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**Why I Expect Japan to Prevail:
Ruminations on Morishima**

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I believe that man
will not merely endure:
he will prevail.

William Faulkner

Michio Morishima is an eminent economic theorist and also an amateur cultural and intellectual historian of Japan. This is evident in his 1998 paper “Why Do I Expect Japan to Collapse?”, which is the focus of the discussion here.

The paper is most appropriately understood in the context of its intellectual heritage, Morishima’s stimulating and controversial 1982 book, *Why Has Japan “Succeeded”?*. The book informs us about a number of major themes alluded to but, due to lack of space, not developed in the paper. The paper asks where Japan is likely to be in 2050, and why. As the contrasting titles suggest, Morishima seems to see a less shining future for Japan than he once did. His style is sometimes exaggerated, his terminology sometimes apocalyptic.

Morishima’s paper is rich, dense, multi-faceted, and full of ideas – many insightful, some superficial, and some not deserving consideration. He likes to make provocatively extravagant statements.

He put Succeeded in the book title in quotation marks. I wonder why he did not put Collapse in the title of the paper in quotation marks. After all, his definition of collapse turns out not to be collapse at all. The final words in the paper are: “An internationally insignificant country with a reasonably high level of living standard. This is my image of Japan in the midst of the 21st century” (p 32). I interpret this to mean that Morishima, like many Japanese, is ambitious: he wants Japan in 2050 to be an internationally significant country with a high standard of living. And, if my expectations are correct, it will be. His use of “collapse” really refers to what he sees as happening to the values and moral basis of Japanese society, and hence of its economy, and this is the paper's principal concern.

* I have benefitted from comments on an initial draft by Robin Landis and especially by Larry Meissner.

The moral basis of capitalism, including what motivates the human behavior that makes capitalism work, is of central importance both for economics and for philosophy. Few economists are willing to, or feel unable to, explore the nature, causes, effects, and implications of the ethical system on which capitalism is based. This was the task Morishima boldly set himself in his book, in particular to explain both the difference between Japanese and Western capitalism and the moral, ethical, and religious foundations of Japanese capitalism. Because each country has its own history, culture, and system of values, Morishima quite appropriately says “it is erroneous to assume unconditionally that one can construct an economic model in the abstract and apply the logic of the model to the realities of a country” (book, p 201, footnote 1).¹

Morishima is to be lauded for his bravery and boldness as an economist in addressing the value system requisites of different patterns or forms of capitalism. My impression is that there is now a considerable literature by economists, sociologists, and others on this key theme. However I do not know that literature, and Morishima’s only references are to Weber, Durkheim, and Pareto – all writing before 1920 – so I have the impression he does not know it either. In his defense, it can be said that he is addressing the specific topic of the moral basis of Japanese capitalism. Although in many ways concerned with the same issues, he does not mention the *Nihonjinron* literature, nicely defined by Dore as “the analysis of what it is to be a Japanese” (Dore 1991, p 57). This literature flourished particularly in the 1980s, exploring and asserting Japanese specialness, even uniqueness. Nor does Morishima seem to be aware of the seminal, if complex, interdisciplinary analysis of polymorphic liberalism of another economic theorist, Yasusuke Murakami (1996) and the book edited by Yamamura (1997) of critical essays evaluating Murakami’s contributions. (For an earlier essay on his views on the relationships between economy and culture, see Murakami and Rohlen 1992.)

1 To convey Morishima’s meaning, I quote him extensively. When from his 1982 book. I use this citation method; when from the paper, the citation is simply the page number. I have used the 1984 English paperback edition of the book, which contains a brief but illuminating Postscript.

1 Religion

Morishima uses the terms religion, morality, ethics, and ideology more or less interchangeably. Although ideology is not a word much used in these texts, it was central in the title of his Marshall Lectures – “Ideology and Economics” – which are the basis of the book. He identifies “three kinds of religions: (1) the rational one which justifies the ruling political forces, (2) the rational religion whose objective is to emancipate the ruled individuals, (3) the mystical” (p 20; also see book, p 154, 194-95). In this schema, he identifies Shintoism as (3), and Confucianism as (1).

