

Student I.D. _____

Economics 507
The Japanese Economy
Wednesday, February 20, 2002
9:30-10:25
E. Wayne Nafziger
Waters 328
1st One-Hour Examination

Fill out your answer card with a number 2 pencil, indicating student ID number and answers for the 15 multiple-choice questions. Note that the 15 multiple-choice questions count 45 points, the first essay (#16) counts 30 points, and the last essay, 25 points.

Be sure to put your name and student ID number on the top of the page for both essay questions. Allocate your time carefully.

1. Many US industrialists and politicians today oppose a weaker yen because they think that a weaker yen
 - a. discourages US investment in Japan
 - b. hurts the Japanese trade balance
 - c. hurts the US trade balance
 - d. makes Japanese goods more expensive to Americans
 - e. None of the above statements are correct.

2. Japan's major problem of debt and equity is that of
 - a. bank reluctance to loan to allied enterprises.
 - b. firms using equity rather than debt
 - c. the high rate of interest charged by banks.
 - d. the high ratio of domestic debt to GNP
 - e. the large percentage of debt owed to foreigners.

3. Japan's life expectancy is
 - a. higher than the US's life expectancy and Germany's life expectancy.
 - b. lower than Germany's life expectancy but higher than the US's life expectancy.
 - c. lower than both the US's life expectancy and Germany's life expectancy
 - d. lower than the US's life expectancy but higher than Germany's life expectancy.

4. By ‘hollowing out’ exports, Katz means
 - a. efficient domestic producers face higher penalties due to Japan’s highly subsidized inefficient export sector.
 - b. efficient exporters face higher penalties due to Japan’s highly protected inefficient domestic sectors.
 - c. efficient domestic industries such as textiles, food processing, and tobacco face higher penalties due to Japan’s highly protected inefficient machinery, equipment, and fabricated metal products.
 - d. efficient retail trade faces higher penalties due to Japan’s highly protected inefficient foreign trade sector.
 - e. None of the above statements are true.

5. Income inequality in Japan
 - a. was higher than most Western countries before World War II and higher than most Western countries after World War II.
 - b. was higher than most Western countries before World War II but lower than most Western countries after World War II.
 - c. was lower than most Western countries before World War II but higher than most Western countries after World War II.
 - d. was lower than most Western countries before World War II and lower than most Western countries after World War II.

6. The major new capitalist manufacturing entrepreneurs from 1868 to 1890 were previously
 - a. daimyos
 - b. farmers
 - c. samurai
 - d. sotsuma
 - e. teachers

7. Which of the following is correct about the growth of Japan’s export trade, 1868 to the 1930s?
 - a. Japan’s export trade grew fast from 1868 to the 1930s, accompanied by high tariffs and fixed exchange rates
 - b. Japan’s export trade grew fast from 1868 to the 1930s, accompanied by low tariffs and flexible exchange rates
 - c. Japan’s export trade grew slowly from 1868 to the 1930s, accompanied by high tariffs and fixed exchange rates
 - d. Japan’s export trade grew slowly from 1868 to the 1930s, accompanied by low tariffs and fixed exchange rates
 - e. Japan’s export trade grew slowly from 1868 to the 1930s, accompanied by low tariffs and flexible exchange rates

8. When a financial newspaper explains that the US's invisible account with the Japanese is more favorable than the US's visible account with the Japanese, the newspaper means
- the US's investment in Japan is less than Japan's investment in the US.
 - the US's investment in Japan is more than Japan's investment in the US.
 - the US's services account with the Japanese is more favorable than the US's trade account with the Japanese
 - the US's trade account with the Japanese is more favorable than the US's services account with the Japanese
9. Japan's major import barriers today are
- a policy of a strong yen.
 - high tariffs
 - industrial cartels
 - None of the above is true, as Japan has no import barriers.
10. According to Katz, traditionalist and neoclassical scholars tended to
- downplay the existence of Japanese trade barriers
 - insist that Japan benefited from protectionism.
 - overstate the size of Japanese trade barriers
 - treat Japan as a monolith that responds only to pressure
 - warn that Japan's once-successful trade policy has recently been fraught with peril.
11. Which of the following is *not* a reason for the adequate food availability in Japan during most of the seventy years before World War II?
- During most of the early 20th century, Japan received food output from its colonies.
 - Food productivity increased substantially during most of this period because of technological change.
 - Japan's population growth was slow, if you use Asia's population growth today as a standard.
 - Japan used capital-intensive techniques, such as tractors, heavy machinery, and combines.
12. During the years close to 1900, the largest group of workers in Japan's textile factories were
- Korean workers
 - young men from rural areas
 - young men from urban areas
 - young women from rural areas
 - young women from urban areas

13. The *sogo shosha* is
- the Japanese general trading company.
 - the Japanese “mom and pop” retail shop
 - the Japanese small-scale industrial enterprise.
 - the Japanese university-entry examination.
 - Japan’s major economic ministry.
14. The *yakuza* refer to
- bureaucrats
 - gangsters
 - peasants
 - samurai
 - students
15. Which of the following is an *incorrect* statement about the result of US occupational reforms in Japan just after World War II?
- The emperor was removed from the throne and imprisoned.
 - Inflation fell dramatically after a stabilization program beginning in 1949.
 - Labor union membership increased from virtually zero to more than 15 percent of the labor force today.
 - Military spending as a percentage of GNP was cut substantially below the prewar figure.
 - Owners had to work their farm land and were limited to 2.5 cultivated acres per household.

