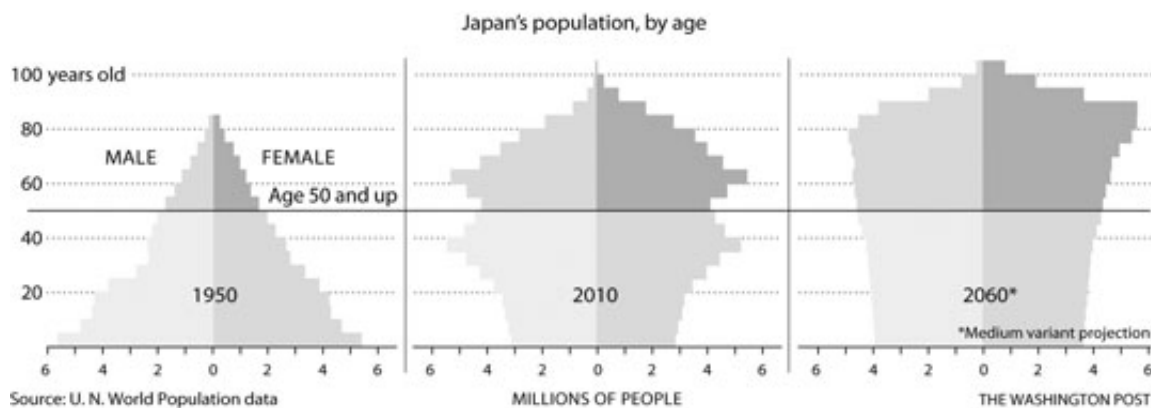


As Japan's population ages, optimism wanes

Between 2020 and 2050, Japan is projected to lead the world in highest median age -- about 52.



Declining Japan loses once-hopeful champions

By CHICO HARLAN
The Washington Post

Jesper Koll, an economist who has lived in Japan for 26 years, says it's not easy for him to keep faith in a country that's shrinking, aging, stuck in protracted economic gloom and fast losing ground to China as the region's dominant power.

"I am the last Japan optimist," Koll said in a recent speech in Tokyo.

Indeed, the once-common species has been virtually wiped out. It was only two decades ago that Japan's boosters — mainly foreign diplomats and authors, economists and entrepreneurs — touted the nation as a global model for how to attain prosperity and power.

But the group has turned gradually into nonbelievers, with several of the last holdouts losing faith only recently, as the country has failed to carry out meaningful reforms after the March 2011 disasters.

The mass turnabout has helped launch an alternative — and increasingly accepted — school of thought about Japan: The country is not just in a prolonged slump but also in an inescapable decline.

There's frequent evidence for that in economic data, and in the country's destiny to become ever-smaller, doomed by demographics that will shrink the population from about 127 million today to 47 million in 2100, according to government data.

The current doom is a sharp reversal from several decades ago, when Japanese companies bought up Columbia Pictures and the Rockefeller Center, and Americans

argued whether Japan was to be feared or envied.

Like a separate but related group, known as "Japan bashers," the optimists were bullish about Japan's future as an economic powerhouse. But unlike the bashers, who viewed Japan as a dangerous challenger to the United States, the optimists saw Japan as a benevolent superpower — rich but peaceful, with a diligence worth emulating.

Now, when Japan is discussed, it's instead for its unenviable fiscal problems — debt, rising social security costs, flagging trade with China because of an ongoing territorial dispute.

China, not Japan, is mentioned in U.S. presidential debates and described as the next threat to American supremacy. Japan's government has announced record quarterly trade deficits while some of its iconic companies — Sony and Sharp — have announced staggering losses.

By 2050, Japan "will be the oldest society ever known," with a median age of 52, according to the recent book "Megachange," published by the Economist magazine. Even over the next decade, Japan's aging population will drag down the gross domestic product by about 1 percent every year. That will further strain Japan's economy, which in 2010 lost its status as the world's second largest, a position now claimed by China.

"If you speak optimistically about Japan, nobody even believes it," Koll said. "They say, 'Oh, in 600 years there will be 480 Japanese people left. The Japanese are dying out and debt is piling up for future generations.' Japan is an easy whipping boy."

Japan optimism became a mainstream movement with the 1979 publication of "Japan As No. 1," an international best-seller that described the way a country the size of Montana had come to make cars as well as the Germans, watches as well as the Swiss and steel as well as the Americans — in more-efficient plants. Japan's people worked hard, its government guided the economy, and its streets were clean and crime-free.

