

EE463 GLOBALIZATION AND INTERNATIONAL DEVELOPMENT**Semester 2/2022 (9 January – 6 May 2023)****The impact of Government policies on Japan's Economic Development after World War II****GROUP 1****Members**

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Background

Japan was in a state of utter devastation after World War II after its surrender in August 1945. The country had suffered extensive damage to its cities, infrastructure, and industry due to the bombing campaigns carried out by the Allied forces. Hiroshima and Nagasaki were particularly hard hit, as they were targeted with atomic bombs that caused widespread destruction and loss of life; more than 3 million of the Japanese population had died during the war. One third of the nation's wealth had been destroyed and GDP per capita dramatically decreased in 1945 the year of its surrender in the war.

There are 4 main factors that contributed to Japan's rapid economic growth which are Technological change, accumulation of capital, quantity and quality of labour, and international trade. Japan suffered a significant loss of its industrial capacity after World War II, with more than 25% of its factories and infrastructure destroyed. The remaining capital stock was old and worn out, and not particularly useful for modern industry. This gave Japan the opportunity to start anew and adopt new technologies without having to wait for outdated assets to be fully depreciated and to rapidly innovate and advance its industries, leading to a renewed and robust economy. Even though Japan lost almost everything, their economy developed at an incredible speed between 1945-1991 known as the Japanese miracle.

After the war defeat, Japan was occupied by a US allied force. America's objective after the war wasn't merely to bring about peace and reconstruct Japan. The emerging superpower, confronted with a new world order, intended to make the tiny but historically significant Pacific island nation its Asian bastion against the rise of communism. To do that, American occupiers took important lessons from the aftermath of World War I. They leveraged the Japanese population's desperate economic state and disillusionment with its government and military to sow the seeds of democracy and rewrite the constitution. And through it all, they deployed several thousand Japanese American military intelligence linguists, who proved as critical to the postwar transition as they had secretly been during the war itself. In contrast to Germany, the occupation of Japan was indirect, in the sense that the Japanese government continued to exist and function and sometimes even resisted US orders. Japan also had the advantage of being occupied only by one nation, as contrast to Germany, which was occupied by the US, Britain, France, and USSR. As a result, Japan was able to avoid the risk of becoming divided when the Cold War started.

Main issues and key challenges

- Financial constraint

After World War II, Japan faced significant financial constraints due to a loss of national wealth and the burden of external debt, as its industrial capacity and infrastructure were severely damaged during the war, causing a shortage of food, fuel, and other essential goods. To rebuild its economy and infrastructure, Japan required massive investments in new industries, technology, and infrastructure but the external debt burden was a significant financial constraint for Japan in the post-war period. This led to Japan owing more money to foreign creditors than it produced in a year in 1949, putting a significant pressure on the Japanese government to generate foreign exchange earnings to service its debt obligations. Nevertheless, through a combination of government policies, investment in new industries, and the hard work of the Japanese people, the country was able to overcome its financial constraints and achieve remarkable economic growth.

- Ruined Infrastructure

During World War II, Japan's infrastructure suffered significant destruction from air raids, artillery bombardment, and the atomic bombings of Hiroshima and Nagasaki, which severely damaged Japan's transportation network, industrial infrastructure, and water and sewage system. The damage to Japan's industrial infrastructure made it difficult to transport goods and people hence made Japan unable to produce enough goods to meet its own needs and export. These resulted in power shortages, sanitation problems, and diseases outbreak in many parts of the country.

- Food scarcity

After World War II, Japan faced significant damage to its infrastructure and agriculture, causing a labour shortage in the agricultural sector due to the loss of many young men in the war, and the rapidly growing population put additional pressure on the food supply, leading to food shortages in the immediate post-war years. However, Japan received significant food aid in the form of wheat, rice, and other essential goods from the United States and other countries, which helped to reduce the immediate crisis and allowed Japan to focus on rebuilding its agricultural sector.

