Will Japan Change?

By Peter K. Frost

Is Japan once again changing? Unlike 1868, when the newly empowered Meiji emperor moved to Tokyo to preside over a series of dramatic changes that became more generally known as the Meiji Restoration, or 1945, when the Allied Occupation allied with relatively progressive Japanese to create a new constitution and institute a set of major reforms, Japan has yet to see a truly dramatic leader or many public protests. Yet a less dramatic series of political, economic, and social developments, combined with the shocking March 2011 double blow of a 9.0 earthquake and forty-five foot tsunami, raises a question: Is Japan currently in the midst of a third major transformation?

Economic Issues

For some time now, Japanese voters have been upset by the collapse of what had been called Japan’s “economic miracle.” As most forcefully—if controversially—explained by Chalmers Johnson and refined a bit by Steven Vogel, Japan’s once-praised “developmental state” linked the deeply entrenched, pro-business Liberal Democratic Party (LDP), an elite bureaucracy armed with considerable regulatory power, and large banks that gave long-term loans to export-oriented companies. These in turn combined close ties with their subsidiary firms and dealers into groups of affiliated companies known as keiretsu, most of which promised permanent employment to an elite male workforce in return for loyal and dedicated work. Add to this a “second budget” of capital from the postal savings system and what was known as amakudari (literally “descent from heaven,” or the practice of companies hiring retiring bureaucrats who had once supervised them), and you have a tight-knit economic system. Particularly useful when Japan was trying to modernize its economy, all this encouraged annual GNP growth of 9 to 10 percent per year up to the oil crisis of 1973 and a relatively respectable 3 to 5 percent growth thereafter. In the process, Japan quickly became the second-largest GNP in the world. It also built highly successful export industries in areas such as electronics and cars that amassed huge trade surpluses.

Under pressure from the US and other trading partners to do something about these huge trade surpluses, Japan's Ministry of Finance agreed in the 1985 Plaza Agreement to boost the value of the yen, increase the money supply, and fund substantial public works; these reforms would lessen the trade deficits by increasing both the value of the yen and domestic spending. As prices—including stock shares—rose, banks made risky loans that were only secured by overinflated real estate, and stock prices rose. Perhaps inevitably, shortly after the death of the Shōwa emperor (more informally known as Hirohito) in 1989, a bubble-popping 1990 stock market crash cut the value of stock holdings in half, and many bank loans could not be repaid. Japan was now in a major recession.

While economists differ on whether the government made the right response, most seem to think that stimulus packages were too small and that financial regulators were too unwilling to force banks to write off bad loans. Economists also generally agree that the 1997 government decision to increase the consumption tax to offset a ballooning debt was a bad idea. Similarly, LDP Prime Minister Hashimoto Ryūtarō’s 1995 so-called “Big Bang” set of financial regulatory reforms that have been criticized as too modest. Most of these were not put into law until 2001; even then, they were so technical that they did not have the explosive impact that their name implied.4

More government reforms were tried during the 2001–2006 tenure of Prime Minister Koizumi Junichiro. This charismatic LDP leader insisted that Japan needed to adapt to contemporary times by liberalizing its economy. In 2000, Koizumi got the Diet (Parliament) to pass bills breaking up and privatizing the pork-laden highway corporation. A year later, he called a special election designed to defeat the most stubborn of his own party’s holdouts. Koizumi then got another bill passed that partially privatized the postal services. More importantly, the bill changed the postal savings system that the government used to fund its pet projects. Since then, however, vested interests, the bureaucracy’s desire to keep its privileges, and the general public’s worry about the impact of economic liberalization, particularly in rural areas, have watered down some of these bills.5

The private sector has changed faster. Carlos Ghosn, for example, was hired in 1999 by Nissan Motors to restore the company’s fortunes. Ghosn is a Brazilian who was born in 1954 to Lebanese parents. After successes with Michelin tires and the Renault auto company, Nissan made Ghosn their CEO. While his willingness to lay off workers, close plants, and sell off prestigious assets—things foreigners find easier to do than Japanese—was upsetting, Ghosn’s ability to turn an ailing car company into a profitable one quickly made him extremely popular.6

