

Economic Policy in Contemporary Japan (Who has played the major role in the development of industrial policy of contemporary Japan?)

Hitoshi Mabuchi

戦後日本の経済政策についての一考察

馬 淵 仁

Abstract

Many things have been said about the success of Japanese economy, particularly in Japanese studies where the audiences are those people interested in Japanese culture and its society. Simple models such as the Japanese corporations, however, warrant much further examination, especially nowadays when the words “the 1955 system in politics and economics has ended” are shouted everywhere. This paper examines the so called key players in Japanese economic policies by referring to various papers in order to give a better understanding of one of the very important issues in Japanese studies.

Key words: Japanese miracle, Economic policy, Bureaucrats, Pluralism

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抄 録

日本事情論やジャパノロジーでは、日本型経済モデルが、その成功とともに喧伝されてきた。しかしその実態は、例えば日本株式会社論のような単一モデルで説明出来る程、簡単ではない。本稿は、55年体制の終焉が取り沙汰されている今、90年までのその歩みを代表的な文献によって振り返り、異文化理解としての日本事情論に、光を与えようと試みるものである。

キーワード：日本の奇跡、経済政策、官僚、プルーラリズムモデル

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1. Introduction

The Japanese economy has developed astonishingly, especially since the second world war. Some people even describe it as miracle, and its tremendous success has attracted people who wish to discover what has made Japan so successful. Various economists, political analysts, anthropologists, sociologists, and journalistic Japanologists in and outside of Japan have presented their explanations about the success of the Japanese economy. According to Chalmers Johnson, some distinguishing features are found among their explanations (1982).

The first thing is that quite a few people have attempted to explain the Japanese success as being a result of Japan's unique national-character. They have emphasized the consensus among Japanese and the group solidarity. However, some questions have been raised recently: Have the Japanese been cooperative people throughout their history and does this co-operation occur between the various social classes? Is the "famous-consensus" a result of traditional Japanese culture or is it deliberately engineered by the government and others? Are the Japanese the only unique people? and so on. Many so-called Japanologists have not yet been able to provide satisfactory answers to these questions.

Another typical explanation is based on the "three sacred treasures", which are the lifetime employment system; the se-

niority wage system, and enterprise unionism. These are found conspicuously among the leading Japanese companies, and many people have discussed their significance since the 1970's. However, we must be careful that the three sacred treasures are not seen as the only special institutions in Japan. Its personal savings system, its distribution system, its *amaku-dari* (the descent from heaven of retired bureaucrats from the ministries into senior management positions in private enterprises), *keiretsu* (the structure of its industrial groupings), its dual economy, its tax system and so on should also be considered. Moreover, some people have traced the origin of the three sacred treasures to the traditional world of the *ie* (family) and the *mura* (village). However, their theories must be corrected because recent research has demonstrated that virtually all of the so-called special institutions date from the twentieth century from no earlier than the World War I era.

Next, I would like to review what G. Allen (an English economist who is said to hold well-balanced views about the Japanese economy) said about the causes of Japanese economic success (Allen, 1981). Firstly, he pointed to its environmental conditions: Japan has received financial aid from the USA since the war, and it also had a huge surplus population employed in agriculture which could be shifted to the manufacturing industries. Allen also talked about the three sacred treasures, but he did not emphasize the uniqueness

of the Japanese people. Other issues raised by Allen include the over-loan policy, picking the winners policy led by the window regulation, low military costs, exchange control and trade policy, and the policies which aim at increasing benefits through the economy of scale. According to him, the government has contributed to the development of the economy by implementing these policies. (While in post-war England the equality of the society seemed more important than economic development, in Japan the establishment of the bigger "pie" through rapid growth came first so that the people might share that pie afterwards. Allen judged this approach as having been more successful).

However, what Allen emphasized the most was the competitive circumstances in which Japanese private enterprises must operate. He stressed that, especially compared with the UK, Japan had a small public sector in its economy. In addition, while the UK put a great deal of effort into protecting the sun-set industries, more effort has been paid to sun-rise industries in Japan, where each industry has been required to stand on its own feet. Thus, the subsidies from the government to specific industries have not usually lasted for a long period. Allen identified two final factors: the education system and the Japanese people themselves, who have provided the basis for the development of the Japanese economy. Johnson also raised the importance of the people but he found the major influence to be the strength of

the bureaucratic system (1982).

The question then becomes, "Which has played the more significant role in the Japanese economy, its bureaucracy or its private enterprises?" To answer the question, I would like to briefly outline some of the more widely accepted explanations.

