

Contents

Foreword by <i>Frannie A. Léautier</i>	vi
Authors' Contact Information	viii
Acknowledgments	x
Glossary	xi
1 Introduction	1
<i>Tsutomu Shibata</i>	
2 Japan's Development and Growth Process	11
<i>Hideaki Miyajima</i>	
3 The Competitiveness of Japanese Industries and Firms	35
<i>Hiroataka Takeuchi</i>	
4 Elements of a New Economic and Institutional Regime for an Advanced Knowledge Economy	49
<i>Tatsuji Hayakawa</i>	
5 Information Infrastructure	67
<i>Risaburo Nezu</i>	
6 The IT Revolution's Implications for the Japanese Economy	89
<i>Kazuyuki Motohashi</i>	
7 Education, Training, and Human Resources: Meeting Skill Requirements	105
<i>Akiyoshi Yonezawa and Reiko Kosugi</i>	
8 National Innovation System: Reforms to Promote Science-Based Industries	127
<i>Hiroyuki Odagiri</i>	
9 Moving Toward a More Advanced Knowledge Economy: Lessons and Implications	147
<i>Tsutomu Shibata</i>	

Figures

1.1. World Export Share of Manufactures (Japan and U.S.)	2
1.2. Japan's Trade Specialization Index (vis-à-vis the U.S.)	2
1.3. Japan's Trade Specialization Index (vis-à-vis East Asia and Pacific)	3
1.4. Market Penetration in the Car Market: Sales of U.S. Brands and Japanese Brands in the U.S. and Japan	4
1.5. Japan, Normalization Group: All	9
1.6. United States, Normalization Group: All	9
2.1. GDP per Worker: Growth Rate and in Comparison to Frontier	12
2.2. Investment Ratio in the 20th Century (percent of GDP)	14
2.3. Corporate Performance in 20th Century Japan	18
3.1. Japanese Business Environment: Diamond Framework	41
3.2. SECI Process of Knowledge Spiral	46

- 4.1. Growth and Inflation, 1970–2003 50
- 4.2. The Unemployment Rate, 1983–2004 55
- 5.1. Comparison of Prices Between Dial-Up and ADSL 72
- 5.2. Semiconductor Share in the World Market 79
- 6.1. IT Investment as a Percentage of Nominal GDP,
Japan and United States, 1980–2000 90
- 6.2. Organizational Change and IT Adoption 96
- 6.3. Organizational IQ of Japanese Firms Relative to U.S. Firms 99
- 7.1. Expenditure to Tertiary Education Institutions as Percentage
of GDP and Share of Household Expenditure in Tertiary
Education Expenditure in OECD Countries 109
- 7.2. Salary Increase of Master Course Graduates 117
- 7.3. Share of Education and Training Cost in Total Personnel Cost 120
- 7.4. Human Resource Management Policies of Japanese Enterprises 121
- 8.1. Trend of Innovation Activity in Japan, 1952–2002 128
- 8.2. Trends in R&D/GDP (%) and Technology Export/Import Ratio 129

Tables

- 2.1. Composition of GDE Growth, 1956–95 (percent annually) 13
- 2.2. Features by Period 13
- 2.3. Contributors to GDP Growth Rates, 1960–97 (percent annually) 15
- 2.4. International Comparison of Major Indicators 22
- 2.5. Labor Productivity and Wage Cost (1973–80) 23
- 3.1. The Activist Japanese Government Model 37
- 3.2. Basic Patterns for Creating Knowledge 45
- 3.3. The SECI Spiral 46
- 4.1. Where Japan Stands in 2005 51
- 4.2. Funding Patterns, Level of Claims Data (percentage distribution) 52
- 4.3. Stock Market and Banking System 52
- 4.4. Japanese Financial System Structure, End-March 2003 53
- 4.5. Incidence of Long-Term (12 Months and Over) Unemployment Rate 55
- 4.6. Labor Force Participation Rate 58
- 4.7. Exports, Imports, and FDI, 1999–2003 61
- 5.1. Japan's *Sogo-Denki*, by Revenue, 2004 (in billions of yen) 81
- 5.2. The Value Chain 82
- 6.1. IT's Contribution to Growth in Japan and the United States,
1973–2003 (percent annually) 91
- 6.2. Distribution of IT Expenditure by Industry, Japan, 2000 (percent) 93
- 6.3. Effect of Information Network Use on TFP Growth, Japan, 1997–2000
(percent annually) 94
- 6.4. U.S. Firms versus Japanese Firms 98
- 7.1. Institutions and Students in Higher Education, Japan (2004) 107
- 7.2. The Percentage of Students Receiving Masters Degrees
Who Got Full-Time Jobs First Exceeded the Percentage
for Those Receiving Undergraduate Degrees in 1999 110
- 7.3. Employment Status of Young Workers (20–24-Year-Olds) in Japan 118

- 7.4. Early Job Leave of University Graduates (within three years) 121
- 8.1. International Comparison of Innovation Activities:
1991 (Upper Row) and 2001 (Lower Row) 131
- 8.2. Number of University Students 134

Boxes

- 1.1. Competitiveness Rankings 3
- 2.1. An Industrial Policy Success: Machine Tools 20
- 5.1. Telecom Terminology 68
- 5.2. Mobile Telecom Providers in Japan 69
- 5.3. ADSL, ISDN and Other Telecom Acronyms 72
- 5.4. ISDN: An Almost Forgotten Story 73
- 6.1. Modular Architecture 101
- 7.1. Quality Control: Knowledge Created and
Shared for Product Improvement 114
- 7.2. Employment Practices and Occupational
Capacity Development 115
- 7.3. General Implications for Developing Countries 124
- 8.1. Responses to Market Opportunities 132
- 8.2. R&D Activities of Ministries 137