

# **The Role of Japan in the International Economy: A Private View<sup>\*</sup>**

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## Abstract

In earlier times economists used to view the world in terms of dual economic models. For Marx the Asiatic mode of production<sup>1</sup> was the concept which was the counterpart of the Western feudalism from which the capitalist regime and bourgeois society emerged: Weber regarded the Confucian prebendary state as the pair of the Protestant civic society.<sup>2</sup> At the time, however, the various countries conforming to the Asiatic mode of production and the Confucian states played no more than a marginal role on the world economic stage and, though they might have been objects for exploitation by the capitalist nations of the west, they could not be equal competitors. For this reason the mechanism possessed by these obverse models (ideal types) was never subjected to in-depth analysis.

<sup>1</sup> Marx's view of the Asiatic mode of production appears in various places throughout his many publications. See, for example, "Capital", vol.III (Progress Publishers, Moscow, 1966) p.791. V Melotti, "Marx and the Third World", (Macmillan, 1977) is a convenient synthesis of these writings for those wishing to know more about the manner in which Marx perceived Asia.

<sup>2</sup> M Weber, 'Konfuzianismus und Taoismus', in "Gesammelte Aufsätze zur Religionssoziologie", vol.1, (J.C.B. Mohr [Paul Siebeck], Tübingen, 1920).

**Keywords:** International economy; Japan; Karl Marx; Max Weber; Asiatic mode of production; Western feudalism; Confucian states; capitalist nations; world economic stage.

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## The Role of Japan in the International Economy:

### A Private View\*

Michio Morishima

1. In earlier times economists used to view the world in terms of dual economic models. For Marx the Asiatic mode of production<sup>1</sup> was the concept which was the counterpart of the Western feudalism from which the capitalist regime and bourgeois society emerged: Weber regarded the Confucian prebendary state as the pair of the Protestant civic society.<sup>2</sup> At the time, however, the various countries conforming to the Asiatic mode of production and the Confucian states played no more than a marginal role on the world economic stage, and though they might have been objects for exploitation by the capitalist nations of the west they could not be equal competitors. For this reason the mechanism possessed by these obverse models (ideal types) was never subjected to any in-depth analysis.

The Asiatic mode of production frequently develops in a typical form in the vast areas of the world where the climate is intensely hot, so that they are likely to embrace huge tracts of desert. Land in these areas is virtually a free good, and for that reason the private ownership of land does not exist. Irrigation and fertilizing are the most important tasks of the state, and in these areas it is the state itself which is the supreme landlord. In economic terms the people possess no power whatsoever vis-à-vis the ruler, and autocracy therefore prevails (Oriental Despotism). There is no question of the people in countries of this kind being civic in the Western sense of the word. They are frugal, loyal and orderly, they

may at times even be rational, say, as in the Confucian manner, but because they are not individualistic there is almost no chance of these countries changing into any kind of civic society. For this reason the free enterprise system is unable to develop in these countries. Confucianism is one ideological configuration compatible with this kind of social structure, and just as Marx considered the Asiatic mode of production a major impediment to the development of capitalism, so Weber too concluded that capitalism could not flourish under Confucianism despite Confucianism's being an ideology with a very high degree of rationality.

Japan and the other new industrial countries of Asia (Singapore, Hong Kong, Taiwan and South Korea) are certainly not typical of the Asiatic mode of production. In the first place they are countries whose territories are small and where irrigation is not a matter of life and death. They are all seagoing nations possessing long coastlines in proportion to their total land areas. All have developed by means of foreign trade by sea. Yet the population of these countries is largely made up either of Chinese or of people who have been conspicuously influenced by the culture of China, so their manners and customs are distinctly Chinese, and therefore "Asiatic". From the point of view of ideology they are plainly Confucian states.<sup>3</sup> In these countries, which have developed by acquiring the greatest possible demand for their goods from abroad, home demand is not very important in the context of their economic growth. An exception to this is Japan, which has a fairly large home demand, but even in Japan domestic demand is not the main motive force behind development. Despite the fact that the share of exports in GDP is less in Japan than in most West European countries, we can say that it is the securing of foreign markets rather than the development of home demand which is of significance for postwar Japanese economic

growth. In these countries a civic society totally failed to develop, and loyalty and service in the form of self-devotion to the state and the work place are required of the people, and there is little recognition that each individual has an innate right to freedom and self-enlightenment.

