

Confidence in the Socialist Path: A Comparative Analysis of Economic Development in China and Japan After World War II

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Abstract: “Confidence in the socialist path” is the primary aspect of the “Four-Sphere Confidence” proposed by the current General Secretary of China, representing confidence in the nation’s development trajectory and its future destiny. This paper analyzes the economic development of China and Japan since the end of World War II in 1945 from the perspective of confidence in the socialist path, providing a comprehensive comparison of the policies and outcomes of the two countries’ economic progress. By examining Japan’s economic development across various post-World War II periods and comparing it with the achievements of China’s economic construction, this study aims to deepen the understanding of China’s confidence in the socialist path.

Keywords: Confidence in the socialist path; Comparative analysis; Economy

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1. Introduction

The concept of “confidence in the socialist path” was first introduced by the former General Secretary on behalf of the 17th CPC Central Committee during the 18th National Congress of the Communist Party of China. In the report titled “Unswervingly Advance Along the Road of Socialism with Chinese Characteristics and Strive to Complete the Building of a Moderately Prosperous Society in All Respects”, confidence in the path was identified as a guiding principle for China’s development ^[1]. On July 1, 2016, the current General Secretary reiterated this principle during the celebration of the 95th anniversary of the founding of the Communist Party of China. He emphasized that Chinese Communists must “stay true to their original aspiration and continue to move forward” by adhering to the “Four Confidences,” which include confidence in the path, theory, system, and culture of socialism with Chinese characteristics ^[2].

The current General Secretary further stated that “confidence in the path is an objective truth that has been repeatedly proven in modern history.” It serves as the fundamental guarantee for the Party to lead the people to successive victories and for the Chinese nation to achieve prosperity and ensure a happy life for its people. Confidence in the path reflects a commitment to the direction of development and the nation’s future destiny. Firm confidence in the path entails unwavering adherence to the path of socialism with Chinese characteristics, as it is the sole way to achieve socialist modernization.

Following Japan’s unconditional surrender in World War II, both China and Japan experienced the profound impacts of the conflict. Japan’s economy transitioned from devastation to prosperity, ultimately becoming a developed nation and maintaining its position as the world’s second-largest economy for nearly 60 years. The economic transformation of Japan warrants thorough study. However, in 2010, China officially surpassed Japan to become the world’s second-largest economy. China’s economic policies and development model serve as evidence of the correctness of its chosen path.

A comparative analysis of the economic development histories of China and Japan not only provides an opportunity to reflect on historical lessons and avoid flawed economic policies but also offers valuable insights for shaping future economic strategies.

2. Japan’s post-war economic development phase

After the end of the Second World War, Japan experienced four distinct economic periods: the Post-War Recovery (1945–1955), the Period of High Economic Growth (1955–1972), the Period of Stable Growth (1973–1990), and the Period of Bubble Economic Collapse (1990–2005)^[3]. Each of these periods was characterized by specific economic policies and unique features. This section will analyze the economic policies implemented during each period and compare them with China’s economic strategies during similar historical stages. The analysis aims to clarify the economic development trajectories of both countries.

Through this comparative analysis, it becomes evident that China adopted different economic strategies at analogous stages of development. These strategies have not only promoted rapid economic growth in China but have also, in some aspects, helped the country avoid challenges that Japan once encountered.

3. The dilemma of post-war recovery

After World War II, Japan’s economy was in dire straits. Industrial production had stagnated, infrastructure was severely damaged, and people’s lives were marked by significant hardship. However, it was in this predicament that Japan began its economic reconstruction. The government at the time implemented a series of emergency measures, primarily land reform, dissolution of the *Zaibatsu* (financial clique), and the cultivation of labor unions^[4,5]. These reforms are collectively referred to as the “three democratic economic reforms.”

The first was land reform, which dismantled the feudal land system that had existed before the war. This reform abolished the landlord system and promoted a more equitable distribution of land. As a result, a significant number of farmers gained land ownership, which improved agricultural productivity and laid the foundation for Japan’s initial post-war economic recovery.

Second, the government dissolved the *Zaibatsu* to weaken the monopolies held by large corporations prior to the war^[6]. Before World War II, Japan had four major *Zaibatsu* that exercised overwhelming economic and political influence. Their involvement in politics and their significant role in launching the war underscored the

need to prevent similar concentrations of power in the future. Consequently, the government divided the *Zaibatsu* into hundreds of small and medium-sized enterprises, effectively ending their dominance.

