



# The Critical Scrutiny of Japan's 'Lost Decade(s)' and the Question About the Possible Futures.

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## Tiivistelmä

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### Tiivistelmä:

Tutkielman pyrkimys on kriittisen perspektiivin lävitse avata Japanin viimeisten vuosikymmenten ajan kokemaa poliittisen talouden suurta muutostilaa. Toisen Maailman Sodan jälkeisten kasvun vuosikymmenten jälkeen, tullessa 1980-luvun loppuun Japanin poliittinen talous alkoi ylikuumentua vaarallisen nopeasti ja 1990-luvun vaihtuessa finanssisektorin aiheuttaman kuplan puhkeaminen aiheutti historiallisen laajan pörssiromahduksen. Seuraavat vuosikymmenet merkitsivät suurta muutosta viimeisten vuosikymmenten yhteiskunnalliseen hurmukseen.

Tätä japanilaisen yhteiskunnan ja talousjärjestelmän laajamittaista transformaatiota on kutsuttu myös perspektiivistä riippuen, termeillä 'kadotettu vuosikymmen' tai 'kadotetut vuosikymmenet'. Tutkielman yhtenä päämäärästä onkin vastata kysymyksiin: Mitä tarkoitetaan 'menetetyillä vuosikymmenillä'? Ja miten eri teoreettiset suuntaukset ovat pyrkineet konseptia selittämään? Tutkielma käsittelee kriittisen perspektiivin kautta 'menetettyjä vuosikymmeniä' tutkivaa taloustieteellistä ja yhteiskunnallista kirjallisuutta, vastaamalla samalla tutkimuskysymyksiin.

Yhtenä argumenteista tutkielma pyrkii haastamaan 'menetettyjen vuosikymmenten' metaforista luonnetta ottamalla huomioon tutkielmassa käytetyn aineiston esiin tuoman talouskasvun myyttistä roolia, joka on luonut vahvasti kuvaa Japanin 'kadotetusta' talouskasvusta ja rakenteellisesta koherenssista. Toisena argumenttina, tutkielma pyrkii luomaan käsityksen 'kadotettujen vuosikymmenten' ns. todellisesta kadotuksesta, yhteiskunnan sosiaalisen, poliittisen ja institutionaalisen ulottuvuuksien muutoksien kautta.

Pohjan ensimmäiselle argumentille, luo kirjallisuus ja kysymykset hyödyntäen metaforien, sosiaalisten imaginaarien, myyttien sekä vaihtoehtoisten datan roolia luodessa käsitystä 'kadotetusta' kasvusta. Viimeinen kappale, pyrkii luomaan kokonaisvaltaisen käsityksen Japanin historiallisesta muutoksesta yhteiskunnan syvemmissä rakenteissa. Kappale analysoi 'kadotettujen vuosikymmenten' vaikutuksia etenkin demografiseen kehitykseen, sosiaalisen prekarisaation kasvuun, poliittiseen epävakauteen sekä Japanin muuttuvaan globaaliin asemaan.

Loppupäätelmässä tutkielma käy läpi tutkimuksen tuloksia ja esittää kysymyksiä Japanin mahdollisista tulevaisuuksista, reflektoiden 'kadotettujen vuosikymmenten' myötä syntyneitä kehityssuuntia.

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The purpose of this thesis is to investigate Japan's last decades' significant political economy change from a critical perspective. After the decades of post-war growth and reconstruction, coming to the end of the 1980s, Japan's political economy began to overheat dangerously fast. Passing into the 1990s, the bursting of a real estate bubble accumulated by the financial sector caused the financial sector a historically extensive stock market crash. As a result, the following decades marked a major shift in past decades' economic euphoria.

This large-scale transformation in the Japanese economy and society has also been called depending on perspective, by the terms 'lost decade' or 'lost decade(s)'. One of the objectives of this thesis is thus to answer the questions: What is meant by 'lost decade(s)'? And how have different theoretical approaches attempted to explain the concept? The thesis thus examines the relevant political economy literature exploring 'lost decade(s)' through a critical perspective while answering the research questions.

As one of the arguments, the thesis seeks to question the metaphorical nature of 'lost decade(s)' by taking into account the mythical role of economic growth, highlighted especially by the economic literature, which has created a strong image of Japan's 'lost' economic growth and structural coherence. As a second argument, the thesis seeks to develop an understanding of some of the major societal losses that emerged during the 'lost decade(s)', through changes in the social, political, and institutional dimensions.

The basis for the first argument is being constructed through the literature and questions that utilize the role of metaphors, social imaginaries, myths, and alternative data to create the perception of 'lost' growth. The final chapter seeks to establish a holistic insight into Japan's historical transformation from a perspective of the deeper structures of society. The chapter analyzes the impacts of 'lost decade(s)', particularly on demographic development, increasing social precariousness, political instability, and Japan's changing global position.

In conclusion, the thesis goes through the research results and portrays certain questions about the possible futures of Japan while reflecting the developments that occurred during the 'lost decade(s)'.

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## **Introduction and defining the ‘lost decade(s)’**

When discussing the lost decades, we need to define what was “lost.” First, we can say that substance was lost. There are two kinds of such losses: absolute losses, or numerical and quantitative losses in absolute terms; and relative loss, or decline, due to the rise of the rest of the world while Japan stagnated.

Funabashi & Kushner, 2015, p. xxv

Over the recent decades, the modern development path of Japan has grasped notably significant space in the academic and public discourses. Especially two significant historical concepts render out as an abundantly examined matters, firstly, Japan’s ‘miraculous’ post-war political-economy rise, and secondly, it’s argued ‘fall.’ Within the arguments for the latter, the discussion around so called ‘lost decade(s)’ have remained particularly vital within the economic domain, but many of the issues remains rather uncontested. Instead of dialectic and critical discussion, the term ‘lost decade(s)’ seems to have established some degree of foundation as a historically concrete ‘fact’ or as a dismal lesson for others to eschew, as it is being portrayed e.g., in Pesek’s (2014) book: *Japanization: What the World Can Learn from Japan’s Lost Decades*. The question then arises: what is meant by those ‘lost decades (s)’, and how has the narrative been explained, understood, and justified through different theoretical perspectives by a variety of discussants?

Consequently, following the abovementioned research questions, there is an opportunity for deeper critical inspection concerning the role of data, metaphors, discourses, ideas, ideologies, and norms in constructing certain imaginary of reality. From this setting, this dissertation will try to argue that the metaphorical, historical, and similarly theoretical concept of ‘lost decade(s)’ is on some levels of presumptions and exaggeration, based on economic myths of economic growth and prosperity. Nevertheless, it can be argued that the theorized ‘lost decade(s)’, constituting a historical concept of persistent mixture of economic, political, and social challenges that Japan faced throughout the 90’s, and in some accounts, even the recent two decades in the 2000s, must have some real causal underpinnings. Firstly, in the domains of social, economic, political, and institutional change, and secondly, in the greater context of global political economy.

But without going to describe through deductive analysis the economic fluctuations in trade and growth figures or inaccuracies in monetary/fiscal policymaking, I will have the aim for constructing critical picture harbored in deeper political economy and social structures as well

heeding the power of discourses, myths, and social imaginaries in constantly shaping the reality.

As the historical, though heavily metaphorically loaded term, has been coined in primarily economic terms, it is worthwhile to start by uncovering how the different theoretical approaches, data, and assumptions about the 'laws' of the economy have been utilized and relied on to explain certain narrative and understanding of something being 'lost.' The usual underlining for the economic explanandum has been through indicating the varying factors

Seemingly the first coupling of Japan's argued economic stagnation and dismal policy making in the 1990s with the metaphoric concept of 'lost decade' seems to be found from Funabashi's (2000) article, which stems from the foreign policy and international relations aspect rather than purely economic factors in justifying the concept of 'lost decade'. For Funabashi, the core for explaining the 'lostness' of the 1990s is due to the "domestic malaise" that had epitomized aside with changing global order at the time: "economic stagnation; political immobility; and public frustration" (ibid., p. 78). Particularly the "economic stagnation" rises for many as the sole explanation and visualization for interpreting the nuanced development path. However, Funabashi, despite not having the economic factors as the singular interest, chooses as well to conclude specific economic data as a justification for his view of the vanished growth and prosperity by elucidating empirical evidence on occurred economic changes:

Japan's national income in 1998 showed the first yearly decline since the end of the Second World War; between 1992-99 annual real growth averaged a mere 1%; In 1999, the country's per capita GDP dropped to seventh place in the world, after attaining first place in both 1993 and 1994. Additionally, Japan's trade surplus shrank in 1999 for the first time in three years, dropping 11.7% to \$118 billion. (ibid., Mulgan, 2000)

Thus, the role of data in drawing observations about the altering state of the Japanese political economy comes with great importance. Through the perspective of empirically perceivable data, certain elongated periods of slowdown or decline in economic performance in terms of output growth, per capita national income, or surplus values in trade indeed occurred through the decade which followed the financial crisis, inflicted by the burst of the property asset bubble.

To further understand Japan's economic difficulties and similarly reveal how the data has been translated into the construction of 'lostness' during the 1990' and early 2000s, it is sufficient to scrutinize the available data. Firstly, as it can be obtained from the World Bank data charts on annual GDP growth percentages, the descent from the peak of the buoyant decade in 1988, which recorded nearly 7% annual growth rate, into 3% in 1991 and to follow a series of

fluctuations, from being -0,5% in 1993, back to 3% in 1996, and then plunge again to represent negative growth for two sequent years in the midst of the Asian Financial Crisis 1997-98, can visualize graspable change from the previous decade (The World Bank, 2021). On the other hand, though, shifting then the rate of GDP in terms of current local currency units (LCU) or in current US dollars, contrastively, displays – instead of “sawtooth”-pattern of: “series of recoveries aborted by policy errors” (Posen, 2010, p. 2) – nearly a continuous growth trajectory from 1990 to 1997-99, witnessing a fall from 543 trillion to 528 trillion in terms of yen and slightly different trajectory in terms of current US dollar, where the growth rate hiked from 1990 to 1995, where the drop persisted until 1998, diminishing the output from 5,5 trillion to 4 trillion (ibid.).

On another dimension of economic growth, it is also possible to portray Japan as having a nearly constant period of growth from GDP per capita values during the 90’s and early 2000s, which also exemplified the second highest rates among the G7 countries until the years 1997-98 when the steady growth trajectory stalled and plunged for a short period just to grow from 25 thousand to 27 thousand in terms of US dollars per capita (World Bank, 2021, OECD, 2021). Similarly, looking into OECD’s data concerning Japan’s trade values, from the 90’s to 2010, we can see a persistent and spectacularly strong long-term trend in the trade numbers, along with where Japan had managed to nearly five-fold its current account surplus (OECD, 2021).

From this light, it is perhaps straightforward to understand and justify the ‘lost decade(s)’ in contrast with the previous decades of high growth in the 1980s and the ‘catch-up’ or “Japan as number one” (Vogel, 1979), phase of 1960’-70’s. But as is the case with the empirical evidence that without careful and critical scrutiny, the image of reality that perchance emerges as a prevailing narrative can punctuate a rather narrow understanding of the wider socio-economic reality, where contingency for different development paths and causally complex structures, mechanism and agencies are constantly present in producing a multiplicity of possible future outcomes. Therefore, cherishing the arguments and conceptions of something as complex as economic growth to be presumed or anticipated to follow a particular historical path of ‘ideal’ or ‘equilibrium’ state of performance would be synthetic and very much open to question.

Fortunately, the general ideal of maximal economic growth in terms of contemporary GDP (or in some cases GNP) values as a major benchmark for a nation’s economic well-being and prosperity in the global system does not remain uncontested. Several prominent scholars such as Mishan (2011a, 2011b), Jackson (2016), and Stiglitz (2020) have drafted profound

arguments concerning the role of economic growth and GDP in indicating the level of prosperity and well-being. In its theoretical and formal arrangement, the annual growth rate in terms of GDP is an aggregation that is: “broadly speaking a measure of the overall ‘busyness’ of the economy; or, in more precise terms, of the monetary value of the goods and services that are being produced and consumed within a given nation or region” (Jackson, 2016, p. 3). It is then arguable to contemplate that can the annual ebb and flow of GDP measures indicating the face value of economic gains from a nation’s yearly production and spending or its relation to the real incomes of its population, really reveal and justify something in terms of time and space as being ‘lost’?

The theory of economic growth, or the preoccupation for certain calculation formulas, and the hubristic suppositions of the sustained path of growth are especially questionable when our world's non-ergodicity and fundamental uncertainty are being realized. As North (1999) implies about the complex and non-ergodic nature of things that: “For an enormous number of issues that are important to us, the world is one of novelty and change; it does not repeat itself” and having the globally interconnected and dependent economy as a bedrock for national systems, the fundamental uncertainty erects a further barrier for the sustained and fully anticipated outcomes. Trailing the uncertainty’s role, North continues via referencing Knight’s and Keynes’s perceptions concerning that: “under uncertainty, one not only does not have a probability distribution of outcomes, but (using a Keynesian definition) one may not even know what the possible outcomes are, much less have a probability distribution of them” (ibid.).

Though, for many, the historical turn in growth with its various nuances and possible repercussions in ampler institutional, political, and societal context, has rendered as a core conjecture for applying different economic theories in finding diverse reasons and explanations for the question: what caused the ‘lost decade(s)’? Or, on the other hand, explain their interpretations of what the ‘lost decade(s)’ was or is in terms of different domains of political economy and economic policies?

