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Celebrating the "New" Japan

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Abstract: The 2020 Olympics will be held in a Japan that confronts challenges that are a world apart from the Japan of the 1964 Olympics. None is more profound than Japan's demographic dilemma. The population pyramid has been inverted from what it was half a century ago when Japan was a vigorous nation bursting with vitality and hope. The upbeat messaging in 2020 can't obscure questions about how Japan will cope with serious economic and security challenges.

The 1964 Tokyo Olympic Summer Games were a grand coming out party for a "new" Japan. Just 19 years earlier Japan had surrendered to the Allied Powers to end a war that had left Japan prostrate, Tokyo leveled by firebombs, Hiroshima and Nagasaki destroyed by atomic weapons, the nation destitute and demoralized. Back in 1964 the world was turning its gaze on a Japan both democratic and peaceful, and with an economy that had been growing at an average rate of 9.3 percent annually since 1955. That achievement earned for Japan membership in the OECD, the Organization for Economic Co-operation and Development, in the same year it hosted the Olympics.

Tokyo was bursting with energy and the national mood was upbeat when I arrived in Tokyo for the first time in the summer of 1964 to spend a year there studying Japanese. My lodging was a four and a half mat tatami room that had a small entranceway that doubled as a closet, a Japanese-style toilet (meaning a ceramic slab on the floor with a hole in the middle), and a tiny alcove with a sink and a single-burner gas stove. No shower, no bath, no heat. But for ¥3,000 yen a month -- $8.30 at the then fixed exchange rate of 360 yen to a dollar -- it was a steal. I bought a kerosene stove, a small table, a couple of cushions, and an inexpensive futon that in a letter I wrote to my parents after a night of sleeping on it I described as being "like an air mattress without the air," what Japanese call a *senbei buton*, bedding as thin as a rice cracker.

This was how a lot of people lived in Tokyo in 1964. It was not unusual when visiting someone's home on a cold winter day to be greeted with "*Dōzo, sono mama de,*" "please, just as you are," meaning to keep your overcoat on. The standard of living was low but the sense that things were improving right in front of people's eyes was palpable. Prime Minister Ikeda's promise made in 1960 to double the national income within ten years was met in just four. A consumer boom gathered speed, driven by Japanese eagerness to purchase the "3 C's" -- a car, a color television set, and an air conditioner (a "cooler"). However modest their current living conditions, people were energized by the belief that the coming years would bring prosperity for themselves and even more so for their children.

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Japanese torch bearers run toward the Tokyo Olympic Stadium, 1964. Source: *Newsweek.*

How different the situation as Japan prepares to welcome the return of the Olympics to Tokyo 56 years later. There is neither optimism nor the energy that was evident in 1964. By the 1980s the Japanese economy had reached dizzying heights, leading to predictions that the 21st century would be Japan's. As that decade came to a close, author James Fallows penned an article in *The Atlantic* asserting that the United States needed a new containment strategy in order to survive Japan's economic challenge (James Fallows, "Containing Japan," *The Atlantic,* May 1989). No sooner had the Fallow's article appeared, however, than the Japanese economy took a nosedive. Japan's dream of becoming number one disappeared as its economy fell into a deflationary trap that persisted for two decades, and from which it still has only barely emerged.

When he became Prime Minister in 2013, Abe Shinzo sought to break deflation's back by appointing a new President of the Bank of Japan, Kuroda Haruhiko, with a mandate to pursue an aggressive and unconventional monetary policy with the goal of ramping up the inflation rate to 2 percent. The theory was straightforward: deflation discourages investment and consumption since it creates the expectation that prices will be lower in the future than they are now; inflation expectations, on the other hand, create incentives for consumers to open their wallets and for companies to invest in plant and equipment before prices rise. But reality has stubbornly refused to validate this inflation targeting theory. After seven years of the Abe Administration and on the eve of the 2020 Olympics Japan's two percent inflation goal remains as elusive as ever.

With news that the International Olympic Committee had decided to choose Japan as the host country for the 1964 summer Olympic games, the Japanese government went on a spending spree to get Tokyo and the country ready for the big event. Old buildings were razed to make way for a stadium and other Olympic facilities. The city's two main trolley lines were eliminated (with the remaining ones soon to follow), streets were widened and repaved, and an elevated highway that circled the city was put up in record time. The shinkansen, the world's first "bullet train," began service between Tokyo and Osaka ten days before the Olympic opening ceremony. A monorail connecting Haneda airport to Tokyo was completed just in time as well. However, the monorail terminated at Hamamatsucho, not quite in the center of the city, because cost overruns for the shinkansen, which in the end cost a billion dollars, did not leave enough money to bring it to Shinbashi or Tokyo Station as originally planned. The 1960 Rome Olympics cost $30 million. Four year later, as *Sports Illustrated* put it, "Japanese have spent $1.9 billion to dress up ugly old Tokyo."

