

## SAMPLE ECON394 SUMMARY

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- TOPIC 1 – Key Institutions in Japanese Economies
- TOPIC 2 – Tokugawa and Meiji
- TOPIC 3 – Meiji to the Miracle and the Turning Point
- TOPIC 4 – The Divine Comedy: The 1980s and 90s
- TOPIC 5 – Minsky & Crises
- TOPIC 6 – Production Systems
- Kanban Systems JIT
- Readings Summary (Readings done throughout the semester)

### **SAMPLE OF LECTURE 1 – Key Institutions in Japanese Economies (Zaibatsu, Financial keiretsu, Capital keiretsu, Sogo Shosha)**

#### **Industrial Revolution**

- Asian economies characterised by distinctive institutions due to → Late Industrialisation  
Japan – Kigyo shudan, sogo shosha, zaibatsu  
China – Gufen companies  
South Korea – Chaebol
- First Industrial Revolution:  
UK – 1780s  
Germany – 1850s or 1860s  
US – 1870 to 1900 (after civil war)  
Russia – 1890s or 1930s?  
Japan – 1870s to 1890s
- Heisei recession 1992-now → 23yrs hasn't grown more than 1%

#### **Late Industrialisation in Japan**

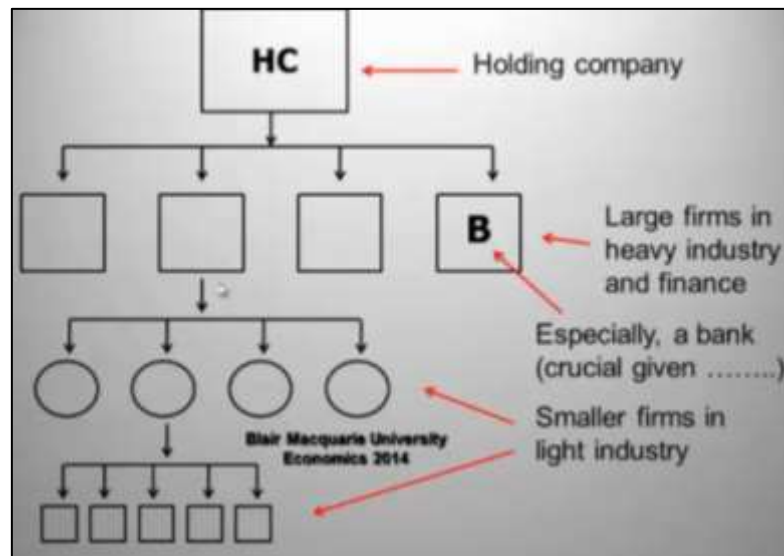
NOT shaped by culture, shaped by:

1. Capital (K) scarcity
2. Labour (L) surplus → low wages, around subsistence level
3. Technological regression/backwardness
4. Dualism
5. High transaction costs
6. High levels of government intervention (predicted by Gerschenkron)

2 and 3 are characteristics of underdevelopment, dualism also related to 2 and 3 → cannot have dualism without 2 and 3.

## Key Institutions – zaibatsu

- Definition: Holding companies controlling large firms in heavy industry and finance
- Origins in government patronage and bank ownership
- Bank ownership crucial to capital scarce economy
- Top 4 companies control 25% of the economy
  - Mitsui
  - Mitsubishi
  - Sumitomo
  - Yasuda
- Zaibatsu advantages:
  - Mobilizing capital in capital-scarce economy
  - Oligopoly profits fund higher investment (at the expense of consumers)
  - Mobilising scarce technical skills
  - Ease of import of new technologies



## Key Institutions – Financial Keiretsu (Horizontal keiretsu or Kigyo Shudan)

- Definition: Main bank and/or global trading company (sogo shosha) surrounded by firms in heavy industry/finance. Bank centered groups linked by cross-share ownership.
- 1951-1967 – Till Heisei Recession
- Why they exist:
  - Miracle growth & capital shortage creates dependence on banks
  - Protection against takeover (due to companies owning each other's shares which prevents foreign companies taking over because shares are not on the market)

- Big 6 control 20% of economy
  - Mitsui
  - Mitsubishi
  - Sumitomo
  - Fuyo/Fuji
  - Sanwa
  - Dai-Ichi Kangyo
- Advantages:
  - Invulnerability to take over → firms can ignore their share prices so profits are used for investment into the company, not dividends
  - Guaranteed finance (from main bank) → higher investment (overloaning)
  - Fast sharing/diffusion of technologies
  - Lower propensity to import (increasing price for inputs of profit sharing) – many economists disagree with this point

