

Miti and the japanese miracle



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The book “ MITI and the Japanese Miracle” by Chalmers Johnson should be considered the classic of contemporary historical and economic studies because it significantly contributes the fields by examining and analyzing developmental states. In particular, Johnson discusses economic development strategies of East Asian country – Japan. Nowadays Japan’s economy is swiftly developing and in future Japan is very likely to achieve leading positions on the world scale.

Therefore, the author decided to provide detailed overview of Japan economic development – how undeveloped country managed to improve economic positions and become very influential. I think that book is very informative and analytic because the author doesn’t tend to be dry and technical. Actually, the book is a well-written and coherent novel. The book highlights past details with new expressiveness.

It is necessary to outline that Johnson depicts the discourse of Japanese economy in terms of mercantilism. Johnson states that the Japanese economy is labeled as mercantilist after anti-trade economies of Spain and Portugal have been attacked by Adam Smith. Thus, Johnson developed more exact political-economic model of capitalist development state.

Japanese economy was characterized by suppression of consumption, supervision of domestic industries, and funneling savings into business development. Johnson provides overview of the history of MITI stressing that it is central to political and economic history of Japan. He argues that mercantilism seemed to be vanished long before the economics took shape.

In other words, mercantilism can't be defined as operating economic theory as it was simply pragmatic adaptation.

Mercantilism is claimed to anticipate and even to contradict market concepts and signals. The goal of mercantilism is to channel the resources to selected sectors pursuing the interests of elite groups and powerful figures.

Apparently, mercantilism resulted in income discrimination. Johnson cites economists who state that mercantilism is nothing more than death of market efficiency.

Market should be more efficient than the wisdom of the state, Johnson assumes. Also mercantilism affects resource allocation leading to rent-seeking distortions. So, mercantilism is associated to do harm rather than to provide benefits for economic development and national wealth.

The author asserts that resource allocation shouldn't be guided by the state because its role is to provide overall good and to respond adequately to market threats and opportunities. This kind of role is labeled as regulatory state. For example, Great Britain and the United States of America are regulatory state.

According to Johnson, the task of regulatory state is to set rule aimed at governing competition, investment opportunities, pricing policies, entries and exits, and many other market functions. This process is called economic regulation. It is noted that economic regulation should establish a framework for market operation and should respond to problems and failures of market.

Johnson examines Japan as developmental states and says that economic regulation in the country goes beyond the market maintenance. In developmental state the primary mission is to ensure long-term national welfare. The state is very likely to intervene actively into all economic and financial activities with the purpose of improving international competitiveness of the country. Japan is very bureaucratic state and economic and business readers don't accept the strategies of laissez-faire, open markets, and free trade.

Japanese leaders viewed the mentioned concepts as protection of economically powerful and influential exporters. Therefore, Japan's strategy as developmental state is to reject the extant hierarchy of competitive advantage, as far as high return sectors would ensure high growth rates. However, such sectors aren't associated with developing countries. Also there is no need for developing countries to rest with labor-intensive industries and agriculture. As Chalmers Johnson claims, these sectors should be with low growth prospect or, in other words, they should be low value-added.

Developmental states should pay more attention to such strategy. Japanese government tends to utilize activist policies to promote and practice competitive advantage strategy. In this respect, developmental state is the result of neo-mercantilism and economic nationalism. Japan is also driven by such motive as the country refers to economic regulation to intensify and enhance technological development, as well as competitiveness of country's leading industries, and capacity growth. Competitiveness is considered to be very essential for national economy.

The abovementioned models don't reject the role of the state in economic activities. Nevertheless, they are different as far as they provide different perspectives on resource allocation. Neoclassical economists stress state efficiency, whereas the point of neo-mercantilism is state effectiveness. The author argues that there is no empirical criterion how to judge which model is valid because each model is supported by evidence.

Everything depends on the trends which are constantly changing. Johnson captured public attention and interest for its timing rather than for theoretical superiority. The author describes 1980s when economy has lost its effectiveness. Johnson writes that the United States also failed to compete decently both at the world and domestic markets. In that period the economies of developed and developing countries weren't on the peak of success.

In those days states were interested in comparative advantage and competitiveness. Johnson claims both competitive advantage and competitiveness are rather effectiveness rather than efficiency. If economy is efficient, it may perform effectively at world and domestic markets. Japan was a teacher rather than formidable competitor. That is why the book catches attention. Johnson appeared to be the only writer who discussed Japan's economy in such terms. In his book Johnson challenges neoclassical economic theory.

References

Johnson, Ch. (2003). MITI and the Japanese Miracle: the Growth of Industrial Policy, 1925-1975. Stanford: Stanford University Press.