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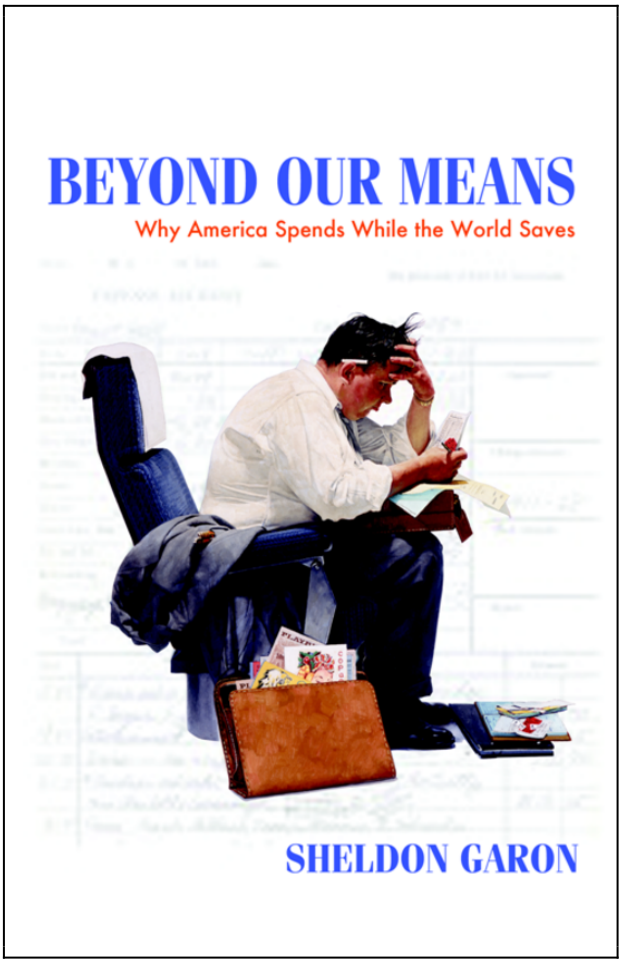
Postwar Japan's National Salvation□□戦後日本の国家救済手段

Sheldon Garon

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The following is a chapter from my new book, *Beyond Our Means: Why America Spends While the World Saves*. *Beyond Our Means* tells the global story of how many states and societies have actively encouraged household saving from roughly 1800 to the present. To do so, they established an array of institutions aimed at attracting "small savers." These included savings banks, postal savings systems, school savings programs, and wartime and postwar savings campaigns. Although four of the chapters present the history of Japanese savings-promotion, the book also describes the development of similar efforts to encourage saving in Europe, the United States, and other Asian nations. This is not simply a comparative history, but emphatically a transnational history. Japanese, Koreans, Chinese, and Germans love to talk about thrift as a part of their distinctive "culture," yet nations do not save simply because of indigenous traditions. The similarities in savings institutions and campaigns across the globe are far from coincidental. They resulted in large part from transnational or international exchanges of knowledge. The postal savings bank, for example, was not a peculiarly Japanese institution, but originated in mid-nineteenth-century Europe. In turn, the emerging Japanese model of savings-led development profoundly influenced rising economies in East and Southeast Asia, including China. Rather than offering disparate case studies, the book interweaves the history of savings promotion on three continents.



As the subtitle suggests, *Beyond Our Means* also spotlights the historical developments that culminated in America's current predicament. In the wake of the 2008 housing and financial meltdown, it has become painfully clear that Americans have saved too little, spent too much, and borrowed excessively. In their high saving rates and modest consumption, East Asians and continental Europeans resemble each other, whereas the United States stands out as exceptional. The book reveals how historically the U.S. government did much less to promote small saving, and after World War

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II—and especially since the 1980s—encouraged consumer spending and borrowing as the drivers of economic growth.

> *In wartime, we promoted saving with the slogans, "Wage War until We Win" and "All for Victory." But in the coming savings campaign, "Economic Recovery" and "Revival of the Realm" will be our watchwords as we remind everyone, too, of the importance of saving to the savers themselves.*
>
> *—Ministry of Finance, secret memo, 1946*[1]

Japan waged one of history's most total wars. Its defeat in August 1945 was no less total. Some sixty-six cities lay in ruins, the targets of wave upon wave of B-29 bombers. This proud nation—which had so successfully maintained its independence against nineteenth-century Western imperialism—suffered immediate military occupation by the Allied forces. Over the next six and a half years the Japanese government took orders from the Supreme Commander of the Allied Powers (SCAP) in the person of General Douglas MacArthur and briefly General Matthew Ridgeway. Though nominally an Allied operation, the Americans dominated the occupation from start to finish. For a great many Japanese, the stunning defeat gave rise to profound disillusionment with the elites who had led the nation into ruinous war. An assertive labor movement organized more than half of the industrial workforce, and Communist and Socialist parties threatened the hold of the conservative establishment.[2]

This would seem an inauspicious time for the government to call upon the people to make further sacrifices. Committed to democratizing Japan, the American occupiers sharply criticized the "virtually compulsory" features of the wartime savings campaigns.[3] Nor was the populace capable of saving much. Rampant inflation eviscerated the savings so dutifully put aside in wartime. Families withdrew remaining funds to buy food at exorbitant prices on the black market. Japanese uncharacteristically engaged in dissaving. Household saving rates plunged into negative territory. Depositors in the supposedly state-guaranteed postal savings system suffered additional losses. Bombing and fires destroyed the records of nearly fifty-two million accounts held in postal facilities. For many depositors it took years to restore their original accounts (only 62 percent of which had been successfully reclaimed by the end of 1957). Moreover, the Ministry of Finance's Deposit Bureau had invested a large chunk of the people's savings in Japan's colonies and occupied territories. We speak today about American banks holding "toxic assets." Imagine what happens when your bank—the postal savings system—makes huge loans throughout the empire, and then the empire itself disappears following Japanese surrender in 1945? More than ¥6 billion in overseas investments vaporized, and postal depositors were compelled to indemnify the state for a portion of the losses. If that were not enough to blast public trust in financial institutions, the government partially froze all other savings deposits in March 1946 in an effort to reduce the money supply and convert Bank of Japan notes into "new yen."[4]

Saving Japan

Under the circumstances, we would hardly expect a defeated and occupied nation to revive the punishing savings campaigns of wartime. Yet that was precisely the course taken by the government of the New Japan, as it was rebranded once again. In November 1946 the Bank of Japan and Ministry of Finance launched the first of nine National Salvation Savings Campaigns. They ran until the end of 1949.[5] Not even in war had officials so explicitly linked saving to "national salvation." By this they meant the survival of Japan as an

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independent, significant nation. Economic bureaucrats conducted the postwar campaigns with the remarkable self-confidence that the grand campaigns of yesteryear could be revived with little popular resistance, and much cooperation. In a 1947 radio address, Finance Minister Yano Shōtarō urged the nation to "reduce your daily living standards as much as you can, economize, and above all save your unspent money." No detail escaped the minister, as he implored people to use fewer tissues when blowing their noses.[6]

The National Salvation Savings Campaigns aimed to restore the discipline of the bunker, albeit for peaceful ends. The succeeding finance minister, Kurusu Takeo, pined for the good old days when everyone recognized luxury as the enemy. The wartime savings drives had after all imposed "healthy discipline" on consumers, helped finance national debt, and subdued inflationary pressures. Given the needs of postwar economic recovery, "the importance of accumulating capital has not in the least changed from wartime to the present." Yet Japanese consumers were proving less cooperative, the finance minister complained. Following the war, the people experienced "psychological liberation" from pressures to save, and their "sense of thrift hit rock bottom." Worse, "their desire to consume, which had been suppressed during the war, burst forth and added fuel to the fire of inflation."[7] This was an extraordinary statement, considering how many Japanese at the time were struggling to survive.