Then, what has then been understood to be signifying the ‘lost decade(s)’ and how has the historical narrative has been constructed based on (political) economic theories? Following the discussion for constructing the ‘lost decade(s)’-storyline further through different economic perspectives and theories, Hayashi & Prescott (2002) introduces<sup>1</sup> their supply-side hypothesis

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<sup>1</sup> For Anderson (2015) Hayashi & Prescott seem to be the first in a academic publication to use the term ‘lost decade’ in explaining Japan’s large-scale economic slowdown.



and understanding for Japan's prolonged and argued stagnating economic development of 1990's. In their seminal research, the paper creates an argument to fill further the general conjecture of 'lost' and dismal performance of Japan from the standpoint of waning growth rate, or total factor, of productivity, based on the neoclassical growth model. Hayashi & Prescott's answer for the "cause of the 1990s malaise" (Anderson, 2015), as it is similarly taking for granted that something was indeed 'lost', was generating counter-explanation for the more common monetary/financial hypothesis of a paralyzing banking shock or "credit crunch."<sup>1</sup>

Not only debunks Harada (2015) in his analysis for the possible causes or cause of prolonged economic stagnation – or as he goes to call it as Japan's "Great Recession" similar to e.g., Posen (2010), Kuttner & Posen (2001), Koo (2009) – the fundamental role of "credit crunch" or a huge amount of non-performing loans (NPL), which according to some estimations were "equaled nearly 20 percent of gross domestic product (GDP)" (Anderson, 2013), as explanatory complex for the 'lost decade(s)'. Harada (ibid.) also refutes Hayashi's and Prescott's hypothesis for a "Large exogenous, unobservable, negative productivity shock" (Anderson, 2013) by indicating that due to the absence of any significant empirical evidence on certain structural factors, the overall productivity, or TFP-measure, had not decreased in comparison with the previous decade in the 1980s (Harada, 2015).

Then what Harada personally offers as a best explanation for the prolonged slowdown in growth during the argued 'lost decade(s)'/Great Recession, is through series of intense monetary shocks and thus in relation the absence of effective and perhaps too contractionary and less expansionary monetary policies: "hampered economic growth through the channels of stock prices and improvements in bank balance sheets" (Harada, 2015).

Protracted zero-interest-rate course and increased uncertainty then introduced two widely debated explanatory topics in the academic discourse of the 'lost decade(s)'. Firstly, in explaining the perplexing situation with zero interest rate monetary environment, Krugman et al. (1998) and later Krugman (2018) presented the new-Keynesian synthesis of a modernized version of the so-called "liquidity trap" theory<sup>2</sup> in Japanese context. The theory, originally coined by Keynes and later modified by Hicks (1937) via Hicksian IS-LM macroeconomic

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<sup>1</sup> A credit crunch can be considered in a simplest manner as Ishikawa & Tsutsui (2012) indicates it as: "a phenomenon that results from banks' refusals of loan applications by firms (i.e., credit rationing)."

<sup>2</sup> The theory was originally developed to theoretically visualize the similar situation in the 1930's Great Depression.

model, basically represent a situation where the public uncertainty increases, correspondingly rising the saving rate as the bank's interest rate drops to zero and thus causing the public to halt their investments in higher-yielding bonds, which follows in the central bank's paralysis. Then secondly, stemming from the key role of increased uncertainty in affecting the effective demand, Horioka (2006) and Yoshikawa (2002) comes with their arguments basing on the empirical data on folding (private) capital investment numbers as the main explaining factor on answering 'why the growth stagnated?' and thus generating their responses to the fundamental questions that: 'why the prolonged period of economic slowdown and uncertainty have considered to be as 'lost?'

So, as the pinnacle interest of this dissertation is to wholly comprehend through a critical reading the nuanced story of Japan's argued crash through its 'lost decade(s)', it also urges to construct a defensible argument in contrast of rigid – especially economic – arguments that have encircled significant space in the narrative of Japanese socio-economic change. Therefore, it can be considered that having the economic aspects as a sole interest one cannot reveal much in the sense of grander social reality. In social sciences finding answers or solutions behind a single explanatory path are rare and this, I believe, is the case concerning the Japanese context as well. Though, without losing the imperative informativeness and explanatory control, the guiding line of work is to latch on to the idea that it is not necessary: "to know everything in order to understand something"<sup>1</sup> (McClain, 2002, p.xvii).

As Japan managed -- from a somewhat unexpected standpoint – to create one of the modern history's most sensational success stories to quickly transform its political economy to represent itself, as it was renounced in Time-magazine cover in 1981: "The World's Toughest Competitor," (Pesek, 2014), thus if it can be regarded that during the recent decades' something was and has been 'lost', aside with the argued growth, it could be first asked that on which domains of reality one can see the 'loss' and if so, why Japan has then been largely unable to reconstruct new imaginary of full 'recovery'? In the last chapter, giving explanations for the argued 'losses' within the deeper social, political and institutional context scholars like: Shirahase, 2015, Atsushi, 2015, Aoki, 2013, Eberstadt, 2011, Funabashi & Kushner, 2015, Allison, 2015, Aoki, 2013, Smith, 2018, Osawa & Kingston, 2015, Gordon, 2015, Satoshi, 2015 and Krauss & Pekkanen, 2015, will investigate different challenges and certain 'losses'

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<sup>1</sup> McClain, J. L. (2002 quoting Clifford Geertz

that were actualized during the ‘lost decade(s)’ in the fields of: labor, demographic development, inequality, social precariousness, domestic politics and international relations.

Diving thus deeper beyond the common – and broadly – economic narrative to find possible answers for the argument and research questions, as it was partly hinted above, the methodological stance for this research efforts to hold, pluralistic and critical social scientific viewpoint to history, causation, discourses, and global political economy all the way. One could view that by adopting the more critically and philosophically oriented stance to the research of historical complexes that are strongly connected to the global political economy, it can unlock an opportunity to visualize the Japanese experience as being a contingent part of a larger global whole as Patomäki & Kotilainen (2020) contemplates that:

“global political economy constitutes a complex, dynamic mega-process, in which states and other actors are interwoven. One process can slide into another, and smaller processes combine to form larger ones.”

Especially concerning many of the economic arguments and theoretic framings behind them, through holistic analysis, the perils of “reductionist atomism” (ibid.) wherein this case Japan and its complex political economy developments would be confined under absolute positivist extrapolations, can be indeed evaded. Thus, I consider that to see the forest for the trees, Japanese experience of recurring political economy hardships can be seen as operating within a causally open system where the real historical time, power of discourses, transformative capacities, and causal complexes create the multi-layered and ever-changing reality with multiple possible futures and their possible actualizations.

Examining the Japanese processes of social, political, and economic change, on the backdrop for many of the arguments for the ‘lost decade(s)’, it is crucial to perceive Japan’s historically somewhat deviant and alternative institutional approaches and structures in generating highly vibrant regimes of growth and development. Hence, I try to posit Japan – at least in the cognitive level of reasoning – into the long-wave analysis (Kondratiev waves) and seek how it has progressed within the last 40-60 decades in part to the historical development of long up- and downswings of our global political economy.

Stemming from the long waves-analysis originates the Social Structure of Accumulation (SSA) approach, O’Hara (2004), McDonough (2011), Kotz et al. (2010), which particularly grasps the significance in constructive arrangement of crucial social institutions to provide certainty and stability necessary for sustained investment and accumulation during the long wave

upswings. Also, conversely, SSA as an approach can highlight the impact of deficient or ruined social structures/institutions leading to the downswing.

Trailing the SSA approach in examining the core-foundations of Japanese post-war development through the social and institutional structure, Lippitt (2006) layout following vital institutions and structures that has been seen to historically promote the high rates of capital accumulation and growth as:

- (1) The close relationship between corporations and the state, often referred to as “Japan Incorporated.”
- (2) The *keiretsu* system of business groups, typically organized around a leading bank and marked by cross-shareholdings.
- (3) The “lifetime” employment (at that time until age 55) and seniority systems in the labor market.
- (4) The family system.
- (5) The educational system and career patterns.

Then, positing SSA in contrast for the offered theoretical and deductive arguments of mainstream economic framework, the contrastive dilapidation of the ‘miracle’ or ‘juggernaut’ phase of high growth and institutional transformation, into the purportedly persistent decades of unstable political atmosphere, low growth, and increasing social precariousness, can be perhaps better explored. Therefore, as it is for O’Hara (2004), the SSA comes both non-deterministic in the sense of associating historical and institutional transformation and as a holistic process that can be potentially applied to various situations, like in this case investigating the probable and argued socio-economic outcomes of the ‘lost decade(s)’.

Subsequently, regarding the tempo-spatial focus of the topic of this thesis, the conception of time and space has an imperative role. For this purpose, especially Patomäki’s (2011) work on the complexity of time and space opens an avenue for deeper reasoning about: What is time and how one can see the past, the present, and the future being overlapped and entwined together (Patomäki, 2011)? Indeed, extrapolating the narrative concept on a discursive level, having something to be called as ‘lost decade(s)’ is – as it has been already partly revealed – then a somewhat peculiar argument in its conceptual sense. However, following the comprehension of time and the meaning of past, present, and the future in a way that regards the “Nonfixity of the historical past” (Weberman, 1997), one can witness through on-going causal processes, which constantly shape the understanding of the global – as well the Japanese – histories that: “the meaning of the past is, in part, undetermined, and at some level of abstraction it will always remain so.” (Patomäki, 2011, p. 343).

As it will become evident with the further chapters, the conceptions of the ‘lost decade(s)’ have changed during the years in the past, while some argue that the legacy of the previous decade’s argued economic malaise is still constantly unfolding process that Japan has been (allegedly) unable to shake off. Thus, making simultaneously strong, but usually implicit, assumptions of the historical past and the possible futures (ibid.)

Along with the complex approaches to time and space, it is also worthwhile to scrutinize the value of myths or constitutive stories in guiding the social and political entities to shape the prevailing dimensions in literature, politics, economy, or culture. Through the concept of mythopoetic imagination (Patomäki, 2019), it can be pondered that perhaps one of the critical features in explaining Japan’s radical post-war transformations was due to its imaginative capacities to construct resilient stories and ideas of cohesive social structures, which had a significant role in shifting Japan’s prospects for the future. Contrariwise, in this argued context of ‘lost decade(s)’, Japan’s experience of a prolonged period of economic stagnation and a certain loss of societal consensus thinking may be rationalized through the deficiency of imaginary capacity to construct new alternative storylines that could have remedied in accommodating Japan better into the rapidly globalizing environment. Then, within the concepts of stories and myths, the power of discourses naturally comes to play.

For analyzing the power of stories, narratives, and myths, especially in sculpting the historical concepts of ‘lost decade(s)’ or pre-crisis narratives such as: ‘Japan problem’, the concept of discourse: “plays an increasingly significant role in contemporary social science” (Howarth, 200, p.1). Thus, one can encounter a growing abundancy of literature engaged in studying the significance of discourses in the academic field. To broaden the conceptual understanding of discourse, Fairclough (2013, p. 11) refers the discourse to capture:

- (a) meaning-making as an element of the social process;
- (b) the language associated with a particular social field or practice (e.g., ‘political discourse’);
- (c) a way of construing aspects of the world associated with a particular social perspective (e.g., a ‘neo-liberal discourse of globalization’)

Although the contingent concept of discourse or discourse analysis comes with a plethora of different interpretations, with others having a sounder explanandum and purpose than others, there can at least be found some apparent deviance between different camps or schools of thought that comes useful for this research.

For instance, as Howarth (*ibid.*, p. 3) goes in explaining some fundamental differences in understanding the concept of discourse, he notes that: “As with other complex and contested concepts in the social sciences, the meaning, scope and application of discourse is relative to the different theoretical systems which it is embedded.”<sup>1</sup> With different theoretical systems, as Howarth notes, their usage is filled with certain assumptions of readings of the nature of the things operating in the social world and the ways to cope with it (*ibid.*). Where the more empirical or positivist way of understanding regards the concept of discourse as constituting mere “frames” or “cognitive schemata” (*ibid.*) for understanding the ways how the social groups create collective action and operate in the social world, the discourses in this manner: “are primarily instrumental devices that can foster common perceptions and understandings for specific purposes” (*ibid.*), and thus: “the task of discourse analysis is to measure how effective they are in bringing about certain ends.”(*ibid.*)

In contrast to the more empirical and positivist ways of handling the discourse as something quantifiable or in any way deducible ‘data’, for the purpose of this study, the more realist explanation of discourse is going to be utilized. Within this approach, a great portion of influence is stemming from the works of scholars engaged in the philosophy of science and, more precisely, critical realism, such as Roy Bhaskar (1978), Rom Harré (Van Langenhove, 2010), and Andrew Collier (Archer, et al., 2013). With focusing on the ontological dimensions of discourses of: “constituting of independently existing set of objects with inherent properties and intrinsic powers” (*ibid.*), there is a prospect for creating a broader conception of the power of words and language used in causing – or to be at least one of the explaining factors – complex causations and beliefs that has a real-world effect in a multitude of processes that can be put on par with the other social objects.

Then finally regarding the role of discourses in better understanding and investigating Japan’s ‘lost decade(s)’ as a used concept with its different explanations, one interesting and useful branch from discourse theory is to be found from critical discourse analysis (CDA), which focus on the side with the language, also on the role of manipulation, rhetoric, ideology, and power relations impacting in various social, economic, and political domains. Central to this school of thought has been Norman Fairclough (2010, p.4), with the development of critical discourse analysis as a more precise methodology. For Fairclough, the concept of

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<sup>1</sup> Howarth referencing Connolly (1993). P. 10-44

discourse/language were to be concerned as an integral part of the grander scheme of social practice, and aside from just analyzing text or words, it had to be regarded that:

Social activity or praxis consists in complex articulations of these and other objects as its elements or moments; its analysis is analysis of dialectical relations between them, and no one object or element (such as discourse) can be analysed other than in terms of its dialectical relations with others.

Thus, I consider that noting the dialectic nature of relations is important to value when we are engaging ourselves in researching historical concepts that can become defining or explaining terms for certain complex geo-historical periods in time and space. In addition, if positing the analysis of discourses, text, and speech into the context of power and in more depth, into the context of international/global political economy, one may see, for instance, how crucial role is the linguistic and discursive methods<sup>1</sup> have played in the – chiefly – American media, politics, and literature.

