

THE IMPACT OF THE GENERAL THEORY IN JAPAN

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"On the way to his office, Aoto Saemon (Samurai of 13th century in Japan) lost 10 mons of coins into the river. He sent for 10 torches that cost 50 mons and searched for the lost money. Somebody laughed at him saying that he spent more than the loss. Aoto replied "The critics do not know the nature of the affairs. Neither do they have sympathy for common people. For, the money in the river would be lost forever, but if it is salvaged, the 10 mons along with 50 mons will circulate through the hands of merchants. My loss will be their gain". [Taiheiki (ca. 1371-2)]

The General Theory has changed the pictures of economic cosmos of many economists. There have been counter revolutions to the Keynesian economics. However, regardless whether an economist classifies himself as a Keynesian, a Monetarist, or a Rationalist, I believe that he or she can hardly deny the role of Keynesian ideas that at least broadened the scope of his or her thinking. Japanese economists and policy makers are no exception. It seems appropriate here, in observance of the 50th anniversary of the publication of *The General Theory*, to trace the impact of *The General Theory* in Japan.

Transmission of Keynesian Ideas

When *The General Theory* appeared in Britain in 1936 Japan was under the militaristic government that would lead her eventually to the disasters of World War II. In spite of that, the introduction of *The General Theory* to Japanese academics and general audiences was surprisingly fast.¹ Nakayama, who became one of the most influential scholars in economics after the war, allegedly used the book as a text for his undergraduate seminar at Hitotsubashi University the same year. The discussions in that seminar were published in 1939.² Keynes' *The Treatise on Money*, had already been translated by Nisaburo Kito in 5 volumes³ during 1932 to 34 and *The General Theory* itself was translated by Tsukumo Shionoya and published by the *Oriental Economist*⁴ in December 1941. The first 7,000 copies were soon sold, and were followed by an additional 2,000 copies, attesting to the keen attitude in Japan towards importing and adapting of new ideas.^{5,6}

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The war followed shortly and the Japanese had to wait for the extensive introduction to the substance of *The General Theory* until after the war. Shortly afterward, the textbook version of *The General Theory*, that is, the IS-LM interpretation of Keynesian economics associated with Hicks prevailed. The Keynesian economics, flew into occupied Japan through the United States.

The introduction and translation of the following books are among many attempts to learn the new Economics from the United States: (D.D. Dillard, *The Economics of John Maynard Keynes* Prentice Hall 1948, translated by Y. Okamoto) R.L. Klein, *The Keynesian Revolution* (Macmillan, 1947, translated by M. Shinohara and K. Miyazawa in 1952), S.E. Harris ed. *The New Economics: Keynes' Influence on Theory and Public Policy*, (Knopf, 1947, translated by the Research Department of the Bank of Japan 1949-50), and P.A. Samuelson, *Economics: An Introductory Analysis* (McGraw Hill 1948, translated by S. Tsuru, 1977 Iwanami). They all emphasized the theory of income determination rather than the theory of liquidity preference. In a few years, the Keynesian economics through American academics became to be known as the most essential part of what was called "modern economics", a term symbolizing the Japanese economic circle as I shall explain later.

I would like to call the attention of the reader to the following factors that lay behind the process of introducing Keynesian economics into postwar Japan. First, it reflected the quest of intellectuals for new stimuli in the aftermath of the wartime absence of international communication. Many scholars found the library of the American Cultural Center (or CIE) to be an oasis. Secondly, Keynesian thinking may have been encouraged by the fact that the Japanese audience was not all well acquainted with neoclassical economics. Serious attempts to study the mathematical structure of Walrasian general equilibrium theory were already made.⁷ However, the more pragmatic aspect of partial equilibrium price theory had not been popularized in prewar Japan. The education on the neoclassical economics was in fact, delayed until long after the fashionable introduction to the Keynesian theory.⁸ Thirdly, Marxian economics prevailed during the postwar period. Before the war Marxian economics replaced economics of the German historical school and attracted the interest of economic students until it was suppressed by the militaristic government. At present, there is some peaceful "cohabitation" of Marxian economists and economists reflecting Anglo-American influences. Marxian economics is considered to be the science of understanding the historical development of a capitalistic society; modern economics as a science that is able to predict human behavior and to engineer or manipulate economic outcomes. In this respect, it was natural that technocrats in economic bureaucracy welcomed the operational nature of the Keynesian economics, though Marxian economists often criticized Keynesian economics because of its engineering and operational nature. Their argument is that human behavior can be influenced by an individual's past history, and expectations about the future economic policy, and that it cannot be mechanically predicted or manipulated.

