

Japan's Economic Miracle

Part Two: Factors due to Governmental Policies

Lesson 4: Low military expenses

Lesson 5: State-assisted capitalism

Lesson 6: Stable political situation

FOR INSTRUCTORS ONLY

Background Information

Part 2. What part did Japan's government play?

State-assisted capitalism (Industrialized, not westernized in late 1800s)

After Matthew Perry opened Japan's doors to the world in 1853-54, Japan immediately began playing "catch up" because there were so many discoveries/inventions for them to learn about, but they remained Japanese in their approach.

The Meiji Restoration, Japan's new political leadership in the early 1870s, chose to adopt a government-directed capitalism where the government has a great influence over what is produced and provides the needed capital to those companies. The view is that the economy should serve the nation, not the individual. Free trade is often considered harmful.

This is in contrast to the western idea of free entrepreneurship where the individual/company determines what is produced and seek their own means of financing. With the American capitalism model, the market is the chief determinant of what products are produced. Free trade is highly desirable with banks, the stock market, or private sectors providing capital. Economy serves the individual/company primarily, the nation as a result.

The Japanese were accustomed to allowing their leaders to take control. When the leaders realized their mistakes of having Japan closed to the world, they needed to make many changes, but one great change was not going to be that of giving up leadership power, even economically.

Today, that leadership power is contained within the national government, especially in the National Diet, which is the lawmaking body, and the Prime Minister, who is a member of the Diet and elected by the Diet.

Stable political situation

The Liberal Democratic Party was continually elected by the voters which gave a political stability that other countries did not enjoy. This helped allow the government to keep that control of determining the economic policies of the nation.

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Low military expenses

Because of Japan's defeat in World War II, there was a sweeping decrease in their military programs. Japan's national defense program became rudimentary as the American armed services set up bases in Japan. In the United States, a large portion of the budget is allocated to the armed services which cannot be used for other programs. In Japan, without great military expenses, the budget had many funds available for other uses, such as company financing.

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Activities:

Part Two: Factors due to Governmental Policies

Lesson 4: Low military expenses

Requires 20-30 minutes

Materials:

Copies of federal budget from Internet (5 largest expenditures) - one per group

TO BE USED WITH STUDENTS:

Setting the problem: Where does the government get its money? For what programs and projects is the money used?

If you were starting a business, where could you get some financial help? How could the national government help? Where does the government get its money? What is the money spent on?

1. **Class discussion** on government budgets. What are taxes? What kinds of taxes are there? Who must pay them? For what kinds of programs and projects does our national government spend money? We are going to take a closer look at our national spending.
2. **Group Work** with students given copies of The Federal Budget, 1995-2002. (See The Federal Budget, 1995-2002, or go to *infoplease.com*, business and finance, economy, US economy and the Federal Budget.) What are the main parts? Under *Outlays by function*, have them locate the five largest expenses in the budget.
3. **Small groups discussions** of the following questions: What would happen if one of these were decreased by 75%? In what other areas could that money be used? *After World War II, Japan's military forces were greatly reduced.* The country was trying to rebuild itself after the war. What could the government do now that money was available in banks from private savings and without military expenses in the national budget? (This made it possible for the government to have more funds available for other projects.)