The level of education in these countries is high, but the goal of the education which people there receive is not the cultivation and development of the latent abilities of the individual but, by means of instruction, to mould people into a given form and to instil skills into them, creating human capital of value to the nation and to the enterprise. Just as the private ownership of land was not recognized under the Asiatic mode of production,<sup>4</sup> so in these countries any assertion of the private ownership of human capital, despite its legality, is in practice for reasons of social custom even now fairly difficult - or, indeed, very difficult. There is nothing remarkable in the fact that Japan and the new industrial countries of Asia - (especially S. Korea and Taiwan) which have succeeded in acquiring modern industrial skills by this kind of standardised education imposed from above possess many points of similarity in common with the countries of "oriental despotism" which were successful at irrigation. In this sense these countries can be regarded as conforming to the neo-Asiatic mode of production or neo-despotism, and the notorious "Japan Inc." can be seen as just another term for this.

2. We must not be seduced by the word despotism into thinking that the life of the people in these countries, and especially in Japan, is desperately harsh. It is true that before the last war, and immediately after it, the life of the lowest strata of society was hard. The Japanese economy possessed what might be called a dual

structure. There were vast disparities in wages between industrial workers and those in the agricultural sector, and, within industry, between workers in large enterprises and those hired by medium or small enterprises. These disparities were just as great as those existing between "developed" and "developing" nations. Since the war fairly wide differences in wages between large and small enterprises have continued to exist, but the level of per capita national income in Japan has become so high that even those working for small enterprises could hardly be termed "wretched" compared with the inhabitants of many other countries.

Furthermore, in postwar Japan not only freedom of religion and freedom of speech, but also political and economic freedom, have been guaranteed under the law to the same degree as they are in the advanced countries of the West; so, in legal terms there is no question of neo-Despotism being the same as despotism. However, my categorization of postwar Japan as neo-Despotic is not due to the people's being deprived of their liberty on any legal basis, but because the Japanese are educated and brought up in such a way as to make them exercise no more than a small part of the freedom which they are permitted by law. Throughout Japan's history education has consistently reinforced the idea that harmony (wa) is the supreme virtue - and this applies just as much to the modern education of the post Meiji Revolution (1868) period. What is implied by harmony here is obedience to one's lord and father, to the person in a position of influence, and submission to the will of the majority. In Japanese the word manabu, "learn", is in effect the same as the word manebu, "imitate" or "copy". Hence learning comprises the reading of classical works and thinking along classical lines. Ethically correct behaviour is behaviour which accords with norms stipulated by society, or by the government. So loyalty towards society (either

the nation or the enterprise), and hence self-sacrifice based on this spirit of allegiance, is admired as the highest form of conduct. Given that this kind of "moral education" is inculcated into the people the vast majority of them act in a way which accords to a fixed pattern, and there are very few dissidents who offer any stubborn resistance to the mainstream of society. While broad varieties of activity are allowed by the law, in practice people only move within one little corner of the permitted area.

The people, therefore, are as uniform as soldiers are. And the most important task which the government has to undertake is the bringing up of Japanese to conform to a model type, and the Education Ministry, which is the government office bearing this responsibility, regards its task of authorising textbooks as an extremely important one. Within enterprises in Japan, where the workforce comprises people who have received this sort of education, there is almost no need to regulate the conflicting interests within the enterprise - the interests of capitalists (shareholders) and managers, and the interests of the workers represented by the labour union. In a military force where morale is high the soldiers move about in perfect order in obedience to the orders of the commanding officer, as though they were his arms and legs. In just the same way, in disciplined Japanese enterprises the workers form a single unit with their managers, they might even risk their lives for the sake of their enterprise if the manager was to maintain that such a thing was necessary. Such workers are not working to make a living; if anything it is the enterprise (or the nation) which constitutes their *raison d'être*.

In Confucian states such as these, therefore, the views of the government are without difficulty inculcated into the people. Similarly the views of managers, as well, are easily grasped by

workers. Hence even where labour unions come into conflict with management through their making of excessive wage demands it is not all that difficult for the two to reach some sort of compromise. Consequently there is little probability of wage push type inflation being persistent and prevalent, and in particular it is rare for unions to persist stubbornly in demands for higher wages in any situation where unemployment exists. Were any labour union of this kind to exist they would be likely to be severely criticised by the press, so would soon end up being crushed through the force of "public opinion". Once a government has succeeded in moulding public opinion along these lines it can use the despot of "public opinion" to eliminate dissidents.

With the economy working in this way countries of this kind are unlikely to suffer from the serious disease of stagflation. At times of economic crisis the governments of Japan and the other industrial nations of Asia have found it far more easy to bring pressure to bear upon the people and to lead them in the desired direction than has been the case in Europe and America, and as long as the government in these countries is not totally corrupt we can expect their peoples eventually to become far better off in material terms than those in the Western nations. People who possess an independent, self-respecting turn of mind may be strong and worthy of respect as individuals, but they are difficult for a government to rule. In contrast to this a group of people who have been trained to obey their lord and master, or the most senior person, are easy to manage, hence it is easy for them to produce results as a group. In return for their abandonment of liberty and individualism they secure greater material returns, and for that reason most people in these countries are likely to support the neo-despotism, the system under which they live.

3. That countries of this kind should possess a greater capacity for quick recovery at times of economic crisis than Western nations is no cause for surprise. Clarification of this point can be gained from examining a comparison of the rates of growth of trade (imports and exports) between Japan and the advanced countries of the West (U.S.A., U.K., West Germany, France, Italy and the E.E.C. as a whole) during the period 1969-1984 (see Table 1). The whole period can be subdivided into six smaller periods (1969-71, 1971-73, 1973-76, 1976-79, 1979-81, 1981-84). The first period (1969-71) comprised the last three years of a longer period during which a system of fixed foreign exchange rates operated sufficiently favourably to enable Japan's exports to all the other countries, with the exception of Italy, exceeded the annual average growth rate of imports to Japan from these countries (see Table 1 below). One of the basic factors behind the steady growth of Japanese exports in this period was the low valuation given to the yen.

In the second period (1971-73) the yen was revalued against the dollar on the basis of the Smithsonian system, and even when the system came to an end the yen continued at a high valuation level. This certainly contributed greatly to increasing the growth rate of Japan's imports from the advanced countries during the second period. Moreover, during these same years Japan suffered from a high rate of (imported) inflation, and this inflation had the effect of encouraging imports and curbing exports. For these reasons during these years the growth rate of Japan's imports from the advanced countries surpassed the growth rate of her exports to these countries. As far as the U.K. was concerned, however, even at this time the rate of growth of her exports to Japan, though this was greatly improved, failed to attain the rate of growth of Japan's exports to the U.K. because of the increasing inflation in Britain at

the time.

The third period (1973-76) was the period of the first oil crisis. Of all the advanced industrial countries Japan is the weakest in terms of natural resources; it was therefore likely that Japan would be worst hit by the oil crisis. But once the first oil crisis was over Japan's position within the world economy had, quite contrary to expectations, improved. Exposed to the full influence of the rise in oil prices, Japan's rate of inflation was high, but there had been only a minimal increase in the level of unemployment, and the growth rate of GNP and the rate of increase in labour productivity ranked first among the industrialised nations. It should also be noted that the growth rate of Japanese imports from the industrialised countries had been drastically decreased.

In the fourth period (1976-79), Japan was expected to play the role of one of the locomotives leading the world economy. For this reason during 1977 and 1978 the government pursued Keynesian effective demand policies and increased its own demand and made good the stagnation in exports. The rate of increase of imports again exceed the rate of growth of exports. Only in the case of the U.K. did the rate of growth of exports to her exceed the rate of growth of imports from her to Japan, but this was due to the U.K.'s having a far higher inflation rate than Japan and to the pound's standing at a comparatively high level. By maintaining high interest rates the British government had placed its own country in a position where it was difficult to export. It must therefore be seen as rather remarkable that the rate of growth of Japan's imports from the U.K. increased during this fourth period.