Little thought was given to aesthetics or the environment in the mad dash to upgrade the city's infrastructure. Built almost entirely over water, the monorail destroyed fishing and aquatic farming operations and turned formerly busy and picturesque waterways into pools of stagnant and polluted water. At places the elevated highway was built just a few feet above existing structures, including the famed Nihonbashi, the Meiji era bridge that is the point from which all distances from Tokyo are measured. But criticism of cost overruns and poor urban planning were drowned out by the

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roar of excitement generated by the coming of the Olympics to Tokyo.

Putting Japan's best foot forward as Olympic host not only meant upgrading the city's infrastructure. Just as important was making sure that Japanese did not embarrass the nation by their behavior. The government launched a nationwide movement to educate people about how they should comport themselves with the eyes of the world focused on Tokyo. Included in this movement was a campaign to improve public morals under three key words -- "cleanliness, order, kindness" -- and five promises: not to break into a queue, not to smoke while walking, not to throw trash in the street, not to spit, and not to get drunk in public places. An item left out of the campaign literature but one I remember all too well was the campaign to have men give up the habit of stopping to urinate in the street after an evening of bar hopping, something that happened so often I stopped being surprised by it.

That Japan needed a nationwide campaign to try to put a halt to such behavior may be hard to believe for anyone familiar with Tokyo today, where you see neither garbage cans nor litter on the city's streets, where people do not break into lines (or cross a street when the light is red) or spit, much less urinate, on the sidewalk. Now Japanese regularly criticize Chinese tourists for doing some of the things that Japanese were being admonished not to do half a century ago.

In 1964 270,000 foreign visitors traveled to Japan. Compare that with the *40 million* foreigners the Japanese government expects to visit Japan in 2020. Also compare the defensive, how to behave campaign the government conducted in 1964 with the optimistic view offered by Muto Toshiro, the Tokyo Olympic Committee CEO, that the 2020 Olympics would give Japanese the opportunity to experience diversity in their own midst and thus become "a catalyst for Japan to become a fully inclusive society." (interview, November 2, 2017). An unrealistically rosy expectation to be sure, but an indicator of growing recognition among Japanese that their society needs to become more diverse and open.

Japan had a population of 96 million when the Olympics came to Tokyo in 1964. The population continued to grow until 2010 when it hit a peak of 128 million. It has declined by 2 million people in the years since then, and the pace of population decline has gathered speed. The consensus view among demographers is that the population will be about 116 million in 2030, 107 million in 2040, and 97 million by 2050. In other words, 30 years from now the Japanese population will be roughly what it was at the time of the 1964 Olympics.

However, the demographic picture presented by 97 million Japanese in 2050 will be dramatically different from what it was in 1964. In that year, Japan's population was young and growing. Only 6 percent of people were over 65. Today 25 percent of Japanese are 65 or older; by 2050 more than a third of the population will be over 65.

Just as dramatic is the increase in the number of the very old. Not only will a quarter of Japanese be over 75 in 2050. Even more startling is the increase of Japanese centenarians. There were just 153 Japanese over the age of 100 when the Olympics were held in Tokyo in 1964. By 2019 that number had mushroomed to 71,238. A 1998 United Nations demographic survey estimated that there would be more than a quarter of a million Japanese centenarians in 2050; more recent Japanese projections suggest that that number may be closer to a million.

Preparing for "an era where people live past a hundred" (*jinsei hyakunen jidai)* has become a popular topic in the Japanese mass media, and it raises daunting public policy challenges. These include how to fund the health insurance

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and pension system without imposing an intolerable financial burden on people of working age while at the same time providing a sufficient level of support for the elderly population; how to provide housing, nursing care, and welfare facilities for very old people who are living alone in ever larger numbers; how to raise the birth rate to slow the pace of population decline; and what to do about bringing foreign workers to a country where "immigration" remains a taboo word. AI may render truck drivers redundant and make it possible for robots and computers to take over many other jobs currently performed by humans. But in that event, how likely is it that Japan will make the drastic reforms to its education system, corporate culture, and public finance needed to encourage innovation and risk taking and to give people the skills needed to succeed in a 21st century globalized economy?

One would like to think that Japan's political and business leaders will come up with bold policies to successfully meet these challenges. What we have seen over the seven years that Prime Minister Abe has been in office offers little reason for optimism on that score. Abe generated enthusiasm both at home and among foreign investors when he announced the "three arrows" of Abenomics (an aggressive, deflation busting monetary policy, fiscal spending to jump start the economy, and structural reforms to drive a private sector led growth strategy that would then permit the government to reduce the government's fiscal deficit). But it did not take long before it became apparent that the arrows were falling far short of their target.