Reflecting especially the time of Japan's economic height in the 70's and 80's, the academic and popular narratives gained from the widespread books of Vogel (1979) and Johnson (1992) as an example played a great role in creating a dichotomy between adoring Harvard affiliated "mainstream" and "revisionist" approaches. Occurring changes in the global economy at that time managed indeed to generate graspable fear and awe through public media and literature with painting a picture of Japan as swallowing ever greater shares in the global economy. Growing imbalance became indeed evident in the United States, where the "Japan bashing" from the aforementioned "revisionist" camp (Cox & Sinclair, 1996, Tabb, 1995, McCargo, 2013), according to Cox (ibid.) seemed to bring comfort for buffering against the global whiplash of ever-growing competition paired with the introduction of new *haute finance* of ever mobile financial capital. Similarly, trailing the abundant bibliography on the 'lost decade(s)' or Japan's 'Great Recession', a significant portion of the academic and public discussion is coming from the American or other Western sources, which again rises another important question of relations of power and ideologies in behind of common narratives.

Then if assuming that power of ideas and ideologies, were one of the key elements – aside with national level policy choices and monetary/fiscal adjustments – in generating a defining era in the history of global political economy, we must somehow be able to justify and open the concept of power used in this context in more detail. Power for another key scholars in CDA,

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<sup>1</sup> In this case, the 'methods' is not particularly meaning the theoretical use of certain 'methods' or methodology, rather, the political and strategic choice of words and signals.

Ruth Wodak, is namely: “about relations of difference, and particularly about the effects of differences in social structures.” (Wodak, 2001) Aside with the social structures I would argue that the structural levels of politics and economy – if we even can see them as any way separable from the social – is indeed about the relations of difference and its impacts. But, Wodak adds an important note to her argument that: “Power does not derive from language, but language can be used to challenge power, to subvert it, to alter distributions of power in the short and long term.” (ibid.)

Henceforward, to familiarize the reader better with the historical background and introduce the context into the broader history of the global political economy, the first chapter will lay out a brief glance into some key moments in the history of Japanese political economy development.

After the first part, the second chapter will begin to reveal some answers to the questions:

**What is meant by the ‘lost decade(s)’ and how has the narrative been explained and justified through different theoretical perspectives by a variety of discussants?**

Within this chapter, the introduced literature will be critically analyzed with having the role of myths, metaphors, and ideologies perceived. Following the resolutions of the second chapter, the third chapter in its part will attempt to answer the first part of the argument of this dissertation that:

**The historical and metaphorical concept of ‘lost decade(s)’ is on certain levels of metaphors, presumptions, and exaggeration, based on economic myths of economic growth and prosperity.**

Fortifying the argument, this chapter will discuss the roles of metaphors and social imaginaries in creating certain ideas and imageries of growth and prosperity, which allegedly have been argued to be ‘lost’.

Within the final chapter and concluding remarks, I will investigate and similarly argue that:

**On the domains of social, political, and institutional the argued ‘lost decade(s)’ has indeed witnessed some real ‘losses.**



## **1. The great reversal? – Historical background and underpinnings for the storyline of ‘lost decade(s)’**

The United States came out of the postwar era with its Cold War mentality intact. However, without a Soviet bogeyman to distract us from seeing ourselves and what was happening to our own nation, we were slow to recognize the presence of a new *economic* superpower: Japan. (Tabb, 1995)

Coming to the 1970s and 80’s, indeed, the United States had been utterly late in visualizing the actual height of Japanese economic prowess that had begun to penetrate its clout into each corner of the global economy. According to William Tsutsui (2001), a Japanese adaptation of the Taylorist paradigm introduced deviant economic planning and structuring or, namely, its different approach to modern capitalism, which similarly provided an unsolicited shock therapy for the Western economic planners and business elites in the US and Europe. Suddenly, Japanese cars, toys, semiconductor goods, and home electronics were filling the streets, factories, and homes of the West. Though similarly, anti-Japanese sentiments started to emerge in everyday discourse, as the frustrated entrepreneurs, especially in the car industry, like Tabb vividly inscribes (Tabb, 1995, p.15), found themselves desperately lost in the new heat of global competition.

Of course, reasons and explanations behind that, why and how Japan and Japanese corporations came to conquer the markets in such a rapid manner vary in detail and extend the scope of investigation in this dissertation. Though, when finding explanations and reasons for the emergence of Japan’s immense success in developing a political-economic ‘miracle’ in this scale – and like its eminently argued demise – one must constantly have in mind that causal agents, mechanisms, and complexes in our open global political economy cannot be understood operating in a static or closed laboratory environment. Conducting our investigation in that manner where Humean causal order of whenever A, B, C..., occurs thus X follows, would solely evade the real possibility for contingent nature of social entities (Patomäki, 2017). Therefore, aside from acknowledging the openness of our social reality, bearing the “historical embeddedness of institutional arrangements” (Tabb, 1995, p.60) of the ever-evolving global system is also crucial.

Thus, beginning the examination for trying to find some possible answers for the question, asking that, within the prevailing literature and discourses, how the concept of ‘lost decade(s)’ has been understood and narrated and why certain explanation gains much more contemplation than others? Following the second question, the third chapter will investigate that, orienting on

the power of metaphors and social imaginaries, what has been argued – heeding the different theoretical approaches and certain data – that Japan ‘lost’ and how certain imaginaries and myths can distort the reality? Then, having a plurality of our social reality in mind, one can ponder whether the ‘loss’ can be measured and justified in the episodic drops of annual growth numbers, in the swelling amount of public debt, or with some other similar purely economic factor? Or, instead, can it be considered that the real ‘loss’ has been occurring outside of purely economic indications, within political, social, and institutional domains? As this dissertation argues, if the ‘lost decade(s)’ would be appropriately justified as a real geo-historical phase, the comprehension of certain ‘loss’ should be constructed in the bigger picture. Scrutinizing the 'lost decade(s)' in a broader context then accounts for the multitude of societal dimensions altogether, heeding the fundamental uncertainty and constantly contingent nature of our social reality.

Then, before further scrutinizing the ‘lost decade(s)’, it is worthwhile to lay some understanding of the critical historical junctures. Therefore, this chapter will start by allocating the first historical snapshot into the global political economy of the 1970s and 80’s, which witnessed the unfolding of some focal points in modern history that had a significant impact on Japan’s path toward the future.

### **1.1. From shock to shock – Japan meets new challenges of the 1970’s**

By the end of the 1960s and the beginning of 1970s, Japan had already acquired its global mantle as the second-largest economy in the world and had hosted the eighteenth Olympic games, while displaying its technological leaps in, e.g., modern and complex subway systems and by then having the fastest bullet train, shinkansen (McClain, 2002, p.562). The Japanese experience of post-war recovery was solidifying with simultaneously creating a new imaginary of economically, socially, and politically sounder and stronger Japan (ibid., p.564). As the pendulum of time swung further into the decade, the United States was struggling severely with its political and economic stability on the other side of the Pacific. While the U.S. was engaging itself in the politically and economically costly war in Vietnam, other security-dependent nations like Japan and Germany were pumping colossal amounts of money to flood their dollar reserves to keep up the dollar (Tabb, 1995, p.95). But aside from the drastically undervalued yen paired with the constant flow of Japanese consumer goods into the Western markets, some foundational changes into the global monetary system were on their way.

On August 15th, 1971, after Nixon and his economic team's sudden retreat to Camp David marked a dead-end for the Bretton Woods system that had been in a significant role in sparking the world back to its feet after the maelstrom of the Second World War. Along with the decision to withdraw the dollar out of the fixed gold parity, the long-established international standard or "gold window" was then shut (Frieden, 2006, p.339). After and at the time of so-called 'Nixon *shokku*'<sup>1</sup> Japan was already holding a huge amount of trade surpluses – e.g., 3.2 billion dollars imbalance with the United States – leading U.S. to unanimously to devalue its currency, which then marked a massive appreciation in yen and thus notable rise in Japanese products on the market. (Tabb, 1995, p.95) Also, along with the breaking the gold standard, new phase of trade protectionism was on the rise.

From a global point-of-view, for Japan, particularly the fruits of the global economic order, the Bretton Woods system and the General Agreement on Trade and Tariffs (GATT), were proven to be beneficial as: "the fixed exchange rate and restraints on the free flow of capital enabled Japan to apply a combination of expansionary monetary policy to pursue economic growth and deflationary fiscal policy to control inflation simultaneously" (Gao, 2007, p.305).

With the immediate aftermath of the Nixon shock and the collapsing of the Bretton Woods system, as the dollar had now become a freely floating fiat currency, the world met another shock that got its initiation from the battlefields of the Yom Kippur war<sup>2</sup>. Per to the United States and other allied nations support for Israel, the leading oil-producing Arab nations within the OPEC chose to retaliate by drafting a wide-scale oil embargo which led to the "first oil shock" in 1973, causing the prices of oil to quadruple, which led to a deep decline in oil consumes. Consequently, the oil crisis generated multiple long- and short-term effects on the global political economy (Frieden, 2006, p. 365). For Japan, the oil shock was part of causing a short period of recession, where the annual growth rate fell from being almost 10 percent preceding the shock to roughly 1 percent in 1974 (Tabb, 1995, p. 95).

But even though Japan, as being a highly energy-dependent nation, was unable to insulate itself from the impact of hiking prices of oil, it met an opportunity for another transformation. Along with hiking inflation and plummeting rates of energy consumption, according to some views, such as Jean Pierre Lehman in Forbes Asia article, was able to meet its "finest hour" (Lehman, 2016) as Japan, along with its corporations and MITI, decided to change the course of

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<sup>1</sup> Stylized/Japanized version of the english word "shock" that became used in Japanese discourse.

<sup>2</sup> The Yom Kippur War, also known as the Ramadan War, or the Fourth Arab Israeli War, was an armed conflict fought from 6 to 25 October 1973 between Israel and a coalition of Arab states led by Egypt and Syria.

specializing in high energy-intensive, or “heavy, thick, long, big”<sup>1</sup> (Tabb, 1995, p. 96) industries to more miniaturized high-technology and energy saving products.

Coming to the 1980’s Japan was back on the rapid growth lane, where its current account surpluses had risen to cosmic heights while massive flows of novel financial instruments were breaching the former walls between the world capital market and Japan (ibid). Consequently, this also had a counterfactual effect leading to a gradual loosening in the regulative grip of the government and Ministry of Finance (MOF). The new era of “stark utopia”<sup>2</sup> of the self-regulating market with 21<sup>st</sup> century *haute finance*<sup>3</sup> was thus penetrating the Japanese system. As a result, the constant flow of assets into real estate markets and financial speculation started to steadily accumulate a bubble (Tabb, 1995, p. 207).

## **1.2. Bursting bubbles and the “Japan problem”**

As the bubble economy started to reveal itself in the second half of the 1980s, the U.S. dollar was possessing an exceedingly strong rate in international currency markets, which was causing Americans to be feasting “on a rich diet of goods purchased from Japan and other exporting nations” (McClain, 2002, p. 600). Same time as the United States was struggling with its domestic and international economic posture, the so-called “Japan as number 1” syndrome – partly due to Ezra Vogel’s (1979) best-seller of the same name – started to gain a significant foothold in constructing fears and awe in the West and particularly, in the United States. The flow of information about Japanese-style management, banking, corporate structuring (*keiretsu*), and “virtually everything considered to be distinctively Japanese was lionized as the source of economic might” (Yoshikawa, 2002, p.1) and thus were seen to be quickly copied and adapted. Alongside the nuanced views – though often exaggerated – considering what parts the West could and should learn from Japan, constructed a dichotomy of contrasting views, which McCargo calls as the “mainstream” or “Japan symps” and the “revisionists” or as it has often called, “Japan bashers” (McCargo, 201, p. 4).

Finally, the perplexed United States decided to hit the emergency button and find a quick formula to the “Japan problem” as it had collectively become labeled in the West (Van

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<sup>1</sup> This (*ju-ko-cho-dai*) industries mainly meant production in steel, shipbuilding, and chemicals.

<sup>2</sup> Kar Polanyi defines his vision of the stark utopia of self-regulating markets in the opening part of his *Great Transformation*: “Our thesis is that the idea of a self-adjusting market implied a stark Utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.”

<sup>3</sup> See also the reference to the *haute finance* in Karl Polanyi’s *Great Transformation*

Wolferen, 1989, p.3). In 1985 the United States initiated a gathering of the most significant industrial powers at the time, West Germany, Japan, France, and Great Britain, in Plaza Hotel for drafting a concord to ease and re-balance United States' position in global trading by altering the currency rates with bolstering the yea and weaken the redundantly strong dollar. At the time of the meeting, which came to be officialized as the Plaza Accord, the Nikkei index was roaring at 12,775, and within the next two years, the index value of most traded stocks was already doubled. The Plaza Accord was quickly realized to be a blunt strike, which instead of 'experts' blueprint of leveraging the outflow of U.S. manufacturers cheaper products and to dampen the demand for cheap foreign goods, presented an adversary and ironic effect in almost doubling Japan's annual trade surplus with the U.S.

As the Japanese manufacturers were able to import cheap raw materials, the surplus gains in trade were converted to modernized production plants (McClain, 2002, p. 601). To keep up with the growing domestic demand, the Japanese government opted for drafting a massive stimulus package that slashed interest rates, taxes, and limits to credit, which culminated in consumption frenzy resembling Veblen's conspicuous consumption<sup>1</sup>, further resulting in unprecedented boom in the real estate market. Land prices were skyrocketing and massive loan packages to the non-banking sector inflated the speculative bubble into non-graspable magnitudes.

Due to several overlapping factors that enfolded within the running decades in the global political economy, the Japanese economy began to overheat, culminating in constructing a substantial bubble economy throughout the 80's.

Then by the end of 80's, the bubble was ready to burst. Toppled with the wider global recession wave, deregulation pressures, and heating competition from the other developing countries, the Japanese economy was overheating at a dramatic pace. As a result, conspicuous credit drafting from Japanese banks that were exceptionally low on tier 1 capital increased rapidly. In addition, large firms operating in the *keiretsu* system and the common salarymen were granted collateral on real estate corporations, resulting in further speculation and corruption. As the Bank of Japan and other financial institutions realized the devastating scale of the bubble and speculation, it was too late to release the hot air.

