

equation. The income-doubling plan of the Ikeda Cabinet (Documents 1 and 2) and other economic studies made by the Satō and Tanaka Cabinets outlined the course to be followed by the nation succinctly and defined the roles to be played by the public sector. Investments in infrastructure, such as the building of Shinkansen (Documents 3 and 4), were intended to maximize Japan's economic performance, which role the rail line admirably fulfilled.

No matter how well trained the people are, and no matter how dedicated the government may be, if the companies do not manage themselves well, everything will come to naught. One of the reasons for Japan's success during the period under study is the consistency with which the companies have shown their management acumen. There is indeed a so-called Japanese management style. This includes the market-driven, customer-oriented management philosophy, dedication to quality, and concern for the welfare of workers. A portion of this chapter is dedicated to this topic, with discussions of Sony's management philosophy (Document 5), practice of total quality control (Document 6) and the Toyota production method (Document 7).

Workers' attitudes toward the work in general and toward the company in particular are good indicators of whether a company will remain successful or not. A Toyota manager's personnel policy, applied effectively to line workers, is given as Document 8. It is followed by an article on the changing conditions surrounding salaried workers (Document 9).

The term "Japan, Inc." suggests a symbiosis of the government and industries, hinting that they speak with one voice. This has not always been the case. The business community has been capable of exerting pressure to bring about changes it desires. In 1955 the business community forced two contending conservative parties to merge into the Liberal Democratic Party. The threat of withholding political contribution acted as the leverage. In 1982, persuasion alone sufficed. Dokō Toshio successfully lobbied the government to undertake administrative reform (Document 10). By attempting to make the government run more efficiently, and by privatizing some government-owned key industries, the administrative reform prolonged Japan's ability to continue her economic expansion.

The Plaza accord of the group-of-five finance ministers is reproduced as Document 11. It is included because it represented the realization that without the participation of Japan, major industrial powers would be powerless attempting to make adjustment in their economies. Japan enjoyed a huge trade surplus against all of these powers. Her agreement to raise the value of the yen against other currencies narrowly averted a protectionist legislation contemplated by the U.S. Congress.

Ishihara Shintarō's *The Japan That Can Say No* provides a fitting conclusion to this chapter (Document 12). The ever-present economic friction between Japan and the United States has hardened the minds of people from both sides of the Pacific. Ishihara states Japan's position forcefully. His argument may never convince his critics, but his plea for mutual understanding through dialogue must be treated with respect. He asks if Americans and Japanese alike are too preoccupi-

with the occupation era. The 1956 *Economic White Paper* was correct in stating that the postwar period was over, at least in the economic sphere. In the psyche of men, however, old memories may never die. History seems to have gone full circle, restoring consciousness about the postwar period four decades after it officially ended under totally different economic circumstances.

PLAN FOR DOUBLING INDIVIDUAL INCOME

Ikeda Hayato (1899–1965) became prime minister on July 19, 1960. His name is often associated with the "doubling individual income plan." The plan, reproduced below as Document 1, is contained in a decision reached by the Ikeda Cabinet on December 27, 1960. The plan had to be revised substantially within the first two years, due to errors in basic assumptions, especially on the rates of individual consumption and on private investment, which were found to be too conservatively calculated. However, the fact remains that it was the optimistic outlook of this document that set the tone for Japan's growth-oriented economy of the 1960s. During that decade, Japan's GNP grew at an annual rate of 10.6 percent in real terms, far outpacing the 4.1 percent experienced by the United States. The share of value added by heavy and chemical industries among manufacturing industries reached 60 percent in 1970. Fully 30 percent of Japan's GNP came from the manufacturing sector in the same year, slightly above that of the United States at 29.6 percent. Japan joined the ranks of advanced industrial nations and her products were ready to be shipped to every corner of the world. Her path toward an economic superpower was thus begun.

The inspiration for the plan to double the individual's income came from the Economic Council (keizei shingikai) which was a deliberative and consultative organ consisting of appointees of the prime minister from both the public and private sectors. Its report, submitted on November 1 of the same year, is reproduced as Document 2 to provide background information.

1 Plan to Double Individual Income, December 27, 1960¹

(1) Objectives of This Plan

The plan to double the individual income [hereafter referred to as the plan] must have as its objectives doubling of the gross national product, attainment of full employment through expansion in employment opportunities, and raising the living standard of our people. We must adjust differentials in living standard and

¹Nakamura Naomi et. al, eds., *Shiryō Nihon Kin-Gendaishi (Documents on Modern and Contemporary Japanese History)*, vol. 3, *Sengo Nihon no Dōtei (Path of Postwar Japan)* (Tokyo: Sanseido, 1985), pp. 238–39.

income existing between farming and nonfarming sectors, between large enterprises and small and medium-sized enterprises, between different regions of the country, and between different income groups. We must work toward a balanced development in our national economy and life patterns.

