

Japan and capitalism

Government, Capitalism



Japan: Capitalism and the Economic Miracle The global triumph of capitalism was the most important historical issue of the nineteenth century. It was the triumph of a kind of society that believed in the fact that economic development was based on competitive private enterprise and the success of buying as much as possible from the market.

It was considered that an economy resting on the solid foundations of the middle class, would not only create a world of properly distributed wealth, but also it would educate people, develop reasoning and increase human opportunity. Summarizing, a world of continuous and rapid material and moral development. The few obstacles that remained in the path of this development would rapidly be solved or overcome. The history of this period is characterized by a massive breakthrough in the global economy of industrial capitalism.

Certain regions of the world beyond capitalism were put under pressure by the capitalist countries who tried to gain insight in their economies by opening new markets, these regions were forced to choose between a determined resistance towards capitalism in accordance to their traditions and ways of life or a modernization process which would bring different cultural changes. Given this logic, Japan was during the mid-nineteenth century under pressure from the foreign powers and the crisis of their system based on the Shoguns.

This situation led to Japan, to carry out a complete transformation process (economic, political and social) known as the Meiji Restoration, which marked the starting point of modern Japanese society. The introduction of the United States in the Pacific finally brought Japan to the center of Western attempts

to "open" their markets. Direct resistance was impossible, the weak attempts to organize had already been shown. The simple diplomatic concessions were no more than a temporary expedient.

Already in 1853-1854, Commodore Perry, from the United States Navy had forced them to open certain ports through the regular method of naval threatening. In 1862 the British, bombed the city of Kagoshima with complete impunity in retaliation for the murder of an Englishman by the Japanese. The presence of Western forces was, at this point, a legitimate fact of the everyday Japanese life. Finally in 1868 the Meiji Restoration was proclaimed, the Restoration based itself on the transfer of state power from the Shogun to the Emperor.

This started a political, economic and social process that, after ten years of turmoil and provincial agrarian revolts led to the modernization of the state and national unity. Due to these facts the Meiji Restoration is considered the starting point of modern Japanese society. To carry out the task of "modernization" economic resources were anxiously needed in order to master the noble's resistance, to suppress revolts and upheavals of provincial farmers, to compensate land owners, to protect, to promote the industry and to install state manufacturing complexes.

It was also important to modernize and equalize the state, the military and the bureaucratic system. Due to the limited development of industrial capital, the new government was forced to seek financial resources within the land, based on property taxes. But, in order to adapt to the changing needs of the state, these charges became taxmoney. These financial

arrangements, established by the government of the restoration were the starting point of the land reforms.

As for the early development of capitalism, the Japanese case marked clear differences with respect to what Western Europe had already experienced. In the West the state centralized manufacturing were disappearing during the bourgeois revolution, while in Japan state factories developed across the country, based on the steel market. Cloth factories and their machinery were quickly upgraded through a process known as industrial revolution "from above", which is based on the help of the state to upgrade the existing industry.

The number of state factories kept rising and peaked in the decade of the 1870-1880. After the 1880s, these companies protected by the government were then exposed to public auction and were then bought by the capitalists monopoly, some of these industries grew as rich as Mitsui or Mitsubishi, who maintained close contact with the state. The Japanese revolution, allowed the development of commercial activity and usurer capital of the old type, in order to avoid the abolishment of the feudal relations of land property, and to assure the freedom and autonomy of the independent peasantry and small craftsmen.

Although the classic capitalistic revolution involved the change from commercial capital to industrial capital, the Japanese revolution followed another path. In Japan the industrial revolution as well as the transformation of commercial capital into industrial capital came about under the monopoly of the rich capitalists, which showed the main difference from that of Western European capitalism. It is clear that this particular structure was

determined by the agricultural and the feudal systems of land property, which ensured the survival and multiplication of feudal relations of production within the Japanese agriculture.

Revolutionary activists recognized that in order to carry out their purpose of saving the country, they required a process of systematic Westernization. By 1868 many had had contact with foreigners, some had even traveled abroad, people then began to recognize that conservation involved transformation. The driving force that moved Japan towards this transformation was its pursuit to become more Western. It looked like the West clearly had the secret of success and therefore Japan had to imitate it at all costs. Taking a set of values and institutions of another society and implementing it into the Japanese society was a surprising, traumatic, and problematic attempt. However this attempt could not be done in a superficial and poorly controlled way, especially in a society which was profoundly different from the West. Many began with a strong passion for the West and anything that came from across them. For some people, the renovation seemed to imply the abandonment of all that was Japanese, as they considered that all the past was barbaric and out of date.

