
oi: EE363

Japan after World War 2: Economic recover

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DURING WORLD WAR 2

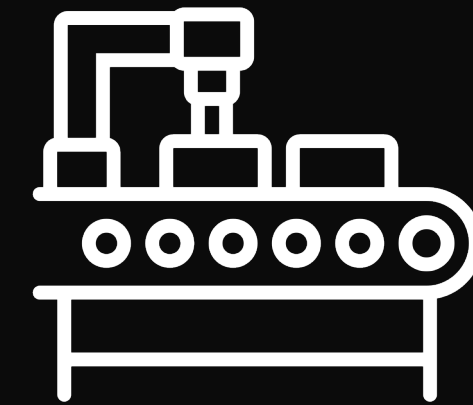
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1.85 MILLION
DEATHS



25 % OF NATIONAL WEALTH



INDUSTRIAL PRODUCTION DROPPED TO 1/10



HYPER-INFLATION



Recap: Japan during World War 2

- Entered in 1940
- Japan attacked Pearl Harbor, Hawaii
- US bombed Japan main cities: Hiroshima and Nagasaki=> Japan Surrender
- US take control of Japan

DEFORMING OF ZAIBATSU

zaibatsu dissolution to prevent a concentration power

FAIR MARKET

anti trust laws

LABOR MARKET REFORM

establish labor union

reformation

1945-1960

Investment shortage