Ministry of Finance officials grudged they could no longer compel people to save, nor would wartime appeals still persuade. However, rather than alter the campaign machinery fundamentally, they opted for new slogans. As part of the makeover, the ministry pledged that the National Salvation Savings Campaign would be a "truly democratic people's campaign." Not that the bureaucrats had suddenly embraced popular initiative. A democratic people's campaign would be one where the state made the "people understand the absolute necessity of saving for the revival of the realm and building the economy of the New Japan."[8]

Officials relentlessly communicated how small savings would fuel economic growth based on exports. No one did this as poignantly as Vice Minister of Finance Ikeda Hayato in a savings-promotion speech to the citizens of Hiroshima in 1947. A native of that unfortunate city, Ikeda alluded to the recent atomic bombing and praised residents for extraordinary efforts at rebuilding. Yet without wasting more words on the human toll, he explained that recovery would come about only if every Japanese engaged in "diligence and vigorous efforts" and submitted to "lives of austerity." The key to achieving a higher standard of living in the future lay in increasing exports of manufactured goods. To spur exports, Ikeda elaborated, people must save all of their unspent income, which the government and banks would then invest in industry. Standing in Hiroshima, a city that had endured more than its share of suffering from the last bout of mobilization, the vice minister veered toward the melodramatic. Only by continued austerity, he warned, "will our country exist in the future."[9] Ikeda has gone down in history for his later role as the prime minister whose Income Doubling Plan of 1960 would stimulate household spending. But back in 1947, he was no champion of consumption as the engine of Japanese recovery.

For that matter, neither were the Americans. Although officials of the Occupation (or SCAP) disliked the undemocratic aspects of Japanese savings campaigns, they supported the National Salvation campaigns with surprising enthusiasm. One SCAP staffer reported on the drive's "marked degree of success" in increasing savings to check inflation and provide the vitally needed credit for the

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rehabilitation and expansion of the Japanese economy. It was "a most commendable program in all its aspects deserving the full support of the Japanese people."[10] Indeed, the Americans rarely missed the opportunity to tout the importance of saving over consumption for postwar Japan. This is ironic, for SCAP did its utmost to convey images of U.S. abundance to the Japanese people. In 1947 Japanese national radio began broadcasting "News from America" (Amerika tayori) showcasing American affluence and homes filled with electrical appliances. Millions of Japanese further learned of American consumer life from the comic strip Blondie, introduced by the daily Asahi shinbun in 1949.[11]

Yet the Americans were more intent on demonstrating the occupiers' unsurpassed power and wealth than on exporting their model of mass consumption to East Asia. The Japanese themselves were in no position to embrace the model. The gulf between postwar Japan and the United States was enormous. Not until 1952 would Japan's per capita levels of consumption recover to the prewar high of 1934–36. In 1946 food accounted for fully 68 percent of household expenditure, and households still devoted 49 percent of their consumption to food as late as 1955. Few Japanese could afford the vacuum cleaners or toasters depicted in Blondie—much less many of the basic necessities. Prior to 1950 they bought so little cloth and clothing that the nation's once vital textile industry came to a virtual halt.[12]

Far from encouraging domestic spending, Washington expected Japanese to pull themselves up by the bootstraps—that is, by saving and sacrifice. Americans commonly overestimate our generosity toward occupied Japan. In 2003 during the early months of the U.S.-led occupation of Iraq, Senator Lamar Alexander (R-Tenn.) remarked: "After World War II we built schools and roads and hospitals in Japan and in Germany when we did not have those things in Tennessee."[13] Stirring words, but not exactly true. In Western Europe, yes, the United States financed the Marshall Plan in the late 1940s and 1950s. The plan aimed in part to create mass consumer markets based on the postwar American formula of consumer-driven growth.[14] However much Americans would like to believe otherwise, the United States never offered the Marshall Plan to Japan. Washington pushed the Japanese to tighten their belts not only to finance recovery and fight inflation, but also to pay the huge costs of housing and supplying occupation forces. Although the Americans provided emergency food relief, U.S. aid totaled less than half of what the Japanese government was compelled to pay to maintain the occupation.[15] The Japanese people, according to Under Secretary of the Army William Draper in 1948, "will have to work hard and long, with comparatively little recompense for many years to come." Joseph Dodge, the banker whose U.S. mission in 1949 forced the adoption of harsh austerity measures, called upon the Japanese government to hold the standard of living to levels prevailing before the early 1930s.[16] The American taxpayer, Dodge insisted, would not maintain the Japanese people; they must themselves "accumulate capital by producing more cheaply and by saving and economizing."[17]

Reinforcing the Japanese state's penchant for savings campaigns were trends in the rest of the postwar world. While the American model of mass consumption struck both the occupiers and occupied as inappropriate, Japanese officials voraciously studied contemporary European programs that promoted saving and restrained consumption. Japan was hardly alone, they observed, in adopting austerity measures to recover from the war. Nearly all the former belligerents were doing so, noted Finance Minister Yano in 1947. In the new Five-Year Plan, the Soviet people were "resigning themselves to austere living" and making "spirited efforts at recovery." The

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French and Belgians, he rightly observed, had mounted nationwide drives to reduce prices, and the Dutch launched a savings campaign under the no-nonsense slogan "Work Hard, Save Much."[18] Eager to keep abreast of the latest in global savings-promotion techniques, Japan's postal savings bureau in 1951 rejoined the International Thrift Institute, which had relocated to Amsterdam after the war. Throughout the 1950s and early 1960s, Japanese officials regularly reported on vibrant savings campaigns in Western Europe.[19]

Once again, Japanese bureaucrats expressed their greatest admiration for postwar Britain's National Savings Movement. Let us return to Vice Minister Ikeda's memorable speech in Hiroshima in 1947. The British won the war, he informed the audience, yet they "have not chosen the easy path." In the postwar era,

> *they have rationed even bread, which had been freely sold in wartime. The British people … have persevered, wearing extremely old and shabby clothes, and eating small meals. Why must the victorious British maintain harsh lives of austerity? The answer, without a doubt, is that the money and material saved by lives of austerity can be applied, in full, to economic recovery.... In the near future, free trade will be re-established in the world. These people are in a hurry to establish a favorable position that allows them to strut upon the stage of global economic competition.*[20]

Like the Japanese, the British strove to revive exports by boosting savings while severely constraining domestic consumption. Japanese bureaucrats were in awe of Britain's success in securing the emergency loan of $3,750,000,000 from the United States in 1946. The British could borrow at this extraordinary level, judged the Bank of Japan, only because their citizens, "who have little to spare," saved money while "living in destitution and austerity."[21]

And like the British government, the postwar Japanese state maintained many of the wartime policies that encouraged saving. As before, officials announced an annual savings target and allocated targets to each prefecture.[22] another carryover was the wartime innovation of "model savings districts." Officials worked with civic groups and financial institutions in designated communities with an eye toward making these districts exemplary cases for "those locales that save erratically and those classes that lack an understanding of saving."[23] The government also retained the wartime incentive of tax exemption on interest earned on deposits made through the national savings associations.

The postwar campaigns continued to rely on the national savings associations, though phrased in the oxymorons of the New Japan. Increasing savings was "not simply a matter of voluntary saving by the individual," explained the Ministry of Finance, but "fundamentally requires cultivation within democratic savings associations based on mutual, collective encouragement."[24] Although Japanese could no longer be compelled to join savings associations as of 1947, prefectural officials were nonetheless ordered to organize or revive savings associations rapidly, for the Ministry of Finance desired "total participation by the entire nation."[25] By 1949 there were eighty thousand national savings associations enrolling ten million members.

Achieving "Economic Independence"

For three years the National Salvation Savings Campaigns harangued the Japanese. Results were nonetheless mixed. In one survey taken in September 1948, more than half of the respondents replied they were unable to put

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anything aside.[26] Household savings rates remained negative from 1947 to 1949, as families drew down their reserves to survive. Even the Ministry of Finance acknowledged that the campaigns failed to enlist the cooperation of many citizens below the middle classes.[27]

By other measures, however, the National Salvation campaigns were a success. The rapid growth in total savings on deposit exceeded the expectations of planners. Increases in total deposits in fiscal 1948 and the first half of 1949 ran at roughly four times what they had been during the first five months of the campaign. Japanese managed to increase savings at a time when most were still struggling to make ends meet. Economizing in everyday life played a crucial role in checking inflation, the worst of which passed by the end of 1949. Domestic savings proved crucial to financing postwar Japan's recovery and growth, for neither the U.S. government nor private foreign investors were inclined to extend loans at favorable rates to their devastated former foe.[28]

Just as important, the campaigns did much to restore popular confidence in the nation's financial institutions. In 1947 the government announced an end to the freeze on deposits enabling funds to be freely withdrawn. The authorities moreover introduced or reintroduced incentives to encourage saving. Interest rates rose steadily—for example, to 4.7 percent on one-year deposits in autumn 1949. Tax exemption on interest was granted not only to those who made regular contractual deposits through the national savings associations, but also to all postal savings depositors. To boost savings, officials went so far as to encourage tax evasion. The saver was permitted to open time (fixed-term) de- posits without registering his or her true name. This practice effectively exempted all time deposits from taxation. Time deposits became wildly popular over the course of the National Salvation Campaigns, accounting for the greatest number of new accounts.

