
Since the beginning of the 1990s, the East Asian approach to economic development has been a hot and controversial issue in the West. In 1994, Ernest Stern, then Managing Director of the World Bank, celebrated its spreading to other regions as a major catalyst for global economic growth. In 1997, however, Federal Reserve Board Chairman Alan Greenspan remarked that government-led economic system and mercantilism inevitably led to the recent East Asian crisis. What is impressive is the fact these Western observers have never seriously attempted to “understand” the East Asian approach: instead they tend to naively apply their traditional analytical framework to the East Asian realities. To put it differently, these arguments do not pay due attention to the emerging “alternative paths to the market” in East Asia.

In their work, the Ohnos outline the Japanese approach to economic development and systemic transition through introducing key literature written in the first half of the 1990s by Japanese scholars and practitioners. Like in Southeast Asia, a wide variety of views which are significantly different from the orthodoxy based on the Washington consensus have emerged in Japan. Unlike Southeast Asians, however, Japanese have failed to attract worldwide attention partly due to the lack of colourful advocates, such as Messrs. Lee Kuan Yew and Mahathir Mohamed. In addition, many of the key writings on this subject are in Japanese and have been inaccessible to foreign researchers. Under these circumstances, the Ohnos selected fourteen major pieces in the literature and translated them into English in order to “make them available to a wider, non-Japanese speaking audience for discussion and constructive criticism” (p. xiii). They are ideal editors for a first attempt of this kind, because of (1) their theoretical background of economics, (2) work experiences as economists at leading international institutions such as the International Monetary Fund and the World Bank, and (3) as advisers to transitional economies, in particular, Vietnam and Kyrgyz.

The fifteen chapters in this book include a very informative Overview written by Kenichi Ohno for this purpose, show a broad spectrum of the Japanese views in a well balanced manner, touching on history, anthropology, and political science in addition to economics. Although readers may find a couple of pieces rather disappointing in their quality, most of them including official reports prepared by governmental organizations at the least are “eye openers for those who have naively thought that the Japanese approach is simply to recommend industrial policy to any latecomer country” (p. xiii). The Ohnos also point out that the recent evolution of alternative strategies was initiated by the Japanese aid community who had been highly disappointed by the structural adjustment approach, which is based on the neoclassical orthodoxy, and had criticized it in the early 1990s.

Ohno’s Overview provides an insightful comparison between neoclassical and Japanese approaches; at the same time he does not miss the chance to emphasize that the two approaches “share many common ideas” (p. 3). There are four salient features: First, the highest priority for Japanese advisers is “the real economy and not the financial side” (p. 4) particularly under the adverse circumstances. According to him, most Japanese aid officials find the IMF Managing Director Michel Camdessus’s statement, stressing “hyperinflation must be stopped at all costs”, is narrow and unbalanced (p. 4). When the policy makers argued over how to stop the postwar inflation in Japan, “sacrificing production for the sake of inflation stabilization was out of question” (p. 5), in spite of diverse differences in positions among the opinion leaders (see chapter 3).

Second, the Japanese strategists emphasize “long-term targets” and visions which are supported by “concrete annual plans” (p. 5). According to this thinking, in 1996, Japanese advisers urged “Vietnamese policy makers to draw up a ‘blueprint’ for strengthening its market
economy and industrial base, listing specific target years and interim benchmarks” (p. 6). The report, prepared by a group of economists led by prominent development economist Shigeru Ishikawa, was submitted to the Vietnamese Government through the Japan International Cooperation Agency (JICA); a part of its executive summary constitutes Chapter 14 of this book.

Third, the Japanese approach stresses “pragmatic attitude towards market and government”, as the appropriate mix between the two “differs from one society to another, and also from one stage of development to another” (p. 6). It should be pointed out that various researches done by leading development economists including Shigeru Ishikawa (Chapter 6), Yonosuke Hara (Chapter 7), and Kenichi Ohno himself (Overview) form a theoretical background to this conviction. These scholars argue that underdevelopment of the market economy limits the effectiveness of IMF/World Bank led economic liberalization, as these international institutions tend to fail to recognize the fact that the strength and characteristics of the customary economy differs from one developing country to another (p. 87). Ishikawa and K. Ohno share the view that there are two types of market distortion, i.e. “innate” and “artificial” (p. 44). Needless to say, the orthodox economists do not pay due attention to the former. This is the reason, according to them, why the standard structural adjustment packages suffer from limited impact in initiating supply response. They draw an important policy implication, stressing the role of government in market building. Based on his empirical study on China, Ishikawa concludes “[L]iberalization of a dirigiste economy cannot be achieved solely by issuing new directives on institutional changes and reforms; it also requires additional policies and measures to create the market economy itself” (p. 117).