- Lack of human capacity and skills

Japan faced significant challenges related to a lack of human capacity and skills in the aftermath of World War II. The war had resulted in significant loss of life and damage to

infrastructure, and many young men who would have been entering the workforce had been killed or injured in the war. This loss of manpower, particularly among the younger generation, left Japan struggling to rebuild and develop its economy.

Government policies

After World War II, Japan underwent rapid economic growth and the Japanese government played a key role in creating this miracle. The government implemented a number of policies aimed at stimulating economic development, facilitating the reconstruction of the country's economy, and addressing the challenges that arose after the war, reflecting its commitment to rebuilding a prosperous Japan. The government policies and strategies to rebuild Japan's economic growth are as follow:

- **Infrastructure Development**

Japan's infrastructure was heavily damaged during the war so the government heavily invested in building infrastructure such as roads and railways which helps to connect with different regions across the countries.

The Japanese government implemented various policies to improve infrastructure development after World War II. One of the most significant policies was the "Dai-Tokyo Plan" (Greater Tokyo Plan), which was launched in 1958. This plan aimed to improve the transportation infrastructure around Tokyo, including the construction of highways, subways, and the Shinkansen network. The government also invested heavily in the construction of ports and airports to facilitate international trade and travel. In addition, the government implemented the "New 6-Year Plan" in 1965, which aimed to further develop the country's infrastructure by investing in areas such as power generation, telecommunications, and water supply. The plan also included the construction of new highways, airports, and ports. Moreover, the government also established the Japan Highway Public Corporation in 1956 to oversee the construction and maintenance of the national highway network. This corporation has played a significant role in developing Japan's extensive highway network, which is one of the most advanced and well-maintained in the world. Overall, the Japanese government's policies and investments in infrastructure development have played a crucial role in the country's postwar economic success by promoting regional connectivity, facilitating trade and travel, and providing the foundation for continued economic growth. When the regions are more interconnected, it helps to facilitate movement of goods and people across the region which also helps promote economic growth.

- **Industrial policies: Government regulation of industry and imports**

Government industrial policies were a key factor in Japan's economic development after World War II. The Japanese government implemented policies that focused on promoting exports, encouraging foreign investment, and regulating industry and imports. One of the major policies was to promote exports and increase competitiveness. By focusing on exporting high-quality goods at competitive prices, Japan was able to earn more foreign currency and increase its economic competitiveness. The government provided support to industries that had export potential by providing subsidies and incentives, which helped to increase their competitiveness in international markets. In addition, the government also implemented policies to encourage foreign investment. Foreign investment brought in new technologies and helped to increase the productivity of Japanese industries. The government provided incentives and support to foreign investors, which helped to attract more foreign investment to the country. Regulating industry and imports also played a crucial role in Japan's economic development. The government regulated industries to ensure that they were operating efficiently and effectively, and implemented strict quality control measures to ensure that Japanese goods met international standards. The government also regulated imports to protect domestic industries from competition from cheaper foreign products. Overall, government industrial policies helped Japan to rebuild its industrial base, increase its competitiveness in international markets, and attract foreign investment. These policies were crucial in helping Japan to achieve rapid economic growth and become one of the world's leading economies.

- Agricultural or Land Reforms

After World War II, Japan faced severe food shortages and dysfunctional agricultural markets. To solve this problem, the Japanese government implemented agricultural and land reforms. One of the key reforms was the land reform program, which aimed to redistribute land to small-scale farmers and eliminate the concentration of land ownership in the hands of wealthy landowners. Under this program, land was purchased from large landowners and distributed to tenant farmers and other small-scale farmers. This led to a significant increase in the number of independent farmers and helped to increase agricultural production. Another key reform was the establishment of agricultural cooperatives, which provided farmers with access to credit, marketing channels, and technical assistance. These cooperatives also played a vital role in stabilising food prices and reducing the impact of market fluctuations. For this reason, Land reform and the establishment of agricultural cooperatives helped to modernise Japan's agricultural sector, increase productivity, and reduce the country's reliance on food imports. It can help to solve food scarcity by increasing agricultural productivity, encouraging investment in agriculture, diversifying crops, improving access to land, and reducing food prices. By the 1960s, Japan had achieved food

self-sufficiency, and its agricultural sector had become a significant contributor to the country's economy.

