this form. Furthermore, attention to both the real and the financial aspects of the economy reinforced my conviction that Japan's rapid growth was promoted in unexpectedly close accordance with the game rules of classical capitalism.

A balance between data and explanation, "illustration" and analysis, is associated with a style more narrative than analytical. No specialist at historical narrative, I generally set ease of reading as the standard to strive for. Basic documents and summary statistics are interspersed with the text and arranged as conveniently as possible in order to give immediacy to the narrative. Historical writing entirely in analytical language breeds tediousness, and the abuse of metaphors laden with value judgments should also be avoided.

The writing of this book was occasioned near the end of 1977 by the urgings of Hayashi Yasunori, then editor-in-chief of *Keizai semina* [Seminar on the Economy], to run a serial history of the contemporary Japanese economy in his journal. These articles were carried monthly from April 1978 to March 1979 under the title "The Course Taken by the Japanese Economy." During that time I received encouragement from Mr. Hayashi's successor, editor-in-chief Horioka Haruo, and from Moriya Katsumi. When these materials were gathered together into a book, I became once again, as with my previous book, much indebted to Tanaka Toshiro. In addition, at that point I rewrote the

prologue and epilogue and added a number of touches in several other parts.

At the beginning of 1978, after having agreed to write the series of articles, I was appointed chief of the Price Bureau's Price Adjustment Division at the Economic Planning Agency. This put me on the front lines of price administration matters such as negotiations with each ministry over the setting of public utility rates. It also curtailed my free time, and more than once I found myself drafting an article beginning on a Saturday night and somehow or other polishing it off sometime Sunday. But, despite the pressure of time, I am grateful for the opportunity of writing the articles. The process contributed to my own sense of self-worth at the time, and it enriched my life. I would like to express my appreciation to my superior in the Price Bureau at that time and to all my colleagues, who kindly guided and assisted me in my capacity as a public servant.

I was greatly benefited by the guidance of a number of teachers and senior colleagues, including Shinohara Miyohei, Nakamura Takafusa, Sakisaka Masao, Kanamori Hisao, Shimada Katsumi, and Uchino Tatsurō, and was privileged to have their participation on any number of occasions in retrospective examinations of the Japanese economy's movement through time since World War II. The work done at that time has both directly and indirectly provided the basis for this book. For this I must express my gratitude to each of the individuals involved. Needless to say, however, any errors included in this book are my responsibility alone.

Finally, on a personal note, I would like to call to mind the memory of my deceased father, immersed as he was in his hobby of ancient literature; and I would like, as well, to see my family, which has long shared in my joys and sorrows, take pleasure with me in the publication of this book.

February 1981

YUTAKA KOSAI

Preface to the English Edition

It is my great pleasure that my book, *Kōdo seichō no jidai*, has been translated into English. I hope that it will have something to say to readers outside Japan about the postwar Japanese economy and its political and social setting.

The original Japanese edition, which was published in 1981, was written for readers who, as the author's contemporaries, had had more or less the same experiences. Some explanatory notes have been inserted where references were thought to be a bit difficult for non-Japanese readers to comprehend easily. For example, Marxist views on economic growth are frequently referred to in the first half of the book: this is because theoretical Marxism was an important force among Japanese intellectuals and economists in the 1950s and 1960s (although its influence has rapidly declined since that time); without knowing this fact, which Japanese take for granted, readers will be unable to understand why Marxist views are referred to with such frequency in a discussion of growth in a capitalist economy.

Some of the statistical data quoted in this book have been revised; however, in most cases I decided it would be preferable not to employ revised figures, so that White Papers, reports, and other documents are accompanied by the statistics on the basis of which they were compiled. In a few cases, more recent figures have been added for purposes of comparison. Documents on the Japanese economy issued by the Occupation authorities and other overseas source materials are quoted in the original English wherever the original version was available to the author or translator. In a few cases, where searching failed to turn up original documents or reports, quotations are retranslated from Japanese or paraphrased. In spite of all these difficulties, I hope this book will add to understanding of the Japanese economy and its rapid growth beginning in 1955.

