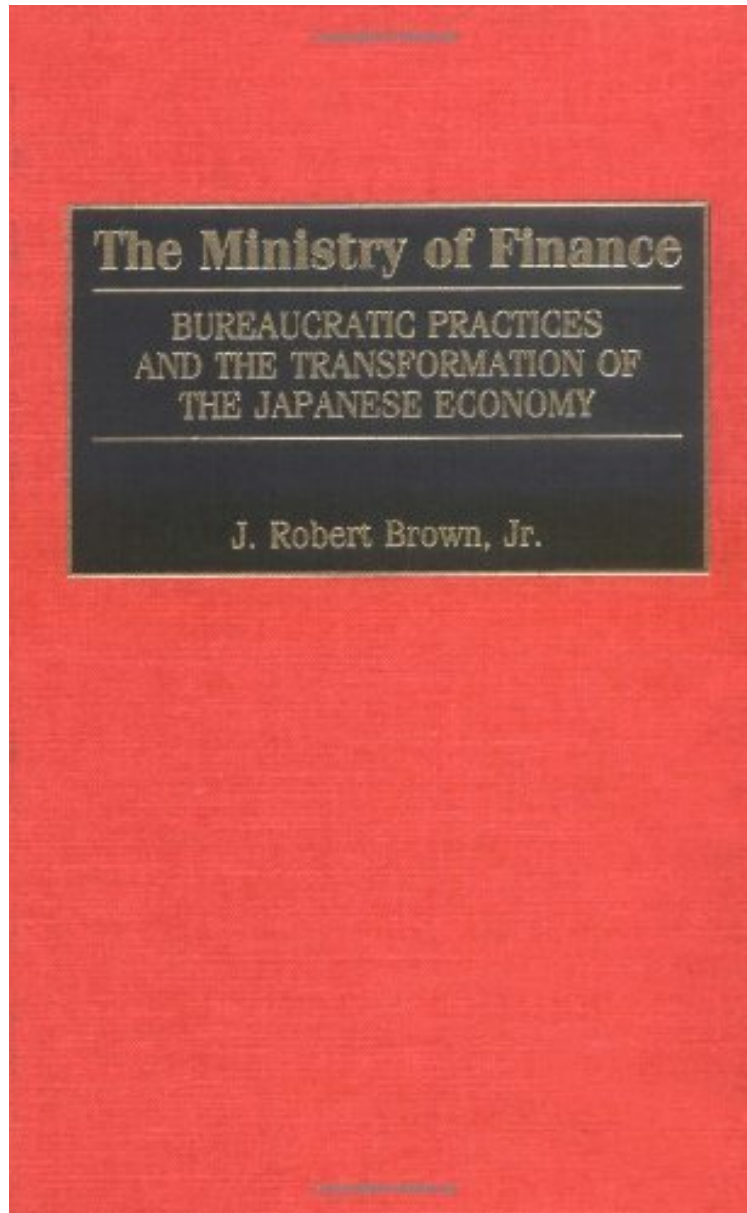


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# The Ministry of Finance: Bureaucratic Practices and the Transformation of the Japanese Economy

*J. Robert Brown*

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**J. Robert Brown : The Ministry of Finance: Bureaucratic Practices and the Transformation of the Japanese Economy** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Ministry of Finance: Bureaucratic Practices and the Transformation of the Japanese Economy:

