

# Japan at the Crossroads

## I. The Developmental State and Postwar Growth

A. Role of the State

B. Business and Labor Organization

C. Japanese Economic Culture

D. International Context

## II. Japan Inc. Falters

A. The Economic Bubble

B. The Political Bubble

## II. Japan into the 21st Century – Reform or Stagnation?



# I. The Japanese Developmental State and Postwar Growth

- (A) Role of the State
  - Mercantilist Trade and Industrial Policies (Strategic/Export Sectors)
  - Ministry of International Trade and Industry (MITI)/Ministry of Economy, Trade and Industry (METI)
  - Insulated Bureaucracy



*Sayonara Detroit*

# I. The Japanese Developmental State and Postwar Growth

- (B) Business and Labor Organization
  - *Keiretsu*
  - Market Share and Just-in-Time Production (JIT)
  - Company Unions and Lifetime Employment
- (C) Japanese Economic Culture
  - Work Ethic
  - Collectivist Values
- (D) International Context



# Japanese Keiretsu

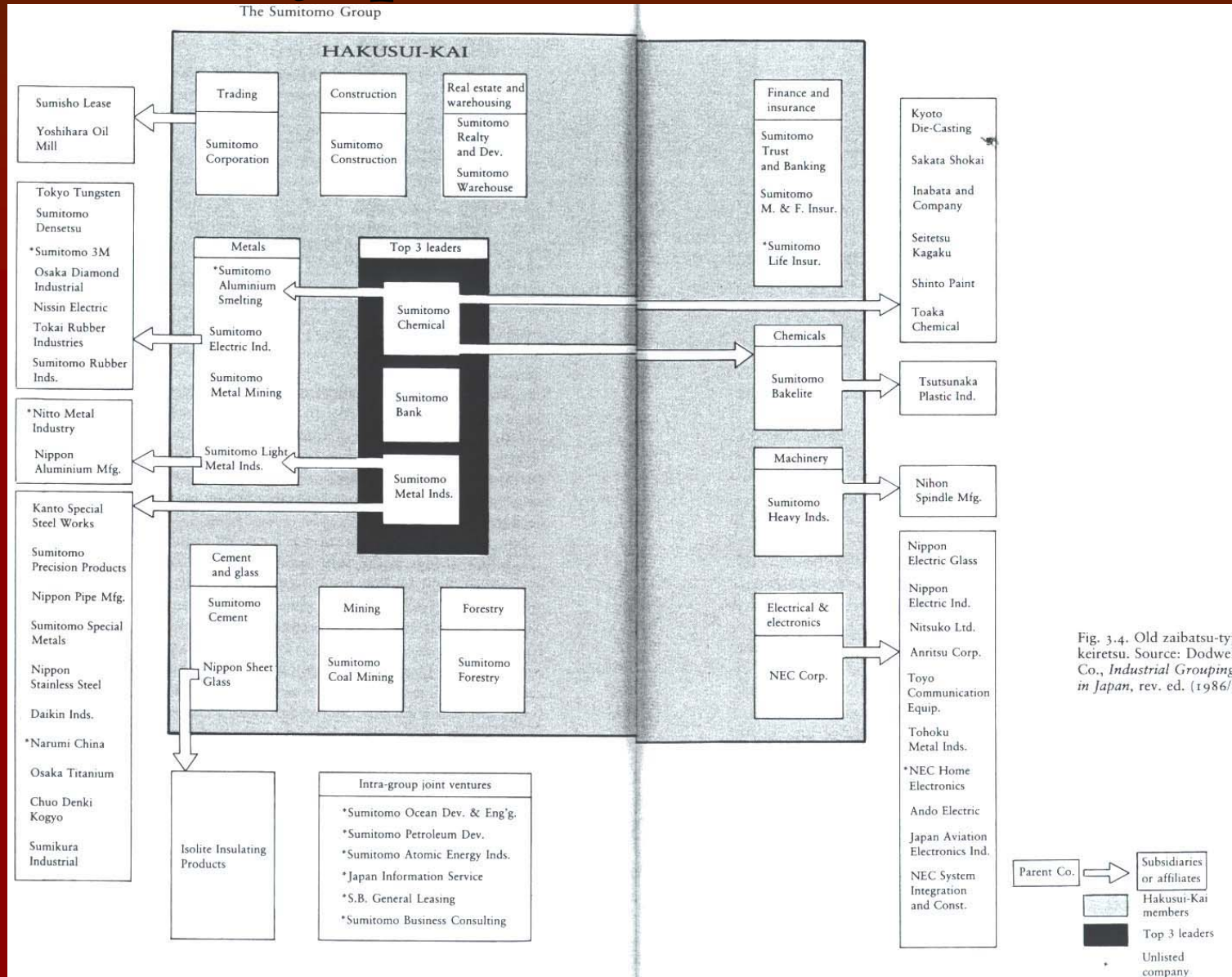
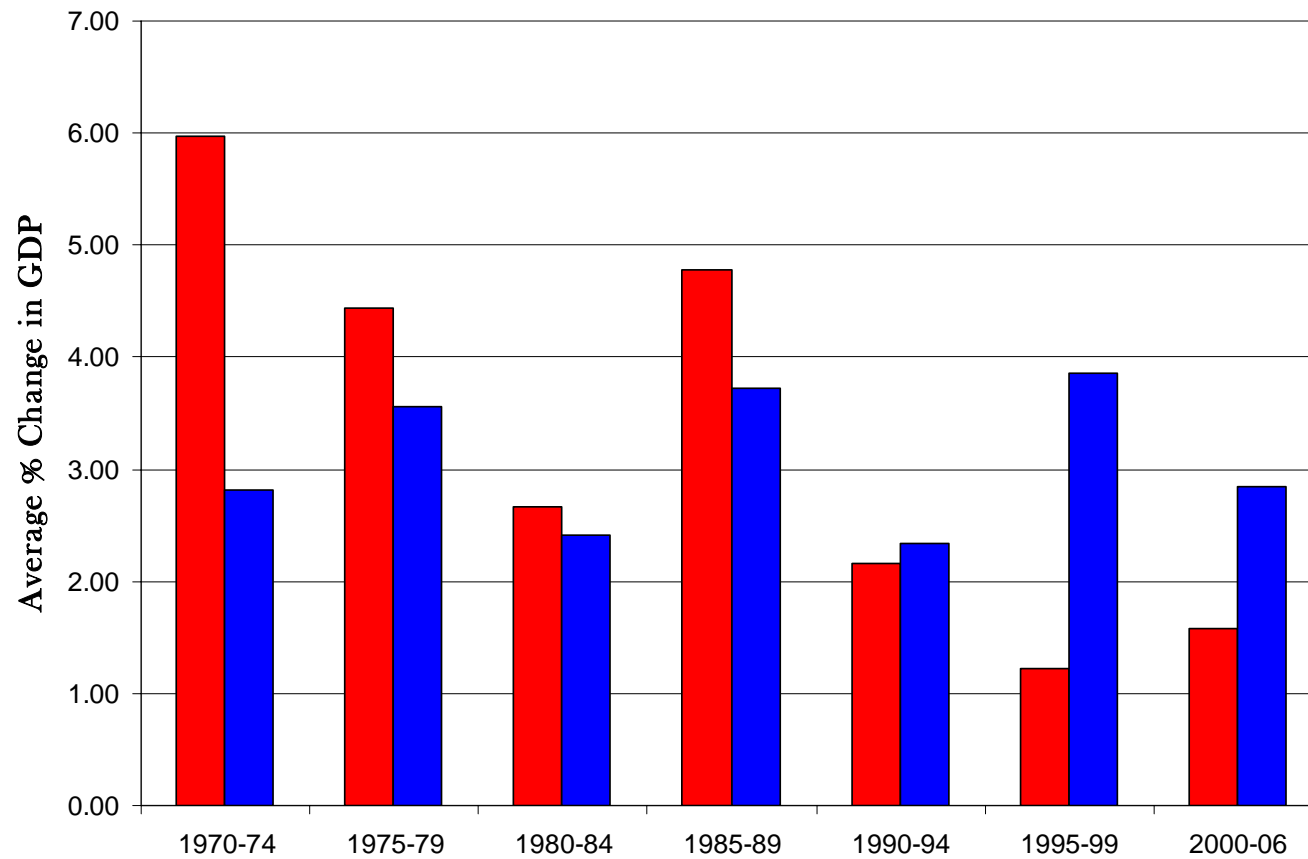