Perhaps one of the most well-known views is that of E. Vogel who wrote *Japan as No. 1* (1977). In his book, he rated very highly the power of the bureaucrats as an elite. According to him, they have wielded far greater power than the politicians. He argues that a relatively small number of bureaucrats with high academic backgrounds and an early retirement age brought with them the vigor and morals which have led to the success of the Japanese economy. In welfare, he praises the system as one of minimal bureaucracy and maximum impact. Although Vogel devoted some time to explain the role of the financial circle and private enterprises, there is no doubt that for him the ultimate credit goes to the power of the bureaucracy. He said that all important policies such as reconcentrating resources in industries that were capital-intensive rather than labor-intensive and accelerating plans to push Japan into service- and knowledge-intensive industries rather than energy-intensive ones were planned and operated by MITI (Ministry of International Trade and Industry).

Like Vogel, Christopher, who wrote

Japanese Mind, mentioned the elitism of the bureaucracy (Christopher, 1983). He noted the importance of the administrative guidance and superiority of the bureaucrats over the politicians. However, he also pointed out that the increasing power of the politicians and the influence of the industrial circle and the press were drawing to an end the days when MITI could call the tune for Japanese industry, although the bureaucrats in MITI did not admit their declining power in the Japanese economy. Christopher made mention of the three-treasures as the cause of Japanese economic success, but at the same time he paid attention to the existence of small and medium sized companies which employ more than 70% of labor in Japan.

Finally, I would like to note what Reishauer said, for his book *The Japanese* might be the most widely read of the books written by the Japanologists (1977). He attempted to account for the development of Japan since the war not only from the economic point of view and the nature of the people but by including broader issues, mainly adding the political aspects. Although he, of course, admits the significant contribution of the bureaucracy, Reishauer stresses the important roles of the business leaders and politicians at the same time. These three might be called the "ruling-triad". He described the symbolic relationship between politicians, bureaucrats and business leaders in terms of *janken*, the paper-scissors-stone game of

Japanese children. The conservative politicians depend on the money of business, business depends on the administrative rulings of the bureaucracy, and the bureaucracy depends on the political decisions and Diet votes of the politicians. However, he also mentioned that the concept of a narrow triumvirate of leadership including big business as being at best only part of the picture – and in any case now losing much of the validity it once had – and that it left out the crucial rural base of the L. D. P. and the party's need to have a wide appeal throughout Japanese society in order to maintain its majority position.

The above are the most well established and accepted views towards the explanation of the astonishing success of the Japanese.

However, we must be careful when considering the period of post war Japanese history to which these models are applied. It has been nearly 50 years since the war ended. It might be doubted that there is an all-encompassing model. The passing of time must have been accompanied by changes in the roles of the bureaucrats, politicians, industrial circle, various interest groups, foreign countries, and the Japanese people. It is very important to examine the contribution of these factors within the various stages of post-war history. In the next two chapters I trace the development of the Japanese economy up to the oil-shock of 1973 and the

periods after that by looking at various papers.

2. 1945 – Oil shock

The period between 1945 and 1970 was characterized by a number of major changes such as huge inflation, the dissolving of Zaibatsu, aggravation reform “Dodge line”, and new labor laws all of which were implemented by the occupation forces. “Tokuju”, brought about by the Korean war followed them. I would like to divide this chapter into three sections – the 1950’s, 60’s and 70’s – and would like to examine their main courses of the economic development in each period.

The first period is the 1950’s. Because of the Tokuju (special procurements) boom, and more importantly in order to develop the economy, nothing was more crucial than the capital invested. Then the economic bureaucrats devised and implemented the two tiered structure of government – guaranteed “city-bank” overloaning and government-owned “bank of last resort”. The distinguishing feature of the overloaning system was the pattern of the dependencies in which a group of enterprises borrows from a bank well beyond their net worth, and the bank in turn borrows from the bank of Japan. Apart from this system supplying sufficient investment capital, for the firms it had two more great benefits. Firstly, managers were not pressured by stockholders, which meant that

they could ignore short-term profitability as a measure of their own performance and could concentrate instead on such things as foreign market penetration, quality control, and long term product development. Secondly, since the central bank is the ultimate guarantor of the system, it and the government gained complete and detailed control over the policies and lending decisions of its dependent “private” banks.