In any case, the engineering nature of the Keynesian economics was welcomed by "economists". In Japanese "ekonomisuto" refers to practitioners of economics outside academic institutions, such as central bankers,

bankers, bureaucrats and free-lance journalists. Prime Minister Tanzan Ishibashi was influenced by the newly introduced Keynesian ideas and made an address to the lower house in 1946 just after the war, when he was a finance minister of the Yoshida cabinet, referring to Keynes.⁹ "The most important objective of fiscal, economic policy is the attainment of full employment of all existing productive resources. Lord Keynes once defined the genuine inflation as the inflation that would occur from excessive demand under the situation of full employment. As long as there are unemployment and under utilization of capital, we need not worry so much about the government budget deficit or monetary expansion."

In 1947, the first *The Economic White Paper* at that time called "The Report of Current Economic Situations" was published. Shigeto Tsuru, who had stayed at Harvard until he came back to Japan in a war-time exchange boat was the principal writer of the White Paper. Naturally one can also find here the influence of Keynesian economics. The influence of macroeconomic framework along American Keynesians became even stronger in later editions of the *Economic White Paper*.

The Impact of the Keynesian Economics on Japanese Academics

After the introduction of several textbooks and monographs by Keynesian economists in the United States, Japanese academic economists were eager and quick to digest the theoretical implications of the Keynesian economics. When I was an undergraduate at the University of Tokyo in the late 1950s, the IS-LM framework was very popular among students. When I went to the Economics Institute at the University of Colorado, Boulder, in 1962 for a summer orientation program for newly coming foreign graduate students, I was surprised to find that the AS-AD framework with variable price level was a crucial topic of macroeconomic theory. It did not take long, of course, before the latter framework was introduced to Japan. Then the discussion of the Phillips curve came in, again, through its American adaptation by Samuelson and Solow.¹⁰ The process of introduction and adaptation of foreign ideas was smooth and in a sense efficient. As Martin Bronfenbrenner once caricatured¹¹, Japanese economists were more skilled in the "transmission, translation, application and refinement" rather than "looking and learning" for themselves.

There were, of course, some independent economic researchers stimulated by Keynesian economics. Earlier work of Michio Morishima, for example, *Shihonshugi Keizai no Hendo Riron* (A Theory of Business Fluctuations in the Capitalistic Economy) Sobunsha 1955, was motivated by the works of Keynes, if not by those of American Keynesians. The microeconomic foundation of the Keynesian economics was introduced along the line of Clower and Leijonhufvud. Takashi Negishi developed a theory of explaining rigid wages as well as prices, and the existence of involuntary unemployment, based on a theory of a perceived demand curve that has a kink.¹² Katsuhito Iwai made a heroic attempt¹³ to invert in a Copernican way the whole structure of macroeconomic theory, claiming that the rigidity or stickiness of wages and prices is not a nuisance, but a safe-guard for the capitalist economy from falling into a Wickseilian impasse of a cumulative process of inflation or deflation. Hirofumi Uzawa has been under the influence of Robinsonian

thinking of post Keynesian economics in England, and has also pursued the analysis of disequilibrium dynamics.¹⁴ Under his influence Kiyoshi Otani¹⁵ related macrodynamics to the mechanism of inventory accumulation. Takatoshi Ito¹⁶ developed the analysis of estimation method in a disequilibrium model as well as a neat definition of stochastic rationing equilibrium.