Japanese pragmatism is also reflected in the question about the single-minded commitment to a political regime, that is parliamentary democracy as a preconditon of economic development. In his article (Chapter 10), Yasusuke Murakami, a distinguished economic philosopher, advocates “developmentalism.” Fourth, Japanese advisers are essentially gradualists and accept “the fact that fostering a market economy requires patience. The time span that is appropriate for this endeavour is not years, but decades and generations” as “marketization is a total social process … and not just a technical problem to be solved by economic principles only” (p. 8). In other words, “the society cannot jump” to the market economy, contrary to Jeffrey Sachs’ expectation. The theoretical background of their gradualism is found in Stanford University Professor Masahiko Aoki’s well known research on comparative institutional analysis. In his article (Chapter 8), based on the discussion on fundamental issues of corporate governance in the transition economy, Aoki questions the effectiveness of “the mechanical application of the neoclassical model of stockholder sovereignty for corporate governance design in the transition” (p. 145) taking into account the social and institutional legacy. He explores instead the possibility of developing the “lead bank” system, which has “a long-term relationship with the enterprise” and “organizes a loan syndicate with many other banks” (p. 154).

These features of the Japanese approach to economic development and systemic transition are described by Toru Yanagihara as the “ingredients approach” in contrast to “framework approach” of the IMF and the World Bank highlighting “rules of the game according to which economic agents make decisions and take action” (p. 70). In contrast, the Japanese ingredients approach is to advise “like a coach who is eager to improve the skills of each player and design a winning strategy for the next game” (p. 308), referring to “tangible organizational units such as enterprises, official bureaus, and industrial projects” (p. 70). For the purpose of illustration, Yanagihara compares the World Bank’s World Bank Development Report 1991 with the OECF Occasional Paper No. 1, which was submitted by the Overseas Economic Cooperation Fund (OECD) of the Japanese Government to the annual consultation with the World Bank in the autumn of 1991, as the first clear voice of official dissent against the dominant structural adjustment approach. The OECF Occasional Paper, which is known as one of the...
most frequently quoted Japanese official documents, constitutes Chapter 3 of this book.

There is considerable concern about the effectiveness (or ineffectiveness) of the prescription proposed by the IMF and the World Bank, because of a series of setbacks in Sub-Saharan Africa, former USSR, and East Asian emerging markets. Under the circumstance, our major task is to enhance our stock of knowledge and art of understanding and tackling crucial agendas in the developing countries. The Ohnos make a notable contribution towards this task through illustrating rich and diverse paths to the market. It is hoped that developing countries and international institutions draw hints from their messages.

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In the 1950s and the 1960s, the Philippines had impressive economic growth coupled with political stability. However, since then, despite the presence of favourable attributes for successful economic development including “tremendous entrepreneurial talents, a well-educated and anglophone workforce, a rich endowment of natural resources, a vibrant community of economists and development specialists, and abundant overseas assistance”, the Philippine economy has generally displayed a very dismal economic performance. It registered very low and even negative rates of economic growth particularly during the 1980s when it posted a mere 0.9 per cent average growth rate. What went wrong? This is the central question of Hutchcroft’s book. Among the studies which attempt to explain why the Philippine economy has done badly, Professor Gerardo Sicat (a former government minister) commended the Task Force report of some professors at the University of the Philippines School of Economics [UPSE] and cited that it has become a major document, due to thoroughness of its coverage and the depth of the effort at quantifying claims, that has opened some interesting propositions that would in the future be debated.¹ In their analysis of the Philippine economic crisis, the UPSE report (1984) concluded that:

Different and often competing explanations have been put forward for the occurrence of the country’s economic debacle, among which, that (1) it was entirely or primarily due to external circumstances which were affecting all developing countries, and over which the present leadership [Marcos] had no control, (2) it was entirely or primarily due to mismanagement of the [Marcos] regime [which was generally too expansionary in its fiscal and monetary policy, and hence was a complete departure from a more conservative macroeconomic policy during the 1950s and the 1960s], and (3) it was entirely or primarily due to an unforeseen random event which was the [1983] assassination of Aquino [which affected the economy through the following channels: capital flight from the Philippines and waning investors’ confidence on the political and economic stability of the Philippines]. While there is some truth to each of these [factors], none of them is a sufficient explanation by itself.²

Hutchcroft’s argument is certainly one of the studies which helped to explain what went wrong in the Philippines. He asserts that a major source of obstacles to sustained development in the Philippines lies in the long-standing deficiencies in the Philippine political sphere particularly in terms of the relations between the state and dominant economic interests. He concluded that successful economic development in the Philippines has been constrained to a large extent by weaknesses in political development. His book is indeed an excellent evaluation of the significant role of booty capitalism in the development process of the Philippine economy as it relates to the politics of banking, a sector in which the Central Bank interacts with the powerful oligarchic extended families.

The first two chapters provide a very strong foundation of the theoretical framework and a broad overview of the evolution of relations