

# Are Japanese Bored with Affluence?

By *Hamano Takayoshi*

I recall an insightful remark by the late business tycoon Inayama Yoshihiro to the effect that while Japanese used to pray for unchanged favor in their New Year greetings, nowadays they no longer feel satisfied unless they can fare better than the previous year.

Inayama, who served as chairman of Nippon Steel Corp. and president of the Japan Federation of Economic Organization in the 1970s and 1980s, made the point in reference to the merit of cartels.

He saw cartels as necessary to allow companies to set prices of products in such a way as to add adequate profits to production costs. His fixation on cartels earned him the nickname "Mr. Cartel."

His case for the formation of cartels was based on his belief in the innate goodness of business corporations. Such a pro-cartel stance usually drew fire from the Japanese public, but Inayama's affable character helped him to deflect criticism.

Though Japanese companies have been floundering in a prolonged recession referred to as the "Lost 10 Years" and are battling to earn profits through growth, some business leaders now seem to be questioning the pursuit of economic growth as their sublime objective. Are they getting bored with economic growth, that is, wealth? I wonder what Mr. Inayama would say.

## Questionnaires to companies

Corporate leaders' skepticism about economic growth was evident from an opinion poll conducted by the Asahi Shimbun of the top leaders of 200 leading companies. Results of the survey were carried in the daily's February 13 issue.

In reply to questionnaires sent by the Asahi, the corporate leaders expressed these opinions: "It is important to learn

to be contented. We should change our lifestyles from material richness to spiritual richness." (Yasuo Nishiguchi, president of Kyocera Corp.)

"We are getting tired of increasing gross domestic product (GDP). We have boosted GDP, but are not so happy nevertheless." (Ishikawa Tetsuro, president of Snow Brand Milk Products Co.)

"It is not right to measure economic growth by GDP alone. Such yardsticks tend to urge people to pursue uninterrupted growth. As a result, they will never be satisfied." (Minami Naoya, president of Tokyo Electric Power Co.)

Their views apparently reflect their revaluation of the pursuit of economic growth as the ultimate objective of business activities, a concept previously prevalent among business leaders.

Japan's per-capita GDP, as measured by the exchange rate, topped 40,000 dollars in fiscal 1996. Since the exchange rate fluctuates, international comparisons of per-capita GDP as measured by the exchange rate are not necessarily appropriate. Even so, it is no mistake to say that Japanese income levels are among the highest in the world. And yet Japanese people in general started recognizing several years ago that their living standard is not on the world's highest level despite continued GDP growth. Widespread anxiety persists over poor housing conditions in urban areas and over health care, pensions and other matters related to old age, amidst the rapid aging of the population. People are also increasingly discontented over the fact that global environmental concerns and other problems have not been readily solved.

Why is it that some Japanese corporate leaders, who are supposed to have their businesses grow every year and earn

profits to satisfy stockholders, have begun to be skeptical about economic growth?

Judging at least from the Asahi Shimbun survey, global environmental issues dominated their skepticism about continued economic growth

"We should not allow the earth to perish in 100 or 200 years from now," said Haruta Hiroshi, president of Citizen Watch Co. Some business leaders even went out of their way to propose scaling down the economy. One of them is Kamichika Yoshikuni, president of Huis Ten Bosch. He said that given the continued increase in the world's population and industrialization of developing countries, workers' per-capita wages should be curbed and energy consumption reduced to 20% of the present level.

The case for a recycling economic system has been gaining ground in recent years. It envisages a shift from the current "artery-style" industrial society focusing on robust economic activities to an "vein-style" industrial society cherishing the idea of recycling, just as blood returns to the heart through the veins.

## Spiritual richness

In addition to their environmental concerns, the change in the mindset of business leaders also reflects the fact that they have begun to recognize the great importance of realizing the innate richness of individuals. It would be right to assume that behind their new concept is a perception that the Japanese economy, now at a big turning point, can no longer sustain itself if it continues to follow a growth path.

Despite the changing attitudes among corporate leaders, they appear to be trailing behind the general public, which has already begun to embrace spiritual richness over material richness,

as recent public opinion polls show.

