

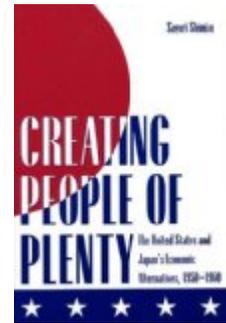
H-Net Reviews

in the Humanities & Social Sciences

Sayuri Shimizu. *Creating People of Plenty: The United States and Japan's Economic Alternatives, 1950-1960*. Kent and London: Kent State University Press, 2001. viii + 309. \$32.00 (paper), ISBN 978-0-87338-706-4.

Reviewed by Timothy J. McKeown (Department of Political Science, University of North Carolina, Chapel Hill)

Published on H-US-Japan (August, 2002)



This remarkable book is mis-titled. Rather than providing an account of U.S. policies to assist and manage Japan's economic development, the subject of *Creating People of Plenty* is both narrower and broader. The author confines her inquiry almost completely to the politics of international trade, giving at most passing attention to other aspects of U.S. foreign policy that affected Japanese economic policy and economic development—government procurement, aid programs, the military alliance, information policy, and covert operations. Perhaps because her temporal focus is on the 1950s, she does not discuss the implications of Washington tolerating a yen-dollar exchange rate that enabled Japan eventually to achieve sizeable trade surpluses with the United States and large current account surpluses overall. Her comment about the “enormous pain” (p. 9) that Japanese exports inflicted on U.S. small businesses notwithstanding, Shimizu's account also says little about the economic effects of these policies in either country, thus leaving the question of the economic importance of Washington's foreign trade policies in making the Japanese a “people of plenty” unresolved. Given the current degree of uncertainty about the importance of trade liberalization for economic growth, it is risky simply to assume that the measures discussed here had a substantial impact on Japan's economic development.[1]

That Washington and Tokyo shaped their trade policies towards each other in light of their relations with China, Western Europe, and the less developed world, is of much wider relevance than the title suggests. By providing a revealing picture of how the post-1945 trading system was constructed and maintained on a day-to-day and commodity-by-commodity basis, Shimizu has pre-

sented an account that will be of considerable interest to those who seek to understand the politics and economics of the global trading system and indeed of international relations more generally. As Shimizu herself notes, trade policy is an excellent vehicle for an examination of “endless dramas of control and resistance, coercion and acquiescence, persuasion and subterfuge” in relations between nations (p. 4). It is also particularly well suited for exploring the relationships between the allegedly “low politics” of economic issues and the politics of alliances and national security. For all these reasons, this book is likely to be of interest to many whose primary subject of study is neither Japan nor U.S.-Japan relations.

Shimizu draws on both U.S. and Japanese sources, although she did not have access to Japanese government discussions at the highest levels. Even though the resulting account offers a somewhat richer account of U.S. than of Japanese government decision-making, it is still a substantial improvement on the common strategy of trying to understand a bilateral relationship solely from the documents of one side. She also pays more attention than many students of trade policy to the positions and activity of business interests. This is a welcome departure from those works that attempt to explain policy solely in terms of the factors discussed within the government. This is particularly problematic when there are unofficial norms against mentioning private interests in internal discussions of foreign policy decisions, as there have been in the United States.[2]

Broadly speaking there are three aspects of Japanese trade policy that Shimizu considers: The bilateral trade relationship with the United States, Japan's trade with

China in the context of U.S.-led efforts to restrict trade with communist countries, and Japanese and U.S. government interests in Southeast Asian economic development and trade. Her coverage of each is relatively fine-grained. She attends to the domestic political context of each issue, the domestic divisions within Japan and the United States over these issues, and the role of third parties in the calculations of the two governments. She is alert to the way in which political issues are sometimes bundled together to produce outcomes that would be unlikely to occur if each had been considered separately. She succeeds in showing that there often was substantial opposition, both in Tokyo and in Washington, to the policies that were adopted—thus suggesting that a slightly different balance of political forces in either country might have led to substantially different policy outcomes. Her discussion of third parties manages to provide some revealing glimpses of competition between Washington and London, and the way in which each government sought to use Japan to achieve its own nationalistic objectives. Perhaps of greatest value to a general readership, she offers several important insights about the political economy of trade that have heretofore received little attention in academic work.

When financial systems are under-developed, governments do not need to impose tariffs or quotas to limit market access. Instead, they can simply limit the supply of short-term trade credits or foreign exchange. The United States was in a position to do this to Japan and other countries in the 1940s and 1950s, and did so or threatened to do so on several occasions. However, such restrictions can be circumvented if countries are prepared to rely on barter or other forms of bilateral agreements that obviate the need for trade credits or currency convertibility.

Aside from their often costly economic effects, pressing Japan (or any other exporter) to adopt “voluntary” export restraints (VERs) or “orderly” marketing arrangements (OMAs) may lead the target government to strengthen its capacity to supervise the day-to-day operations of private industry, and thus enhance its ability to shape economic activity. Once these capacities are created, there is no guarantee that the target government will confine their use merely to the purposes for which they were originally intended. The “Japan, Inc.” that became the object of so many American complaints in the 1970s and afterwards was nurtured by U.S. trade policies in the 1950s that relied on the Japanese government to do the dirty work of managing bilateral trade so as to reduce the damage to import-competing industries in the

United States. Secretary of State Dulles understood that adoption of the U.S. proposals for VERs and OMAs would push the Japanese state in this direction, but this did not deter him from ignoring lower-level objections to them, and commending Foreign Minister Shigemitsu for such arrangements (p. 117). On this and other occasions, he seems to have been far more concerned with neutralizing Congressional pressure for protection than with the long-run consequences of his own position.

