
MITI: Myths And Miracles

by Michael Savage-Morton

After the Second World War Japan underwent a recovery and then experienced a period of extremely high economic growth. What occurred is not in doubt, the endless statistical surveys can confirm the nature of the growth. In itself, the figures are revealing. At the domestic level, compared to past performances, the growth is very strong. Comparative to international benchmarks, it is miraculous. When the high speed growth occurred is not in doubt, the statistics reveal the periods the different levels of growth were attained. However, Japan's post-war economic recovery and growth has stimulated extensive discussion as to what was the source of the phenomenal growth. Why did the economic growth occur? Because of the conception that Japan has a bureaucracy that dominates decision making, and the belief that the Ministry of International Trade and Industry (MITI) actually orchestrated and directed the economic miracle, there will be focus on this theory. The central thesis of this paper will be an attempt to dispel the myth that the MITI manufactured the miracle. Attention to this theory will not be to the exclusion of all other possibilities. As a result, this paper will canvass and discuss the different variables that could have contributed to Japan's 'economic miracle'.

The bureaucracy is central to any discussion on the success of the Japanese economy. In some studies, emphasis on the bureaucracy is such that it is not simply a variable in the explanation of Japan's 'economic miracle', it has become the explanation. The publication of Chalmers Johnson's comprehensive study in 1982,¹ "appeared on a superficial reading to give substance to the allegation of monolithic mobilisation of the Japanese economy."² With an extensive array of statistics from 1926 to 1978, Johnson extrapolates the data with a different base line to show how the Japanese economy increased fifty five fold in the post war period from 1946 to 1976.³ Japan has the second largest economy in the world whilst only occupying a third of a percent of the world's surface, and with about three percent of the world's population. Regardless of how phenomenal the figures are, or how they are comparatively made to look, the fact that the statistics are impressive are not in doubt. What has been accomplished, is not in doubt. The question is how did Japan achieve the economic growth rates that she did? What needs to be done is to put "flesh on the bare bones of statistics,"⁴ and give some feel to the nature of the change and what could have contributed to facilitate those changes. Johnson argues that the locus of Japanese economic decision making is in the bureaucracy, his exclusive focus on the MITI precludes any appreciation of other variables. Johnson claims that "the elite bureaucracy of Japan makes most major decisions, drafts virtually all legislation, controls the national budget, and is the source of all major policy innovation in the

¹ Johnson, C., *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982).

² Wilks, S. and Wright, M., eds, *The Promotion and Regulation of Industry in Japan* (New York: St. Martin's Press, 1991), p. 15.

³ Johnson, *MITI and the Japanese Miracle*, p. 6.

⁴ Stone, P.B., *Japan Surges Ahead: The Story of an Economic Miracle* (New York: Frederick A. Praeger, 1969), p. xiii.

system.”⁵ On the surface, the claims attribute to the Japanese bureaucracy, power unsurpassed by any government institution. These claims need to stand up to some scrutiny.

The bureaucratic regulation thesis⁶ is condemned by many as being too narrowly focused on only one cause, when there are multiple reasons for economic growth. There are three levels of analysis for such an inquiry: the national, which is macro; sectorial, which is meso; and policy network, which is micro. Analytically they are separate, however, when looking at the economy of a country, the analysis has to be consistent across the three levels, and thus they are linked.⁷ Johnson’s macro level model provides a general approach that is applicable across Japanese politics and society as a whole, “but it does violence to the variety of policy dynamics between industrial sectors and between economic and non-economic policy sectors within Japan. Hence Johnson has been extensively criticised by researchers working at the meso- or micro-levels who find many exceptions to the model he outlines.”⁸ The meso and micro level accounts are valuable correctives to the broad generalisations of the macro level model. There is a deep seated interest in how they do it somewhere else, a search for “the ‘efficient secret of economic and industrial miracles.’”⁹ This process naturally involves studying other nations, industries and firms.

There can be no doubt that the MITI had sponsored an array of legislation and applied considerable pressure in an effort to direct the economy. However, evidence suggests that there were equally important initiatives from other factions. For example, there were “initiatives coming through the Policy Affairs Research Council of the LDP and through specific clusters of LDP parliamentarians.”¹⁰ Private concerns would also have had their input, multinational companies and private banks had their interest to protect and voiced their opinion in various forums. The Ministry was a significant player in the game, but it was not the only player on the field, and it did not have the game all to itself. Unlike Johnson, Friedman admits the pervasiveness of the bureaucracy in the Japanese economy. However, he puts the influence the MITI had in context, without attributing all outcomes to MITI, and he does consider some of the other concerns.