Although SCAP officials generally supported the National Salvation drives, the campaigns faced their first American challenge in September 1949. A U.S. mission headed by Professor Carl Shoup advised the Japanese government to check inflation primarily by tax collection, rather than voluntary saving. Concerned about widespread tax evasion, the Shoup report recommended abolition of unregistered de- posits. Savings-promotion officials look back upon this period as their darkest hour. U.S. pressure closed down the National Salvation campaigns in late 1949.

In retrospect, the bureaucrats needn't have worried. SCAP authorities had neither the knowledge nor inclination to stamp out Japan's infrastructure of savings promotion. In 1950 the Ministry of Finance directed that the savings campaign continue at the local level as an "independent" movement. Within the next few months, according to the leading official history, savings promotion committees were "autonomously" organized in nearly every prefecture. The Ministry of Finance and Bank of Japan in fact cosponsored several nationwide drives be- tween 1950 and early 1952. These included the "Special Campaigns to Hasten Economic Independence." The populace was told to save, this time, to generate the capital necessary for Japan to take its place as an "independent nation" once the occupation ended. In September 1951 Japan and its former enemies concluded the San Francisco Peace Treaty. The Allies agreed to terminate the occupation on April 1 of the following year. No sooner had Japan signed the treaty than economic bureaucrats busily prepared to overturn what remained of the American restrictions on centralized savings promotion.[29]

On April 15, 1952, just days after the occupation ended, officials unveiled the Central Council for Savings Promotion. This

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would be a permanent organization on the order of Britain's National Savings Committee. Although the Central Council's name (chochiku zōkyō) was officially translated as "Savings Promotion," most Japanese would have rendered it as the Central Council to Increase Savings. According to its charter, the Central Council served "as the nucleus of nongovernmental savings promotion," working to "enlighten public opinion on behalf of increasing savings."[30] Despite some changes in mission, the renamed organization is still active today.

Japan's savings promoters lost no time signaling that the Allied occupation was over. New posters resurrected the nationalist symbols of the prewar savings campaigns. Fearing the revival of ultranationalism, SCAP censors had banned images of Mt. Fuji in films and other media.[31] Yet with the end of the occupation in sight, Mt. Fuji re- appeared in postal savings posters. Superimposed on Japan's majestic mount was a dove with a halo. Another previously taboo symbol, the rising-sun flag, resurfaced in Central Council posters over the next half-decade. Japanese were now exhorted to save to build an economically prosperous nation, not a militarized great power. But as before, they were to do so for the sake of the nation. The ends had changed since wartime, while the means—the intrusive savings campaigns—survived defeat and occupation with barely a scratch.

The Central Council for Savings Promotion plunged into the work of encouraging people to save more. The 1952 national budget for savings promotion increased twentyfold to ¥100 million. Bureaucrats did all they could to exempt interest on most savings from taxation. Reversing U.S. efforts to clamp down on tax evasion, they once again permitted savers to hold multiple time deposits without registering their true names. With great fanfare the state completely eliminated taxation of interest on savings deposits from 1955 to 1957. In 1963 new legislation permanently exempted interest on small savings accounts of any type. The government kept raising the ceiling on savings exempted from taxes, eventually to ¥3 million per person in 1974.



"Your Savings Build the New Japan," 1951. Mt. Fuji, featured in prewar and wartime propaganda, returns in this postal savings poster as the symbol of national purpose, now focused on peace and prosperity. Courtesy of the Communications Museum, Japan, XD-B42.

For all the authorities' insistence on the "private" status of the Central Council, this was a heavily bureaucratized venture. Council members represented financial institutions, business associations, media, the academic community, popular organizations, and state agencies. Nonetheless, Bank of Japan officials

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have performed all day-to-day operations to the present. The civil servants coordinated a vast network of prefectural savings-promotion committees, banks, local governments, schools, and national and grassroots groups. Armed with substantial media budgets, they churned out posters and banners while securing the cooperation of newspapers, magazines, and radio stations. By the mid-1960s most Japanese families owned a television set. Central Council officials worked closely with popular weekly television programs, notably *Okusama no hiroba* (Madame Housewife's Forum), to raise housewives' consciousness of the need to save more.[32]

Although officials emphasized the benefits of saving to families, strident appeals to economic nationalism persisted long after Japan regained political independence in 1952. Asserting that the Japanese economy required greater amounts of domestic capital to achieve true independence, campaigns still urged citizens to save "to hasten independence." Like Britain's National Savings Movement in the early postwar years, the Japanese government related saving to a do-or-die struggle to finance export industries and restrain consumption of imports. Not until the latter half of the 1960s would Japan enjoy sustained international trade surpluses. In 1957 an acute balance of payments deficit prompted the state to launch savings drives to "Promote Ex- ports and Conserve Foreign Exchange." Such campaigns, year after year, helped shape an enduring popular consciousness of national crisis and vulnerability. As late as 1987, when U.S. leaders were vocally criticizing Japan for its skyrocketing trade surpluses, fully 30 percent of Japanese respondents in one poll believed their nation still suffered trade deficits vis-à-vis America.[33]

Among the institutions mobilized to promote saving, the state continued to rely on two prewar stalwarts to mold postwar Japan's culture of thrift. In the aftermath of World War II, officials reorganized school savings programs into "children's banks" (*kodomo no ginkō*). At their highpoint in the 1950s, more than thirty thousand schools and eight million schoolchildren participated. The Central Council annually hosted ceremonies to commend some two hundred "superior children's banks." Social studies curricula, too, cultivated the "spirit of saving." Millions of Japanese children regularly deposited their yen at school over the next several decades; long after most American schools had abandoned school savings programs.[34]

Then there's the post office. Postal savings loomed even larger in postwar savings promotion than before 1945. As a share of household deposits, postal savings rose steadily in the postwar era peaking at 34 percent in 1999.[35] The Japanese postal savings system is today the world's largest financial institution. The system exploited its incomparable access to the populace. Whereas commercial banks possessed relatively few branches concentrated in urban areas, more than fifteen thousand post offices offered depository services throughout the country in the 1950s. Some twenty-four thousand do so today. Postal savings officials went from innovation to innovation in the quest to lure customers from the banks. Improving on prewar practices, they inaugurated a highly popular service whereby postmen collected savings. The postwar post office's most attractive financial product has been the *teigaku* deposit, which accounted for half of the total value of postal deposits by 1960 and an astounding 91 percent in 1988. These are ten-year, fixed-rate time deposits that permit withdrawal, penalty free, any time after six months. At times of rising interest rates, many customers happily shifted funds out of *teigaku* accounts into higher- yielding deposits. Most commercial banks could not compete, unwilling to incur the interest-rate risk inherent in *teigaku* deposits. Postal savings thus enjoyed a significant interest-rate advantage over the banks. The post office further encouraged

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saving by selling life insurance on very favorable terms to policyholders, waiving for instance the requirement of thorough medical examinations. Postal life insurance grew to account for 30 percent of all life insurance by 1999.

Besides convenience and higher interest, the postal savings system marketed other selling points. One was safety. All postal deposits remained government guaranteed, whereas small savings accounts in other financial institutions received no such protection until the introduction of the Deposit Insurance Corporation in 1971. The security of postal savings persisted in the public imagination, particularly at times of financial volatility. Postal deposits surged during Japan's 1990s down- turn amid reports of weak and failing banks. Second, postal savings received preferential tax treatment. Although interest on all small savings accounts became tax exempt from 1963 to 1988, postal depositors benefited disproportionately. Few paid taxes, no matter how large their savings. That was because postal employees systematically encouraged customers to open multiple accounts at different post offices—each up to the tax-exempt limit.