shortage in saving have occur,
saving rate is around only 10 %

INTEREST RATE

due to the low interest, leading to low
saving, the government have to use
"window guidance " which regulate
commercial bank to give the loan to
industrial industry

FINANCIAL INTERMEDIAL

to supply industrial funds, establish
three big long-term credit for this
industrial

FISCAL INVESTMENT

public financial institutions have
been established, collateral fund also
have been establish

BOJ SUPPLIED MONEY

supplied money to the private sector
by providing loans to financial
institutions.

Bank of Japan

convoy
system



Bank of
Japan

lend
s



Unhealthy
Bank

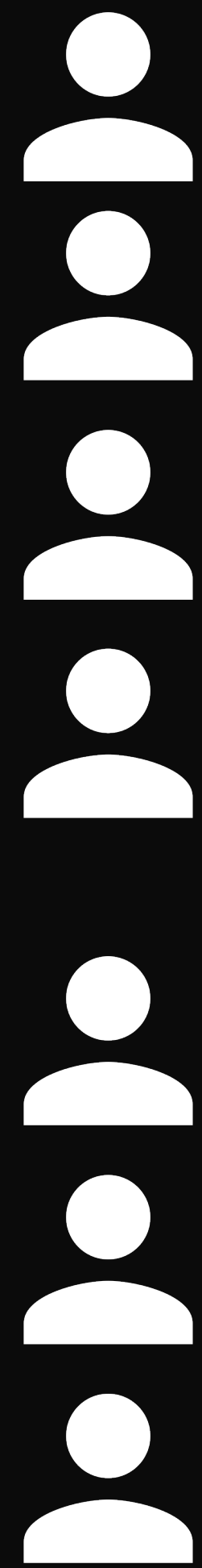
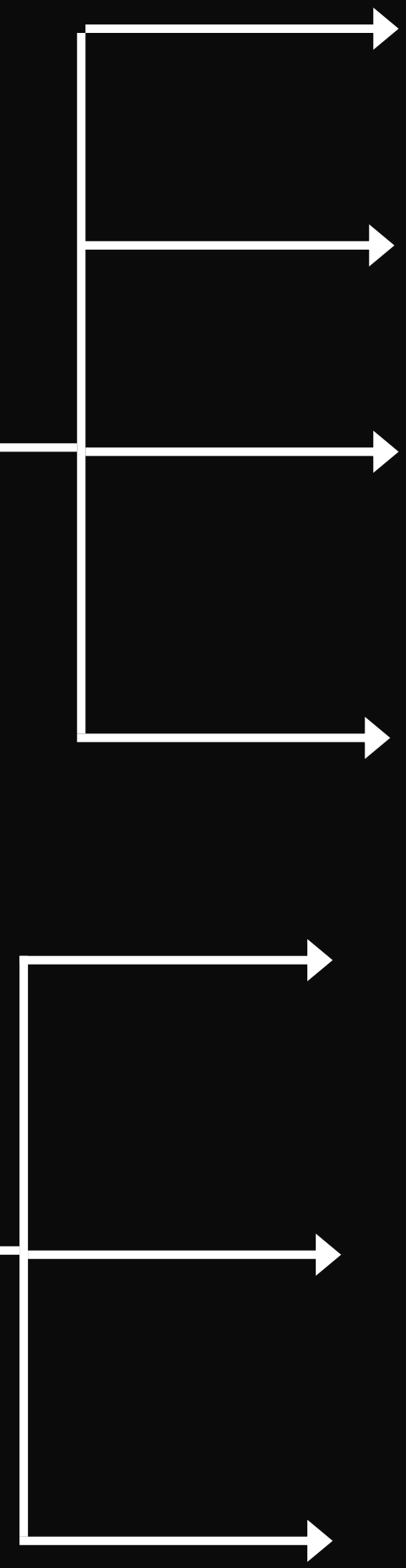


