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## Book Review

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# MITI: the 'general staff' of Japan's growth

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### MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975

Chalmers Johnson

Stanford, California:

Stanford University Press, 1982.

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For years this writer has been trying to get people to focus on *industrial policy* rather than labor-management seminars, company songs, and Buddhist equanimity as the key to Japan's economic miracle. Now, "industrial policy" is the latest fad, as scores of politicians and writers either condemn, or urge America to copy, what they (often inaccurately) portray as Japan's industrial policy.

In this atmosphere, Chalmers Johnson's *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* is a breath of fresh air.

In the very first chapter of his book, Johnson, professor of political science, and Asia expert at the University of California at Berkeley, dismisses the "blind men and the elephant" theories now providing grist for best-sellers. Such books claim that Japan's economic miracle is due to "unique cultural factors" like "group thinking"; "unique institutions" such as lifetime employment; plain "market forces"; or low defense budgets.

The lifetime employment system, for example, did not even exist until after World War I and didn't predominate until after World War II. (Ironically, the existence of a lifetime employment system in the Soviet Union is often *blamed* for its low productivity and low worker morale.) Those who point to the docile labor force of a "consensus culture" forget the violent strikes after World War II. Still others, such as William Ouchi's *Theory Z*, look to Japanese management techniques as isolated "gimmicks" that have been and can continue to be successfully transplanted to U.S. factories. Yet, Johnson rightly insists, these techniques alone fail to explain Japan's success—and cannot create American resurgence—without the political-economic environment that made them successful.

Johnson states that these "anything-but-politics" ap-

proaches are not so much factually wrong as woefully insufficient, forgetting that the very existence of some of the phenomenon to which they point is often a result of government policy. For example, the famous high rate of savings of the Japanese is not some heritage of Buddhist mentality, but a recent, postwar phenomena, not unrelated to the simple fact that the first \$3,000 of earned interest is tax deductible.

### The developmental state

Johnson belongs, he states, to "the school that stresses the role of the developmental state in the economic miracle."

In America and other countries, the prevailing ideology at present is that of the regulatory state. A regulatory state, Johnson comments, "concerns itself with the forms and procedures—the rules, if you will—of economic competition, but it does not concern itself with substantive matters. For example, the U.S. government has many regulations concerning the antitrust implications of the size of firms, but it does not concern itself with what industries ought to exist."

The developmental state, on the other hand, "has as its dominant nature precisely the setting of such substantive social and economic goals. . . . The government will give greatest precedence to industrial policy, that is, to a concern with the structure of domestic industry and with promoting the structure that enhances the nation's international competitiveness. The very existence of industrial policy implies a strategic or goal-oriented approach to the economy."

The "real equivalent of the Japanese Ministry of International Trade and Industry (MITI) in the U.S.," Johnson points out, "is not the Department of Commerce, but the Department of Defense," meaning the crucial role played by the Pentagon and NASA in the development of semiconductors, computers, and aircraft, and the back-and-forth movement of men between the Pentagon and defense contractors.

In a developmental state, says Johnson, "the politicians reign, but the bureaucrats rule." His second chapter gives an excellent introduction to the Japanese economic bureaucracy, the role of MITI, the finance ministry, and the relations between government bureaucrats and the business world. For example, in the United States businessmen and lawyers will often take a few years off from their firm to take a job in the State Department, Treasury Department, or Pentagon. In Japan it is the other way around. Upon retiring from MITI during their early 50s—a process known as "descending from

heaven"—MITI officials usually take high-level positions in major industries. This helps ensure that the firm follows MITI's "administrative guidance." Most postwar Japanese prime ministers have been ex-bureaucrats, usually from the foreign or finance ministries, rather than professional party politicians.

The primacy of the economic bureaucracy also creates an important cultural difference: when we in America wish to read novels about government employees, we devour the spy sagas of LaCarré and Ludlum; the Japanese, on the other hand, find themselves drawn to such best-selling novels as *The Summer of the Bureaucrats*.

## Content versus technique and structure

Most of *MITI* consists of a detailed history of MITI's development and its role in formulating and carrying out Japan's industrial policy, as discussed in the article on that subject in this Special Report.

