

Declinism and Contemporary Japan : History versus Masochism, 1945-2000

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Japan is ending the 20th century a disappointed nation. Domestic and overseas commentators can hardly fail to point out the demoralization of the present and the diminishing expectations of the future. Attempts to talk up the prospects for the economy or to suggest new goals for a dispirited state are met with considerable scepticism. The view that Japan's best years may now be behind it is widespread. Pessimism is feeding on itself. ⁽¹⁾

Historians, however, are expected to offer a more balanced perspective than the editorial writer and the political party spokesman. The understandable concerns of Japanese society in the face of the economic dislocations of the 1990s deserve to be placed in a broader, more comprehensive context. To be obsessed with today's Yen : Dollar exchange rate and the forecasts of the Economic Planning Agency for the next fiscal year is to behave ahistorically. To fear for the future without regard to Japan's achievements over the past half century is to act irrationally. Greater knowledge of what has gone right (and wrong) for postwar Japan is urgently required both to stem the absurdities of some authors and to gently suggest that even the gloomiest predictions for the early 21st century are highly reassuring - or at least ought to be - when contrasted with the poverty and powerlessness of the Japan that emerged out of the blitzed cities of the Pacific War. ⁽²⁾

What Japan needs today is a large dose of contemporary history. It badly requires accurate knowledge of how its society has evolved in the recent past and how its neighbours and the wider world have had to cope with comparable issues that Japanese

society has also faced. More history and more comparative history are called for ; less self-anxiety and special pleading might then emerge to offer at least a degree of reassurance to a nation in danger of losing its confidence and cohesion.

Japan's present difficulties are hardly in dispute. ⁽³⁾ Its failure over the past decade to crank start its economy and to tackle in earnest its very considerable financial faults is undeniable. It is also inevitable that the issues will persist into the next century with recent think tanks suggesting that economic growth will be retarded until 2008. ⁽⁴⁾

Against such widely recognized pessimism it is important that some sense of perspective be rapidly adopted. For the Japanese government, its officialdom and senior industrialists all to acknowledge the current crisis but to remain incapable of gaining an economic recovery is disappointing but to imagine that the 1990s have proved an unmitigated disaster for Japanese society is an absurdity. Growth may be negative but contemporary Japan remains very much the exceptional nation in the Asian-Pacific region and the second largest economy in the world. Even a diminished Japan is an economic superpower, even a Japan with huge non-performing loans and rising unemployment is a stable, functioning open society. ⁽⁵⁾

Electorates, by definition, are impatient in any democracy where competing political groupings are anxious to respond to public unease and thereby gain power. Successive prime ministers in the past decade - there have been seven from Kaifu Toshiki to Obuchi Keizo - have pledged to solve Japan's economic woes but their failures are testimony both to the obduracy of the problem and the need continually to offer new personalities to present at least the prospect of improvement. Different cabinets under a variety of political coalitions have all failed. The evidence is far from conclusive that Mr Obuchi will be the eventual saviour of the Japanese economy ; his term in office is likely to end abruptly in 1999 ⁽⁶⁾ if he is seen to be as ineffectual as his many, short - lived predecessors.

Yet the paradox remains. Japan's economy exhibits few signs of real growth but its

standing in international league tables remains firm. The economy may be weak with consumption faltering and financial institutions reluctant to extend credit lines but the cumulative strengths of the Japanese economy are impressive. Japan's per capita GDP is the highest among the G-7 group of advanced industrial nations (the figure needs though to be adjusted downwards on a purchasing power parity basis), while its nominal GDP (lower, of course, than the United States) is far in excess of Germany, its nearest rival. When trade balances and foreign currency reserves are also factored into the assessment, the position looks even more reassuring. ⁽⁷⁾