The book discusses Buddhism, Shintoism, and Confucianism in Japan; in the paper Morishima primarily refers to Confucianism. This is not surprising since he is particularly influenced by Weber’s concept of the Protestant ethic as a rational basis for Western capitalism, and he sees the variant of Confucianism that developed in Japan as its counterpart for Japanese capitalism.

I am puzzled by Morishima’s use of the term religion, especially because he refers to Confucianism as a secular religion capable of making an analytical, rational judgment of the realities of life (book, p 198). I certainly do not deny his view that capitalism may have a spiritual as well as a moral or ethical basis — though that spiritual element remains opaque to me. At any rate, at the risk of simplification, I use the term “moral” here to encompass ethical concepts and religions. What we are considering is the value system that underlies capitalism and, in particular, the relationship between changes in Japanese capitalism and changes in Japanese value system. More about this later.

Morishima is apparently enthralled by the Japanese version of Confucianism as a rational system of ethical principles and as an ideology that permeated and mobilized Japan’s elite, providing the moral basis for capitalism from above (state-led capitalism). The central tenets of Japanese Confucianism included strong hierarchic family relationships; loyalty to superiors and, ultimately, to the nation; emphasis on education to produce the “good man”; frugality; and support of a military elite which, inevitably, was interested in Western technology and science (unlike its more bureaucratic counterpart in Confucian China). But there were negatives as well: unquestioning obedience to authority; elitism; acceptance of an extremely bureaucratic set of

personal and social relationships which was group-oriented and anti-individualistic; potentially fanatical nationalism; and the vulnerability to moral capture by the military, as occurred in the 1930s. These themes are developed in his book. His paper contrasts Confucianism with the newer value system he sees as a requisite for a neoclassical-type competitive capitalism (capitalism from below), but which he perceives as developing only slowly and weakly.

The vast multiplicity of religions in Japan today – Buddhism, Shintoism, Confucianism, Christianity, the new religions – demonstrate, he claims, Japanese “tolerance and indifference to the spiritual life. Among these the one which appeals to most Japanese is perhaps Confucianism. It is a religion that is most unreligious and worldly...” (p 2, paragraph 1). My reaction in reading this was two-fold. First, I do not know how to measure the importance of religion in the lives of people but, at the very least, I see religious ceremonies regularly entering the lives of Japanese, especially at the times of marriage and death. Second, most Japanese probably do not know what Confucianism means. However, on reflection one could argue that many Confucian values – importance of family, acceptance of and respect for hierarchy, central role of education for economic and social advancement, rationality, emphasis on this world – have deeply permeated Japan and are accepted by most Japanese today.

2 Morishima’s Premonitions

Morishima’s argument involves what he lists as 10 premonitions. They basically are sweeping pronouncements, statements generally not supported by social-scientific evidence or more than casual empiricism. While each premonition is quite clearly labeled, the ensuing discussion touches on a wide and occasionally disparate set of themes. Morishima’s premonitions lead him to conclude that Japan’s future, at least for the next 50 years, is not bright. The discussion is fascinating and provocative, but by no means convincing.

There is considerable overlap in the discussion of the premonitions, so my discussion is generally on the themes rather than the specific premonitions. That said, three premonitions are taken up specifically: population decline, a possible ideological crisis, and an unfavorable external environment.

2.1 Central Themes

Four central themes emerge from his premonitions.

First, Japan's state-led capitalism (capitalism from above), which began in early Meiji, is now at a dead end and increasingly discredited. It is essential and inevitable that Japan shift to a neoclassical, market-based, competitive capitalism (capitalism from below). If it does not, Japan will lose international competitiveness or become internationally isolated.

Second, the performance of an economy is dependent on the specifics of the underlying value system, which shapes human behavior. Japan's former value system was Confucian and nationalist; it supported capitalism from above. However, this value system was rejected in the postwar educational system, which was imposed by the US Occupation and essentially has continued since then.

Third, the value system required to support competitive capitalism is based on the best attributes of individualism and liberalism. However, while Japan's postwar education system has been based on these principles, its teaching has been at best superficial, at worst destructive. They have not been embedded sufficiently deeply to have created a new strong value system in Japan's postwar generation (to Morishima, those born after 1940 and thus schooled after the war).

