

## Economics in Japan

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As Tessa Morris-Suzuki writes, at the end of her fascinating book<sup>1</sup>: "Throughout the 300 years of history surveyed [here] the writings of Japanese economic thinkers have received little attention in other countries. Although since the mid-nineteenth century Japan has imported and assimilated an enormous volume of foreign economic ideas, the economic controversies that have raged within Japan might, for all the interest they attracted abroad, have been conducted within a soundproofed room" (p.196). I suspect that this is true for most readers of the *Bulletin*<sup>2</sup>, as indeed it is for the present reviewer. Our ignorance of economics in Japan is unfortunate, and not only for the reasons advanced by Morris-Suzuki (economists influence government, whose actions affect the world we live in). Her lively and well-written book is very welcome indeed, despite the unsurprising, but still outrageous, price.

A brief but helpful introduction is followed by six chapters. The first three are chronological, dealing with economic theory in Tokugawa Japan (1603-1868), the introduction of Western ideas between the Meiji restoration and the First World War, and economic debates in Japan in the 1920s and 1930s. The remaining three chapters are devoted to the postwar era, concentrating respectively on Marxian economics, non-Marxian analyses of the "economic miracle" and recent controversies over the limits to growth and the nature of post-industrial society. Although Morris-Suzuki refuses "to define a characteristically 'Japanese' approach to economic thought", the broad thrust of the book is clear: "it is possible to observe how groups of economists in Japan have responded to particular problems in distinctive ways: ways that have been influenced by the Japanese economic environment, by indigenous intellectual traditions, and by the status of the economist in Japanese society" (p.4).

In the Tokugawa period these factors operated very largely without any outside interference. Yet, "although Japanese scholars' concept of the 'economic' was often very different from those of modern economists, their intellectual enquiries sometimes led them along paths curiously similar to those explored by their European contemporaries" (p.7). Indeed, the social environment did resemble that of Western Europe in the early modern epoch, with economic change and rapid urbanisation threatening the traditional political order; and Japan's Confucian heritage gave rise to economic ideas which would not have been out of place in eighteenth-century Europe. The modern Japanese term for "economy" is *keizai* which means "administering the nation and relieving the suffering of the people"(p.13). The German cameralists would have found this very familiar, just as Sir James Steuart would have learned with satisfaction that Confucius's "goal for society is universal order and harmony under the rule of a perfect sage" (Smith 1974, p.62; cited p.12). Morris-Suzuki herself points to analogies with Physiocracy, and shows how Japanese reactions to embryonic capitalism were as varied as they had been in Europe, ranging from the Charles Hall-like rejection of all commercial activity (by Kumazawa, pp. 14-18) or of overseas trade (by Arai, pp. 21-4), through to a Smithian insistence on the virtues of enlightened self-interest and on market transactions as an important source of social harmony (as maintained, apparently quite independently of the *Wealth of Nations*, by Ishida, pp. 26-34).

No more than Adam Smith were Japanese economists at the end of the Tokugawa period dogmatic supporters of *laissez-faire*. They frequently defended state involvement in the economy in the interests of national self-aggrandisement (Sato, pp. 34-8) or the promotion of economic development (Yokoi, pp. 38-43). As Morris-Suzuki notes, "The existence of these ideas and debates within Japan meant that Western economic thought, as it began to be explored, appeared not as something utterly alien and incomprehensible, but as a body of knowledge containing many branches that could be related to and

grafted on to the existing stock of Japanese thought" (p.43). Some of these Western ideas did take root, most fortunately that of university autonomy, which shielded Japanese academics from the growing pressures of state repression and anti-intellectual nationalism. Writers such as Mamichi (p.53) even declared their support for free trade in terms reminiscent of Bastiat.

However, Western notions of progress and individual liberty proved harder to assimilate, and liberalism itself was much less influential than in Britain. This, Morris-Suzuki suggests, was very largely due to the difference in economic conditions. There was in Japan no large and independent industrial middle class, resentful of state interference, but rather a small, insecure bourgeoisie which recognised its dependence on government assistance. Thus towards the end of the nineteenth century Japanese thinkers drifted towards conservative and nationalistic philosophies. In economics this led to a growing interest in Carey and List (pp. 59-62), whose defence of protection legitimised the country's renegotiation (between 1894 and 1911) of the treaties which had imposed a uniform 5% tariff. There was also a methodological dimension to this movement, the classical liberal conception of immutable economic laws being rejected in favour of the rival position of the German historical school. The attraction of Germany was evident also in the establishment of the Association for the Study of Social Policy. The ideas of the *Kathedersozialisten* blended well with the Confucian view that economics was indissolubly linked with moral and political issues, and that it was the duty of the government to cater for social welfare. There were many streams of thought within the Association. Thus Kanai (pp. 65-7) was a nationalist, a factory reformer and a strong opponent of trade unions, while Fukuda (pp. 67-9), throwing off the early influence of Thomas Hodgskin, became the first serious Japanese critic of Marxism and used Pigou's *Economics of Welfare* to formulate a neoclassical defence of a reformed capitalism.

