

Chapter 3

A Brief History of the Japanese Economy: Successes and Failures

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I. A Brief History of the Japanese Economy

- The **economic history of Japan** is characterized by the rapid modernization after the [Meiji Restoration](#) (1868), when it became the first non-European country to industrialize the economy and engineer an economic takeoff, and also by its further economic expansion after the WWII, when Japan recovered from destruction to become the world's second largest economy behind the US in the late 1960s
- For more details, see the economic history of Japan:
https://en.wikipedia.org/wiki/Economic_history_of_Japan

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II. Basic Economic Facts about Japan

- Japan was until recently the **second** largest economy in the world (in terms of GDP) **since the late 1960s**
- Japan is now **the third largest economy** after the USA and China, accounting 5.5% of the world GDP
- Japan is now **the world largest creditor nation** (+\$3trillion) while the USA is the world largest debtor nation (-\$2.5trillion)

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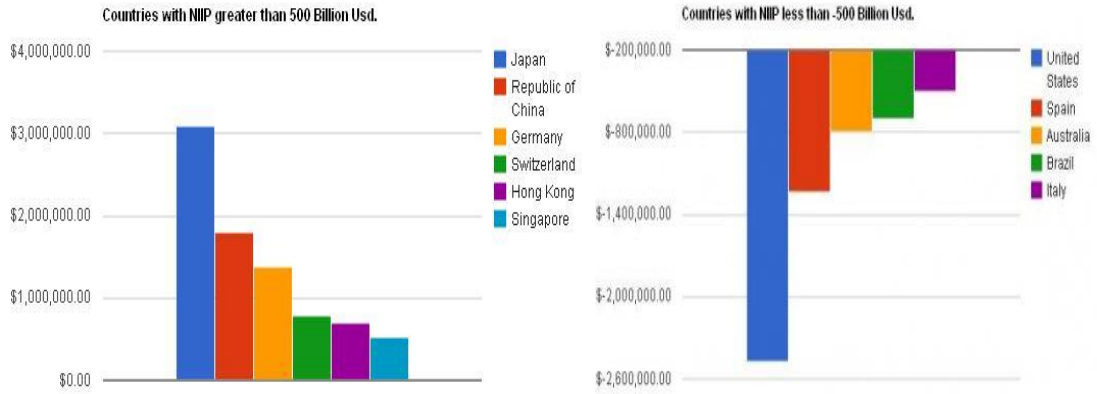
World GDP Data and Charts

- World GDP
<http://jp.knoema.com/nwnfkne/world-gdp-ranking-2016-data-and-charts>
- World GDP per capita
<http://jp.knoema.com/sijweyg/gdp-per-capita-ranking-2016-data-and-charts>
- GDP by Country (IMF data)
<http://jp.knoema.com/tbocwag/gdp-by-country-statistics-from-imf-1980-2021>

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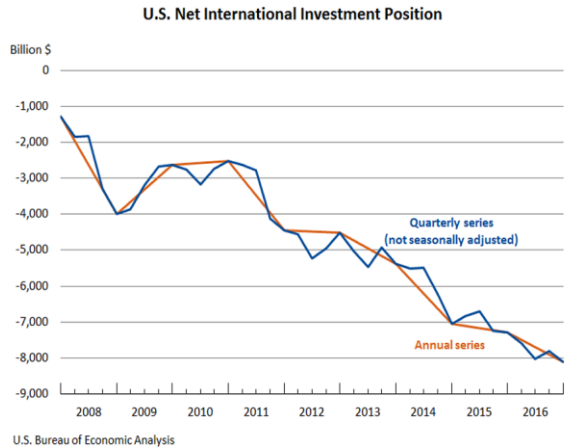
World's Largest Creditor and Debtor Countries Net International Investment Position (2010)



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An Update on Net International Investment Position



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III. Japan's Economic Success

□ Examples of Success

- The Post-War **Economic Reconstruction** (1945-55)
- The **High Economic Growth Era** (1956-73) : it was called "The Japanese Economic Miracle"
- The **Second Oil Crisis** (1979-80): Japan had learned a lesson from the first oil crisis and had handled the second oil crisis with only a mild decline in growth by improving the energy efficiency (?)