In the fifth period (1979-81), we have the second oil crisis. Just as in the case of the first oil crisis the rate of increase of imports from the advanced industrial nations declined, almost to the

same level that had been reached during the first oil crisis. The rate of increase in exports to these countries hardly faltered, thus again reversing the relationship between the growth rate in exports and that of imports, with the former exceeding the latter. The exception again was the U.K.

In the last of our six periods (1981-84), Japan's exports to European countries dramatically decreased, while her imports from them except for the U.K. increased slightly. But these are only in terms of the rate of growth. In terms of the absolute values Japan was still obtaining a very large positive trade surplus from European countries with the exception of Italy. As for the U.S.A. circumstances clearly worsened. Japan's rate of growth of export to the U.S.A. continued to be very high and her growth rate of import from America fell drastically, so trade conflicts between Japan and America became more and more frequent and serious.

4. In Japan there is an argument which asserts that Japan's exports are insignificant compared with those of European countries. In 1978, Japan's exports were only 12% of her GNP, while the comparative figures for Britain, West Germany, France and Italy were 34%, 24%, 23% and 26% respectively. The significance of exports as an element of the aggregate effective demand is not solely determined by their own magnitude; it also depends on how exports accelerate investment. Where they are increased in an industry which has already established a sufficiently large production capacity, no expansion of the capacity and, therefore, no investment will be made by that industry, in order to cope with the increase in exports. However, if the same thing happens in a newly developing industry, the acceleration principle works; a big investment accompanies exports. In the case of Japan in 1960's and 1970's, she was successful in making her newly

developing industries into powerful exporters, so that Japan's exports had a great impact on her economic growth.

Japan's major export industries are (1) textiles, (2) chemical and allied products, (3) iron and steel, (4) machinery, (5) electric machinery, equipment and supplies, (6) transport equipment and (7) precision instruments. Let the total amount of their investment of tangible fixed assets in period  $t$  be  $I_{Et}$ , which accounts for a substantial percentage (58-65% in the period of 1966-67) of the total investment of tangible fixed assets of the whole manufacturing industry. Let  $I_t$  be the total value of domestic investment in fixed capital in period  $t$ , and let

$$I^*_t = I_t - I_{Et};$$

then  $I^*_t$  stands for the amount of investment which the manufacturing industry would make if no investment of tangible fixed assets took place in any major export industry. If this hypothetical situation had happened in period  $t+1$ , the rate of growth of investment from  $t$  to  $t+1$  would have been given by

$$\frac{\Delta I^*_t}{I_t} = \frac{I^*_{t+1} - I_t}{I_t} = \frac{(I_{t+1} - I_{Et+1}) - I_t}{I_t}$$

which is compared with the actual rate of growth of investment in the same period:

$$\frac{\Delta I_t}{I_t} = \frac{I_{t+1} - I_t}{I_t}$$

Therefore,

$$\frac{\Delta I_t}{I_t} \frac{I_t}{Y_t} - \frac{\Delta I^*_t}{I_t} \frac{I_t}{Y_t} = \frac{I_{Et+1}}{Y_t}, \text{ or } \frac{\Delta I_t}{Y_t} - \frac{\Delta I^*_t}{Y_t} = \frac{I_{Et+1}}{Y_t}$$

where  $Y_t$  represents GNP in period  $t$ . Obviously  $\Delta I_t/Y_t$  is a part of

the rate of growth of GNP, so that  $I_{Et+1}/Y_t$  represents that part of the growth rate of GNP which may be attributed to the investment made by the major export industries. In Table 2 column (3) shows the values of  $(I_{Et+1}/Y_t)$  of the Japanese economy, 1966-77; also, columns (4) and (5) show the shares of  $\Delta E_t/Y_t$  (where  $E_t$  stands for the total amount of exports) and those of  $I_{Et+1}/Y_t$  in the rate of growth of GNP in the same period, respectively.