After establishing the system above, MITI then proposed “keiretsu-ization” consisting of general trading companies manufactures and big banks. In this circumstance, the big banks in each keiretsu did everything in their power to discover and come to the aid of growth industries and growth enterprises. The significant feature of this system was the philosophy of “picking the winners” and this proved to be extremely successful. Also, each bank group had to have its entry in each new industry fostered by MITI. This was known as “oneset-ism”, which also contributed to the rapid growth of Japan’s economy.

These things lead us to an obvious question: Where did the central bank of the government get the capital? Initially, funding came from U. S “mikaeri-shikin” (counterpart funds) but funds from the government – operated postal saving system was of greater significance. (In 1988 it had more funds than the sum of top 20 U. S banks.)

Another feature of the 1950’s was that

MITI and private enterprises attempted to enlarge production in order to effect economies of scale. But to enlarge production, Japanese manufacturers needed more customers. Of course, exports were extremely important to Japan, but they thought Japan itself was a huge potential market. When problems in the international balance of payments arose, the government could curtail domestic demand and promote exports; when the problems of paying for imported raw materials eased, the focus turned to enlarging sales at home. When this could be achieved, Japan's factories could keep operating through all stages of the business cycle. The Government also eliminated the existing tax on targeted products in order to make them easier for consumers to buy. This primarily brought about the consumer-revolution.

The preferential treatment of strategic industries was another area of innovative tax policy. The bureaucrats of the MOF (Ministry of Finance) preferred tax exemptions to subsidies because a tax advantage is valuable only after an enterprise has done what the government wants it to do. Here again we see how strong leadership by the government dominated the economy.

Johnson pointed to three things to explain the Japanese economy in 50's. 1) a popular consensus favoring economic priorities, one that dictated by the harsh conditions of the 1940's and by Japan's situa-

tional imperatives; 2) an organizational inheritance from the first 25 years of the Showa era; and 3) conscious institutional manipulation, which has been explained above. With regard to 2, Johnson mentioned human inheritance along the Kishi-Yoshida line who had tried to enlarge Japanese trade as early as the 20's and the attempt by the bureaucrats in the 30's to nationalize industries. At any rate, it is said that the 50's was the most successful period of co-operation between the bureaucrats and the private enterprises, and it was even called the golden age of MITI.

Now let us consider the 60's. In this decade when Japan continued its rapid growth, basically the same factors and systems as 50's were operating. At this stage, Japan also became one of the major developed countries, which led Japan to face up to its internationalization, or more correctly, its trade liberalization. It was a big issue for the government whose policy had been to protect its domestic industries but MITI regarded trade liberalization an opportunity to move Japan towards an industrial structure with fewer enterprises overall, but with a greater proportion of high-technology industries. This new industrial structure became one of the main issues in the Japanese economy. The MITI (as we see later, did not succeed all the time because of some enterprises which had gained more power and opposed it), established the Industrial Structure Investigation Council and tried to

reduce the number of enterprises competing in each industry; at the same time ensuring that the surviving enterprises were fully capable of competing in the international commercial concern.

The most famous industrial policy in the 60's was Administrative Guidance. Its distinguishing characteristic was administration by inducement in order to gain the support of industries which had begun to dislike strong bureaucratic control. At the same time, there were actual penalties for those enterprises who did not follow Administrative Guidance. There is no doubt that Administrative Guidance contributed to the increasing competitiveness of Japanese enterprises. Even though there was some dissatisfaction with the system, it was still able to operate within the existing view of democracy in Japan.

However, the great power structure that MITI had gradually came open at the seams. The incident of Fukuda (who intervened in the personnel administration of MITI when he was prime minister) and Sumikin-jiken (in which Sumikin openly opposed Administrative Guidance) showed the increasing power of politicians and private enterprises. Furthermore, as the degree of trade and capital liberalization increased, Administrative Guidance gradually declined.

According to some bureaucrats of MITI, the beginning of the 70's was referred to as a "long, dark tunnel". The wave of pressure towards capital liberalization

had risen outside of the country and domestically the relationship between MITI and the business circles had been criticized as collusion. Under these circumstances each enterprise had to separately seek the way to survival. The Mitsubishi-Chrysler agreement (to create a new automobile company) symbolized this period. It was described as the biggest shock MITI had ever received and made the leaders of MITI said that they would not interfere with what they perceived to be a new 'minkan shudo-gata' (private-sector industrial guidance model), as distinct from the old 'seifu shudo-gata' (governmental industrial guidance model). Another important issue in this period was the installation of the Tanaka cabinet. In contrast to the consistent domination of the government by former bureaucrats, Tanaka offered a cabinet made up of younger party politicians including men who had experience in telling the bureaucracy what they wanted done, which meant that the politicians gained the upper hand over the bureaucrats in policy making.