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Essay question (30 points) – you can write on both the front and the back of this sheet.

16. On a national newscast during President Bush's visit to Japan the beginning of this week, the moderator asked an analyst a question I want you to answer: Explain why Japan's economic growth was so fast from 1950 to 1990, and why Japan's economic growth was so slow from 1990 to the present. Discuss.

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Essay question (25 points) – you can write on both the front and the back of this sheet.

17. Explain the reasons for fast economic growth and fast rate of modernization during the Meiji period, 1868-1912? Discuss.

Economics 507

The Japanese Economy

Wednesday, February 20, 2002

9:30-10:25

E. Wayne Nafziger

Waters 328

1st One-Hour Examination

Key to M-C

1. Many US industrialists and politicians today oppose a weaker yen because they think that a weaker yen (c.) hurts the US trade balance; 2. Japan's major problem of debt and equity is that of (d.) the high ratio of domestic debt to GNP; 3. Japan's life expectancy is (a.) higher than the US's life expectancy and Germany's life expectancy; 4. By "hollowing out" exports, Katz means (b.) Efficient exporters face higher penalties due to Japan's highly protected inefficient domestic sectors; 5. Income inequality in Japan (b.) was higher than most Western countries before World War II but lower than most Western countries after World War II; 6. The major new capitalist manufacturing entrepreneurs from 1868 to 1890 were previously (c.) samurai; 7. Which of the following is correct about the growth of Japan's export trade, 1868 to the 1930s? (b.) Japan's export trade grew fast from 1868 to the 1930s, accompanied by low tariffs and flexible exchange rates; 8. When a financial newspaper explains that the US's invisible account with the Japanese is more favorable than the US's visible account with the Japanese, the newspaper means (c.) the US's services account with the Japanese is more favorable than the US's trade account with the Japanese; 9. Japan's major import barriers today are (c.) industrial cartels; 10. According to Katz, traditionalist and neoclassical scholars tended to (a.) downplay the existence of Japanese trade barriers; 11. Which of the following is *not* a reason for the adequate food availability in Japan during most of the seventy years before World War II? (d.) Japan used capital-intensive techniques, such as tractors, heavy machinery, and combines; reasons for adequate food availability are that during most of the early 20th century, Japan received food output from its colonies, food productivity increased substantially during most of this period because of technological change, and Japan's population growth was slow, if you use Asia's population growth today as a standard; 12. During the years close to 1900, the largest group of workers in Japan's textile factories were (d.) young women from rural areas; 13. The *sogo shosha* is (a.) The Japanese general trading company; 14. The *yakuza* refer to (b. gangsters); 15. Which of the following is an *incorrect* statement about the result of US occupational reforms in Japan just after World War II? (a.) The emperor was removed from the throne and imprisoned (all the other statements are correct).

Student I.D. _____

Economics 507
The Japanese Economy
Monday, March 11, 2002
9:30-10:25
E. Wayne Nafziger
Waters 328
2nd One-Hour Examination

Fill out your answer card with a number 2 pencil, with the best response among the options, indicating student ID number and answers for the 16 multiple-choice questions. Note that the 16 multiple-choice questions count 45 points.

Be sure to put your name and student ID number on the top of the page for both essay questions. Allocate your time carefully.

1. According to the video, Japan's *ringi* system refers to
 - a. Consensus management decision-making in large corporations.
 - b. Decision-making within retail trade.
 - c. Decision-making within the household.
 - d. Hierarchical management decision-making in large corporations.

2. According to the video, compared with the United States, wages within the firm in Japan depend much on the worker's
 - a. general ability
 - b. long-term contribution
 - c. seniority
 - d. team orientation
 - e. All of the above are correct.

3. Labor (trade) unions in Japan are predominantly
 - a. craft unions
 - b. enterprise unions
 - c. industrial unions
 - d. None of the above is true.

4. The dark side of Japan's development, 1868-1945, included all but one of the following:
 - a. colonial rule in Taiwan and Korea
 - b. high rates of farm tenancy
 - c. labor union repression
 - d. use of the atomic bomb
 - e. zaibatsu concentration

5. During 1945-47, Japan experienced
 - a. a general strike
 - b. hyper inflation
 - c. massive unemployment
 - d. rapid growth of union membership
 - e. All of the above statements are true.

6. Hollowing out refers to
 - a. strong both internally and externally.
 - b. strong externally but weak internally.
 - c. strong internally but weak externally.
 - d. weak both internally and externally.

7. A case that exemplifies the product cycle model is
 - a. automobiles shifting from the US in the 1950s to Japan in the 1980s
 - b. textiles shifting from China in the 1980s to the US in 2000-02
 - c. textiles shifting from England in the 1780s to Japan in 1890s
 - d. both a/ and b/ are correct
 - e. both a/ and c/ are correct

8. Shinohara's boomerang effect refers to
 - a. Japanese multinational corporations locating in the United States.
 - b. Japanese multinational corporations overseas exporting to Japan.
 - c. Japanese multinational corporations overseas exporting to the United States.
 - d. Southeast Asian multinational corporations replacing Japanese domestic companies.
 - e. US multinational corporations replacing Japanese domestic companies.

9. Convergence among industrialized countries results from
- diminishing returns to capital and the advantages of technological backwardness.
 - diminishing returns to capital and the advantages of technological leadership.
 - increasing returns to capital and the advantages of technological backwardness.
 - increasing returns to capital and the advantages of technological leadership.
10. In comparison to United States' domestic economy, Japan's domestic economy today is characterized by
- higher rates of savings and higher returns to capital.
 - higher rates of savings and lower returns to capital.
 - lower rates of savings and higher returns to capital.
 - lower rates of savings and lower returns to capital.
11. Japan's juku, regular after-school classes, are for
- achieving scores essential for athletic competition.
 - compensating for failing in-school grades.
 - preparing for college entrance examinations.
 - punishment for bad behavior.
 - None of the statements above is true.
12. According to Katz, after 1973 Japanese ministries tended to subsidize
- loser sectors.
 - winner sectors.
 - both loser and winner sectors
 - None of the statements above is true, as Japanese ministries did not subsidize any sectors.
13. A major contradiction in Japan's support for cartels in the last two decades is that this support
- necessitated a low-price strategy.
 - necessitated perfect competition.
 - required a government hands-off policy.
 - required expanding the number of new firms.
 - required restrictions on the entry of new firms.
14. Japan's Liberal Democratic Party is a(n)
- authoritarian party.
 - left-wing party.
 - party allied with the communists.
 - pro-small business party.

15. The prime minister who perfected Japan's system of "money politics" was
- a. Ichuro Ozawa
 - b. Kakuei Tanaka
 - c. Kozo Yamamura
 - d. Morita Nakamura
 - e. Yoshihara Kunio
16. The following is Japan's pattern of economic growth during the late 20th century
- a. A fast growing economy in 1955-73 and a fast growing economy after 1990.
 - b. A fast growing economy in 1955-73 and a slow growing economy after 1990.
 - c. A slow growing economy in 1955-73 and a fast growing economy after 1990.
 - d. A slow growing economy in 1955-73 and a slow growing economy after 1990.

Key – Japanese economy – 2nd exam

Economics 507
The Japanese Economy
Monday, March 11, 2002
9:30-10:25
E. Wayne Nafziger
Waters 328
2nd One-Hour Examination

1. A. According to the video, Japan's *ringi* system refers to (a.) Consensus management decision-making in large corporations.
2. E. According to the video, compared with the United States, wages within the firm in Japan depend much on the worker's (e.) All of the above (general ability, long-term contribution, seniority, & team orientation) are correct.
3. B. Labor (trade) unions in Japan are predominantly (b.) enterprise unions.
4. D. The dark side of Japan's development, 1868-1945, included all but one of the following: (d.) use of the atomic bomb.
5. E. During 1945-47, Japan experienced (e.) All of the above statements (a general strike, hyper inflation, massive unemployment, & rapid growth of union membership) are true.
6. B. Hollowing out refers to (b.) strong externally but weak internally.
7. E. A case that exemplifies the product cycle model is (d.) both a/ (automobiles shifting from the US in the 1950s to Japan in the 1980s) and c/ (textiles shifting from England in the 1780s to Japan in 1890s) are correct.
8. B. Shinohara's boomerang effect refers to (b.) Japanese multinational corporations overseas exporting to Japan.
9. A. Convergence among industrialized countries results from (a.) diminishing returns to capital and the advantages of technological backwardness.
10. B. In comparison to United States' domestic economy, Japan's domestic economy today is characterized by (b.) higher rates of savings and lower returns to capital.
11. C. Japan's juku, regular after-school classes, are for (c.) preparing for college entrance examinations.
12. A. According to Katz, after 1973 Japanese ministries tended to subsidize (a.) loser sectors.

13. E. A major contradiction in Japan's support for cartels in the last two decades is that this support (e.) required restrictions on the entry of new firms.

14. D. Japan's Liberal Democratic Party is a(n) (d.) pro-small business party.

15. B. The prime minister who perfected Japan's system of "money politics" was (b.) Kakuei Tanaka.

16. B. The following is Japan's pattern of economic growth during the late 20th century (b.) A fast growing economy in 1955-73 and a slow growing economy after 1990.

Student Name _____

Economics 507

The Japanese Economy

Friday, March 15, 2002

9:30-10:25

E. Wayne Nafziger

Waters 328

2nd Examination

Essay (27 points) - you can write on both the front and the back of this sheet.

1. Compare Japan's labor and management system to the US's labor and management system. Discuss.

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Essay (25 points) - you can write on both the front and the back of this sheet.

2. What were some of the dark sides of Japan's development, 1868-1945? Discuss.

Student I.D. _____

Economics 507
The Japanese Economy
Wednesday, April 24, 2002
9:30-10:25
E. Wayne Nafziger
Waters 328
3rd One-Hour Examination

Fill out your answer card with a number 2 pencil, indicating student ID number and answers for the 15 multiple-choice questions. Choose the response that best answers the question. Note that the 15 multiple-choice questions count 45 points, the first essay (#16) counts 30 points, and the last essay, 25 points.

Be sure to put your name and student ID number on the top of the page for both essay questions. Allocate your time carefully.

1. Why was Japan's industrial policy successful from 1955 to 1973?

- a. Japan benefited from extensive inter-industry spillovers.
- b. Japan benefited from increasing returns to scale.
- c. Japan benefited from learning by doing.
- d. Japan benefited from reducing the technological gap.
- e. All of the above are true.

