



Economics 507

The Japanese Economy

Fall 2006

8:30-9:20 MWF

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Kramer Dining Center 120

Homepage: <http://www.ksu.edu/economics/nafwayne/>

Ref. # 10340

Office hours: 10:30-11:20 MWF, or by appointment--Waters 312 (except no office hours on Wed.-Fri., Nov. 15-17).

Analyzes Japan's growth, the end of Japan's miracle growth, the recent recovery in growth, productivity change, income distribution, government policies, agriculture, industrial structure, labor relations, education and technology, and international trade and finance. There will be some discussion of U.S.-Japanese and Chinese-Japanese competition and comparisons. Pr. ECON 110. The course is a university general education course and counts for the international studies secondary major and Arts and Sciences' international overlay.

Required texts:

Richard Katz, *Japan – Japanese Phoenix: The Long Road to Economic Revival* (Armonk, NY: M.E. Sharpe, 2003). There are few texts on the Japanese economy available. Katz's is a good text, but I will bring information about the Japanese economy up to date.

E. Wayne Nafziger, *Japanese Economy Readings, Economics 507*, Fall 2006 (Eisenhower 11; 2-6895).

Is Yoshihara (readings, pp. 5ff) discussing the same country as Katz? Is Katz's analysis still correct today? During the semester, Japan's growth patterns and their changes will become clearer.

I will frequently provide chapter powerpoint or other resources on K-State Online, but on December 1-8, all copies of chapter powerpoints will be handed out in class.

Objectives:

The main goal of the course is to understand Japan's rapid economic growth since 1868, and from World War II to the 1990s; the collapse in Japan's economic growth during the 1990s; the potential revival of growth during the early 21st century; and strategies for economic reform. Yoshihara emphasizes the reasons for Japan's earlier economic development success. Katz stresses that the protectionism and industrial policies that contributed to success during catch-up from 1945 to 1990 no longer worked in the 1990s when Japan was a mature economy. Indeed Katz argues that, although these policies increased the gap between Japan and the United States in 2000, Japan will successfully reform during the early years of the 21st century.

In examining Japan's long-term (one to two centuries), middle-term (since World War II), and short-term (a decade) economic development and income distribution, we will analyze (1) U.S.-Japanese productivity growth differentials, (2) Japan's industrial, services, and agricultural sectors, (3) Japanese economic institutions, (4) the role of government in Japanese development, (5) foreign trade and investment in Japan, especially its bilateral economic relationships with the United States, and (6) the applicability of Japan's strategies to other economies.

Internet Resources on the Japanese Economy:

Recent news on the Japanese economy may be available in the *Wall Street Journal*, and at BBC www.bbc.co.uk/home/today/; CNN www.cnn.com/; the Economist www.economist.com/; (and if you have a fixed terminal) Financial Times www.ft.com/; New York Times www.nytimes.com/; and the International Herald Tribune www.ihf.com/, based on the Times and the Post, with headline stories and early yen quotations.

<http://newton.uor.edu/Departments&Programs/AsianStudiesDept/japan-pol.html#econ> has a wealth of information on the contemporary economy; <http://newton.uor.edu/Departments&Programs/AsianStudiesDept/japan.html> includes general information, government institutions, directories, search engines, travel information, East Asian libraries, and so forth. Japanese sources are at <http://www.ksu.edu/economics/nafwayne/japan.htm>, including country information and background notes. KSU library resources are limited, but the internet has resources, including several that you can eventually get by starting at the library's home page, <http://www.lib.ksu.edu/>. The front page headlines and summaries in Nikkei Weekly online are at <http://www.nni.nikkei.co.jp/FR/TNW/index.htm>. To subscribe to the Nikkei Weekly (Japan's equivalent of the Wall Street Journal) or the Japan Economic Almanac, go to <http://www.nni.nikkei.co.jp/>. On campus (or by clicking library on KSU's home page, www.ksu.edu), you have access to Lexis-Nexis (<http://web.lexis-nexis.com/universe>) that would enable you to get information on the Japanese economy by topic. Other Japanese newspapers are at <http://www.onlinenewspapers.com/japan.htm>. The NYU page on the Japanese economy is at <http://www.stern.nyu.edu/globalmacro/>; at this source, click Japan. The Organization for Economic Cooperation and Development is at <http://www.oecd.org/>, with national-income statistics at <http://www.oecd.org/std/nahome.htm>.