It must be said, however, that there are some problems with this book, particularly for the general reader—problems that arise only when Johnson fails to follow through on his own thesis of the developmental state. The issue at hand emerges right in the first chapter. Almost ignoring his own earlier point that "Japan's political economy can be located precisely in the line of descent from the German Historical School" (i.e., Friedrich List, c.f. p. 25 above) Johnson then goes to say:

[T]he leaders of MITI and other Japanese realized only very late in the game that what they were doing added up to an implicit theory of the developmental state. . . . MITI produced no theory or model of industrial policy until the 1960s at the earliest, and not until the creation of the Industrial Structure Council in 1964 was analytical work on industrial policy begun on a sustained basis. . . . An individual interested in the Japanese system has no set of theoretical works, no *locus classicus* such as Adam Smith or V.I. Lenin, with which to start. This lack of theorizing has meant that historical research is necessary in order to understand how MITI and industrial policy "just grew."

Starting with this thesis, Johnson begins his history, not with Meiji Japan's national goal of catching up with the West and the creation of the Bureau of Industrial Promotion, but in the 1920s by describing the reactions to the economic problems brought on by the 1923 earthquake and 1927 financial crash, and then the reactions to the 1930s Depression and march toward war. Johnson insists that there was a gap between the Meiji era and the 20th century, with a period of *laissez-faire* in between following the 1881 selling off of state-owned enterprises.

Johnson overstates the case. Although there was a reorganization of the ministries in the mid-1880s, including dissolving the Industrial Promotion Bureau into the newly created Ministry of Agriculture and Commerce, the latter is the direct ancestor of MITI. Similarly, though direct state

guidance of business was diluted during the first decades of this century, the state, as detailed above, provided one-third of all capital investment, and the infrastructure, taxation policy, and procurement needed for industrialization and the never-forgotten goal of catching up. Certainly, the techniques and particular institutions of industry were learned and built up over time through experience with new economic problems. However, there was neither an organizational nor a policy break between Meiji and the later era to the extent claimed by Johnson.

The dissolution of the links to the deliberate fostering of industry and technological progress by the Meiji era founders, leaves industrial policy and the organizational development of MITI as an accumulation of reactions to events, rather than the outcome of willful economic goal-setting. This has two consequences.

Firstly, Johnson gives what this writer—along with certain MITI officials consulted by this writer—believes to be exaggerated importance to the role of Nobosuke Kishi. Kishi, who became prime minister in 1957, had been a major MITI official in the 1920-30 period, as well as an important figure in the fascist movements of the 1930s and in Tojo's wartime regime. Johnson devotes several chapters of the book not to prewar economic policy, but to MITI's organizational development, in order to prove Kishi's instrumental role and the power of the "Kishi line" stretching into postwar MITI leadership. Kishi was indeed important organizationally, but according to MITI veterans, not as seminal a leader from a policy standpoint as indicated by Johnson. This point is important because Johnson's emphasis could lead some readers, despite Johnson's own intentions, to identify Japanese industrial policy with corporatism and fascism. Japanese fascists certainly used the centralized tools of industrial policy, but the two are as far apart as industrial policy and socialism.

This is related to another problem. In the chapters on postwar reconstruction, Johnson demonstrates very excitingly the connection between the tools of industrial policy, and the content, or effect, of the policy, the technological upgrading of the economy. This enables the American reader to understand how the developmental state works. However, in the chapters on the prewar era and the late 1960s-70s, Johnson simply asserts the connection without showing how it works. The prewar chapters concentrate too much on the "Kishi line" thesis, while the chapters on the 1960s-70s concentrate a bit too much on the use of mergers and cartels, rather than other tools which transformed the industrial structure.

We mention these problems, not to detract from the book, but to clarify the issues, since *MITI* will remain the authoritative American history of MITI for some time to come. All in all, *MITI* is a book filled with people—people making decisions, people making history, not invisible hands. It is to be hoped that it is only the beginning of a number of much-needed books on Japan's industrial policy.