Fig. 3.4. Old zaibatsu-type keiretsu. Source: Dodwell & Co., *Industrial Groupings in Japan*, rev. ed. (1986/87)

# Japanese Economic Performance

GDP Growth: Japan v. US, 1970-2006

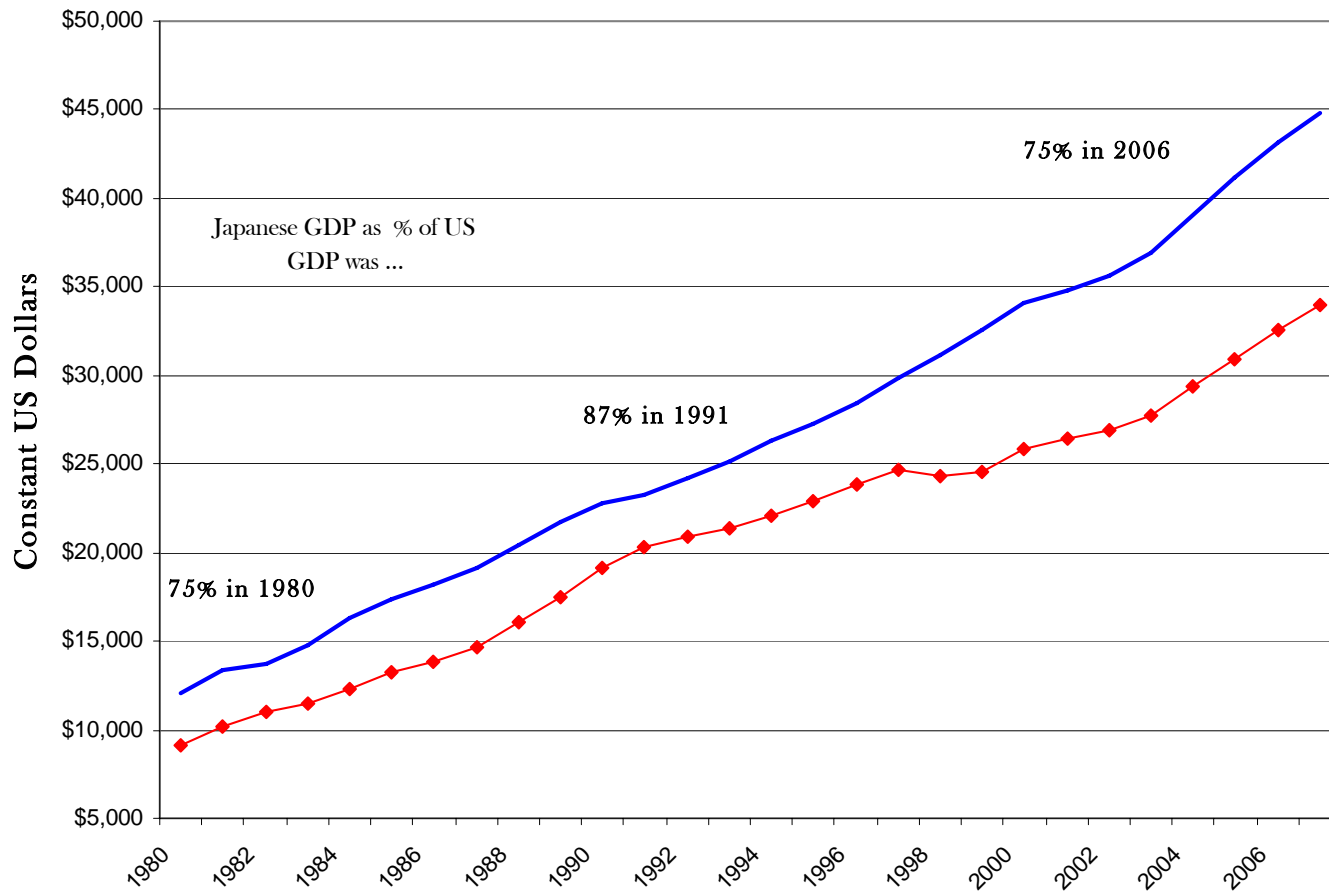


Source: IMF

■ Japan ■ United States

# Japanese Economic Performance

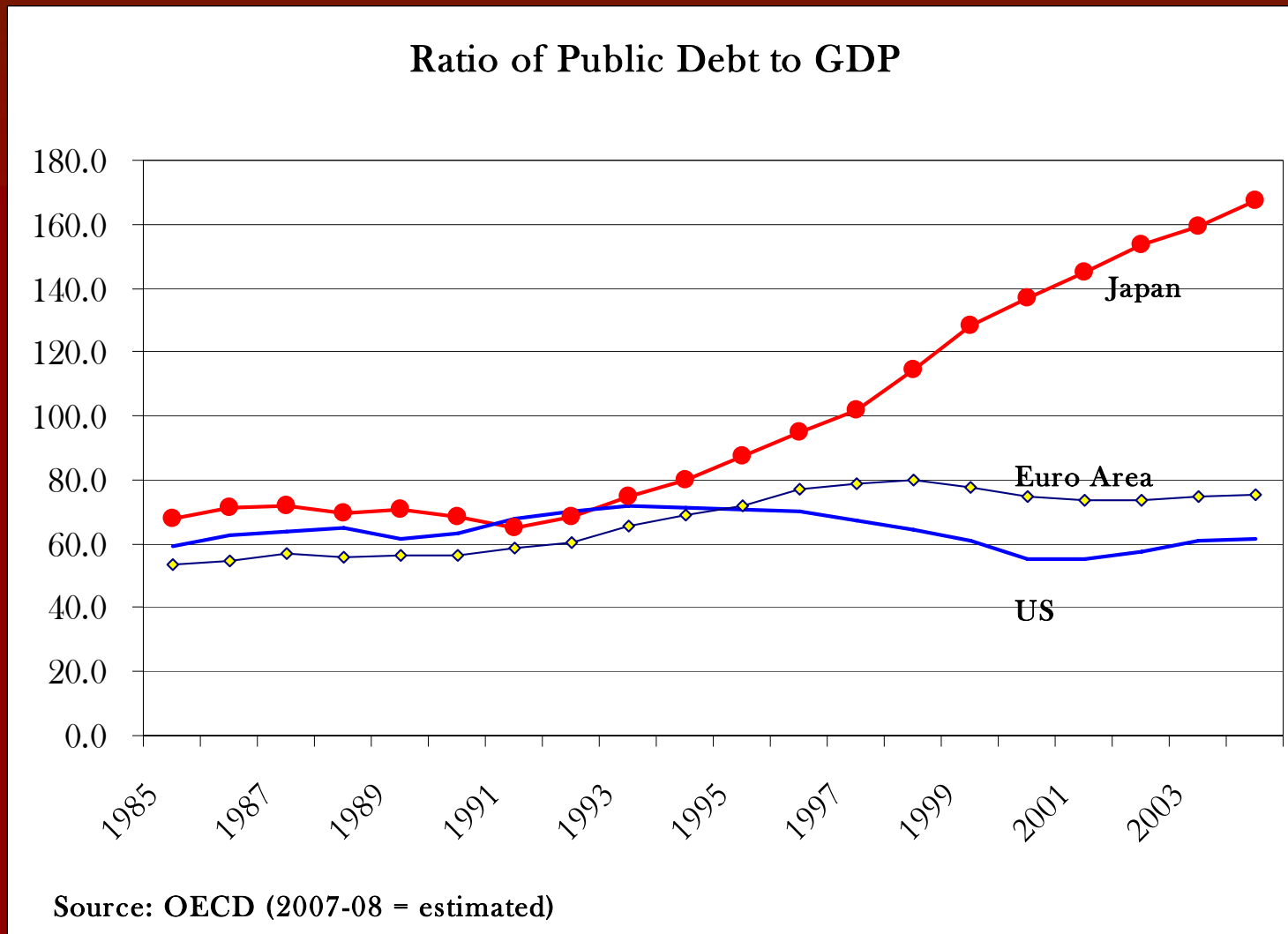
Japan v. US -- per capita GDP at PPP



Source: IMF

◆ Japan — United States

# Japanese Economic Performance



## II. Japan Inc. Falters

- The Economic Bubble
  - Real Estate and the Stock Market
  - Banks, *Keirestu*, and Debt
  - Consumption and Deflation
  - Japan's 'Dual Economy'
- The Political Bubble
  - The LDP and Bureaucracy
  - Preference for the status quo