Healthy
Bank

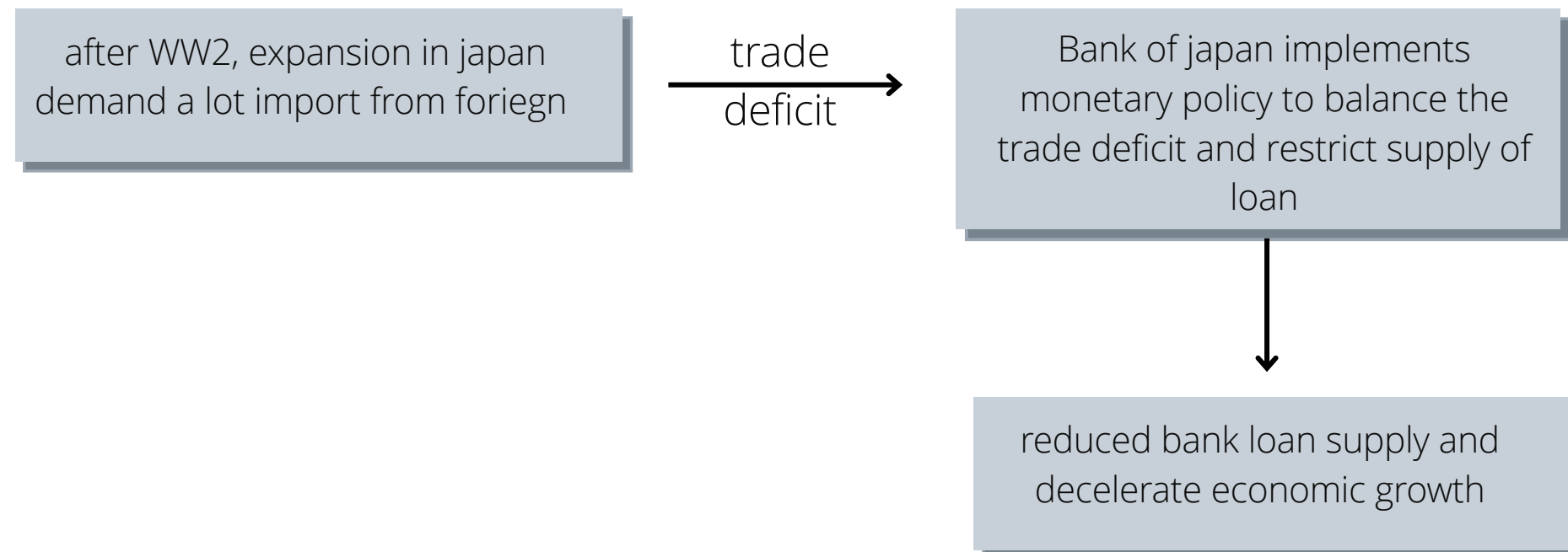
merge

over
lends

lend
s



International trade



Trade liberalization

-changing the foreign currency quote of restricted commodities

foreign exchange currency

-The yen can now be convertible

foreign direct invesment

-80% of the industries allow foriegn ownership

Demand for

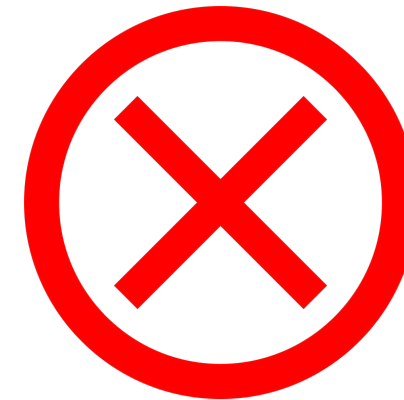
export
-rising in demand of export due to increase in quality and undervalued exchange rate.

Economic growth

1955-1972 GDP
GROWTH
9.3% ↑



- invest heavily in heavy industries such as metal, chemicals, machinery

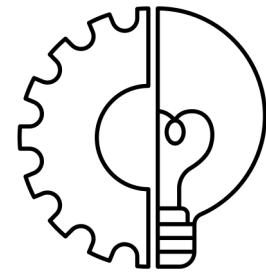


- decreasing in wage
- Bad working environment
- Big gap between heavy industry and other industry

Factor of growth



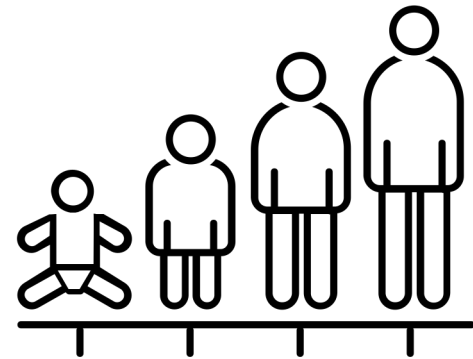
house hold saving increase



new innovation



changing in consumption of
house hold



growth rate and migration



higher education

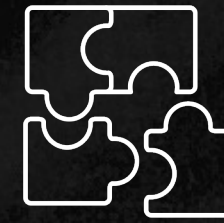
introduction of double income policy

This plan reaffirmed the government's responsibility for social welfare, vocational training, and education, while also redefining growth to include consumers as well as producers.