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<sup>1</sup> Thorstein Veblen originally coined the term in his: *Theory of the leisure class*. According to Trigg (2001) consumption were per Veblen to describe the evolutionary situation where the consumption and acquiring significant amounts of property is being correlated to accumulated status and honor

Then the nosedive of Nikkei and sudden behavior change in real estate market, led to the uncontrolled collapse of asset values thus shattering the heated bubble (McClain, 2002, p. 601, Gao, 2007). Assets worth of trillions were instantly flushed away and as the crisis: “which began in the financial and real estate markets quickly sent shock waves through the entire economy” (Tsutsui, Mazzotta, 2015). Coming to the 1990’s, imageries around fast cars, obscure construction projects, extravagant business tycoons and expansive nights out were quickly evaporated. The storyline of booming markets and globally roaring economy, suddenly altered to gripping images of the stock market crash, sluggish growth, devastated salarymen<sup>1</sup> and hiking numbers of suicides.

Zielenziger (2006, p.5) depicts the geo-historical change vividly: as Japan drifted into a new era of socio-economic struggle, the rest of the world’s political map was reorganized as the new wave of neo-liberalism started to sweep the global economy by shifting its economic paradigms and introducing new competitors and markets into the race. The specter of rigid political, social, and economic hangover started to reveal itself as new regimes of maximal flexibility, information innovation, and digitalized commerce were rapidly presented. Japan now met a variety of pressing challenges to transform its political economy again but now, from a somewhat different standpoint, contra to the vital decades after the destruction of the Second World War.

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<sup>1</sup> According to the Cambridge dictionary salarymen in Japanese context can be defined as: “a Japanese businessman who works very long hours every day”

## **2. The 'lost decade(s)' – What does it mean?**

Indeed, before unraveling the question that: how the concept of 'lostness' is being based on certain fixed economic myths and presumptions, there is a need for gaining a sufficient understanding of how the storyline of 'lost decade(s)' has been understood and narrated and what has been considered as being 'lost' from different theoretical perspectives? In other words, the crux of the matter in this chapter is to find possible answers for how the metaphoric concept of 'lostness' has been understood and narrated to describe this certain *zeitgeist* of that period.

### **2.1. Narrating the 'lost decade(s)' – The power of ideas, institutions, and ideologies**

Firstly, what is crucial for investigating the explanandum behind the arguments and explanations for the 'lost decade(s)' is that there seems to be a synonymous relation to the concept of an economic or financial crisis. What then led Japan to plunge into this prolonged period of crisis, which according to different perspectives, lasted from 90's to the early 2000s or for some, even until this day, has become a significant point of debate. Thus, before going into analyzing the prevailing variance of explanations and narratives, it is worthwhile to briefly consider in more detail the role of 'crisis' in how certain narratives along different discursive domains emerge.

When discovering the foundations for 'crisis' as a real-world causal concept, one could, of course, project the point of investigation way back into its Greek origin where the word *krisis* was initially implying: "a mixture of danger, uncertainty, and the compulsion to act" (Samman, 2015). Thus, engaging oneself with investigating crisis, just as Samman notes that we are met with a fundamental amount of ambiguity in its definitions and uses. (ibid.) Without diving into the depths of further investigation and analysis of the foundational origins of the particular concept, spectating the term 'crisis' in a more modern and accurate context of contemporary political economy serves the purpose of this research.

As the global system have now grown increasingly accustomed to the – more or less –cyclical and epochal financial crises and fundamental uncertainty governing our predominant and financialized global political economy system, i.e., Keynes's insightful imaginary of financial "beauty contest" can give us a caustic reference point to these geo-historical causal complexes, such as the substantial market crash predating the argued 'lost decade(s)'. Within Keynes's epilogue the core idea of fundamental uncertainty serving as the fuel for instability and crisis,

is being narrated through a story of a fictive beauty contest, where – through a metaphorical narration – the stock market prices are being valued by myopic expectations for maximal prospective yields and thus generating a playing field for substantial stock market bust when the “the beauty contest turns ugly, and investors seek refuge in liquidity” (Keynes, 1939, Samman, 2015). Keynes's mental laboratory experiment as a theoretical illustration seems to go well in line with the emergence of the property asset bubble and its eventual crash at the beginning of the 90's. But, on the other hand, it creates a certain set of assumptions about agents' invariable (ir) rationality, which further renders the fundamental openness of the system.

With understanding or justifying something as a ‘crisis’ or in this context as an economic/financial crisis, the further importance of economic ideas, institutions and paradigms could also be regarded (Blyth, 2002, p. 10, Von Staden & Kawamura, 2016). Von Staden & Kawamura notes, based on Blyth's writing about crisis and institutional change, that crisis paired with narration holds a strong bond between each other: “where former opens ‘space’ for the re-conceptualization and re-configuration of state projects” while “the latter facilitates the (re) constitutive dynamic between stakeholders through which they may come to share a new and similar mental model of what that project is” (ibid.). As for Blyth, the crisis offers in this way a dual sense a turning point for change. Then, how the ‘stakeholders’ can and will cope with this novel “space” for change is very much about the prevailing values and paradigms, which could be argued to be part of the explanation in opening the prolonged nature of stagnation.

Then, when it comes to narrating certain storylines during and especially after the crisis, contemporarily, the role of ‘experts’ as ‘messengers’ of the crisis has increased in its significance. Of course, this is not a problem per se. Still, the contradictions usually lie in the reality that a certain value-added fundamentally shapes the intersubjective conception – especially through public media – of the crisis through the narrative process (Von Staden & Kawamura, 2016). Thenceforth, from which viewpoints have the common conception of the ‘lost decade(s)’ been narrated in recent years?

Within the past decades, probably the most noticeable ‘idea’ – this is thus highly arguable – or medium of explanation for the global economic affairs has been through neo-classical or, namely, ‘mainstream’ economic explanandum and praxis. Introducing neo-classical economics in this context as a part of presumed explanation and solution – though often it can



be attributed closer to the source of various problems – this varyingly interpreted ‘school’<sup>1</sup> with its counterpart in heterodox economics needs further but brief elaboration.

As Lawson (2013) and many others engaged in the heterodox and more critical side of economic and social sciences have pointed out, neo-classical economics has managed to cement its role in academic discourses to represent the rigorous ‘mainstream’ of scientific explanation and praxis. Moreover, through its substantive theorizing and modeling based on abstractions for states of equilibrium, individual rationality, and mathematical deductivism/modeling, the ‘mainstream’ assessments, for explaining highly nuanced real-world causal complexes, have found their way into the hands of neoliberal policymaking and media *par excellence*.

Contrary to the ‘mainstream’ approaches and its fundamentals, from the ‘alternative’ and critical perspective to economic and social sciences, the importance of ontology becomes vital. Going beyond of seeking atomistic constant conjunctions or static event regularities through empirical observations, advocates for the more holistic view of the ontology – and specifically realist social ontology – according to Morgan (2015), efforts to: “claim that social reality, including an economy, is characterised by sets of structures of social relations and agents imbued with powers or capacities”. Acknowledging the power and transformative capacities of different structures and agencies, one can arrive at multiple conclusions where the openness of the system and thus the possibility of constant change are crucial parts of the contingent reality (ibid.).

By investigating the historically and theoretically contingent complex such as ‘lost decade(s)’ through heterodox or plural perspective, it could be argued that the explanations and justifications can be presented in a much more nuanced manner, revealing a greater variance of possible storylines, than would be possible by investigating the causal complex via (post) positivist and mathematically rigorous models and abstractions.

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<sup>1</sup> The quotation marks indicate to Tony Lawson’s article: What is this ‘school’ called neoclassical economics? and more specifically to his notion for Veblen’s original use of the ‘school’ to suggest: “that there may be a sense, however, in which the object of focus was not really a school of thought at all.”

## **2.2. In explaining the ‘lost decade(s)’ – Different economic explanations from “liquidity trap” to the “insufficient demand”**

In Kurosawa’s *Ran*, a retelling of *King Lear*, at the start of the film the old monarch makes a bad allocation of assets—control of his land and forces—to some of his less than trustworthy managers and fails to exercise proper oversight. The result is a painful and unavoidable downfall, through dispossession, war, destruction, and death. Sometimes one gets the feeling that is how many observers see Japan’s Great Recession: A mistaken decision was made with regard to over-investment, or to monetary ease encouraging that investment, in the 1980s, and the rest was inevitable. (Posen, 2010, p. 3)

So, after the foundations for the contemporary economic/social thinking/science have been very briefly elucidated, this chapter can begin to reveal that, based on the different theoretical orientations, what kind of stories has been told and what has been understood as being ‘lost’ and why so? It quickly becomes evident that a large portion of the general explanation goes to justify the fundamental reasons from the economic policymaking perspective, particularly on the basis of ‘lost’ growth.

To a large degree, the ‘causes’ behind the argued ‘lost decade(s)’ undoubtedly have been economic and political. Still, it should always be recalled that the economy nor the single factorial concepts, i.e., economic growth and output, cannot fully explain all the contingent social mechanisms and structures in generating causal complexes. Nonetheless, the consistent basis for further analysis would be to start with the economic ‘stories’.

Like it was eloquently laid out in Posen’s opening reference to Akira Kurosawa’s reinterpretation of *King Lear*, it can be considered a sincere reminder of how much social sciences adores this kind of economic storytelling, often with exceedingly dramatic overtones.

As it has been the case for the last decades, the ‘mainstream’ (economic) views, theories, and methods have been the main driver in creating popular narratives in explaining the contingent affairs in our global political economy. Similarly, the Japanese experience of prolonged deflationary spiral, policy and banking failures, recession, and slow growth have gathered a bedrock of arguments and explanations from a plethora of researchers and commentators alike that, what caused what within the ‘lost decade(s)’.

Coming first to one of the most popular explanations for Japan's economic struggles and argued economic malaise has been through the argument for "liquidity trap"<sup>1</sup>. Per to Keynes's original thoughts in his *General Theory*, John Hicks (1937) came with his article on *Econometrica*: "Mr. Keynes and the "Classics"; A Suggested Interpretation" to represent renowned theory for the "liquidity trap" and similarly introduce his abstractive and aggregate IS-LM-model<sup>2</sup>. Exactly referring to the established position of the IS-LM model in the mainstream (macro) economics, this mathematical and abstract model can be discovered in the background of explaining the various economic nuances of the 'lost decade(s)'.

Similarly stemming from the legacy of Hick's theorization, the narrative which has managed to gather a great deal of audience has come from Paul Krugman. With his original publication from 1998: "It's Baaack: Japan's Slump and the Return of the Liquidity Trap", Krugman managed to bring back the seemingly forgotten theory for describing the issues back in the Great Depression by showing through new-Keynesian 'synthesis-type' modeling, that the historical correspondence for modern Japan's economic chaos was somewhat accurate. Even though the original concept of "liquidity trap" were firmly based on the broad macroeconomic aggregates of the IS-LM model, Krugman, within his re-animation of the theory in the Japanese context, notes on certain deficiencies of the Hicksian model, which in its classical form, cannot be considered to represent a real-world condition – if any such models based on fixed assumptions and laws could – in an accurate manner<sup>3</sup> (Krugman, Dominquez, & Rogoff, 1998). Thus, focusing on the perplexing issue of allegedly ill-timed and feeble monetary policymaking, struggling simultaneously with the zero lower bound interest rates, narrated a certain story of 'lostness' through a monetary policy perspective. Although Krugman's empirical observation of the historical re-emergence of the liquidity trap could be considered rather accurate, one issue is to be found in its bedrock economic assumptions. Krugman further describes the liquidity trap by portraying it as "a kind of credibility problem" where the premise relies on the ad infinitum scheme in which the monetary expansion will be expected to sustain and thus

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<sup>1</sup> Originally the concept was laid out by Keynes to represent the situation during the Great Depression where, the nominal short-term interest rates are closing to zero and the economy cannot be reflatd using expansionary monetary policies.

<sup>2</sup> Abbreviation stands for: investment, saving, liquidity preference, and money supply

<sup>3</sup> Referring to the Japanese case, Krugman brings up shortcomings covering firstly, the lack of intertemporality. Secondly, he notes, that within the original form the economy is assumed to be closed, which thus gives us a highly unrealistic representation of reality. Thirdly, traditional IS-LM analysis neglects the role of financial intermediation.

always to work (lifting prices) regardless of any structural problems. But instead, due to the liquidity trap, the public grows uncertain about the sustainability of monetary expansion (ibid.).

Now, as the global economy has witnessed other rich industrial nations, especially in Europe, to be sunk into the liquidity trap-like situation akin to the Japanese experience with zero interest rates, ineffective monetary policies, and sluggish growth, one can therefore state that liquidity trap is not a historical myth. But the critical question goes that firstly, how much one can rely on formal monetary orientated theory, like this in explaining and understanding the causes of 'lost decade(s)' and secondly, in what level of sincerity one should consider explanations, basing its argument on abstract considerations about infinite timelines, assumed rationality of agents and regularity of events to tell us anything fundamental about the reality? Not so much, I would argue.

Indeed, as Kathryn M. Dominguez notes already on the commentary of Krugman's article that: "Krugman largely dismisses fiscal policy as a solution to the liquidity trap on the basis of a Ricardian equivalence argument" (ibid.). Besides disregarding the weight of fiscal policy measures, Krugman's narrative, as with many others in the profession, latches fundamentally on the prestige of mathematical modeling and assumes a closed system where the individual operates under certain culprits of superior rationality fixed expectations.