The postal savings system operated more like a well-oiled political machine than a financial institution. Clerks tenaciously urged customers to open accounts, receiving bonuses for each new account. The most ardent champions of postal savings have been the thousands of "commissioned postmasters," local notables who run smaller post offices and exert considerable influence in their communities. When central bureaucrats revived nationwide savings campaigns in 1952, they immediately organized the commissioned postmasters into a "Promotion League" to advance the drives at the grass roots. This was another repudiation of the U.S. occupiers who had previously dissolved the old postmasters' association as an undemocratic relic of Imperial Japan. Recognizing the postmasters' ability to mobilize voters, the Liberal Democratic Party allied closely with the postmasters and significantly expanded postal savings. In power with one short break from 1955 to 2009, LDP governments created thousands of new "special post offices" headed by commissioned postmasters. The postal savings lobby rallied the public itself. In 1970 the government established the first of several Postal Savings Halls to promote "a better understanding of Postal Savings" and enhance its image. Any postal depositor might use the low- cost facilities, which included hotel rooms, swimming pools, and even wedding halls and planetariums. The Postal Savings Halls became a huge hit, boasting fifty million guests from 1972 to 1983 and plenty of new cheerleaders.[36] Postal savings' self-promoting efforts are only half of the story. The Japanese state as a whole retained a direct stake in boosting postal savings because of its importance to public finance. The Ministry of Finance's Deposit Bureau had managed the vast pool of postal savings since 1885. Despite U.S. attempts to weaken the bureaucracy's control, the Ministry of Finance emerged from the occupation with expanded powers over the investment of postal savings. Postal deposits remained at the core of the ministry's Trust Fund Bureau, successor to the Deposit Bureau. Along with postal life insurance funds, the Trust Fund monies in turn flowed into the new Fiscal Investment and Loan Plan established in 1952.

As postal savings soared, the bureaucracy found itself with ever- increasing amounts of capital that it invested without parliamentary approval. Often called the "second budget," FILP funds amounted to one-third to one-half of the regular budget from 1953. Relying on those funds, the Japan Development Bank and other government banks loaned large portions of the people's savings to heavy and export industries during the 1950s and 1960s. FILP "became the single most important financial

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instrument for Japan's economic development," judges Chalmers Johnson.[37] Since the 1970s, with Japanese industry enjoying ready access to private sources of capital, finance officials have redirected FILP money increasingly to local governments and the improvement of living standards. At the end of the twentieth century, the FILP-funded Government Housing Loan Corporation provided more than one-third of home loans. Postal saving thus acquired enormous legitimacy in postwar Japan. As the nation's largest women's federation explained to members in 1955, "your [postal] savings make your family, town, or village a paradise."[38]

Democratizing Thrift

Japanese household saving rates took off after 1950, cresting to 23 percent in the mid-1970s. Only the Italians saved as much. Most economists doubt that the Japanese government's savings-promotion programs contributed significantly to the high level of saving. Yet that may have more to do with the economics profession's difficulties in measuring the impact of moral suasion. For example, many economists used to relate Japan's high saving rates to firms' routine payment of bonuses to ordinary employees. These might total 60 percent of one's annual salary, and households commonly saved large portions of the semi-annual bonuses. We should not, however, ignore the role of policy and persuasion in normalizing this practice. Beginning in the 1950s, housewives' magazines, savings-promotion officials, the postal savings system, and commercial banks mounted public relations offensives to convince people to save their bonuses.[39] The Japanese might have increased saving rates even in the absence of state promotion. The early postwar decades witnessed exceptionally rapid growth. From 1950 to 1973 the Japanese economy grew at more than 10 percent per annum. Typically households in fast-growing economies tend to save at higher rates as consumption lags behind rising incomes.[40]

Still, would the Japanese have saved as much? The wealth of qualitative evidence suggests that savings-promotion efforts reached deeply into society to continue shaping Japan's culture of thrift. When they proclaimed the postwar campaigns would be "democratic," the bureaucrats were right about one thing. Across the ideological spectrum, the cause of increasing savings enjoyed remarkably high levels of support from political parties, popular organizations, and ordinary Japanese. As in contemporary Europe, much of the Left vocally backed the twin missions of restraining consumption and augmenting national savings. In October 1946 Japan's Socialist Party joined four centrist and conservative parties to call upon the government to mount postwar savings campaigns to stabilize the yen and fight inflation. Significantly, several Socialist leaders had been prewar Protestant reformers who worked with the imperial state to inculcate habits of thrift in the populace.[41] In the postwar years, too, the government subsidized Christian organizations to assist in the campaigns. The Ministry of Finance employed the famous Christian socialist reformer Kagawa Toyohiko to lecture savings- promotion officers.[42]

Upon becoming Japan's first Socialist prime minister in 1947, Katayama Tetsu, another Christian, launched a new set of National Salvation Savings Campaigns. To finance exports and rebuild the national economy, the prime minister pledged to cultivate the "beautiful customs of diligence, thrift, and saving—long part of our national character."[43] His government also revived the interwar daily life improvement movement under the postwar name of "New Life Campaigns." These drives taught households how to save in their quest to rationalize and "bring science" to daily life by cutting waste and "luxuries." In 1955, when a conservative cabinet institutionalized these drives under the New Life Campaign Association, Katayama, Kagawa, and other

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Socialist leaders proudly served as directors.[44]

Along with much of the labor movement, the Socialist Party embraced austerity and national saving as beneficial to the working class and the Japanese people as a whole. No less than the economic bureaucrats, Socialists were shocked by the nation's early postwar hyperinflation, and they favored soaking up purchasing power. While labor unions in contemporary America favored mass consumption as good for employment, the Japanese Left—like European counterparts—regarded saving as the best means of generating jobs; the people's surplus would be channeled into investment in production. Although they criticized conservative governments on other issues, several prominent Marxian economists cooperated with the bureaucracy to promote saving.[45] Minobe Ryōkichi, the progressive economist and future governor of Tokyo wrote Ministry of Education–approved textbooks that instructed students in the importance of saving. Household savings not only benefited one's family, but also "becomes the capital for industry and the public good, and they function as the driving force in the national economy and the development of social life." Though a socialist, Minobe subscribed to a strikingly middle-class view of the housewife's duty to "rationalize consumption." In "our families," he noted, "the mother or older sister keeps a household account book. . . . Those who do this well have relatively rich consumer lives even if their income is relatively low."[46]

Within large companies, workers' wives eagerly took part in employer-sponsored New Life movements from the 1950s to the 1970s. There, sometimes to the consternation of trade unionist husbands, they learned methods of household budget-keeping and cutting "waste in daily life." Rather than envision increased demand as the key to a vibrant economy, many working-class families continued to believe that improvements in daily life would result from limiting consumption and boosting savings.[47]

Building on wartime developments, Japanese women became even more central to encouraging saving and rationalizing consumption. Postwar officials relied on local women's associations to run the national savings associations—so much so that savings associations became known as "mothers' banks." Savings associations also formed around the women's auxiliary of agricultural cooperatives. Found in most villages and urban neighborhoods, women's associations in the 1950s worked hard to shape the savings habits of the community. Take the case of the award-winning "women's association/egg savings association" in one rural town in Miyagi prefecture. Every Saturday the group's lieutenants fanned out to visit members' homes and gather eggs. On Sunday a wholesaler bought the eggs, and on Monday the association head deposited a share of the proceeds in each member's savings account.[48] In 1952 local women's organizations, with support from the state, coalesced into the National Federation of Regional Women's Organizations (Zen Chifuren). Claiming some 7.8 million members at its peak in the early 1960s, the federation provided the foot soldiers in the savings campaigns of the next several decades.[49]

Getting women to keep household account books has been at the core of postwar Japanese savings promotion. Victorian Britain and America also popularized such practices, and housewives' federations in contemporary West Germany and elsewhere cooperated with governments and banks to teach women techniques of "family budgeting." Nonetheless, the methodical housewife-saver became a cultural icon in postwar Japan as perhaps nowhere in the West. During the 1950s more and more wives recorded the details of family finances in standardized account books issued by housewives' magazines and government agencies. By 1965 half of all surveyed

