

THE TRANSITION TO MARKET ECONOMY AND THE TRANSITION OF MARKET ECONOMY

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I

Immediately after the collapse of the communist economy, a kind of easygoing optimism came to prevail among many people. They believed that prosperity is surely to be expected to come in the world economy including, of course, the economy of former communist countries, because market economy is now the only 'rule of the game' and because it enables free mobility beyond the national border of every necessary productive resource, such as man, commodity, money and information.

This kind of big change is usually called "globalization" or "mega-competition." Recently such optimism or euphoria seems to have weakened considerably because the transition of former planned economy to market economy is now facing serious difficulties.

We have experienced a similar disillusion some years ago. When many former colonies gained political independence after the Second World War, say during the 1950's, many people thought that their economic and social development may not be very difficult given their own self-help and some amount of assistance from developed countries.

However, the task turned out to be not that easy. Even now, many less developed countries are not free from miserable poverty, and there are some people in developed countries who are seriously concerned about what they call "aid-fatigue." Earlier optimism turned out to be vain.

Of course, economic development of less developed countries and transition of communist economies to economy are not the same problem. One factor in common in that various infrastructures, both physical and nonphysical (mental and institutional), are needed to realize their goals. Their importance, however, is sometimes overlooked.

II

Historians tell us that, in order for a country to be advanced or developed, it must experience rather long periods of continuous economic growth after accomplishing

both industrial revolution in terms of economics (i.e., industrialization) and democratic revolution in terms of politics (i.e., modernization).

According to this criterion, very few countries are developed; countries in the northwestern part of Europe that are of the Protestant culture, countries in the northern part of American continent that are regarded to be the outposts, as it were, of the former, and, surprisingly enough, Japan. There are around twenty countries in this category, which is a sheer minority in the whole world where there exist around two hundred countries in total. The same holds true in terms of the number of people in the two groups.

What can we conjecture from this simple fact? Quite probably, we can point out that the people who have succeeded in accomplishing modernization and industrialization are either *strange* or *eccentric* or *unusual* in character. In addition, they must have *overworked* and *overstretched* in doing so. Becoming developed thus seems to involve something against, if I may the human nature.

It is not surprising then that economists have so far paid much attention to such aspects of the matter. For example, "exploitation," that is, forcing other people to work to the extreme under the worst conditions, is the basic concept of Marxian economics.

Second, "overworking to death," that is, forcing not only other people but also oneself to work to the extreme, has been much talked about in Japan a few years ago.

Third, exploitation goes beyond the national border to become "Imperialistic invasion." And, last but not least, economic development has so far not hesitated at all to disrupt the environment in an irreversible manner, as is often pointed out particularly in recent times.

III

The fact that Industrialization almost inevitably accompanies many overstretching, as exemplified above indicates that the material affluence which industrialization brings incurs various costs that may sometimes be quite expensive.

Still, the attractiveness which people derive from material affluence is quite enormous, and that is obviously the basic reason why every country dares to strive for industrialization in spite of the costs and pains it inevitably entails.

Nevertheless, I venture to propose here that it may be unrealistic and unduly optimistic to suppose that every country will succeed in industrialization. Why, then, do they sometimes become highly optimistic in this regard, just as they did so immediately after the collapse of the communist economy?

The answer to this question is not difficult to detect. Many people seem to

believe that industrialization or market economy is nothing but moneymaking after all. Is there anybody in this connection who does not like moneymaking? The point, however, is that market economy is not just moneymaking; it is something more than that.

Now, putting aside the validity of my proposition, we cannot say in any sense that a country is superior because it succeeded in industrialization more quickly than some others. Why? Because industrialism is never a good, universal scale to judge the quality of culture or civilization.

IV

Having said all the above, let me point out that the “Asian miracle” in recent years is, nonetheless, a remarkable phenomenon. As pointed out before in section 2, developed countries have been a sheer minority in the whole world, biased in geographical terms as well as in skin color terms excepting Japan.

The “Asian miracle” means that a new group of countries is now beginning to join this minority. We can probably say from various circumstantial evidence that this tendency is genuine, not passing nor accidental.

This will require us to reconsider and rewrite many ‘common senses’ about history not only in terms of economics, but also in terms of politics, international relations and, perhaps, even philosophy.

What we would like sincerely to know is why this took place in Asia—particularly in East and Southeast Asia, and not in other parts of the world. There are many explanations of ‘chat over tea’ type that may or may not be true.

One point, however, is beyond doubt. The rapid progress in Asia, or at least its indications, is much older than the collapse of the communist economy. In other words, Asian countries had rather long periods of their own in which they somehow accumulated preconditions (prepared infrastructures) for the coming progress.

Nevertheless, it is true that the rapid progress of Asia is comparatively new. For instance, I remember that the word NIES (Newly Industrializing Economies; that is, Korea, Taiwan, Hong Kong and Singapore) or its predecessor NICS (Newly Industrializing Countries) was not existent in the mid 1970’s.

At the beginning of the 1980’s the word NICS was already widely used. However, ASEAN countries other than Singapore at that time rather gave us an impression of stagnation in contrast to NIES. It was only in the middle of 1980’s that Thailand, Malaysia and Indonesia started a surprising progress.

V

The collapse of the communist economy seems to have given a serious influence on the image of market economy itself. That is to say, that image is now too beautiful to be realistic.

Needless to say market economy has lots of defects and faults that must be corrected in some way. It is obviously because of this fact that many severe criticisms against market economy have so far appeared, including, above all, Marxian and communist critiques. "Exploitation," "overworking to death," "imperialistic invasion" and "environment disruption," which I touched upon in section 2 are typical examples of them.

When the communist economy collapsed, it was inevitable to some extent that people interpreted it as the complete victory of capitalism or market economy over communism and made little of the defects and faults of the "victor." It may be that they had the illusion that market economy is omnipotent and has no defects and faults at all.

Because these defects and faults are usually corrected by government regulation and intervention, people confused by this illusion went so far as to consider that regulation and intervention by government is quite useless. Such is exactly the case in Japan in recent years. I myself, however, have a personal judgement that this tendency may have now gone too much and too far.

One of the main defects and faults of market economy lies in the fact that it tends to promote the law of the jungle in which the stronger prey upon the weaker. Clearly, such a world is too cruel and too inhumane.

VI

Such a naked and straightforward logic of market economy lies at the heart of Anglo-American neoclassical economics, and it has been practically applied by IMF and World Bank in the form of 'shock therapy' and 'structural adjustment'. Their appraisal still remains to be seen.

The "Japanese management" is considerably different from this naked and straightforward logic. Basically, it aims at an alternative model of market economy. although the "Japanese management" has various aspects to be discussed, it is certain that it has the effect of considerably mitigating the nakedness and straightforwardness of the Anglo-American logic. It is sad for me that the "Japanese management" is now becoming almost a dirty word even in Japan itself, not only because of changes of fashion, but also because of a prolonged slump of the economy.