From a somewhat similar theoretical stance, Richard C. Koo has served another prevalent argument for the causes of the 'lost decade(s)', or how Koo signifies it: Japan's "Great Recession", through his "balance sheet recession" argument (Koo, 2009). For Koo especially the explanations behind the rigidness of the 'lost decade(s)' or "Great Recession" had been in large part basing too heavily on singular explanatory myths, covering the popular vindications for ambiguous structural reasons; banking sector's sluggishness with the 'credit crunch'; monetary policy failures; or indistinct cultural reasons. (Ibid., p. 3) Instead of going for the supply-side reasoning, Koo presents his view for Japan's elongated slump from the side of insufficient demand, where Japan could have been seen to deliver very ample supply as: "Japanese products were in high demand everywhere but in their home market" (ibid., p. 5) and thus: "The cause was not inferior products, but rather a lack of domestic demand." (ibid.). Koo argues that (ibid.) the insufficient effective demand is then generated along with the "balance sheet recession," where the recessionary complex emerges after the debt-based financial bubble burst. Thus, corporations and households find themselves in a grave imbalance between the accumulated debt and wealth and turn from consuming goods into paying their sizeable debts.

Following this rather Keynesian tradition, backing the more demand and consumption orientated explanation for the causes behind the prolonged slump during the decades, Charles Horioka (2006) creates his argument based on empirical data on stagnating investment and consumption, especially concerning household consumption and shares of private fixed investment. Horioka (ibid.) maybe too confidently render the stagnating household private fixed investment as the most decisive explanatory factor to describe the overall situation during the ‘lost decade(s)’. Like Horioka and Koo, Yoshikawa Hiroshi (2002) sees the demand-side issues or “demand failures” (ibid., p. 3) behind the prolonged slump and stagnating GDP growth. Similar to Horioka, Yoshikawa argues the plunging private capital investment to signify as the “main driver” (ibid., p. 14) for the first phase of low growth by displaying value drops in GDP measures from peak of the bubble period to the 1993, when the GDP growth rate swamped from 6.2% to 0.3% while the: “contribution of capital investment was responsible for 4.2% of the 5.9% decrease in the growth rate, accounting for more than 70% of the overall decline” (ibid.). When looking at the economic stagnation at its deepest in the 1990s in (real) GDP values, one can indeed see a recurring ebb and flow to last at least from 1993 to 1998, when the growth rate was suddenly skyrocketed from 0.3% to 5.1%, lifting similarly the contribution of the private investment to the GDP nearly 4% and then from 1997 to 1998 plummet to represent negative growth of -2.8% (ibid.)

Reflecting from the aforementioned ‘stories’ about the fundamental causes of the prolonged nature of the ‘lost decade(s)’, Koo (2009, p. 17-18) describes the situation where the burst bubble devours asset values and further private capital investment and then turns the households and corporations from borrowing into the saving or paying up the substantial debt *en masse*, to represent a well-established story of a “fallacy of composition”<sup>1</sup>. So, as the above explanations demonstrated, the general stories around Japan’s ‘lost decade(s)’ circulates between supply-and demand-side economic explanations, where broadly taken, the other side goes to hammering Bank of Japan’s inept and ill-timed monetary policies to control the production to boost growth and whereas the other side indicates the insufficient effective demand as making the monetary policies virtually irrelevant, especially at the time of Koo’s “balance sheet recession”

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<sup>1</sup> Fallacy of composition describes the situation where the behavior of single agent is presumed as something beneficial or right, leading to an outcome where the whole population or firms turns to a similar behavior and generates undesirable impact instead.

With commencing towards the next chapter and thus going further into investigating the role of metaphors and certain economic presumptions laying the ground for the argument that: On certain levels of metaphors, presumptions, and exaggeration, especially the economic arguments for the ‘lost decade(s)’ is based on economic myths of economic growth and prosperity. Thus, it is perhaps sufficient to conclude this chapter with the recollection of five main narratives and arguments for the causes of ‘lost decade(s) or namely, “Great Recession”, composed by Yutaka Harada (2012) as following:

- (1) the bubble hypothesis – a bubble and its bursting caused a long slump;
- (2) the efficiency shock hypothesis – certain structural problems eroded the efficiency of the Japanese economy in the 1990s;
- (3) the fiscal policy hypothesis – insufficient government expenditure impeded economic recovery (in contrast, another version of this is that too much government expenditure hinders recovery though the so-called ‘non-Keynesian effect’);
- (4) the financial system hypothesis – that a decline in financial system functions hampered economic growth, which comes in two forms: one is that non-performing assets lessened the ability of banks to extend loans to industry, and the other is that non-performing loans forced banks to extend loans to inefficient industries; and
- (5) the monetary policy hypothesis – where insufficient monetary expansion caused the slump.

The conclusion though in which Harada ends up, after thorough investigation of the five common hypotheses and the questions relating to them, sits behind the inefficient central banking/monetary policy argument stating that: “The absence of any real monetary policy hampered economic growth through the channels of stock prices and improvements in bank balance sheets” (Harada, 2021, p. 239) and that: “In order to escape from the Great Recession, active monetary policy was needed, but BOJ, which is afraid of any increase in interest rates and decline in bond prices, is reluctant to conduct aggressive monetary policy as counterparts in other countries have already done” (ibid.). While one address to Harada’s empirical claim, what can be again found is the contradiction to the former demand-side arguments i.e., from Koo.

However, in my opinion, the crux of the matter in social sciences – and particularly in economics – is to, as Ha-Joon Chang (2014, p. 417) quotes in the concluding remarks of his *Economics: The User’s Guide* the Latin phrase written in the city hall of Gouda: “*Audite et alteram partem*, hear also the other side”.

### **3. The ‘lost decade(s)’ as an economic myth? – The role of metaphors?**

Although, it would not be totally correct to argue that there was nothing that Japan ‘lost’. Depending on the perspective, Japan certainly ‘lost’ several things within the recent decades. In more materially tangible terms, trillions in terms of liquidity and asset values were flushed away; numerous citizens were ‘lost’ due to hiking numbers of suicides, and powerful monetary institutions saw catastrophic bankruptcies. On the other side, in materially more abstract terms, significant fractures occurred on the social imaginaries of prestige, stability, and cohesion as the country faced intensifying challenges for its national psyche. Furthermore, a series of exogenous shocks shook the Japanese society with the devastating 1995 Kobe earthquake, Tokyo metro sarin gas attack, and in 2011 triple disaster combining an earthquake, a tsunami, and nuclear meltdown in Fukushima (Funabashi, Kushner, 2015). It has been thus argued that being toppled with various exogenous shocks<sup>1</sup>, issues have also been inflating due to that the Japanese political economy has been stumbling in its numerous efforts to restructure and reflate the political and economic life (Yoshikawa, 2007). As Yoshikawa (ibid.) notes, despite the metaphorical sense of the ‘lost decade(s)’: “Nevertheless, it was a historical event, and left scars not only on the economy but also on the Japanese society” and that: “The legacy of the lost decade is still with us”.

But then, what is meant by “metaphorical sense” when one is discussing the ‘lost decade(s)’? Indeed, in our global social reality, governing the global operations and mechanisms, metaphors matter. Especially in economic and political explanandum, metaphors are adored as effective tools for simplification and signaling.

Our human thought rarely is fully conscious, and thus we desire graspable stories and explanations, especially concerning complex and nuanced concerns relating to the economic and political transactions (Patomäki, Steger, 2010). As Patomäki & Steger (ibid.) indicate in their paper for pondering the formation of a new planetary consciousness and global social imaginary, they point out referring to the now somewhat common conception of ‘nation’ that: “Most of human reasoning is based on prototypes, framings and metaphors that are seldom explicit; usually they are merely presupposed in everyday reasoning and debates”. Perhaps by realizing the role of prototypes, framings, and metaphors in creating certain presuppositions concerning the ‘lostness’ of ‘lost decade(s)’ one can better understand why there are such

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<sup>1</sup> With the exogenous shocks, aside with natural disasters, Japan was also impacted with the two global financial crises. Firstly the 1997 Asian financial crisis had a significant impact on Japanese economy and financial institutions. Secondly, Japanese economy was hit surprisingly hard with the rapid contraction in global trade as the collapsing markets in the US and Europe “exerted a severe negative influence on Japanese exports” (Kawai, Takagi, 2009) within the years 2008-2009.

strong and widely accepted conceptions of ‘lostness’ within the discourses of Japan's transformation. Tracing thus Patomäki's and Steger's grouping of prototypes, framings, and metaphors in constructing a social imaginary of ‘nation’, we can instead posit the concept of ‘lost’ within a similar analytic framework.

Starting with the *Narrative-* and *Visual prototypes*, if glancing back to the common global discourses of post-war Japan that began to construct during the decades before the 90's economic downfall, one could see strong discursive concepts such as: ‘Japan as number one’, ‘Japan problem’, ‘Japan as an economic juggernaut’, ‘Japan Inc.’, or even harsh harangue from former French prime minister, Edith Cresson, labeling Japan pompously as: “yellow ants trying to take over the world” (Glosserman, 2019, p. 11) in solidifying particular conception of post-war Japan. All the narratives above indicated powerful imageries that solidified some understanding about outstanding growth, power, innovativeness, and prosperity. For many, the basis and archetypical understanding of Japan or something as Japanese were becoming increasingly harbored into the imaginaries and myths of economic prowess, power and national cohesion that started to become: “sedimented in social practices as an instantly recognizable shape and figure” (Patomäki, Steger, 2010).

Against these resilient narratives or cognitive prototypes signaling Japan's rapidly strengthening position in the global system, there is thus a prospect to trace the development of contrastive imagery through the metaphors of “fall”, “stagnation”, “lostness” or even “defeat” (Funabashi, Kushner, 2015). Following the ‘miraculous’ post-war rejuvenation of the Japanese political economy, another critical point was met. With *Metaphors* and *Metaphors in conceptual blendings* we can survey von Staden's (2013, p. 55) reasoning that by indicating as something as ‘lost decade(s)’ is indeed a “somewhat of an unfortunate epithet”. As von Staden acknowledges, when we use the word or metaphor of ‘lost’ we create imagery of something very abstract gone amiss. At the same time, the ‘decade’ constructs a specific temporal juncture in which we situate the ‘lostness’, which in this context has been strongly associated with – usually rather short-termed – spatio-temporal economic crises (ibid.). But when we engage ourselves in questioning that: what was ‘lost’ during this period, we can observe that usually the evidence and justifications are brought up on the basis of relatively short-term economic figures that either ‘fall’, ‘rise’ or ‘stagnate’ via the universally established mythological ‘gauges’ computing conceptions of economic and political performance. Returning then to von



Staden's argumentation, one can then conceivably see that the whole term of 'lost decade(s)' perchance:

Fails to convey the sense of the pivotal role that the lost decade plays in Japan's history. That said, as part of the larger transition from the post-1945 high growth period's politico-economic (cum-socio) framework to its following reconfiguration, the lost decade is but 10 years within the long run. That the origins of the bursting of the real estate bubble in 1991 reach into the 1980s and that the ensuing downturn is two decades long points to the severity of Japan's *bouleversement* (ibid.)

Finally, trailing the last piece of the analytical framework in Patomäki's and Steger's work on the construction of social imageries comes the *Framings*. When reflecting to the presented arguments and explanations of Japanese experience of economic calamity from the previous chapters, it is certainly not challenging to reveal certain political and economic ideals and presuppositions in framing the failures and reasons behind them. Though not only framing the imaginary of 'lost decade(s)' from the perspective of academic and economic analysis, one could also consider the role of 'growth' and 'catching-up' mentality that was driving – or framing – all aspects of post-war Japanese society to meet the mental yardstick of prosperity measured in GDP, while ignoring the socially corrosive side-effects of rapid industrialization.

Thus, as there is established a some degree of understanding about the prevalent conceptualizations and explanations for the reasons behind the 'lost decade(s)' as well some explications about the role of metaphors and imaginaries in constructing the sense and justifications for the certain 'lostness', it can be then commenced forward to investigate further the alternative understanding for the 'lost' growth and prosperity.

Reflecting on the common academic discourses dwelling around the 'lost decade(s)', perhaps it would be sensible to unravel the arguments and myths behind 'lost' growth in terms of GDP. Lastly, after scrutinizing the common economic explanandum and certain 'myths' around the fundamentality of economic growth and prosperity, the next chapter can then instigate deeper political, social, institutional dimensions, which obviously portrays an influential role – though empirically trickier to validate – in generating the sense of 'lostness' in modern Japan's history.

### **3.1. GDP and the 'lost' growth – Beyond 'grow or die'?**

Introducing oneself into the contemporary economics and general political economy discourse, it can be swiftly detected that the GDP or annual growth rates measuring the yearly changes in a country's nominal or real GDP, occasionally seems to have established nearly a hegemonic position in indicating countries' economic and human wellbeing. Even though the nation's gross domestic product, GDP, is fundamentally signifying a crude aggregation of the total quantity of goods and services produced in an economy through a certain fixed period, GDP has been relied on to stand as a metric value which according to Stiglitz (2020) not only adjust our understanding of human and economic wellbeing but similarly bend our conception of good and bad policymaking in a way that, the optimal choice of policy is regarded to be "whatever increased GDP the most." (ibid.) Following the GDP measures in indicating economic performance and human prosperity, shifting the focus on increases in incomes on the basis of population, namely GDP per capita, can give us a slightly more accurate reflection of the fluctuations in human prosperity.

In general, one can see – at least according to the common economic logic – both measures operate at some degree of crude interconnectedness, where the presupposed regularity prevails, indicating: "that a rising GDP will lead to rising income (per capita GDP) only if the economy grows faster than the population does" and: "conversely, if the GDP rises but the population stabilises (or declines) then incomes will rise even faster. In general, the GDP must rise at least as fast as population just to conserve the average level of people's income" (Jackson, 2016, p. 45). As Jackson (ibid.,) also reflects within his critical take on the questionable role of growth in measuring the 'real' prosperity and wellbeing, that: "Prosperity isn't just about income. Point made. And rising prosperity is not the same thing as economic growth. That's clear" (ibid., p. 66). But even though: "Economic growth may not be a useful end in itself. It might still be the means to that end" (ibid.), thus unfolding something about the growing or diminishing prospects for grander prosperity in the future.