1970 - Onward



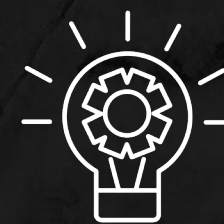
Water Pollution:
Minamata



Lots of factory



Environment degradation



Air Pollution:
Metropolitan and
industrial area causes

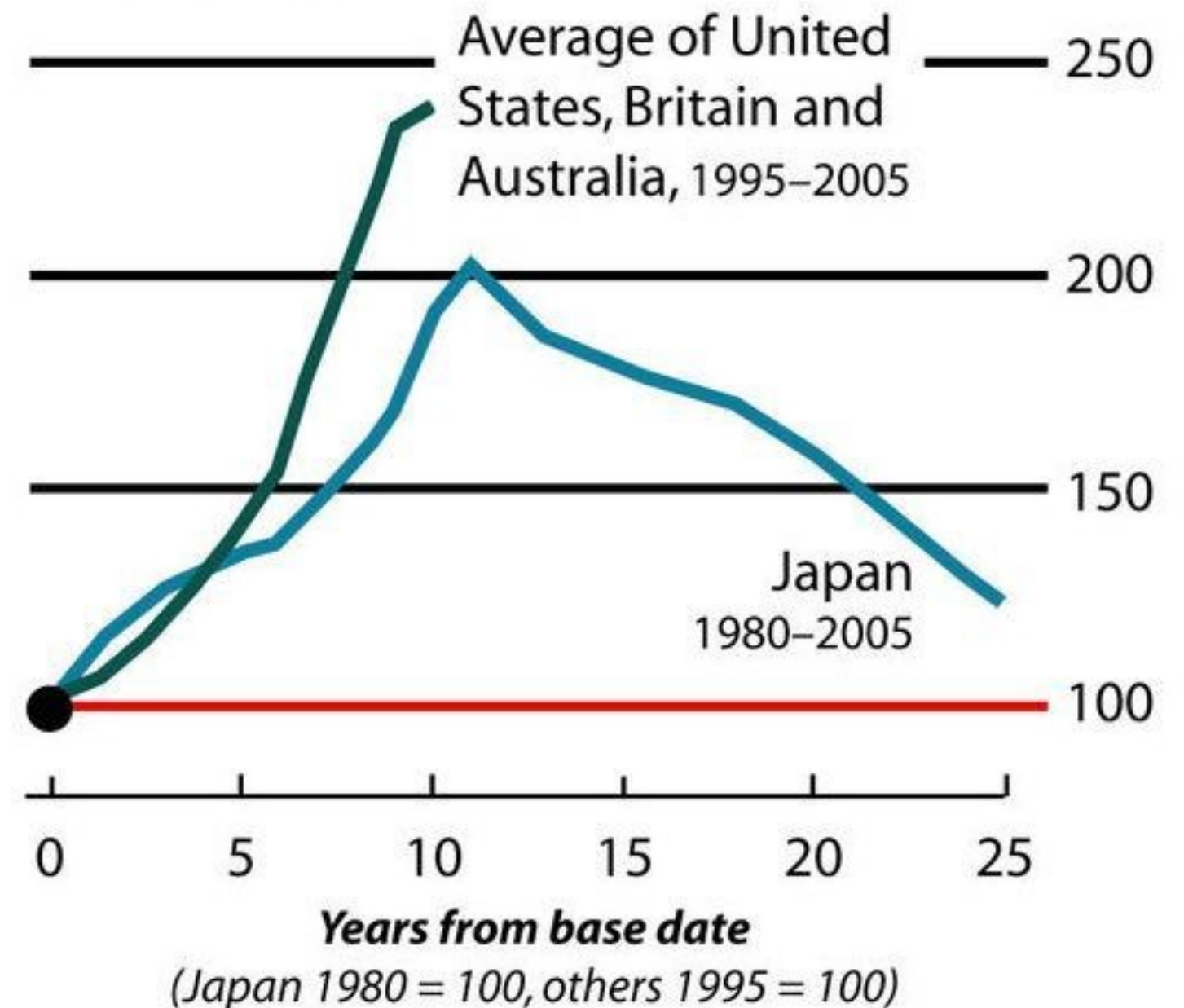


Overpopulation and
depopulation: Moving
between rural and urban
area

Japan's bubble economy

- Competitive firm => Expanding company size
- Bank=> Expand loan supply
- Yen rapid appreciation: Plaza Accord
- Burst during 1992 - 1993 => Recession