Another milestone came in 2000, when the Japanese government allowed the debt-ridden Long Term Credit Bank to be sold to American investors. Although the Japanese were hardly eager to sell such an important asset to a little-known foreign investment fund, they recognized the need for the bank to get rid of its bad loans and learn modern international banking practices. Working with internationally-educated Japanese, the new owners

---

Footnotes:

1. Add to this a “second budget” of capital from the postal savings system and what was known as amakudari (literally “descent from heaven,” or the practice of companies hiring retiring bureaucrats who had once supervised them), and you have a tight-knit economic system.
2. Particularly useful when Japan was trying to modernize its economy, all this encouraged annual GNP growth of 9 to 10 percent per year up to the oil crisis of 1973 and a relatively respectable 3 to 5 percent growth thereafter.
3. In the process, Japan quickly became the second-largest GNP in the world. It also built highly successful export industries in areas such as electronics and cars that amassed huge trade surpluses.
4. Economists also generally agree that the 1997 government decision to increase the consumption tax to offset a ballooning debt was a bad idea.
5. More government reforms were tried during the 2001–2006 tenure of Prime Minister Koizumi Junichiro. This charismatic LDP leader insisted that Japan needed to adapt to contemporary times by liberalizing its economy.
6. Carlos Ghosn, for example, was hired in 1999 by Nissan Motors to restore the company’s fortunes.
quickly turned the renamed Shinsei (New Life) Bank into an award-winning and profitable enterprise. Add to this the appointment of British-born Howard Stringer to head the prestigious Sony electronics firm, and it was clear that foreign managers, as well as Japanese, were being brought in to bring greater flexibility, more creativity, and merit-based pay systems to Japan’s traditional business culture.

Yet Japan’s overall economic record remains tepid, despite numerous stimulus packages. A predicted 2011 Gross Domestic Product growth of 1.3 percent, even before the March 2011 storm damage has been fully calculated, is disappointing. The national debt has risen to more than twice the GNP. The unemployment rate has been rising to a shocking—for Japanese—level of over 5 percent, while many Japanese are employed in “non-regular” jobs that lack both benefits and long-term job security, and even college graduates are having trouble finding work. Worse yet, the nation, which likes to think of itself as overwhelmingly middle class, has had to face up to the fact that one out of every six Japanese actually lives in poverty. The New York Times reported that Japanese were particularly upset when they realized that this was close to the poverty rate in the United States, “whose glaring social inequalities have long been viewed with scorn and pity here.”

Yet another devastating blow came in March 2011 when the double-barreled earthquake and tsunami devastated an important segment of Japan’s nuclear power-generated facilities, caused a radiation scare, killed at least 15,000 Japanese, and created well over US $200 billion in damages. Adding to the tragedy was a perhaps inevitably bumbling response by the government and a clear conviction that safety problems with Japan’s nuclear plants had been either overlooked or covered up by the regulators. As China moved past Japan to become the second-biggest economy in the world, and demands for change accelerated, the obvious question was, would Japan be able to respond?

Social Issues
A long series of disturbing social events also raised concerns about Japan’s need to reform. In 1995, followers of the bizarre Aum Shinrikyo religious cult released poison gas during the morning rush hour at a busy subway junction, killing twelve and injuring perhaps as many as 5,000. As bad as this incident was, Japanese were disturbed both by the poor police work and by the fact that some Aum Shinrikyo scientists were graduates of elite universities who should have known better.

Other problems have been less violent yet equally troubling. For some time, Japanese have been worried by such phenomena as youngsters who refuse to go to school; increases in school jijime (bullying); “compensated dates” where young schoolgirls went out—and often slept with—older men in return for expensive material gifts; “parasite singles”—men and women who turned for expensive material gifts; “parasite singles”—men and women who lived with their parents rather than having a dedicated career and/or marriage; furita—a mangled English-German loan word given to youth who either by desire or, in many cases by necessity, worked only periodically in low-paying jobs; and otaku (often translated as “computer nerds”) who were better at staying on the Internet than in face-to-face social situations. In a startling and admittedly controversial book, Michael Zilenziger argues that there are a large number of hikikomori, basically men who hide in their rooms, and that this reflects a larger protest against a stifling Japanese society. “Half the people don’t know how bad things are,” he claims a Japanese journalist told him. “The rest are in denial.”

