
Preface	<i>C. Fred Bergsten</i>	xi
Introduction		1
1	The Japanese Economy: Past and Future	3
	Japan's Pre-1986 Economic Performance in Comparative Perspective	3
	Developments in 1986–87	7
	Prospects for the Future	12
	Domestic Demand–Based Growth	16
2	The Changing Pattern of International Specialization and Industrial Policy	23
	Changes in Japanese Trade Patterns	23
	Shifts in Japan's Comparative Advantage	27
	Industrial Policy in Japan	35
	Prospective Changes in International Specialization	42
3	Trade Policy	49
	Formal Barriers to Imports	49
	Informal Barriers to Imports	56
	Japan's International Trade Position	62
	Conclusion	72

4	Saving Behavior	77
	Japanese Saving in Comparative Perspective	77
	Personal Saving Behavior	84
	Business Saving Behavior	96
	Government Saving Behavior	98
	Policy Recommendations	100
	Conclusion	108
5	Investment Behavior	111
	Determinants of the Level of Investment	112
	Foreign Direct Investment	118
	Cyclical Variation in Investment Activity	125
	Policy Recommendations	129
	Conclusion	132
6	The Interaction of Domestic and International Macroeconomic Forces	135
	The Interaction of Macroeconomic Aggregates	135
	The Exchange Rate and the Japanese Trade Balance	141
	Recent Monetary and Fiscal Policy	147
	Macroeconomic Policy and the Current Account	149
	Conclusion	154
7	International Leadership	157
	Defense Issues	158
	Financial Assistance to Developing Countries	166
	Conclusion	173
8	Conclusions and Policy Recommendations	177
	Policy Dilemmas for Japan	177
	Policy Recommendations	178
	Japan's International Leadership Role	181
	Conclusion	187
	APPENDICES	191
	A The Estimation of Comparative Advantage	193
	B Informal Barriers to Imports	215
	C Explaining International Differences in Imports	239
	D The Interaction of Macroeconomic Forces	255