Peer Vries, Japan and in the debate on the Great Divergence

The debate on the Great Divergence is one the most interesting and in any case liveliest in global economic history. Up until now it has mainly concentrated on comparing North-western Europe, in particular Great Britain, as the first industrial nation, and China, the economy of which, according to Kenneth Pomeranz, showed ‘surprising resemblances’ to that of Great Britain at the eve of its industrial revolution. Japan in this debate up until now has only played a minor role, which is rather strange as it was the first and for a long time only non-Western economy that industrialized, was neither a small nor an irrelevant country in global politics and at the moment is one of the biggest, wealthiest and most productive economies in the world.

I will focus on the period from the Meiji Restoration in 1868 till 1937. All continuities notwithstanding, that Restoration in many respects was a fundamental break and the start of a new era. I will stop in 1937 as from then onwards Japan had a war economy operating according to quite different and exceptional logics. It is in the period between these two landmarks - many would say already by 1918 - that Japan has ‘taken off’. It is that take-off that I want to study and explain.

My talk will be about a chapter of my book on Japan and the Great Divergence debate and will discuss the role of the state in explaining why, how and to what extent Japan has come to know modern economic growth in those decades. As always in my work my approach will be comparative.

In my talk, I will focus on the role of the state, in my view the major explanation of why Japan made it, though certainly not the only one. In other chapters of my book I will discuss the idea that Japan industrialized in a specific East-Asian, labour-intensive way, an idea that I consider quite misleading and in several respects simply wrong; the role of empire and ghost acreage, which in Japan was negative rather than positive, and the idea that Japan may have had a peculiar kind of capitalism.

My thesis very strongly opposes what has long been mainstream economics and its claim that states should confine themselves to creating a level playing field for economic agents. It equally rejects the thesis by Acemoglu and Robinson about inclusive institutions as the if not sole main explanation of economic growth, a thesis that I consider to be historically indefensible. It also criticizes the many publications in which the state basically is ignored or only tangentially touched upon as is the case in the work of scholars like Frank, Pomeranz, Morris or Wong and Rosenthal, who like to emphasize factor endowments and geography.

There have been very extensive debates about the role of the state in the case of Japan’s industrialization with positions as different as considering it all-explaining, not explaining much, only creating a level playing field, an inclusive and thus growth promoting state, a or a state whose interventions and existence did more harm than good. In my view Japan’s state was fundamental to enabling and directing Japan’s economic transformation as it managed to continue to be sovereign and turn itself into a modern, centralized integrated polity, with a very powerful government in terms of political and ideological power, well-endowed with property and revenue, well-staffed when it comes to its bureaucracy, army and navy, explicitly developmental, in principle capitalist, heavily spending and investing in ‘development’, open but not too open for foreign goods, money, people, and ideas, systematically supporting knowledge transfer, and systematically pro-business.

I do see strong continuities with Tokugawa Japan but without the opening of the country and the institutional domestic changes associated with the Meiji Restoration, industrialization would have
been all but if not – as I personally tend to think - completely impossible.

I collected a substantial amount of statistical data - that I can send to those really interested - to underpin my theses. My chapter about this topic, almost a book on its own – 85,000 words of text and notes – is 95 per cent finished. In my talk, I will focus on the logic of my arguments and my position in the relevant debates.