

The Problems We Face

By Inoki Takenori

1 It is as difficult to grasp the changes in surrounding social conditions as to know ourselves. Nevertheless, it is certain that Japan is in the midst of new changes. This is clear if we compare the tempo of our lives half a century ago with our lives today. Development of transportation as well as communications technologies have enormously accelerated the speed of our lives. Everything has become so convenient and our lives have become so busy that it is easy to forget what we really want. We feel as if we are being driven to a strange condition like people walking toward a colder place must move vigorously to keep warm.

What brought about such a life change and accelerated the speed of our lives is undoubtedly the power of human reason. The 20th century demonstrated explosive energy as humans believed in the power of reason. Two world wars and the emergence of socialist countries were events that represented and symbolized this development. In particular, socialist countries practiced central control of national economies based on the planning of human reason. However, the central control of an economy was not limited to socialist countries, being practiced more or less even in the free world. Countries with free economies increasingly adopted policies that accelerated equalization through government intervention, which resulted in the expansion of the public sector and the acceleration of redistribution of incomes through fiscal policies.

However, planned economies in socialist countries, which neglected the limit of human reason, came to a standstill, while in some free countries equalization policies became extreme, with the result that most of the industrially advanced countries lost their social vitality in the last quarter of the 20th century. Humans killed each other and committed all kinds of atrocities on a global

scale in a century scarred by wars and revolutions. An unprecedented number of people were killed in wars and victimized in political purges in the totalitarian countries.

What is to blame for such extremities is a problem inherent in free thought. In the 20th century, people in many countries pursued equality and freedom through democracy and the market economy system. However, for people to win freedom means they have to place themselves under a condition in which they overestimate human power. For example, the Nobel Prizes and the Olympic Games, which both came into being around the beginning of 20th century, are systems in which people can respectively demonstrate their abilities in academic studies and sports. But at the same time they encourage people to overestimate their abilities, i.e. they prompt humans to believe that they can do anything if they do their best. Humans thus became more convinced that science can explain and solve anything inexplicable in their daily lives and they can always make a proper judgment if they optimize logical thought. We thus get used to taking up only problems that have answers. It is true that modern science has accomplished numerous great feats. But it seems that humans on the other hand have completely forgotten the fact that there exist things that they can neither understand nor deal with. It can be said that the 20th century was also a century that locked humans up in a cage of overconfidence. The people of the 20th century were bound by an ideological climate where the adage "Convictions are prisons" holds true. They lost the spirit of skepticism and abandoned the attitude of asking difficult questions.

Can we get out of the cage in the 21st century? We need wisdom to think about ways to achieve this. In this connection, we must be fully aware that democracy and the market economy

may not be the best systems but there are no better ones that can replace them.

"Public interest" is an important concept which constitutes the pillar of wisdom. In some periods of the 20th century, public interest became the object of praise, but in some other periods, it was rejected. Assessment of public interest swung from one extreme to another throughout the century. In Japan, there were certain periods of time when public interest was excessively emphasized and abused. As a reaction, there has been a strong trend in recent years of rejecting the idea of placing the highest priority on public interest and focusing only on individual interests. Some people detest even the phrase "national interest." In order to prevent such an extreme, we need groups which give due consideration to the public interest. For this purpose, we need organizations that are positioned halfway between the state and individuals. Such intermediate groupings as NGOs and NPOs will hopefully manage and adjust the distortions of markets and democracy by maintaining balance with individuals not being engrossed in the pursuit of extreme private interest and public interest not unilaterally trampling on private interests.

Furthermore, it will be appropriate to emphasize the need to review the decision-making process in Japan. Many Japanese political leaders are of the adjustment type who tend to settle matters by "dividing differences" and not necessarily making a brave decision by carefully taking public needs into account. In order to counteract such a tendency, we need a group of specialists who can present options to leaders at the decision-making stage. Japan's higher education system lags behind in terms of nurturing professional groups.

Under such a condition, what is important for individual consciousness? For those of us who lived in the 20th century, lacking awareness of public interest may have some connection with the

Illustration: Iwasawa Akio

alienation from religious or absolute matters. Immanuel Kant argued in his *Critique of Pure Reason* that there can be no argument on the public good unless it is preconditioned by the immortality of the soul or God, though his description is a little outdated today. Democratic systems and market economies were repeatedly plunged into confusion during the 20th century. The century of confusion may also have some relations with the fact of being alienated from traditions and absolute things.

Friedrich W. Nietzsche died in 1900 as if he had quietly disappeared from the world, after saying that "God is dead." Around that time the Olympic Games and the Nobel Prizes were created in a timing which envisaged that the 20th century would be the era of fierce competition for human beings.