Fourth, the values of the postwar generation are very different from those of the prewar generation (those born before 1925) and even from those of the transition generation (those born between 1925 and 1940). The values of the postwar generation are weak, even perverse.

The educational system has failed to produce the type of persons Japan's competitive capitalism must have in more substantial numbers than in an elite-based capitalism, namely "capable motivated persons who possess such qualities as braveness, fairness and honesty" (p 21). Rather, the system has created people who, in the first quarter of the 21st century, will be "very undynamic because of the principle of peace-at-any-price they believe in. ... They are simply hedonistic, mammonistic and self-indulgent. They will have no sense of duty, no religion, no love for their motherland, and no element of ascription" (p 23-4). They are materialistic and greedy, nothing more. They will lack the creative, entrepreneurial spirit necessary to drive successful capitalism from below. "The people, like the Romans in the age of decline, are enervate, epicurean and undisciplined, and lack true leadership" (p 31). Japanese "are educated to be too

materialistic. There is no religious environment.... [T]hey have no interest in talking about ethical values, idealistic matters or social obligations even as abstract exercises” (p 26).

Thus, according to Morishima, because of the lack of an adequate value system the Japanese economy will perform poorly over the next 50 years. The requisite human will to achieve successful capitalism from below will not be there, and the educational system, which has not successfully embedded a requisite new value system, is at fault. Morishima does not directly identify the causal mechanisms whereby Japanese values drive its economic performance, such as their effects on choices between saving and consumption, work and leisure, and so forth. I interpret what he has in mind is that, because of its inadequate value system, Japanese will not be able to develop conceptual breakthroughs that result in major innovations, and that not enough Japanese will have the “entrepreneurial spirit” to commercialize innovations, whether created at home or abroad.

2.2 Population

Population decline is the first premonition Morishima lists. It is empirically based on the 1997 projections of demographers that Japan’s population will decline some 20% by 2050, to about 100 million, which was the population in the mid 1960s. Morishima asserts the decline may be even greater. What surprised me is that he did not then go on to argue that the absolute decline in the labor force, combined with a decreasing household saving rate by an aged population, would mean the labor and capital inputs needed to achieve GDP growth would not be sufficient, so that aggregate growth might be close to zero even though per capita growth would continue. Perhaps this was too obvious. In any case, to Morishima, lack of appropriate values, not population decline, is the fundamental cause of Japan’s future downturn.

Population estimates are the source of a major internal contradiction in Morishima’s analysis. Having said the population will decline, he asserts (premonition 10) that “a vast multitude of people will come into Japan from various poor places of Asia... Then, naturally, Japan will become a multi-racial country” and “a more open, cosmopolitan one” (p 29-30). If this indeed happens, and goes smoothly, then this new, different Japan could thrive and do well, not

collapse at all. However, Morishima treats this idea as a throw-away, without developing its full, complex implications.

My optimism about Japan's future, at least relative to Morishima's, is not based on such a profound transformation of what we mean by Japan as massive immigration would imply. Japan is unlikely to be an Australia or Canada or United States. If Japan does become a multi-racial or multi-ethnic society, then Morishima's analysis and my presumptions later in this paper are irrelevant. However, like him, I consider this a low-probability scenario.

2.3 Possible Ideological Crisis

Morishima raises the specter of "an ideological crisis – a possible right-wing reconversion" during the period the transition generation (born between 1925 and 1940) are in power (premonition 8, p 23). What this might entail is not discussed. The "right wing" apparently comprises those "unhappy with and humiliated by ... the shameful surrender" (p 23). He assumes the ratio of right-wingers is highest in the transition generation, next highest in the prewar generation, and lowest in the postwar generation. I find that surprising since my sense is that the transition generation is by far the most pacifistic. In any case, Morishima sensibly judges that any right-wing resurgence will probably end calmly.