The table shows that as far as usual years are concerned, the figures in column (5) are much higher than the corresponding figures in column (4). The total effects of exports which include direct effects (column (4)) and indirect effects via the export industries' investment (column (5)) are given in column (6), which are considerably high for usual years. In fact, on the average over the period, the total effect accounts for 37% of the growth rate of GNP, while the average of the direct effects merely 10.5%. Thus, by choosing those industries which have the ability to expand their production capacities as major export industries, Japan succeeded in maintaining a remarkably high growth rate of GNP throughout the recent, most difficult years, 1966-77. In this sense, export is vitally and fatally important for Japan.

Moreover, as we have seen in Section 3 above, the Japanese economy has proved able to adapt more than adequately to changes in external circumstances. This is particularly true of the time of the first oil crisis, when it achieved a thoroughgoing check on imports and managed in 1976 to put its trade balance in the black by a large margin. At the time of the second oil crisis, perhaps born of confidence at having surmounted the first one, there is no evidence of a sizeable decline in the rate of increase in imports such as had occurred previously, but in comparison with the other advanced industrialised nations it must be acknowledged that the Japanese

economy has weathered the crisis in a highly skilful manner.

For the economy as a whole to be able to respond in an appropriate fashion to a sudden change in circumstances, not only must the relationship between the government and each enterprise, and that between workers and management within each enterprise, be a smooth, collaborative one, but, in addition, workers must be highly competent in mastering new technology.<sup>5</sup> As we have seen "Confucian" states can be regarded as quite outstanding in these respects, and it is the very possession of this kind of characteristic within the system which without doubt went a long way towards enabling the Japanese economy to develop with confidence even during the oil crisis, when circumstances were at their most disadvantageous. This being the case, we may legitimately suppose that Japan and other Confucian states as well are likely to be able to surmount whatever other crisis may occur in the future, and henceforward construct for themselves a solid base within the world economy.

5. Although the rate of growth of Japan's imports from advanced industrial countries at times other than crisis is higher than many people would normally imagine, Japan's trade balance with the West is in the future likely to grow increasingly in Japan's favour. As has been mentioned above, Japan's having to import oil renders a negative trade balance with the oil exporting countries inevitable, and to compensate for this deficit Japan must work for a positive balance of trade with the industrialised world. Hence if Japan is to be successful within the world economy it is virtually inevitable that the markets of the industrial nations of the West will be devastated by Japan, and that many workers in these countries will be deprived of their jobs.<sup>6</sup>

The following arguments are often heard in discussions of how to

correct Japan's "imbalance" in her trade with the West. "The high rate of growth of Japan's economy" it is asserted, "is due to Japan's low level of military expenditure. Japan should therefore increase her military expenditure." A second argument is little more than a revised edition of this first, namely, "If rearmament is in violation of the Japanese constitution, then Japan should provide capital, interest free, to the West for the purpose of defence." However, no theoretical or empirical laws have been established governing the relationship between the size of the defence burden and the rate of growth of the economy,<sup>7</sup> and given the fact that countries such as S. Korea and Taiwan have nevertheless attained a high rate of growth while expending considerable sums on defence, assertions of this nature must obviously be treated with caution. It is certainly true that if Japan were to increase defence spending her imports of weapons from Europe and the U.S. would probably increase, thereby reducing the trade imbalance in the short run, but under such circumstances Japan would soon expand her own production of weapons and before long Japanese-produced armaments would be taking over markets in the third world and the weapons markets of the West, worsening the trade imbalance once again.<sup>8</sup>

Secondly, the strategy that Japan should become a defence capitalist will in the long run serve no purpose other than to drive Japan into the position of a war industrialist. The present trade conflict arose because of Japan's pre-eminence in the sphere of manufacturing industry. In the field of finance Japan has yet to achieve either fame or notoriety. Consequently if the Japanese people are faced with the two options of whether their country should become a war (defence) capitalist or whether she should become a war industrialist, they would undoubtedly choose the path of war industrialist. Before too long Japanese armaments would have flooded

the world while Western munitions companies would end up being made to suffer at the hands of the Japanese just as the steel and automobile companies of Europe and America are suffering now at Japanese or Korean hands. Disputes between munitions companies would be even more acrimonious than those which now arise between car companies.

