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JAPAN SINCE 1945

THE RISE OF AN ECONOMIC SUPERPOWER

DENNIS B. SMITH

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JAPAN SINCE 1945

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SERIES EDITORS' PREFACE

There are those, politicians among them, who feel that historians should not teach or write about contemporary events and people – many of whom are still living – because of the difficulty of treating such matters with historical perspective, that it is right to draw some distinction between the study of history and the study of current affairs. Proponents of this view seem to be unaware of the concept of contemporary history to which this series is devoted, that the history of the recent past can and should be written with a degree of objectivity. As memories of the Second World War recede, it is surely time to place in perspective the postwar history that has shaped all our lives, whether we were born in the 1940s or the 1970s.

Many countries – Britain, the United States and Germany among them – allow access to their public records under a thirty-year rule, opening up much of the postwar period to archival research. For more recent events, diaries, memoirs, and the investigations of newspapers and television, confirm the view of the famous historian Sir Lewis Namier that all secrets are in print provided you know where to look for them. Contemporary historians also have the opportunity, denied to historians of earlier periods, of interviewing participants in the events they are analysing. The problem facing the contemporary historian is, if anything, the embarrassment of riches.

In any case, the nature and extent of world changes since

the late 1980s have clearly signalled the need for concise discussion of major themes in post-1945 history. For many of us the difficult thing to grasp is how dramatically the world has changed over recent years: the collapse of the Soviet Union and Russian communism; the end of Soviet hegemony over eastern Europe; the unification of Germany; the end of the Cold War; America's sense of a 'new world order'; the pace of integration in the European Community; the disintegration of Yugoslavia; the Middle East peace settlement; the continuing economic strength of Japan. Writing in a structured and cogent way about these seismic changes is what makes contemporary history so challenging, and we hope that the end result will convey some of this excitement and interest to our readers.

The general objective of this series, written entirely by members of the School of History, Philosophy and Politics of the University of Ulster, is to offer concise and up-to-date treatments of postwar themes considered of historical and political significance, and to stimulate critical thought about the theoretical assumptions and conceptual apparatus underlying interpretation of the topics under discussion. The series should bring some of the central themes and problems confronting students and teachers of recent history, politics and international affairs into sharper focus than the textbook writer alone could provide. The blend required to write contemporary history that is both readable and easily understood but also accurate and scholarly is not easy to achieve, but we hope that this series will prove worthwhile for both students and teachers interested in world affairs since 1945.

University of Ulster

T. G. Fraser
J. O. Springhall

PREFACE

By 1990 Japan was a superpower, not perhaps in military and political terms but certainly economically. As the Soviet Union fell apart the Japanese economy became indisputably the second largest in the world. The Japanese had the highest per capita GNP of any OECD country; the five largest banks in the world were Japanese; the Tokyo Stock Exchange had grown into one of the major international markets; the world's three largest security houses (stock-brokers) were Japanese; Japan produced more iron, steel and more automobiles than the United States; no nation was ever owed so much from abroad.

The way in which Japan has been governed and the nature of the political system behind that government help are fundamental to understanding of the postwar period. Japan was a parliamentary democracy, although one party, the Liberal Democratic Party, had monopolised the central government since its creation in 1955; in fact, the conservative forerunners of the Liberal Democrats had provided Japan's governments since 1948. This unexampled degree of political stability has obviously been a key factor in postwar Japan's economic growth. The Liberal Democratic Party built close, almost symbiotic, relations with big business and the powerful civil service.

Postwar Japan's military policies have been much maligned by its allies, and particularly by the United States. The postwar constitution legally demilitarised Japan,

although by 1950 the foundations of the postwar armed forces had been laid. Since then, Japan's defence expenditure has not risen significantly above 1 per cent of GNP, but given the size of Japan's national wealth, this 1 per cent has meant that the Japanese Self-Defence Forces (the legal name of the Japanese armed forces) are large and well equipped. Japan is not a military superpower, but it has become an important element in the Pacific and world strategic equation. The sophistication of Japanese technology has given Japan the potential to become a nuclear power.

Japan's enormous economic stature has stimulated great outside interest in the country. Japanese is spoken only in Japan, and interest in the language is a reasonable guide to that nation's importance to the outside world. When the author began to learn Japanese twenty-five years ago there was barely a handful of books on the language. A personal survey of a large bookshop in an English provincial city, done surreptitiously in the summer of 1994, revealed ten yards of bookshelf devoted to textbooks on Japanese. Statistically speaking at least, this explosion in the desire to learn Japanese, and about Japan, is more impressive than the economic miracle.

This book has been written in the belief that history provides an excellent introduction to a distant and relatively unfamiliar nation, its political, economic and social structures. It seeks to assist those who are either embarking on the study of Japan or who are anxious to add to their knowledge of that country. It attempts an historical overview of the processes by which postwar Japan was transformed into an economic power which impinges upon almost all of us. The principal focus is upon political and economic developments, although not to the exclusion of the social dimensions of the enormous changes which Japan has experienced since the Second World War. It is widely believed that Japan's economic growth, in particular, was an exclusively postwar phenomenon. In reality, this spectacular postwar economic growth had its roots in prewar Japan.

Preface

Historians are often accused to being obsessed with emphasising continuity. The author is willing to risk allegations of mania and no opportunity is lost to point up the influence of the past upon the present.

Most of this work was written between the summer of 1993 and the middle of 1994. As luck would have it, this was precisely the time when, after thirty-eight years, the Liberal Democrat Party lost its hold on power, whilst Japan's economy reached the depths of its worst postwar depression. These events shook to their cores many of the previous comfortable certainties of postwar Japan. The extent of the confusion that has enveloped Japanese politics can be gauged the fact that Japan is now (in the summer of 1994) threatened with the creation of a 'new-new party'. Prophecy is an enticing but dangerous pastime which wise historians do well to avoid. Suffice it to say that Japan will retain its importance in the modern world.

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I am grateful to many in helping, directly and indirectly, in the production of this book. My colleagues in the Department of History at the University of Ulster tolerated endless conversations about and allusions to contemporary Japan. Dr John Springhall read and commented on the whole work, saving me from innumerable errors. Over the years I have had the great pleasure of teaching courses on the economies of Japan and of east Asia with Dr Walford Johnson of the Department of Banking and Commerce; his contribution to shaping and refining my ideas on Japan's economy and its place in the contemporary world has been quite invaluable. Tracey Weir, one of my research students, endured innumerable discussions about postwar Japanese politics and shared much of her knowledge of labyrinthine political manoeuvrings of the 1970s and 1980s; she also saved me from making one horrendous factual error. Gillian Coward was kind enough to produce the map of north-east Asia. Finally, a word of sincere gratitude to the generations of undergraduate students who have bravely ventured onto my courses on modern and contemporary Japan. Their questions, discussions, arguments, improbably even their essays and examination papers, have contributed more than they know to this work.

A NOTE ON CONVENTIONS

Japanese personal names are given according to normal practice in Japan, with the family name (surname) first.

Macrons (bars over 'o' and 'u' – ō and ū) are used to indicate that those vowels should be pronounced long.

A billion equals 1,000 million.