The Bank of Japan, having blown up its balance sheet without generating the inflation that was supposed to follow, has resigned itself to the reality that it has nothing in its toolbox that would be effective in jacking up the inflation rate. Nor can it raise interest rates and begin to exit from its easing policy given Japan's anemic growth rate. It has found itself with its hands tied.

On the government side, Abenomics has combined bold rhetoric with policies that are at best halfway measures. Structural reforms have been scattershot and timid. Fearing the wrath of elderly voters, Prime Minister Abe has avoided proposing changes to the national health insurance and public pension systems that would make them sustainable over the long run, changes would require reducing benefits and increasing fees and that would invite a backlash from the voting public. Rather, it has taken the politically safer tack of relying on deficit financing to prop up the economy and to support popular social programs. As a consequence, Japan is in a league of its own when it comes to the ratio of government debt to GDP. In 2019 it reached a new high of 253 percent. At number two, Greece has a debt ratio of 183 percent.

The demographic and other challenges Japan faces have caused anxiety and apprehension among the public to be sure. When public opinion polls query Japanese about the country's future prospects, many cite a litany of concerns: low economic growth and stagnant wages, growing income inequality, a pension and health insurance system under increasing stress, an education system that does not do an adequate job of preparing children to be successful in a globalized economy, and so on. A 2014 cabinet office poll, for example, found that while 33.2 percent of respondents believed the future was "bright," some 60 percent thought it would be "dark."

But this concern about the future state of the nation is more than offset by the high level of satisfaction people express about their personal life situation. The cabinet office has conducted an annual survey on life satisfaction since 1963. In the survey conducted in 2017, three quarters of the respondents indicated that they were satisfied with their lives, the highest

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percentage of satisfied respondents since the survey began the year before the last Tokyo Olympics. Over half of those surveyed said their incomes were adequate and 45 percent believed they had sufficient assets and savings. Three out of four said they had all the durable goods they needed, and nearly nine out of ten (88.8 percent) indicated satisfaction with their housing situation. Overall, nearly two-thirds (64.5 percent) expressed confidence that their life situation would be pretty much the same in the future. Only 9.4 percent were optimistic things would get better, and 23.7 percent worried that they would get worse. (Cabinet Office 2017)

This odd marriage of pessimism, satisfaction, and complacency has produced what is perhaps the most impressive feature of Japanese social psychology today and makes it so different from what it was when the Olympics last came to Tokyo. It is not only that people no longer believe as they did then that the future is bound to be better than the present for them and their children. More important is that deflated expectations about the future have not created a groundswell of demands for change but, to the contrary, have made all the stronger aversion to risk taking and to major public policy changes that people fear might make things worse rather than better.

When queried in the 2017 cabinet office poll mentioned above about the kind of society they wish to see in Japan, most Japanese opted for the status quo. Only 13.8 percent of respondents to the survey responded that they would like to see a society that gives priority to the pursuit of higher economic growth. A plurality (42.8 percent) said they prefer to see Japan move forward in a moderate, balanced manner. Nearly three of every five respondents (61.4 percent) said they had achieved a level of material affluence sufficient enough that they now wanted to emphasize personal fulfillment (*kokoro no yutakasa)* rather than the acquisition of more material goods.

There are people, mostly among the young highly educated elite, and especially among those who have experienced life outside Japan, who are eager to break away from conventional career paths, take risks, and seek success in unconventional ways. There is anecdotal evidence that their numbers are increasing, but they remain a small minority. Whether in terms of political attitudes or personal ambition, the Japanese public today is more conservative than at any time over the half century I have been observing Japanese society.

All of this is to say that the Olympics in 2020 will be held in a Japan that confronts challenges that are a world apart from the Japan of the 1964 Olympics. None is more profound than Japan's demographic dilemma. The population pyramid has been inverted from what it was half a century ago. It has a narrow base of young, productive people and is top heavy with the elderly. Faced with a declining and aging population, political leaders have become hooked on supporting year on year large fiscal deficits to keep the growth rate above zero and to fund popular domestic programs. Given strong public opposition, especially among older voters, to paying higher taxes for those services, the continued ballooning of the government debt is likely to continue unless and until a financial crisis forces policy change.

In addition to its domestic challenges Japan has national security concerns that did not exist the last time the Olympics came to Tokyo. They include China's emergence as a superpower, North Korea's possession of nuclear weapons, growing uncertainty about America's role in the region, and the unravelling of a US-led international order that provided the framework of stability, predictability, openness in the international trade regime, and America's overwhelming economic and military power that made possible Japan's economic prosperity and security.