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households reported they kept account books (41 percent of them regularly). They would continue to do so at those levels for the next twenty-five years. Keeping a typical Japanese account book was not for the languid. Each day, one recorded income and then itemized expenditures into ten or more categories including taxes, food, housing, utilities, clothing, health,

education, self-cultivation and entertainment, transportation and telephone, socially obligatory expenses, and one-time special costs. Food expenditures were further divided into the subcategories of rice, side dishes, eating out, and "treats." At the end of the day, literally, the diligent housewife calculated the cash balance as well as outstanding debts and amounts deposited in savings. Account books from the 1990s further instructed users to record all credit card purchases. By contrast, among free-spending Americans at the time, the whole point of using plastic was to delay thinking about whether one could afford the purchase.[50]

The excruciating demands of the account books prompted some women to refuse to keep them. Yet the bigger surprise is how many Japanese women utilized the ledgers more or less as designed. According to official surveys from 1973 to 1984, roughly half of those surveyed who kept accounts replied that they recorded income and expenditures every day. Another one-fifth claimed they itemized expenses daily but calculated balances monthly. The remaining one-quarter budgeted on a monthly basis.[51] Economists have yet to model the impact of house- hold account keeping on saving and economizing. However, if a large proportion of the households systematically monitor spending by means of account books in Society A (Japan) and very few keep such budgets in Society B (say, the United States), wouldn't we expect to see substantial differences in saving rates—all other things being equal?



"I'll Keep Planning Our Household Finances," 1955. The idealized Japanese housewife of the early postwar decades. Her modernity lay in rationalizing consumption and increasing savings. Courtesy of the Communications Museum, Japan, XD-C50.

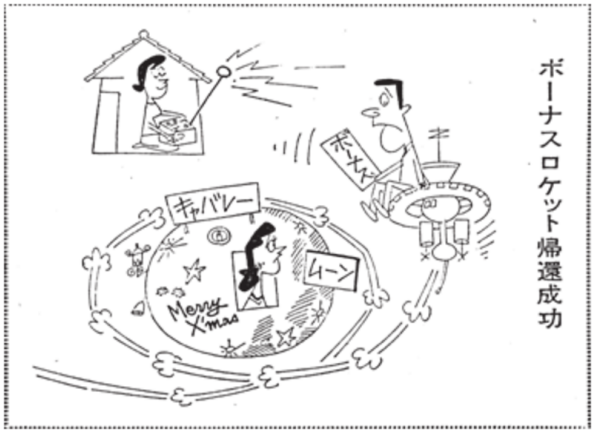
Widespread account-keeping challenges economic thinking in an- other way. American economists tend to view saving as the product purely of individual decision-making. Yet setting aside money in postwar Japan could be an intensely public act subject to collective pressures. Residential women's associations did not simply collect monthly savings from members. In what were called "group activities focused on household account books," activist women coached neighboring wives in techniques of monitoring family finances and maximizing savings. Often they pried into the intimate details of other families' spending habits. A married woman's status within the community became defined to a significant

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extent by how well she kept the account book. A great many Japanese wives felt the need to "keep up with the Joneses" not in spending, but in economizing. This anxiety was captured in a 1959 cartoon. "Mrs. O sure gave up keeping her account book in a hurry," snicker three housewives behind the back of one embarrassed working woman.[52]

Pressure on women to keep household account books came from many quarters. The increasingly popular housewives' magazines, notably *Shufu no tomo* and *Fujin no tomo*, continued their prewar drive to encourage financial management, publishing annual account books. Just as important were coordinated efforts by the state and various women's organizations. As she had done before and during the war, *Fujin no tomo's* Hani Motoko frequently assisted the postwar savings campaigns. Comprised of loyal readers at the grass roots, her "friends' societies" received generous state subsidies to spread the use of account books among other women.[53] Government agencies began publishing their own household account books in 1947, and the Central Council for Savings Promotion and its successors issued countless copies of their "Household Account Book for the Bright Life" from 1952 to 2001.The mammoth National Federation of Regional Women's Organizations and other women's groups helped distribute the official account books. Calling it the organization's "best seller," the Central Council annually issued two million free account books by the mid-1990s, while women's magazines and other commercial publishers sold an additional seven million ledgers.[54]

State campaigns benefited from a profound change in gender relations within the family during the 1950s and 1960s. As the Japanese economy surged, husbands secured good-paying jobs that made it possible for women to stay at home without paid employment. For the first time, large numbers of Japanese women envisioned themselves as "house- wives." It also became the norm for husbands to tender monthly earnings to prudent wives, who took charge of spending and saving. Wives thereby gained a potent means of controlling husbands who frequented the ubiquitous hostess bars and consorted with prostitutes. Women's leaders gleefully advised housewives to dole out only small amounts of "drinking money" to their men while saving the rest.[55] The wife's control of the purse strings fast emerged as a symbol of modernity. Women's groups would denigrate "feudalistic" villages where patriarchy still reigned—that is, where housewives had not yet emerged as the primary keepers of the household account book.[56]



"Success in the Bonus Rocket's Return," 1959 cartoon. Using a remote control to capture her husband's bonus, the clever housewife boosts household savings and stops him from squandering the family's money on hostesses and drink at the "Cabaret Moon." Chochiku (Central Council for Savings Promotion), no. 27 (1959): 1.

During the 1950s the nation's largest women's federations threw themselves into encouraging saving in formal alliance with the state. One of the most enthusiastic organizations was the Housewives Association (Shufuren), usually portrayed as a fiercely independent proponent of consumer protection. Led by Oku Mumeo, a prewar feminist with

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socialist leanings, the Housewives Association nonetheless paralleled official efforts in its own campaigns to persuade every housewife to keep an account book and join the "housewives' savings movement."[57] In 1954 the Housewives Association became a permanent member of the Central Council for Savings Promotion—along with the more conservative National Federation of Regional Women's Organizations and the woman's auxiliary council of the Agricultural Cooperatives. The three women's federations and others joined with the Central Council to convene the National Women's Meeting for "New Life and Saving" in 1959. Over the next four decades this annual meeting brought together officials and women's delegates to devise strategies for rationalizing household finances. Oku, too, championed the rationalization of spending as good for the housewife and good for the nation. In place of consumption, she urged members to "strive for a life with imagination and resourcefulness," for "unless the clever housewife maintains her household, this country will not rise."[58] Echoed by women's leaders and officials alike, this deep-seated ambivalence toward consumption reinforced Japan's savings ethic even as material life rapidly improved.

Striking a "Balance" between Consumption and Saving

Consumerism arrived officially in 1959. In its annual Whitepaper on National Life, the Economic Planning Agency declared Japan to be in the throes of a "consumer revolution." This was one revolution that would be televised, as millions watched on recently purchased televisions. After years of austerity, families acquired a set of consumer durables heretofore unimaginable. Not so long ago Japanese had died to defend the imperial household's "three sacred treasures": the mirror, jewel, and sword. The 1950s generation whimsically recycled the term to refer to the television, washing machine, and refrigerator. A mere 5 percent of Japanese households owned black-and-white television sets in 1957. By the mid-1960s the television would be found in nearly every home, alongside the two other treasures.[59]

From these material changes followed a cultural transformation of sorts. After decades of devaluing consumption, state agencies began encouraging spending on consumer durables.[60] In 1960 the government of Ikeda Hayato—the former finance bureaucrat who once urged the citizens of Hiroshima to save all they could—announced a plan to double national and per capita income by the end of the decade. Gone, it seemed, were the traditional values of diligence and thrift. Now "consumption is the virtue," proclaimed the media. Inspired by the successful creation of consumer demand in the United States, some Japanese business leaders during the 1950s envisioned the production of "American-style middle-class society" as crucial to the nation's prosperity, writes Simon Partner. Even more than exports, the steady expansion of domestic consumption drove Japan's high economic growth from 1955 to the mid-1970s.[61]

By many measures, Japan took on the trappings of a mass-consumption society. Per capita income did not double by 1970; it quadrupled. Real per capita consumption increased at a frenetic 7.5 percent per year from 1955 to 1973. Food's share of household budgets steadily declined from 50 to 20 percent (1955 to 1988), enabling consumers to afford a greater array of goods and services.[62] Moreover, the rapid rise of installment buying and other forms of credit permitted less affluent Japanese to purchase the new mass commodities. An enormous advertising industry emerged to market consumption as the basis of the "bright life." Consumers moved beyond the "three sacred treasures" to acquire the "three C's": the car, color TV, and cooler (air conditioner).