2. During the late 1950s and early 1960s, Japan's industrial-policy strategy was to shift its export mix toward products with

- a. high income elasticity, high price elasticity, and capital- and knowledge-intensity
- b. high income elasticity, high price elasticity, and labor- and materials-intensity
- c. high income elasticity, low price elasticity, and capital- and knowledge-intensity
- d. low income elasticity, high price elasticity, and capital- and knowledge-intensity
- e. None of the above is true.

3. Total factor productivity (TFP) refers to greater output from

- a. given factor inputs..
- b. increased capital inputs.
- c. increased labor inputs.
- d. increased natural resource inputs.
- e. None of the above is true.

4. Domestic cartels were strengthened by

- a. excessive new entry of firms.
- b. interlocking holdings by the *keiretsu*.
- c. large *intra*-industry trade.
- d. liberal international trade.
- e. vigorous anti-trust enforcement.

5. Prime Minister Junichiro Koizumi's economic reform is hampered by

- a. failure to pass a budget.
- b. foreign influence.
- c. low approval ratings
- d. regulatory change
- e. vested interests in the party.

6. Katz's "too many 'barbers'" example illustrates

- a. both employment and income shares of the stagnant sector increase.
- b. both employment and income shares of the progressive sector fall.
- c. employment share of the stagnant sector falls
- d. employment share of the stagnant sector increases
- e. employment share of the progressive sector increase

7. The components of Japan's economic anorexia include

- a. excess aggregate demand.
- b. lack of demand for exports.
- c. lack of investment demand.
- d. low productivity growth.
- e. too little savings.

8. Japan faces the following limitations to stimulating demand by exporting:

- a. inadequate savings to invest overseas.
- b. the rising value of Southeast Asian currencies.
- c. the strength of the euro.
- d. the willingness of the US to run trade deficits.
- e. None of the above is correct.

9. In the last ten to fifteen years, Poland has been outshining Japan

- a. in attaining a lower poverty level.
- b. in exposing its weak sectors to world competition.
- c. in indicators of health and life expectancy.
- d. in its annual US\$ amount of international trade.
- e. in its level of GNP per capita.

10. How high does Japan rank in the proportion of its trade consisting of intra-industry trade with other industrialized countries?

- a. at the top.
- b. higher than Britain but lower than the US and continental Europe.
- c. higher than continental Europe but lower than Britain and the US.
- d. higher than the US but lower than Britain and continental Europe.
- e. near the bottom.

11. The textbook author, Katz, agrees with the following view of Ryutaro Komiya and Motoshige Itoh

- a. Japan has a strong comparative advantage over a wide range of manufactures.
- b. Japan's raw material and oil imports as a percentage of GDP rank high among industrialized countries.
- c. The fact that Japan needed to import a lot of raw materials means that it had to import few manufactured goods.
- d. The large share of primary products and raw materials in Japan's total imports results from a strong comparative advantage in manufactures.
- e. None of the above is correct.

12. Why does the textbook author, Katz, think that Japan bears part of the blame for the Asian financial crisis?

- a. Japan cut off all foreign investment to Asia.
- b. Japan was unwilling to loan to Asia.
- c. Japan shifted its exports from the rest of Asia to China.
- d. Japan's lower costs compared to Asia reduced Asia's exports.
- e. Stagnation in Japan prevented it expanding its imports from Asia.

13. Except for the period of high oil prices, what is the trend in the ratio of international trade to GNP in Japan and other industrialized countries from 1955 to the present?

- a. Declining trend in Japan and a declining trend in other industrialized countries.
- b. Declining trend in Japan but an increasing trend in other industrialized countries.
- c. Increasing trend in Japan and an increasing trend in other industrialized countries.
- d. Increasing trend in Japan but a declining trend in other industrialized countries.
- e. No trend in Japan, and a varying trend in other industrialized countries.

14. Which of the following helps to explain Japan's rising trade surplus?

- a. High price elasticity of demand for imports.
- b. Low price elasticity of demand for exports.
- c. Low price elasticity of demand for imports.
- d. None of the above is true.

15. Which of the following explains the bilateral trade relationships between the US and Japan in terms of macroeconomic relations?

- a. Japan's excess investment corresponds to the US's excess savings.
- b. Japan's excess savings complements the US's excess savings.
- c. Japan's excess savings corresponds to the US's excess investment.
- d. Japan's trade deficit corresponds to the US's trade surplus.
- e. Japan's trade surplus corresponds to the US's trade surplus.

Student I.D. _____

Name _____

Essay question (30 points) – you can write on both the front and the back of this sheet.

16. In the last 15 to 20 years, the Maekawa report and several other governmental reports have proposed a consumer-led economy open to imports to get rid of the imbalance between consumption and investment. Why were these reports not implemented? Discuss.

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Essay question (25 points) – you can write on both the front and the back of this sheet.

