

Japan's Economic Miracle

From Essential Questions:

4. What world happenings also contributed? *How did war in Korea help Japan's factories? What kinds of things did the USA do that helped Japan recover after the war? Why do other countries need or want Japanese products? How do peace treaties with other countries help in exporting and importing?*

(Post-war American occupation, Korean War, Free world trade boom)

Part Five: Causes of Stagnation

Lesson 11: Money and Land Problems

FOR INSTRUCTORS ONLY

Background Information

5. Why did problems arise?

The Price of Japanese Land

As the Japanese became more prosperous, they wanted better houses. Japan is a country of mountains and many people. This means that the price of land kept going up as more people wanted to build bigger and better houses.

Land prices continued to rise for over 40 years so that anyone who bought land realized a substantial price gain when it was sold. Many people (private citizens, government officials, business executives, financial investors) became involved in land speculation.

The Value of the Yen

The value of the yen and dollar was originally fixed at \$1=360 yen after the war. In 1972 the exchange rate was changed from the fixed rate to a floating one. In 1985 because the US felt that the yen was still too cheap, there was a meeting of finance ministers from 5 countries (USA, France, England, Germany, and Japan) who agreed to increase the value of the yen. For the Japanese businessman this was alarming. Something that had cost only \$1.00 to export or produce, could now cost over \$2.00 or more.

The Bursting of the Economic Bubble

Many companies and individuals had begun borrowing money to take advantage of the speculation of land, stocks, and art works. Most of these loans were secured by land which continued to rise in price.

The government, being concerned with these massive speculative money-making practices, passed a law which critically limited the banks in financing land development. With funding no longer widely available, land and stock

Japan's Economic Miracle

prices fell sharply. Then, the Bank of Japan raised its interest rate six times during 1989-1990.

With this bursting of the economic bubble, many companies went bankrupt and many private investors lost their money.

Government-regulated economy

With the government controlling what is produced as well as prices, in today's global market the government takes too long to make and/or change decisions. The government had supported many large companies who had trouble keeping up economically with their loans, but their hands were tied as they had to wait for the government to allow them to make necessary changes quickly. Some companies had to close in bankruptcy, but for some even that was not allowed by the government and the government then had to keep them afloat.

Lack of Stable Leadership

In the face of all these financial problems, the political system has had many problems as different factions accuse each other as to the reasons for the problems. As a result, the prime ministership has been rapidly changed many times during the last decade, often within a year of election, as it is the national legislative body who elects the prime minister.

Activities:

Part Five: Causes of Stagnation

Lesson 11: Money and Land Problems

Requires 1 hour

Materials:

- Paper money (may be made from construction paper, stamped to make it official)
- Construction paper and markers; Paper for loan contracts and deeds

TO BE USED WITH STUDENTS:

Setting the problem: You have the great fortune of being in a country where land prices are going up, and up, and up! If you buy land now, it will just keep increasing in value so that when you sell it, you can make a lot of money! Just take a loan out and buy some land now!

1. Money and Land

- A. Divide the class into groups of 2-3 each. Each group has a small piece

Japan's Economic Miracle

of land, a desk.

B. Let each group "borrow" from the First National Teacher's Bank, located at your desk, in order to "buy" up the land in the room. They may borrow with the collateral of the land they own. For example, the land that they now have (a desk) is worth \$5000 at first. They may borrow this amount so that they can make deals with others to buy more land. The interest rate should be quite low, 0.5% perhaps, which would be \$25.

C. Every five minutes the price of land should go up. Every 10 minutes require that all groups make a loan payment to the bank. The payment should include a small interest charge, making about a \$26 payment.

D. Once all "land" has been bought, encourage students to get more bank loans and buy land from each other, always at a greater amount than before. Let them know that since their land is now worth more, they can take out loans for more money.

E. At the end of 30 minutes, make the value of the money increase. What cost \$1 before, costs \$2-3 now. How does this affect the value of the land? (The same piece of land will now cost twice as much.)

E. Suddenly in 10 more minutes, raise interest rates on new loans to 5% or 10% or 15% and begin to limit the loans so that borrowing of money is eventually almost nonexistent. Advise students to sell land, cutting prices, if necessary.

F. At first, prices for land should even out with some slight drops in price.

G. Next, land prices should go down drastically.

H. Remember throughout all stages, all groups should be trying to make their loan payments every 10 minutes. If they cannot make their payments, you may give extensions, for a fee. And, you may have to foreclose on some property or stop the game at that point.

2. Debriefing What happened when money was available and land was cheaper? What were the results when the value of land kept increasing? Were profits made by any groups? What happened when the money increased in value. What happened when getting loans almost stopped and land prices fell. What could have prevented this loss? Would it have helped if there had been one leader who could have controlled the situation? Would the leader needed to work quickly? Do governments work quickly or do matters need to go from one office to the next in many cases, especially when no one person is in charge?

Japan's Economic Miracle

3. **Part Five Debriefing** Share the following essential question and subquestions for part five with the students. See if they can determine the five given answers. If not, ask them to explain how the given answers could also have helped Japan's economic growth.

From Essential Questions:

5. Why did problems arise? *What is supply and demand? How can there be a supply and demand of land? Why must there always be a ceiling for prices? What happens when money is suddenly worth 2-3 times more? What happens when the rules are suddenly changed?*

(Increase in land value, Increase in value of the yen, The bursting of the economic bubble, Government-regulated economy, Lack of stable leadership)

Assessment:

A pre/post test is included (Handout H). Before teaching this unit, it is suggested that students be given a pretest to help assess just how much is known and then given as a post test afterwards. Either one or both may be given as needed.