It was only in the 1920s and 1930s that any serious attempt was made to

identify the peculiarities of Japan's own economic structure. Here the Marxists led the way, struggling, as their counterparts in Russia had before 1917, to fit their country's idiosyncratic economic development into the Marxian theory of history. The *Koza* school (pp. 81-5) claimed that the British model, on which Marx had based his own analysis of capitalism, was inapplicable to late developers like Japan. "Feudal remnants" internally, and imperialist rivalries externally, had "helped to create an economy in which advanced heavy industry coexisted with a retarded agricultural sector, and where a small but significant capitalist class flourished without the trappings of liberal democracy" (p.85). Thus a bourgeois-democratic revolution must precede the socialist revolution. The *Rono* school (pp. 85-8), by contrast, stressed the similarities between capitalist development in Japan and in the West, and denied that the rural economy had been stagnant in the late Tokugawa epoch. The polemics between the two schools, Morris-Suzuki concludes, "concealed much substantial research and original theorizing"(p.88).

Marxian economics came under attack from Austrian theorists, stimulated by the successful visit in 1931 of Joseph Schumpeter. Thus Koizumi (pp. 88-91) drew on Böhm-Bawerk's celebrated critique of the labour theory of value, prompting a Hilferdingian response from Kushida (pp. 90-1). By now the speed of adoption of Western ideas had increased significantly. "It had taken several decades for the works of John Stuart Mill, Friedrich List and Karl Marx to reach Japan, but by the 1920s and 1930s, with well-established schools of thought in several universities, Japanese economists were able to debate the ideas of theorists such as Pigou and Schumpeter almost as soon as these were published in Europe" (p.93). The analysis of Keynes's *General Theory*, too, was rapidly disseminated to a Japanese audience (pp. 93-4).

Morris-Suzuki ends her discussion of the interwar period with a

tantalisingly brief account of the response of economists to militarism and fascism (pp. 94-101). "The emphasis on the organic nature of the state, so prominent in the writings of the German historical school and of its nineteenth-century Japanese admirers, is repeated in the writings of twentieth-century nationalists such as Kita Ikki. So too is that mistrust both of capitalism and of communism which had been the hallmark of the Social Policy School"(p.95). She is particularly interesting on the distortion of Marxian theories of imperialism at the hands of writers like Takahashi, who defended Japanese military expansion by dividing the world into "bourgeois" and "proletarian" nations and arguing that "Japan was a revolutionary force within the proletarian group" (p.96).<sup>3</sup> Anti-capitalist ideas of a quite different kind were developed by Hijikata (pp. 99-100), who identified a "Japanese spirit", similar to the German spirit, which was incompatible with the anarchic, individualistic and competitive character of unregulated capitalism. It is not clear how far these corporatist notions were an indigenous product, or whether they were imported from Rome and Berlin.

The fourth chapter of *A History of Japanese Economic Thought* is devoted to post-war Marxian economics. In this respect Japan resembled the Galapagos Islands: "Unlike their neoclassical compatriots ... Japanese Marxist economists were not readily integrated into international academic networks, and (rather like some fragment of a biological species which is cut off from others by geographical circumstances) their theories began to evolve in a number of distinctive directions"(p. 104). This explains the debates on the "Prussian" and "American" paths to the transition from feudalism to capitalism, which had occurred in Russia half a century before (pp. 106-8); the increasingly bizarre but widely-held notion that Japanese capitalism was subordinate to that in the United States (pp. 109-11); and Nawa's striking argument that Japan was the victim of unequal exchange in international trade (pp. 114-16). More productive were the mathematical analyses of Koshimura and Okishio (pp. 111-14), the latter well-known in the West for his Theorem

on the Marxian falling rate of profit (Okishio 1963).