17. What factors contributed to the banking crisis of the 1990s? Discuss.

Key: 4.24.2 – Japanese economy exam

Multiple-choice:

1. E. Why was Japan's industrial policy successful from 1955 to 1973? (e). All of the above are true (Japan benefited from extensive inter-industry spillovers; Japan benefited from increasing returns to scale; Japan benefited from learning by doing; and Japan benefited from reducing the technological gap.). 2. A. During the late 1950s and early 1960s, Japan's industrial-policy strategy was to shift its export mix toward products with (a) high income elasticity, high price elasticity, and capital- and knowledge-intensity. 3. A. Total factor productivity (TFP) refers to greater output from (a) given factor inputs. 4. B Domestic cartels were strengthened by (b) interlocking holdings by the *keiretsu*. 5. E. Prime Minister Junichiro Koizumi's economic reform is hampered by (e) vested interests in the party. 6. D. Six. Katz's "too many 'barbers'" example illustrates (d) employment share of the stagnant sector increases. 7. D. The components of Japan's economic anorexia include (d) low productivity growth. 8. D. Japan faces the following limitations to stimulating demand by exporting: (d) the willingness of the US to run trade deficits. 9. B. In the last ten to fifteen years, Poland has been outshining Japan (b) in exposing its weak sectors to world competition. 10. E. How high does Japan rank in the proportion of its trade consisting of intra-industry trade with other industrialized countries? (e) near the bottom. 11. E. The textbook author, Katz, agrees with the following view of Ryutaro Komiya and Motoshige Itoh. Katz does not agree with (a) Japan has a strong comparative advantage over a wide range of manufactures; (b) Japan's raw material and oil imports as a percentage of GDP rank high among industrialized countries; (c) The fact that Japan needed to import a lot of raw materials means that it had to import few manufactured goods; or (d) The large share of primary products and raw materials in Japan's total imports results from a strong comparative advantage in manufactures. Thus (e) None of the above is correct. 12. E. Why does the textbook author, Katz, think that Japan bears part of the blame for the Asian financial crisis? (e) Stagnation in Japan prevented it expanding its imports from Asia. 13. B. Except for the period of high oil prices, what is the trend in the ratio of international trade to GNP in Japan and other industrialized countries from 1955 to the present? (b) Declining trend in Japan but an increasing trend in other industrialized countries. 14. C. Which of the following helps to explain Japan's rising trade surplus? (c) Low price elasticity of demand for imports. 15. C. Which of the following explains the bilateral trade relationships between the US and Japan in terms of macroeconomic relations? (c) Japan's excess savings corresponds to the US's excess investment.

Student I.D. _____

Economics 507
The Japanese Economy
Friday, May 3, 2002
10:05-10:25
E. Wayne Nafziger
Waters 328
Quiz

Fill out your answer card with a number 2 pencil, indicating student ID number and answers for the 8 multiple-choice questions. Choose the response that best answers the question. Note that the 8 multiple-choice questions count 24 points, and the “minute paper” 5 points.

Be sure to put your name and student ID number on the top of the page for the minute paper. Allocate your time carefully.

1. When the yen appreciates (that is the yen price of the US dollar fell), reform increases
 - a. Because it increases the competitiveness of Japan’s exports abroad.
 - b. Because it increases the penalty Japanese exporters pay for protectionism.
 - c. Because it reduces the differential between costs at home and abroad.
 - d. Because it reflects and exacerbates the decline in bank stock.
 - e. Because it strengthens old relationships with domestic suppliers.

2. Which of the following answer is *wrong*? Some analysts argues that a weakening and falling yen (that is a yen that moves from $Y100=\$1$ to $Y150=\$1$) can spur reform because it
 - a. brings down stock prices.
 - b. promotes imports.
 - c. reduces confidence in Japan’s banks
 - d. spurs movement from Japanese to US assets
 - e. None of the above answers should be chosen.

3. Over time, according to Katz, the share of overseas affiliate of Japanese firms in Japan’s consumer imports has
 - a. decreased.
 - b. increased .

- c. stayed the same, less than 5% of total consumer imports
- d. stayed the same, 40-60% of total consumer imports
- e. stayed the same, more than 60% of total consumer imports

4. Japan's price elasticity of demand for imports is

- a. high, except when the yen got stronger.
- b. high, reflecting goods that compete with domestic production.
- c. low, except when the yen got stronger.
- d. low, reflecting goods that complement domestic production
- e. both *c* and *d* are correct.

5. The US view of Japan's economy in the 1950s and early 1960s was that of

- a. a communist economy
- b. a guided economy
- c. a laissez-faire economy
- d. a socialist economy
- e. None of the above answers is correct.

6. After 1975, most mainstream neoclassical economists in the US emphasized that

- a. Japan's economy was similar to the Soviet economy.
- b. Japan's industrial policy was highly effective.
- c. Japan had been a free market economy all along.
- d. Japan's protectionism was the reason for its success.
- e. Japan's rapid growth was threatening to the US.

7. Katz's (the textbook author) view concerning Japan is the following

- a. free trade hurts both Japan and the United States.
- b. Japan's development was threatening to the United States.
- c. Japan's protectionism requires the US to be protectionist.
- d. trade restrictions hurt Japan during the entire period after World War II.
- e. the advantage of restrictive trade and cartels had ended by the 1980s.

8. Jagdish Bhagwati's 1992 view is that Japan's international trade is

- a. aggressively unilateral.
- b. less protectionist in agriculture than the U.S.
- c. less protectionist in manufactures than the U.S.
- d. more protectionist than any western country
- e. both *a* and *d* are correct

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(5 points) From your reading of Katz, chapter 14, what important question would you like to ask or what important question remains unanswered for you?