It is hard to characterize Japanese economic thinking as clearly as one can characterize some of the French macroeconomists as "the French school" based on fix-price framework. However, the above description indicates that the heritage of *The General Theory* has been instrumental in encouraging Japanese economists to engage in productive researches in disequilibrium dynamics.

The econometric methodology to estimate and simulate large econometric models was also introduced. Government offices like The Economic Planning Agency as well as the Bank of Japan, research institutes like the Japan Economic Research Center, and a few universities developed a larger scale econometric model. Recent series of *Economic White Papers* have often been based on the analysis and simulations of econometric models developed by the Economic Planning Agency.

Needless to say, the monetarist counter revolution and the macroeconomic rationalist's revolution have been introduced in Japan as well. Chiaki Nishiyama, a Chicago graduate, has been for a long time been a proponent of monetarism, and has published (with Kokichi Asakura) a monumental study¹⁷ of the monetary history of Japan, comparable to the works by Friedman and Schwartz in this country. Hirotaka Kato is active in the research along this line as well.¹⁸ Econometric models along the St. Louis Federal Reserve models were introduced and discussed mainly not by academic circles but by "economists", particularly those in the central bank. Seiji Shimbo¹⁹ of the Economic Planning Agency and many Bank of Japan economists²⁰ contributed to the introduction and popularization of new waves of macroeconomics under the rational expectations hypotheses. Aside from a few exceptions²¹ the mainstream of academic economists were indoctrinated by the Keynesian policy of activism so that discussions of more fashionable ideas were popular around the central bank and not in academic circles.

Keynesian Policy Prescriptions and Actual Economic Policies

As I explained above, the Keynesian macroeconomic framework was understood and digested well among economists who were working in the government, research institutions, and central banks. Different doctrines like monetarism or macro rational expectations hypotheses were also introduced, but there is no question that the Keynesian macroeconomic model was understood well and often made as a frame of reference to forming and evaluating macroeconomic policies. The question is, however, whether the Keynesian prescription of economic policies was really adopted in Japan. Indeed, the famous address by Ishibashi cited above was motivated by the ideas in *The General Theory* of sustaining effective demand by fiscal and monetary policies. Also the golden decade of the 1960s during which the Japanese economy recorded a remarkable high rate of growth was sustained by

the Income Doubling Plan that was at least supported by the growth oriented thinking shared by many Japanese, as well as American post-Keynesian economists. In addition to his purely economic objectives, Prime Minister Hayato Ikeda wanted the Japanese to focus their attention on economic issues rather than political issues regarding the American-Japanese alliance, which actually had led to the fall of the Kishi government by massive demonstrations. When Ikeda announced his plan in 1960 that he would double the national income, it sounded merely like wishful thinking to many people. In any event, the target was more than fulfilled. Real per capita GNP almost tripled between 1960 and 1973.

Thus if we define the Keynesian policy in a broad sense, as any monetary and fiscal policies generally used to achieve aggregate demand management, then the Japanese economic policy was, is, and will be certainly under the Keynesian influence.²² Yukio Noguchi argues,²³ that if we define the Keynesian policy in a narrower sense, that is, as an activist policy that emphasizes fiscal policy aiming at domestic equilibrium, then there have not been so many instances in which one could say the Keynesian policy was actually implemented.

According to him, the government budget functioned primarily as an automatic stabilizer. Thus the Keynesian policy in its broader sense was in effect.²⁴ However, until 1965, the general account of the Japanese government was bound by the principle of the balanced budget, a rule implemented by the "Dodge line" ... an advisory recommendation by Joseph Dodge, a banker from Detroit who visited occupied Japan at the request of President Truman.

What was possible as discretionary fiscal policy was either to shift the pattern of determined government expenditures to an earlier or later part of the fiscal year, or to postpone planned government expenditures beyond the fiscal year. Thus, according to Noguchi, the Keynesian policy prescription of activist fiscal policy was substantially limited by the institutional arrangement until 1965.