As it has been hinted in the previous chapters, within the multiple stories of 'lost decade(s)' obviously, the interest towards fluctuating or 'lost' growth rates in GDP have played a key role. When finding the answers to the question: what Japan 'lost'? One can ponder that, can then the empirical/statistical data about the ebb and flow in GDP values tell us anything meaningful and actual about the 'lost' that Japan possibly got amiss? So, let's come back to the prevailing measures and values and perceive that the numbers can tell different stories depending on the perspective.

First, let's begin with the most obvious and, at the same time, a most recycled indication that has been regarded to signify the 'lost' growth, namely GDP. Within this superficial dimension of GDP, different countries are being scaled as losers and winners in performance in the metaphorical podium of top-ranking economies. Suppose one would want to justify Japan's 'lost decade(s)' along with its 'place' amongst the greatest economic giants. In that case, it could be noted that Japan indeed 'lost' its lionized position for China as the number two economy in 2010. But again, this 'loss' – considered based on nominal or real GDP – tells us merely an ostensible value of the accurately computed equation of a country's spending on dollars terms – or in local currency units – on goods and services over a fixed period.

Thus, unreservedly discounting the perspective on human prosperity, equality and, wellbeing, the aporetic view may very well be remained on the basis of fabricated imaginary, where China is seen as 'rising' while Japan 'descending' on annual GDP growth rate and thus presuppose that the same directionality could occur on every other area of the real economy as well. Therefore, turning the focus off from the nominal or annual GDP value, shifting the reference currency to the local currency unit, or take measurements such as: GDP per capita or GDP per unit of labor force<sup>1</sup>, under the inspection, especially the socio-economic side of the 'lost decade(s)' starts to reveal more of a commodified myth than an undisputable economic fact.

Indeed, to further decipher the argument of 'lost decade(s)' as closer to an economic myth, or, as Cline (2013) punctuates it as "Japanese optical illusion", when one spectate the historical developments in growth not only through annual GDP, but instead through labor adjusted measurement i.e., GDP per unit of the labor force, the 'lost' growth can be comprehended rather differently. As Cline (ibid.) argues that: "the underlying premise—that there has been a failure in growth over the past two decades—is at best questionable and at worst dangerously misleading," can be followed when the focus is shifted e.g., to the aforementioned GDP per unit of labor force, revealing in its part an interesting notion where: "The lost decades are an optical illusion caused by demographics and a stagnant labor force." (ibid.) Cline indicates Japan's relative stability and upward trajectory in growth by referring the data gathered from the years 1991-2012, which shows the output relative to the total labor force (unemployed incorporated) by increasing at the average 0.91 percent, compared to the United States' 1.66 percent and Germany's 0.87 (ibid.). The justification for the labor force as a particular

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<sup>1</sup> Cline (2013) utilizes the alternative contrast – real GDP per unit of labor force – against the standard GDP measurement to illuminate the illusionary effect of demographic development and a stagnant labor force on the waning GDP growth.

reference demonstrate itself even clearer when the growth rate of total labor force is compared to the e.g., United States 28% labor force growth from 1991 to 2020 (World Bank, 2021) to Japan's similar 5% growth (ibid.).

Contrastive argument on behalf of Japan's relatively stable and robust performance during the 'lost decade(s)' based on the similar evidence per Cline, is being also vindicated by Anderson (2016), who reflects Japan's debated dismal growth along the long-term trends from 1982 till 2012 in G7 countries by showing:

“Japan's real GDP growth, when adjusted for the size of the working age population: (i) during the 1980s far out- stripped other G7 nations, (ii) during the 1990s was slower than but not greatly distant from Europe (Germany, France), and (iii) during the 2000s was tied with the leaders among the G7. A "lost" decade? Hardly!” (ibid., p. 24)

'Lost decade(s)' can thus be regarded as a vital example of the economic aporia which can be often unearthed from the mainstream economic explanandum and praxis. Through tender critical inspection one can reveal the situation where the fundamental openness of our global social system is neglected – implicitly or not – and thus assuming that the: “causation can be analysed in terms of simply necessary or sufficient conditions; yet this is presupposed if one talks about empirical invariances.” (Kotilainen, Patomäki, 2020, p. 25) Illuminating example of this sort of theoretical aporia that generates through the changes in time and space, is through further reflexive commentary from Paul Krugman as setting the Japanese experience in contrast with the economic development in the US and, who indeed were among the first laying out firsthand analysis and empirical explanations for the 'lost decade(s)':

What we thought was that Japan was a cautionary tale. It has turned into Japan as almost a role model. They never had as big a slump as we have had. They managed to have growing per capita income through most of what we call their 'lost decade'. My running joke is that the group of us who were worried about Japan a dozen years ago ought to go to Tokyo and apologize to the emperor. We've done worse than they ever did. When people ask: might we become Japan? I say: I wish we could become Japan.

-- Paul Krugman, Financial Times, May 26, 2012 (Wolf, 2012), (Anderson, 2016, p.15)

Thence, as the contrastive image of the 'lost decade(s)' has become gradually sharper to represent not only linear shape of the things, it is perhaps reasonable to conclude this part of the dissertation by indicating the argument: that the economic exaggerations concerning the reality or the true nature of the 'lost decade(s)' is based on the heavy treatment of metaphors, certain social imaginaries of growth and prosperity as well the stylized approaches in measuring output. Especially when the variables reflecting the developments in demographics and labor force are being portrayed against the fluctuations in the rates of annual GDP, the

deeper societal challenges start to reveal, similarly distorting the basket case argument for the economic fatalities in the ‘lost decade(s)’. Thenceforth compacting in it’s on behalf the vital discussion around the meaning and fundamental purpose of economic growth Metzler (2013, p,11) ponders:

All of this suggests that we need to think more deeply about what economic activity is for, as a moral and as a practical question. What is economic growth? Are the established metrics of growth the most relevant ones? Which metrics are most relevant in circumstances of industrial and demographic ‘maturity’? What would qualitative economic growth look like?

All the above questions Metzler points out are indeed crucial components in drafting sustainable economic environment, not only for future Japan, but for us all operating in the grander global political economy.

Hence, as the economic domain of the ‘lost decade(s)’ with its multiplicity of explanations theorizations and questions, is more or less discovered, the final chapter will dive deeper to feasibly discover the ‘true’ reality of the ‘lostness’ that Japan and its society experienced within the transformative phase from the burst of its post-war economic euphoria into a new era of steady-growth, institutional liberalization, social precariousness and political/institutional inertia.

#### **4. Lost Dream? – The ‘lost decade(s)’ within the fields of social, political, and institutional**

“We are lost and we don’t know which way we should go. But this is a very natural thing, a very healthy thing.” In other words, the post-war Japanese social model was an old, dysfunctional model, and so it was only natural that such a model should be lost. Such loss should, in Murakami’s view, be welcomed.

Funabashi, Kushner (2015) quoting Japanese writer Haruki Murakami

Hence proceeding towards the latter part of the argument of this dissertation, reflecting the previous chapters, it has become somewhat palpable that from the historical milestone when the one era began to unfold amidst the death of Emperor Hirohito, bursting bubble and following market crash, within the subsequent decades' Japan as a society ‘lost’ several things, aside with the argued losses in growth and output. Though, one could still ponder whether the argued ‘lostness’ of the recent decades bears significant and real influence in different domains of social reality? It is true that, especially in the field of economic praxis, the role of theoretical rigor and overemphasis may have created synthetically distorted images of the reality and correspondingly severed in its own part the profundity of the crisis. But as I would argue, the real issue in understanding the ‘lost decade(s)’ and thus generating sustainable solutions to ricochet away from the many perplexities that the Japanese political economy has faced was approached from a blatantly narrow perspective. Funabashi and Kushner (ibid., p. xxiii) signify similar thoughts as pointing out that:

A great many attempts were taken to analyze the many facets of Japan’s lost decades and to offer policy remedies. This period in fact saw a succession of reforms. Nonetheless, no real effort was made to understand Japan’s lost decades holistically, not only from the perspective of demographics, fiscal and monetary policies, and management, but from all sides, including politics, foreign policy and security, ideas, and ideology.

In a broad sense, holistically regarding the wide spectrum of social, economic, and political reality, Japan was thus transmitted, through the argued ‘lost decade(s)’ into a new era of neo-liberal race or so-called “choose and focus” which according to Metzler (2013, p. 4) were globally signifying a shift especially in the business environment from prior high-growth phase of prioritizing revenues and markets, or namely extensive mode of operations, to a new, phase of persistently low and steady-growth where the priority was given to profit and reconsolidation within the core competencies, or similarly, from extensive to an intensive modes of operation. This institutional change in its more significant extent marked the end for

specific former social structures of accumulation and regimes of regulation (Kotz et al., 2010) such as: the so-called “lifetime employment”, *keiretsu* system of cross-related business groups, conventional family structures (Lippitt, 2006) and as Metzler (ibid.) formulates: “parental style of informal, actor-based bureaucratic regulation”, that were crucial components in upkeeping the enduring institutional, social, political, and economic stability throughout the long post-war upswing. Funabashi & Kushner (2015) summarizes aptly the emerging causal complex and its relatively heavy toll on the Japanese society as drafting certain frame of processes:

The intensification of globalization and market competition, the effects of long-term economic stagnation and business restructuring, and, finally, a declining, ageing society coupled with seemingly ever-expanding government debt, greatly undermined the long-held popular belief that Japan was a safe and secure country.

Along with the dispersing sense of insecurity with periodic financial crises, recessions, persisting deflation, and messy rounds of institutional reforms, the domestic illusions of political, social, and institutional stability began to fracture as Japanese society faced another set of real-world resiliency tests, displaying government’s political coherence and aptitude for national emergencies, via dual-disaster in 1995, destructive Kobe earthquake and Aum Shinrikyo’s orchestrated sarin-gas attack in Tokyo subway (Funabashi, Kushner, 2015, p.xxiv). An additional exogeneous strike amidst the Asian Financial Crisis hit the Japanese financial sector causing heavy damage in bankrupting two of its most prominent financial institutions, Hokkaido Takushoku Bank and Yamaichi Securities (Yoshikawa, 2007). Coming a few years behind the Global Financial Crisis, the moment when Japan and its citizens came “absolutely entrenched” (Funabashi, Kushner, 2015) with the sense of ‘lostness’ descended allegedly alongside the devastating causal complex that was triggered by great *Tōhoku* earthquake. The resulting tsunami swept coastal cities with fatal magnitude: “killing 15, 891 people with 2, 579 missing, displaced about six hundred thousand, and caused damage estimated at ¥ 16. 9 trillion” (Baldwin, Allison, 2015, p.1). Subsequent folding of Fukushima nuclear plant functioned has been considered as a catalyst for embodying the sentiment of ‘lostness’ even more concretely as one of the national myths of unconditional nuclear security fractured by exposing the so-called: “Japan’s ‘nuclear village,’ a cozy collection of politicians, bureaucrats, businessmen, and scholars who advocated nuclear energy” (ibid.).

To begin further analysis of this final chapter, the chapter will be organized into three different domains, namely: social, political, and institutional. With the first domain, social, first part will scrutinize certain causalities that have been argued to be emanating from the decades stemming from the end of the post-war upswing. Within multiple social challenges that Japan has now

become accustomed, perhaps one of the most perplexing challenges, Japan's rapidly declining population is providing an overarching issue for the whole nation, that has evident impacts in every other domain of Japan's future. Therefore, the demographic challenge will function as a bedrock for examining the plethora of social, political, and institutional issues that have escalated along the recent decades in the fields of labor and employment, social precariousness, political inertia, and institutional decline.

#### **4.1. Social domain – Unfortunate legacy of demographic gridlock**

To examine the certain legacies or causalities of the 'lost decade(s)' in a wider and deeper level of the Japanese political economy, it will be sufficient to begin with unraveling the social domain, as the issues developed in this layer of social reality inherently spillover the impact into political and institutional domains.

To highlight the causally and empirically most perceptible concern that has been argued to be echoing to a certain degree its striking legacy from the political economy downswing of the 'lost decade(s)', demographic gridlock, encapsulating simultaneously (Shirahase, 2015, Atsushi, 2015, Aoki, 2013, Eberstadt, 2011) rapid aging of the society, decreased total fertility rate<sup>1</sup>, significantly extended life expectancy, depopulation, and inadequate policy responses. As it has on a global scale, become increasingly evident along the recent century that population growth tends to slow down as socio-economic development leaps forward. However, the Japanese depopulation trend renders out as extraordinary concerning its relative velocity.

The graying of the society has been developing with unprecedented speed, "both in terms of scale and speed." (Atsushi, 2015, p.1). Currently, according to the World Bank (2022) data based on age/sex distributions of United Nations Population Division's World Population Prospects, Japan's total population is covered with nearly 29 percent of those being 65 and older. Atsushi (ibid.) brings the drastic pace of the demographic change into a perspective by firstly indicating the rapid change that began to radically accelerate during the beginning of the 'lost decade(s)', as the percentage of elderly people in the early 1990s covered 10 percent of the society. In contrast, in 1994 the proportion of elderly citizens was 14 percent and in 2007

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<sup>1</sup> According to the WHO's definition, total fertility rate regards: "The average number of children a hypothetical cohort of women would have at the end of their reproductive period if they were subject during their whole lives to the fertility rates of a given period and if they were not subject to mortality. It is expressed as children per woman. The total fertility rate is the sum of the age-specific fertility rates for all women multiplied by five. The age-specific fertility rates are those for the seven five-year age groups from 15–19 to 45–49." (WHO, 2021)



already over 20 percent. Comparatively Japanese development path which started to severely escalate in the 1990's becomes ever more alarming as the figures are being portrayed in contrast e.g., France: "which experienced a similar leap over a period of more than one hundred years" (ibid.). In other words, when compared to any European industrial country none: "has undergone such radical shifts in demography and family structure in such a short period of time" (Shirahase, 2015, p. 11) As Japan has now recorded its 48<sup>th</sup> year of sub-replacement-level fertility<sup>1</sup> and 12<sup>th</sup> straight year of declining population growth, it is fair to state that in a very absolute terms Japan has indeed "lost" significant proportion its nation.