Key: 5.3.2 – Japanese economy exam

Multiple-choice:

1. B. When the yen appreciates (that is the yen price of the US dollar fell), reform increases (b) Because it increases the penalty Japanese exporters pay for protectionism.
2. B. Which of the following answer is *wrong*? Some analysts argues that a weakening and falling yen (that is a yen that moves from Y100=\$1 to Y150=\$1) can spur reform because it brings down stock prices, reduces confidence in Japan's banks, and spurs movement from Japanese to US assets. It does not, however, promote imports, so B is wrong and thus should be circled.
3. B. 3. Over time, according to Katz, the share of overseas affiliate of Japanese firms in Japan's consumer imports has (b) increased .
4. E. Japan's price elasticity of demand for imports is E. both *c* (low, except when the yen got stronger) and *d* (low, reflecting goods that complement domestic production) are correct.
5. B. The US view of Japan's economy in the 1950s and early 1960s was that of (b) a guided economy.
6. C. After 1975, most mainstream neoclassical economists in the US emphasized that (c) Japan had been a free market economy all along.
7. E. Katz's (the textbook author) view concerning Japan is the following (e) the advantage of restrictive trade and cartels had ended by the 1980s.
8. C. Jagdish Bhagwati's 1992 view is that Japan's international trade is (c) less protectionist in manufactures than the U.S.

Student I.D. _____

Economics 507
The Japanese Economy
Tuesday, May 14, 2002
11:50-1:40 p.m.
Waters 328
E. Wayne Nafziger
Final Examination

Fill out your answer card with a number 2 pencil, indicating student ID number and answers for the 27 multiple-choice questions. Choose the response that best answers the question. Note that each of the 27 multiple-choice questions counts 4 points (totaling 108 points), and essay question # 28 32 points, and essays #29 and #30 each 30 points (for an essay total of 92 points).

Be sure to put your name and student ID number on the top of the page for both essay questions. Allocate your time carefully.

1. Which is the correct ranking (1st listed the highest total, 2nd listed 2nd highest, and so forth) of the following five countries: Germany, Japan, Poland, Russia, and the United States, according to *total* gross national income:
 - a. United States, Germany, Japan, Russia, Poland.
 - b. United States, Germany, Poland, Japan, Russia.
 - c. United States, Germany, Poland, Russia, Japan.
 - d. United States, Japan, Germany, Russia, Poland.
 - e. United States, Japan, Russia, Poland, Germany.

2. Which of the following are Japan's real growth rates in the post-World War II period:
 - a. 1956-73 about 1% yearly; 1975-1991 about 4% yearly; 1992-99 about 9% yearly.
 - b. 1956-73 about 4% yearly; 1975-1991 about 1% yearly; 1992-99 about 1% yearly.
 - c. 1956-73 about 4% yearly; 1975-1991 about 4% yearly; 1992-99 about 4% yearly.
 - d. 1956-73 about 9% yearly; 1975-1991 about 1% yearly; 1992-99 about 1% yearly.
 - e. 1956-73 about 9% yearly; 1975-1991 about 4% yearly; 1992-99 about 1% yearly.

3. Which is the correct ranking (1st listed the highest, 2nd listed 2nd highest, & 3rd listed last) for GDP per Capita in 1820 in 1990 International Dollars?
 - a. Japan, Germany, United States.
 - b. Japan, United States, Germany.
 - c. Germany, Japan, United States.
 - d. United States, Japan, Germany.
 - e. United States, Germany, Japan.

4. During the Meiji period, Japan achieved

- a. fast economic growth and fast growth in military strength.
- b. fast economic growth and slow growth in military strength
- c. slow economic growth and fast growth in military strength.
- d. slow economic growth and slow growth in military strength.

5. During the period, 1868-1900,

- a. tariffs were low, trade grew fast, and exports were largely primary goods.
- b. tariffs were low, trade grew slowly, and exports were largely industrial goods.
- c. tariffs were high, trade grew fast, and exports were largely industrial goods.
- d. tariffs were high, trade grew slowly, and exports were largely primary goods.
- e. tariffs were high, trade grew slowly, and exports were largely industrial goods.

6. Before 1900,

- a. Japan became a colony of Russia.
- b. Japan became a colony of the West.
- c. China became a colony of Japan.
- d. Russia became a colony of Japan.
- e. Taiwan became a colony of Japan.

7. Dualistic development in Japan includes which of the following?

- a. Efficient export sectors and inefficient domestically oriented sectors during the Meiji period and since 1970.
- b. A traditional agricultural and cottage industry sector alongside capital-intensive modern manufacturing and processing during the Meiji period and efficient export sectors and inefficient domestically oriented sectors since 1970.
- c. A traditional agricultural and cottage industry sector alongside capital-intensive modern manufacturing and processing during the Meiji period and since 1970.
- d. A traditional agricultural and cottage industry sector alongside capital-intensive modern manufacturing and processing since 1970 and efficient export sectors and inefficient domestically oriented sectors during the Meiji period.
- e. None of the above statements are correct.

8. Which one of the following is *not* an important cultural influence on the Japanese corporation?

- a. Collectivism
- b. Conformity
- c. Consensus
- d. Individualism
- e. Trust

9. Which of the following was *not* included in reforms during the US occupational period after World War II?

- a. education.
- b. election
- c. labor.
- d. land.
- e. None of the above statements are correct, since all were included as reforms.

10. General price changes in Japan during the last two years were

- a. 1-3% annually.
- b. 4-6% annually.
- c. 7-9% annually.
- d. 10% or more annually.
- e. negative.