As these problems interest me, I have taken up in this column several subjects that contemporary Japanese society must attend to, such as problems with democracy, the power and limits of market economies, the results of rationalism in postwar Japan and the problems facing the international community. I have discussed these issues from the viewpoint of how Japanese people's awareness must change. In this last installment, I would like to restate the important points of my series.

2 Japan has been studying numerous drastic reform measures, such as deregulation and structural reform, in order to respond to the changes of the times. It is true that there are many sectors urgently requiring an overhaul of rules and systems. However, changes in our consciousness are likewise essential. Otherwise, reform of systems and rules would be incomplete.

Japanese society has been characterized by the technical skills, deep knowledge and enhanced capabilities to respond to changes possessed by people in the front line of organizations. The Japanese economy, in particular, has been upheld to a large extent by the capabilities of those people. If they possess enhanced capabilities to make a

proper judgment, then the Shogun, the top leader, is not necessarily requested to possess extensive power. There was a time when Japanese people strongly felt that great men supported the front line of Japanese society. Nowadays, those in front and even those in the center cannot be relied on to run a tight ship. There are thus an increasing number of cases that show the leaders' inability to make proper responses when mistakes or failures are committed.

Such functional degradation is inevitable as long as we want our leader to be a "nice guy" who is good at making adjustments. If the front line fails, the Shogun could possibly make a choice which would further aggravate the situation. In fact, some Japanese organizations have tended to make personnel selections in such a way. In Japan, it was long considered appropriate for top leaders to be tight-mouthed, cautious and not so aggressive and avoid anything unprecedented. But "nice guys" of the adjustment type do not necessarily have strong leadership skills. Capable leaders tend to be disagreeable and harmful, and are not afraid to make offensive remarks or take risks. Japanese people often avoid capable persons who are not afraid to step on toes, and they might not actually want a strong leader even though they seem to wait for such a person.

Some argue that if manuals on crisis management and public safety are ready, the leeway for exercising leadership will gradually narrow. Their argument is that if there is a fully prepared manual on who should deal with an unprecedented contingency, all we need are



rules for adjusting interests. But such an argument is too simplistic. Economists, including myself, grasp government and companies as a single decision-making entity and abstract their complex organizational structure and functions in an extreme way. We presuppose that leaders issue directions fitting the public interest and members of the organizations obey the directions. Public interest, when adopted as an actual policy option, often fails to become a concept with clearly-defined content. A free society is characterized by the fact that the government, corporations and society are organized with pluralistic values and purposes. Political parties, for example, are a group of people who share a political philosophy, but are not necessarily fully united. Thus, what political parties need are persons who are able to provide general directions on ideology, not necessarily nice people. It is dangerous to choose a leader on the basis of an abstract yardstick, such as a person who gives a good impression.

Photo: REUTERS • SUN



An unprecedented number of people were killed in wars in the 20th century

3 Judged by international standards, Japan is perhaps one of the countries where the important organizational posts, whether in politics, business, government and academia, are occupied by people in the most advanced age bracket. Of course, there are some sectors where gerontocracy does not prevail. At the same time, gerontocracy has a merit because experience is respected. Even so, depriving young, capable people of leadership opportunities means a big loss of personnel resources. At present, Japan is not spending enough time on human resource development as in the previous generation. At a time when Japan is gradually losing a system for nurturing the next generation, the easiest way of getting hold of human resources is to recruit only those who have already been highly evaluated.

But such an approach is identical with the idea that organizational leadership had better be left to old timers because the use of such people saves time for training and selection and is the quickest way of utilizing human resources. But the use of old timers makes organizational rejuvenation difficult and delays reforms. In addition, the continual use of aged persons forestalls the nurturing of the human resources of the next generation.

The same can be said of the personalities who dominate the print and visual

media, appearing again and again to repeat the same things. This shows that even the media saves the cost of scouting or nurturing human resources and instead makes use of established talent. Japan has lost the spirit of finding capable young people and nurturing them, and has been increasingly inclined toward letting famous people speak on any subject, including a Nobel Prize winner discussing educational matters.

One of the biggest negative aspects of such a tendency is that professional knowledge ends up being neglected. There is a limit to what one person knows or thinks of, however capable he may be. Accordingly, the recent tendency means that people continue to be exposed to extremely limited information. Neglect of professional knowledge not only substantially degrades people's capabilities to recognize facts but also could lead to a new type of conformity. The media only disseminating the uniform information that anybody can understand amounts to shutting off people from versatile information and professional ways of thinking. Essentially, opinion does not carry weight in proportion to its value. Opinion would rather exert strong influence when it is repeated and permeated among people.