Finally, the government encouraged and supported the establishment of labor unions to protect workers' rights and enhance labor productivity. Together, these reforms facilitated Japan's initial economic recovery and created a foundation for subsequent economic policies.

American assistance also played a crucial role during this period by providing Japan with the financial and technical support necessary for reconstruction. Additionally, the Japanese government placed significant emphasis on education and technological innovation, which laid the groundwork for the country's subsequent rapid economic growth^[7]. Despite immense challenges, the Japanese people demonstrated remarkable perseverance and actively contributed to the reconstruction efforts. The business community also adjusted its strategies, focusing on the production of daily necessities to meet domestic demand while gradually resuming international trade.

During this period, both China and Japan experienced a baby boom in their populations. This demographic growth occurred because the Second World War had significantly reduced the population, and rebuilding national strength depended heavily on human capital. It is evident that China and Japan shared similar policies aimed at restoring national strength. However, while Japan began its economic recovery immediately after the war, China faced additional setbacks. Following the devastation of World War II, China endured the War of Liberation, a civil conflict that delayed economic reconstruction for three years. It was not until the founding of the People's Republic of China in 1949 that economic development began in earnest. As a result, compared to Japan, China's economic recovery was delayed by nearly five years.

3.1. Period of high economic growth

In order to quickly recover its economy, the Japanese government adopted a series of active economic policies, including the formulation of economic development plans, support for key industries, and encouragement of exports. These policies laid the foundation for Japan's rapid economic recovery. The country then entered a period of high economic growth, with its gross domestic product (GDP) increasing rapidly at a rate of 10% per year. This period was divided into four distinct phases in Japan: the "Shenwu boom," the "Ito boom," the "Ishinaki boom," and the "Olympic boom." Each phase had its own unique economic characteristics and sources of growth.

During the "Shenwu boom" period, Japan's economy grew rapidly from the post-war ruins, largely due to the "special demand" orders created by the Korean War, which stimulated the development of Japan's heavy industry and manufacturing sectors. The "Ito boom" marked the expansion of domestic demand in the Japanese economy. The manufacturing industry developed significantly, and the popularization of durable consumer goods, such as televisions and refrigerators, further promoted economic growth. The "Ishinaki boom" saw continued growth in Japan's economy, although at a slower rate. During this phase, the government focused on the adjustment and upgrading of the economic structure. Finally, the "Olympic boom" period, driven by the 1964 Tokyo Olympic Games, marked another leap in Japan's economy^[8]. These economic policies and developments collectively constituted Japan's period of high economic growth.

During this phase, Japan's industrial production made significant strides, particularly in the automobile and electronics manufacturing sectors, becoming a major force driving economic growth. Japanese companies began emerging on the global market, with their products gaining international recognition for high quality and

innovative design. At the same time, the Japanese government focused on infrastructure development, including the construction of highways and the Shinkansen, which greatly enhanced the circulation and efficiency of the economy. Additionally, Japan's financial system was improved, providing stable financial support for sustained economic growth.

During the same period, China, facing a series of political movements, experienced a challenging environment for economic development. As a result, China's economic development lagged behind Japan, and the economic gap between the two countries gradually widened.

3.2. Period of stable growth

During this period of economic growth, Japan's economy continued to grow steadily, although at a slower pace than before. The Japanese government began to focus on the optimization and upgrading of the economic structure, as well as improving environmental protection and quality of life. Japan's industrial production continued to grow, particularly in the automotive and electronics manufacturing sectors, which not only dominated the domestic market but also became highly competitive in the international market. At the same time, Japanese companies began to place more emphasis on research and development, as well as innovation, to maintain their leading position in the global market.

During this period, Japan's financial system was further improved, and the capital market was developed, facilitating the financing and expansion of enterprises^[9]. The social security system was also strengthened, providing more comprehensive welfare protection for the Japanese people. Additionally, the Japanese government pushed for changes in energy policy to address the growing energy crisis and environmental pollution problems.

However, the stable growth period also faced some challenges, such as an aging population and a gradually tightening labor market, which put new pressure on Japan's economic growth. Nevertheless, Japan's economy still maintained relatively stable growth during this period, laying a solid foundation for subsequent economic transformation and responses to crises.