11. Korea and the United States argue that Japan uses monetary policy and intervention in the foreign exchange market to artificially

- a. maintain the yen at $Y110-115=\$1$.
- b. strengthen the yen to $Y100-105=\$1$.
- c. strengthen the yen to $Y125-130=\$1$.
- d. weaken the yen to $Y100-105=\$1$.
- e. weaken the yen to $Y125-130=\$1$.

12. Katz's thesis about the growth in the earlier period, 1950s and 1960s, and growth in the later period, that since 1990, is that

- a. in both periods industrial policy accelerated growth through internal economies and technological learning.
- b. in both periods protection after Japan had caught up with other OECD (Organization for Economic Cooperation & Development, the rich countries) countries was counterproductive
- c. in the early period industrial policy accelerated growth through internal economies and technological learning but in the later period protection after Japan had caught up with other OECD countries was counterproductive.
- d. in the early period protection after Japan had caught up with other OECD countries was counterproductive but in the later period industrial policy accelerated growth through internal economies and technological learning.
- e. None of the answers above are correct.

13. Since 1950, Japan's output per hour by industry compared to the US's output per hour

- a. fell in both food, beverages and tobacco, and machinery and equipment.
- b. fell in food, beverages and tobacco, but increased in machinery and equipment.
- c. increased in both food, beverages and tobacco, and machinery and equipment.
- d. increased in food, beverages and tobacco but fell in machinery and equipment.
- e. increased in food, beverages and tobacco but stayed the same in machinery and equipment.

14. Japan transferred its surplus from one sector to another during the late nineteenth century by

- a. imposing a land tax that financed state and private industrial ventures.
- b. imposing a tax on farm income that financed state and private industrial ventures.
- c. imposing an excise tax on industry that financed agricultural extension.
- d. imposing an urban income tax that financed rice cultivation.
- e. None of the statements above are true.

15. In the late 19th century, Japan

- a. appreciated its yen, increasing exports rapidly.
- b. appreciated its yen, reducing exports rapidly.
- c. appreciated its yen, reducing imports rapidly.
- d. depreciated its yen, increasing exports rapidly.
- e. depreciated its yen, reducing exports rapidly.

16. Japan's index of intra-industry trade ranks

- a. high among industrialized countries and high among newly industrializing countries.
- b. high among industrialized countries and low among newly industrializing countries.
- c. low among industrialized countries and high among newly industrializing countries.
- d. low among industrialized countries and low among newly industrializing countries.

17. Shinohara's boomerang effect refers to

- a. intensified competition by domestic producers in third markets arising from domestic innovations in other Asian countries.
- b. intensified competition from foreign enterprises in Japan arising from their emulation of Japan's domestic technology.
- c. intensified competition from foreign enterprises in Japan arising from their introduction of new technology.
- d. intensified competition from foreign sales to third markets arising from foreign technology exports to other Asian countries.
- e. intensified competition to Japan's sales to third markets arising from Japanese technology exports to other Asian countries.

18. Some convergence among rich countries in the last 50 years or so resulted from

- a. the advantages of backwardness.
- b. diminishing returns to capital.
- c. increasing returns to capital.
- d. both *a* & *b*.
- e. both *a* & *c*.

19. Which of the following did *not* characterize Japan “bubble” economy of the late 1980s and early 1990s?

- a. excessive foreign investment in Japan.
- b. high bad debt ratios for banks.
- c. insufficient aggregate demand.
- d. low productivity on the supply side.
- e. None of the above are correct answers to the question.

20. Which of the following groups does *not* lose from Japan’s cartels?

- a. consumers.
- b. construction firms.
- c. exporters.
- d. foreigners.
- e. potential new entrants.

21. What is the meaning of Makiko Tanaka’s statement that Prime Minister Koizuma is “spinning around in circles and getting nowhere”?

- a. Japan faces impending default on borrowing overseas.
- b. Japan has too many military commitments abroad.
- c. Japan invests little overseas.
- d. Japan is plagued by rapid inflation.
- e. Japan lacks economic reform.

22. The persistent spur by Japan to maintain its trade surplus arises from

- a. high elasticity of demand for Japan’s imports.
- b. high propensity to consume.
- c. high returns to domestic investment.
- d. pressures to compensate for deficient consumption.
- e. None of the above statements are true.

23. Katz’s parable of “too many barbers” refers to Japan’s

- a. excess cost cutting through increased imports.
- b. inefficient export sectors hampering domestic sectors.
- c. inefficient sectors increasing employment shares.
- d. too much cutthroat competition among domestic firms.
- e. too rapid increase in productivity of services.

24. In what way does Katz blame Japan in part for Southeast and East Asia's 1997-98 financial crisis?

- a. Japan failed to expand its imports from Southeast and East Asia.
- b. Japan failed to invest in manufacturing in Southeast and East Asia.
- c. Japan's inflation was transmitted to Southeast and East Asia.
- d. Japan supported International Monetary Fund restrictive policies in Southeast and East Asia.
- e. Japan's productivity grew faster than that in Southeast and East Asia.

25. According to Katz, which of the following comprises the "Iron Triangle" that opposes reform?

- a. Big business, unions, and the LDP.
- b. Bureaucrats, big business, and the LDP.
- c. Bureaucrats, big business, and opposition parties.
- d. Bureaucrats, big business, and unions.
- e. Bureaucrats, unions, and the LDP.

26. Laura d'Andrea Tyson, former chair of the U.S. Council of Economic Advisors, argues for

- a. non-intervention in trade policies with Japan.
- b. refraining from aggressive unilateralism in US trade negotiations with Japan.
- c. subsidies and tariffs to nurture US high-tech industries competing with Japan.
- d. a weaker yen for Japan.
- e. None of the above statements are true.

