

Japan's Road to Harmonious Decline

Those lazy Japanese are goofing off again.

BY GUY SORMAN

Forget what you have heard about the hard-working Japanese salaryman: since the early 1990s, the Japanese have drastically slackened their work habits. Indeed, Tokyo University economist Fumio Hayashi has demonstrated that the main reason behind Japan's twenty years of stagnation has been the decrease in the quantity of work performed by the Japanese.

The government itself has led the way here, starting with its decision to close public administration buildings on Saturdays. Japan's banks followed suit. From 1988 to 1993, the legal work week fell 10 percent, from forty-four hours to forty. This, as much as anything, helped to bring Japan's long-running post-WWII economic "miracle" to its knees.

In the service sector, the decline is even worse than in manufacturing, because services are heavily regulated and partially closed to foreign competition. In the retail sector, which employs a huge number of Japan's unskilled workers—the so-called "mom and pop" shops—Japanese productivity is now 25 percent lower than in Western Europe.

Former Prime Minister Junichiro Koizumi (in power between 2000 and 2004) and his chief economic adviser and minister of finance, Heizo Takenaka, understood all too well that Japan was losing ground in terms of productivity. They sought to counter the trend toward less work through privatization and deregulation.

Japan's powerful bureaucrats, nostalgic for the 1960s model of development, whereby government and its business cronies nurtured the Japanese miracle, strongly opposed this bold, free-market solution. But their model is obsolete, because Japan now competes directly with many other Asian and non-Asian countries, where work habits are of the type that used to prevail among the Japanese.

Moreover, public opinion never supported Koizumi's policy, which was alleged then, as it is now, to be a source of inequality. But that is a canard: real-

"INTERNATIONAL
ECONOMY

THE MAGAZINE OF
INTERNATIONAL ECONOMIC POLICY

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estate speculation, not privatization, has been the real source of undeserved wealth in Japan. Nonetheless, the newly victorious Democratic Party of Japan has been able to make the accusation stick to free-market policies.

The recent electoral triumph of Yukio Hatoyama's untested DPJ thus confirmed the popular wish not to follow America's free-market model. Hatoyama makes no economic sense in declaring that growth is important but that happiness comes first. Nevertheless, this sentiment does reflect the mood of many Japanese.

Assuming that Hayashi and Takenaka are right about the causes of Japan's stagnation, one must ask whether today's Japanese are willing to work more in order to catch up with the United States and to lead Asia development? Stagnation is a tacit collective choice made by a country's majority. Have the Japanese people opted for it?

Nearly half of the Japanese population is either retired or near retirement age, and they worked very hard to achieve a high level of comfort. Thanks to them, despite the blighted economy of the "lost decade," Japanese income is still higher than it is in Europe. Moreover, unemployment is low compared to the Western world, because the unproductive distribution sector absorbs young people who cannot find better jobs. Stagnating Japan has thus remained a peaceful and rather conservative society.

By contrast, a higher growth rate would require fewer golf breaks for salaried men and significant immigration in a nation that is unaccustomed to foreign intrusion and different cultural habits. Are the Japanese really ready to accept such a cure?

Most Japanese, mostly among the old generation, are satisfied with the kind of society they have built. They perceive

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—G. Sorman



Junichiro Koizumi



Heizo Takenaka

Americans and Europeans as being obsessed with money and material ambition, and they seem ready to accept some stagnation as the price of remaining truly Japanese. Hatoyama understands this, which is why he won the recent election.

Hatoyama's talk about a "new age," which sounds strange from a Western perspective, is in harmony with the Japanese way: this is a country where thousands of cult leaders offer myriad paths to Happiness, in particular a glib mishmash of New Age and Zen Buddhism.

How long can Japan sustain this period of harmonious stagnation?

Japan's high-tech industries remain competitive, and the country is still the world's second largest exporter. It retains a highly innovative economy, which registers more new patents each year than all European countries combined—second only to the United States and eons ahead of China and India. Japan's 150 million people still produce far more than 2.5 billion Chinese and Indians.

In ten years or so, however, Japan could lose its status *vis-à-vis* the rest of Asia. Stagnation is already having a big impact on Japan's young, for whom it is becoming hard to find a job, let alone life-long employment in a leading global company. Teenagers know that they will have fewer opportunities than their parents had. How they will pay for their parent's pensions and health care is unknown.

Most troubling is the absence of open debate about these matters. Japan is a hush-hush society, where everyone is supposed to guess what is going on, and the media are careful not to provoke social division. Hard questions are not to be asked, and straightforward answers are considered too rude and crude to be given. Foreigners are welcome to make comments, but their advice will usually be ignored.

It may seem to most Japanese that their continuing economic power affords them the luxury of indulging such ingrained habits. Perhaps they should bear in mind Ernest Hemingway's description of how a man goes broke: "slowly, then all at once." ♦