After 1965, the principle of the balanced budget was waived by various legislation, and there has been a substantial accumulation of public debt. In 1965, some part of the budget deficit that arose from the unexpected reduction in tax revenue was supplemented by new issues of public debt. This was, according to Noguchi, not so much for activist fiscal policy as for financing unexpected deficits.

Then after 1970, the Japanese government started to worry about the accumulating current account surplus in the balance of payments. Even though the internal equilibrium was attained, fiscal as well as monetary policy was used to stimulate the economy in order to avoid the revaluation of the yen. This is clearly shown in Fig. 1 where the real rate of govern-

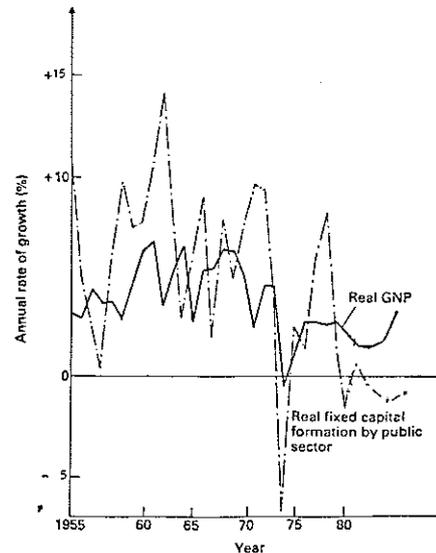


Fig. 1: The relationship between the annual rate of growth, real GNP and real fixed capital formation

ment fixed investment expenditures is plotted with that of GNP. The avoidance of the exchange rate realignment was the foremost policy objective. Many Japanese officials thought that Japan was an honor student in the Bretton Woods regime because Japanese never diverted its exchange rate from 360 yen per dollar since the rate had been set in 1949. This relationary policy was continued through the 1972 fiscal year. It was effective, probably too effective because it had triggered domestic inflation even before the first oil crisis hit Japan. Discretionary fiscal policy was taken in the reverse direction during 1973 and 1974 after the first oil crisis. The real public expenditure in the public sector for capital formation decreased sharply in fiscal year 1973. In the 1977 and 1978 fiscal years, the balance of budget deteriorated, and the real expenditures on capital formation in the public sector increased. These policies are again not primarily aimed at the domestic balance, but at the recovery of the balance in the current account balance. They were effective more for this external objective, but not primarily for reflating the domestic economy. The so-called locomotive argument for fiscal coordination motivated these expansionary policies.

In sum, the Keynesian policy in the narrow sense was not feasible until 1965. Before and after the first oil crisis, and later during 1977 to 1978, fiscal stimuli were used in a discretionary fashion. But they were used to adjust the external balance rather than the domestic demand gap except for the period after the first oil crisis. In this sense, Noguchi argues that truley Keynesian fiscal policy was seldom employed in Japan. The fact, remains, though, the activist policies were in fact invoked, either as a means to attain external balance or as a means to recover from the adverse supply shock from a higher price of oil.

Let us now ask how activist Japanese monetary policy has been. Until August 1971, when the New Economic Policy was announced by President Nixon, the 360 yen-per-dollar exchange parity was kept constant, and monetary policy was conducted in such a way to limit the loss of international reserves under the fixed exchange rates. As Kaizuka²⁵ showed, monetary policy reacted to the current account of the balance of payments. As soon as the current account went into deficit, a contractionary monetary policy was adopted. This stop-go policy enabled the price level in Japan to follow a relatively stable path. Accordingly, there was little room for discretionary monetary policy aimed at purely domestic objectives during the time that Japan was frequently threatened by the balance of payments deficits.