Japanese also have to worry about their country’s rapidly changing population. As explained in a fascinating book edited by Marcus Rebick and Ayumi Takenaka, three-generation families have dropped from 18 percent of all households in 1975 to 10 percent in 2002, while the average number of household members has shrunk from five in 1950 to 2.5 in 2004. Particularly startling in the allegedly group-oriented Japanese society, the number of single-member households has risen to 23 percent of all households. Since the average age of couples getting married and the numbers of women who choose not to get married are also rising, the birth rate has dropped from 4.7 in 1947 to 1.3 percent in 2004. This decline has led to an increase in the percentage of the elderly from 5 percent in 1950 to 20 percent in 2005, and, adds David Arase, a projected 30 percent by 2030. As the ratio of workers to retirees keeps shrinking, the Japanese are deeply concerned about how a slow-growing economy with relatively few workers will be able to provide for Japan’s increasingly aging population. Will older Japanese who worked so hard to rebuild Japan be able to get the pensions and quality medical care that they so richly deserve? Concerns of this sort led the Japanese to take a hard look at their once-admired educational system.

As China moved past Japan to become the second-biggest economy in the world, and demands for change accelerated, the obvious question was, would Japan be able to respond?

Educational Issues
Japanese K-12 education has long been dominated by the need to prepare for very factual entrance examinations to high school and college. This led to students who were forced to memorize trivia that, as Thomas Rohlen’s classic work put it, “few American high school students would even want to attempt answering.” The general public has long complained about the strains caused by these exams, and yet they have also felt that the precise, objectively graded questions might be the fairest way to judge who was entitled to enter the most elite colleges and hence be assured of a successful career. A traditional stress on effort, as opposed to raw ability, may also have made the tests seem more attractive—particularly to those who passed them and now staff the educational bureaucracies—that the popular term “examination hell” might suggest.

As the economy stagnated, however, educators began to worry that the emphasis on rote memorization might kill off the creativity that Japan needed to compete in a constantly changing and increasingly globalized economy. In 1979, the Ministry of Education (after 2001 called the Ministry of Education, Culture, Sports, Science and Technology, or MEXT), instituted a so-called kyōtsū ichiji shaken (common test), a screening device that students had to pass before they could take the more rigorous national university exams. This policy was designed to eliminate students who had no chance of passing the more rigorous tests given by the universities themselves, but it in turn was criticized for being overly petty and unimaginative. In response, new tests in 1990 and 1997 were offered in an increasing number of subjects so that universities might have more choice in what subjects they would like their applicants to be tested. Private universities were also allowed to use the test.

As this did not seem to have much effect, MEXT also implemented other policies designed to make schooling more stimulating and less burdensome in 2002. Japan’s half-day schooling on Saturdays finally ended, and a new curriculum was designed that allowed high school students greater course choice. A series of interdisciplinary “Integrated Courses” were proposed that were designed to encourage elementary and middle school students “to think about his/her future plans and to design his/her curriculum accordingly.” While the rhetoric was no doubt ahead of the reality, school stress was now being attacked at both the high school curriculum and college entrance exam level.

Attempts were even made to make universities better. Regulations enacted in 2004 turned the national universities into “independent agencies” whose staff were no longer civil servants and hence no longer guaranteed permanent employment. Now national universities had more say over how they allotted funds, hired faculty, and organized courses that would meet new
By 2009, voters were so fed up with the government’s inability to get Japan’s economy growing again that they soundly defeated the LDP and elected a relatively new party, the Democratic Party of Japan (DPJ).