<http://www.asahi.com/english/english.html> gets the daily *Asahi Shimbun* in English; <http://www.mainichi.co.jp/english/> the daily *Mainich Shimbun* in English; and <http://www.japantimes.co.jp/> the Japan Times in English. For Japanese statistics <http://www.stat.go.jp/english/index.htm>, and economic issues from the Embassy of Japan, <http://202.214.66.52/e/index2.htm>. The *Far Eastern Economic Review* (HC 411.F18 and <http://www.feer.com/>) is a weekly that sometimes has news on the Japanese economy. This list is just a start.

Macroeconomic and foreign-exchange analysis and information are in English at <http://www.boj.or.jp/en/> (Bank of Japan) and <http://www.mof.go.jp/english/> (Ministry of Finance). Information by sector of the Japanese economy is at <http://www.meti.go.jp/english/statistics/> (Ministry of Economy, Trade and Industry).

Grades:

I plan four one-hour examinations (one, which counts equal to a one-hour exam, is offered during the final exam period), each worth 100 points (total 400 points); as many as two to three 36-point multiple-choice quizzes (I will give you advance notice); an occasional minute paper (5 points each); and occasional team (in-class) or internet exercises (worth 10-15 points each). I have indicated tentatively the coverage of each one-hour examination (the readings and corresponding lectures just before the listing of the examination). Each one-hour exam is roughly half essay/problem and half objective, mostly multiple choice (see exams at <http://www.ksu.edu/economics/nafwayne/>, clicking class exams, MS format or PDF format - KSU computing ID and password required). Grades are posted on K-State Online; we also plan to go over quizzes and exams in class. Minute papers ask the student, in 2-3 minutes, to respond to questions such as: "What was the most important thing you learned during this class?" and "What important question remains unanswered for you?"

Students who make excellent contributions to class can raise their semester numerical grades.

Graduate students are required to write a paper or to present a twenty-minute talk to the class. This paper or talk is worth 150 points for graduate students. (Give me your e-mail and I'll send you more detail.)

Alternative to the Second or Third Exams: For *either* the second and third exams, the student may write a paper instead of taking the exam (the paper must be a topic related to the readings and material to be covered on the exam), provided the student notifies the instructor by e-mail or in person what topic s/he is writing on by the second class after the previous exam; notifies the instructor in writing of any changes in the topic; attends class regularly; and hands in the paper at or before the time the exam is given. (In the past, one student both took the exam and wrote the paper, enabling that student to get the better of the two grades!) The average length of the paper is about 7-12 pages. You are expected to use acceptable bibliographical and citation procedures (if in doubt, use the procedures of a recent *American Economic Review*). For material on the web, the bibliographical citation must be complete, for example, Stanley Fischer, "The Asian Crisis: the Return of Growth," International Monetary Fund, Washington, D.C., paper presented to the Asia Society, Hong Kong, June 17, 1999. <http://www.imf.org/external/np/speeches/1999/061799.HTM>. Feel free to hand in an earlier draft so that I can give you comments that will allow you to improve your paper (but give me a few days to respond), or ask questions about your progress at earlier stages of work on your paper.

A student may instead present a 20-minute or so talk, as long as the student notifies the instructor as indicated in the previous paragraph. In addition, the student must arrange with the instructor ten days in advance to present the talk, which should be given near the time the subject is discussed in class.

No talk/paper alternative is possible for the quizzes, internet or team exercises, or first exam or the final exam, Thursday, December 14, 2006, 11:50-1:40, Kramer Dining Center 120. All students are required to take these exams. I will choose 6-9 chapters, including material after the third examination, for inclusion on the the final one-hour exam.

Plagiarism: University policy is: "Plagiarism and cheating are serious offenses and may be punished by failure on the exam, paper, or project; failure in the course; and/or expulsion from the university." For more information refer to "Academic Dishonesty," <http://www.ksu.edu/uau/fhbook/fhxf.html>.