On objective grounds, therefore, it is indeed permissible for the senior economic bureaucrat Sakakibara Eisuke to term the current situation "a masochistic depression". ⁽⁸⁾ The faults of the domestic economy have been rehearsed so frequently and the culprits pilloried so repeatedly that it is little wonder that the public adopts this attitude. Inevitably, the avalanche of publicity on the weakening of the economy has fed on itself and the reluctance of both individual consumers to spend and corporations to invest has further destabilized the situation. Public scepticism over statements by officials and politicians alike on the future improvement of the economy are treated in exactly the kind of manner best guaranteed to delay recovery. By the spring of 1999 neither monetary nor fiscal measures appear to be much nearer gaining success and the Obuchi government's prime political aim appears to be to prevent the collapse of any additional banks. ⁽⁹⁾ This highly defensive strategy hardly presents the public with a display of confidence or suggests that many new ideas are in the offing.

The contrast with 1989 is sharp and wounding to the nation's psyche. A decade ago it was an eager Japan that sensed the future might indeed lead to 'the Japanese century' and that 'Japan's political power will rise as it provides more aid and invests more and more around the world'. ⁽¹⁰⁾ A decade ago Ishihara Shintaro wrote an agenda for American reform, today it would be highly presumptuous for any Japanese politician to offer policy recommendations to its ally on deficit financing, industrial productivity, lifetime

employment or corporate investment policies. Ishihara's boast that 'Japan is outpacing the United States' ⁽¹¹⁾ has now been firmly reversed. Ezra Vogel's suggestion of a 'Pax Nipponica' looks equally far-fetched. Other Asian nations have further compounded Japan's indignity by exhibiting faster growth throughout most of the 1990s and some at least appear better placed to rebound from the difficulties seen throughout the Asian-Pacific region in the late 1990s. ⁽¹²⁾

Yet Japan possesses considerably more national assets than any of its Asian neighbours (only Singapore is presently classified as a developed economy) and likewise the economic fortunes of many European nations are constrained by continuing high unemployment and the probability of deflation in the near and medium term. ⁽¹³⁾ It is only when Japan nostalgically recalls its own era of high growth and makes instinctive comparisons with the United States that it has quasi-legitimate grounds for a degree at least of self-commissioneration.

Such comparisons, however, with Japan's own past and its performance vis-à-vis the United States, while understandable on grounds perhaps of conventional national perception, are essentially unhelpful. Contemporary Japan would be well advised to scrap such myopic exercises, since they contribute little to any intelligent debate on where Japan goes next or serve much use in reminding the public of its remarkable postwar climb out of absolute poverty to relative affluence. ⁽¹⁴⁾

It is only when the Japanese experience in the 1990s is put on the scales and weighed with the rest of the nation's baggage over the past five and a half decades that a more accurate verdict emerges. The test for contemporary Japan ought to be to ask how the nation has performed since the triple humiliation of defeat, surrender and Allied occupation, in the late summer of 1945. To imagine that three years of negative growth in 1998-2001 cancel out the achievements of the past three generations is to underline the incompleteness of much of the current debate. Equally, the overattentiveness to gaining equality or possibly some superiority through "catching up" with the United States is

debilitating.⁽¹⁵⁾ The differences in history, demography, geography and global roles preclude most useful comparisons between the two societies.

Postwar Japan's history is *sui generis*. It bears little or no substantial comparison to either the United States or any state in the Asia-Pacific region. The only possible benchmarks for comparative studies might be with other G-7 nations who also share alliance relationships with Washington, though the glaring contrasts in social organization and cultural behaviour make even these Euro-Japanese studies problematic. Contemporary Germany and Japan have had few commonalities beyond a wish for national regeneration and economic reconstruction.

It is best to concentrate on Japan alone and to do so, it is strongly suggested, within a wider historical time frame than some prefer. It is the centrality of urgent and prolonged economic and national recovery through a mixed economy that aptly symbolizes Japan's own version of its accomplishments since 1945. The insistence on what the Special Survey Committee of the Ministry of Foreign Affairs in September 1946 held to be 'a new structure in the fields of finance, industry, agriculture, and commerce'⁽¹⁶⁾ has been largely applied. Economic democratization, albeit heavily reliant in the first two postwar decades on bureaucratic pressure and persuasion, and economic recovery, also with large doses of administrative guidance from the economic ministries, have realized huge benefits for the state and its citizenry. It was an urgent case of national salvation through hard work and careful planning.