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Thanks to substantial increases in housing loans, homeownership became the norm during the 1970s.[63] Ever since, foreign visitors have been mesmerized by images of Tokyoites spending, spending. Attired in expensive clothes and hooked up to the latest gadgets, Japanese seemingly worshipped at the shrine of mass consumption.

Appearances can be deceptive. The unmistakable rise in Japanese consumption levels was not matched by the advent of an American-style consumer culture that privileged spending over restraint. Inculcated habits of thrift did not diminish noticeably, but rather coexisted with the new consumption. As incomes grew, households became capable of increasing both saving and spending. Household saving rates soared from 14 percent in 1959 to an extraordinary 23 percent in 1976. Far from spending lavishly, consumers often afforded costly durables only by severely cutting back on other expenditures, including housing.[64]

Japan's new consumption resembled "consumer revolutions" in Western Europe at the time. In none of these cases do we see Europeans or Japanese catching up to Americans in levels and patterns of consumption. In 1960 Japanese households still devoted 38 percent of consumption to food and only 10 percent to housing and home-related expenditures. Similarly in West Germany and France, respectively, food accounted for fully 43 percent and 46 percent, and housing for merely 18 percent and 11 percent. In contrast, Americans spent only 32 percent on food and an incomparable 29 percent on housing, including furniture and household goods.[65] For most Japanese and Europeans, consumption continued to be something that had to be "rationalized" within limited budgets.

Assisted by the major women's organizations, the well-funded Central Council for Savings Promotion maintained nationwide savings campaigns through the prosperous 1960s and beyond. Proponents of thrift found themselves adapting their messages to the sensibilities of the new age. While acknowledging the benefits of improved consumption, government spokesmen and women's magazines advised the Japanese people to strike a balance between consumption and other vital needs of the household and nation—including saving, investment, social welfare, and the environment. Similar thinking pervaded contemporary European societies (see figures 31 and 32). The French of the 1950s became famous for critiques of Americans' seemingly limitless consumption. The American model, observes one historian, appeared to threaten French conceptions of a "balanced economy and traditional ways of production, selling, saving, and spending."[66]

In Japan during the 1960s, many economists warned of the perils of "unbalanced" consumption. The catchphrase "consumption is the virtue" should by no means be taken as a repudiation of the importance of saving, argued Koizumi Akira; Japan's high growth could only be sustained by the new investment generated by greater saving. To Usami Jun, governor of the Bank of Japan, "The difference between a civilized country and a backward country is whether it accumulates capital in large or small amounts." Rather than spend freely, the people "should endeavor to live rationally and save to increase the wealth of Japan as a whole."[67]

The recently announced Income Doubling Plan did not promise immediate improvements in consumption, explained Okazaki Kaheita, chairman of the Central Council for Savings Promotion. To develop the economy and raise living standards, the plan required "high-level saving," which remained essential to bring "balance to Japanese life."

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"Keep a Balance in Life," Japan, 1955 (top). An early version of the Japanese government's message to balance consumer desires against the needs of accumulating sufficient savings. Courtesy of the Communications Museum, Japan, XD-C52.



The British poster, (bottom), that inspired the Japanese poster. Reproduced by permission of TNA, NSC 5/652a.

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Such judgments were influenced by contemporary American critiques of mass consumption, notably Vance Packard's The Hidden Persuaders (1957) and The Waste Makers (1960). According to Okazaki, The Waste Makers revealed how American industry chronically overproduced for the consumer economy with Packard urging Americans to restore the balance among factors in the economy. Packard's diagnosis might fit Japan better than the United States, Okazaki ventured, considering how much Japanese squandered on restaurants, clothes, and

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expensive skis they used only once or twice a year.[68] Women's leaders also echoed Packard. Oku Mumeo of the Housewives Association condemned the advertising industry for persuading Japanese to buy anything marketed as a "new brand." Led by Oku, the consumer movement instructed Japanese to become "wise consumers" (kashikoi shōhisha) who would "rationalize how we buy and use things."[69]

Too much spending might exacerbate another imbalance. Anxious about Japan's recurrent deficits in the balance of international payments, the government sent mixed messages to the consumer. To support domestic industries, officials and manufacturers encouraged the consumption of "national products," especially electrical goods. Spending on imports was another matter. Even at the height of the "consumer revolution" in the early 1960s, savings campaigns harangued the nation to economize overall and on imports in particular. As conveyed by numerous pamphlets, one's patriotic duty still lay in boosting the nation's savings. These would finance the industrial production necessary to expand exports and pay for imported raw materials. Speaking to women's groups around the country, Bank of Japan officials blamed consumers for the worsening trade imbalance. After all, hadn't they "unwittingly bought surprisingly large quantities of imported items like instant coffee and raisins"?[70]

In the course of the 1970s, feelings of ambivalence gave way to widespread criticisms of mass consumption itself. Although several developments fueled these discontents, the precipitant was unquestionably the "Oil Shock" of 1973—74. That was when Arab members of OPEC (Organization of the Petroleum Exporting Countries) embargoed oil. Energy-dependent Japan experienced galloping inflation, major shortages, and the first decline in GNP since the early postwar years. Among conservatives as well as progressives, the Oil Shock served as the backdrop for a national morality play about the evils of affluence and the opportunity for spiritual rebalancing. National leaders were uncommonly philosophical. Having succumbed to "material affluence" and "mass consumption" during the high-growth era, Japanese were said to have discovered "a new form of affluence" as they cut back spending.[71] The media, too, reported on consumers' return to saving and stinginess, blaming Japan's current economic woes on recent high living. "It's undeniable," wrote a weekly magazine, "that one of the main causes of rising inflation has been that motto, 'Consumption is the virtue.'"[72]

Japanese opinion reflected global trends of ecological awareness. In Europe and to a lesser extent in the United States, environmental movements arose to demand energy conservation and sustainable development. Established in 1979, West Germany's Green Party became mainstream enough to enter the governing coalition two decades later. In his polemic Small Is Beautiful (1973), British economist E. F. Schumacher articulated the new agenda of seeking the "maximum amount of well-being with the minimum of consumption." Although European environmentalists did not espouse older notions of thrift, their conservationism and condemnation of "overconsumption" reinforced propensities to save. In practice, stringent recycling laws in Europe and Japan curbed the previous "throwaway" ethos while discouraging consumers from buying new products on the American scale.[73]

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"The Economy as Linked to the Kitchen," 1962. Aimed at housewives, this cartoon communicates that savings benefit the nation by financing industrial production (center). Although some production results in individual consumption (lower right), a huge portion is shipped abroad to remedy Japan's trade deficit. The sinister Western tycoon (upper right) personifies "foreign countries," which send ¥2 trillion in goods to Japan whereas Japanese exports total only ¥1.5 trillion. Yasashi keizai no hanashi [Economics made easy] (Tokyo: Chochiku Zōkyō Chūō Iinkai, 1962), Ministry of Finance, Japan.