Friedman’s book is a blistering attack on Johnson’s bureaucratic thesis. In outlining the thesis, in part he states that,

[t]he idea that bureaucratic control of the economy was crucial in generating growth has stimulated some provocative research on Japan, but the argument has basic problems. One is methodological: most studies simply assert that a given policy led to desired economic outcomes, assuming that the promulgation of a regulation or law is the same as proof of its effectiveness.

⁵ Johnson, *MITI and the Japanese Miracle*, pp. 20-21.

⁶ Friedman, D., *The Misunderstood Miracle: Industrial Development and Political Change in Japan* (Ithaca: Cornell University Press, 1988), p. 3.

⁷ Wilks and Wright, *The Promotion and Regulation of Industry in Japan*, p. 327.

⁸ *Ibid*, p. 34.

⁹ Wright, M., "Policy Community, Policy Network and Comparative Industrial Policies", *Political Studies*, 36 (1988), p. 593.

¹⁰ Pempel, T.J., "The Unbundling of "Japan, Inc": The Changing Dynamics of Japanese Policy Formation", *Journal of Japanese Studies*, 13,2 (1987), p. 272.

*Indeed, in most accounts the actual behaviour of manufactures themselves is not examined at all ... In any given case directives or legislation might have been wholly superfluous to what industrialist actually did to produce growth.*¹¹

Not only does Friedman take Johnson to task on his exclusive focus on MITI, he uses Johnson's research to systematically disembowel the thesis by examining one sector, the machine tool industry. Friedman is concerned with comparing what actually took place in the economy in light of the bureaucracy's attempt to modify the sector. In an examination of post war laws that were passed, in an attempt by the bureaucracy to direct domestic firms towards high profit markets, he supports the claim that they failed, at least in the machine tool industry.

*[I]f 'regulation' means the ability of the state independently to set a market plan and then to implement its vision, the bureaucracy again failed. Not one post war market or production plan came close to being realised; the machinery industry grew in a pattern the reverse of what the bureaucracy sought. MITI's long-standing desire was to build up economies of scale through cartels, restrictions on market entry, and consolidation. Instead, Japanese machinery makers fragmented the market: new entrants flooded high-tech equipment sectors, existing firms flatly refused to coordinate or consolidate production.*¹²

The reason why Johnson's thesis does not stand up to scrutiny is because of the one dimensional view that he has of the cause for the phenomenal growth of the Japanese economy. Like the machine tool industry, all that is needed to refute the theory is to give one example to show where the MITI did not aid in the growth of an industry. In dismissing numerous other variables, Johnson raises a wealth of other factors that can be explored as to the possible cause of the miracle.

Another major explanation that is said to account for Japanese growth is the market regulation thesis.¹³ This argument suggests that market forces alone are responsible for high speed growth. Johnson refers to those who argue from this perspective as the "no miracle occurred school"¹⁴ of analysis. Hugh Patrick is a scholar who supports this line of thought, he states,

*I am of the school which interprets Japanese economic performance as due primarily to the actions and efforts of private individuals and enterprises responding to the opportunities provided in quite free markets for commodities and labour. While the government has been supportive and indeed has done much to create the environment for growth, its role has often been exaggerated.*¹⁵

¹¹ Friedman, *The Misunderstood Miracle*, p. 4.

¹² *Ibid*, p. 33.

¹³ *Ibid*, p. 3.

¹⁴ Johnson, *MITI and the Japanese Miracle*, p. 9.

¹⁵ Patrick, H., "The Future of the Japanese Economy: Output and Labor Productivity", *Journal of Japanese Studies*, 3 (1977), pp. 239.

The argument is supported by considerable competition in the Japanese domestic market. Furthermore, national budget expenditures impinge on the economy of Japan far less than in other countries. The Paris based Organisation for Economic Cooperation and Development (OECD) has published statistics that show the Japanese “government taking about 27% of gross domestic product in tax revenues ... On the spending side, Japan finishes even better ... Government spending ... was 26% of GDP ...”¹⁶ Without listing the statistics for the other twenty three OECD countries, in comparison the above figures are respectively, third and first best. The central argument is that undergovernment is the best policy to spur economic growth, low rates of taxes and spending raises the incentive for individuals and corporations to work and invest. However, the article does acknowledge that small government alone cannot explain Japan’s phenomenal growth.¹⁷ Nevertheless it is still a variable worth considering, low taxes are a fundamental factor in the stimulus for investment, and that in turn directly effects growth. Consistent with what has happened in the Japanese economy when taxes were increased, the private sector’s vigour was considerably weakened.¹⁸