If such a state of affairs were to come about, relations between Japan and the Western world would take a sharp turn for the worse, and consequently Japan's presence in European and American markets might be severely restricted. Japanese exports - and arms exports would by this time amount to a considerable proportion of total exports - would therefore be directed towards Asia, and the countries conforming to the neo-Asian mode of production armed by Japanese-made weapons (and I include China among these) would together form a military bloc which the Western nations could not afford to ignore. Since Japan would become a highly dangerous entity for the Soviet Union as well, Japan too would eventually find herself in a position where she was forced to arm to the teeth.

6. There are several means whereby Japan can make a contribution to the world economy without occasioning a confrontation between the Confucian states and the West. The first of these is urban reconstruction and the building of housing. Whether fortunately or not, Japan's cities are a long way from being what might be called "modern cities". Sewerage even in the largest cities is deplorably inadequate and there exist a very large number of provincial towns where it is virtually non-existent. Much housing in Japan lacks running water sanitation and even on the main streets there are absolute forests of telegraph poles. The roads are in a deplorable state, and outside the towns most of them are not paved. Most towns

are no more than overgrown villages which have grown in an entirely unplanned manner; there exist a large number of towns where the divisions between a residential area, a commercial area and a factory area have not been allowed to emerge even spontaneously. The townspeople live scattered at random all over the city, so there exists everywhere the irrationality of the individual who lives in area A working at a factory in area B, and conversely the individual who lives in area B commuting to a company in area A. In addition much Japanese housing was hastily constructed amongst the burnt out wilderness of Japan in the decade or so after the end of the last war, so is of an inappropriately low level for the Japanese with their current degree of prosperity.

Japan should rebuild its cities completely, carrying out wholesale replacement investment in housing. Such an undertaking would have the effect of pumping out effective demand for well over a decade. Japan would have to import vast quantities of cement and lumber, and her invasion of foreign steel markets would come to a halt. Furthermore such a policy of effective demand would give rise to considerable induced demand, and serve to increase sharply the rate of growth of Japan's imports from the advanced industrial world to a level far higher than that achieved during the period 1976-1979.

There is one other thing that Japan could do, and this is something which I have consistently advocated since 1977 in Japanese newspapers and periodicals.<sup>9</sup> The main point of the plan is that the Japanese government should set aside something over 2.5% of the GNP every year for "international cooperation expenditure". Given that in 1978 the disparity between British and Japanese defence spending was in the region of 4% of GNP, even if Japan were to set aside an amount over 2.5% for international cooperation expenditure, Japan's

defence spending plus spending on international cooperation would still be less than total British defence spending. Such expenditure, therefore, would amount to no more than could be easily borne by Japan.

If an appropriate part of this fund were to be used to strengthen the economies of Western Europe and America, then Japan would be indirectly contributing to the common defence of the Western camp<sup>10</sup>, and since any increase in Japan's GNP would automatically be accompanied by an increase in the international cooperation fund it is likely that trade friction between Japan and the countries of the West would be considerably relieved.<sup>11</sup> Such capital could, needless to say, be utilized for cultural interchange and for assistance to the third world, and donations and loans could be made to countries with economic difficulties, regardless of whether developed or socialist. It could also be used as capital to fund projects in which several countries were cooperating in the development of advanced industrial technology, or even used as a subsidy in cases where Japanese enterprises were involved in development projects overseas. If all this were to happen, the countries of the West and those of the third world would welcome Japan's fast rate of growth.