2.4 "An Unfavorable External Environment"

The last source of Japan's collapse, according to Morishima (premonition 10, p 27), is that the United States, rationally assessing the respective power trajectory of Japan and China, will shift from an alliance with Japan that targets China, to an alliance with China that isolates Japan. "If this speculation turns out to be correct, Japan's position in East Asia will fall down to the present level of Taiwan and South Korea" (p 28). To avoid this, Morishima proposes the establishment of a Northeast Asian Economic Community comprising China, Japan, North Korea, South Korea, and Taiwan. This would obviate the need for a US alliance with either China or Japan, and permit all to reduce defense expenditures. Moreover Japan's small and medium enterprises, especially those in the western part of the country, would benefit from such close

relationships. However, even with such a Community, Japan's decline is not prevented since "the true cause of collapse remains unremoved" (p 31).

3 The End of Japan's State-Led Capitalism

The thesis — that Japan's state-led capitalism is coming to an end and inevitably will be replaced by a neoclassical-type competitive capitalism — is compelling, although I do not agree with all of Morishima's analysis. He asserts that one important cause of the collapse of capitalism from above is its pervasive corruption, as reflected in extravagant entertainment of central government bureaucrats and politicians by businessmen and local government officials. I regard this as more of a symbol than a major cause. Such entertainment is nothing new in Japanese culture; it goes back hundreds of years, certainly during the Tokugawa and medieval eras, and probably to the beginning of Japan's recorded history. What is new is a publically expressed morality that deems such behavior unacceptable. Today the media are stressing the need for accountability and decision-making that is independent, not based on bribery. Actually, the *dango* system of government purchase contracts and kick-backs to politicians, a major mechanism for the financing of Japanese politics, is substantively much more important.

I see the breakdown of capitalism from above – the weakening of the iron triangle of collusion among political leaders, central government bureaucrats, and big business – as due to a complex mixture of domestic and international forces. The sheer growth of the economy, including achieving the widely held goal of "catching up with the West", has engendered the forces of competition, and made many postwar economic institutions outmoded. Domestically, the coming to an end of the 1955 Liberal Democratic Party regime of one-party dominance, and the struggles throughout the 1990s to create a new political party system based on one or multiple opposition parties with real power, presage transition to (hopefully) a more balanced, competitive, democratic political system. This struggle, and the erosion of faith in the bureaucracy, have contributed to the economic problems Japan currently faces.

Probably more important economically has been the increasing trade and financial integration of the world economy and of Japan in it, which makes competitive markets necessary. Japan's process of removing barriers to trade, finance, foreign direct investment, and other

international economic transactions is taking a long time, but is irreversible and inevitable unless the world environment changes dramatically. The long-run benefits of international competition, despite the shorter-run costs of adjustment, mean that a retreat to Tokugawa-style isolation – an idea Morishima flirts with – would simply be too costly for Japanese economic well-being.

I do not accept Morishima's analysis or views on a number of smaller issues, although they are not central to the basic argument. There is not space to consider them all. Nonetheless the following is illustrative.

Morishima thinks that because Japanese firms in a competitive financial system will raise funds in the stock market rather than through bank loans, they will have to pay out a high proportion of their profits as dividends to keep stock prices high, thereby depleting internal sources of finance (p 22). This ignores the reality of corporate finance markets. Large companies will substitute commercial paper for short-term bank loans, and bonds for long-term loans. I agree that Japanese managers will have to change their behavior in that they will place a far greater emphasis on profits and profitability (return on equity). While the traditional postwar financial system is indeed at a dead end (premonition 6, p 15), the reforms, consolidations, and implementation of financial deregulation policies currently underway are likely to result in a competitive, market-based financial system within the first decade of the 21st century.

4 My Presumptions

Morishima's boldness provides me a license to sketch my own presumptions (not premonitions) about Japan in the year 2050. As he argues in his book, small differences can be the cutting edge of substantially different results: Weber's Protestantism versus Catholicism, Morishima's Japanese versus Chinese Confucianism. Similarly, modest differences between Morishima and myself result in quite different prognostications for Japan in 2050. This reflects the fact that the range of possible outcomes, domestic and international, widens exponentially as the time horizon expands. (For an interesting scenario experiment, looking to the year 2020, see Nakamae 1998.) Certainly past 50-year segments of Japanese and world history — from 1850 to 1900, 1900 to 1950, 1950 to the present — are indicative of how dramatically circumstances can, and probably will, change in unexpected ways.

