JAPAN: Land of the Rising Sun, Land of a Declining Population

Land of the Rising Sun

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Japan’s Multi-layered Identity

- Western influence
- Edo Culture
- Guns & Christianity
- Heian & Samurai Culture
- Buddhism & China
- Rice cultivation
- Pre-historic Japan

Note: Colored areas indicate external impacts
I. Emperors’ Rule

Jinshin War × 671
Taika Reform × 645
Clan fights
Hunting & gathering

Nara
Centralization

HEIAN
Nobles, Decentralization
Internal wars, dynamic & fluid society

Taika Reform

Chinese culture & political system

Buddhism
WEST: guns & Christianity

Rice

II. Samurai’s Rule

Kamakura
Muromachi
Sengoku

Tokugawa Shogunate

MEIJI
Westernization, industrialization, militarization

1603

1867

EDO
Peace, isolation, conservative class society

III. Modernization

1937-45

WAR

IV. Postwar

Rapid recovery and growth

US occupation 1945-52

WEST!!!
**JAPAN’S HISTORICAL SOCIO-ECONOMIC GROWTH**

**Question** — Why did Japan catch up so quickly to the West?
- Japan’s cumulative and evolutionary history
- Private dynamism and effective policy support

**Meiji Period** (late 19th-early 20th century)
- Gosho, zaibatsu & super-businessmen ➡️ Policy support

**Post WW2 high growth** (late 1950s-60s)
- Active investment & technology absorption, kaizen (productivity)
  ➡️ MITI’s industrial policy

**Economic slowdown** - (late 1990s – 2019)
- Surpassed by China as the region’s biggest economy.

**Population Decline** - (2000 – ongoing)
Japan’s economic growth was driven primarily by private dynamism, while policy was also helpful.

Cumulative history, Edo achievements, national unity and nationalism

Private-sector dynamism and entrepreneurship (primary force)

Rapid industrialization especially in Meiji and post WW2 period

Appropriate policy support (supplementary)

Policy was generally successful despite criticisms:
--Power monopoly & close linkage with big businesses
--Privatization scandal, 1881
--Excessively pro-West
--Unfair by today’s standard
Meiji Period (1868-1912)

• Forced opening of ports by West (1854); free trade (1859-)
• Rapid transformation from agro-based feudalism to Westernization and Industrialization
• Industrial revolution (textile) attained in 1890s, overtaking British cotton industry by early 20th century
• Strong government with clear goals
  - Introducing Western style constitution & parliamentary politics
  - Industrialization
  - Building strong military forces
Monozukuri (Manufacturing) Spirit

• *Mono* means “thing” and *zukuri* (*tsukuri*) means “making” in the indigenous Japanese language.

• It describes a sincere attitude toward production with pride, skill, and dedication. It is a *way* of pursuing innovation and perfection, often disregarding profit or balance sheet.

• Many of Japan’s excellent manufacturing firms were founded by engineers full of *monozukuri* spirit.

Sakichi Toyota 1867-1930

Konosuke Matsushita 1894-1989

Soichiro Honda 1906-1991

Akio Morita (Sony’s co-founder) 1921-1999
• After war defeat in 1945, a planning method was used to jump start the economy (production of coal and steel); inflation was stopped, and prices and trade were liberalized around 1950.

• High growth was unleashed by strong private dynamism, supported by investment in new technology, kaizen (improvement), and gradual trade liberalization.

• The Ministry of International Trade and Industry (MITI) was a super-ministry for industrial catch-up, working closely with private firms and business associations.
Shiba asked What is Japan and What shaped Japanese people? The two key elements are:

**Island Society**

The people of an island society are curious about foreign ideas and objects (not conservative), and absorb them eagerly while adjusting them to Japanese tastes and mindset.

**Bushi (Samurai)**

The spirit of the samurai (warrior class) permeates Japanese life. The highest value is honor, not personal gain or family prosperity. Japanese people want to live and die honorably, avoiding shame.
Characteristics of Japanese Culture
As a Result of Cumulative & Evolutionary History

- Strong curiosity over foreign ideas, products, and technology.

- *Translative adaptation*—accepting foreign things with local adjustments so they will fit Japanese context.

- Pragmatism & diversity—living comfortably with multiple principles that may be mutually inconsistent.

- Honor over profit—pursuit of discipline and correct action without being forced by government or religious ideology.
Characteristics of Japanese Culture
As a Result of Cumulative & Evolutionary History

- Dedication to nation, society, etc. (something greater than oneself).
- Hard work in pursuit of excellence.
- Lack of logical consistency.
- Group orientation and weak individualism.
- Cultural uniqueness and isolation— inability to communicate Japan to the rest of the world.

➡️ Samurai spirit, pre-WW2 militarism, industrialization
JAPAN

(UNITED STATES = 76.8)

2019 INDEX OF ECONOMIC FREEDOM SCORE:

72.1

Measures: Rule of Law, Regulatory Efficiency, Government Size, Open Markets
Distribution of Wealth in Japan (2017)

Adult population (thousands)
105,228 (22 million young and elderly)

Average wealth (USD)
225,057

Median wealth (USD)
123,724

Gini %
60.9

(U.S. is 80.6 = high inequality)

Percent over $1,000,000
2.6

Percent under $10,000
7.9
Japan's population is ageing

Source: Statistics Bureau of the Ministry of Internal Affairs and Communications, National Institute of Population and Social Security Research
Japan has been way too optimistic about its birth rate

Actual vs. projected fertility rate, 1965-2055

Actual Fertility Rate

Forecast in 1976
Forecast in 1986
Forecast in 1992
Forecast in 1997
Forecast in 2002
Forecast in 2006

Replacement ratio

Old-age dependency ratios
Number of people aged 65 and over
As % of labour force (aged 15-64), forecasts

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Source: European Commission

JAPAN IN NUMBERS
LIFE EXPECTANCY IS THE WORLD'S HIGHEST, AT 84 YEARS OLD
28% OF THE POPULATION IS 65+

ELDERLY DEPENDENCY RATIO
2015 44%
2050 73%
ONLY 10% ARE LOOKING FORWARD TO OLD AGE. (MAKING JAPAN THE SECOND MOST PESSIMISTIC COUNTRY.)

WOMEN AGED 75+ IN POVERTY
1 IN 4 JAPAN
1 IN 7 OECD AVERAGE

35 MILLION CURRENTLY AGED 65+
11 MILLION AGED 80+
2.2 MILLION AGED 90+

GAME CHANGERS
AT 1.5 MILLION INHABITANTS, KYOTO IS THE 9TH LARGEST METRO AREA IN JAPAN
Arashiyama Bamboo Forest
ENJOY BEAUTIFUL JAPAN