Reactions to these reform attempts have been mixed. Given that the most prestigious national universities are still the oldest, cheapest, and most likely to enable their graduates to get good jobs, most families have generally continued to enroll their children in juku (cram schools) and ask them to study long hours in traditional exam-oriented preparation. A few private universities, while more expensive, are also prestigious enough to make entrance a difficult task requiring lots of study. The decline in the numbers of young people, on the other hand, is decreasing the applicant pool to the point where there may soon be a college space for every applicant who wishes a college experience. This trend has already forced relatively less prestigious universities, even without MEXT prodding, to develop markedly simpler entrance examinations, promote supplementary entrance criteria, and even construct ways of skipping the mind-numbing entrance examinations altogether. Concerns about youth problems and education may also help explain why some Japanese want to create a greater sense of nationalism. At least since 1982, various conservative academics, like-minded Diet members, and educational officials have waged what British Japan specialist Caroline Rose has described as Japan’s “third textbook offensive.” Their aim has been to revise or write new textbooks that would downplay such controversial and Japan-bashing subjects as Japan’s colonial expansion, the Nanjing Massacre, and the fate of the World War II “Comfort Women” who were forced to have sex with Japanese soldiers. These efforts are closely allied with the 1999 requirement that schools respect the national flag and the anthem and a more recently published guide urging greater emphasis on moral education. They have also inspired periodic pushes to revise both the allegedly too individualistic 1947 Fundamental Law of Education and the “Article Nine” clause in the 1947 Japanese Constitution that limits Japan’s military to a relatively modest Self Defense Force. While strong opposition from liberal educators and sharp criticism from Japan’s neighbors have so far kept advocates of conservative educational revisions pretty much in check, the debate over how vigorously Japanese students should be taught to love their country, like the so-called “Culture Wars” in the United States, rages on.

Politics

Traditionally, Japan’s postwar political system was dominated by a conservative coalition known as the Liberal Democratic Party (LDP). Operating under a parliamentary system first established in the Meiji Constitution of 1890, but then substantially amended in the American-influenced 1947 Constitution, the LDP combined disproportionately powerful rural votes with a pro-business, pro-American set of policies heavily seasoned with “pork” handouts that were politically useful. Commentators talked of an “iron triangle” of LDP politicians who controlled the Diet, powerful bureaucrats, and business leaders—yet they also had to admit that the LDP party was able to meet voter concerns for high economic growth, national security, and environmental improvements. Periodic corruption scandals and controversial visits by several prime ministers, including Koizumi Junichiro, to the Yasukuni Shinto Shrine for the war dead were mostly excused, as long as it seemed that the LDP was at least better than the opposition.

As concerns mounted, some progress was made. In 1994, for example, Japan’s electoral system was changed from multi-member districts electing 500 Diet members—voters chose one candidate, but several might get seats in the Diet—to 300 single-member districts and an additional 180 members elected by proportional representation. The system was not entirely fair as some districts required more than twice as many votes to be elected as others. Efforts were made to limit the practice of amakudari—private businesses hiring retiring bureaucrats—and giving the public access to official documents. Even Japan’s once relatively docile press began more investigative reporting.

Yet by 2009, voters were so fed up with the government’s inability to get Japan’s economy growing again that they soundly defeated the LDP and elected a relatively new party, the Democratic Party of Japan (DPJ). In contrast to the LDP’s traditional political gerontocracy, almost half of the DPJ candidates in the 2009 elections were under forty-six years of age. Their slogan, seikatsu daiichi (“Your daily life comes first”), reflected what The Economist called the Japanese voters’ “anxiety about their own living standards, and their sense that things around them which they thought of as ‘fundamentally Japanese’ were falling apart.” The DPJ’s ambitious political platform included cutting carbon emissions, lowering gas taxes and highway tolls, upping the minimum wage, reducing small business tax burdens, helping to pay subsidies for families with children less than fifteen years of age, providing both better health care and improved pensions for the elderly, and moving unpopular American military bases in Okinawa.