Easily the most distinctive trend among modern Japanese Marxists is however the Uno school (pp. 116-21), on which there is now a substantial Western literature (Sekine 1975; Albritton 1986; Itoh 1987). As Morris-Suzuki implies, Uno can be interpreted as a sort of Japanese Althusser, characterised by the much greater clarity of his writing. Uno's distinction between pure theory, the stages of capitalist development, and the analysis of actual economic conditions, was potentially very fruitful, but in practice "opened a dangerously wide gulf between the analysis of pure capitalism on the one hand, and the understanding of the existing, present-day economic system on the other" (p. 121). He has found few disciples in the West. Less original, but more easily understood, is the analysis of state monopoly capitalism undertaken by Ouchi and Oshima (pp. 121-6), which integrated the interventionist policies of the postwar Japanese state with neoclassical arguments about the sources of rapid economic growth. Japanese Marxism even had its own "Eurocommunist" current, exemplified by Nagasu's theory of structural reform (pp. 126-9).

By the 1970s, though, "Marxism was losing some of its pre-eminence in Japanese academia" (p.130), due both to the evident success of the system and to the problems thrown up by the "economic miracle", which did not lend themselves to Marxian solutions. Morris-Suzuki's fifth chapter deals with non-Marxian interpretations of the miraculous pace of postwar growth. Now, for the first time, the American intellectual influence was most pronounced. Harrod-Domar growth theory entered the Japanese literature through the writings of Shimomura (pp. 138-40), who asserted as a new "magic constant" an incremental capital-output ratio equal to unity. Later growth theorists, like Shinohara (pp. 140-5), presented a more sophisticated analysis which incorporated the effects of postwar recovery, the reduction in export prices, the dual labour market and successful adaptation to new technology in addition to

high investment. Controversy also raged, as might be expected, over the role of economic planning by the state, and over the reasons for Japan's dramatic triumphs on the world market.

By the late 1960s dissident voices were being raised from both right and left. Komiya (pp. 152-5) attributed Japan's rapid economic growth to the frugality of the population, and denied any significant role for the state. Miyazaki (pp. 156-8), on the contrary, drew on the work of J.K. Galbraith and the neo-Marxists, Baran and Sweezy, to argue that competition was increasingly illusory, and that "the ideology of neoclassical economics therefore obscured the reality of a growing 'autocracy of the corporation'" (p. 158). And Tsuru (pp. 158-62) contributed to "the collapse of the neoclassical-Keynesian synthesis" (p.163) by questioning the social benefits of economic growth. These themes dominate the final chapter of Morris-Suzuki's book, where she explores the paradox that, "at the very time when Japan has at last achieved unchallenged status as an economic great power, Japanese economic thought should have entered a period of profound crisis" (p. 164). This reflects not only the triumph of monetarism in Japan, the associated attack on state intervention (pp. 166-7), and the growth of environmental concerns, but also the less familiar problems related to what Morris-Suzuki calls "the growing commodification of knowledge"(p. 171).

Her final chapter is thus very much a mixed bag. It includes a detailed discussion of the later (post-Marxian, post-Walrasian) work of Morishima (pp. 173-7), a distinguished critic both of modern Japanese society and of the view that there is only one "true" economic theory. Morris-Suzuki deals also with Miyamoto's analysis (pp. 177-80) of the social deprivations associated with rapid economic growth, which brings to mind both Fred Hirsch's *Social Limits to Growth* (Hirsch 1976) and recent debates among Western Marxists concerning the economic role of the state (Burden and Campbell 1986). She writes perceptively on Murakami's interest in the virtues of Japanese

collectivism as a factor explaining the country's success in its competition with the more individualist West (pp. 184-8), and on the speculations of Imai (pp. 188-91) and Sawa (pp. 192-5) on the implications for Japan of an "information network society" in which traditional economic theories may be all at sea. Most interesting of all, for this reviewer, is her account of the conversion of Uzawa, once a neoclassical growth theorist of formidable ability, into a critic of conventional economic analysis, who now emphasises the central role of *social* capital for the improvement of human well-being (pp. 180-3).

One of the great strengths of this book, as should by now be apparent, is its refusal to capitulate to the tunnel vision of any orthodoxy, whether neoclassical or Marxian. This creative recalcitrance is, on the evidence presented by Morris-Suzuki, characteristic also of very many Japanese economists. This will come as something of a surprise to those of us conditioned (not least by Morishima) to regard Japan as a highly regulated and conformist society. "The most important common feature linking the economists whose ideas we have considered here", she writes, "is their rejection of the conventional, relatively narrow interpretation of 'economic phenomena'" (p. 195). This would get them into deep trouble in most Australian economics departments, which is yet another point in their favour.

