

Japan and the Pacific Rim: Economic Superpower and the Little Dragons

Question: How was a country that was defeated in, and devastated by, World War II and without any significant natural material resources able to recover so rapidly so that within 25 years it had the third highest Gross National Product (GNP) in the world (only after the U.S. and USSR) and within 40 years it had the second highest GNP (only after the U.S.)?

Hypothesis: Japan's rapid and spectacular economic recovery can be attributed to several significant factors, including a relatively high level of education of the populace, pre-existing management skills that underwent further development, a beneficent and non-exploitive U.S. occupation, the diversion into the private sector of money that would otherwise need to be invested in military development; and the ability to adapt to changing circumstances

I. 1945–1952: American Occupation

A. General Douglas MacArthur

1. goals
2. reforms

B. 1945–1950: Economic difficulties and the Dodge Plan

1. “onion existence”
2. *Zaibatsu* reorganized around their banks
 - a. four major ones: Mitsui, Mitsubishi, Sumitomo, and Yasuda
 - b. reduced influence
3. Joseph Dodge (1890–1964) – Detroit banker
 - a. goals: halt inflation, remove government controls over trade, bring economy back to full strength
 - b. measures: balanced budget; end subsidies; end lending by Reconstruction Finance Bank; fixed exchange rate for yen

C. 1950–1953: Economic revival during Korean War

II. 1952–2000: Post-Occupation

A. Politics

1. Shigeru Yoshida (1878–1967), Prime Minister 1946–47, 1948–54
 - a. Yoshida Doctrine: policies designed to promote Japan's reconstruction
 - (1) limited military spending
 - (2) public works projects (“construction state”)
 - (3) favored producers over consumers
 - (4) promoted exports
2. Liberal Democratic Party
3. three-cornered relationship with business and bureaucracy

B. Economy and Society

1. Electronics Revolution
 - a. Invention of transistor by W. Brattain, J. Bardeen and W.B. Shockley at Bell Laboratories (Western Electric) (1948)
 - b. Akio Morita (1921–1999) and Masaru Ibuka (1908–1997) obtained permit for manufacturing of transistors in Japan (1953)
 - c. Ministry of International Trade and Industry (MITI) reluctant
 - d. Totsuko (Tokyo Telecommunications Research Institute)
 - (1) Japan's first tape recorder (1950)
 - (2) made its first transistor (1954)
 - (3) made first fully transistorized radio (1955)
 - (4) Totsuko adopts corporate name Sony (1958)
 - (5) made first fully transistorized TV (1960)
2. Production transformations
 - a. Managerial: Edwards Deming (MIT) — Quality Control
 - (1) system of mathematical analysis
 - (2) commitment of both managers and workers
 - (3) senior engineers had to be on shop floor
 - b. Robotics
3. *keiretsu* (business groups) replaced *zaibatsu* (1960s)
4. Tokyo Olympics (1964); Nobel Prize winners
5. Began running trade surpluses (1970)
6. Oil shock following Arab-Israeli war (1973)
 - a. impact on Japan
 - b. Japanese response
7. Japan-U.S. trade relations
8. Becomes technology exporter (1980)
9. Re-evaluation of the yen (1985)
10. Collapse of Tokyo stock market (1989)

C. Demographics Is Destiny?

III. Little Dragons

- A. South Korea
- B. Taiwan
- C. Singapore
- D. Hong Kong