However, after 1969, the current account of the balance of payments showed a different trend. In order to avoid revaluation of the yen, which was wrongly thought to be the first policy objective, monetary policy was geared into an expansionary one. This, just as in the case of fiscal policy, discretionary money supply was invoked in order to attain external rather than internal balance. Fig. 2 indicates the extreme degree

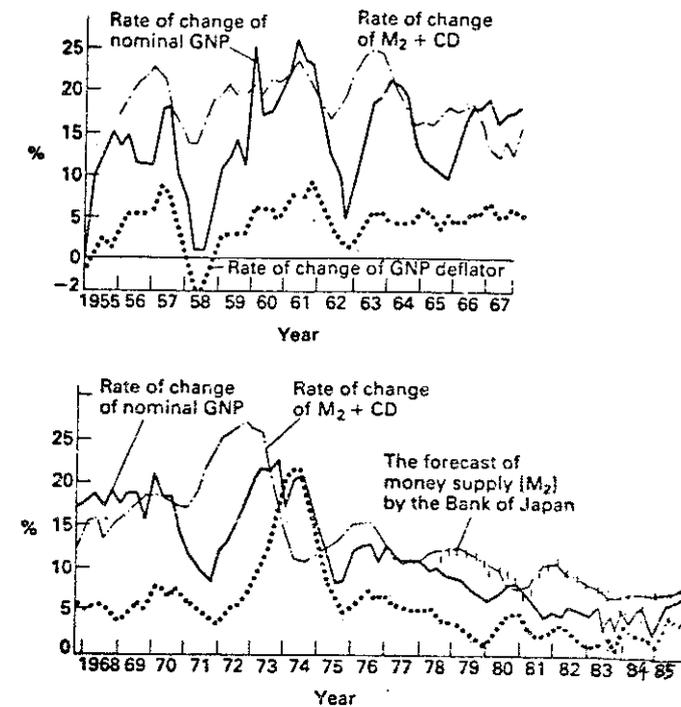


Fig. 2: The growth rate of money supply

Fig. 3 indicates the Phillips curve of Japan, plotting the rate of wage

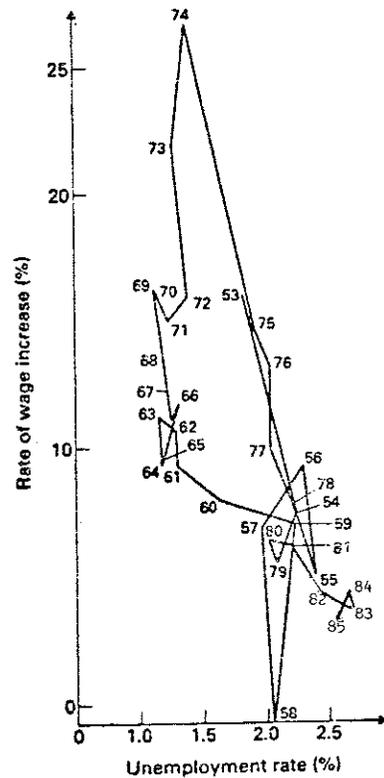


Fig. 3: The Phillips relationship in Japan

increase with the unemployment rate. Some Keynesian economists might consider, by looking at this curve, that the Phillips curve is still alive in Japan. More eclectically, I think the Japanese experience can be explained by the expectation augmented Phillips curve developed by Friedman and Phelps.²⁶

First of all, the unemployment in Japan has been quite low and its variation has been very small. This supports the general impression that the employment situation has generally been favorable. It does not mean,

however, that we are completely free from the Keynesian problem of involuntary unemployment and excess capacity. The Japanese definition of "completely unemployed workers" is rather rigorous. They are defined in such a way that those workers who search for jobs during the month but not during the last week of the month, i.e. the testing period are not classified as unemployed. In addition to this statistical difference, the Japanese labor market has characteristics keeping the level and the variation of unemployment rates quite low: The labor participation rate, particularly that of the female population has been quite flexible. After the first oil crisis many female workers returned home because of the discouraged-worker effect. Also working hours move more flexibility and Japanese firms are regarded, at least until quite recently, to be slow to lay off workers under recessions.

These slow movements in the unemployment rate have made the Okun's Coefficient quite large. It ranges, instead of 3 to 2 in the United States, from 28 to 13, even though there seems to be a downward trend.²⁷ The output cost behind recession is much greater than the steepness of the Phillips curve. If we multiply the responsiveness of unemployment by a factor of 5 or so, then the trade off between output fluctuation and wage increases is not so different from that in many western countries.

