

# Wealth Maze

By Daizo Kusayanagi

Already hard for foreigners to understand, Japan is likely to get even more so. It is akin to someone who is very outgoing and active at times and very withdrawn and passive at other times—with the disparity between the manic and the depressive growing wider.

The energetic manic is the economy. The 10 leading Japanese think tanks have all published their forecasts for the economy in 1989. The most optimistic expects real growth of 5.0%, and the least optimistic 3.7%. They look for consumer price increases of 2.1% at most and 0.9% at least (despite the introduction of a new 3% consumption tax). And in the international balance of payments, they expect a trade surplus of between \$86.6 billion and \$101.1 billion and a current account surplus of between \$68.8 billion and \$84.0 billion. Even the most pessimistic think tank says that the Japanese economy will enjoy smooth sailing in 1989.

## In the pink

No one is disputing these forecasts. Far from it. Almost all of the economic commentators and newspaper analysts are trumpeting the economy as being in the pink of perfect health. Until this year, no matter how good the domestic economy looked, there was always the threat of yen appreciation, the world debt crisis and other destabilizing factors that clouded the picture and made commentators want to hedge their bets with a little pessimism. This year, however, the 10 think tanks are predicting that the yen will be between ¥114 and ¥123 to the dollar, and a separate study by the Japan Economic Research Center has said that Japanese GNP will be \$10 trillion by the end of the century (a three-fold increase from its present \$3.3 trillion), and is basing this on assumptions that Japanese GNP will average 5% per annum growth and that the exchange rate will be ¥85/\$ by that time.

The reason Japanese economists are

no longer panicked by the yen's impending appreciation is that there has been a considerable increase in yen-denominated trade and the yen is rapidly becoming the second key currency in the West Pacific. On the world debt crisis too, Japanese banks have taken a leaf out of Citibank's book and moved to set aside increased reserves against default. Nobody wants to see the debtor countries default, but the safeguards and institutional structures are in place to limit the damage and keep the financial system from collapse if it does happen.

A completely new macroeconomic structure is emerging, and as a result, the economists talking about the economy seem to have forgotten completely about the disruptive potential of the now-dormant Liberal Democratic Party, the unvented outrage at the ethical deterioration revealed by the Recruit scandal and other problems.

It is as though the economy is on a manic roll. When one travel agent came up with the idea of using the *Queen Elizabeth 2* as a hotel before it sets sail from Yokohama on June 1, the accommodations were fully booked in just a week—this despite the fact that the best suite goes for ¥350,000–380,000 (depending on what day it is; about \$2,700–2,900 at the rate of ¥130/\$) per day per person. It is hard to believe that anybody in his right mind would pay nearly \$3,000 to spend a night on a ship—no matter how luxuriously outfitted—that is anchored in harbor and does not even go anywhere. The *QE2* also serves a luncheon course that is available to the general public at ¥18,000 (\$138) per person, and this is also sold out until the end of May.

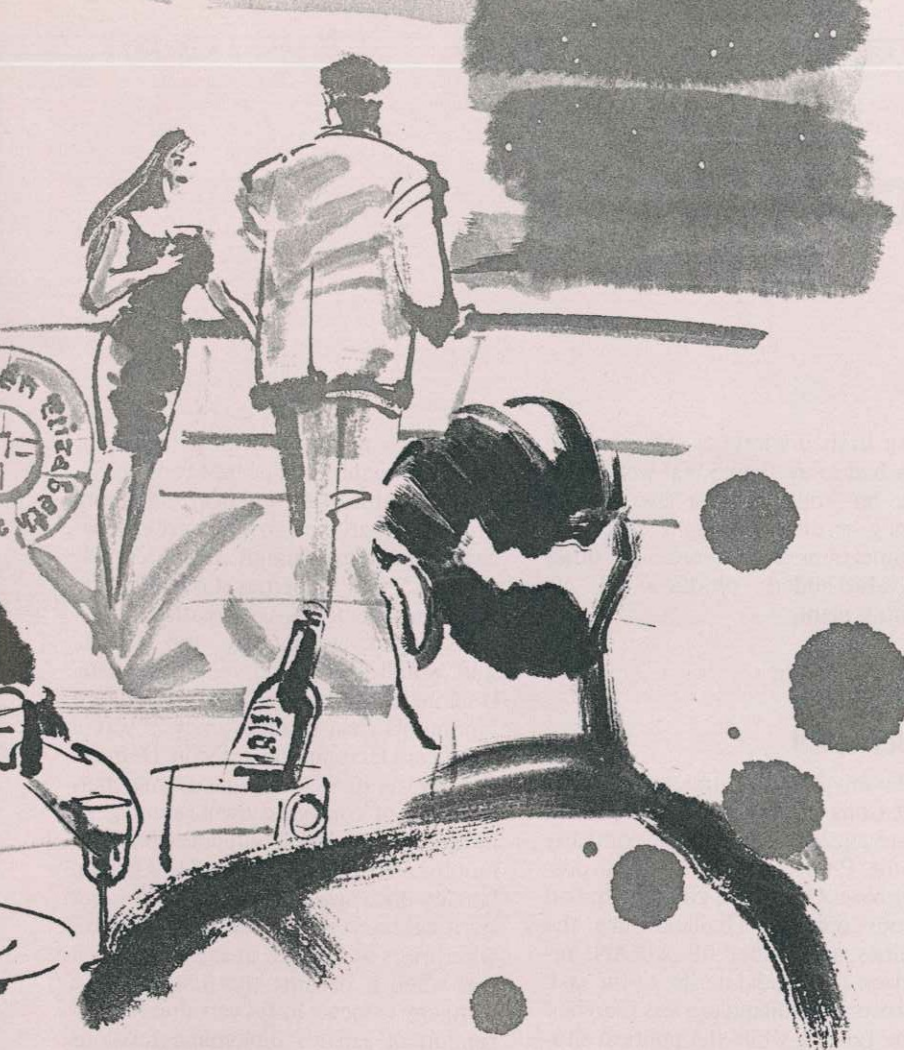
Elsewhere, we have the spectacle of underwear sets selling for a million yen each, pantyhose going for ¥100,000 a pair, and other outrageous prices accepted as commonplace. Last year, the Ministry of Transport announced its five-year Ten Million Program to double the number of Japanese traveling overseas, and it looks