My view of Japan's long-run future is more optimistic than Morishima's, though admittedly supported by no more evidence than his view. It stems from two sources: my understanding of Japanese modern economic development from Meiji, particularly since World War II; and my perceptions about the nature, values, and characteristics of the postwar generation of Japanese.

Morishima interprets Japanese modern economic development and growth from Meiji until the 1980s as due to state-led and elite-led capitalism, capitalism from above. Government policy certainly has been important and supportive, but in my view the real source of Japanese development and growth has been in the myriads of entrepreneurs and workers in smaller-scale enterprises. They have provided the major source of output and employment throughout the modern period. (For a more extended discussion, see Patrick and Rosovsky 1976, ch 1.) Big business has been very visible and typically close to government, but its share of GDP produced has always been smaller than in the United States or Europe.

Meiji Japan's industrialization was built on the labor-intensive silk spinning and cotton textile industries, neither close to, and certainly not led by, government. More than 50% of Japanese factory workers were females until 1930. Japan's postwar economic system, founded to some extent on Noguchi's "1940 economic system", has indeed involved much more government involvement, interference, and regulation than the pre-1930s economy. (For a recent explication, see Noguchi 1998.) However, the assessment of the role of the government, and particularly of its industrial policy, has been debated vigorously. Most economists reject the state-led development and Japan Inc models of Chalmers Johnson and others. Industrial policy had its successes and its failures; two major industries, automobiles and consumer electronics, never benefited especially from government support.

In my view, the rise of big-business managerial capitalism in postwar Japan has been more significant than the leadership and support of the government. Top management has become a new elite. Professional management has successfully insulated itself from outside corporate control by ensuring that a majority of the company's shares have been held by friendly corporations, epitomized in *keiretsu* cross-shareholdings, and by internal Boards of Directors. Thus it has become self-perpetuating. Management has somewhat insulated itself from labor

markets through the permanent employment system and from financial markets by bank loans. Firms have been insulated from competition in output markets by government regulation, which persists in many service sectors.

All this is changing, Morishima and I agree. Market-based competitive capitalism and its benefits have intruded on Japanese big business managerial capitalism from abroad. Manufacturing has led the way: not only removal of Japan's import barriers, but opportunities for exports to global markets have led to globally competitive Japanese firms. The costs of insulated labor and financial markets now outweigh their benefits.

Does this mean that managerial capitalism will come to an end? I doubt it. It is the wave of the future (indeed, it is already here) not only in Japan but in virtually all advanced industrial nations. Dore terms this corporate capitalism, which he sees as embodying group-oriented values and principles relative to individualism. He contends that "the middle-class elite of the future is going to be a corporate elite rather than an individualistic one" (Dore 1991, p 114).

Japanese managers simply have been more successful than most, particularly those in the United States, in creating a system that maintains their corporate control. This does not have to be incompatible with efficient, market-based competition. Toyota and Sony are prime examples. However, in order to stay in power under competitive capitalism, managers will indeed have to become much more responsive to the stock market and, accordingly, will have to attach a far higher priority than in the past to return on equity.

Thus, I differ from Morishima in that, in my view, modern Japanese economic development has always combined capitalism from above and capitalism from below. Market-based competition has been the central feature of most industries dominated by smaller enterprises and where entry has been easy. Japanese have always been entrepreneurial, eager to make profits and to have control over their own lives by owning their own businesses. Market pressures and deregulation are forcing an increasing range of industries dominated by large firms to adjust to competitive capitalism as well, but without (at least so far) having to give up the essence of managerial capitalism – namely, management control.

Like Morishima I see the market-based competitive capitalist model as becoming predominant over the next 20 years or so, in that big enterprises also will become increasingly

subject to the dictates of the market. Unlike Morishima, I see this as a continuous process, and one that will proceed reasonably smoothly and successfully.

5 Postwar Values

The major difference between Morishima and myself is our quite different interpretation of the value system of the postwar generation of Japanese. His fulminations do not describe the Japanese postwar generation I know. We are both treading in areas in which neither of us really knows very much, I suspect. We need the help of scholars of contemporary Japanese religion, society, and culture.