After the unit, students should be able to explain how various factors helped create a tremendous economic growth in Japan as well as some that helped to burst the bubble.

Grade Adaptations:

For Younger Students

Following a Budget Game: Put students in groups of clubs, of about 2-3 in a group. Use a budget of \$20 income from dues with some required expenses, such as lunch money or bus transportation for an outing of the club. Ask them to make a budget which includes buying needed equipment, supplies, club souvenirs, etc. on a field trip with the club.

Who's the Leader Now? : Cut down the requirements for the presentation to just a magazine ad for each use of the pine cones.

Money and Land: Just let the value of the land increase and then decrease; omitting the increase of the value of the money.

Japan's Economic Miracle

For Older Students

Besides these lessons, have students search the internet for additional factors and events which influenced the development and then the recession of Japan's economic system.

If class discussions sometimes lead to a great division in thinking, it provides an excellent opportunity to incorporate a debate.

Relationship to Social Studies Standards:

Grade 9, Economics, Grade-level Indicator 2

Explain how changing methods of production and a country's productive resources affect how it answers the fundamental economic questions of what to produce, how to produce and for whom to produce.

Grade 9, Economics, Grade-level Indicator 3

Analyze characteristics of traditional, market, command and mixed economies with regard to: (a) private property, (b) freedom and enterprise, (c) competition and consumer choice, and (d) the role of government

Grade 11, Economics, Grade-level Indicator 4

Describe the functions of the components that make up an economic system and describe the relationships among them including: (a) business, (b) productive resources, (c) financial institutions, (d) government, and (e) consumers.

Grade 11, Economics, Grade-level Indicator 5

Identify factors that cause changes in economic growth including the effects of supply and demand on the labor market.

Japan's Economic Miracle

Grade 11, Economics, Grade-level Indicator 7

Explain how countries use their comparative advantage to produce goods and services for trade with other countries.

Grade 12, Economics, Grade-level Indicator 1

Compare how values and beliefs influence economic decisions in different communities.

This lesson and all handouts were developed by Alpha Coles Morgan, teacher, Graham Rd. Elementary School, Reynoldsburg City Schools.

Japan's Economic Miracle

Handout H, pg. 1: Pre/Post Test

Part I. Circle the correct letter.

1. Japan is the world's ____ largest economy in the world today.
a. second b. fifth c. tenth
2. Most Japanese citizens are _____.
a. poorly educated b. moderately educated c. well educated
3. Japanese citizens have been encouraged to _____.
a. be strict vegetarians b. save money c. live in townhouses
4. After World War II, Japan had to _____.
a. rebuild its factories b. import rice c. move the capital city
5. Many believed the price of Japanese _____ would always just keep going up. a. televisions b. land c. loans
6. Japanese exported products used to be _____.
a. cheap b. expensive c. technical
7. The American whose name is associated with quality in Japan is _____.
a. Westinghouse b. MacArthur c. Demming
8. One of the most expensive areas to finance in a national government is often _____. a. building schools b. finding cures c. the military
9. TQM refers to _____.
a. The Quick Money b. Total Quarterly Month c. Top Quality Management
10. According to the Japanese government economy should serve _____.
a. the nation b. the family c. the individual

Part II. True or False

- ___1. Japan is able to export many products around the world.
- ___2. Due to the baby boom after the war, many more young adults were _____ needed to work on farms to produce enough food.
- ___3. After World War II, the USA military occupied Japanese land.
- ___4. The Japanese government would determine the prices of some _____ products for companies.
- ___5. In Japan, children are taught early to compete to be the best because _____ an individual's goals are the most important way to success.
- ___6. The value of the yen is always equal to a penny because 100 yen equals _____ \$1.
- ___7. In an effort to stop land prices from rising, the government passed a law to decrease the availability of loans.
- ___8. Capitalism in Japan is modeled after that in the United States.
- ___9. The national government always makes decisions quickly.
- ___10. The Japanese have become quite good at improving products.

Japan's Economic Miracle

Handout H, pg. 2: Pre/Post Test

Explain how the following can be true.

1. Competition can help create better products.
2. Having the same employees and leader over a period of several years can help a company's finances.
3. The Korean War actually helped Japan's economy.
4. Japanese products are considered some of the best in the world.
5. The Japanese were quick to adopt policies to change management, but America was not.

Japan's Economic Miracle

Answers to Handout H: Pre/Post Test

Key for Objective Part I

1. a 2. c 3. b 4. a 5. b 6. a 7. c 8. c 9. c 10. a

Key for Objective Part II

1. true
2. false, were not needed on farms and went to the cities to find work
3. true
4. true
5. false, taught to help one another and that the goals of the group are more important than the individual's
6. false, was fixed, but now variable
7. true
8. false, United States believes economy serves the individual first and then the nation with free trade being highly desirable which is just opposite to Japan.
9. false, "cutting through red tape" takes time
10. true

Japan's Economic Miracle

Bibliography

From the 1997 *Learning About Our World: Japan*

I used the items listed under numbers 4 and 5 of the original lesson on pages 118-119 as a starting place for my research on the internet to see just how Japan's economy was affected by them. I then divided them into different factors by sources: culture, Japan's governmental policies, world situations, and companies' roles in changing procedures.

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