Even the most ignorant reviewer is bound to pick fault with a brief and extremely ambitious book such as this. Readers of the *Bulletin* will regret, most of all, the absence of any information on the history of economic thought in Japan. Those few Japanese scholars in our discipline whom I have met have been extremely erudite, but also remarkably narrow in the range of their knowledge and interests. It would be interesting to know whether this reflects a biased sample or is a product of the way in which the history of economics is studied, and taught, in Japan.<sup>4</sup> Morris-Suzuki's discussion of the Keynesian Revolution is also perfunctory (see pp. 93-4). We are not told when the



*General Theory* itself was translated into Japanese, nor - in other than the most general terms - how it was received. A comparison of the critical reaction to Keynes in Nazi Germany and fascist Japan would be of considerable interest.

As Morris-Suzuki herself admits, "Many readers may be able to point to an individual theorist whose work, they feel, has received short shrift here" (p. 6). I was surprised that no mention is made of Kei Shibata, the outstanding mathematical economist whose articles on Marx in the early 1930s, cited by Paul Sweezy in his *Theory of Capitalist Development* (Sweezy 1942, p. 105n.), foreshadowed the much later work of Okishio and Morishima.<sup>5</sup> The analytical contribution of Morishima himself is more significant than Morris-Suzuki acknowledges, his *Marx's Economics* (Morishima 1973) being possibly the most important single book on Marxian economic theory to appear since 1945. Despite the generous allotment of space to Japanese Marxists, there are some apparent lacunae, most notably on imperialism (and especially the analysis of *Japanese imperialism*), and on the impact of Paul Baran's *Political Economy of Growth* (Baran 1957) and Baran's and Sweezy's *Monopoly Capital* (Baran and Sweezy 1964). The reception of Hilferding's *Finance Capital* (Hilferding 1910) and Lenin's *Imperialism* might also have been discussed more fully. We are told nothing of the reaction of Japanese Marxists to the Stalinist industrialisation of the Soviet Union; neither Stalin's nor Trotsky's name appears in the index. Morris-Suzuki misses a number of parallels with Marxian theoretical conflicts outside Japan. One is the analogy between the *Koza-Rono* debates and the arguments of Mensheviks and Bolsheviks, and also the Brenner controversy (Ashton and Philpin 1985); another is the similarity between Uno's crisis theory, the Dobb-Sweezy version of Marx's trade cycle analysis, and more recent models of over-accumulation (Dobb 1940, chapter IV; Sweezy 1942, pp. 87-92; Howard and King 1990). More orthodox economists may well object to Morris-Suzuki's neglect of the Japanese presence in such modern areas of high theory as general equilibrium modelling and new classical

macroeconomics. The notion of rational expectations, for example, is barely touched upon, and other areas of neoclassical analysis are totally ignored.

On a quite different tack, I would have liked to see something on the sociology of Japanese economics. How many professional economists are there in Japan? What proportion work in government and business as compared with academia? Is there any evidence for "McGuinness's Law", whereby all the best brains are found in industry and the public service<sup>6</sup>, leaving only mediocrities like ourselves in the universities? How are economic ideas propagated in Japan? What are the leading journals, and who reads them? How widely do foreign journals circulate? Who publishes economic books, and how large are the print runs? What types of economic literature are translated into Japanese? How many students of economics are there, and what textbooks do they read? What proportion of Japanese academic economists are proficient in English? Does "international" publication carry the same kudos as in Australia? Has "the present ferment in Japanese economic thought" (p. 195) percolated through to business periodicals and university appointments committees?

Perhaps these questions call for another book, or at least a substantial article. I hope Tessa Morris-Suzuki will write it. The volume under review was a pleasure to read.

### Footnotes

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- 1. Tessa Morris-Suzuki, *A History of Japanese Economic Thought*, Routledge/Nissan Institute for Japanese Studies, London, 1989. ISBN 0-415-01264-3, pp. vii + 213, Aus. \$115.
- 2. Though there is *slightly* more of a Western literature than Morris-Suzuki admits; Martin Bronfenbrenner, in particular, has written more in this area than the one reference in the bibliography (to a 1956 survey article) might imply.

3. Similar pseudo-Marxian views were expressed by the Rumanian neo-fascist Mihail Manoilescu (1931), while a rather different perversion of Marxian analysis which led to the same political conclusions can be found in the writings of Heinrich Cunow and Paul Lensch (Fletcher 1984).
4. How is the history of economics taught in Japan? How many students are there, at undergraduate and postgraduate levels? What texts do they use? How much research is being undertaken, and by whom?
5. See Shibata (1934,1939). The latter is reprinted in King (1990a, pp. 3-29). Due to a publisher's error, the former was replaced by Shibata (1935) in King (1990b, pp. 3-23); although it is on Böhm-Bawerk rather than Marx, it too retains its interest after half a century.
6. And, of course, journalism! [P. McGuinness is a prominent Australian journalist - Ed.].

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