percent, the worst since the "crazy prices" of era of 1973. In June, the largest banks—who have been running on virtual negative interest margins for a year and a half—refused to buy any more government bonds until the bond yields and the discount rate were raised. The government, running a 40 percent budget deficit, had no choice but to comply: It raised the discount rate from 4.25 percent to 5.25 percent.

Ohira's response to this crisis in the short term is severe austerity and financial retrenchment. The finance ministry quota for total new domestic lending by the largest banks means an 8 percent reduction from last year, the worst cutback since postwar recovery took off in 1955. In the longterm, Ohira's answer is the seven-year plan.

A look at the basic structure of the economy makes clear why the Ohira program can only exacerbate this crisis. During the postwar "miracle" years of 1955-1971, Japan's
velopment that any economy, whether "mature" or not, can follow. Japan experienced not only high rates of growth, but more importantly, accelerating rates of growth. The key to this was that capital formation continuously rose as a percent of GNP, reaching 30 percent at the high point of 1970 (not including government investment). As a result, labor productivity also rose tremendously, as much as 12-14 percent per year. This meant living standards could triple during the same period while consumption declined as a percent of GNP! (See Figure II.)

Exports—while not so high a proportion of GNP (only 12 percent)—were the engine of this process. Japan was a "future-oriented" economy, geared to the growth of world trade. Its plans for the 1970s were to shift to exports of plant and machinery, not just autos and TVs.

August 15, 1971 and the oil crisis of 1973 sent Japan into an economic crisis from which it has never recovered. Not so much because of their direct effects on Japan, as because of their effects on world trade as a whole. The 1955-71 growth
corporate debt-loads, which remained perfectly manageable as long as high productivity increased and high growth remained. Without that buffer, the debt loads become unmanageable. The crisis of 1971 immediately caused spiralling inflation, reaching 30 percent by 1973 in a country where inflation had been virtually nonexistent during the 1955-71 period. This was followed

Ohira slashes Japan's nuclear goals

Perhaps no other issue better expresses Premier Masayoshi Ohira's attack on the entire thrust of postwar Japanese economics than his downgrading of Japan's nuclear and fusion power programs. His administration proposes to spend $25 billion over the next 11 years on such "alternate energy sources" as coal, coal liquefaction, solar energy, etc. while reducing the previous 1985 target for nuclear power by 15 percent and that for 1990 by 10 percent. Meanwhile the plan "includes a removal of nuclear fusion on which a considerable amount of money has been invested," according to the *Mainichi* of July 17.

Much more than Japan's energy resources is at stake here. The course of the entire economy is altered by this energy proposal. In 1971, Japan's Industrial Structure Council—a business advisory body to the Ministry of International Trade and Industry (MITI)—developed a long-term economic plan whose core was making Japan a fusion-power economy by the 1990s or 2000. All investments in other industries, development of computers, transfer of technology to the newly industrializing nations and other key decisions were organized around the key target of bringing Japan into the high-technology "knowledge intensive" era of fusion power. Nuclear power was viewed as a transition to that era. One MITI official predicted, "By the year 2000 Japan will supply half the world's energy by mass production and export of fusion power machines." Not unimportantly, possession of substantial nuclear and fusion power resources would free resourceless Japan from energy blackmail by Britain and the United States through Anglo-American control of the seven oil multinationals.

To this end, under programs launched by Prime Ministers Takeo Miki and Takeo Fukuda, Japan raised its research spending on fusion tenfold, from only $40 million as its share of joint research with the U.S. proposed by Fukuda. Ohira is now relegating fusion power production to some time in the next century, and cutting out further increases.

Planners in the early 1970s envisioned Japan getting 20 percent of its electricity from nuclear power by 1980 and 30 percent by 1990, at the least. Instead, due to "environmentalist" pressure, nuclear is only 10-12 percent of electricity now, and Ohira has reduced still further the already bleak target of 20 percent by 1990.

For the dubious purpose of lowering oil as a source of energy from 75 percent to 48 percent by 1985, Ohira proposes that Japan mimic Jimmy Carter's energy program.