Thus the need for demand management certainly exists, provided that demand management can in fact exploit some trade-offs between the output gap and inflation.

With these remarks in mind, I will trace historically the characteristics of the Phillips diagram in Japan. After the rapid inflation of the post-war reconstruction period, and after the boom caused by the Korean war, strong inflationary expectations prevailed. They calmed down fairly quickly, shifting the short-run Phillips curve swiftly downward. Therefore the Phillips curve traces a vertical line around 1953 to 1958. At the same time, an abundant supply of labor from rural areas still existed, so that the curve was located to the right. Then came a period of rapid growth and rapid technical progress (1959-66). With relatively stable prices due to monetary policy aimed at keeping the exchange rate constant, price expectations were stabilized. One can observe, therefore, a hyperbolic (short-run) Phillips curve similar to the one Phillips originally discovered. Next came a period of excess liquidity that was created by the above mentioned discretionary fiscal and monetary policy to resist the pressure for appreciation of the yen. Combined with the first oil crisis, this created a galloping inflation. Inflationary expectations were also fueled and the short run Phillips curve shifted upward leaving the shape of the Phillips curve approximately on a vertical line until 1974.

It took a while to calm down the inflationary expectations in spite of the discretionary and contradictory macroeconomic policies (1974-78). After 1979 or so, I observe a fraction of stabilized short-run Phillips curve, showing the possibility of trade-off under stabilized inflationary expectations. Some others may say that this is just a shift in the natural rate of unemployment.

Thus opinions may be divided concerning the existence of a short-term Phillips curve with some elasticity, and accordingly the existence of the short-run trade-off and they may be divided even more concerning the feasibility of exploiting the trade-off. In my opinion, the lesson from the greater experiment of political business cycle after the advent of the Reagan-Thatcher (and possibly Kohl-Nakasone) policies with over-constrained monetary policy was that the world is not so favorably made as some of the new classical economists imagined. It takes time to calm down inflationary expectations, and even if expectations were stabilized, it takes time to overcome the inertia of price or wage rigidity.

There are some statistical attempts to test the effects of anticipated and unanticipated money supply in Japan. Pigott²⁸, using quarterly data, maintains that anticipated money does not matter. Studies²⁹ using more recent data indicate that although unanticipated money is more powerful in explaining output behavior, anticipated money also matters. Taniuchi³⁰ took into account the institutional feature of the spring labor offensives, and formulated a model in which nominal wages are determined on the basis of information available at the spring offensive. The neutrality hypothesis tested in his model is that anticipated money influences output for only three quarters. Finally, Parkin³¹ derived the result that the neutrality hypothesis of the Barro type cannot be rejected if one carefully corrects the biases arising from seasonal adjustment. Thus, many results are dependent on the particular methodology used in the analysis. One cannot help feeling that a methodology yielding a particular result is robust in the sense that it will be likely to produce similar results in other countries. An ample opportunity for future research still remains.

Concluding Remarks

We have seen that the economics of Keynes as well as the Keynesian economics were quite quickly introduced, interpreted and accepted in Japan. The absorption of the Keynesian ideas was much faster and smoother than the ideas related to various types of counterrevolutions. The general theory influenced much the theory and econometric model building of Japanese economists. As a result, the area of disequilibrium dynamics is one of the few fields where Japanese theoreticians are quite active.

The analytical framework of *The General Theory* was accepted as a frame of reference for policy makers. The implementation of fiscal and monetary activist policies were constrained either by the principle of the balanced budget until 1965 and by the observance of fixed exchange rates until the late 1960s. After the late 60s, activist fiscal and monetary policies were adopted. Their aims were to keep the external balance rather than the domestic balance except for the remedies to calm down the inflationary flames after the first oil crisis. Finally, the Japanese macroeconomic performance particularly in the past few years, seems to indicate that the aggregative economic activity does not show the property of perfect classical or new classical world. Further studies are needed to determine to what extent the Keynesian idea is helpful in explaining the Japanese macroeconomic behavior. Comparative studies of macroeconomic performance will certainly lead to answer the question whether the relevance of the

Keynesian and other macroeconomic models is only limited to the national economies from which these theories developed by the process of abstraction, or if they possess some more universal applicability.