Honor system: The university has an honor system based on personal integrity, which is presumed to be sufficient assurance that in academic matters one's work is performed honestly and without unauthorized assistance. Undergraduate students, by registration, acknowledge the jurisdiction of the Undergraduate Honor System. The policies and procedures of the Undergraduate Honor System apply to all full and part-time students enrolled in undergraduate courses on-campus, off-campus, and via distance learning. A prominent part of the Honor System is the inclusion of the Honor Pledge, which applies to all assignments, examinations, or other course work undertaken by undergraduate students. The Honor Pledge is implied, whether or not it is stated: "On my honor, as a student, I have neither given nor received unauthorized aid on this academic work." This statement means that the student understands and has complied with the requirements of the assignment as set forth by the instructor. For more information, refer to <http://www.ksu.edu/honor>

Academic Accommodations for Students with Disabilities: If you have any condition, such as a physical or learning disability, which will make it difficult for you to carry out the work as I have outlined it or which will require academic accommodations, please notify me in the first two weeks of the course.

Outline:

1. Introduction to the Course—Mon., Aug. 21
 2. The Historical Course of Japan's Economic Development: (Yoshihara, in *Readings*, pp. 1-34) (for Wed., Aug. 23-Fri., Aug. 25)
 3. The Long and Bumpy Road to Revival (Katz, ch. 1, pp. 3-24)
 4. The Incredible Shrinking Japan (Katz, ch. 2, pp. 25-39)
 5. Overcoming the Dual Economy: Backward Sectors Are the Key to Japan's Revival (Katz, ch. 3, pp. 40-58)
 6. Overcoming Anorexia: The Labors of Sisyphus: From Growth Superstar to Economic Laggard (Katz, ch. 4, pp. 59-80)
 7. The Banking Crisis: Dead Firms Walking (Katz, ch. 5, pp. 81-104)
 8. Fiscal Dilemmas (Katz, ch. 6, pp. 105-116)
- QUIZ, FRIDAY, MID-SEPTEMBER
9. Handout on Japanese comparative data
 10. Monetary Magic Bullets Are Blank (Katz, ch. 7, pp. 117-135)
 11. Japan Cannot Export Its Way Out (Katz, ch. 8, pp. 136-146)
 12. Video – Understanding the Japanese Economy
- ONE-HOUR EXAMINATION, NEAR END OF SEPTEMBER
13. Globalization: The Linchpin of Reform (Katz, ch. 9, pp. 147-152)
 14. Imports: Too Many Captives, Not Enough Competitors (Katz, ch. 10, pp. 153-164)
 15. Foreign Direct Investment: A Sea Change (Katz, ch. 11, pp. 165-176)
 16. Financial Integration: The Iceberg Cracks (Katz, ch. 12, pp. 177-192)
 17. What is Structural Reform? (Katz, ch. 13, pp. 193-195)
 18. Japan's Agricultural Economy, Lectures by Professor Hikaru Hanawa Peterson
 19. Financial Reform: "Big Bang" Versus Financial Socialism (Katz, ch. 14, pp. 196-216)
- ONE-HOUR EXAMINATION, WEDNESDAY, NEAR END OF OCTOBER
20. Corporate Reform: No Competitiveness Without More Competition (Katz, ch. 15, pp. 217-240)
 21. Competition Policy: Not Enough Competition, Even Less Policy (Katz, ch. 16, pp. 241-247)
 22. Survey of Japan, K-State Online. How do Katz's and the Economist's views differ? Which is correct?
 23. Labor Reform: Mobility, Not Wage Cuts, Is the Answer (Katz, ch. 17, pp. 248-259)
 24. Deregulation and State Enterprises: The Momentum Is Clear, the Destination is Not (Katz, ch. 18, pp. 260-278)
 25. Down to the Wire, Bleha on Japan's broadband internet, in *Readings*, pp. 111-124
- ONE-HOUR EXAMINATION, WEDNESDAY-FRIDAY, NOVEMBER 15-17
26. Tax Reform: Don't Exacerbate Anorexia (Katz, ch. 19, pp. 278-283)
 27. Electoral Reform: Ending the One-Party State (Katz, ch. 20, pp. 284-290)
 28. The United States is Not Japan (Katz, ch. 21, pp. 291-297)
 29. How the United States Can Help (Katz, ch. 22, pp. 298-310)
 30. The Phoenix Economy (Katz, ch. 23, pp. 311-312)
 31. Nafziger, "Meiji Japan as a Model for Africa's [and other Developing Countries'] Economic Development, in *Readings*, pp. 443-464), basis for discussing Japan's Development Model: Its Implications for Developing Countries
 32. Review
- FINAL EXAMINATION (worth 100 points), THURSDAY, DECEMBER 14, 2006, 11:50-1:40.