

to this issue. Employer's Association chief Takeshi Sakurada used just such "competition" to justify near-zero growth in Japanese real wages for the fourth year in a row.

Japan is not prepared to resign itself to being an assembly shop. Nonetheless, the fait accompli presented by the yen rise has stymied its development strategy. Despite record foreign exchange reserves, the Finance Ministry estimates that foreign investment in 1977 dropped 25 percent from 1976 and investment in developing countries was down perhaps 50 percent from 1973 peak levels. Toshiro Tomabechi, the managing director of the top trading firm, Mitsubishi Corp., remarked, "Theoretically, we have to invest abroad in order to reap the harvest 5 to 10 years from now, but I don't think the time is ripe."

### Why Yen Rise Bankrupts Japan

Japan's postwar miracle was built on a relatively delicate financial structure for which exports provided the foundation. High growth in capital investment was

Table I

### Comparative Index of Growth Rates of Wages, Productivity and Prices:

1968 Vs. 1960 (1960=100)

	Labor Productivity (A)	Wages (B)	Labor Costs (B/A)	Export Prices
Japan	216	237	110	92
Italy	170	200	109	94
West Germany	157	184	117	111
France	149	181	121	110
United Kingdom	132	165	122	112
United States	129	133	104	113

Source: National Institute Economic Review and Ministry of Labor

## Japan's Economists: Hamilton, Hegel, and Kanamori

Japan didn't get where it is today by relying on the crackerbarrel notions of "free enterprise," "anti-big government," and "our job is to make profits, not products" popular among U.S. businessmen. On the contrary, its industrialists as a group have more advanced notions of development than any others in the advanced capitalist sector.

A public official paper titled "Knowledge intensification; Can human beings build a Tower of Babel to Heaven" by the Ministry of International Trade and Industry appropriately referenced the early 19th German philosophical giant G.W.F. Hegel to the effect that Japan's task is to change the economy from the level of thing-in-itself to the level of being-in-and-for-itself — that is, from one in which jobs use people as mere talented beasts of burden to one in which jobs require the most human qualities of creativity, a fusion-power-dominated economy, in which laborers are skilled technicians, engineers, and scientists.

Saburo Okita, advisor to former Prime Minister Takeo Miki and leading economist of the Japan Economic Research Center (JERC), expressed the best outlook of Japanese business when he said productive consumption is that which "will contribute to the activities of tomorrow, to the qualitative elevation of labor in the long run, i.e. to enable the qualitative expanded reproduction of labor."

The head of the JERC, Hisao Kanamori, pinpointed Japan's policy in a winter 1971 article in the *Japan Interpreter*. He wrote that neither high growth nor low growth is "normal"; the norm is constant acceleration of growth rates. Kanamori is

an influential thinker behind the Industrial Structure Council faction of Japanese business. In 1971 he predicted that by 1980 Japan would surpass the U.S. in per-capita GNP and, by 1990-95, in absolute GNP. This, he said, would be achieved by a 20-fold increase in spending on research and development to \$75 billion per year by 1985!

The progrowth thinkers in Japan have been constantly forced to respond to arguments by economists attached to certain London-New York circles that Japan should slow its growth. Kanamori responded in the article cited above by demolishing the theoretical basis of arguments — founded on the theories of British economists J.S. Mill, Malthus, and Keynes — that the so-called laws of marginal utility and diminishing returns require low growth for "mature" economies. Kanamori simply pointed out that constant increases in technology and the capital-labor ratio voided these "laws." Another economist wrote that the problem with low-growth advocates is that they think economic "stability" is analogous to a hard table. In fact, he said, it should be thought of more like the "stability" that is true of the larva that is changing into a butterfly.

Japan's fight against the low-growth line is not a postwar phenomena but goes back to the days after the 1868 Meiji restoration. The predecessor of today's prodevelopment faction was Yukichi Fukuzawa, who fought for a national bank policy explicitly modeled on Alexander Hamilton's. His opponent was Japanese banker and British agent Eichi Shibusawa, the institutional ancestor of the Luddite environmentalist commandoes who attacked Japan's Narita Airport last week.