It was therefore possible for the Japanese public to take pride in its unprecedented economic great leap forward. The hypergrowth of the late 1950s and the 1960s and the still highly respectable showings of the post-oil shock, pre-bubble era could be eulogized by the late 1980s in multivolume international works. Scholars spoke now of 'the Japanese model of political economy'⁽¹⁷⁾ and Western journalists reported from Tokyo on 'the risen sun'.⁽¹⁸⁾ The fact that Japan's new found economic and financial successes precipitated a series of major trade disputes with the United States and European nations

was evidence indeed of both Japan's achievements and the realities of uncomfortable adjustments that had next to be worked out in the international economic system.⁽¹⁹⁾ Japanese and outsiders alike were obliged in the process to remind themselves that capitalism was a mansion with many different rooms and that accusations of unfair practice and differing cultural traits made for some very unpleasant and highly public diplomacy.

It was in the 1980s that concern grew in the West over the future role of Japan in the international arena. Although Okita Saburo and others would on occasion explain that Japan's economic successes were but temporary and that Western perceptions might alter as the Japanese "miracle" was itself replaced by a more mature phenomenon, this proved cold comfort to audiences abroad. Concern for the United States' position was expressed by Paul Kennedy when he cautioned in his best-seller *The Rise and Fall of the Great Powers* that 'decision makers in Washington must face the awkward and enduring fact that the sum total of the United States' global interests and obligations is nowadays far larger than the country's power to defend the all simultaneously'.⁽²⁰⁾ Shortly afterwards the Japanese government pointed out to the United States that Tokyo had a considerable agenda of its own over the problems facing the US economy and warned that faults in Japan's economic structure needed to be balanced by the US side's awareness of its federal budget deficit, poor savings ratio and protected agricultural sector.⁽²¹⁾ Not surprisingly, US-Japan relations suffered. It was hard for non-Pacific observers not to feel that the United States resented Japan's rapid acquisition of first economic and then financial power and saw Tokyo's success as highly disruptive to American order in the world.

By the early 1990s, however, the debate began to shift. International events conspired to leave the United States in a stronger rather than a weaker position as the Cold War's bipolar system collapsed and the Bush administration led the coalition forces to victory in the Gulf war. While the United States rapidly began to see an improvement in its

economic performance, Japan was submerged by the financial consequences of the bursting of its asset-driven "bubble" economy. The boot was now on the other foot. After years of self-doubt and legitimate criticism from Japan and other foreign states, it was now Washington's turn to enjoy a fresh period of supremacy. The hegemon had returned.

There is no longer much possibility of Japan being able to point to American faults or to enjoy the pleasures of claiming a larger role in both bilateral ties to Washington and in the wider world. The 1990s have tended to see a diminution in Japan's horizons and at least a temporary cessation of its bid for greater international recognition.

There is, for example, no present attention to gaining a seat as a permanent member of the United Nations Security Council and it is now the case that Japan's financial contributions to overseas aid funds have begun to decrease in the wake of its economic difficulties. ⁽²²⁾ Foreign policy appears to have been relegated to the marginal position it possessed in the early postwar era. The slowness with which the possible transfer of bases within Okinawa has proceeded and the continuing delays over substantive agreement on US-Japan defense cooperation guidelines is hardly indicative of a state about to voluntarily undertake new responsibilities. Economic dislocation is only part of the explanation for Japan's present dilatoriness on security matters but the need to concentrate the political mind on more urgent economic matters can hardly be ignored.