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What Did Japan's High Growth Bring About?

The Comparison of Life in 1950 and 1970

□ The Japanese Life in 1950

- 48% of workers were in the primary industry (farming, fishing, and forestry)
- Only one out of three girls went to a high school while one out of two boys went to work after finishing a junior high school
- The average income was one fourteenth of that of USA
- The life expectancy was 58 for men and 62 for women

□ The Japanese Life in 1970

- 19% of workers were in the primary industry while 64% were employees
- 80% went to a high school (no major difference between men and women)
- The average income was one half of that of USA
- The life expectancy was 69 for men and 75 for women

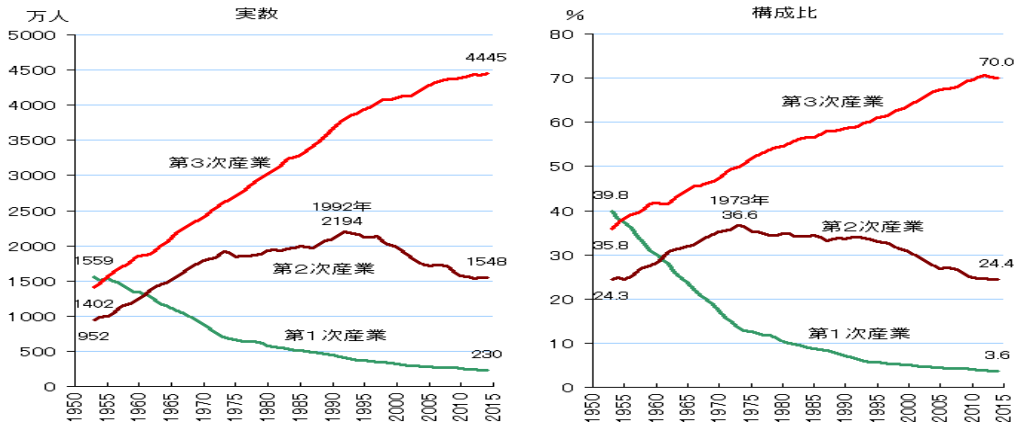
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The Share of Workers by Industrial Sectors

— primary (agriculture) — secondary (industry) — tertiary (service)

産業別就業者数の推移



(注) 1953～2014年の各年データ。産業不詳の就業者があるため構成比の合計は必ずしも100となっていない。
(資料) 労働力調査

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A Visual Post-War History of Japan

- In the 1950s
- In the 1960s
- In the 1970s
- In the 1980s
- In the 1990s
- In the 2000s

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IV. Japan's Economic Failure