- **Education Reforms**

Fundamental law of education, established in 1947, was one of the most important policies to improve education development in Japan. It created the framework for Japan's modern education system, emphasising the importance of academic freedom and equal educational opportunities for all citizens regardless of their social and economic status. Under this framework, the government established a highly centralised system of education and implemented compulsory education laws which require all the children to attend elementary and lower secondary school. Moreover, the government also invested heavily in education, building, and providing financial support for students in need. These helped to ensure that all the children have access to education. Overall, the Japanese government's education development policies and heavy investment in education helped establish a highly acclaimed postwar education system, which greatly contributed to the country's modernization and economic success. Moreover, the emphasis on creating a highly skilled and educated workforce was the key factor in increasing the productivity rates, leading to higher economic growth. Therefore, by investing heavily in education, Japan was able to increase the skilled workforce that played a significant role in the country's rapid economic growth during the postwar period.

Analysis of Government response and policies

Japan's development after World War II is a remarkable success story that offers many valuable lessons. The government implemented several policies, including industrial policies, agricultural or land reforms, education reforms, and infrastructure development, which played a crucial role in driving the country's economic growth. There are some materials related to this course and some lessons learnt from Japan's development after world war II.

Infrastructure development: Japan's infrastructure development policy aimed to modernise the country's transportation, communication, and energy systems. The government invested heavily in building highways, railroads, airports, and power plants, which helped to drive economic growth. The policy also created jobs and improved the quality of life for Japanese citizens.

Industrial policies: Japan's industrial policy played a significant role in promoting the export and increasing competitiveness of the country. This could refer to economic reform in the middle term that the institution tried to stabilise their economy by attracting foreign currency and investment, so this could be the solution for financial constraint after the war. The government provided subsidies, tax incentives, and other forms of support to these industries, which helped them become globally competitive. Moreover, the Government provides more support in order to increase human dimension which is the main complement of economic development.

Agricultural or land reforms: Japan's land reform policy aimed to reduce the power of wealthy landlords and promote small-scale agriculture. It led to the breakup of large estates and the distribution of land to farmers. The policy helped to reduce poverty, increase productivity, and incentivize farmers to produce products because they have earned money for themselves and their families.

Education reforms: Japan's education reform policy aimed to provide universal access to education and promote a skilled workforce. The government invested heavily in education, and the country's education system became one of the best in the world. Again the Japanese government invests in the human dimension in order to increase productivity which is crucial to economic development.

In terms of effectiveness, all of these policies were critical in driving Japan's economic growth after World War II and solved the damage caused by war. However, some argue that the focus on industry over the environment has led to pollution and other environmental problems. Despite these issues, Japan's development after World War II is a testament to the power of government policies and their ability to drive economic growth and social progress.

Conclusion

Japan experienced considerable damage to its towns, infrastructures, and manufacturing during World War II, which sped up creativity and resulted in the "Japanese miracle" of fast economic expansion from 1945 to 1991, supported by trading, money, manpower, and technologies. During American leadership, Japan's financial situation became leverage for political transformations, leading to an unusual occupation.

After World War II, Japan had to deal with supply and labour shortages, destroyed infrastructures, and financial restrictions. To reconstruct the industry, main investment in new industries, technologies, and infrastructures were required. With government policies, investing in new industries, and the tenacity of the Japanese people, Japan overcame budgetary constraints and accomplished exceptional economic expansion. The post-war economy grew as a result of the Japanese government 's policy and expenditures on infrastructure, industry, agriculture, and schooling. The development of Japan's economy and revolution, which led to higher output levels and quick expansion, were greatly helped by policies including enhancing regional relations, facilitating trade and travel, attracting foreign investments, and upgrading farming and schooling.

Important government initiatives including construction and economic growth, farming or property improvements, and educational reforms are credited with being key factors in Japan's post-World War Two prosperity. Although others contend they also created environmental issues, these measures encouraged both financial and cultural advancement. Japan's success is evidence of how effective government policies are in encouraging economic expansion.

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