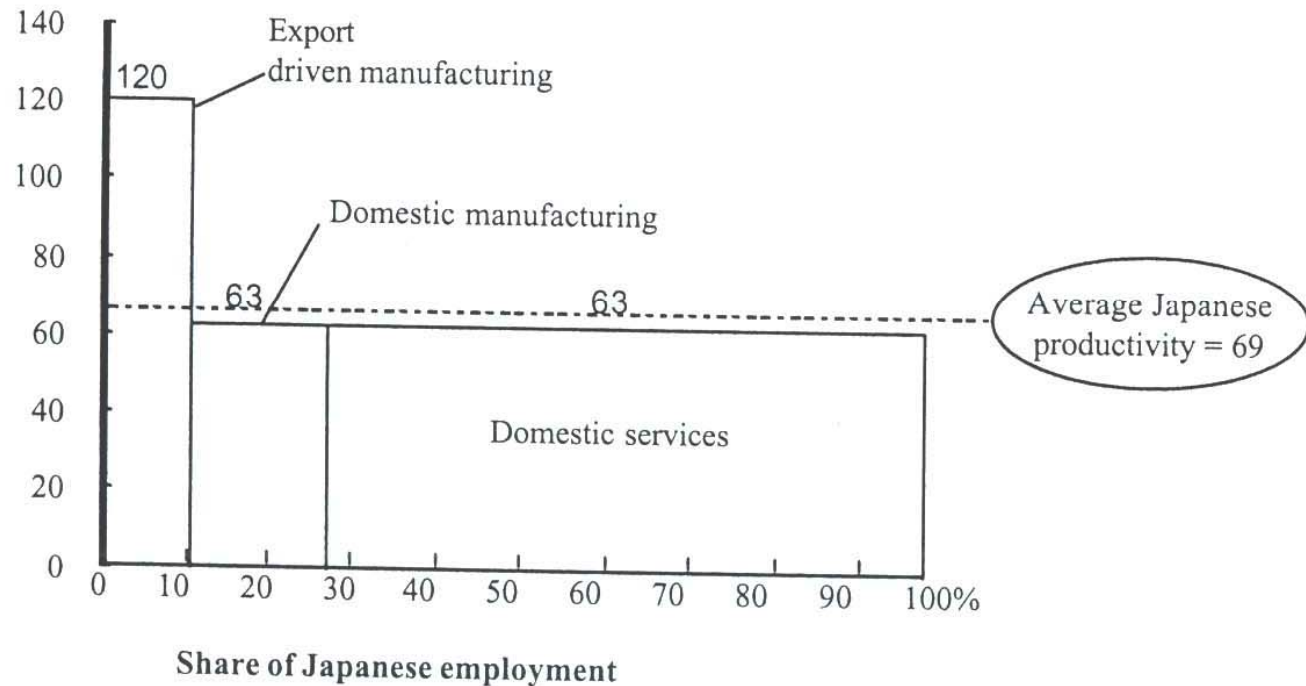
Koizumi couldn't  
smash through  
Japan's problems...



# Japan's Dual Economy

Exhibit 3  
JAPAN'S DUAL ECONOMY

Labor productivity index



\* Index: United States = 100 in 1999

Source: OECD; O'Mahoney, Britain's Productivity Performance 1950-1996: an international perspective; McKinsey analysis

# III. Japan into the 21<sup>st</sup> Century – Reform or Stagnation?

- Junichero Koizumi's *attempts* at reform
  - Postal Savings Bank privatization
- Return to status quo in LDP
  - Shinzo Abe's failed premiership
  - Yasuo Fukuda as PM
- 'Iron Triangles' intact
  - Lack of consensus for change
- History of adaptation and change



Yasuo Fukuda...  
old school.