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Prime Minister Abe's strategy for protecting Japan's interests in this uncertain and unpredictable international environment has several prongs. At the center is the priority he has given to nurturing a close personal relationship with President Trump. His effort to keep the US government from coming down hard on Japan to force it to change what Trump has characterized as unfair Japanese trade practices and inadequate military spending has been successful, so far. But there is little confidence in Tokyo that this strategy will continue to be effective, especially in his second term should Trump win the 2020 presidential election. For that matter, there is little confidence that Japan will be able to deflect strong pressure on trade and defense spending should a Democrat win the election.

So, while doubling down on an effort to keep a strong alliance with the US, the Japanese government has been pursuing other objectives as well, less in order to hedge against the United States as it is an effort to augment the US security role in the region. Abe has stretched the government's interpretation of what is permissible in the name of self-defense to permit the acquisition of greater and more offensive military capabilities and to engage new military missions, including collective defense operations with the United States.

Since becoming prime minister in 2012 Abe has been unflagging in his efforts to strengthen economic and security ties with other countries in the Indo-Pacific region. After President Trump withdrew American support for the 12 member Trans-Pacific Partnership trade agreement, Prime Minister Abe became a leader in the successful effort to rescue the agreement, now renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, otherwise known as TPP-11. He also has crafted security relationships with Australia, India, and countries in Southeast Asia, especially the Philippines and Vietnam, with the goal of strengthening the balance of power in East Asia and to at least delay if not prevent the People's Republic of China from replacing the United States as the hegemon in East Asia.

Like every other East Asian country, and many countries elsewhere in the world, Japan does more trade with China than with the United States. And like others it is trying to square the circle of dependence on China for economic prosperity and on the United States for its security. At some point Japan may be forced to make a choice between the US and China, but Japan's leaders are doing what they can to keep that day of reckoning from coming anytime soon.

Foreigners who travel to Japan for the Tokyo Olympics and broadcasters around the world who focus their camera lenses not only on the Olympic games but on the country that is hosting them are bound to be impressed with what they find: a safe, clean, and orderly society of more than 120 million people who prize civility, good manners, honesty, hard work, and cooperation. If anything, these features of Japanese society are even stronger now than they were in earlier years, and they stand in stark contrast to the bitter social divisions and political polarization that have produced populist us-against-them politics in the US and other democratic countries.

Becoming modern -- or now, post-modern -- on Japan's own terms is the storyline of Japan's history since Commodore Perry's Black ships entered Edo Bay in 1853. And a new version of that storyline, of a technologically advanced nation that has managed to weave a seamless web combining 21st century values with the nation's traditional culture, is one Japanese will use the 2020 Olympic Games to promote. That is as it should be, but it leaves unaddressed questions about what Japan will do to deal with the challenges it faces when the athletes and the visitors to the Olympics leave Tokyo and the celebration is over.

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There is much less room for complacency about Japan's future than many Japanese seem to assume. Whether the issue be how to protect Japan's national security or manage its demographic transition, how to encourage innovation or promote gender equality, or how to handle any number of other issues the decade now coming to a close has witnessed much more brave talk than decisive action. At the present time it seems more likely than not that the coming decade will see a continuation of a pattern of small incremental steps taken to deal with problems that demand a more concerted and bold response.

This is disappointing but hardly surprising in a democracy where the priorities of political leaders are driven by the imperatives of electoral politics. Nor is it surprising that the Japanese government and business leaders should want to accentuate the positive, eliminate the negative, and latch on to the affirmative, to quote the apt lyrics from an old Johnny Mercer song, when it comes to the 2020 Tokyo Olympics, especially when they could end up costing Japan in excess of $26 billion, more than three times the original forecast.

What future historians make of the broader social significance of the 2020 Olympic Games will be decided in part by how Japanese public policy with regard to the economy and foreign policy evolves over the rest of the decade. The late Kato Koichi, a senior politician in the liberal wing of the Liberal Democratic Party, used to like to reassure me (and I think reassure himself) that Japan will be okay, that even with ineffective political leaders or inadequate policy measures Japan would be okay because of the strength its social bonds and the resilience of its people.

He may have had it right. Japan has ceded its position as the second largest economy to China and will sooner or later be pushed further down the GDP hierarchy by India and in time by Indonesia. But in terms of GDP measured on a per capita basis, and more importantly, in terms of the quality of life -- access to clean water, safe food, absence of serious crime, longevity, and other quality of life measurements -- Japan is and will continue to be one of the world's most civilized countries for many years to come. So, in 2020 the world will get a close-up view of a new "new" Japan. It is a very different country from the one I first got to know at the time of the last Tokyo Olympics. But it remains a fascinating one with strengths and weaknesses the rest of the world would do well to understand better than it does.

References: Cabinet Office, 2017. Cabinet Office Public Opinion Poll June.

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