It is my perception of what motivates, and will motivate, Japanese economic behavior that leads me to argue that “Japan will prevail.”

The value system of the postwar generation has changed in important respects – it is more individualistic, less ideological, perhaps more secular. But I see far greater continuity in values than Morishima does. Like its forebearers, the postwar generation is pragmatic, flexible, realistic, ambitious, this-worldly. It values education, and not simply because it is the route to economic and social success. The dynamism, vigor, and entrepreneurial spirit that has long characterized small businesses persists: it is quintessentially Japanese (and whether or not it has a strong Confucian basis, which I doubt, is not really relevant).

Is the postwar generation more greedy and materialistic than past generations? I doubt it. Is it less so? That, too, is difficult to judge. The fact Japanese save more than before World War II need not reflect a lessening of materialism. It probably is due more to a lifetime consumption horizon in which, compared to the past, Japanese can expect to live longer and have the affluence that makes it easier to accumulate assets prior to retirement.

Most Japanese have rejected militarism and ideological nationalism – values that prevailed in earlier times. The Emperor is not very important, and is primarily a symbol of state. However, I suspect the postwar generation is less committed to pacifism than the transition generation. (I wonder to what degree Japanese would pursue a policy of peace at any price if the country’s national security were to be directly threatened.)

Like people everywhere, younger Japanese are preoccupied mainly with their own lives and their own domestic environment. Yet they are becoming increasingly internationalist, through foreign travel, media coverage of foreign events, and enhanced awareness that Japan is deeply integrated into the world economy. Awareness of others leads to awareness of self. Even as they become more individualistic, the creation of the Japanese version of the US Peace Corps and the rise in humanitarian and human rights oriented non-governmental organizations (NGOs) indicate a communitarian commitment by many younger Japanese. Japanese today have a healthy, not destructive, nationalism.

What has brought about these change in the values? Certainly education is an important ingredient; at the least, it no longer inculcates the prewar nationalistic Emperor-oriented ideology. I do not know how deeply it embeds the values of individualism and liberalism, and I suspect Morishima does not either. But values are learned mainly at home, and from peers, not just in school. And there have been a number of social forces affecting families such as urbanization, the rise of the nuclear relative to the extended family, and affluence itself. For the first time in Japanese history a generation has been brought up in an environment where abject poverty has been essentially eradicated, and a reasonably high standard of living is the norm. The bottom 20% of the Japanese population have close to the highest standard of living of the bottom 20% of any country in the world; only the Scandinavian countries may be better. For the overwhelming part, they have jobs, places to live, adequate food, and access to good education and medical care, and live in safe environments.

Young Japanese are far more willing to take occupational risks than their parents, to leave a decent job to take a position at a different company. It is not necessarily because the postwar generation are inherently greater risk-takers: affluence lowers the costs of occupational risks. Nonetheless, labor market imperfections, especially for the large-firm managerial elite, remain an important barrier to the establishment of new, high-tech, venture capital firms. The key problems inhibiting venture capital in Japan, unlike the United States, are the lack of good job opportunities for those whose new firms fail, and the lack of financier expertise to evaluate new projects, not the lack of funding itself.

Morishima asserts that a value system based on individualism and liberalism is an essential requisite for successful performance in market-based, competitive capitalism, without further explanation. I can visualize a wide range of individualistic and liberal behavior that is compatible with market-based competitive capitalism. After all, most markets – even within competitive environments – are not spot or one-shot markets, they are markets in which the benefits of repeat business are substantial. Every economy is part of a larger social and political system, incorporating communitarian as well as individualistic elements. Dore (1991) nicely discusses four types of individualism: anti-authoritarian and anti-statist; self reliance and self fulfillment; self-sufficiency, which he terms “emotional ungroupishness”; and self-seeking, self-enrichment, pursuit of pleasure. Each has a different impact on economic performance.

