

Lecture: Contemporary Economic History of Japan

No. 22

Chapter 4: Japanese Economy in High Economic Growth Period

4-1 Beginning of High Growth

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4 – 1 Beginning of High Growth

- **Relative Chronology**
- **1955**
- **1/18: Government decided on the Comprehensive 6-year Economic Plan**
- **Jan.: Annual Spring labor offensive begun this year**
- **7/11: Petrochemical Industry Development Measures resolved**
- **8/10: Coal Mining Industry Rationalization Temporary Measures Law resolved**
- **9/10: Japan's accession to GATT entered into force**
- **11/15: Liberal Democratic Party formed by conservatives' coalition**



Image from Kurashiki City Tourism website

4-1 Beginning of High Growth

- **Relative Chronology**
- **1956**
 - 6/11: Industrial Water Law resolved
 - 6/15: Temporary Measures Law for Promotion of Machine Industry resolved
 - 10/19: Russo-Japan talks on restoring relations concluded
 - 12/18: U.N. General Assembly approved Japan's accession
- **1957**
 - 1/7 : Power restriction nationalized
 - 1/25: Kumamoto University announced that Nihon Nitrogen's drainage caused Minamata disease
 - 5/2 : Export Inspection Law resolved
 - 6/11: Temporary Measures Law for Promotion of Electronics Industry resolved
 - 6/14: First 5-year defense buildup plan
 - 10/4: Government installed the antitrust law council
- **1958**
 - 4/24: Textile industry equipment council decided on measures regarding excessive weaving looms
 - 9/26: Ise Bay typhoon struck

Three Sacred Treasures --- Appliance



- The widespread use of Consumer Durables
- Monochrome TV sets
- Refrigerators
- Washing Machines

Three Sacred Treasures
during High-growth period
(Source) Electric Power Historical Museum

4-1 Beginning of High Growth

● 1959

- 3/13: Ministry of Finance decided on policy to deregulate foreign trade and foreign exchange
- 12/11: Mitsui Mine notified a dismissal of workers by designation, starting Miike dispute, to be concluded in Sep. '60

● 1960

- 1/5 : Government installed the council of ministers to promote deregulation of foreign trade exchange
- 1/19: Japan-U.S. Security Treaty sealed
- 6/19: New Security Treaty approved spontaneously

4-1 Beginning of High Growth

- **1960**
- **April: Sony released transistor televisions**
- **5/19: Economic Council decided on basic principles on doubling national income plan**
- **6/24: Council of ministers decided on deregulation of foreign trade and foreign exchange plan**
- **12/27: Government decided on doubling national income plan**
- **1961**
- **6/12: Agricultural Basic Law resolved**
- **1962**
- **5/10: New law to promote construction of industrial towns resolved**
- **5/11: Petroleum Industry Law resolved**
- **Oct.: Cuban Crisis**
- **1963**
- **2/5: IMF Board of Governors recommended Japan's transition to Article 8 status, implemented in Apr.**
- **3/22: Government decided on draft law to promote designated industries**
- **1964**
- **10/10: Tokyo Olympics held**

4-1-1 Jinmu Boom to Iwato Boom

— Swing of Growth Rate —

- Economic white paper of 1956:
- “The flotage owing to the economic recovery has been almost exhausted now. Admittedly poor compared to other countries of the world, a potential demand for consumption and invest may be still high in Japan, but an intensity of appetition apparently decreased. It is no longer the postwar period. We are about to face a different state of affairs. The growth through the recovery is over. A growth from now is to be supported by the modernization”.

- The comprehensive 6-year economic plan by Hatoyama Cabinet
- Hatoyama Cabinet announced in Jan. 1955 the comprehensive 6-year economic plan, the government's first economic plan.
- Peculiar to this plan as a philosophy was that it took up a realization of the full employment for the first time, which aroused controversy among those who thought the economic reconstruction had not been completed yet.
- For example, MITI that represented opinions of the industrial circles had the following opinion:

“Currently, Japanese economy is in times to make rapid progresses in modernization and rationalization. That is, downsizing and cost cutting are important challenges at sites of the production. We have to reduce staff and raise the efficiency, thus established Productivity Center, too. In the face of those circumstances, it's absolutely out of the question to look toward realizing the full employment. We should move ahead on the rationalization even with focused thoughts that the accrual of an unemployed can't be helped.”