27. A key factor in the shift from developmentalism to cartelization was

- a. MacArthur's labor and land reforms.
- b. the Dodge Stabilization Program of 1949-50.
- c. Naito's restrictions on gasoline imports.
- d. Takasi's opposition to Motorola's cell phones.
- e. Tanaka's money politics.

Student I.D. _____

Name _____

Essay question (32 points) – you can write on both the front and the back of this sheet.

28. What lessons does Japan's development model or approach, 1868 to 1937, *for industry*, have for low-income countries today? Discuss.

Student I.D. _____

Name _____

Essay question (30 points) – you can write on both the front and the back of this sheet.

29. Compare the views of Yoshihara Kunio and Richard Katz concerning the Japanese economy.
In what way do they differ? Can their views be reconciled? Discuss.

Student I.D. _____

Name _____

Essay question (30 points) – you can write on both the front and the back of this sheet.

30. What major reforms does Japan need in the next two decades to get the economy back on track? How might these reforms come about? Discuss. (Alternative: Make the case that Japan does not need major reforms for the next two decades. Provide support for your arguments against the need for major reforms. Discuss.)

Key: 5.14.2 – Japanese economy final exam

Multiple-choice:

1.D. Which is the correct ranking (1st listed the highest total, 2nd listed 2nd highest, and so forth) of the following five countries: Germany, Japan, Poland, Russia, and the United States, according to *total* gross national income: (d) United States, Japan, Germany, Russia, Poland. 2. E. Which of the following are Japan's real growth rates in the post-World War II period: (e) 1956-73 about 9% yearly; 1975-1991 about 4% yearly; 1992-99 about 1% yearly. 3. E. Which is the correct ranking (1st listed the highest, 2nd listed 2nd highest, & 3rd listed last) for GDP per Capita in 1820 in 1990 International Dollars? (e) United States, Germany, Japan. 4. A. During the Meiji period, Japan achieved (a) fast economic growth and fast growth in military strength. 5. A. During the period, 1868-1900, (a) tariffs were low, trade grew fast, and exports were largely primary goods. 6. E. Before 1900, Japan (e) Taiwan became a colony of Japan. 7. B. Dualistic development in Japan includes which of the following? (b) A traditional agricultural and cottage industry sector alongside capital-intensive modern manufacturing and processing during the Meiji period and efficient export sectors and inefficient domestically oriented sectors since 1970. 8. D. Which one of the following is *not* an important cultural influence on the Japanese firm? (d) Individualism. 9. E. Which of the following was *not* included in reforms during the US occupational period after World War II? (e) None of the above statements are correct, since all (education, election, labor, & land) were included as reforms. 10. E. General price changes in Japan during the last two years were (e) negative. 11. E. Korea and the United States argue that Japan uses monetary policy and intervention in the foreign exchange market to artificially (e) weaken the yen to ¥125-130=\$1. 12. C. Katz's thesis about the growth in the earlier period, 1950s and 1960s, and growth in the later period, that since 1990, is that (c) in the early period industrial policy accelerated growth through internal economies and technological learning but in the later period protection after Japan had caught up with other OECD countries was counterproductive. 13. B. Since 1950, Japan's output per hour by industry compared to the US's output per hour (b) fell in food, beverages and tobacco, but increased in machinery and equipment. 14. A. Japan transferred its surplus from one sector to another during the late nineteenth century by (a) imposing a land tax that financed state and private industrial ventures. 15. D. In the late 19th century, Japan (d) depreciated its yen, increasing exports rapidly. 16. D. Japan's index of intra-industry trade ranks (d) low among industrialized countries and low among newly industrializing countries. 17. E. Shinohara's boomerang effect refers to (e) intensified competition to Japan's sales to third markets arising from Japanese technology exports to other Asian countries. 18. D. Some convergence among rich countries in the last 50 years or so resulted from (d) both *a* (the advantages of backwardness) & *b* (diminishing returns to capital). 19. A. Which of the following did *not* characterize Japan "bubble" economy of the late 1980s and early 1990s? (a) excessive foreign investment in Japan. Characteristics of Japan's "bubble" economy were high bad debt ratios for banks, insufficient aggregate demand, & low productivity on the supply side. 20. B. Which of the following groups does *not* lose from Japan's cartels? (b). construction firms. 21. E. What is the meaning of Makiko Tanaka's statement that Prime Minister Koizuma is "spinning around in circles and getting nowhere"? (e) Japan lacks economic reform. 22. D. The persistent spur by Japan to maintain its trade surplus arises from (d) pressures to compensate for deficient consumption. 23. C. Katz's parable of "too many barbers" refers to Japan's (c) inefficient sectors increasing employment shares. 24. A. In what way does Katz blame Japan in part for Southeast and East Asia's 1997-98 financial crisis? (a) Japan failed to expand its imports from Southeast and East Asia. 25. B. According to Katz, which of the following comprises the "Iron Triangle" that opposes reform? (b) Bureaucrats, big business, and the LDP. 26. C. Laura d'Andrea Tyson, former chair of the U.S. Council of Economic Advisors, argues for (c) subsidies and tariffs to nurture US high-tech industries competing with Japan. 27. E. A key factor in the shift from developmentalism to cartelization was (e) Tanaka's money politics.

