

THE AUSTRALIAN NATIONAL UNIVERSITY  
*Second Semester Examinations 2002*

**JAPANESE ECONOMY AND ECONOMIC POLICY**  
**ECON 2008**

*Study period: thirty minutes*

*Time Allowed: three hours*

*Permitted materials: English dictionary*

*Answer **FOUR** questions only*

1. Until the Meiji Restoration in 1868, Japan was an economy virtually closed to international trade. How did opening up the economy to international trade affect the structure of the Japanese economy and economic growth?
2. 'Flexibility of prices and wages were the major factor explaining Japan's economic performance through the Great Depression in the 1930s'. How did flexible prices and wages affect Japan's response to the Great Depression? Were any other factors important in accounting for the different experience of Japan and other industrial economies at this time?
3. Does "growth accounting" evidence support the notion that Japan's growth in the 1950s and 1960s was a "miracle". Explain carefully what were the main causes of "miraculous" growth and why some authors see the slowdown as inevitable. Would capital accumulation alone solve Japan's growth problem now?
4. The Japanese employment system has been regarded as irrational and paternalistic. What economic explanations can be offered for the distinctive features of the Japanese system? Does recent experience suggest the economic costs outweigh the benefits?
5. Why has the Japanese financial system been marked by the development of "too many" banks (Hoshi & Kashyap)? Does this feature help to explain the banking "crisis" of the 1990s.
6. In what ways does Japanese corporate governance differ from an "Anglo-US" model of corporate governance. Would the introduction of a vigorous market for mergers and acquisitions be beneficial and if so why?
7. Were monetary policy errors responsible for the rapid inflation of the early 1970s? Is monetary policy also responsible for the deflation of the late 1990s?
8. Are newspaper commentators correct to describe Japan's public debt as "mountainous"? Does the size of the debt pose a problem for the economy

now or in the future. Explain carefully the economic considerations which should be taken into account.

9. “The economic benefits of deregulation have been vastly overestimated. Even if deregulation is initially achieved it will be followed by re-regulation.” Comment on this statement.
10. EITHER “Japan’s imports of manufactures are lower than those of other industrial countries not only because of official barriers which limit trade. Japanese imports are also discouraged by unofficial practices, such as the strong relationships (‘invisible handshakes’) between local suppliers and buyers, ‘just-in-time’ inventory practices that give nearby suppliers an edge, and an unusually complex distribution system that creates substantial entry barriers for newcomers, whether Japanese or foreign.” (Lawrence). Carefully assess this view of the factors which explain differences in the structure of Japan’s manufactured goods imports from those of other industrial countries.

OR

“Australia is Japan’s natural partner. This provides the basis for building a free trade area between them, within the Asia-Pacific region”. (Ogura). Do you agree? In your answer carefully explain why each country is more important to the other in trade and other economic transactions and in economic diplomacy, than might be expected from Australia’s importance in the international economy and consider what kind of ‘free trade area’ within the Asia Pacific region might serve both countries’ interests.

11. Are there structural impediments to Japan’s economic recovery from the slump of the 1990s or would conventional macro-economic policies be enough to revive growth?
12. EITHER  
ASEAN + 3 was founded during the East Asian financial crisis. What is the nature and purpose of this grouping? Is there a case for its developing a common currency?

OR

In the two decades before the financial crisis of 1997 and 1998, East Asia enjoyed exceptionally high rates of economic growth. What were the sources of East Asia’s strong growth in that period and what are its prospects for the future?