

# The Consumer as Priority— A Long Way to Go

By Hamano Takayoshi

Given the abundance of catchphrases heralding the beginnings of a consumer-oriented society—from Miyazawa's "Living Standard Superpower" to Hosokawa's "Consumer Priority"—have living conditions truly improved?

The compilation of the fiscal 1994 budget was considered an opportunity to counter criticisms that the Hosokawa administration was unsophisticated in the field of economics. However, the actual budget shows only a slight inclination in the direction of making the consumer the priority despite the government's pledge.

As is well known, Hosokawa's aborted national welfare tax scheme, which in reality was a 7% increase in the consumption tax in order to finance proposed income tax cuts, invited a stormy row within the former ruling coalition.

There is, of course, some evidence of a shift in policy, such as containment of defense expenditure growth to only 0.9% year-on-year and an emphasis on housing investment expansion, yet long-awaited income tax cuts were limited to only one year instead of the three originally proposed, and a promise to revise the allocation of public works funds to reflect a more consumer-friendly society fell short of expectations.

Japan's general budget deficit is expected to reach ¥201 trillion by next spring—a level almost matching that of the U.S. relative to gross domestic product. While limited resources do not allow for major shifts, the budget hardly gives the impression of an emphasis on the consumer given the inclusion of some burdensome fee increases, including tuition for national universities.

## Stifling society

Apart from the budget compilation, there are other new developments. For example, due to pressure from the consumer-oriented government, opposition by concerned industries to a product liability law has been weakened. There

has also been a reduction of average annual working hours, less than 2,000 in 1993. The latter, however, may have been largely a result of the recession and needs to be confirmed when the economy recovers. Thus, it is too early to assume that Japan is on the road to becoming a consumer-oriented society.

A recent press report indicated that more and more Japanese are seeking permanent resident status in the U.S. According to the February 2, 1994 evening edition of the *Asahi Shimbun*, they think "Japan is stifling" and want "to live as they like." As the domestic economy has grown, the average Japanese earns more than his/her American counterpart at the current currency exchange rate, and has less chance of becoming unemployed. In addition, there is less concern over crime in Japan than in the U.S. There is also the fear of not being able to communicate given the language barrier. Nevertheless, many Japanese still seek an exodus.

Judging from reports, many of those hoping to immigrate appear to be projecting their livelihood in America somehow in connection to Japan—for instance, serving as an interpreter or working for a tourist company in Hawaii. Nevertheless, it may all come down to the fact that Japanese society is in many ways too restrictive for them.

## Inadequate freedom

What is most important in our way of life may ultimately be economic affluence. Once the economy has reached a certain stage, as in contemporary Japan, however, the importance seems to shift to security, fairness and freedom. Above all, limited choices are problematic in regulation-ridden Japanese society.

In Japan, seeking an American Dream-like opportunity is considered almost impossible as the society places heavy value on one's academic background, and once recruited by a company, although there is little fear of

becoming unemployed, the rest of one's life is largely determined.

Taking the above into consideration, last autumn a private advisory panel to the former prime minister, the Advisory Group for Economic Restructuring, proposed drastic deregulatory measures aimed at expanding new business opportunities which would create more jobs and more consumer choices in products and services. If the proposed deregulatory measures are actually implemented, the feeling of constraint may no longer exist. But as is often the case, while there is general agreement on the question of deregulation, it is opposed in individual situations.

Take for instance, the Large-Retail Store Law, which regulates the opening of department stores and supermarkets. Advisory group members and the Keidanren (Japan Federation of Economic Organizations) have argued in favor of gradual abolition of this law, a position which has been met with fierce objections from small- and medium-sized retailers who argue that large store expansion has a devastating impact as evidenced in the annual decrease in the number of mom-and-pop stores. They claim that even in the U.S. and some European countries there exists some regulatory protection for small retailers. Representatives of consumer organizations also opposed abolishing the law on the grounds that preserving nearby local shops that are accessible on foot is necessary given the rapidly aging society.

Without strong support for abolition from department stores and supermarkets, the law has continued intact with only a moderate relaxation in its application, such as raising the maximum floor-space of exempt stores from 500 to 1,000 square meters on the condition that no major local discord occurs.

The areas where deregulation is most urgently needed include distribution, agriculture, construction, financial, and electric power and other utilities. These





industries are typically shielded from competition under the auspices of the government, and in some cases provide a hotbed for the corrupt mingling of politicians, bureaucrats and industries.

It is widely believed that dismantling protective regulations and encouraging free competition in these fields will lead to a more open market and ultimately help reduce trade conflicts.

This was the very target of the Advisory Group for Economic Restructuring's proposal for shifting the policy of economic regulation to "free in principle and regulated as exceptions." However, because such deregulation should only be enforced when consensus among all concerned has been reached, as illustrated in the case



*Ineffectual regulatory relaxation—convenience stores are not easily able to sell liquor, medicine, or tobacco products. Large specialty stores have begun to spring up in the suburbs, however.*

of the Large-Retail Store Law, they certainly will not be implemented immediately.

One obstacle hindering deregulation appears to be an aspect of the Japanese mentality which fears freedom. As is often noted, Japanese tend to strive for harmony with others; tend to avoid making unique judgments; and tend to care about the behavior of others and

media reportage. Even though regulations may be restrictive, Japanese are accustomed to operating within a given framework. But such attitudes seem to be gradually changing as generations and time pass, thereby allowing some to feel a regulated society is too confining and therefore seek a permanent move to the U.S.

Another element, as pointed out by U.S. delegates to the recent Japan-U.S. framework trade talks, is Japan's bureaucracy, rigid and protective of its own authoritative domain. However, it should be noted that Japanese tend to blame government mismanagement whenever something bad happens, so administrative authorities find themselves forced to institute excessive regulations to avoid possible

accusations.

The situation could be different if politicians pursued a policy which stressed the country's future rather than self-interest, but unfortunately they have gained little confidence from the public. No wonder, therefore, that bureaucrats have risen to take responsibility.

Political reform is finally here after many long battles, and the election system is in the process of changing. Does this set the stage for the consciousness of the consumer to flee the warmth and security of the long-lasting system in place since 1955? Less regulation and more individual freedom means independence, self determination and responsibility for one's actions.

Although the road toward placing the consumer as a priority has been paved, when taking into consideration the needed changes in the level of consciousness the goal still seems in the distant future.

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