Given the scale of Japan's difficulties how then should the nation be assessed at century's end? How can the historian best balance the undeniable sense of crisis in 1999 with the immense improvements of Japanese society when compared with 1939, 1949 or even 1979? First, it might be useful to note the triple humiliations of 1945 and suggest that by the early 1960s it was possible to see the establishment of a more democratic and wealthier society that had by the 1990s earned the right to laud the triple successes of representative government, opportunities for social mobility and a deepening affluence. There can be few societies anywhere who can begin to match the improvement in living standards exhibited by Japan in the past half century or equally are entitled to point to

close parallels with the non-aggressive nature of Tokyo's external policies. Unfortunately, however, when it comes to offering adequate explanations for Japan's achievements there is frequently a temptation within Japan to downplay the invaluable roles of the United States in preparing the groundwork both for Japan's economic and foreign policy successes. (Overseas audiences may well be guilty of an equally false assertion that Japan's postwar history was "made in the USA"). The vital contribution of the Occupation reforms to the future direction of Japanese society is not always recalled or the contrast underlined with what almost certainly would have been highly timid alterations to the Imperial system, parliamentary government, industrial organizations and labour relations.

It is only by indicating the substantial progress made by Japan in the last five decades that a possible corrective to the excessive self-criticism engendered by economic stagnation and deflation is realizable. Given the continuing slump, however, it is hard to imagine that any such attempt will find more than a highly limited audience. Even commentators who point out the size of the Japanese economy and its vast savings pool feel obliged to stress economic mismanagement, government regulatory powers, policy errors and the lack of transparency in the political economy. ⁽²³⁾ Yet the attempt deserves to be made. To underestimate contemporary Japan is as unhelpful as the past efforts to exaggerate its stature. To imagine that Tokyo is fated to remain entrapped by an underperforming economy and must continue as a hesitant actor in the Asia-Pacific region and international organizations is to retreat into an inappropriate determinism. ⁽²⁴⁾ Accurate appreciation of the past ought to throw light on the present and serve to remind us that the future is yet open. Declinism is a false god.

ENDNOTES

- (1) The secondary literature is vast. Any comprehensive account would have to note not only the economic and financial turmoil but the social dislocation of unemployment,

reduced educational opportunities and homelessness. Reliable historical accounts are not yet available.

For forceful comment on the continuing problems Japan will have to face in the future see remarks by Deputy Secretary of the US Treasury Larry Summers, *Financial Times*, 27/28 February 1999. See also a series of articles under the title of Japan's crisis in *Japan Echo*, February 1999, including Kojima Akira's 'Getting to the Bottom of Japan's Economic Blues'.

- (2) For the longer view see Buckley, *Japan Today* (Cambridge, 1999). On the achievements in the Asia-Pacific region see Walter Hatch & Kozo Yamamura *Asia in Japan's Embrace : Building a Regional Production Alliance* (Cambridge, 1996) Nakamura Takafusa employs the phrase 'economic superpower' from as early as the late 1960s. See Nakamura, *The Postwar Japanese Economy* (Tokyo, 1981) pp.209, 211-214.
- (3) Note the opening sentence of the Japan Echo collection of essays : 'Japan continues to struggle with a stubborn economic recession of unprecedented dimensions.' *Japan Echo, op.cit.*
- (4) Report of the Economic Strategy Council, *Daily Yomiuri* and *Asahi Evening News*, 27 February 1999. In offering its proposals the Council argued that political leadership was vital if the nation was to rebound.
- (5) This is not to suggest that the Japanese state has handled the present crisis with general competence but it is to underline the fact that at the very least debate on the nation's problems has continued. My own view is that the public has been remarkably docile and that the 'stability' noted is far from desirable in the light of bureaucratic and political errors. The one exception to this has been the reluctance of consumers to start to spend despite official pleas to do so.
- (6) Press speculation in the spring of 1999 saw Mr Obuchi's fate as resting on whether a modicum of growth might be realized and a further collapse of a major bank could

be avoided.