Both Johnson and Friedman agree that the market regulation thesis as a sole variable does not explain the reason for Japan’s growth. The “references to market efficiency really provide no explanation for Japanese growth at all. If Japanese producers did a better job of responding to market demands, we need to know why they were more capable than manufacturers elsewhere. If the market operated more efficiently in Japan and hence disciplined producers more effectively, we again need to know why this was so.”¹⁹ In fact both the bureaucratic regulation thesis and the market regulation thesis have a surprising amount of agreement. The sole point of contention between these two nominally opposed theories is “whether political involvement was beneficial in the presumed triumph of efficient manufacturing in Japan. It is on this rather limited question, and on the identification of particular efficient manufacturing practices resulting from either state activism or market discipline, that contemporary debate about Japan has turned.”²⁰

Like Friedman, Samuels is also concerned with wider politics. He also rejects Johnson’s characterisation of the strong state with bureaucratic dominance. However, Samuels emphasis is on the interaction between politics and the markets, with a focus on the energy sector. His book explores more than “seventy market transformations in three energy sectors over hundreds of years.”²¹ There is a routine of mutual accommodation referred to as reciprocal consent. The Japanese bureaucracy does not dominate, it negotiates.²² Evidence that rejects the bureaucratic regulation thesis are that cartels and collusive arrangements involving state, industry and financial institutions are linked in reciprocal consent. For example, private banks are

¹⁶ Anon, "Japan as No.21", *Wall Street Journal*, (13 September 1984), p. 28.

¹⁷ *Ibid.*

¹⁸ Yamamura, K., ed, *Policy and Trade Issues of the Japanese Economy: American and Japanese Perspectives*, (London: University of Washington Press), p. 141.

¹⁹ Friedman, *The Misunderstood Miracle*, p. 5.

²⁰ *Ibid.*, p. 9.

²¹ Samuels, R.J., *The Business of the Japanese State: Energy Markets in Comparative and Historical Perspective* (London: Cornell University Press, 1987), p. 272.

²² *Ibid.*, p. 260.

influential in shaping the way the state intervenes in the markets. Samuels states that the state had a pervasive role in Japanese development, but also observes that this “was usually preceded by extensive accommodation to private interest, especially banks.”²³ What is apparent is that although the state seems to pervade the market, “it does not lead, guide, or supervise private interest.”²⁴ The evidence suggests that the state is not able to impose its authority without an alliance with part of the private sector. The conclusive evidence from the study “impugns the article of faith that Japan is the archetype of the strong state. The most important empirical lesson of this book is the consistency with which state programs for market control and direct intervention were transformed. In no case did the state prevail against private interest.”²⁵ This evidence is supported by another case study on the coal industry, the concluding remarks and observations determine that “policy change was minimal, economic markets, and not MITI, were the driving forces for adjustment in the coal industry. MITI did not act as an omnipotent agency.”²⁶ Thus, it appears that there is ample evidence to refute Johnson’s one track approach to explain the economic miracle. There was a requirement for consent by private interest to any state initiative.

Samuels politics of reciprocal consent is based on the interdependence of state and market players where there is a process of negotiation over jurisdiction and control. Okimoto on the other hand refers to the “intermediate zone between MITI and the marketplace”.²⁷ What he refers to is essentially the same thing, a consensus oriented system. There are no binding rules and laws, the political-economic system works on an informal policy network for industrial policy making.²⁸ Thus, MITI’s capacity to administer industrial policy has hinged on the organisational characteristic of Japan’s industrial and political system. There is no top down approach with the MITI dictating the course of action, there is also consensus from the bottom for the process to proceed. Like Friedman, Okimoto does not denigrate the MITI, he does acknowledge that it is an effective institution, however, the MITI’s power has been waning since its heyday in the 1950’s and 1960’s.²⁹ “Okimoto’s analysis brings us full circle and back to Johnson. In the seven years between the publication of the two works, 1982-9, subtleties of the Japanese political economy have become much clearer, and much more adequately theorised, but still not finally clarified.”³⁰

To clarify the position one has to look at some of the other evidence. There is more counter evidence to Johnson’s theory that is critical of the MITI’s role. For example, a successful cartel is designed to raise product prices by restricting competition among firms in an industry. In 1977 the Nomura Research Institute named a dozen industries as structurally depressed.³¹ But throughout 1977 these

²³ *Ibid*, p. 275.