Informal side payments given to aid the passage of legislation—such as Eisenhower’s informal commitment to Congressional leaders not to use the authority vested in the Reciprocal Trade Agreements Act of 1953 to enter into trade negotiations with Japan (p. 20)—may be difficult for historians or other observers to identify. If the official legislative record is merely taken at face value, it is possible that analysts will come to mistaken conclusions about the substantive significance of the legislation in question and the reasons why various legislators supported or opposed it.

The oft-noted tendency for many governments of less developed countries to neglect agriculture and light industry in their economic development plans was not always due solely to seeking prestige, their urge to “be modern,” or any peculiarities of their domestic politics. Sometimes, at least, such policies were encouraged by donors, who sought to shape aid programs to benefit their own interests, and assumed that other donors were trying to do likewise. In the case of the Colombo Plan development strategies proposed in the 1950s, the Japanese government was “not particularly thrilled” by their emphasis on agricultural production, electrification and promotion of small and middle sized businesses. They preferred a strategy that would create more demand for the products of Japanese heavy industry (p. 91). (A parallel discussion of U.S. government policies towards import-substituting industrialization in this period finds that the Japanese government also was far more accepting of this development strategy in the 1940s and 1950s than is often assumed today.[3]) The possibility that the British would use the Colombo Plan to neutralize U.S. influence in South and Southeast Asia and keep Japan out of the sterling bloc worried U.S. decision-makers. For their part, the British saw Japan serving as a Trojan horse for American interests (p. 90).

Joining GATT hardly guaranteed that a government would end a policy of managed trade, or that it would always obey the GATT rules. Shimizu mentions secret protocols in Japanese bilateral trade agreements that spec-

ified bilateral trade levels in various commodities, and even more remarkably, an abortive Japanese effort to negotiate such a secret agreement with the United Kingdom as a way of easing Japan's passage into the GATT (p. 44). Although the U.S. government strongly supported Japan's accession to GATT, it would not countenance a measure that not only violated GATT rules, but also created the precedent for domestic groups elsewhere to demand similar arrangements (p. 44).

Shimizu's account would have a broader appeal if she treated specific historical events in terms of the politics and economics of protection in general. For example, her point about tariff levels mandated by SCAP being lower than the comparable U.S. levels (p. 46) is less significant than she seems to realize, partly because it does not take into account non-tariff barriers, but also because it does not consider tariffs that producers had to pay on the input side of their production processes. If the latter exist, then without the former a firm would experience negative protection. She might also have compared initiatives within the bilateral relationship to comparable policies—for example, the similarities and difference between the Kishi Plan's proposed short term price support loans to commodity producers (p. 195) and later proposals and programs for commodity buffer stocks or special adjustment lending to facilitate debtors' reactions to oil and other raw materials price shocks. The discussion of "voluntary" export restraints, "orderly" marketing arrangements and the mercantilistic Japanese state likewise would have benefited from research showing that established firms in exporting countries often derive substantial benefits from such trade barriers, because they cement their existing position in a foreign market at the expense of newer entrants from their own country. This enables them to capture most of the rents that these trade barriers create. More generally, the more inefficient the form of protection, the more groups will benefit from the policy, and the greater the chance that it will be adopted.

Shimizu concludes that the bargains struck by the United States and Japan served core interests on both

sides. The attainment of high rates of economic growth in Japan raised the living standards of the Japanese population, cemented the dominance of conservative political parties there, and provided a larger export market for the United States. Selective Japanese export restraint allowed governments of Japan's trade partners to open their markets without being ejected from office. The Japanese could live with U.S. indifference or hostility to greater Japanese access to markets in East Asia so long as the developed world provided ample commercial opportunities. Although these arrangements were the most preferred outcomes for neither government, they were an equilibrium that neither side chose to abandon.

I hope that this fine book spawns further studies of the history of economic relations in other bilateral and regional settings. Aside from being the most sincere form of flattery, imitation would clarify substantially how the post-1945 trading system operated, and whether U.S.-Japanese economic relations were a "special relationship" not found elsewhere. Her book might also influence the way that the politics of international economic relations are taught, by providing students and instructors with a richer and probably more accurate account of bilateral bargaining than many of the extant accounts, which rely on archival material sparingly or not at all.

Notes

[1]. Dani Rodrik and Francisco Rodriguez, "Trade Policy and Economic Growth: A skeptic's Guide to the Cross-National Evidence," in *Macroeconomics Annual 2000*, ed. Ben Bernanke and Kenneth S. Rogoff (Cambridge, Mass.: MIT Press, 2001).

[2]. Paul A. Anderson, "Justifications and Precedents as Constraints in Foreign Policy Decision-Making," *American Journal of Political Science* 25:4 (1981), 738-761.

[3]. Sylvia Maxfield and James H. Nolt, "Protectionism and the Internationalization of Capital: United States Sponsorship of Import Substitution Industrialization in the Philippines, Turkey and Argentina," *International Studies Quarterly* 34:1 (1990), 49-81.

If there is additional discussion of this review, you may access it through the network, at:

<https://networks.h-net.org/h-us-japan>

Citation: Timothy J. McKeown. Review of Shimizu, Sayuri, *Creating People of Plenty: The United States and Japan's Economic Alternatives, 1950-1960*. H-US-Japan, H-Net Reviews. August, 2002.

URL: <http://www.h-net.org/reviews/showrev.php?id=6637>

Copyright © 2002 by H-Net, all rights reserved. H-Net permits the redistribution and reprinting of this work for nonprofit, educational purposes, with full and accurate attribution to the author, web location, date of publication, originating list, and H-Net: Humanities & Social Sciences Online. For any other proposed use, contact the Reviews editorial staff at hbooks@mail.h-net.msu.edu.