I am indebted to many people who worked toward the publication of

both the English and Japanese editions of this book. In particular, I would like to express my deep appreciation to the translator, Jacqueline Kaminski, and to Director Kazuo Ishii and editor Susan Schmidt of the University of Tokyo Press.

September 1985

YUTAKA KOSAI

The translator would particularly like to thank Yoshifumi Miyagi and Nobuhiko Tsuzuki for their patient and painstaking assistance in illuminating obscurities and dispelling befuddlements that arose at many a turn in the preparation of this translation.

JACQUELINE KAMINSKI

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The Era of High-Speed Growth

Prologue: The Course of Rapid Growth

Between 1945 and 1970 the Japanese economy achieved what is rare both historically and by international comparative standards: growth at the high annual rate of nearly ten percent. This book takes a retrospective look at historical events during that period. In this section, I will give an overview and then set out a number of macroeconomic statistics that will give quantitative specificity to our subject. In conclusion, I will raise several issues which warrant investigation.

The postwar Japanese economy may be roughly divided into three periods: the recovery from 1945 to 1955, the ensuing period of rapid growth ending about 1970, and the adjustment period of the 1970s and early 1980s, characterized by a general movement toward stable growth.

During the recovery, economic growth was high but the standard of living was low, and international payments deficits, unemployment, and inflation afflicted the economy. In the rapid-growth period that followed, the growth rate began to rise and the living standard turned upward as well; international accounts shifted into balance, full employment was achieved, and price increases were mild compared to those of the immediate postwar years. Supporting this period's high growth was the technological revolution proceeding in a wide range of fields, aimed at catching up with the advanced countries and driven by firms' ardent desire to compete.

This rapid growth was bound to come to an end sooner or later. However, what actually succeeded rapid growth was a process whereby growth was sharply reduced. This process was initiated by the series of shocks consisting of the revaluation of the yen, inflation, the oil crisis, and so on, that occurred at the beginning of the 1970s. Plagued by the trilemma of rising prices, unemployment, and international payments imbalances virtually throughout the 1970s, the Japanese economy, with its lowered rate of growth, was compelled to adapt to a new (and lower) growth path.

Table 9-1. Summary of Reconstruction and Growth

	Reconstruction Period		Rapid Growth Period		Adjustment Period		Stable Growth Period	
	1946-50	1951-55	1956-60	1961-65	1966-70	1971-75	1974-80	1981-85
Economic Growth Rate (%)	9.4	10.9	8.7	9.7	12.2	5.1	5.1	4.4
Rate of Price Increase (CPI, %)	44.4	6.3	1.5	6.1	5.4	11.5	6.4	2.7
Unemployment Rate (%)	1.0	1.7	2.0	1.3	1.2	1.4	2.1	2.5
Balance of Payments (\$ millions)								
Current Balance	634	524	115	-1,358	6,201	6,912	1,933	25,222
Trade Balance	-939	-1,963	468	1,955	13,626	26,990	11,268	35,388
Growth Conditions	Reconstruction	Independence	Technological Revolution, Modernization		Emergence of Superpower	Yen Revaluation, Oil Crisis	Adjustment	Stable Growth
Prices	Postwar Inflation	Inflationary Disturbances	Stability	Productivity Differential Inflation	Import Inflation	Hyperinflation	Effort to Stabilize	Stability
Labor Supply	Over-supply	Over-supply	Over-supply	Shortage	Shortage	Over-supply	Equilibrium	Equilibrium
Balance of Payments	Deficit	Deficit	Equilibrium	Equilibrium	Surplus	Fluctuating	Fluctuating	Surplus

Source: From Kokumin shotoku tokei [National Income Statistics]. Figures for 1981-85 are based on the quarterly forecast of the Japan Economic Research Center, July 1985.

Note: For the 1946-50 period, the first year for which data are available varies; the figures in column 1 are averages for 1946-1950 in some cases and for 1947-1950 in others.