²⁴ *Ibid*, p. 260.

²⁵ *Ibid*, p. 289.

²⁶ Lesbirel, S.H., "Structural Adjustment in Japan: Terminating 'Old King Coal'", *Asian Survey*, 3,11 (November 1991), p. 1093.

²⁷ Okimoto, D.I., *Between MITI and the Market: Japanese Industrial Policy for High Technology* (Stanford: Stanford University Press, 1989), p. 159.

²⁸ *Ibid*.

²⁹ *Ibid*, p. 144.

³⁰ Wilks and Wright, *The Promotion and Regulation of Industry in Japan*, p. 340.

³¹ Saxonhouse, G.R., "Industrial Restructuring in Japan", *Journal of Japanese Studies*, 5,2 (Winter 1979), p. 299.

industries were allowed to form or renew depression cartels. Given that there was a gap between supply and demand that could not be breached, “such a policy would retard rather than encourage the removal of excess capacity,”³² this was seen as a strange way to deal with a long term structural problem. Another good example is the coal industry, in 1968 there was a decision to gradually phase out Japan’s inefficient coal industry in response to the increased cost of the domestic product. Two decades later the government had only made minor adjustments and maintained price differentials in an effort to protect the industry more heavily.³³ As Norman Macrae puts it, “Japan tackles unpleasant choices sloppily, while responding to stimulating or aggressive choices with a fine collective elan.”³⁴ The Japanese economy has borne significant cost in the form of allocative inefficiency and diversion of rivalry into costly nonprice forms.³⁵ Thus, policy failure is often shown to have occurred in the form of misguided policies, these were further compounded by a lack of action to correct the fault, even when the course of action was decided. This would have cost resources, led to delays and produced inefficiencies.³⁶ Regardless of why the economic results were good, it could be argued that without such flawed decisions it could have been better. The invisible hand behind these bad decisions was the MITI.

Industries were not apt to accept policies that were detrimental and affected the bottom line. The MITI encountered resistance to its policies towards competition. A proposal in 1963 to amend the anti monopoly law met stiff opposition from organised industry and the banks. A compromise bill was put forward and approved by cabinet, but failed in the Diet.³⁷ To the extent that the basic political system in Japan was a parliamentary democracy with a tripartite division of powers, there was no assurance that the government, could enact the laws it desired.³⁸ The ultimate failure was the failure to enact the Special Industries Law. This law would have given the bureaucracy the power to intervene in private decision making.³⁹ This was not the only area of resistance, the “MITI’s strenuous efforts over a number of years to consolidate the motor vehicle industry came in practice to nothing.”⁴⁰ In the 1950’s and 1960’s MITI tried to force this industry’s many firms to merge, both times the companies rebuffed the bureaucracy.⁴¹ It is apparent that the image of the MITI steamrolling Japanese companies into a predetermined pattern cannot be verified, whenever industry saw that their interests were impinged on, they resisted efforts to conform to the bureaucratic will.

³² *Ibid*, p. 306.

³³ Lesbirel, "Structural Adjustment in Japan", pp. 1079-1080.

³⁴ Macrae, N., "Unmysterious East", *The Economist*, (23 February 1980), p. 8.

³⁵ Patrick, H. and Rosovsky, H., "Japan's Economic Performance: An Overview", in Patrick, H. and Rosovsky, H., eds, *Asia's New Giant: How the Japanese Economy Works* (Washington: The Brookings Institution, 1976), p. 522.

³⁶ Boltho, A., "Was Japan's Industrial Policy Successful?", *Cambridge Journal of Economics*, 9 (1985), pp. 194.

³⁷ Trezise, P.H., and Suzuki, Y., "Politics, Government, and Economic Growth in Japan", in Patrick and Rosovsky, *Asia's New Giant*, p. 805.

³⁸ Komiya, R. Okuno, M. and Suzumura, K., eds, *Industrial Policy of Japan* (Tokyo: Harcourt Brace Jovanovich, 1988), p. 57.

³⁹ *Ibid*, p. 61.

⁴⁰ Trezise and Suzuki, "Politics, Government, and Economic Growth in Japan", p. 805.

⁴¹ Henderson, D.R., "The Myth of MITI", *Fortune*, (8 August 1983), p. 112.