Whereas the relation between thrift and environmentalism remained implicit in Europe, the Japanese state successfully fused the causes of saving, economizing, and conservation in the public mind. In 1974 savings-promotion officials played a central role in fashioning the People's Campaign to Value Resources and Energy. More than one hundred organizations took part representing consumers, women, educators, the media, business, and local governments. Myriad local campaigns harangued the populace to save and economize on goods and energy. Casting their involvement in socially progressive terms, women's and consumer advocates denounced the recent consumer boom as out of balance with society's needs for a more generous welfare state and a cleaner environment. The social critic Higuchi Keiko seized upon the Oil Shock as an opportunity for consumers to move from material affluence to a "truly affluent society"—one that neither destroyed the natural environment nor discarded the weak.[74] Injunctions to economize filled the pages of housewives' magazines. The language of "balance" appeared everywhere, illustrated in one cartoon as a scale that balanced "spiritual affluence" against a heap of consumer goods. And a new catchphrase was heard o'er the land: "economizing is the virtue."[75]

The American Other

Japan quickly recovered from the Oil Shock and resumed its rise as the world's second largest economy. Leaders felt more convinced than ever of the virtues of Japan's energetic promotion of saving. The 1980s were a time when Japanese savings behavior took center stage as an international issue as well. The nation's savings-promotion program evolved from an exemplar for developing countries into a model for the world's largest economy. It was a giddy moment in Tokyo. High savings had tamped down inflation and provided the cheap capital for industrial expansion, Japanese officials boasted. Meanwhile in the United States, "sluggish savings and investment" constrained productivity increases and accelerated inflation. America's troubles left Japanese "convinced that maintaining a steady savings attitude in our household economy "would surely contribute to price stability, improved productivity, and higher living standards.[76]

Plenty of Americans also took note of Japan's high household saving rate of about 20 percent. Revised data now calculates the U.S. saving rate at nearly 9 percent in 1979, although Americans at the time believed it to be around 4 percent. Malaise about perceived decline at home prompted the publication of a slew of books on the "Japanese Model," notably Japan as Number One: Lessons for America. Americans, noted the world-famous economist Paul Samuelson, "envy the Japanese for their

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ingenuity, drive, cleverness and thrift." Lawrence R. Klein, winner of the 1980 Nobel Prize in Economics and a leading Keynesian, nonetheless urged the United States to go from "being a high- consumption economy to being a high-saving economy if we are to reindustrialize and improve our standard of living."[77] In a speech to the Japanese parliament in 1983, President Ronald Reagan lavishly praised Japanese for achieving the highest saving rates among industrialized nations. This, he argued, was because Japanese tax policies incentive-ized saving by exempting most interest on deposits and keeping tax burdens low.[78]

Newly confident, Japanese came to regard thrift as a key marker of their unique "national character" and a source of superiority vis-à-vis the West. This was a big change from the early postwar years, when officials identified with European savings-promotion efforts and sometimes cast Americans as more prudent than Japanese. Journalists and politicians now spoke disparagingly of the "English disease," in which welfare dependency led to a "diminished will to work," and the "American disease" marked by wastefulness and laziness.[79] In 1987 Toyama Shigeru, chairman of the Central Council for Savings Promotion, wrote a best seller extolling the enduring Japanese spirit of hard work and thrift. As for the United States, he scoffed; the Puritan ethic of thrift had collapsed. Americans' rampant use of credit cards resulted in "excessive consumption," and "millions of households live in debt."[80]

As Japan amassed ever-increasing trade surpluses in the 1980s, the issue of savings became a flashpoint in U.S.-Japanese relations. Western governments heatedly accused the Japanese of "excessive saving" and under-consumption. It was all relative of course. Compared to Americans, Europeans lived in small homes and were great savers. But in a report leaked to the press in 1979, the European Economic Commission blasted Japan as a country of "workaholics" who live in "what westerners would regard as little more than rabbit hutches."[81] Bowing to foreign pressure, the Japanese government in 1986 released the Maekawa Report, which promised to expand domestic consumption while curtailing programs that actively promoted saving. Two years later the Central Council for Savings Promotion tactfully renamed it- self the Central Council for Savings Information. The state would no longer "promote" or "increase" savings, but merely provide information on how to save. More consequential was the elimination in 1988 of tax exemption on savings interest for nearly all Japanese, excepting the elderly and a few other categories. Henceforth interest on savings would be taxed at a flat rate of 20 percent.[82]

However, Japanese leaders remained un-persuaded of the virtues of a consumption-driven economy. In publications intended for the home audience, officials and economists warned that the Maekawa Report should not alter the commitment to promoting high saving—lest Japanese lose the values that made them so successful. Before authoring the report that bore his name, Bank of Japan governor Maekawa Haruo ardently defended savings-promotion policies. High household saving enabled Japan to subdue inflation, he observed, while Americans amid double-digit inflation turned from saving money to buying more and more.[83] Nor did the Japanese people come forward to thank the Americans for trying to improve their consumer lives. Women's and consumer groups furiously opposed the government's decision to abolish tax exemption for savings. One protest rally in Hibiya Park drew six thousand people. [84]

For the first time, Japanese officials took to lecturing the Americans on the need to promote saving and investment so as to restore the "balance" between those factors and out-of-control consumption. When U.S. negotiators in

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1990 attempted to remove Japan's structural impediments to imports and foreign investment, the Japanese side shot back with its own prescriptions for reducing America's glaring fiscal deficits. The U.S. government should curb Americans' "excessive consumption" by restricting credit cards and introducing Japanese-style tax preferences for saving.[85] This cockiness rested on Japan's new status as the world's greatest creditor nation while the United States was now the biggest debtor. The Japanese had become, far and away, the largest holders of Treasury bonds and bills. Then as now, the vast savings of East Asians enabled the U.S. government and American people to live beyond their means.

"From Saving to Investment"

Japanese self-assurance was not to last much longer. The nation's abundant savings contributed to soaring stock and real estate prices. In 1990–91, the bubble burst after the Bank of Japan raised interest rates. For the next eleven years the Japanese economy would be mired in a state of slow growth or no growth. Japan and the United States again traded places. The U.S. economic boom of the 1990s convinced American policymakers and economists of the brilliance of financial deregulation, consumer-driven growth, and the massive expansion of credit. Predictably, Washington pressed Japanese to stop saving so much and instead consume their way out of recession.

By the late 1990s, many Japanese acknowledged the anachronistic nature of savings-promotion mechanisms designed for a different age when saving had indeed been Japan's "national salvation." This past decade has witnessed some important changes. The most politically contentious has been the reform of the postal savings system. As the nation's "lost decade" wore on, Japanese and Western critics questioned why Japan required a colossal government savings bank in an age of financial liberalization. Equally problematic, the Ministry of Finance through the Fiscal Investment and Loan Plan retained control over in- vesting the world's largest pool of savings. Incredibly little had changed since 1885. Tied up in local projects and a great many nonperforming loans, the nation's capital—charged critics—could be more productively invested to advance growth. Effected in 2001, the first reforms transferred responsibility for investing deposits from the Ministry of Finance to postal authorities. Nonetheless, investments largely flowed to the FILP as before. Other changes would probably never have occurred had it not been for a maverick politician known for his Elvis impersonations. Koizumi Jun'ichirō took over the doddering Liberal Democratic Party and became prime minister in 2001. He chose to make privatization of postal savings the central issue in the 2005 general election, successfully running reformers against his own party's entrenched postal savings lobby. The new parliament enacted legislation mandating gradual privatization, beginning in 2007 and ending in 2017.

What privatization means for the depositor is far from clear. Fully guaranteed by the government, postal savings reached the height of its popularity amid widespread bank failures in the 1990s. However, reform measures from 2002 eliminated many of postal savings' historical advantages. As of 2007 the state no longer guarantees postal deposits. They are now covered by American-style deposit insurance up to ¥10 million (about $105,000), the same as for bank deposits. A decade of near-zero interest rates further diminished the allure of the ten-year *teigaku* time deposit. Japanese steadily moved money out of postal savings into the banks. From 2000 to 2007, postal savings' share of total deposits sunk from one-third to one-quarter.