as though tourism is going to surpass the target easily in the next few years as more and more Japanese are going overseas and flocking to the Chanel, Louis Vuitton and other prestigious shops, driving prices up to the point where ordinary French people cannot even buy a designer handkerchief there. Much of this rampant consumerism is fueled by a glut of money in Japan—the same glut that has driven Japanese land prices so high and that has pushed stock prices to the point where the total current value of all the shares listed on the Tokyo Stock Exchange—¥500 trillion—is half of the current value of all stocks listed on all bourses worldwide.

## Age of the ugly

The manic Japanese economy and consumption are growing like some giant, unstoppable amoeba, but when you get away from the economy to politics, education, family and other areas, the Japanese show their depressive side. This is especially noticeable in discussions of



the Japanese character, and it is getting to the point where it could be referred to as a syndrome. In writing this essay, I have read through the recent lectures of a number of leading scholars, and have been surprised to see that almost all of them have spoken of "the ugly Japanese."

Japanese have long been very fond of talking about themselves and dissecting the national character. When Keidanren held an exhibition on works about Japan by Japanese writers 12 years ago, the display included 996 essays written since 1868, the start of the Meiji era. Many more were published this year as the death of Emperor Showa put people in a reflective mood. I would not be surprised if there were about 1,500 of these *Nihonjin-ron* essays by now. But not until the last decade or so has the genre been dominated by "the ugly Japanese." Until then these were detached theses about how Japanese culture had shaped the Japanese character.

Now, however, they are peppered with anecdotes such as the one about the time three students—a Korean, a Japanese and a Singaporean—were sailing and some-

body asked them what they would take on the life raft if the boat started to sink. The Korean said he would take his textbooks, demonstrating the value that people in this rapidly growing country place on education. The Singaporean said he would take the weak, the ill and those unable to swim, illustrating the reverence for life in this highly religious country. And the Japanese said he would take his bank book. This is told to emphasize how the Japanese worship money.

It has been my experience that when Japanese are talking about the economy their eyes light up and they are very animated. But when the talk turns to the ugly Japanese, they punctuate the discourse with sighs and resigned nods. The story about the three Asian students is a particular favorite. Why is it that Japanese so enjoy hearing about their foibles and seem to agree with so much of the current criticism. This is especially in evidence when the criticism is from a foreigner or from a Japanese who lives overseas—in which case the Japanese in Japan simply listen silently with a wry smile but no rebuttal on their lips. This

tendency has become even more pronounced recently.

There is an old saying that the rich man does not quarrel, meaning that the person of wealth knows better than to get into arguments that might endanger his position. Yet the silent smile of today's Japanese is different. The Japanese economy seems to be on automatic pilot as it soars up into the clouds, and we all stand and watch in amazement. But since technology is the driving force behind this growth, the Japanese know neither what to make of it nor how to use this newfound wealth in the creation of new cultural enrichment.

## Staying poor

Speaking at a May 27 Keidanren meeting last year, Chairman Eishiro Saito referred to the inadequacies of Japan's infrastructure and characterized this as a rich nation of poor people. He emphasized that three things are needed before the Japanese people can feel they are truly well-off: a better residential environment (including improved housing), lower prices and shorter working hours. But land has to be less expensive before houses can be bigger and more comfortable, the many mom-and-pop stores that populate every neighborhood have to be reorganized before prices can come down, and a shortening of working hours would mean reduced overtime and hence less disposable income. These causal relationships are self-evident to every Japanese.

We are trapped in a maze. We all know there has to be an exit somewhere, but we just do not know how to get there from here. And so we continue to wander, oscillating between exhilaration and despair, and not knowing how to use our material wealth for personal growth.

(This is the third of six essays by Daizo Kusayanagi.)

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