It is not only the failure of the MITI's industrial policies that raise doubts as to the effectiveness of the institution. A more serious level of doubt is raised by the successes of sectors for which official targets were never developed, and of firms which never received official encouragement.⁴² Johnson states that "I cannot prove that a particular Japanese industry would not or could not have grown and developed at all without the government's industrial policy."⁴³ What he believes can be shown is the "policy-off" and "policy-on" trajectories of a particular industry. What he does not account for are industries that developed independent of a directed policy for those industries. Johnson's entire rationale is put into disarray with the unexplained development of certain sectors, causal effect cannot be proven when so many industries developed without any help or assistance. Across the economy there is no consistent pattern. In the early post war years,

the emphasis was naturally on the basic industries: coal, fertiliser, steel, and electric power-along with ship building, many of whose facilities remained intact. Of these, steel and shipbuilding became spectacular successes. So did some others later singled out for special attention: petroleum refining, petrochemicals (including synthetic fibres), and automobiles.... But many other industries of lesser or scant governmental interest also were growth industries. Established industries such as cement, paper, glass, and bicycles grew three- and fourfold between 1955 and 1970. The output (by volume) of aluminium and corrugated board rose faster than that of steel. Among the new growth industries not singled out by the MITI were radio, television, optical goods, and motorcycles. The reality, of course, was that economic expansion spread across the industrial spectrum.⁴⁴

The pattern of Japan's growth industries suggest that it was not decisions at the centres that prompted growth. The success of those sectors cited is indicative of the fact that official support is unnecessary.⁴⁵

Indeed, looking at Japanese industrial development as a whole in the post war period,... the predominant source of its success was the entrepreneurial vigour of private enterprises that invested a good deal and took a lot of risk. The main role of the government was to provide an accommodating and supportive environment for the market, rather than providing leadership or direction. Unquestionably government planning bodies were important in a few industrial sectors, but not in many others, which flourished on their own.⁴⁶

Therefore, it could be said that the factors that contributed to economic growth must have transcended industrial policy, industrial sectors experienced growth regardless of whether they were assisted or not, and some industries that were not assisted did better than those that were assisted. Johnson's thesis centres on industrial policy and MITI's contribution. "But the contributions of MITI and of industrial

⁴² Boltho, "Was Japan's Industrial Policy Successful?", p. 195.

⁴³ Johnson, *MITI and the Japanese Miracle*, p. 30.

⁴⁴ Trezise and Suzuki, "Politics, Government, and Economic Growth in Japan", p. 794.

⁴⁵ Argy, V. and Stein, L., *The Japanese Economy* (London: MacMillan Press, 1997), p. 99.

⁴⁶ Schultze, C.L., "Industrial Policy: A Dissent", *Australian Bulletin of Labour*, 10,3 (June 1984), pp. 135.

policy to Japan's post war success have been far overstated. Other factors were primarily responsible for the phenomenal growth ..."⁴⁷ Japan was not a backward nation as such, but the effects of the war meant that the base at which the country was starting, was considerably lower than would have been the case if the country was not completely devastated by the war. Rapid growth was the Japanese economy's way of modernising and catching up with the leading economies.⁴⁸ Two factors stand out when analysing the period of highest growth. It is beyond doubt that the accumulation of capital and technological progress were vital for Japanese economic growth.⁴⁹ The rapid accumulation of capital had a salutary effect on the economy by enhancing the country's productive capacity. Capital intensity of manufacturing production processes were increased, there was an increased use of modern equipment and improved technological capabilities.⁵⁰ "Expenditure on investment stimulated over-all demand directly and indirectly through the multiplier effect."^{51 52} It may be that macro economic theory might explain Japan's economic growth rates.

The gross fixed capital formation increased from 16.7 percent in the period 1951-1955, to 28.2 percent for the period 1960-1965, and 32.6 percent for the period 1965-1970. By 1970 the proportion of national income devoted to capital formation, by both private and public sectors, was greater than in any other leading industrial country.⁵³ The core of the private investment was in equipment, it rose from 8 percent of gross national produce for 1951-1955, to 14.9 percent for 1960-1965, and 17.8 percent for 1965-1970.⁵⁴ These increases have been seen as one of the decisive influences on the growth rate during the high economic growth period. Conventional economics suggest that a rapid increase in capital stock such as this would drive the rate of return down so low that further investment would be discouraged. However, this did not happen in Japan, a booming fast growing economy, created a strong demand for capital, "the demand for investment was derived from the expanding demand for end products, which, in turn, stemmed from the rise in income created by the increase in production."⁵⁵ There was a spiralling effect where the expansion in investment sufficed only to increase total capital input in the business sector as fast as

⁴⁷ *Ibid*, p. 134.