During the 1950s and 1960s the large scale investment in subsidiaries in Europe undertaken by America prevented any large scale trade imbalance between the U.S. and Europe from emerging. In just the same way, large scale direct investment by Japan in the U.S. and Europe would make a considerable contribution towards the relieving of trade conflict by helping to improve the employment situation in Europe and America, as well as the trade balance. Japan would also learn a great deal through cultural exchange and the cooperative international development of technology. Eventually these experiences should help the Japanese people to appreciate the

value of such things as the civic society, respect for the individual, and the principles transcending the nation or the group. (Although I am not such a hard-boiled supporter of the individual's freedom that I believe that freedom is always imperative and paramount in any circumstances - the individual should of course be restricted in his action in certain extreme circumstances - I am confident in saying that the contemporary Japanese choose a balance of too much materialistic prosperity and too little freedom in the trade-off between the two.) For the first time the gulf which now still exists between Confucian states and the West would be perceptibly narrowed.<sup>12</sup>

Lastly, although similar plans are proposed by a few Japanese,<sup>13</sup> this idea for an international cooperation fund may seem unusual or eccentric at first sight. Such a fund will not, however, escalate tensions between East and West as an increase in defence expenditure would do; it would, moreover, probably serve to promote greatly international investment activity. If the result of this experiment in an international cooperation fund on the part of Japan was a marked improvement in her relations with other countries, many other countries might be led to sanction some substitution of defence spending for expenditure on international cooperation. Such a course of events would go a long way towards removing the economic and political deadlock at present existing in the world.

## Footnotes

\*The author owes his thanks to Dr. S. Gomulka, Dr. Janet Hunter, Sir Arthur Knight and Professor P.J.F. Wiles for helpful comments on an earlier version of this paper.

1. Marx's view of the Asiatic mode of production appears in various places throughout his many publications, see, for example, Capital vol.III (Progress Publishers, Moscow, 1966), p.791. V. Melotti, Marx and the Third World, Macmillan, 1977, is a convenient synthesis of these writings for those wishing to know more about the manner in which Marx perceived Asia.

2. M. Weber, 'Konfuzianismus und Taoismus', Gesammelte Aufsätze zur Religionssoziologie, vol.1, J.C.B. Mohr (Paul Siebeck), Tübingen, 1920.

3. Japan is frequently regarded as a Shinto country, but there has never been a time when Shinto has been dominant among Japanese. Ceremonial relating to the Imperial house is carried out according to Shinto ritual, but Shinto possesses virtually no clearly defined doctrine to appeal to people. In Japan Confucianism is the ideology which pervades the people and implants in their leaders moral discipline.

4. The Asiatic mode of production is a model just as the "competitive economy" is a model for the purposes of economic analysis. Neither Japan, of course, nor the other actual countries of Asia, necessarily conform to this model. In China throughout the greater part of her history the private ownership of land has been permitted, but in ancient times the state distributed land equally among the peasants. This so-called "equal field system" (also called "well-field system") was strengthened under the T'ang Dynasty and put into practice over the whole country, but it broke down subsequently. Under the influence of the T'ang, the government of the Nara period (8th century) implemented this system in Japan.

5. Michio Morishima, "The Production of Technologists and Robotization in Japan", ST/ICERD working paper, mimeographed.

6. A continuation of economically efficient despotisms on the one side trading with less efficient democracies on the other need not necessarily end in the wholesale defeat of all the democratic countries. It is probably fair to say that some of them (say Germany, France or Italy) possess a reasonable degree of capacity to adjust, the the U.S. or the U.K. may suffer from institutional sclerosis. Unfortunately, democratic countries are going to have to recognise that democracy and freedom are costly. To avoid themselves being turned into despotic or fascist countries they are likely to have to carry out an appropriate level of institutional reorganization in order to reduce their costs while retaining their essential features.

7. One might say that Japan's surprisingly low growth in the period 1868-1945 is due to high defence spending, and rapid growth in 1946-1982 to low. We must not forget, however, that in this first, 77-year period, Japan did not merely adopt policies aimed at strengthening her armed forces, but during that time engaged in ten major campaigns and had soldiers overseas for about thirty years of

the seventy-seven. What must be regarded as having impeded Japan's growth during these years is not her high level of defence spending but the long succession of wars. Strong armed forces can be compatible with a rich nation providing there is not an excess of heavy armaments.

8. One might think that the situation would be no worse than before the rearmament, because Japan would now be somewhat less able to supply her own civilian market. However, it would not be difficult for present-day Japan to develop a powerful munitions industry without damaging her current export industries.