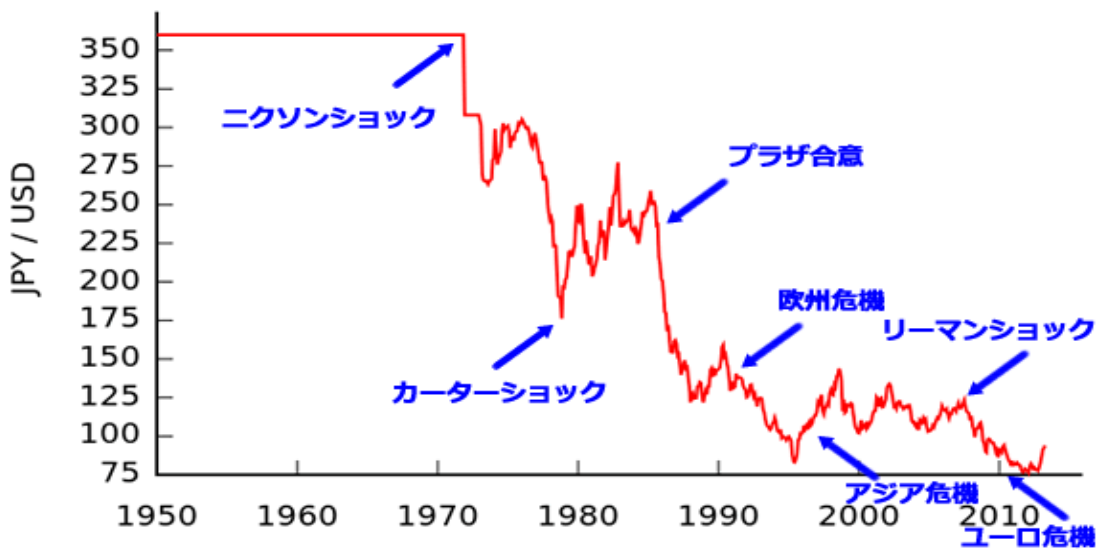
□ Examples of Failure

- The **First Oil Crisis** (October 1973), which raised the oil price fourfold and caused a significant drop in growth
- **US-Japan Trade Conflicts** in the 1980s, culminating in the **Plaza Accord** (1985), which brought about a sudden and substantial appreciation of Yen (1985-1987)
- A **Monetary Expansion** after the Plaza Accord leading to the so-called Bubble Economy (1986-1990)
- The Burst of **Japan's Bubble Economy** (1991)
- Japan's **Lost Decades** (1991-Present)

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Yen/Dollar Exchange Rate (1950-2015)



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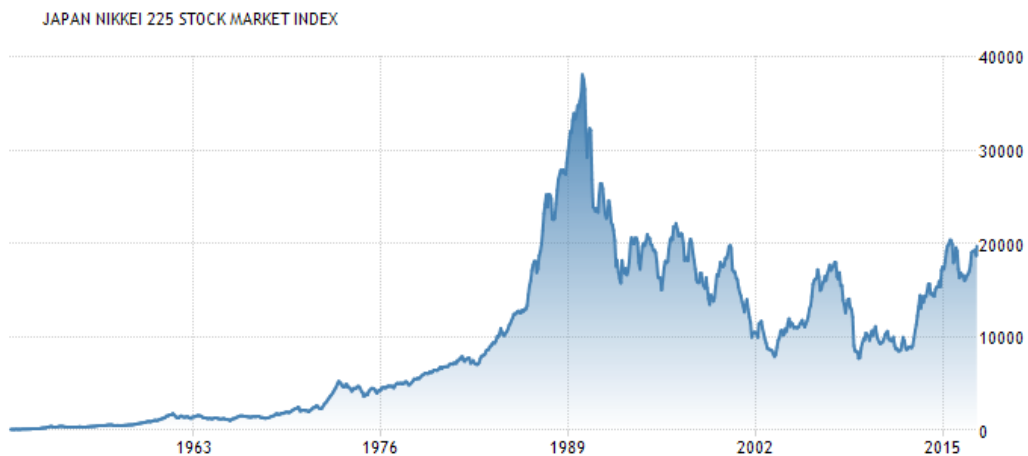
Japan's Stock Market

- Japan's Stock Market Price Index (Nikkei 225)
<http://www.tradingeconomics.com/japan/stock-market>
- **Japan's Bubble Economy (1987-90)** : Nikkei 225 increased fourfold from 10,000 in 1985 to nearly 40,000 in 1990
- **The 1991 burst of the bubble** was **the most critical event** in the post-war history of the Japanese economy: Japan has never really recovered from it

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Japan's Post-War Stock Price Index Nikkei 225 (1945-2017)



SOURCE: WWW.TRADINGECONOMICS.COM | TOKYO STOCK EXCHANGE

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Japan's Stock Market after the 1985 Plaza Accord

Nikkei 225 (1985-2017)



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