The proposals reached even to the renewal of the Japanese race, considered genetically inferior, and was began to be improved through interbreeding with the Western "superior race", these suggestions were based on Western theories of racism and social Darwinism, they really found support at the higher and wealthy Japanese classes. Certain styles of life, such as clothing or food, were less adopted than the technological or architectural styles and ideas from the West. Westernization here raised a major dilemma, unlike

what had happened prior with the adoption of Chinese elements by the Japanese.

Since "all the Western" was not as simple and as coherent, it was a whole complex of institutions and ideas which in many cases were opposite to the traditional Japanese culture. In practice, the Japanese chose the British model, which naturally served as guide towards the development of the railroad, the telegraph, textiles, and many other methods of business. France inspired the legal reform and set the basis for the military reform. Universities based themselves on the German and American examples, as well as primary education, agricultural innovations and mailing systems.

In 1875-1876 over five hundred foreign workers were employed, this number rose to three thousand by the 1890s. However choosing between the different political and ideological aspects was not that easy. Japan was politically against the liberal bourgeois systems of Britain and France. Liberalism was naturally opposed to the absolutist state, which was adopted in Japan after the Restoration. In turn, Westernization also was based on the adoptions of ideas, including Christianity which the Japanese people did not relate to.

After some time, a strong systemic reaction against Westernization and the liberal model began to rise within the country. This reaction manifested itself in the constitution of 1889, mostly because of a neotraditionalist reaction which virtually invented the Shinto, a new religion based on the worship of the emperor. At this time the combination of selective neotraditionalism and modernization kept rising and was creating and giving shape to the new system. However, there was tension between those who believed that

Westernization meant a complete revolution and those who believed that it was the key to economic progress.

Beyond these internal contradictions, Japan carried out an incredible process of modernization that made it a formidable modern power, setting them apart from the rest of the Asian countries. At this time it was hard to imagine that, after half a century, Japan would be a great power capable of defeating their European counterparts in an armed confrontation. After the Restoration, the Meiji government had the task of fulfilling two main goals. On the one hand, they had to decide on whether or not to strengthen the army, in other words, to develop a military that allowed Japan to face the West.

This decision marked the beginning of a disaster, as it is an important aspect to explain the origin of the conflicts that led to Japan to participate in the Second World War. The second goal of the Meiji policy dealt with economic development. The decisions taken in this field would undoubtedly be the most successful and enduring aspects of the Revolution. The war left Japan with major problems: over ten million unemployed, many demobilized former combatants, widespread destruction of homes and industrial plants, rising inflation, etc. Material losses were estimated to be at over a quarter of the national wealth.

However, not all consequences were adverse. Unemployment meant that there was a lot of “labor” ready to use, the war had also raised the level of technology and production capacity of heavy industry in the field of iron, steel, machinery and chemicals. In addition to making use of these advantages, Japan had the United States behind their back. At first, the American aid was aimed towards achieving national self-sufficiency, taking

measures to stop inflation (the Dodge plan 1949), coupled with substantial injections of capital and advanced technology.

Another important event that had a direct impact on the Japanese movement towards capitalism was the Korean War. This war led the U. S. to invest twenty-three billion dollars in military spending. The occupation forces ordered every closed arm factory in Japan to be put into service, in full production, representing a major incentive for the Japanese production. In turn, the United States boosted the Japanese trade, especially in Southeast Asia, where treaties were signed ordering Japan to provide different articles and services to countries that had previously been occupied.

None of this would have been possible without a regeneration of the Japanese industry itself. From 1946, Japan started to create a series of economic, financial and banking institutions in order to stimulate economic recovery. The Council of Economic Stimulation was created with the mission of coordinating production and economic growth, and the Reconstruction Bank which had to channel capital to certain industries to achieve the stimulation. Following this, in 1948, the Economic Stabilization Board was formed, aiming to rise production levels, the following year the Ministry of International Trade and Industry was established.

These institutions, along with the contribution from the United States, had laid the foundation on which the splendid building of Japanese economic development would later be later erected. Several factors contributed to this along with a consistent policy of official support. The world's economy had entered a period of expansion, the Japanese industry enjoyed good relations between companies, facilitating the movement of employees to different

industries and to higher productivity jobs, making it to be the key to further economic development.

Other factors were; the United States transfer of technology to Japan, social changes such as land reform and the development of trade unions, which contributed to the improvement of the distribution of income and an expansion of the domestic market. With these stimuli the Japanese industry quickly recovered and was then beginning to expand. In the 1960s, the Japanese economy was dominated by a relatively small number of large-scale manufacturing firms such as Mitsubishi, Mitsui, Fuji and Sumitomo, every one of which had at least seventy different affiliates.

Besides these groups there were several companies that offered relatively new products such as electronics and automobiles. Including many of what today are worldwide firms such as Hitachi, Toyota, or Nissan. Because of the control from the Ministry of International Trade and Industry (MITI), they all enjoyed certain protection against foreign competition, while at the same time they were competing for a position in the domestic market, in order to avoid national monopolies.

Another feature at this time was the development of products that needed advanced technology and heavy capital investment; this included industries such as steel and petrochemicals, consumer goods, cameras, televisions, boats, motorcycles and of course, cars. Japan was then becoming one of the largest producers of boats, cameras, televisions and cars in the world. In 1970, just over 30% of exports went to the United States, about 15% to Western Europe and more than 15% to Southeast Asia, where the main buyers were Hong Kong, Thailand, Philippines and Singapore.

As 1973 finished the oil crisis began, resulting in the worldwide economic changes that ended the Japanese phase of exceptionally rapid economic growth. As a country dependent on oil, Japan experienced a huge increase in their import bills and a general rise on their prices. Rising oil prices had their biggest impact on high users of energy such as the steel industry and petrochemical industries which were once the center of the “ Japanese economic miracle”. On the other hand, the global recession caused a fall in foreign demand for products such as boats, machinery and tools.

When these changes began to take place, politicians from the Japanese Ministry of International Trade and Industry decided to reorient the industry: moving away from the manufacturing of products that heavily relied on imported raw materials and focusing (especially through technological innovations) on the new technologies that reflected higher and newer principles. This category included the automotive industry, by 1980 Japan produced more cars than the United States, the computer industry also suffered a major development.

Balance between trade imports and exports in Japan had a surplus for twenty years, which allowed substantial capital outflows in the long run. After some years and because of this Japan became one of the major creditor countries in the world. By the late 1987, Japanese investment abroad had reached a profit of twenty-three billion dollars. United States was the country where most of the investments were made, six hundred Japanese factories were based on American soil, about a hundred of which were electronics, automobiles or any other kind of technological machinery.

The Meiji Restoration marked the beginning of modern Japanese society, introducing a process of modernization in a western manner. In the second half of the nineteenth century, the global triumph of capitalism, and the ideas and beliefs that seemed to legitimize it, were moving certain regions of the world (apart from the west) towards this new set of ideas. Resistance to outside pressure did never occur, and modernization presented itself as the only means towards conservation and tradition.

For a hundred years, the conflict on whether to live by an Asian fashion or by modern Western fashion was a constant theme of Japanese society. The first move towards modernization took place during the Meiji Revolution: Westernization was the driving force for the transformation of Japan, since the West had the key to success and therefore, the rest had to imitate them. Almost every event that took place since 1945, seemed to strengthen the trend towards modern Parliamentary Democracy; the government bureaucratic structure, trade unions, the education system, etc.

Everything had its origin in European and American culture and was imitated later on by other countries. Same happened in all aspects of daily life: buses and trains, offices and factories, television, newspaper, clothing, even food. On the other hand, I need to say that the code of ethics is still largely Confucian. Nor should we ignore religion as a link with tradition because, after the war, there has been a considerable rise of new religious movements, most of whom claim to have traditional backgrounds. These phenomena are not something "modern", and certainly not Western.

However, it may now make sense not to identify the Japanese as "Asians". Much of the Japanese culture and tradition traces its origins to cultures

outside of Japan, but these different habits had been so completely assimilated over time that had become in fact Japanese. It is in this sense why Japan cannot completely be defined as having an Asian identity; neither can it be framed within the set of traits defined by the West. Japan must be understood as a society with their own characteristics which constitute a nation economically and culturally unique.

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