- Hence the formation of a 5-year economic plan which was deliberately ambiguous with both theories adscript. The point was, in order to achieve the objectives, to conceive, on another front, a growth-oriented economy by promoting the rationalization cutting the employment per unit of output, and enlarging an output to the extent that would facilitate the absorption of an overabounding labor force. In other words, the plan assumed that the economy would grow faster than an emergence of the unemployed.
- It was the time when an uncertainty over the growth was dominant.
- ←Rationalization/modernization would lead to an insecurity of employment.

8-1 Major Economic Indexes Using Prewar Standard as Benchmark (1934-36 = 100)

	Output (Manufacturing Industry)	Export Quantity	Import Quantity	Commodity Prices (1934-36=1)				Consumption Level		
				Wholesale	Consumer	Export Goods	Import Goods	All Japan	Cities	Farm Villages
1955	189.4	71.6	90.1	343.0	297.4	299.0	279.5	115.1	106.5	128.1
1960	349.7	133.5	186.3	352.1	320.9	323.6	245.5	141.2	137.3	153.8
1965	651.2	303.0	333.3	359.4	443.2	297.1	249.9	186.6	177.7	211.6
1970	1,353.8	610.8	737.4	399.9	577.9	336.9	260.9	250.7	231.1	310.9
1975	1,490.5	984.6	910.7	626.8	988.8	497.3	533.5	300.0	268.8	410.6
1976	1,696.3	1,214.3	1,005.1	661.4	1,083.7	485.8	539.0	305.2	272.5	421.3

Drawn from Economic Planning Agency, *Economic Directory*
(1958, 1969, 1978 editions)

- To look at 1955 figures based on the prewar economic indexes:
- The output became 1.8 times as big, and the consumption level outgrew over 10%;
- But the foreign trade did not reach the prewar standard yet, suffering the aftereffects of the rise in prices. The commodity prices increased by a factor of 300.

- **Plan Purposes**

- 1 Enhance the social infrastructure
- 2 Induce the industrial structure to pursue the sophistication
- 3 Promote the international trade and cooperation
- 4 Enhance the human capacity and promote science and technology
- 5 Alleviate the dualistic structure and secure social stability

- **Plan Objective**

- Double the scale of the national economy in real value over 10 years

4-1-2 “Investment led Investment”

- ① In the face of an announcement effect of the plan, a fierce investment competition incurred among oligopolistic corporations, which brought about an economic framework where an “excessive competition” became controversial as a harmful effect.
- Be that as it may, this point was common to the comprehensive 6-year economic plan, the doubling national income plan and the deregulation of foreign trade exchange plan.
- ② Smooth expansion of the world economy.
- ③ Delayed liberalization of the international trade = Protection of domestic industries, and
 - Weak external competitiveness, that is, Japanese industries’ strong nanism, even hyperconscious.
 - → Planning and setback of the draft law on promoting designated industries

- Driven by the private capital investment
- Relatively low rate of dependence on exports
 - in comparison to the prewar level, or one after the 1980s
- Energetic growth in personal consumption
 - Growth in income
 - Increase in urban households

8-11 Capital Investment Amount by Industry (Unit: 100 Million Yen)

Year	1956-61	1962-65	1966-69	1970-73	1974-77
Electric Power	14,499	13,325	18,574	40,218	71,726
Urban Gas	1,386	1,182	2,327	4,753	9,425
Coal	1,296	1,308	1,613	2,468	4,311
Mining	964	900	1,648	2,530	1,717
Iron & Steel	9,018	7,377	15,749	27,755	28,824
Nonferrous Metal	1,335	1,623	3,308	5,769	5,687
Petroleum	3,197	3,695	8,081	13,574	13,215
Machinery	9,261	11,440	20,573	33,179	39,127
Industrial Mach.	1,419	1,832	2,974	5,433	6,750
Electric Mach.	3,672	3,411	5,394	8,831	9,601
Automobile	2,623	4,817	9,924	14,158	17,981
Chemical	6,911	8,702	14,163	20,494	26,877
Chemical Fertilizer	1,198	839	1,476	1,532	1,541
Synthetic Resin	645	917	1,241	2,348	2,437
Petrochemistry	1,883	3,201	6,058	8,187	9,599
Organic Synthesis	840	1,350	1,383	2,685	3,594
Textiles	4,132	3,818	4,443	6,543	5,325
Synthetic Fiber	1,371	2,104	2,114	2,765	2,640
Paper Pulp	2,164	1,725	2,888	5,093	6,888
Ceramic Industry	2,036	2,582	3,274	5,231	6,340
Cement	1,333	1,678	1,837	3,033	3,898
Building Material	167	247	541	2,369	1,832
Sundry Goods	76	162	583	1,426	1,726
Wholesale/Retail	354	533	2,276	8,468	12,524
Total	57,097	58,699	100,040	179,871	243,143
(Pollution Control Investm't	—	297	2,421	11,978	30,837)