(2) *Targets to Be Attained*

The plan's goal is to reach 26 trillion yen in GNP (at the fiscal year [FY]1958 price) within the next ten years. To reach this goal, and in view of the fact that there are several factors highly favorable to economic growth existing during the first part of this plan, including the rapid development of technological changes and an abundant supply of skilled labor forces, we plan to attain an annual rate of growth of GNP at 9 percent for the coming three years. It is hoped that we shall be able to raise our GNP of 13.6 trillion yen (13 trillion yen in FY1958 price) in FY1960 to 17.6 trillion yen (FY 1960 price) in FY 1963 with application of appropriate policies and cooperation from the private sector.

(3) *Points to Be Considered in Implementing the Plan and Directions to Be Followed*

The plan contained in the report of the Economic Council will be respected. However, in its implementation we must act flexibly and pay due consideration to the economic growth actually occurring and other related conditions. Any action we undertake must be consistent with the objectives described above. To do so, we shall pay special attention to the implementation of the following:

(a) Promotion of Modernization in Agriculture

To secure a balanced development in our national economy, we shall enact a Fundamental Law of Agriculture as a means of promoting modernization in agriculture. The proposed law shall serve as the basis of our new agricultural policies on issues ranging from agricultural production, income and structure, to various other measures.

Concurrent with this, we shall actively secure investment for infrastructure required for agricultural production, and moneys required for promoting modernization in agriculture.

Enhancement of coastal fishing shall be undertaken in a similar manner.

(b) Modernization of Medium and Small Enterprises

To enhance productivity in medium and small enterprises, to relax the ills associated with our economy's dual structure, and to promote vigorously various measures required to attain these objectives, we shall secure an adequate and just supply of funds for modernization of medium and small enterprises.

(c) Accelerated Development of Less Developed Regions

To accelerate development of those less developed regions (including southern Kyushu, western Kyushu, Sanin region, and southern Shikoku) and to adjust difference in income levels, we shall establish without delay a plan for comprehensive multi-purpose development of the land. This will enable us to de-

velop these regions' resources. Special consideration will be given to tax incentives, financing and rates of assistance permitted for public sector investment. We shall study legislation necessary to implement these measures. We shall see to it that industries appropriate to these regions will be located there. In this manner the welfare of the inhabitants in these regions may be advanced and the regions' less developed status may be rectified.

(d) Promotion of Appropriate Locations for Industries and Reexamination of Regional Distribution of Public Sector Projects

It is certainly important to respect the use of sound economic reasons in selecting industrial locations, if we are to maintain for a long period of time our country's high rate of growth, to strengthen international competitiveness, and to heighten the utility of our social capital investment. This must not be carried out in a manner that will promote greater differentials between regions.

While respecting rationality in making economic decisions and at the same time preventing spread of differentials between regions, we must adjust flexibly the amount of moneys invested or loaned for public works in different regions according to the special conditions existing in these regions. In this manner we shall be able to enhance the utility of public works project consistent with economic development which at the same time contribute toward minimizing differentials between regions.

(e) Active Cooperation with the Development of World Economy

Raising productivity means strengthening our export competitiveness. Bearing in mind that an important key to the success of this plan is in the expansion of our exports and an increase in revenues in foreign currencies, we must promote a viable export strategy accompanied by other measures increasing nontrade revenues such as tourism and maritime transportation. We shall actively seek cooperation with other countries in promoting economic development in less-developed countries and raise their income levels.

2 **Background for Income Doubling Plan, November 1, 1960**² It has been almost three years since the implementation of the "New Long Term Economic Plan," which was approved by the Cabinet at the end of 1957 and which is still in effect. During this period, the Japanese economy experienced a high degree of growth seldom matched elsewhere in the world. . . .

The growth rate during fiscal years (FY) 1947-52 was 11.5 percent per year, and during FY 1953-59, it was 8.3 percent per year. In each instance it went far above the projected growth rate of 6.5 percent per year under the "New Long Term Economic Plan." It shows that our economic growth has been far greater than previously anticipated. In this process of growth, the following five factors are worthy of note.

²Asahi Shimbunsha, ed., *Shiryō Meiji Hyakunen (A Documentary History for the Meiji Centennial)* (Tokyo: Asahi Shimbunsha, 1966), pp. 561-62.