The oil shock occurred under this circumstance. Although this was potentially disastrous for the Japanese oil-dependent economy, MITI regarded it as a 'once in a life time opportunity' to regain its authority and established the Emergency Measures Law for the Stabilization of the People's Livelihood and the Petroleum Supply and Demand Normalization Law. It met this challenge with great skill and ingenuity. However, there were still a lot

of arguments about whether the bureaucrats could still play such a significant role in policy making after the 70's, as had been the case in the earlier rapid-growth period. As mentioned above, the political voices of the party leaders and business leaders had been increasing. The voices from the various interest groups through the members of the Diet and the pressures from overseas also intensified. In the next chapter, I would like to examine these movements by referring to various papers in order to isolate the variables more clearly. The theme is: After the 70's, who played the most important roles in the development of Japanese economic policy?

3. After the '70's

The first paper I would like to refer to is by G. C. Eads and K. Yamamura, who said that three conditions were necessary for the success of industrial policies regardless of the countries (Eads, 1988). These are: 1) the nation must have a centralized, largely autonomous, elite bureaucracy capable of executing complex policies; 2) the bureaucracy must possess an appropriate and effective kit of policy tools; and 3) a political consensus on the basic goals of the policy must exist. According to the authors, Japan had fulfilled these three conditions much better than other developed countries. However, they also pointed out that the efficiency of an industrial policy in Japan would decrease and pointed out three reasons: 1) the insti-

tutional capabilities of the Japanese government had declined because of the growing influence of politicians in economic policy making and of jurisdictional and policy conflicts now arising within and among several ministries; 2) fiscal stringency and international pressure to liberalize the economy have deprived Japan's bureaucrats of important policy tools; and 3) Japan has ceased to have a strong pro-growth policy consensus.

Johnson defined industrial policies as following a market-conforming pattern. Here, Eads and Yamamura asked: "Does a market-conforming industrial policy exist in Japan?" and examined two aspects of the Japanese economy to show that it did: 1) Japan did not seek to build industries that require permanent hothouse protection. Support for protected industries that did not show signs of commercial viability was gradually phased out (the best example is commercial aircraft), and 2) in developing administrative guidance in a consultative way, Japanese officials seemed to be guided generally by considerations of economic efficiency.

We have seen that quite a few statements were made about the declining power of Japan's bureaucrats. This begs the question: "Who then enters the stage instead of the bureaucrats?" I would like to examine this question by first referring to the paper by M. Muramatsu and S. Krauss (Krauss, 1988).

They said that traditional observations had too heavily emphasized the

power which was represented by MITI and MOF and the consensus among the Japanese people. The authors pointed to three things: 1) the role of “political” variables (many of which arose from competition and conflict, not consensus) was neglected, 2) there had been many variations and changes in meaning in the goal of development among the Japanese political elite throughout the post war period, and 3) Japanese policy making has changed in the previous two decades towards greater influence for politicians, parties, and the Diet, and lesser influence for bureaucrats and stronger and more autonomous interest groups. They went into further detail to stress the importance of the third point (about interest groups). Many of today’s most politically active interest groups were founded between 1946 and 1955. Business leaders played a major role in pressuring the bickering politicians to counter the reunification of the splintered wings of the socialist party in 1955 by forming one conservative party, the L.D.P. The new party became increasingly dependent on big business for financing, and the practice of regular meetings between big leaders and the prime minister became common. Agriculture, too, became a part of this nascent ruling coalition. The conservatives’ reliance on the rural vote and the lack of a grass-roots party organization made many conservative politicians turn increasingly to *nokyo* (agricultural co-operation).

Murakami and Krauss proposed the

patterned pluralism model, which denied not only bureaucracy-led model but the ruling thread model as well. I will explain the patterned pluralism model later (Krauss, 1988). Also, they emphasized the significance of the role of C.P.L. (Conservative Party Line), which is called “*hoshu-honryu*” in Japanese.

