



**WESTERN
MICHIGAN**
UNIVERSITY

The Journal of Sociology & Social Welfare

Volume 30

Issue 1 March - Special Issue on Institutional
En ethnography: Theory and Practice

Article 10

March 2003

Review of *Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation*, New York: Cambridge University Press, 2001. \$ 54.95 hardcover, \$ 19.95 papercover. Bai Gao. Reviewed by Christian Aspalter.

Christian Aspalter
University of Hong Kong

Follow this and additional works at: <https://scholarworks.wmich.edu/jssw>



Part of the Asian Studies Commons, International Economics Commons, and the Social Work Commons

Recommended Citation

Aspalter, Christian (2003) "Review of *Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation*, New York: Cambridge University Press, 2001. \$ 54.95 hardcover, \$ 19.95 papercover. Bai Gao. Reviewed by Christian Aspalter.," *The Journal of Sociology & Social Welfare*: Vol. 30 : Iss. 1 , Article 10.

Available at: <https://scholarworks.wmich.edu/jssw/vol30/iss1/10>

This Book Review is brought to you by the Western Michigan University School of Social Work. For more information, please contact wmu-scholarworks@wmich.edu.



**WESTERN
MICHIGAN**
UNIVERSITY

Book Reviews

Bai Gao, *Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation*, New York: Cambridge University Press, 2001. \$54.95 hardcover, \$19.95 papercover.

The question of how to achieve sustainable economic growth is one of the most interesting questions of our time. In this book, Bai Gao offers a very clear-cut set of explanation of the case of Japan. It stresses the importance of the institutional factors that contributed to the past success as well as the current problems facing its economy, which today is the world's third largest, after the United States and China. Gao discusses the reversion of the Japanese economy from prosperity to stagnation by examining institutional factors that have an effect on economic performance. Although his account relies on an explanation of historical trends, he does not rely exclusively on a purely historical method that highlights both the positive and negative aspects of Japan's growth. Instead, the author sets out to explain the absence of growth-impeding institutional rigidities in the high growth period and, thereafter, the structural, institutional dilemma that has caused subsequent stagnation in the Japanese economy. In this way, Gao avoids using different variables to explain different stages of economic development. In so doing, he arrives at an interesting and incisive explanation for the causal determinants of the current economic growth dilemma in Japan. He argues that the very institutions that helped Japan to achieve its economic growth 'miracle' were responsible for the subsequent stagnation of the economy.

After giving a vivid introduction to the problems facing Japan in the first chapter of the book, Gao discusses three major propositions in the next chapter. These propositions are first, whereas the Japanese economy could rely on the Bretton Woods system of fixed currency exchange rates and increased trade volumes among GATT member states before 1971, it subsequently had to deal with the negative consequences of the liberalization of international financial markets and America's objection to continued massive trade deficits with Japan. This created a new and challenging situation. Second, the same expansionary monetary

policy that in combination with a deflationary fiscal policy safeguarded economic growth in the 1950s and 1960s, led to over-lending by Japanese banks and financial speculations that fuelled the economic bubble of the 1980s. Third, the Japanese approach of guaranteeing total employment in the postwar period (which was the outcome of industrial protection) inhibited, over time, the vitality of economic restructuring and upgrading, and prevented the strengthening and maintenance of the international comparative advantages of the Japanese economy. This employment strategy enabled the government to avoid increased levels of welfare state expenditures; in other words, it avoided expansionary fiscal policy but had a negative economic impact.

The main body of the book is divided into six chapters. Chapter 3 follows the conceptual approach outlined in Chapter 2 by describing the period between the Great Depression and World War II, in which the foundations for a new set of postwar institutions and mechanisms of the Japanese economy were laid. The two guiding principles that emerged out of this period were coordination and stability. Chapters 4 and 5 deal with postwar economic development and the influence of these new fundamental policy principles on the government. The following two chapters analyze the shift from the expansion of trade and production to the expansion of the finance and monetary sectors as well as the shift from protective economic policies (including the total employment policy) to the release of market forces between the early 1970s and the late 1980s. Chapter 8 reveals that after the country's economic bubble burst, the persistence of the demand for stability in the first half of the 1990s and the sudden reversion of the institutional logic of coordination in 1996, contributed to a short-term liquidity trap and the development of economic conditions that can only bring about long-term economic stagnation.

The reader of this book will profit from the author's vast knowledge and his in-depth analysis of the Japanese economy. He also makes good use of the Japanese literature. The explanations given are valuable for students of economic growth in Asia and the world alike, since they enhance the findings of the static neo-classical approach in economics that is largely based on input-output tables and a smooth time logic, which cannot adequately represent reality to understand the workings that either generate

or hamper economic growth. With the exception of only a few streams in economic theory, economists ignore the importance of institutions and political processes. However, Gao provides a convincing explanation of the problems of economic growth.

However, it should be noted that Gao fails to discuss the relevance of mainstream economic growth theories (such as those of Simon Kuznets and Nicholas Kaldor) to the Japanese case. A more general discussion on the applicability of neoclassical economic thought to Japan would also have been beneficial. Nevertheless, this is an excellent book that deserves attention from economists, sociologists and social policy experts alike. Its account of the structural and institutional explanations for economic growth and stagnation are highly relevant to the world situation today.

Christian Aspalter
University of Hong Kong

Ann E. P. Dill, *Managing to Care: Case Management and Service System Reform*. Hawthorne, NY: Aldine de Gruyter, 2001. \$40.95 hardcover, \$20.95 papercover.

This book is a product of fifteen years of Ann Dill's various encounters—scholarly and personal—with case management. She carefully describes, analyzes, theorizes, synthesizes, and provides historical, institutional, and organizational contexts to case management. Dill, a sociology professor at Brown University, has been greatly influenced by sociologists Elinson, Colombotos, and Mechanic, each of whom have made significant contributions to our understanding of social services. This book provides a sociological and historical context for case management that is seldom considered or understood in case management practice books.

Dill demonstrates how case management began as a reform movement to improve coordination of care and better access to services. Over time, as a conservative ideology became more prominent, case management has become a tool to regulate costs, maximize efficiencies, rationalize service delivery, and ration service resources.

Dill is highly critical of case management practice, particularly as it has "come to absorb and reflect the organizational