Though, one could ponder, does the shrinking population indicate something inherently dismal? Amidst the verging sixth mass extinction wave stirring the whole planetary system and increasingly compressing living space in the urban areas, the argument regarding diminishing population growth rates bear certain justifiability by creating an opportunity for one of the possible futures projected by Eberstadt (2011) with: "A less crowded, 'greener' land". Eberstadt (ibid.) base this alternative scenario on the setting, where the depopulation and rapidly emptying countryside, which according to certain future projections referenced by Eberstadt would indicate a smaller rural population: "than at any point since the late 1800's" (ibid.), would result in providing arguably more living space, arable land per person, which in the following could improve Japan's food security and energy efficiency (ibid.). But normatively validating arguments for ecological improvements through overall depopulation is controversial in the face of human prosperity and dignity.

Conversely to a possible optimism in environmental relief, throughout the 'lost decade(s)' the long-term downward trend in the demographic development and "seemingly unstoppable overall ageing of the population" (Atsushi, 2015, p.3) have generated deep-seated fears of "deep and costly negative effects on the economy" (ibid.). Atsushi remarks on some of the direct impacts of rapid aging and declining of the population on the political economy, such as: "a shrunken labor force that will limit production and will produce a smaller consumer market less able to stimulate demand" (ibid.). Regarding as well the possibility of compensating effects of effective policy choices to improve per capita productivity and the growing consumption rate, Atsushi nevertheless emphasizes that: "There is no guarantee, however, that such a scenario will be possible," and that: "A decline in population not only

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<sup>1</sup> Officially sub-replacement-level-fertility is meaning a rate where fewer than established 2.1 children per woman is born to uphold natural equilibrium in population replacement from a generation to another. In Japan the rate is currently 1.36, with its lowest rate 1.26 in 2005.

affects the economy but also leads to a decrease in the human resources that sustain society, such as public services and education” (ibid.).

With the decreasing “human resources that sustain society” (ibid.) the political and institutional issue of immigration comes vitally important. Even though the number of immigrants of the Japanese total population have nearly tripled since the 90’s, covering now 2 percentage of the 125 million society<sup>1</sup> (OECD, 2020) it has been argued that especially within the ‘lost decade(s)’ – and to a degree even now – the immigration policies controlling the amount and living/working conditions of migrants were severely insufficient. This controversial topic will be further scrutinized within the final part of this chapter.

Being strongly attached to this puzzling legacy of the ‘lost decade(s)’, transformations in the shape of employment, inequality and social precariousness rises similarly as excruciating challenges that has been seen to originate from the transformative changes of the recent decades.

#### **4.1.1. Enter the increasing precariousness and ‘Lost Generation’**

Before the ‘lost decade(s)’, societal stability and cohesion were among the common signifiers, when Japan was indicated as the posterchild of income equality and established work structures by a plethora of discussants. Among the wide array of debaters e.g., Vogel (1979, p.120) pointed out that the income distribution gap between the highest and lowest quintile in 1970’s Japan was one the world’s smallest. In Japan international appraisals on positive indicators converted directly to bolster national sense of pride as: “Japanese took this as further evidence of exceptionalism; the self-image of a middle-class and homogeneous society encouraged the stereotype of everyone having a middle-class consciousness and sharing a common lifestyle.” (Shirahase, 2015, p. 13) Though coming to the end of the ’80s when the economic euphoria was on its paramount peak and the bubble had grown enough to burst, signals of emerging inequality — at least on a Japanese standard – especially in the field of work started to erode the prior structures of harmony and social stability as Japan descended into the tumultuous ’90s (ibid.).

Perhaps the most drastic social and institutional changes with the recessionary economy and increased institutional deregulation materialized in the field of work and social relations. In Japan, the aforementioned social structures of accumulation related to specially to work-family

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<sup>1</sup> For a comparison, in Germany the share of immigrants of its 83 million population is 13%.

structure with lifetime employment as a vital element, largely eroded during the new-era of deregulation, downsizing, and market liberalization introduced Japanese socio-economic life to mostly novel phenomena, masses of non-regular workers, and so-called ‘Lost Generation’ of precarious citizens. As the re-structuring of the labor markets/structures brought the rising unemployment and more drastically, global trend of underemployment, as the former more stable family-based ‘lifetime employment’ were replaced by: “model of more flexible, results-based employment: the new era in Japanese-style management” (Allison, 2015, p.42) which according to Allison (ibid.) was representing government’s punctual adoption of several: “signature tendencies of neoliberalism: deregulation of labor policies, heightened reliance on the privatization of social services and an ideological endorsement of individual responsibility” (ibid.).

Relatively briskly organized cultural makeover however brought aside with increased competitiveness and flexibility a lot of those who were or was in danger to be left behind. Allison describes this legacy of the ‘lost decade(s)’ as a: “glacial age of hiring” (ibid.), where especially, “youth were particularly hard hit, becoming the “Lost Generation” (ibid.). The term “Lost Generation” was coined to portray the new mass of under- and unemployed inhabitants – and especially youth – who according to Smith (2018): “Having failed to secure salaried employment, young Japanese part-timers and temps are thus seen to be lost in the sense of having lost their social bearings or being at a loss as to how to construct stable careers and meaningful identities.” Statistically the new surge of young non-regular worker demonstrated a significant rise or ‘loss’ to a previous decade’s stability: “as the proportion of young part-time and temporary workers surged from just 13.2% of the 15–34 year old age bracket in 1988 to 29.5% by 2003, and 32% by 2010” (ibid.). Particular strain that the non-regular job regime can and has set upon the young generations can be located in the decrease on companies’ investment on human capital which according to Aoki (2013, p. 4) results that:” workers accumulate fewer skills and have poorer wage prospects, whether in their current job or in the outside labor market.”. Aoki continues by indicating that in a long-term, this sort of development has distorted as well young people’s future stability as: “they are forced to delay marriage and starting a family, putting further downward pressure on the fertility rate and hastening population aging. Long-term planning has become very difficult for the young generation.” (ibid.) Similarly to, Aoki, Gordon (2015, p. 87) points out that: “A key critique of changing employment patterns is that increased flexibility to hire contingent labor has various

negative effects, most notably weaker consumer demand and declining rates of marriage and reproduction.”

Similarly, a new set of categorical concepts entered the Japanese and international discourse to describe and signify these new groups of ‘lost’ youth. Terms laid out by Brinton (2010, p.1) such as: “*Kakusa*. NEET. *Furītā*. *Parasaito shinguru*. *Hikikomori*. *Wākingu puā*. Net-café refugees. *Shōshika*.<sup>1</sup>”, became to describe particularly that part of Japanese society who was: “Lost in transition” (ibid.) to locate themselves along the transforming social institutions to meet the conventional ideals of salaried employment, traditional family structures and values or as Allison (2013, p. 40) puts it “hidden capital of the Japanese economy”. Undeniably, acknowledging the changes and transformations in demographics and social institutions that Japan has pushed through the ‘lost decade(s)’, lays some serious questions for the social sustainability of Japan’s future. But, on a global perspective, the Japanese experience of social and institutional change through the last decades is not a unique specimen as the wave of neoliberalization was sweeping especially the world’s industrial nations from the 80’s onward, producing comparable transformations and causalizations.

Moreover, on the other hand when Japan is being globally compared with the other nation’s statistical measures, despite the ‘lost’ structures of stable work and family for many of the new generation Japanese, one can still portray Japan’s relatively low levels of (youth) unemployment as one modern peculiarity whilst heeding the considerable processes of institutional change. As an example, despite Japan’s development in labor structure which introduced significant increase of non-regular workers, the total portion of unemployed in Japan from 1991 up to this day has been under 5 percentage nearly the whole period (OECD, 2022), which comes well below the G7 average rates. When it comes to youth unemployment notable negative development can be observed from 1991 when youth employment rate covered only 4.7 percentage to over 10 percent at the highest peak in 2003 and nearly 10 percent again after the ‘Lehman shock’ in 2009-2010 (World Bank, 2022). Again, globally Japan’s youth employment compares well below the averages of G7 and OECD countries (World Bank, 2022, OECD, 2022). Then again, despite Japan’s relatively stable and low statistics in unemployment and underemployment percentages on a global level signify certain

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<sup>1</sup> In the footnote Brinton (2010) provides a translation/descriptions for the terms: “*kakusa* (economic inequality); NEET (young people who are neither in school nor employment); *furītā* (“free arbeiter” – young people who freely move among jobs and take time out of the labor force); *parasaito shinguru* (young people who live with their parents and rely on them financially); *hikikomori* (extreme social isolates, the large majority of whom are men in their twenties or thirties); *wākingu puā* (the working poor); net-café refugees (homeless people who live in Internet cafés); *shōshika* (the declining birthrate)

strength and equality of its socio-economic system, the story gets a rather different tone when one is considering the imbalance in gender perspective. The exceptionally wide gender-gap has been advocated by a plethora of discussants, e.g., Kano (2015) and Osawa & Kingston (2015) points out that as Japan representing the bottom position in OECD gender equality ranking puts not only the women rights under a serious burden but hinders similarly Japan's capability to create sustainable solutions for the increasing precariousness, declining birthrates and looming deficit in the labor force.

Again, on an empirical and to a degree on an institutional and cultural basis, certain 'losses' can be indicated on the levels of the deeper social fabric, which have, according to Gordon (2015, p. 77): "has unfolded in the context of existing and relatively enduring norms and structures.". For Gordon (ibid.), acknowledging this socio-economic process of change reminds the historical truism of Marx where: "the tradition of all the dead generations weighs like a nightmare on the brains of the living" but similarly acknowledging that: "It bears repeating as a reminder that tossing long-established norms and systems overboard is never simple and not always wise (even if Marx certainly hoped that his readers would repudiate their inherited past)." (ibid., p. 78)

Thus, after a brief but analytically explanatory guise into some of the most perplexing and challenging legacies of the 'lost decade(s)' on a social domain, this chapter will proceed toward the final part of this critical scrutiny of the 'lost decade(s). The next part focuses on pinpointing the political causalities and legacies of the recent decades' development in political and institutional stability and Japan's changing position in the greater global political economy.

#### **4.2. Fractured image of stability – 'Lost decade(s)' in the political and institutional domains**

As the causal connections and certain legacies of the 'lost decade(s)' on social, economic, and institutional domains have by this point come somewhat discovered, regarding Japanese political system many have criticized according to Satoshi (2015) Japan's internal political struggles as one of the key factors in explaining the social and economic stagnation. Satoshi (ibid., p.135) explain further the background for the frequent critiques on Japan's allegedly deficient political system along the recent decades:

During this period, decision making was severely delayed by gridlock in a divided Diet and the upheavals created by a succession of short-lived governments. Seen from the longer perspective, Japanese politics has often been viewed as failing to respond to broader changes both in the global political economy and Japan's domestic

developments, in particular demographic changes such as declining birthrates and an ageing population. Each successive government championed policies, but these frequently lacked consistency and produced poor results.

As it becomes stated above, the group of issues in the political domain that can be connected to the other changes, challenges, and argued ‘losses’ of the ‘lost decade(s)’, have been identified particularly in deep-rooted political corruption, insufficient variance in political representation and a certain ‘loss’ of political stability and consistency. Firstly, as the Liberal Democratic Party’s (LDP) nearly hegemonic position in Diet, which had lasted for fifty years, became confronted as the coalition of nearly all the opposition parties gained power from the LDP in 1993, it further introduced according to Krauss & Pekkanen (2015) aside with novel divergence, a set of major institutional reforms – spanning from 1994 until 2005 – since the end of American Occupation in 1952 that: “fundamentally changed the institutional context in which the ruling party and the prime minister operated”. These new institutional reforms introduced in general a new hybrid electoral system or so-called “mixed system” (ibid.), newly organized and simplified administrative structure: “that changed the relative influence of politician vis-à-vis national bureaucrats, of the cabinet vis-à-vis the bureaucracy and the LDP” (ibid.) and a large-scale project to decentralize fiscal policymaking and the control of the central government over local authorities, which actualized by the Prime Minister Junichiro Koizumi’s administration (Satoshi, 2015, p.142).

The literature engaged in researching Japan’s modern political systems and their developments is abundant and would bear a feasible topic of research on its own. Though, as the deeper scrutiny of nuanced developments in Japanese national-level politics epitomizing reforms in electoral and governmental systems remain out of the actual scope of this research and argumentation, the greater interest lies behind the possible reasons and causations behind why the significant changes regarding the plethora of major reforms, gridlocks and upheavals occurred or not within the ‘lost decade(s)’.

Chiefly, what Japanese politics could be argued to have ‘lost’ within the two decades in 1990s and early 2000s compared to the previous decades, was the lost ‘harmony’ relatively stable and “harmonious decision-making process from policy drafting to decision” (Satoshi, 2015, p.149). With the concept of post-war period ‘harmony’ in the Japanese decision making was operating under the already mentioned “Japan Inc.” arrangement, which epitomized a tight amalgamation of “ambiguous” (ibid.) and implicit relations between bureaucracy, private sector, local-central governments and especially the: “numerous policy actors who became policy insiders” (ibid.).

Even though the new ‘harmony’ would have been possible to achieve as the political domain witnessed a variety of reforms that, according to Satoshi (ibid., p. 148): “spanned an extremely broad range of areas” some crucial components and questions of effective and sustainable political change were left unmarked, which basically blocked the new harmonious environment to thrive. Satoshi (ibid.) highlights the particular significance of failed reforms in the wider institutional context of Diet and secondly, in the local fiscal and tax systems. Particularly in the case of latter oversight, similarly, as the government decidedly began to decentralize its control and intervention over the local governments, it gave a momentous opportunity for financial corruption and cronyism to spur further moral hazards on the local level (ibid.). Of course, this can be regarded as highly hazardous concerning the simultaneous socio-economic turbulence within the national economy and financial sector.