 Voters liked the message; in the all-important Lower House election, two thirds of the LDP candidates lost their jobs, and their numbers shrunk to 140, while the broad coalition led by the DPJ rose to 318. If calculated in percentage terms, the LDP’s share of the popular vote dropped roughly 13 percent to about 38 percent of the total, while the DPJ coalition went up from over 10 percent to over 48 percent of the total. Flushed with victory, DPJ party head Hatoyama Yukio formed a new government.

Unfortunately, the DPJ got into trouble almost immediately. Prime Minister Hatoyama was quickly weakened by his poor leadership skills, his
association with Ozawa Ichiro, a long time wheeler-dealer, and by his own money-raising scandals. In May 2010, he had to apologize to Okinawa residents and then resign for not living up to his promise to move the noisy and unpopular American Marine base at Futenma. No sooner had he resigned than his successor, Naoto Kan, had to beat back a serious challenge from Ozawa; shortly after, in July, the DPJ did badly in the Upper House election and could no longer be sure that its bills would pass. Then came strong doubts that the DPJ was competent enough to face the appalling damage from the March 2011 earthquake and tsunami. By August 30, 2011, Yosihiko Noda had replaced Naoto Kan as the sixth prime minister in five years. Noda promptly had to fire his trade minister for allegedly joking with reporters about the nuclear radiation tragedy.

Conclusion

So will the Japanese be able to respond to these significant changes? Even assuming stable political leadership, slow growth in other industrial nations, combined with Japan’s quite large national debt and the expenses of rebuilding the nation after the March storm, will hurt the economy and thus limit the nation’s ability to fund domestic reforms without some sort of unpopular tax increase. Similarly, the rise of a more aggressive China, combined with North Korea’s erratic behavior, will also make it hard for Japan to move too far away from the traditional American alliance. More abstractly, while most Japanese are worried about their future, they are also conscious that Japan is much better off now than it was in the immediate postwar years. The older generations, in particular, are proud of what the nation has accomplished and seem hesitant to support too radical a set of reforms. A 5 percent unemployment rate is upset, they admit, but it is less than that of the US. Why institute a lot of potentially dangerous changes, they say; when life is not too bad as it is?

Yet change appears likely. No longer are Japan’s bureaucrats so powerful; in the wake of well-publicized bureaucratic mistakes and, in some cases, corruption, politicians are asserting control of policy formation. The legal system is changing. Citizen groups are being formed to lobby politicians, government officials, and businesses on the important issues of the day. The media is demanding more information on controversial issues, and as a result, is becoming more confrontational. The unusually startling demographic developments, new educational developments, and an increasingly innovative business culture are taking hold, and there is some evidence that young Japanese have been inspired to help rebuild their ravished nation.

Even though Japan’s leaders face difficulties and have made mistakes, argues Temple University historian Jeff Kingston, Japan’s only not the desire but also the ability to change. Fortunately, Japan is a highly educated country with a trained workforce and a good health care system. Unlike the US, its national debt is largely held by domestic institutions. It has first-class companies poised to profit from the rise of Indian and Chinese markets. The March tragedy has galvanized the nation to rebuild. Most of all, Japan has a history of changing when it needs to. While the changes most probably will not appear as dramatic as those of the Meiji Restoration or the Allied Occupation, “In a mesy, incremental and fitful manner,” Kingston states, “Japan will somehow manage to muddle through” what he calls “Japan’s Quiet Transformation.” How this turns out will greatly affect both Japan and the world.

NOTES


2. For a student-oriented description of the Postal Savings Bank system, see James Mak, Japan: Why it Works, Why It Doesn’t.


9. GDP estimates vary widely. These were taken from The Economist special edition, The World in 2012, 119.

10. A New York Times article reports that 45 percent of workers fifteen to thirty-four hold “irregular” jobs, and only 56.7 percent of graduating college seniors had secured jobs, January 28, 2011.


15. See Arase, Japan in 2008.


20. Ibid.


27. Ibid.


31. See Kingston, Japan’s Quiet Transformation.

PETER K. FROST is the Frederick L. Schuman Professor of International Relations Emeritus, Williams College and Visiting Professor of International Studies at the Croft Institute, The University of Mississippi.