

The Japanese Economy —What Makes It Tick

By Isamu Miyazaki
Published by The Simul Press, Inc.
1990; Tokyo
250 pages; ¥3,800

One of Japan's top economists, Isamu Miyazaki has written this book as an introductory text for foreign readers wanting to know how the Japanese economy developed and how it works.

After graduating from the University of Tokyo in economics in 1947, the author went to work for the government's Economic Planning Agency. There he moved steadily up the chain of command, serving in the bureaucracy's highest post, that of vice minister, from 1979 through 1981. Today, he is retired from government service and employed as chairman of the Daiwa Institute of Research, one of Tokyo's leading economic research institutions.

Even when he was with the Economic Planning Agency, he wrote a number of impressive books on the economy and was one of the best-known of the government economists. More recently, he has moved into the international spotlight as a member of the Trilateral Commission and other bodies. A central figure in government economic planning during the years in which Japan achieved its "economic miracle," Miyazaki complements this practical experience with a strong theoretical background. He is the perfect person to explain the Japanese economy to overseas readers.

The Japanese Economy is roughly divided into two parts: the Japanese economy's characteristics and its global role. In the first part, the author discusses the reasons for the Japanese economy's growth and the various issues that have arisen along the way; and in the second part he draws on a number of papers that he has presented at international symposiums to outline where Japan is and where it should be going in the global economy.

As Miyazaki notes in the introduction, one of the main reasons he wrote this

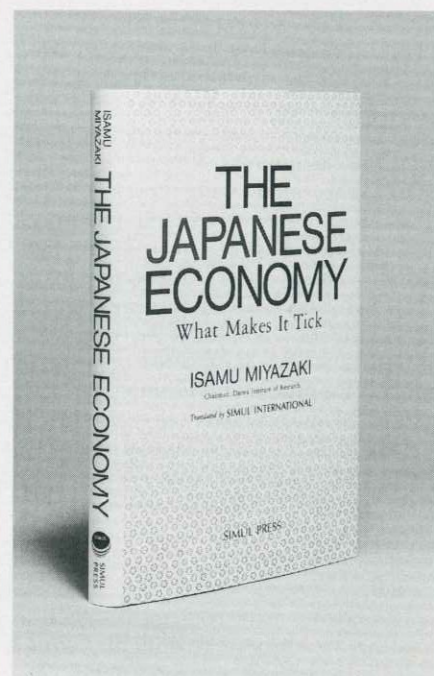
work was that he wanted to answer some of the many questions that other people ask about the Japanese economy. Thus although a Japanese-language edition has also been published, it is actually the English that came first and determined the book's structure.

Given this orientation, the explanation of how the economy developed is perhaps the more important part of the book. In fact, the need for policy coordination among the industrialized nations and for structural adjustments in the Japanese economy, while eloquently reiterated in the second half of the book, have also been stated repeatedly by government spokespeople, and I would thus like to concentrate my comments on this first part.

Japanese readers, especially those who have some grounding in economics, may find this book somewhat slow going, but there are surprisingly few comprehensive introductions to the factors that have contributed to the Japanese economy's rise since World War II. As Miyazaki notes, most other authors have been so intent on explicating Japan that they concentrate overmuch on the cultural and economic differences that set Japan apart from the rest of the world. As a result, these works (albeit perhaps unintentionally) give the impression that Japan is a centrally planned economy managed by an economic joint chiefs of staff that includes the Ministry of International Trade and Industry, the Ministry of Finance, and a few other major players.

In fact, *The Japanese Economy* is not itself entirely free of this tendency. Perhaps because Miyazaki spent so many years in the Economic Planning Agency, which does the theoretical work for Japan's macroeconomic forecasting and planning, he tends to give undue attention to the economic plans that the government draws up and to imply that these economic plans have more impact than they really do. If Japanese economic planning has been successful, it has been because the plans were good at bringing out the full benefits of market competition, and it would be misleading to overemphasize the plans themselves.

Yet aside from minor shortcomings



such as this, the book overall is an extremely well-done introduction to the Japanese economy. After giving a general overview of the technological developments and capital accumulation since Japan decided to embark on the road to modernization in 1868, he provides a good analysis of the geographical, labor structure and technological factors that made it possible for Japan to achieve its rapid postwar economic growth. In so doing, he also discusses the role played by industrial policy, fiscal policy and educational policy, and he takes a very balanced perspective on all of these questions.

Looking back from the present, it seems inevitable that, for better or worse, Japan will be a major focus of international attention in the years ahead. Yet as mentioned at the outset, there are all too few books providing an accurate explanation of how the Japanese economy works and the issues involved. Miyazaki's book is a particularly welcome addition to this short list.

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