

The Economic Development of Modern Japan, 1868-1945

Edited by Steven Tolliday, 2 volume set, 1327 pages, hardback, £630
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By Prabhu Gupta

In the last three decades, there has been an explosion of research on the economic history of Japan. The essays collected here, 51 of them, dating from 1964 to 1997, constitute an extraordinarily wide range of resources reflecting the depth and range of English-language research, including less well-known work first published in Japan.

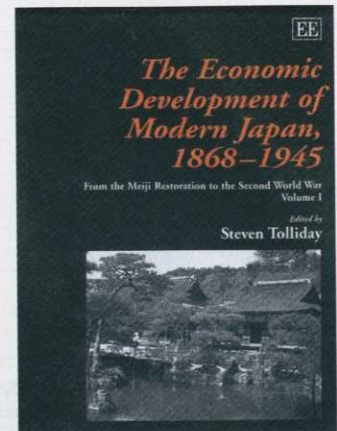
The articles cover broad patterns of economic development and focus on the *Zaibatsu*, Japanese management techniques, labor, technology transfer, banking and financial systems, education and human capital, the economic role of Japanese women and the economic dimensions of imperialism and war.

There have been earlier collections of essays on the economic history of Japan, and this volume seeks to supplement rather than supplant them. Steven Tolliday's collection includes different points of view, leaving it to future researchers to throw further light on these debates. For example, Ishii Kanji argues that the role of banks in long-term industrial finance began in the 1880s and 1890s and that their loans did play a major role in the rapid expansion of the cotton and silk industries and the railways, that many "short term" lending practices were actually de-facto long-term loans, and that banks had a central role in Japan's early colonial and imperial development. However, both Hugh Patrick and Yamamura Kozo argue in two separate chapters that government played an important role in creating the macro-economic and institutional conditions for the emergence of a relatively effective banking system in the Meiji era, though in the late 19th century banks generally did not act as long-term industrial lenders, and it was at best by the time of World War I that the big zaibatsu banks were beginning to become large-scale industrial lenders to

heavy industry, like the big German investment banks.

The editor's guide to further reading assists readers to follow up on the arguments and debates collected together here.

Briefly, the story that emerges is that even before the Meiji Restoration, members of the elite had begun to be fascinated by the possibilities of rapid national advance on the basis of introducing Western technologies to Japan. The dominant factions of the Meiji elite embraced this view and rushed to bring in foreign exports and model Western technologies, but with mixed results. Catch-up industrialization was more complex than they initially perceived and in the Meiji period there were many ambitious follies of technology transfer that failed miserably. But even failures were part of a learning process and an openness to technological innovation paved the way for technological leaps. Most notably, in the 19th century, Japanese spinners were able to innovate in cotton mixing and apply Western ring-spinning technologies that were in many respects more advanced than many in use in Europe and the United States. Nevertheless, in the rest of the economy, there continued to be a yawning gap in technical competence between Japan and the West. The 1920s, however, saw large-scale Western participation in the infant machinery and electrical industries in several joint ventures that directly transferred advanced technologies to Japan. General Electric and Westinghouse were the principal "generous teachers," though the Japanese themselves were also effective at industrial learning based on imitation, reverse engineering and the diffusion of new skills. These processes were fostered by positive government support, though the relative success of these developments had ironic consequences



in that increasing technical self-sufficiency made the nationalistic policies of the 1930s more feasible and, after the government had welcomed Western companies from the 1920s, it shut the door on them in the 1930s once new capabilities had been established.

Typically, there is no exploration of why this happened, but the challenge for traditional societies is always that they become content with reducing the gap between themselves and the technological leaders, once again reinforcing aspects of their culture which resist further advancement, instead of moving on to the kind of cultural transformation on which the West's success is built.

At least for this non-Japanese observer, surveying all this rewriting of history, the general conclusion is that Japan has never had any problem with being effective in business and in competition. Its strengths as well as its weaknesses have resulted from its culture, and its weaknesses have resulted primarily from the political systems which have been created by the culture. **JTI**

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