6 The Implications

As Japanese become more individualistic and embrace liberalism – which implies some convergence of Japanese and Western values – will Japanese somehow become “less Japanese”? By no means. Japanese values and Japanese society have changed tremendously over the past 50, 100, 200 years. Yet – thanks to education, affluence, and television – the Japanese population is far more homogeneous than it was 100 or 200 years ago, and at the same time more pluralistic. Murakami’s “new middle mass” embodies 80% to 90% of the Japanese population (Murakami 1982).

My impression is that, while most Japanese cannot readily define what it means to be Japanese, they are aware of both its meaning and of the distinctiveness of being Japanese. I do not think that awareness will change much in the coming 50 years, even as the definition of being Japanese become more international and individualistic.

In my judgment, the value system of the postwar generation is sufficiently strong and supportive of market-based competitive capitalism that it will be beneficial, not inhibiting as Morishima believes.

If that is the case, how do I visualize the position of the Japanese economy in 2050? I see no reason to reject the standard projections that aggregate GDP will grow slowly at best, or even decline. (See, for example, Kosai, Saito, and Yashiro 1998; Feldman 1996.) The decrease in

labor inputs, despite greater and more efficient utilization of women and older workers, will more or less offset the rate of technological change (total factor productivity) and continued capital deepening. On a per capita basis, Japan's GDP and standard of living nonetheless will be substantially higher.

Japan will continue to be a member of the leading advanced nations, probably in a relative position not so different from today's Western European nations, though further behind the aggregate GDP of the United States. The reasons are demographic. Western Europe, like Japan, has low fertility rates, so only if European countries pursue an active immigration policy will their GDP grow significantly. Even so, none is likely in 2050 to have a population as large as Japan. Assuming the United States continues to maintain its immigration policies, its aggregate GDP should grow more rapidly.

While Japan will not, contrary to Morishima, be an insignificant country in 2050, all of today's advanced countries (the OECD members) will be relatively less significant. As follower developing countries with large populations succeed in growing more rapidly than the OECD nations, they will become more important players on the world scene. China, India, Brazil, and even Indonesia, come immediately to mind. As Russia achieves economic growth and political stability, it will regain significance. However, should the European community become a true United States of Europe, then it and the United States of America would be the two dominant global players.

In the non-economic international arena, since World War II Japan has consciously remained relatively inconspicuous. Unless the world military-security environment turns sharply for the worse, I see no reason for Japan to alter its stance as a peace-loving nation of only limited military capability. However, it would be overly optimistic to believe that world perceptions of power will change so much that this will particularly enhance Japan's international status.

Still, Japan might choose to become even more significant than its projected absolute and relative economic and market size dictate. There are two globally important areas in which Japan could make major contributions with a minimum of controversy: science, and the environment. Suppose Japan were to define its world leadership role to be to contribute substantially to the world's pool of scientific knowledge. Over the next 50 years it could invest heavily (and

successfully) in basic, as well as applied, scientific research. Suppose Japan decides to become the world environmental leader, developing and providing technology, focusing a strong foreign aid program on environmental protection, perhaps even taking the leadership in developing international agreements and protocols. Each, and indeed both, of these are certainly within Japanese capabilities — intellectually, financially, and morally — and both are compatible with (though not compelled by) market-based, competitive capitalism.

7 Conclusion

Japanese today do not have a clear vision of the nation's future desired long-run path, unlike the leaders in early Meiji and both leaders and the general public following the loss of World War II. Japan has now “caught up with the West” in technology and standard of living, and has rejected military catch-up. It no longer has the benefit of being a follower. But none of the leading nations has a clear vision of its desired future 50 years hence.

Japan today is indeed among the leading nations of the world, respected for its economic and technological prowess. However, although Japanese want global acceptance and status, they have not evidenced much desire for global leadership. Japan, unlike the United States, does not have an ideology – a set of its own values – it wants the rest of the world to adopt. I see little reason why these modest ambitions will change greatly in the next 50 years so long as the international environment is peaceful and supportive.

So what will Japan be like in 2050? The standard of living (per capita income) will be on the order of 50% higher than today. With a population of 100 million, it will continue to be among the world's largest economies and societies. I certainly do not visualize Japan as being less significant than it is today. In short, unlike Morishima I expect Japanese and Japan to prevail over the next 50 years, just as they have over the past 150.

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