This point has a strong relationship with the governing of a nation. I have already mentioned the importance of

leadership but no less important is people's capability to be led and their capability to be governed, which is known as governability. The most essential condition for the existence of a liberal democracy is whether people with different opinions have the wisdom of coexisting with each other.

In a way, the enhancement and maturity of knowledge possessed by a society means that it is highly capable of responding to various changes. However, the uniformity of knowledge that progresses simultaneously has the underside of snatching the vitality from the society. The process of absorbing different opinions and finding common ground is a process for people's governability to be trained and matured under a liberal democracy. The deplorable emaciation of governing functions and the absence of leaders in Japan is the result of the lack of this governability. Only the combination of the capabilities to govern and to be governed can accomplish governance.

4 Arguments on governance have more or less centered on how to design social systems. On the assumption that the pursuit of self-interest and self-protection are human instincts, public interest has been focused on rules that system design should envisage in order to control and develop human instincts. A representative argument is that deregulation would optimize economic rationality and increase the nation's vitality. This argument is based on the view that old rules stifle the development of rationality even though humans are intrinsically rational. Such an argument grasps one truth but on the other hand misses an important point: it neglects the view that humans are intrinsically irrational and rationality is narrowly protected by systems and rules.

If we take a wide look at social systems, we can see that there are systems which were created to control excesses in human rationality on the assumption that humans are rational, but rather there are more systems which were designed to restore human rationality.

Photo: Kyodo News

The latter systems, put another way, took into account the fact that human preferences are changeable, human will power is weak and today's choices may be different from yesterday's choices. They are not systems designed to let humans demonstrate rationality but ones designed to make humans as rational as possible.

The source of the law *pacta sunt servanda* (contracts must be observed) is a good example. A man who signs a contract holds a different position afterward, not only in terms of desire, intellectual power and volition but also in the outer environment. Accordingly, contracts tend to be broken by changes of the human mind. To prevent the enormous cost of social confusion arising from such a situation, a rule forcing humans to observe contracts was adopted, thereby casting humans as having a rational existence.

Many people make New Year's resolutions on New Year's Day. We see many cases of people making use of New Year's Day for self-control. In this sense, New Year's Day can be regarded as a social device for self-control. The actions of a person are not based on unchangeable preferences or a single intention. This is why ideas or systems for self-control are sometimes needed.

These examples show how difficult self-governance is. However, the problem is that organizations cannot be governed without self-governance. Conflicts in the mind of a single person can hardly be described with such words as preference, value, choice, decision-making, efficiency, welfare and rationality, among others. This is because these problems are outweighed by problems of how to control and adjust the "conflicting self" existing inside oneself.

Problems of self-governance are deeply related to problems of governance of organizations and the state. It is often argued that systemic changes would prompt rational individuals to maximize self-interest and enable them to contribute to the interests of all. But this argument is nothing but naïve. As I have already stated, individuals are not



The Olympic Games may encourage people to overestimate their abilities

consistently rational all the time. This is why systems and regulations are needed to minimize damage or the cost of social confusion caused by this lack of consistency. We need to know that self-control in one way or another plays an important role as a social system though we can hardly give meaning to it on the assumption that each individual is a rational active entity.

We might as well consider the extent to which the government is playing a role in supplementing corporate activities (in the prevention of crimes or concerning health matters, for example) by delegating its functions to companies, enhancing corporate capabilities or helping companies to achieve their business goals. In some cases, the government acts as an agent to handle the business private companies are supposed to do and helps enhance economic efficiency. A typical example is the pension system managed by a government agency. If individuals are rational and can properly design their own economic conditions for their future, they might as well completely rely on private pension schemes. Actually, however, it is risky to leave everything up to individuals' own judgment. The same can be said of matters related to sexual discrimination and safety management.

We can see that it is not appropriate to lightly criticize systems from the

viewpoint that they are the very factors hindering economic rationality. Some systems were conceived to realize human consistency or rationality and thus cannot be abandoned outright as being useless.

Generally speaking, drastic reform of systems, instead of reform of human consciousness, is emphasized these days. But reforms can hardly make progress unless human consciousness changes as well even if systems are changed. Governance of organizations or the state is impossible without self-governance, whether it comes by law or by morals. This is clear when the power of the prime minister after World War II is compared with that of his predecessors before the war. It is enough to remind ourselves that prewar prime ministers more or less exhibited stronger leadership although they wielded less power in terms of the governing mechanism than their postwar counterparts. **JS**

—This is the last article of the series—

Inoki Takenori is a professor of the International Research Center for Japanese Studies. He specializes in labor economics, economic thought and the Japanese economy. His research focuses on public servants, white-collar workers and the development of human resources.