In contrast, during the same period, China was in the early stages of reform and opening up, with its economic system beginning to shift from a planned economy to a market economy. During this time, China implemented a series of economic reform measures, including the dissolution of agricultural collectivization, the reform of state-owned enterprises, and the implementation of the opening-up policy, which greatly stimulated market vitality and the creativity of the population. With the introduction of foreign capital and the expansion of foreign trade, China's economic structure began to change, and the light industry and service sectors gradually became the new driving forces behind economic growth^[10]. However, compared to Japan, China's level of industrialization and per capita income remained relatively low, and the issue of unbalanced and inadequate economic development continued to be a prominent problem. Despite these challenges, China's rapid economic growth laid the foundation for further deepening of reforms and opening up, and the economic gap between China and Japan during this period began to narrow.

3.3. Period of bubble economic collapse

In the late 1980s, Japan's economy experienced an unprecedented boom, known as the "bubble economy." During this period, Japan's stock market and real estate market expanded sharply due to loose monetary policy and overly optimistic market expectations. At one point, real estate prices in Tokyo even exceeded the total value of all of California. However, this irrational boom could not be sustained. In 1990, the bubble economy

finally burst, causing stock markets and real estate prices to plummet, and many businesses and individuals went bankrupt^[11].

The collapse of the bubble economy had a profound impact on Japan's financial system and the psyche of its people. Banks, which had been heavily invested in inflated assets, faced massive non-performing loans. The government was forced to intervene, implementing a series of rescue packages and reforms to stabilize the financial sector. Despite these efforts, the economy entered a long period of stagnation, often referred to as the "Lost Decade" (失われた10年), during which growth was minimal, and deflationary pressures persisted. This era was marked by a significant shift in societal values, with a greater emphasis on financial prudence and risk aversion. The lessons from this period continue to influence Japan's economic policies and corporate strategies to this day^[12].

The economic disaster had a profound impact on Japan, often referred to as the "Two Lost Decades." During this period, Japan's economy almost stagnated, with an average annual growth rate close to zero. Deflation became the norm, and prices continued to fall. Young people faced a tough job market, unemployment remained high, and companies struggled with a lack of innovation and declining competitiveness^[13]. Despite various stimulus measures, including massive public investment and loose monetary policies, these efforts failed to invigorate the economy, which remained in a prolonged slump. However, the Japanese government expressed concern that the "Two Lost Decades" had gradually evolved into the "Three Lost Decades" and questioned whether it could extend into the "Four Lost Decades"^[14-16].

During the same period in China, Chinese communist leader Deng Xiaoping delivered the famous "Speech" from the South, which marked the beginning of China's reform and opening up^[17-19]. China's economic development entered an accelerated phase, which was strikingly similar to Japan's high economic growth period at the time^[20,21].

4. Conclusion

By reviewing the four stages of Japan's post-war development and conducting a comparative analysis of China's development during the same periods, it becomes evident that both Japan and China began rebuilding in 1945, starting from a weak economic foundation. However, due to domestic political unrest and social instability, China's economic development struggled to achieve stable growth for an extended period. In contrast, Japan was able to maintain the stability and sustainability of its economic construction at all historical stages, with its initial achievements significantly surpassing those of China. Although China faced numerous challenges in catching up with Japan, after decades of persistent efforts, China's economy has become the world's second-largest. The difficulties behind this achievement are undeniable, and the resulting successes instill a sense of national pride.

Currently, China's economy continues to maintain rapid growth momentum. For instance, during the global COVID-19 pandemic in 2019, China, despite having a large population, was relatively less affected by the epidemic. This phenomenon fully validates the correctness of China's path in economic construction, providing ample reason to be confident in its progress.

Objectively assessing the economic situations of China and Japan, it is clear that while China has made remarkable strides in terms of economic aggregate, significant gaps remain in per capita income, scientific and technological innovation, and environmental protection compared to Japan and other developed nations. As a major economic power, Japan still offers valuable lessons. While confidence is important, it should not lead

to complacency or blind optimism. Instead, a clear mind is necessary to rationally assess both strengths and weaknesses. Therefore, while adhering to its own development path, China must actively absorb and incorporate advanced international experiences to foster high-quality economic development. Additionally, China should continue deepening reforms, expanding openness, and promoting the optimization and upgrading of its domestic economic structure through international cooperation and competition to achieve sustainable growth. Only in this way can China play a greater role on the world stage and contribute more significantly to the advancement of human society.

Disclosure statement

The author declares no conflict of interest.

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