On another perspective, what Japan has been argued to be aiming with breaking up its former ‘harmonious’ decision-making system was for Satoshi (ibid., p.150) that Japanese politics were considered to enhance its capability to respond more dynamically to socio-economic challenges and unexpectable alterations in the global environment. On a foreign policy-level, this transformation from a “developmental state” to a “regulatory state” as Satoshi (ibid.) quotes Chalmer Johnson’s famous categorization, meant a desire for a particular ‘loss’ in a heavy security-dependence based relations with the United States and thus a push for more autonomously performing Japan on global affairs.

Therefore, concurrently as Japan introduced novel plurality and variance into its political domain, on the other hand the political environment became less stable and cohesive in its decision-making competency, with 17 different prime ministers to form a government since the beginning of the 90’s. Perhaps due to institutional uncertainty, Japan missed or opt-out to create sustainable and correctly timed responses to some of the crucial questions affecting the long-term future of nation’s global position and national well-being. Satoshi (ibid., p. 154) brings up some of the crucial questions concerning especially the issue with demographic challenge which could have had significant impact in Japan’s socio-economic and political future from the 90s onward:

What would the consequences be of a full-scale entry of women into the labor market? How would the combination of an ageing society and a low birth rate affect Japanese society and the economy? What sort of policy and decision-making mechanisms would suit these changing demographic conditions?

As Funabashi (2015, p.321) concludes similarly to Satoshi (2015) Japan's political gridlock and the availability of effectual policy choices: "Possible remedies included putting a halt to the rise of medical expenses, taking measures to raise Japan's fertility rate, and easing the pressures on women in the labor force" but instead Funabashi continues: "Throughout the lost decades, never once did the demographic problem become an electoral issue. Experts on demographics reiterated the statistics and possible scenarios that would result from any further population decline. Yet, no major policy debate on the population problem developed" (ibid.).

Relating to the demographic issue, being one of the most fervently debated topics in Japanese politics, immigration holds a multiplicity of possible answers to the pressing demographic challenge and socio-economic deficits in the labor force and growing imbalances in fiscal and medical sectors. Though, Japan's standpoint on rather limited immigration has been alleged from a broad range of sources, within Japan and abroad, to representing isolationist and at times "jingoist" (Osawa & Kingston, 2015, p. 71) stance to safeguard its mono-ethnic and homogeneous nation structure. Policy agendas and solutions have been looked at from increasing the use of robotics to improving women's labor participation rate, but especially concerning the significant increases in net migration of unskilled and skilled foreign workforce, faced strict mistreatment throughout the 'lost decade(s)'. According to the United Nation's future projection on immigration published already in 2001, it would have been essential for Japan to open its doors to immigration if it wishes to maintain its working-age population at sustainable levels. An estimated amount has been to be about 553 million migrants by 2050.

As the final 'lost' issue within the Japanese political and institutional domain could be said to be Japan's altered position within the global political economy. Most vividly, the change which began to elevate rapidly within the 'lost decade(s)' was the momentous rise of its historically 'significant others', China and South Korea. Within the 'lost decade(s)', Japan missed many crucial opportunities to amend its historically painful relations between the two countries through sound economic, political, and diplomatic relations. With its rapid rise China similarly constituted a new scheme for re-structured global power architecture, which was of course not a challenge solely for Japan but as Funabashi (2015, p. 317) notes: "To many Japanese, China's rise cuts a stark contrast to Japan's decline during the lost decades – and at the same time it is one of the causes of the lost decades." Funabashi (ibid.) continues to point out further Japan's institutional 'losses' within the global trade regime as:



“In 2007, China replaced the United States as Japan’s largest trading partner, and in 2010, Japan lost its position as the second-largest economy in the world to China. This shook Japanese people’s perception of the Asian regional order. To many Japanese, “Japan as Number One” in the world sounded too good to be true, but “Japan as Number One in Asia” had been taken for granted for more than a century.

Japan’s former hegemony position as a regional – and to many degrees global – trading giant began to chip away to the hands of South-Korean and Chinese rising manufacturing companies as, e.g., South-Korea’s novel “FTA power” (ibid.) introduced a substantial series of free trade agreements to establish and enforce its novel global position as an Asian economic power.

Aside from the stumbling in the global economy, what Funabashi (ibid., p.318) considers Japan’s gravest political, institutional and diplomatic ‘loss’ on a global perspective was: “the loss of a stable vision regarding the Japan-China relationship”. According to Funabashi (ibid.), the foreign relations between China and Japan took a positive turn within the first years in the 90’s as in 1992, the emperor Akihito organized an imperial visit setting a new historical watershed within Sino-Japanese relations. The new shift in the regional cooperative atmosphere that Japan had acquired in the 90’s was seemingly setting a good prospect for the future as the new political initiative decided to push: “Japan-China and Japan-Korea relations beyond mere diplomacy to include deeper regional cooperation.” (ibid. p. 317).

Though, conjunctural shift in the relations actualized with Junichiro Koizumi’s as Funabashi (ibid.) mentions Japan’s strident push to secure its permanent seat in the UN Security Council, while neglecting China’s opposition, which ultimately lead along with Koizumi’s politically controversial visits to the Yasukuni shrine, for China: “to block Japan’s accession to permanent membership”. (ibid.) Thus the relative progressions in cooperative relations which emerged during the ‘lost decade(s)’ began to turn increasingly inward as the politically nationalist tendencies were introduced to the Chinese and Japanese politics with territorial disputes on Senkaku / Diaoyudao Islands; recurring anti-Japanese protests in both South-Korea and China; and introduction of new nationalist leaders and political campaigns in Japan and China. Japan, therefore – as it was partly mentioned earlier – ‘lost’ its opportunity to construct politically sustainable regional partnership especially with China and thus, according to Funabashi (ibid.) China is: “no longer seems hesitant to use its mutual economic interdependence with Japan as a weapon of foreign policy.”

Now, as the essential components of Japan's argued 'lost decade(s)' has been more-or-less scrutinized, next this thesis will commence into the concluding remarks while laying out certain questions for Japan's possible futures, with causal connections on the developments that occurred throughout the 'lost decade(s)'.

## **Conclusion and the question about possible futures**

Coming to the closing remarks of this thesis, I will review the results and findings regarding the primary research questions and arguments. After a brief examination of the different aspects of this research, which advocated in its own part to critically scrutinize the highly debated and researched issue of Japan's argued 'lost decade(s)', the final contribution with this thesis is to lay out certain questions on Japan's possible futures. Indeed, having the epistemological and ontological limitations on scientific prediction in mind, the possible futures are being critically questioned rather than predicted.

Thus, as the beginning of this research represented first Japan's historically rapid rise within the global political economy and how Japan became the "Number One" (Vogel, 1979), the second chapter begins its analysis from the inflection point when the Japanese system witnessed yet another swift transformation. Since the beginning of the 2000s, the Japanese experience of a socio-economic and financial bust of the 1990s began to gain widespread attention within the academic and public discussions. Especially within the international economic praxis, the newly coined historical and theoretical concept of 'lost decade(s)', sparked a plethora of further theoretical debates, with each trying to argue, explain and justify on their own parts; what was the period called 'lost decade(s)'; why it was 'lost' or what was 'lost'? Economic explanations stemmed from a wide array of institutional facets, giving explanations and reasons for the drastic changes in the Japanese economy. Before the conceptual term of 'lost decade(s)' were coined by Hayashi & Prescott (2002) or by Funabashi (2000), depending on the point of view, Krugman had presented his popular theory for the crippling effect of ill-timed and ineffective monetary policies causing increasing uncertainty, zero-bound interest rates and so-called "liquidity trap" (Krugman et al., 1998, Krugman, 2008). Then, from the (New) Keynesian tradition, others indicated the significance of insufficient demand and diminished consumption (Koo, 2009, Horioka, 2006, Yoshikawa, 2002, 2007) in restricting the plummeting GDP measures to get back on the post-war high-speed track. Even though the desired comeback to the high-growth days never occurred.

As the purpose of this research was to critically investigate the globally vibrant discourse on 'lost decade(s)', the key point was to maintain the open-systemic thinking as a theoretical and analytical beacon. As it became increasingly evident when going through the rather substantive bibliography of different economic explanations, one signifying feature was repeated on many accounts, neo-classical economic theorization. Without challenging the theoretical rigor or the

correctness of the resulted analysis of introduced illustrations, the purpose was not to disregard the value of individual arguments and justifications but rather to critically question the established position of the ‘mainstream’ theories in scientific explanation. As the neoclassical economic theorization relies heavily on the mathematical modeling, closed systems, and Humean constant conjunctions in sketching explanations for complex causal chains emerging within the fundamentally open system of our social reality, it can be cogently justified to pose a certain critical question on the nature of research and given conclusions.

Therefore, the third chapter progresses from the earlier economic discussion, circling chiefly around the issue of ‘lost’ growth, to develop further the first argument stating that: The historical and metaphorical concept of ‘lost decade(s)’ is on certain levels of metaphors, presumptions, and exaggeration, based on economic myths of economic growth and prosperity. The particular metaphors and ‘myths’ around the conceptions of ‘lost decade(s)’, economic growth and prosperity, develop along with the creation of certain social imaginaries, which can construct a deep-seated imaginary, based on the history and discourse, of something as ‘ideal’ or even ‘constant’. Reflecting Japan’s historically remarkable development process with long periods of exceedingly high economic growth created an overemphasized benchmark against Japan’s argued stagnating economic funk during the ‘lost decade(s)’ are being constantly compared. Thus, the third chapter tried to debunk the conception of the ‘lost’ growth by portraying alternative measurements of GDP growth by changing the reference point to developments in the labor force and demographics. Especially setting Japan’s growth development during the ‘lost decade(s)’ in contrast with the other developed nations in G7, Japan’s ‘lost decade(s)’ in growth perspective reveals itself as more of an “optical illusion” (Cline, 2013, Anderson, 2013, 2016). Of course, when justifying the argument of this chapter, there could have been more extensive theoretical viewpoints such as trade and human capital. Still, regarding the spatial limitations of this thesis, they were omitted from this analysis.

The ‘lost decade(s)’ in the deeper societal context was scrutinized within the last chapter of this thesis. To further justify this thesis's second argument stating that aside from economic casualties, some real ‘losses’ were realized within social, political, and institutional domains, the chapter went through some of the most substantial changes and legacies that Japanese society faced 90’s onward. Some drastic changes along the ‘lost decade(s)’ were realized especially within the field of social structures of family and labor, as the former structures of ‘life-time employment’ and tight family-corporate relations were gradually cut off and introduced the new generations of Japanese with the de-regulated and flexible non-regular

labor regimes. As a result, though, many of the young Japanese found themselves as being left out from the new increasingly competitive and insecure environment, constituting a “lost generation”. As an overarching issue that has spillover its effects on every other layer of the Japanese political economy have been Japan’s demographic challenge. With a rapidly graying population and sub-optimal fertility rate, during the ‘lost decade(s)’, Japan basically ‘lost’ its opportunity to politically intervene with the alarmingly downward development. Thus, one of the core ‘losses’ within the recent decades has been Japan’s political instability and failure to perform a larger reform of the Diet. In connection with Japan’s political inefficiency, Japan could not properly respond to a changing global political economy, which witnessed a rapid rise of its most significant neighbors, China, and South Korea.

As the findings of this critical scrutiny have been now more or less gone through, in conclusion, some questions, heeding certain the legacies of the ‘lost decade(s) and developments in the economy and social, - political, - institutional domains, will be laid out regarding Japan’s possible futures.

Firstly, heeding Japan’s possible future directions with its economy, one must ask what Japan wants? The steady growth trajectory has become closer to a normal state of affairs when comparing the global developments and thus, the growth in itself may not be the top priority towards which the Japanese financial sector and government pursue in the future. Perhaps more importantly, what will be impactful in Japan’s economic future would be its substantial weight of national debt, which has swollen over 250% of Japan’s GDP, and rigid difficulties to shake off the deflationary development path. Of course, it depends on a lot from the perspective, whether the subtle deflation is better than the magical 2% inflation. Still, nonetheless, Japan’s economy will be offering an interesting puzzle for future international economists to solve. Another critical question is whether Japan carries forward with business as usual; how sustainable is the path in the long-term perspective?

Secondly, also affecting to the Japanese economy comes the rapid depopulation of Japan’s population. Possible future for Japan if its political willpower remains as gridlocked as it has been through recent decades, projections for the future population development have forecasted Japan’s population to drop below 100 million already in the 2050s and conversely the elderly citizen’s proportion of the populace would be representing third of the whole country in 2030’s. The question here remains again; a lot depends on what Japan wants? Available remedies remain in the significantly improved immigration policies, gender equality in the labor market, better family planning structures, enhanced education in foreign languages,

and more dispersed urbanization. Luckily, reflecting the current trends in Japanese discourse, the bleak future with graying and vanishing population is not the idealized path for contemporary Japanese.

Lastly, the question about Japan's possible future in the global political renders vitally essential. Heeding the globally rising position of China in contrast with the United States, endure as a key question for Japan's future. As Japan is geopolitically and economically situated between the two rivaling nuclear (super) powers, its political decision-making must remain extremely sensitive as its diplomatic and economic choices resonate with the developments in the grander global political economy. Though, many aspects of Japan's future global relations remain open, as Japan posits a constant uncertainty with its unbalanced political environment, repeating diplomatic struggles with its neighboring Korea and China, heavy military dependence with the U.S., and geopolitical rivalry over Senkaku/Diaoyudao Islands.

In conclusion, it can be considered that the aim of this thesis was achieved. However, perhaps as the central issue of this research was the extended scope of the subject and, therefore, the occasional paucity of argumentation and evidence could. Additionally, there would have been perhaps some possibilities to harbor the Japanese experience more firmly into the greater global political economy. After all, Japan and its historical development in the political economy remains to be one of the central questions in the field of economics and global political economy. Therefore this thesis can be regarded as a valuable contribution.

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