- Capital investment by industry
- Centered on such heavy industries as electric power, iron and steel, chemical, machinery.

Calculated from MITI Business Bureau, *Mid-term Prospect of Private Capital Investment*, Feb. 1973, and MITI Industrial Policy Bureau, *Capital Investment Plans of Major Industries*, 1978 ed. Payment-based numeric

4-1-3 Promotion of Trade Liberalization

8-24 State of Implementation of Import Liberalization

● Rate of import liberalization

- 1960: 41%
- 1961: 62%
- 1962: 73%
- 1963: 89%
- 1964: 93%

	Number of Remaining Import-Restricted Items			
	Total	Industrial Goods	Agricultural Produce	Liberalization Rate (%)
1960	—	—	—	41
61	—	—	—	62
62	466	—	—	73
63	197	—	—	89
64	136	69	67	93
65	136	69	67	93
66	120	54	66	93
67	120	54	66	93
68	122	54	68	93
10/1/69	118	50	68	93
1/14/70	109	45	64	93
4/1	98	39	59	94
9/1	90	35	55	94
1/1/71	80	31	49	94
6/30	60	20	40	94
10/1	40	12	28	95
4/1/72	33	9	24	95
4/19/73	32	8	24	95

(Source) Yoshio Ando *Japanese modern economic history handbook second edition* p.170

Drawn from MITI, *White Paper on International Trade (Pandect)*, 1973, p.117, and others. Number of remaining items of import restriction became 29 on 3/16/75, and 27 on 12/24/75.

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8-22 Export-Import Cover Ratio of Major Goods

(Unit: %)

Import Ratio	Flour	Iron Ore	Iron Scrap	Copper-Bearing Ores	Salt	Coking Coal	Crude Oil
1960	63.6	92.1	31.1	53.9	73.9	42.9	98.1
62	61.1	95.1	19.8	84.4	75.6	50.9	98.1
64	74.3	96.4	21.0	85.4	80.4	51.4	98.9
66	79.3	97.6	15.5	86.1	81.8	58.2	99.1
68	80.1	98.5	12.7	89.9	83.9	71.4	99.4
70	90.8	99.2	12.8	93.0	87.1	79.9	99.5
72	94.8	98.9	6.9	95.1	90.4	78.3	99.7
74	95.9	99.6	7.6	97.4	87.4	85.7	99.7
76	96.3	99.6	7.6	96.9	86.1	76.8	99.7
Export Ratio	Cotton Textile	Mine Engineering Constrction	TV Receiver	Passenger Car	Camera	Ammonium Sulfate	Urea
1960	53.6	8.0	...	8.3	38.3	36.5	29.6
62	39.3	5.9	5.4	10.8	35.3	34.5	45.8
64	33.4	5.0	18.7	13.4	31.0	37.1	62.8
66	34.1	4.9	37.0	19.3	62.3	45.0	73.1
68	24.1	4.1	38.8	21.3	59.9	58.7	73.8
70	16.4	10.8	38.8	24.8	48.4	46.7	67.1
72	16.6	23.0	40.8	37.8	72.1	77.7	85.7
74	13.3	31.9	53.5	45.8	72.9	34.3	64.8
76	13.9	20.7	60.0	52.6	77.4	51.1	55.5

From MITI, *International Trade White Paper*

Import ratio = import quantity/(production quantity + import quantity), export ratio = export quantity/production quantity (in case of machinery, export amount/production amount). For iron scrap, import quantity/(import quantity + consumption quantity)

- High degree of dependence on overseas resources
- Reliance on the domestic market by the consumer durable industries