On the other hand, postal savings' dynamic role in encouraging saving may well persist. The

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newly "privatized" Japan Post Bank dwarfs the next largest bank. With more than twenty-four thousand branches, it reaches small savers as no other bank. Moreover, the postal savings system remains an aggressive marketer aiming to become a "one-stop financial shop." For instance, post offices recently began selling investment trusts (mutual funds). Postal savings may never emerge as a truly private bank. Koizumi retired in 2006. Other leaders in the two major parties are less passionate about privatization. Some 75 to 80 percent of postal savings remains invested in government bonds. At the end of the ten-year privatization process, the Japan Post Bank will likely still function as a highly accessible postal savings system that makes it easy to save.[86]

In a second development, the government retreated from running nationwide savings campaigns. According to stated policy in 1997, the Central Council for Savings Information no longer asked people to increase savings. They were encouraged instead to plan their lives so as to strike that proverbial "balance between saving and consumption."[87] I must confess, I did not fully appreciate the nuances on my visits at the time to the busy work floor of the Central Council's secretariat inside the Bank of Japan. It sure looked like savings promotion. Officials were working closely with local women's groups to encourage account-keeping in the nearly five hundred model Life Planning and Savings Districts. They also kept conducting the annual contest for the best essays on "household account book-keeping and life planning," with 63,500 entrants in the year 2000. The short films sent to schools, though slick as anime, likewise conveyed the wisdom of an earlier time. The Greedy Princess featured Princess Catherine, a spoiled brat, who gets all the luxuries she wants until her fairy godmother places her with a poor family where she learns "thrift and habits of healthy living." In Children Captured by the UFO, three tykes spend wastefully. They buy a cake, throw away the insides, and just eat the frosting. The eco-aliens who nab them worry that if such children multiply, the earth's nature and resources will be destroyed. The kids come to understand the consequences of wastefulness and return to earth with a proper respect for goods and money.[88]

By the year 2000, the old methods of savings promotion were wearing thin. Children's banks had all but disappeared. Married women, who increasingly worked outside the home, could no longer be relied upon to serve as Japan's version of savings commandos. Influenced by America's success and anxious about Japan's rapidly aging society, policymakers began urging savers to accept more risk and seek higher rates of return. Near-zero interest in bank and postal deposits would not build retirement savings. Finance officials advised the nation to shift "from saving to investment."

In 2001 the government unveiled a new approach. The Central Council for Savings Information became the Central Council for Financial Services Information. This time, it was more than a change in name. The organization no longer explicitly encourages Japanese to save. The revamped Central Council provides consumers with helpful information on an array of financial instruments. These include not only savings deposits, but also stocks, credit cards, even derivatives. As the government cut back on pledges to guarantee savings deposits in full, the Central Council worked to persuade the public to take "personal responsibility" for judging the risks of their investment choices. Much of the information appears on its website, which soon averaged one million hits per month. Five hundred volunteers serve as local Financial Services Information Advisors. Most are financial planners and other professionals, in contrast to the leaders of women's groups who volunteered as savings advisors under the old system. The Central Council's other top priority has been to institute financial

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education in model schools and eventually nationwide.[89]

Whether these transformations will alter twentieth-century Japan's culture of thrift remains to be seen. Pressed by the Americans, the Japanese government in 1998 mounted a halfhearted campaign to get the nation to spend its way out of recession.[90] However, in none of the recent policy debates—whether postal savings privatization or introducing an investment consciousness—have the Japanese protagonists called on people to consume more. It's all about shifting savings into more productive investments. In several respects, the Central Council for Financial Services reinforces old-fashioned habits of saving. An already risk-averse populace is being educated about the many risks involved in equities, as well as the dangers of over-indebtedness lurking in consumer credit. The Central Council no longer issues household account books, but that's in part because housewives' magazines continue to publish these ledgers in the millions. The organization remains committed to encouraging Japanese to engage in financial "life planning." It offers online diagnostic tools, free downloads of account-keeping software, and tips on how to stay with your household account book even when you hate it. The financial education program teaches children the importance of saving, ecological living, and avoiding toraburu (trouble) brought on by credit cards and internet shopping.[91] Oh, and schools can still borrow The Greedy Princess and Children Captured by the UFO.

Nor is it clear that the Japanese will decisively shift "from saving to investment." Stocks did in fact rise as a percentage of household financial assets after 2004. The share in equities has since retreated in the wake of the 2008 stock market crash. In comparative terms, the persistence of small saving in Japan is striking. In 2006 half of Japanese households' financial assets were in savings deposits and merely 16 precautious Germans invested only one-third of their financial assets in bank and postal accounts. At the other extreme, Americans placed a minuscule 13 percent in savings deposits, but nearly half in stocks and mutual funds.[92]

This brings us to the most puzzling development of the past decade. Once the highest in the world, Japan's household saving rate slowly declined during the 1990s before going into free fall after 1999. In 2008 it stood at a mere 2.3 percent, among the lowest of OECD nations. Japanese households declared *The Economist*, had "lost their appetite for thrift."[93] Such conclusions are off the mark. The saving rate has not declined because Japanese joined the ranks of America's shopaholics. Far from it. Consumer spending per household has essentially been flat since 1993, and in many years has fallen in real terms. The 1990s and early 2000s, it is true, were a time of economic sluggishness in Japan, yet stagnation in consumption continued amid the sustained recovery of 2002–2007. By contrast, American consumer spending until the recent financial meltdown increased every quarter since 1991, despite recession (2001) and slow income growth thereafter.[94] Neither can we blame the erosion of Japanese saving on a growing addiction to credit. Although Japanese assumed fairly high levels of housing and consumer debt during the 1990s, debt as a percentage of household financial as- sets has steadily dropped over the past decade.[95] Even credit cards failed to beguile most consumers. In 1992 the government finally permitted banks to issue cards with a revolving credit feature, yet Japanese responded in a most un-American fashion. Twelve years later, more than two-thirds of Japanese card users were paying monthly credit card bills on time and in full, while in the United States nearly two-thirds borrowed against their cards.[96]

If not greater consumption or credit-bingeing, what does account for the current phenomenon of Japanese saving so little? One plausible

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explanation draws from the well-known "life-cycle" hypothesis. Japan's population is aging faster than any other. As a greater proportion of the nation enters into retirement, the elderly necessarily spend down wealth.[97] Nevertheless, the life-cycle thesis does not explain why rapidly aging populations in Germany and several other European countries have not experienced appreciable declines in their high saving rates.

The most compelling explanation is at once the most depressing. The Japanese are saving less, first and foremost, because a great many households have suffered punishing drops in income since the late 1990s. No other major economy experienced anything like eleven years of stagnation, followed in 2002 by a recovery unaccompanied by perceptible increases in household income. Japanese companies have slashed hours and salaries, besides cutting back on hiring young people as regular employees. As families struggle to maintain relatively modest levels of consumption, they have less margin to save.[98]

For better or worse, decades of savings promotion have left their mark on the Japanese people. Over the past twenty years we have seen little of the profound cultural embrace of consumption that occurred in the United States. Japanese households cope with stagnant incomes by continuing to "rationalize" consumption. To make ends meet, they spend more on some things while cutting back on others. The postwar housewives' culture of monitoring spending has proved remarkably resilient. Women's magazines are still filled with stories of resourceful housewives who deal with a bad economy by adopting "economizing lifestyles."[99] Although the media trumpets the decline of thrift among youth, recent surveys reveal that nearly half of married women in their twenties and 43 percent of those in their thirties keep household account books. We would also err in assuming that most households no longer have savings. In 2008, Japan led the OECD countries in net household financial assets (383 percent of nominal disposal income). In net wealth (financial, real, and other assets minus liabilities), it ranked fourth behind Italy, the United Kingdom, and France, but well ahead of the United States. If the risk-averse Japanese—unlike Americans and Britons—did not partake in rising housing and equity prices since the mid-1990s, neither did their assets collapse in the real estate and financial meltdown of 2008. The dearth of consumer spending undoubtedly constrains the Japanese economy, yet the abundance of home-grown savings permits the government to finance extraordinarily high levels of national debt at low rates and independent of foreign interference in ways that Americans today might envy.[100]

Or they might not. When dealing with Japan, Anglo-American economists tend to be prescriptive. Supremely confident of their own model, they have been quick to tell the Japanese what to do: stimulate consumption, unleash the forces of consumer credit, push savers to accept more risk. Despite the household debt crisis presently afflicting the United States and Britain, *The Economist* still complains that Japanese consumers "rarely shift credit-card debts from one card to another."[101] We might do better to understand the historical forces that shaped how Japanese actually behave, and how the Japanese model of savings promotion—in its prime—became crucial to the rise of Asia's other dynamic economies.

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Sheldon Garon is the Nissan Professor of History and East Asian Studies at Princeton University. In addition to Beyond Our Means: Why America Spends While the World Saves, his books include Molding Japanese Minds: The State in Everyday Life and The State and Labor in Modern Japan.

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