"Japan has dealt more successfully with more of the basic problems of postindustrial society than any other country," wrote author Ezra Vogel, a sociologist at Harvard.

But Vogel, who has lived for several periods in Japan, and has traveled here at least once a year since 1958, says he, too, has become a pessimist. Most Japanese still have a comfortable life, he says, but the political system is "an absolute mess," juggling prime ministers almost every year. The youngest generation, its expectations sapped by years of deflation, "doesn't have the excitement about doing things better."

Even the promise of lifetime employment and tight cooperation between government and corporations has backfired, leaving a bureaucracy-enforced status quo that makes it hard for established companies to reform and for smaller, more creative companies to emerge.

"What I did not foresee is that the slowdown would be such a challenge — that many of the things that worked so well on the way up . . . would be so difficult on the way down," Vogel said.

Vogel, still a professor emeritus at Harvard, says he has switched his focus in the past five years to China.

For more than a decade after Vogel's book was published, his predictions seemed prescient. Between 1980 and 1990, Japan's national wealth nearly tripled. Real estate prices in downtown Tokyo skyrocketed so high that analysts said the land under the Imperial Palace was worth more than the state of California. Japanese companies bought up American landmarks, and some policymakers feared Japan was challenging U.S. supremacy, particularly by using protectionist trade policies that blocked American products.

Vogel credited Japan's success in part to its willingness to study others. He described a nation obsessed with overseas travel: Students went to American universities, national sports coaches studied the training programs in other countries, trade ministry bureaucrats went on missions to Europe to hone policies. Japan even had programs in five foreign languages available on its national television networks.

But today, former Japan optimists see a disturbing trend. Fewer Japanese, they say, want to interact with the rest of the world, and undergraduate enrollment of Japanese students at U.S. universities has fallen more than 50 percent since 2000. The generation now entering Japan's job market is described by older workers here as risk-averse and unambitious, with security and comfort their top priorities.

"They have just given up trying to be No. 1" said Yoichi Funabashi, former editor-in-chief of the Asahi Shimbun newspaper and chairman of the Rebuild Japan Initiative. "People think you just cannot beat China, so don't even try. But that's bad, because if you don't train yourself on the international scene, you don't . . . sharpen your edge. And you become more inward-looking. There's a sense in Japan that we are unprepared to be a tough, competitive player in this global world."

Japan is famous among historians for its sudden transformations, re-engaging with the world in the mid-19th century after two centuries of isolation, later moving toward the militarism that helped launch World War II. After the Great East Japan Earthquake and tsunami disasters last year, Japanese hoped for another transformation, with the reconstruction of a tsunami-battered region prompting a broader political and economic overhaul.

But Japanese increasingly feel that has not happened, according to a recent Pew Research Center poll. Just 39 percent now say that last year's calamity has made Japan a stronger country, compared with 58 percent in a similar survey taken right after the earthquake and tsunami. (According to the same survey, released in June, 93 percent of the Japanese public describe the current state of the economy as bad.)

Global sentiment has swung so far against Japan, the last few optimists now relish the chance to make a case on Japan's behalf.

Although Japan is commonly thought to be a "Detroit-like zone" with little chance for economic growth, former Sony Chief Executive Nobuyuki Idei said in an interview, the country still has a chance to prosper if it can tap into Asia's booming economies as a trade partner or investor. Tokyo-based venture capitalist Yoshito Hori said that Japan's many strengths are often overlooked, because Japanese prefer

self-criticism to self-promotion.

"The value of Japan is, even when we do something good, we rarely say it," Hori said.

"When the Chinese achieve something, they say, 'We have done this.' " Japanese must learn to do the same, Hori said, "otherwise, we will lose our position globally."

That's partly why Koll, director of equity research for JP Morgan Securities Japan, decided this summer to give a TED talk — the common name for a series of pop-education speeches — in which he described his reasons for being the last optimist.

Japan has the world's most competent financial regulator, Koll said, and a per capita GDP several times that of China. Real estate prices are back down to 1981 levels — "wealth destruction has been tremendous," he said — but Japan has weathered this while still retaining its social cohesion and relative quality of life, with an unemployment rate of just 4.2 percent.

But Koll also admitted in his speech that being bullish on Japan is tantamount to saying Elvis is still alive.

"Things have changed," he said. "When I first got here, I had conversations with people who said, 'Oh, you're so lucky to speak Japanese, because we'll all be working for the Japanese soon.' You know, those are the things they're saying about China now."

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