- (7) In March 1999 Japan's trade balance stood at \$ 126 billion and its current account surplus at \$ 125 billion. See *The Economist*, 27 March 1999.
- (8) See Buckley *op. cit.* p.61.
- (9) Public pledges to this effect have been given and very considerable government funding is being made available to strengthen the capital bases of all financial institutions.
- (10) See Thomas R. Zengage & C. Tait Ratcliffe, *The Japanese Century* (Hong Kong 1988) p.196.
- (11) Shintaro Ishihara *The Japan that Can Say No* (New York, 1991) p.123. Ishihara claimed that 'Americans should realize that the modern era is over. Their cherished beliefs in materialism, science, and progress have borne bitter fruit.' He saw the defeat in Vietnam and moon exploration as equal evidence of this reality.
- (12) This may be true of South Korea, Singapore and Hong Kong, though it is premature to celebrate the return to normalcy yet.
- (13) The weakness of the new Euro currency is clear evidence of the difficulties ahead for the EU member states. On recommendations where Japan and the EU might more closely cooperate in global economic affairs see Reinhard Drifte, *A Review of EU-Japan Relations* (Brussels, 1998) pp.12-13.
- (14) See comments by Nobel laureate Amartya K. Sen, *Daily Yomiuri*, 3 March 1999. The need to increase Western political scientists' awareness of Japanese postwar theoretical and actual achievements is forcefully argued by David Williams and Chalmers Johnson.
- (15) The wish to debate the entire subject of Japan's modern identity makes consideration of the United States clearly important but to disregard Asian and European influences is unhelpful. See *Japan's identity : Neither the West nor the East'*, sponsored by The Japan Forum on Inter-National Relations and *The Yomiuri*

Shimbun, Daily Yomiuri, 3 March 1999. On issues of social policy, education or public finance it has long become instinctive to view the practices of the United States as a convenient yardstick with which to compare contemporary Japan.

- (16) *Postwar Reconstruction of the Japanese Economy* (Tokyo, 1992) p.108. The original text was compiled by Okita Saburo, who contributed an introduction to the reprinted text. Okita noted that 'the postwar economic system was basically close to a planned economy and very far from a free-market economy'.
- (17) Essay by Yasusuke Murakami in Kozo Yamamura & Yasukichi Yasuba (eds), *The Political Economy of Japan, vol 1* (Stanford, 1987)
- (18) See *Far Eastern Economic Review* (Cover), 13 June 1985
- (19) Although some problems undoubtedly remain, the bulk of the agenda can be said to belong to the past. Further increases in Japan's trade imbalance could alter the relatively benign era of the late 1990s.
- (20) Kennedy's publishers chose to print this statement on the back cover of his book. Kennedy himself had relatively little to say on Japan's future. See Paul Kennedy, *The Rise and Fall of the Great Powers* (New York, 1987) pp 458-471.
- (21) On trade diplomacy see Buckley, *US-Japan Alliance Diplomacy, 1945-1990* (Cambridge, 1992) pp 138-152.
- (22) See comments by Shijuro Ogata, *Financial Times*, 5 January 1996. He pointed out that 'Japan's maturing economy may have peaked just as it is reaching for that larger international role'.
- (23) See, however, Toyoo Gyohten's view that Japan has suffered excessively from exchange rate fluctuations in *Yomiuri Shimbun*, reproduced in *Daily Yomiuri*, 25 January 1999. Gyohten was prepared to admit that 'Japan has not been a willing participant in international endeavours to stabilize the exchange market'.
- (24) The former Japanese ambassador to Washington has warned that the ending of the Cold War has left both sides unclear as to how to redefine the US-Japan alliance.

Ambassador Kuriyama was speaking at SAIS in Washington, 11 November 1998. He argued for greater precision by both governments so that electorates in Japan and the USA may see why the alliance continues to matter.

“Declinism” と現代日本

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＜要 約＞

1990年代における日本の経済不振は、国内外の多くの評論家に日本の将来展望に対する疑問をいだかせるようになった。この論文では、“declinism” が現代日本の本質的な経済・金融の基盤を無視するとき、それは有益な構想ではない、ということを議論する。1945年以後の日本の発展を顧みることで、日本を衰退の一途をたどる運命と論じる日本経済終焉論は相殺されるのである。