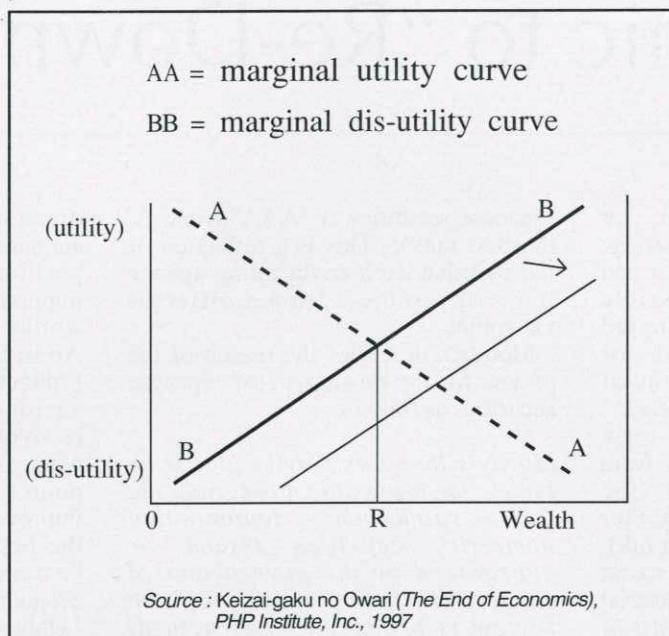
Annual opinion surveys on people's livelihoods conducted by the Prime Minister's Office since 1958 have shown that about 90 percent of Japanese consider themselves to be middle class. Since 1979, however, respondents with a certain degree of material wealth who prefer to focus on spiritual fulfilment and pressure-free lives have outnumbered those who prefer to pursue material prosperity. In 1997, the ratio stood at 56.3 percent to 30.1 percent.

What is specifically sought in spiritual well-being differs from person to person, so it is not so straightforward as material satisfaction. As the survey showed, one factor of spiritual health is leading a pressure-free life with sufficient leisure time. Japanese now think that money is important but time is equally important, a reflection on their excessively hard-working lives.

A society in which people can live without worrying about their futures is closely related to spiritual contentedness. Such a society should not only remove people's anxiety about their lives in old age but also entail the building of a safety net that provides second chances for people who failed in previous endeavors such as financial investments. Some people would also like to leave a safe, sustainable environment to future generations. Others consider their richness in a broader sense, including family and friends. Definitions of spiritual richness differ among different persons, times and regions.

**How to grasp wealth**

Iida Tsuneo, professor at the International Research Center for Japanese Studies, explains the real nature of wealth and affluence in terms



of marginal utility and marginal dis-utility. "Marginal utility" in his sense roughly corresponds to "satisfaction" while "marginal dis-utility" borders on "displeasure." In analyzing wealth, Prof. Iida uses the lateral coordinate for wealth and the vertical coordinate for utility and dis-utility.

An increase of even one unit of wealth is very significant when a person is poor but diminishes as he/she becomes more affluent. Marginal utility curve AA is therefore down-ward sloping. Marginal disutility curve BB shows how an increase in wealth consequently adds to displeasure, such as death from fatigue and environmental problems.

Prof. Iida explains that while an increase in wealth does not necessarily increase displeasure, he hypothetically presented the BB curve as upward sloping.

In his view, logical people select the point where the disparity between overall utility and overall dis-utility is widest, that is, where the degree of "satisfaction" minus "displeasure" reaches a maximum. This point is where the AA and BB curves cross. Accordingly, wealth will be pursued only for that part of the AA curve

between O and R.

It seems that Prof. Iida considers wealth in the narrow, material sense. If we are to follow his theory, we might as well move the AA utility curve to the right in order to increase wealth. We can say that humans have devoted themselves to industrialization and other processes of economic development for this purpose.

If so, we must minimize "displeasure" arising from a given increase in wealth by shifting the BB dis-utility curve rightward as far as possible.

Suppose vein-style industries gain strength and the recycling rate rises.

Then, the impact of industry on the environment will lessen, pushing the BB dis-utility curve rightward. As a result, the point of its crossing the AA utility curve will likewise shift rightward. The degree of "satisfaction" increases accordingly, resulting in an increase in spiritual fulfillment.

Prof. Iida's analysis represents only one way of measuring wealth as a whole. Even so, if Japanese corporate leaders have indeed begun to turn their eyes to other yardsticks of success besides profits and growth, Japan's fortunes could soon change for the better.

We must, however, bear in mind that the survey of the top leaders of 200 leading companies covered only major companies, so it may be too early to assume that top executives of smaller companies, which constitute the bulk of the Japanese business world, have similarly changed their perceptions. It may take a little more time for the perception of all Japanese people to change.

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*Hamano Takayoshi is a news commentator at NHK (Japan Broadcasting Corporation)*