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FOOTNOTES

¹For a systematic study of the impact of Keynes in Japan see, Tadashi Hayasaka, "Wagakuni no Keinzu Keizaigaku Kotohajime (The Initiation of the Keynesian Economics in Japan)," Shukan Toyo Keizai Kindai Keizaigaku Shirizu No. 42-52 (1977-80), and "Nihon ni Okeru Keinzu Keizaigaku Donyushi no Shodanmen", (Historical Facets of the Introduction of Modern Economics: Keynes), Keizai Seminar (Special Issue on Keynes Centennial) April 1983. See also Mitsuharu Ito, "Sengo no Kindai keizaigaku" Ch. 4 of Keizai Gakushigakukai, ed. Nihon no Keizaigaku (Economics in Japan) Toyokeizai 1984.

²Ichiro Nakayama ed. Keinzu Ippanriron Kaisetsu (An Exposition of The General Theory by Keynes), Nihon Hyoronsha 1939.

³Kaheiron, translated by Nisaburo Kito, Dobunkan, 1932-34.

⁴Koyo, Rishi Oyobi Kahei no Ippan Riron. Translated by Tsukumo Shionoya, Toyokeizai (The Oriental Economist) 1941. The official date is December 15, a week after the outbreak of World War II.

⁵For example, W. Leontief's The Structure of the American Economy, (1941) was introduced to Japan before the outbreak of the war. This was studied for the purpose of planning the war-time mobilization of resources. The impact of new ideas was seemingly limited to Tokyo or Osaka. Professor Bronfenbrenner told me that he did not find any trace of Keynesian ideas in Fukuoka in Kyushu island in 1945.

⁶Kei Shibata, one of the rare original economists of the period reported that Keynes cynically said when they met, "Whenever my new book is announced, five or six letters come from Japan asking for its translation right. This happens only in Japan."

⁷See Takuma Yasui, Chosaku-shu (Collected Works) Vol. 1, Sobunsha 1970, contains his work since 1933.

⁸Ryuichiro Tachi and Ryutaro Komiya, Keizai Seisaku no Riron (Theory of Economy Policy, Keiso Shobo 1964) made a significant impact by introducing applied microeconomics.

⁹M. Bronfenbrenner doubts, however, whether Ishibashi's inflationary policies were based on Keynes' ideas. See his "Four Positions of Japanese Finance" Journal of Political Economy, vol. 58, Aug. 1950, pp. 285-6.

¹⁰For example, Hisao Kumagai, et. al., Bukka Antei to Shotoku Seisaku, (Price Stability and Incomes Policy), Keizai Kikaku Kyokai, 1968.

¹¹Martin Bronfenbrenner, "The State of Japanese Economics", American Economic Review, Vol. 46, May 1956, pp. 389-98.

¹²Takashi Negishi, Microfoundations of Keynesian Macroeconomics, North-Holland, 1979.

¹³Katsuhito Iwai, Disequilibrium Dynamics, Cowles Foundation Monograph No. 27, John Wiley & Sons, 1981.

¹⁴Hirofumi Uzawa, "Fukinko Dogaku Josetsu (Towards a Theory of Disequilibrium Dynamics)," Kikan Gendai Keizai, Nihonkeizai No. 30, 32, 33, 34, 1978-79.

It is interesting to note that he published recently an expository book on The General Theory, Keizu of Yomu (A Reader's Companion to Keynes) Iwanami 1984.

¹⁵Kiyoshi Otani, "The Price Determination in the Inventory Stock Market: A Disequilibrium Analysis," International Economic Review, Vol. 24, No. 3, 1983.

