

PLANNING SYSTEM IN MODERN JAPAN

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Abstract

The article defines the role of planning in countries with a developed market system — in particular, Japan. Modern types and methods of planning at the state macro-level are revealed, the importance of indicative plans and solving tasks defining strategically important directions of economic, social, and environmental development is emphasized. The diversity and effectiveness of policy plans at the micro-level of enterprises is also noted. In conclusion, the author emphasizes the importance of Federal Law No. 172-FZ «On Strategic Planning in the Russian Federation» for the socio-economic development of our country.

Keywords

Planning, transformation, scenario planning, digital tools.

THE ROLE OF STATE PLANNING IN JAPAN

In developed market economies, such as the USA, Japan, France, Great Britain, «free markets» face active state intervention. The state acts as a market entity that arranges and defines the key areas of its social and economic development, thus laying the foundation for a mixed economy system. This makes it possible to use the advanced structure of centralized state planning at the indicative (national, sectoral, regional and target planning) and directive levels (state budgeting and planning under state ownership). For instance, in the US the military sector (\$766 billion in 2022), the telecommunication industry and transportation, as well as healthcare (753 billion dollars in 2022) account for a big share of the state budget. This provides strategic incentives for the industries development.

Centralized strategic state plans lay the foundation for mandatory planning in the private corporate sector. Companies, focusing on the national goals and objectives put forward by the government, shape their own corporate level plans.

And Japan particularly stands out in planning. In this state, economic plans are the core of medium and long-term economic policy, which ensured high development and the «economic miracle» in the post-war period. The experience of Japan was used by South Korea, China and the newly industrialized countries of Southeast Asia and Latin America.

Table 1 shows the development of Japan's national planning and the implementation of major national plans.

Table 1

National planning in Japan and the implementation of major national plans

Plan and timing actions	Goals	Average annual growth in real terms, % (planned and actual)			
		Industry		Economy (GDP)	
		Plan	Actual	Plan	Actual
Five-Year Plan for Economic Self-Sufficiency (1956-1960)	Achieving economic independence, ensuring full employment	7.4	15.6	5.0	8.7
New long-term economic plan (1958-1962)	Maximizing economic growth, improving living standards, full employment	8.2	13.5	6.5	9.9
Plan to double the national income Ikeda plan (1961-1970)	Maximizing economic growth, improving living standards, full employment	10.5	13.8	7.2	10.7

Medium Term Economic Plan (1964-1968)	Elimination of disproportions in development	9.9	13.6	8.1	10.6
Plan to double the national income Ikeda plan (1961-1970)	Achieving balanced and sustainable economic and social development	10.2	13.2	8.2	10.2
Medium Term Economic Plan (1964-1968)	Creating favorable environment for the life of the nation through balanced and sustainable economic growth	12.4	3.6	10.6	5.9
Economic and Social Development Plan (1967-1971)	Improving the wellbeing of the nation, expanding international cooperation	10.0*1	2.1*1	9.4*1	4.2*1
New plan for economic and social development (1970-1975)	Sustainable development of the economy and ensuring the sound life of the nation	-	6.9*2	6.0*2	5.7*2
Underlying economic and social plan (1973-1978)	Incremental transition to stable growth, better living standards, higher contribution to the development of the international economic community	5.6*3	5.2*3	5.7*3	5.2*3
Economic plan for the second half of the 1970s (1976-1980)	Ensuring full employment, stabilizing prices and foreign trade balance amid corresponding growth. Implementation of administrative and financial reform	-	-	4.0*4	3.8*4
New seven-year economic and social plan (1979-1985)	Stimulation of domestic demand and reduction of large balance of payments surplus, progress towards the world's highest standard of living, province balanced development	-	-	3.75*5	4.8*5
Economic and Social Prospects and Objectives for the 1980s (1983-1990)	Significant improvement in living standards	-	-	3.5	0.1
New economic plan (1988-1992)	Implementation of a fundamental reform of the economic and social structure of the state	-	-	3.0	1.1
Five-Year Plan to Build a Wellbeing Power (1992-1996)	Significant improvement in living standards	-	-	3.5	0.1
Economic and Social Structural Reform Plan (1996-2000)	Implementation of a fundamental reform of the economic and social structure of the state	-	-	3.0	1.1
Medium-term plan for structural reform of economic and fiscal policies (2001-2004)	Caused by the reorganization of central ministries and agencies. The goal is to create an ideal society. Revival of the economy	-	-	2.0	1.4
Plan to fight stagnation (2004-2008rr.)	Fighting the decline in growth	-	-	3.1	1.2
Anti-crisis plan (2008-2012)	Measures to overcome the global financial and economic crisis	-	-	3.4	-1.9
Abe's «Three Arrows Plan» to revive economic growth (2013-2018)	Measures to promote economic development	-	-	4.0	1.2 3.2*
Major Economic and Financial Management Policy and Reform (2022-2025) Kishida Program				2.0	

Source: 2000 «nen-no rodo» // Japan today. 1993. №2, p. 3

The analysis of the plans proves their high efficiency up to 1992. The most famous plan - «Plan to double the national income» (Plan of Ikeda, 1961) was designed for 10 years, however, was successfully implemented in 2.5 years. The plan ensured a significant increase in Japan's GDP, marked the beginning of an economic «boom» and triggered great enthusiasm in Japanese society. The task of promoting the state to the ranks of high developed states became a reality.

The state economic plan in Japan is a vision of the national future development, sets the prospects and goals of the state's economic policy and determines economic growth based on a specific picture of the future of the Japanese economic society.

The Japanese government, in particular, the Office of the Deputy Minister of Economy, Trade and Industry, is responsible for forecasting the social and economic development of the state. Prior to 2001, Japan used to have the Economic Planning Office, an advisory committee for planning at the government of Japan, which developed nationwide plans for economic and social development, coordinating them with major large businesses - Keidanren, Nikkeiren and Keizai Doyukai. Now the Council for Economic and Fiscal Policy plays an important role in defining the prospects for the social and economic development of the state. It actually operates as a «control tower» in Japanese central planning.

REASONS FOR TRANSFORMING STATE SOCIAL AND ECONOMIC PLANNING

In the late 20th and early 21st centuries, Japan's economic development slowed down. Turbulence and uncertainty in the economic and geopolitical environment bolstered the impact of market mechanisms and competition. The role of the private sector as an economic entity increased and complicated the efficiency of state planning. Japanese planning system required a serious transformation, as well as improved forms and methods. Some economic circles even discussed the concept of «decline» of nationwide planning as such. In his paper «Philosophy and Progress» K. Maekawa notes that in 2001 there was a decision to give up working out economic plans in Japan.

In Japan, the period of deceleration coincided with reforms to ease the centralized regulation of the national economy. The proponents of monetary policy (ignoring the regulatory role of the state and relying on self-regulation of the market) and the supporters of neo-Keynesianism (emphasizing the importance of state regulation, especially in times of serious economic difficulties) entered into debate in Japan. To a particular extent, heated debate paralyzed the effective measures of the Japanese government to boost the national economic growth, suspended the development of a single effective blueprint for its stabilization and

advancement.

Causes of the financial and economic crisis in Japan in the 1990s:

1. Japan's signing the Plaza Accord caused a depreciation of the dollar against the yen (September 1985, New York). It reduced the international competitiveness of Japanese goods, but at the same time made foreign assets cheaper for Japanese companies. Competition with foreign banks intensified. The Bank of Japan cut interest rates from 5% in 1985 down to 2.5% by early 1987. The country faced financial deregulation and weaker monetary role of the Bank of Japan.

2. The rapid, speculative surge in prices for land and real estate. The Imperial Palace of Japan was valued more than whole France, and a tiny piece of land in Tokyo's Ginza quarter, about the size of a 10,000 yen bill, was worth more than this banknote.

3. The bad faith of Japanese banks, which were actively involved in speculative transactions, deliberately accumulated bad debts and used overpriced land and real estate as collateral for bank loans. Later it turned out that during this period there were corrupt deals involving the Japanese mafia «yakuza» and top executives of the largest banks and brokerage companies. Banks provided unchecked lending to Japanese firms and individuals who purchased real estate, thus increasing the «paper value» of land assets. This created a vicious circle - the land was used as collateral for extra loans, which were then used to speculate on the stock market or buy more land. This setting caused higher paper value of land, while banks continued lending based on revalued land as collateral.

4. Severely «overheated» stock market, speculative multiple growth in the stock market valuations.

5. Bad timing for reforms in Japan, coinciding with the onset of the crisis. The development of entrepreneurship and the easing of state regulation and control measures, as well as attempts to introduce liberal principles into the economic policy of the government and strengthen self-regulation of the market, while in a crisis, centralized state regulation and control can bring about the most desirable effect.

At the end of 1990, Japan's economic growth came to a halt. It was followed by a wave of corporate bankruptcies, including the Jusen Home Loan Corporation. Then the major banks were forced into mergers to consolidate their growing bad loans. This «black streak» continued until around 2000 or 2001, when the banks were bailed out by the Japanese government with taxpayers' money.

After strong double-digit economic growth, the 1990s, with their low and negative GDP growth figures, became Japan's «lost decade», which is vivid when analyzing the country's GDP share in the world gross product and the decline in its global market share.

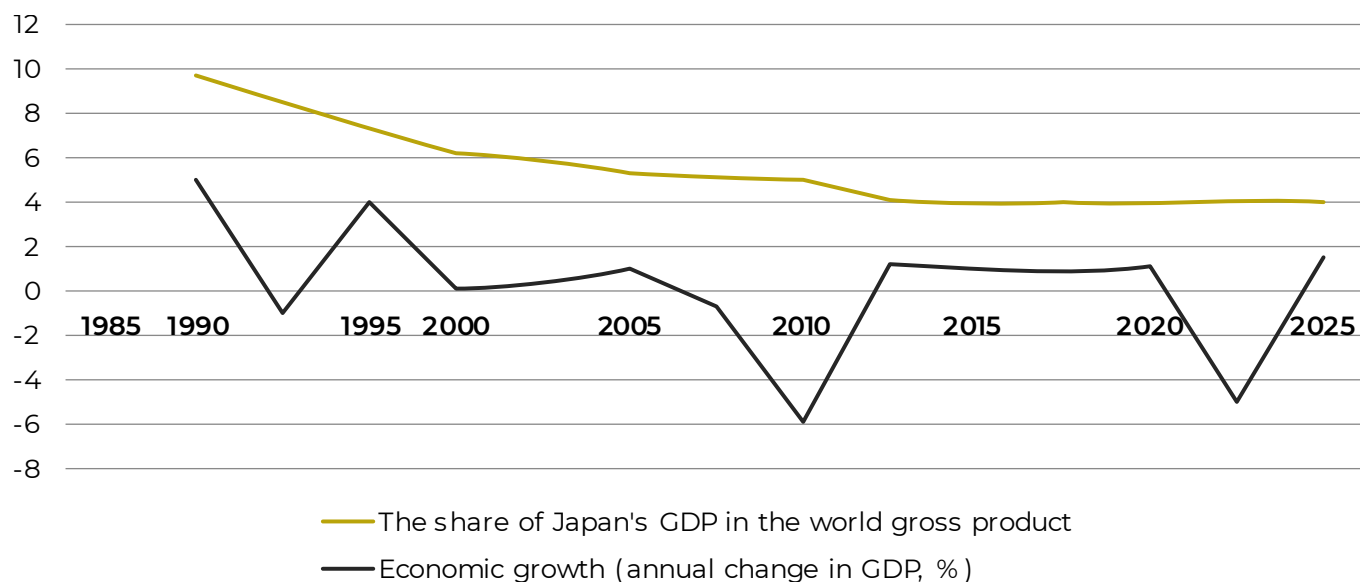


Figure 1. Japan's GDP growth and its share in the world, (1990-2021)

Source: 2000 «nen-no rodo» // Japan today. 1993. №2, p. 17

Table 2

Japan's annual GDP growth and its share in the world (2011-2021)

Year	The economic growth (annual change in GDP, %)	The share of Japan's GDP in the world gross product
1990	4,89	8,95
1991	3,41	9,05
1992	0,85	8,19
1993	-0,52	7,99
1994	0,99	7,84
1995	2,74	7,77
1996	3,1	7,72
1997	1,08	7,49
1998	-1,13	7,22
1999	-0,25	6,96
2000	2,78	6,82
2001	0,41	6,69
2002	0,12	6,51

2003	1,53	6,39
2004	2,21	6,17
2006	1,42	5,76
2007	1,65	5,55
2008	-1,09	5,34
2009	-5,42	5,07
2010	4,19	5,02
2011	-0,12	4,81
2012	1,50	4,73
2013	2,00	4,67
2014	0,38	4,53
2015	1,22	4,44
2016	0,61	4,32
2017	1,93	4,25
2018	0,81	4,14
2019	0,98	4,05
2020	-4,62	4,1
2021	1,66	4,0

Source: 2000 «nen-no rodo» // Japan today. 1993. №2, p. 17

Subsequently, other factors reducing Japan's economic growth and keeping it at a practically zero level emerged, including: the Asian crisis of 1998; the global financial and economic crisis of 2008-2010; significant public debt exceeding the country's GDP by more than 2.5 times at the moment; low domestic demand, uncertainty and turbulence in the external business and geopolitical environment; strengthening and significant rise of China; accident at the Fukushima nuclear power plant, etc. All these factors had a negative impact on the efficiency of state planning.

Over the past thirty years of stagnation, Japan has gained considerable experience in building anti-crisis restructuring plans: the medium-term plan for structural reform and economic and fiscal policy

(2001-2004), the plan to overcome stagnation (2004-2008), the anti-crisis plan (2008-2012), the plan to boost economic growth by S. Abe - the «Plan of three arrows» (2013-2018). And currently the country is in dire need not so much of technological solutions and advanced planning methodology, but of an optimal model of social and economic growth.

Attempts to take government measures to bring Japan out of stagnation are stipulated in government forecasts by S. Abe and F. Kishida. During his first tenure prime minister of Japan S. Abe (2006-2007) proposed measures to boost the country's economic growth, however, they brought no results. In his second term as prime minister (2012-2020), he made a new attempt and initiated an economic reform program to revive the Japanese economy, further named «Abenomics».

The proposed measures included the restructuring plan dubbed the «three arrows». Its objective was to bring the country out of the economic crisis and regain Japan's economic power. The plan was released in 2012 and was supposed to implement three main strategies: large-scale monetary stimulus, flexible fiscal policy, structural reform to boost labor productivity (growth strategy).

In particular, large-scale monetary stimulus was supposed to tackle long-term deflation, which exacerbated economic stagnation. The Bank of Japan was to double the money supply to enable financial institutions and credit organizations to cut lending interest rates. This measure would have promoted economic recovery and created new demand for goods and services, which, in turn, should have triggered a subsequent rise in prices.

As part of a flexible fiscal policy (a flexible approach to budget expenditures), government was planned to invest up to \$200 billion in real economy notwithstanding a significant state budget deficit. Structural reform to boost labor productivity was focused on supporting the private sector - by reducing income taxes, reviewing labor and migration laws and through other measures.

The implementation of S. Abe's «three arrows» plan went relatively well at first. Thus, in the first half of 2013, the Japanese economy saw 4% growth. The unemployment rate decreased from 6.9% to 3.7% by July 2014. In April 2014 in the context of fiscal consolidation, the Japanese government raised the consumption tax from 5% to 8%. However, the Japanese economy again faced stagnation at (-0.5%) - (0.5%), and the main goals were not achieved. Moreover, the situation was exacerbated by the COVID-19 pandemic.

At present, Japan has launched the implementation of the Major Policy of Economic and Financial Management and Reform (2022-2025), presented by the cabinet of F. Kishida. It implies an average annual GDP growth of 2% for the Japanese economy. On the surface this figure gives rise to a direct analogy with the medium-term plan for structural reform, economic and fiscal policy (2001-2004), which also implied 2% average

annual GDP growth. However, they differ in their essence: if the plan of 2001 gave a real toolkit to ensure this reading, then F. Kishida's plan defines it only as desirable. Thus, twenty years later, the forecast plans of Japan's economic growth not only remain the same, but also have reduced the likelihood of achieving the specified figure.

The Japanese government over the past decades has failed to propose an effective strategic model for the development of the state. It is confirmed by close-to-zero growth and the failure to ensure the planned reading.

METHODS AND DIRECTIONS OF STATE PLANNING IN JAPAN

In the 2000s, the government of Japan and its economic circles faced the challenge to facilitate national planning amid uncertainty and turbulence on the global market, as well as the crisis in Japan itself. The response was the assigned task to reform national planning and ensure its adaptation to the new challenges of the world economic system.

In this regard, Japanese planning is increasingly becoming a strategic forecast, with the least number of figures and doesn't contain specific policies, measures and resources to achieve these figures. The plan defines the main trajectory of country's development, focusing on the major goals. At present, Japan's national strategic plan is not a long-term but a medium-term one, with a planning horizon of no more than 4-5 years.

Strategic planning involves working out a set of economic and social strategies for the development of the state. It ensures their integration and harmonization, gives a general action plan, identifies priorities and resources to achieve the major goal, focuses, first of all, on foreseeing future changes in the external environment, and defines the fundamentals of the country's strategic resistance.

The backbone of national planning in Japan is the principle of flexibility and adaptability to changing external and internal environment. In times of turbulence, this approach becomes increasingly important. The flexibility of Japanese economic planning is secured by using reserves, the so-called «rainy day funds», when allocating the resources for the implementation of plans. Apart from that, it is possible to revise the plan and make amendments.

This principle implies not only the multivariance of the plans developed, but also scenario planning, i.e. several ready-made plans for different scenarios in the global environment. Scenario planning is constantly being improved and is driven by artificial intelligence tools along with digital platforms and technologies. With serious changes in the development of the country, it allows not only to adapt, but instantly resort to one of the plans worked out in advance. There is an opportunity

to secure the national economy through emergency solutions, to set new objectives, to take urgent measures.

Japan is consistently developing new technologies for drawing up anti-crisis plans. In addition, it is supplemented by regular consultations with experts and staff of key ministries, agencies and research centers. Modern national planning in Japan focuses on social security and environmental protection. These measures are added by plans for the development of the western regions of Japan, the most important areas of the national economy.

Over the recent years, Japan has reduced the timing of planning periods, increased the complexity of plans (to take into account as many indicators as possible) and their consistency (to avoid inconsistency with the general system of state forecasting), improved the balance of plans (goals — resources, etc.); increased the types of plans, their flexibility and adaptability.

Using indicative centralized national plans Japanese companies develop directive corporate plans (management, business, and marketing plans), which are highly effective. They are focused on ESG issues.

Recently, the efficiency of plans at the national level in Japan has been declining. However, the search for an optimal model of the country's social and economic development and the improvement of planning will yield positive results and ensure economic growth.

INDICATIVE STATE PLANNING IN RUSSIA

For a long time after the market transformations of the 1990s the Russian Federation was characterized by denying the role of state regulation of the market. It was believed to be typical only of the command-and-control state system.

At the same time, companies and enterprises sought to plan their activities. This approach was complicated by the unsustainable development of the country, the lack of stability in the international business environment and the incompetence of some workers. Therefore, plans were only feasible for a short-term period (3-6 months).

Over time, the development of business in our country required corporate planning. It gave rise to business plans, which were approved by the top management of companies. At the same time, company's development plans (management plan) were often confused with business plans.

What is the difference between them? Business plans justify external borrowing for opening, reforming businesses and implementing projects. They explain the need to raise funds and justify the efficiency of the project. Management plans are current, strategic, anti-crisis plans for the development of the company, which set the management tasks for intra-corporate growth.

At present, Russia faces a need to develop strategic plans for companies, and above all, for major state-owned enterprises. There is also an objective to create a system of strategic planning at the state level. It is also necessary to shape a national strategy for the development of Russia, define financial, economic, and social priorities, develop strategic and medium-term plans.

In 2014, for the first time since perestroika the Russian government announced the need for five-year plans for social and economic development. They are capable to give impetus to the growth of the most vital areas and industries in the economy.

On June 28, 2014, Russia passed Federal Law No. 172-FZ «On strategic planning in the Russian Federation». It establishes the legal framework for strategic planning in Russia, coordinates state and municipal strategic management and budgetary policy, assigns the powers of federal state authorities, state authorities of Russian regions, local governance and their interaction with public, scientific, and other organizations in strategic planning. The law governs the relations arising between the participants of strategic planning.

Russia is also implementing target programs: on health care reform, pension benefits, assistance to small and medium-sized enterprises, assistance to young families, development of the Far Eastern Federal District and so on.

Our country has already witnessed attempts to work out national anti-crisis plans, for instance, the Gref Plan. In October 2015, the anti-crisis «Shuvalov Plan» was released which, however, mainly implied a revision of the budget, a year after it was completed only by 63% and completely revised later on.

Today Russia attaches great importance to long-term (mainly until 2030) strategies for the development of state-owned enterprises such as Rosneft, Gazprom, Russian Railways etc. At the moment our state is implementing a ten-year energy plan of Russia, the energy strategy for the period up to 2030, the strategy of space activities, the strategy of maritime activities and others. The content and quality of the strategies of national champions play a huge role in the advancement of the Russian economy both now and for the future.

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