House prices in Japan, United States, Britain, and Australia

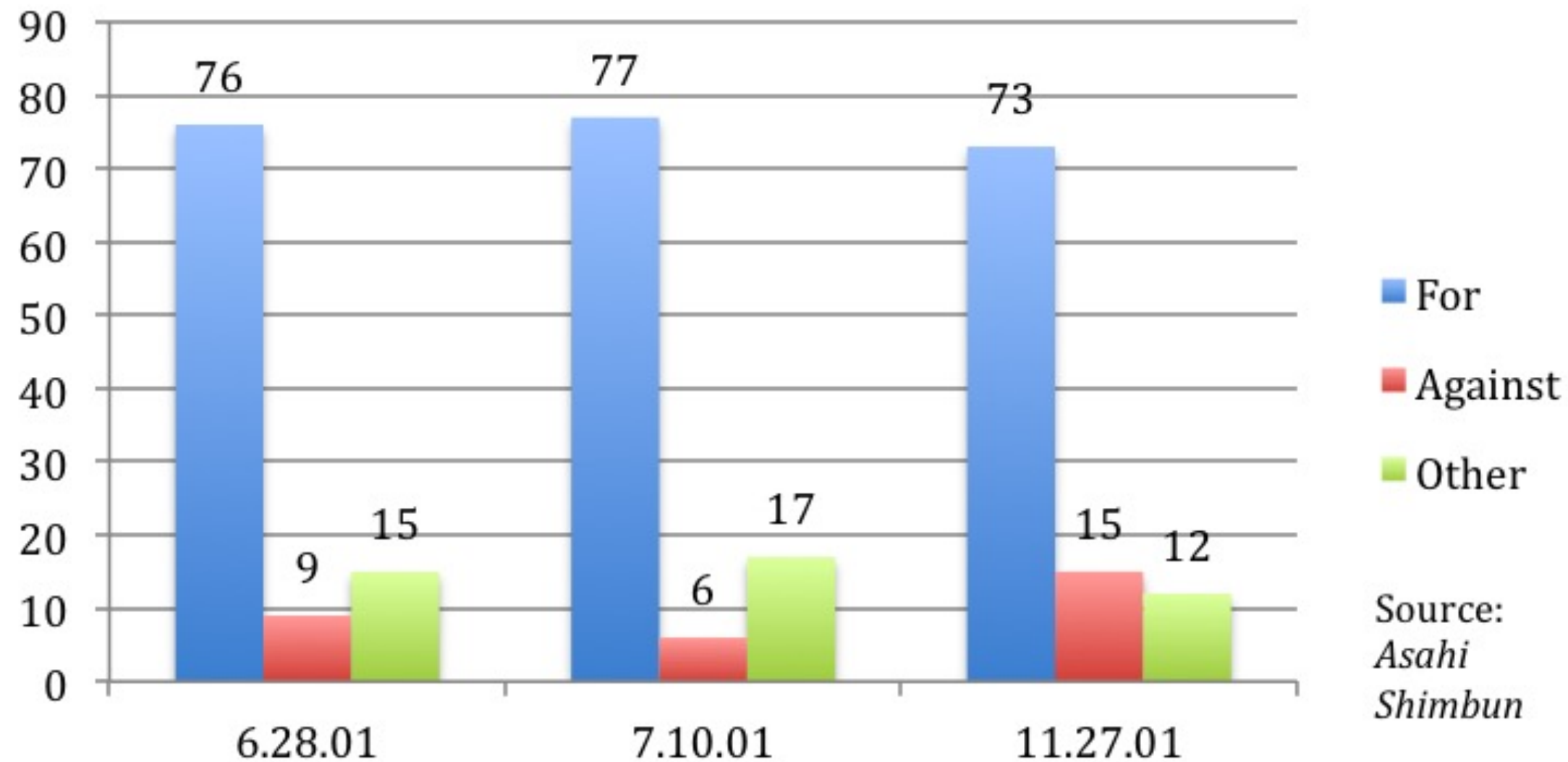


Source: *Economist* magazine, 16 June 2005

Post-Bubble: Recovery

- Major financial institute: Hokkaido Takushoku Bank, Yamaichi Securities=> Went bankrupt
- Deflation
- Low unemployment
- Government invest a lot in public work and tax cut
- Traditional policy:
 - Fiscal and Monetary
 - Help financial sector gain back their stand
 - New business sector for getting rid of Excesses

Support for Structural Reform



Structural Reform

Cross-Sharing and Zaibatsu =>
Structural reform =>
Diversification, competition,
private firm risk

Reference

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