The authors stressed the role of government in economic development rather than the role of bureaucracy, or a national consensus. A couple of aspects fostered their views. Firstly, and very importantly, it is necessary to grasp the distinguishing characteristics of the LDP as a “catch-all” party. This characteristic had formed towards the mid 1960’s and the “catch-all” policy line came to be fully developed and institutionalized among the conservative elite and to enjoy widespread public support. As a result, the social condition of the LDP was significantly broadened from the late 1960’s through the 1970’s to include almost every kind of interest group except labor and citizen/political groups. It is clear that the success of the LDP as the catch-all party lay in its ability to absorb the voices of various interest groups.

The second aspect is that while the more institutionalized interest groups — economic, agricultural, and educational organizations — tended to go more to the bureaucracy, and the less institutionalized interest groups, with newer policies to promote, preferred to approach a political party. This is another phenomenon

which is not able to be explained by either the bureaucracy-led model or the ruling-triad model. Here we must consider the *zoku* (tribe) of the Diet members who share an interest in a particular area of public policy. The strengthenings of relations between interest groups and these diet members have altered relations between politicians and bureaucrats, especially through the Policy Affairs Research Council (PARC). By the end of 1970, the vast majority of the educated elite saw politicians as having roughly equal influence in policy making, although they viewed bureaucrats as playing the specialized role of laying the ground work for political decisions and co-ordinating social interests.

The next significant issue to consider is "which groups supported (and still support) the LDP?" To examine this question I will refer to the Murakami's paper. (1988).

He, too, denied models such as the Japan Inc. model and the ruling triad model and argued that the "new-middle-mass" were the people who fostered the policies of the LDP and who, therefore, played an important role in the economic policy making of contemporary Japan. According to him the "new-middle-mass" is not like the previous middle class but a new kind of "mass", and their age should be called the "end of ideology". He said that since the end of the 1970's, the number of supporters for the two Japanese major parties has been declining, and the new middle mass have supported "LDP". On the other hand, the LDP's

actual policy choices could be remarkably flexible and responsive to changes in circumstances, which is the strength of the LDP. The LDP's success may be attributed to its avoidance of an over commitment to traditional ideology. In short, the LDP may be characterized as a "mass inclusive party". After the oil shock, the support of the new-middle-mass, who are notoriously weak supporters, has risen, compared with its traditional strong supporters such as big business leaders and *nokyos*. Murakami said that the timing of the oil crises was very fortunate for the Japanese economy and even declared that policies as administrative guidance played no significant role in overcoming the oil shock.

As stated above, the characteristics of the LDP's supporters have changed. Specifically, a significant change is that strong support for the LDP had previously come from residents of big cities, high school graduates, people aged 35-44 skilled workers and house-wives, as well as residents of villages and the self-employed. A new trend has been the significant increase in weak LDP support among residents of middle-sized cities, college graduates, people aged 25-39, and unskilled workers. According to Murakami, there was a greater increase in satisfaction, as well as in conservative support, from 1973 to 1978 among urban, young and employed people than other groups in society. As a result, the LDP's votes consist of two heterogeneous groups: traditional loyal-

ists and new urban floating votes. The latter has become increasingly important. It becomes clear when studying election results that when the weather is good, or when there is an election of both houses at the same time, the LDP wins comfortably because weak supporters turn out to vote. Weak supporters are likely to choose whether to vote rather than which party to vote for, and they are influenced by short-term factors, especially economic policies (for example, tax issues) proposed by the LDP in each election campaign. (*Shohizei* would be a good example). We could say that conservative supporters as a whole are becoming increasingly fluid and self-interest oriented rather than tradition oriented. Murakami said that the new middle mass was enjoying affluence and did not want any radical change and that "the new conservatism" consist of market-oriented and liberalism and "small government". "Deregulation" symbolized the approach of the new age of neo-conservatism. Japanese society will no longer be controlled by any particular elite group but will be subject to the choices of a vast, politically amorphous mass.

Kosai's paper summed up these current trends in Japanese economic policy making and described the typical model for each period of its economic development as the bureaucracy-led model for the immediate post-war period, the ruling-triad for the 1950's, and patterned pluralism for after the 1960's (Kosai, 1988). Plu-

ralism in this context must be different from the classical definition of pluralism in which policy was merely the outcome of open-ended, competitive lobbying by pressure groups on a relatively weak government. Constantly in patterned pluralism, the government is strong and interest groups sometimes have co-operative relations with the government and each other. Lobbying is not open-ended because interest groups are usually allied with the same parties and bureaucratic agencies. In other words, the government is not weak but it is penetrated by interest groups and political parties. We must also add that, under patterned pluralism, politicians act as arbitrators (instead of relying on impersonal political machinery) when resolving conflicts resulting from the diverse interests of different groups. When we enter this stage, even the role of the politicians who have constantly increased their power must be considered again.