9. See, for example, Michio Morishima, Jibunryū ni kangaeru (My Way of Thinking), (Tokyo: Bungei Shunjusha, 1981).

10. Contrary to the views of those who advocate Japan's becoming a war capitalist, let us assume that Japan did not directly furnish capital to strengthen the military capability of Europe and America. Even so, as long as she herself provided these countries with capital for peaceful purposes, they would be relieved of some of the burden of finding capital for such peaceful purposes. Should they then strengthen their military capability just by this proportion Japan would ultimately have become a "war capitalist" just the same, albeit indirectly. It is not in this sense that I am saying that Japan would be contributing to the common defence of the Western camp. Should the Western economies be weakened then the Western camp might well split within and even destroy itself. And were anything approaching that sort of situation to arise the very existence of a Japanese economy dependent on the West would be placed in doubt. What I am saying is that if Japanese capital is used to assist the West to surmount economic crisis and to strengthen its economic constitution then Japan will have cooperated in the common defence of the Western camp.

11. This kind of large-scale international transfer payment is likely, if it is carried out without any profound consideration, to reduce the yen exchange rate and further increase Japan's exports. Such programmes as these must be implemented with due regard to exchange rate movements and in combination with carefully schemed internal policies.

12. Conversely, America and Europe can learn from Japan in establishing a collaborative atmosphere between management and work force. Since too much collaboration would harm the freedom and independence of individuals, care of course should be taken not to go too far.

13. For example, Tazue Kobayashi, Seki-juji Kokka no Teisho (An Advocacy for a Red-Cross State), in Japanese, mimeographed, 1985.

Table 1: Annual Average Growth Rate of Japan's Imports and Exports (%) \*

Country Years	U.S.A.		U.K.		West Germany		France		Italy		E.F.C.	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1969-71	23	11	29	12	30	17	26	15	19	29	30	18
1971-73	12	36	54	35	39	36	38	65	25	45	32	44
1973-76	18	8	1	3	21	3	39	1	17	9	18	4
1976-79	19	20	30	26	24	28	12	26	10	37	21	28
1979-81	21	11	24	27	18	-3	26	4	16	-7	22	6
1981-84	19	5	2	-2	7	6	-1	5	7	10	4	8

\*From Japan Ministry of Finance, Tax Bureau 'Overview of Foreign Trade' (in Japanese).

Table 2: The Shares of the Increase in Export ( $\Delta E_t$ ) and the Investment of the Export Industries ( $I_{Et}$ ) in the Rate of Growth of GNP ( $\Delta Y_t/Y_t$ ) of Japan, 1966-77\*, (unit: %)

Year	(1) $\Delta Y_t/Y_t$	(2) $\Delta E_t/Y_t$	(3) $I_{Et+1}/Y_t$	(4) (2)+(1)	(5) (3)+(1)	(6) (4)+(5)
1966	17.0	0.85	4.42	5.0	26.0	31.0
67	18.4	2.61	5.09	14.2	27.7	41.8
68	18.6	2.26	5.22	12.2	28.1	40.3
69	15.8	2.23	5.76	14.1	36.5	50.6
70	10.2	1.64	4.67	16.1	45.8	61.9
71	16.6	0.67	3.80	4.0	22.9	26.9
72	21.0	2.18	3.69	10.4	17.6	28.0
73	18.4	6.33	3.93	34.4	21.4	55.8
74	10.0	0.18	2.90	1.8	29.0	30.8
75	12.2	2.51	2.64	20.6	21.6	42.2
76	10.9	0.64	2.49	5.9	22.8	28.7
77	9.6	-1.16	1.93	-12.1	20.1	8.0

\*Calculated from the data given in Nippon no Hyaku-nen (Japan's last 100 years) ed. by I. Yano, Tokyo: Kokusei-sha, 1981, and Japan Statistical Yearbook, the 1983 edition, Prime Minister's Office, Statistics Bureau.

Note Y = GNP, E = export,  $I_E$  = investment of tangible fixed assets made by the major export industries.