⁴⁸ Kosai, Y., *The Era of High Speed Growth: Notes on the Postwar Japanese Economy* (Tokyo: University of Tokyo Press, 1986), p. 202.

⁴⁹ Okabe, M. ed, *The Structure of The Japanese Economy: Changes on the Domestic and International Fronts* (Basingstoke: Macmillan, 1995), p. 204.

⁵⁰ Argy and Stein, *The Japanese Economy*, p. 17.

⁵¹ Kosai, Y., and Ogino, Y., *The Contemporary Japanese Economy* (London: Macmillan, 1984), p. 9.

⁵² Jackson, J., and McConnell, C.R., *Economics*, 3rd ed. (Sydney: Mcgraw-Hill, 1988). The multiplier effect is a feature of macroeconomics, it basically states that a given change in investment spending gives rise to a change in the output-income level. The multiplier is the ratio of a change in the equilibrium Net Domestic Product (NDP) to the original change in investment spending which caused the change in NDP. The salient feature is that there is a chain reaction that multiplies the initial change, considering the initial figures for investment and savings in the Japanese economy were very high compared to the rest of the world, the end result would indeed be considerably higher. To a non economist this might appear miraculous, to an economist it can be rationalised.

⁵³ Kosai, Y., and Ogino, Y., *The Contemporary Japanese Economy*, p. 8.

⁵⁴ *Ibid*.

⁵⁵ Denison, E.F., and Chung, W.K., "Economic Growth and Its Sources", in Patrick and Rosovsky, *Asia's New Giant*, p. 119.

capital output.⁵⁶ Thus, there was an increase in the economy's capacity, raising the ceiling. There was a substitution of capital for labour, which in turn did not act as a ceiling, which it would have if there had been a labour shortage. With expenditure on the latest technology there was an introduction of modern equipment into industry, this strengthened Japan's ability to compete internationally, and opened new markets, "this in turn, reduced the extent to which balance of payments problems acted as a ceiling on the expansion of the economy."⁵⁷ It is apparent that the boundaries that would have otherwise constrained investment in the economy were extended, high speed growth was possible because the investment envelope was pushed out and more capital could be absorbed.

Absorbing capital is not normally the constricting variable, finding the capital is usually the first problem encountered. Leaving aside the issue of debt financing, expenditure on investment is usually only possible because of savings, which is a surplus of disposable income. It is savings that finances investment in the economy.⁵⁸ Gross private investment is, by definition, "equal to the sum of gross private saving and government saving when the latter is construed as the value of the government surplus on income and product account."⁵⁹ The high rate of personal savings in post war Japan is a significant factor in financing the investment that stimulated economic growth. Between 1950-1960 Japan had the highest rate of personal savings expressed as a ratio to Gross Domestic Product, compared to all the industrialised countries.⁶⁰ The high average propensity to save also increased from two percent in 1951 to 15.9 percent in 1961.⁶¹ "In such a situation, 'savings is a virtue,' and, ceteris paribus, the greater the supply of saving, the higher will be the rate of capital accumulation and economic growth. The rapid increase in personal savings during 1955-1961 is one reason why the Japanese economy could grow at an accelerated pace ..."⁶²

In conclusion it would appear that there were a number of factors that contributed to the high speed growth in the Japanese economy. Rapid growth was achieved on the basis of the special system and behavioural style. The interaction between politics and the markets in the intermediate zone between the MITI and the marketplace. The bureaucratic regulation thesis is only a partial explanation for what occurred because the Japanese economy's rapid economic growth was also achieved through reliance on the market mechanism. Savings and investment were crucial to the growth process, and the technological innovations in the modernisation of the Japanese, along with the process of catching up with the advanced nations, increased the overall capacity to which the economy could absorb the available capital. In the final analysis it is safe to say that it was not the MITI that manufactured the high economic growth, instead it was a combination of factors that contributed to the Japanese economic miracle.

⁵⁶ *Ibid*, p. 120.

⁵⁷ Kosai, Y., and Ogino, Y., *The Contemporary Japanese Economy*, p. 9.

⁵⁸ Ohkawa, K. and Rosovsky, H., *Japanese Economic Growth: Trend Acceleration in the Twentieth Century* (London: Oxford University Press, 1973), p. 167.

⁵⁹ Denison, and Chung, "Economic Growth and Its Sources", p. 117.

⁶⁰ Komiya, R., *Postwar Economic Growth in Japan* (Los Angeles: University of California Press), p. 158.

⁶¹ *Ibid*, p. 159.

⁶² *Ibid*, p. 158.

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