1 High Economic Growth, 1955–70

1.1 INTRODUCTION

During the period 1955–70 the Japanese economy achieved an annual growth rate, in real terms, of about 10 per cent. In Japan we now refer to these years as the High Economic Growth Period (hereafter referred to as HEGP).

Our principal aims in this chapter are: first, to examine the distinctive characteristics of HEGP using macroeconomic theory, in an attempt to discover the facts behind them; and second, to discuss the interrelationship of those facts. By doing this we hope to throw light upon the 'mechanism' of high growth, and at the same time establish a starting point for a discussion of economic trends in Japan since HEGP. In this chapter we concentrate on the following four features of HEGP:

(a) the rate of growth accelerated as the period progressed;
(b) the capital coefficient remained low;
(c) investment rose sharply, to very high levels;
(d) the rate of personal savings also rose very sharply.

We may note also some other characteristics of HEGP:

(e) wholesale prices were almost constant, while consumer prices rose gradually (at about 5 per cent annually, after 1960);
(f) labour's share of the national income rose very slightly;
(g) the distribution of income became more equal (particularly between employees of small companies and those of large companies);
(h) until 1965 the government successfully balanced the budget;
(i) Japan's international balance of payments figures gradually changed from a deficit to a surplus.

Points (e)–(i) will be discussed in detail in later chapters, but we also refer to them wherever necessary in this chapter.
Finally, we should like to emphasize that in this chapter we are treating the Japanese economy as an isolated unit. We discuss only internal elements, leaving international considerations until later.

1.2 HOW HIGH WAS THE GROWTH RATE?

According to the Economic Planning Agency’s National Income Statistics, Japan’s annual growth rate, in real terms, for the period 1955–70 was 10.2 per cent. Broken down further, it was 8.5 per cent for 1955–60, 9.8 per cent for 1960–5, and 11.2 per cent for 1965–70 (see Table 1.1). In other words, it was gaining momentum as time went on.

That these growth rates were indeed extremely high can be seen from comparisons with Japan’s growth rate before the Second World war, the ten years after the war, and with the growth rates of other advanced

| Table 1.1 Japan’s economic growth rate, capital coefficient, and investment ratio, 1951–80 |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Economic growth rate            | 7.6     | 8.5     | 9.8     | 11.2     | 4.7     | 4.9     |
| Capital coefficient A           | 2.2     | 2.5     | 2.9     | 2.9      | 7.3     | 6.6     |
| Capital coefficient B           | 1.0     | 1.3     | 1.5     | 1.6      | 3.7     | 3.3     |
| Investment ratio A              | 16.7    | 21.2    | 28.2    | 32.6     | 34.4    | 32.3    |
| Investment ratio B              | 8.0     | 11.2    | 14.9    | 17.8     | 17.5    | 16.0    |

Notes:
The Keizai Kikakuchō (Economic Planning Agency) Kokumin Shotoku Tōkei (National Income Statistics) are divided into two series, the Kyūsuikei (Old Estimates), covering 1946–76 (which conform to the 1953 UN System of National Accounts) and the Shinsuikei (New Estimates) for the years since 1965 (which conform to the 1968 UN System of National Accounts). There is of course some overlapping, and there are breaks and discontinuities. Unless otherwise specified, the figures in this chapter are taken from the Old Estimates.

* Capital coefficient = investment ratio ÷ economic growth rate.

b Investment ratio A = gross fixed capital formation ÷ GNE;
Investment ratio B = gross fixed private business capital formation ÷ GNE.

Sources: