

## Information Technology and Japanese Economic Slump

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## Information Technology and Japanese Economic Slump

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### [Abstract]

Since 1950s, Japan had been performing one the most excellent economic prosperity in the world and sometimes threatened the United States, especially in the 1980s. On the contrary, the Japanese economy has seen the competitiveness erode over the last decade. As is well known, in the 1990s, the Japanese economy was worsening in marked contrast to the improving U.S. economy. In fact, it is often said that the 1990s were the “lost decade” in Japan because of the long economic slump in the wake of the bursting bubble of the late 1980s, while the U.S. economy experienced the longest expansion ever, which ex-president William Clinton called the “soundest decade.” All that is in sharp contrast to the economic outlook of both countries in the 1980s. It seems that the respective economic conditions of the 1990s have completely reversed from those of the 1980s.

Contemporaneously, the world witnessed innovative information technology prevailing globally in the 1990s. Fifteen years ago, there were few computers in schools and homes, and even in offices; little was known about the Internet in general. Now computers are ubiquitous, not only in the office, but also in schools, restaurants, hospitals and homes. In addition, more than 170 million host computers connect with each other via the Internet all over the world. This great change is sometimes referred to as the “information revolution.” Alfred Chandler, a professor of business history at Harvard University, asserted that the U.S. economy underwent “the transformation from the Industrial [Age] into Information Age in the last decades of the twentieth century.”

The salient question here is why and how Japan failed to reap the benefits of innovation in information technology. It used to be considered that Japan was quite good at managing technological improvement on which it had achieved its marvelous economic prosperity since the 1950s. To consider the economic prosperity in the midst of information revolution, it seems essential to re-examine Japan’s experience of the “lost decade.” How did it succeed in technological improvement in the matured industrial age and how has it failed in this emerging information age?

My presentation is intended to address these questions. As a beginning, the macro-economic performance of Japan is reviewed in comparison with that of the United States, focusing on investment in information technology. Then, comparative analysis of two different types of technological change, *i.e.* “learning by doing” and “innovation”, is conducted in the context of strength and weakness of the Japanese economic system.