3 of 3 people found the following review helpful. The Ministry of Finance: Bureaucratic Practices and the TranBy Alan GarberBook Review by Janet Hunter, Business HistoryThe role of the Japanese government, in particular that of the Ministry of International Trade and Industry (MITI), in shaping industrial policy and export success in Japan since World War Two has been much debated. In recent years, however, with evident failings in the operation of financial institutions, financial regulation and financial probity, it is the activities of the Japanese Ministry of Finance (MoF) that have come under scrutiny both inside and outside Japan. J. Robert Brown, Jr.'s book is the first English-language monograph to analyse the recent travails of Japan's Finance Ministry in the context of longer term developments. Brown describes how during the early post-war years the priorities set by economic recovery and capital shortages generated a system in which the MoF acted as the agent of stability and recovery. It acquired enormous domestic power from its control over the budget process, and an international reputation for its influence over financial markets, particularly in regulating the division between banking and securities business initiated under the Occupation. Its position was rooted in informal and personal links and information flow, as well as administrative guidance. Brown describes how the operation of the ministry itself, and its locus in broader decision-making structures, engendered risk aversion, and hindered initiative, innovation and leadership, but the advantages of the system ensured that it continued to operate with a degree of effectiveness as long as the economy grew rapidly. By the early 1970s, however, the original *raison d'être* of the banking-securities division was gone. The MoF accepted the need for financial reform, but less so the concomitant and inevitable reduction in its own influence. While the pressure for reform from outside Japan was considerable, the MoF was weak in the face of political pressure and vested interests, and progress was slow until the scandals of the 1980s brought the big securities companies into public disrepute. The MoF was likewise slow in coping promptly with the banking difficulties that followed the collapse of the Bubble economy in the late 1980s. Historical memories of 1920s banking crises led officials to conceal the real extent of the problems that existed, and resulted in constant attempts to play for time. Banks, like securities companies, were effective in manipulating political pressure, and not until 1995 was the first commercial bank permitted to fail. Incidents such as the Daiwa scandal in New York and the *jusen* (housing loan companies) losses further exposed the inadequacy of informal reporting, and the need for greater openness for effective regulation. In describing this course of events, Brown demonstrates a process of painful adjustment in which lessons have been learnt only slowly. He argues that the MoF is far from having overwhelming power, even over the budget, and that politicians have not hesitated to overrule MoF officials when it has been in their constituency or party interest to do so. As such, the ongoing reform of both the financial sector and the MoF itself has a political dimension. Brown concludes, however, that the resolution of the bureaucracy's role must rest with the bureaucracy itself. Japan should, moreover, think carefully before going down the path of any explicitly US model, or breaking up or excessively weakening the MoF. Brown has written a readable and accessible book, informative for both non-specialist and specialist, for both practitioner and academic. Based on extensive interviews with MoF officials, politicians and private sector financial institution employees, as well as on written sources, it has a refreshing 'down to earth' quality about it. Unlike many works on contemporary Japan, it locates the current problems in a longer term perspective, and as such will be a useful source of reference for business historians. Despite its high price it is likely to be better used than many more learned volumes, and should be welcomed as a valuable addition to the literature. Copyright 2000 Information Access Company, a Thomson Corporation Company; ASAP Copyright 2000 Frank Cass Company Ltd. Business History

Japan's economy, once the envy of the world, has recently experienced a period of malaise and stagnation. This is due in part to over-regulation and resistance to change within the Japanese bureaucracy. Many argue that this bureaucracy must be replaced with a system similar to that in the United States, involving ruthless competition, fluid job markets unhindered by notions of lifetime employment, tolerance of business failures, and the elevation of conflict over consensus in economic decision making. The author argues that not only will the bureaucracy, in the form of the Ministry of Finance, retain its position, it will also evolve to be more consistent with the transformed economic system allowing the Japanese economy to recover and retain its important role in the global economy. The book details the history of the Ministry of Finance and Japan's financial markets since World War II. It describes the economic crisis in Asia and Japan's attempts to transform its bureaucracy to better compete in the global arena. Economists, business practitioners, trade specialists, and anyone interested in Japan's role in the world economy will find this lucid and detailed book an invaluable resource.

"This study will be valuable to a broad range of readers. While those new to Japan's postwar financial system will find a clear explanation of how it has worked and evolved over the past forty or fifty years, specialists will learn new details."-Enterprise Society  
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About the Author  
J. ROBERT BROWN, JR. is a

Professor of Law at the University of Denver College of Law. Before joining the faculty, he practiced law in Washington, DC in both private practice and with the Securities and Exchange Commission. He has written a number of books and articles on the financial markets of Japan and the states of the former Soviet Union.