Before concluding, I would like to touch upon the issue of trade and the trade policy which have been very important factors in the postwar economy of Japan. According to Itoh and Komiya, Japan's post war period, from the view point of international trade, was divided into three stages: 1955-67, 67-75, and 75-onwards (Itoh, 1988). They pointed out that especially the trade conflict between Japan and the US in the second period and the trade war in the last period played the

most important roles in changing Japan's trade policy. The possibility to control even the smallest activities of private enterprise had to be altered to accommodate the philosophy of free trade and free enterprise. Free trade has become vital for Japan which has overcome the oil-shock and become one of the super powers in the world economy.

Itoh and Komiya explained this change in the following way. In keeping with these basic changes, the dominant philosophy among Japan's economic policy authorities and the Japanese public has changed considerably. The philosophy that free trade is basically the most desirable for the Japanese economy, although there could be exceptions such as agricultural protection, has gained recognition among policy makers, leading businessmen, and knowledgeable people. At the same time, Japan's regulation-oriented economic policy philosophy has gradually been evolving towards a free competition, market-oriented philosophy. The explanations by Itoh and Komiya are in accordance with what Kosai said in his paper.

However, these changes produced two groups in Japan. One is made up of the people in agriculture and a part of the bureaucracy, and the other consists of the business leaders and the remaining bureaucrats, including those in MITI. There is an obvious conflict between them. It is worth noticing here that MITI supports the free trade policy because of its role in Japan's internationalization, rather than

its effect as a protective policy for domestic industries. MITI's attempt to maintain its leadership by doing so is obvious. MITI also used so-called "*gaiatsu* (pressure from overseas)" in order to control its opponents and change the industrial structure of Japan. It can be said that US pressure has helped make the Japanese economy not only more open but more efficient and rational. In fact, some Japanese welcome such US pressures for liberalization.

4. Conclusion

In the first section, I gave a brief general over-view of the various explanations about the success of the Japanese economy and in the second section by referring mainly to Johnson's book, the role of the industrial policies which had been carried out mainly by the bureaucrats, was examined. However, the bureaucracy-led model which applied in the 1950's has lost its persuasive power. When the people tried to account for the development of the Japanese economy, especially after 1970's, neither the Japan Inc. model nor ruling-triad model could explain it satisfactorily. In the third section, when the issue of who has played the most important role in Japan's industrial policies was considered, the roles of "*hoshu-honryu*", "new-middle-mass" and "patterned pluralism" were examined.

D. Okimoto said the importance of the bureaucrats' role has risen in some areas after the 80's, not as policy makers but as

neutral mediators (Okimoto, 1988). According to him pluralism does little to explain the government's ability to persuade private companies temporarily to suspend fierce rivalries and submit to voluntary export restrictions. Nor does pluralism offer compelling insights into the Japanese style consensus-building or the formation of temporary cartels in certain trade-oriented sections. He also said that the problem with applying a single theory to Japan, be it elitism or pluralism, is that in a distressingly large number of cases, the model fails to fit empirical reality. I agree with Okimoto's conclusion.

The bureaucrats, the business leaders, the politicians, the various interest groups and the people as a mass, all played important roles in the development of Japan's industrial policies. We can not ignore any of them. However, it becomes impossible to explain all aspects of the Japanese economy from the viewpoint of a single increasing significance of overseas pressure. J. Fallows, who is the one of the revisionists, said that *gaiatsu* must be unchallengeably strong (Fallows, 1989). Gilpin mentioned the fear of a rise of the New Protectionism and the importance of the Volun-

tary Export Restrictions (VER). He also warned that Japan should no longer simply respond to the pressure from overseas, and that it should face its responsibility as an increasingly important international policy-maker (Gilpin, 1988). Considering these elements, it is essential for Japan to realise those things if it wants to continue its development and to survive in this international age. We have also seen that these pressures from abroad sometimes help the government, especially the bureaucrats, to maintain its leadership in industrial policy making.

It has been almost half a century since the war. In that time, the main actors in the industrial policy making of Japan have varied depending on time and according to particular issues. According to Johnson's explanation, the element of time must receive special consideration. As Japan is now an economic giant, its industrial policy makers must consider not only Japan's economic needs but the impact of their policies on the world's economic development. We can not divert our eyes from the way in which Japan plans and implements its industrial policies.

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