¹⁶Takatashi Ito, "Methods of Estimation for Multimarket Disequilibrium Models," Econometrica Vol. 48, 1980, pp. 97-126, Seppo Honkapohja and T. Ito, "On Macroeconomic Equilibrium with Stochastic Rationing," Scandinavian Journal of Economics, Vol. 87, No. 1, pp. 66-88, 1985.

¹⁷Kokichi Asakura and Chiaki Nishiyama, Nihon Keizai no Kaheiteki Bunseki (The Monetary Analysis of The Japanese Economy) 1968-1970 Sobunsha 1974.

¹⁸Hiroataka Kato, Manetarisuto no Nihon Keizairon (A Monetarist Approach to the Japanese Economy), Nihonkeizai, 1982, and Genso no Keizu Shugi (The Illusion of Keynesianism) Nihonkeizai 1986.

¹⁹Seiji Shimbo, Gendai Nihonkeizai no Bunseki, (An Analysis of the Modern Japanese Economy) Toyokeizai 1979.

²⁰See various discussion papers published by the Bank of Japan, Institute for Monetary and Economic Studies, and particularly Bank of Japan Monetary and Economic Studies published since 1983. Leaders of the research, Hidekazu Eguchi and Yoshio Suzuki may not be classified monetarists, but they were much more flexible than some Keynesian academics and even sympathetic to monetarists or rationalists ideas. For example Suzuki's ingenious account of the Japanese Bahig system in his Money and Banking in Contemporary Japan (Yale, 1980) was much influenced by the theory of banking developed by Tobin, but his recent book, Nihon Kinyu Keizai Ron, (Monetary Theory from Japanese Perspective) 1983, surveys new waves of macro rational expectations theories and summarizes recent empirical works by central bank economists.

²¹For example, Tetsuro Shizuki and Takahiko Mutoh, Goriteki Kitai to Manetarizumu (Rational Expectations and Monetarism) Nihonkeizai 1981.

²²Yukio Noguchi, "Nihon de Keizu Seisaku wa Okonawaneta ka (Have the Keynesian Policies Ever Been Adopted in Japan?)" Kikahn Gendai Keizai, No. 52, Special Issues, 1983.

²³Noguchi, op. cit.

²⁴Hikomitsu Ishi, Zaisei Kozo No Antei Koka (The Built-in Stabilizer Effect of Fiscal Policy), Keiso Shobo, 1976.

²⁵Keimei Kaizuka, "Keizai Antei to Kinyu Seisaku (Economic Stabilization and Monetary Policy)," in K. Kinoshita ed. Keizai Antei to Zaisei Kinyu Seisaku (Economic Stabilization and Fiscal-Monetary Policy), Nihon Keizai 1967.

²⁶For a study of an earlier period Toshihisa Toyoda, "Price Expectations and the Short-Run and the Long-Run Phillips Curve in Japan 1956-1968," Review of Economics and Statistics, vol. 54, August 1972 pp. 267-274.

²⁷Koichi Hamada and Yoshio Kurosada, "The Relationship Between Output and Unemployment in Japan," European Economic Review, 1984.

²⁸C. Pigott, "Rational Expectations and Counter-cyclical Monetary Policy: The Japanese Experience." Federal Reserve Bank of San Francisco Economic Review, Summer 1978, pp. 6-22.

²⁹Junichiro Seo and Wataru Takahashi, "Anticipated Money and Real Output: An Examination of the Macro Rational Expectations Hypothesis for Japan", Bank of Japan, Department of Monetary and Economic Studies, Discussion Paper Series (English ed.), No. 10. Koichi Hamada and Fumio Hayashi, "Monetary Policy in Postwar Japan" in A. Ando et. al. eds. Monetary Policy in Our Times, MIT Press, 1985.

³⁰Mitsuru Taniuchi, Atarashii Manetarizumu no Keizaigabun (The New Economics of Monetarism) Toyokeizai 1982.

³¹Michael Parkin, "Discriminating Between Keynesian and Classical Theories of the Business Cycle: Japan 1967-1982," Bank of Japan Monetary and Economic Studies, Vol. 2, No. 2, December 1984, pp. 23-60.