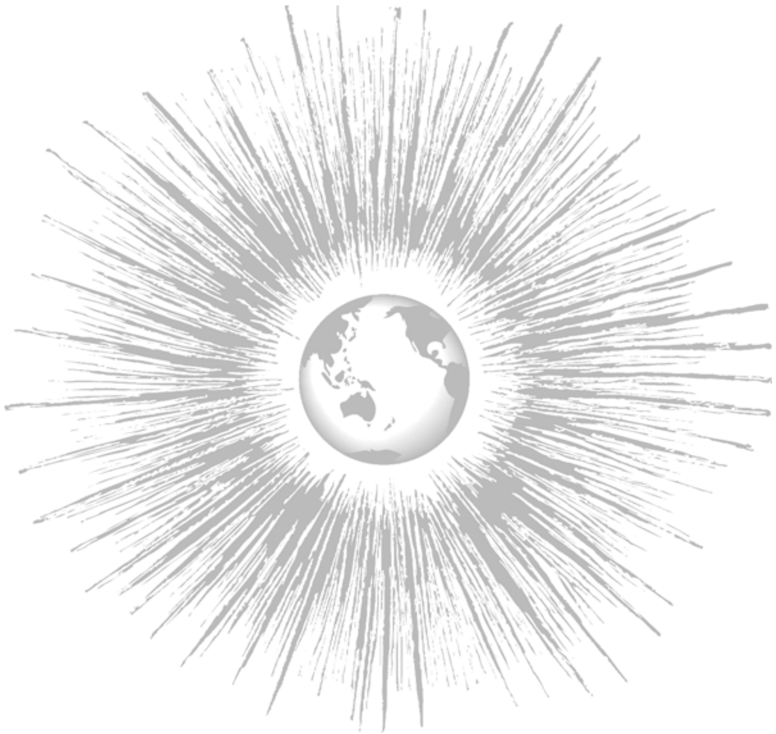

ABSTRACT:

Japan's trajectory under globalization is critically reviewed using the world-system perspective and the methodology of historical sociology. The Japanese miracle in the postwar period was a result of interplay between world-systemic opportunities and internal and regional institutional transformation. Japanese success invited US policy changes, ending the growth regime of accumulation in which state-led national economic development was pursued with distributional concessions given to workers. It is argued that misguided policies based on incorrect economic theories under the strong yen, pushed by the US since 1985, prepared a bubble that then burst. The institutions that had provided the Japanese miracle became the source of problems as Japan entered the debacle period in the 1990s. The Japanese debacle was part of the phenomenon of a 'prosperous US and the debacle of the rest.' This development was a result of the change in the regime of accumulation from a growth regime to a distribution regime where the rentier class took control of distribution and the project of national economic development was replaced by the monopolistic competition of global corporations. For Japan, both traditionalism and neoliberalism are dysfunctional. In the short run, Japan as a society needs to focus on survival and the maintenance of people's living standards under the new rules of the accumulation game imposed by the US. In the medium run, Japan needs to challenge US dollar hegemony ushered in by the new rules. In the long run, the Japanese need to examine whether they should keep engaging in the game of capitalist accumulation.

Japan and the Changing Regime of Accumulation: A World-System Study of Japan's Trajectory From Miracle to Debacle*

Satoshi Ikeda

INTRODUCTION

This paper attempts a critical review of Japan's trajectory under globalization from the perspective of world-system studies. The exercise here involves placing Japan in the larger context of the world economy and Japanese and world economic transformation in a fifty or one-hundred year timeframe. By placing Japan in a larger context, it is possible to incorporate the actions taken by the non-Japanese agencies as the part of explanation of Japanese experience from miracle to debacle and to examine if such experience was shared by other countries in the world. The world-systemic transformation in the 1980s and 1990s, usually referred to as globalization, will be examined as a process initiated by the US government and corporations. After characterizing the changes in the regime of accumulation under globalization, the paper examines possible Japanese strategies in the short, medium, and long run. By using the world-system perspective, the scope of analysis is broadened beyond that of the existing short-term perspective whose unit of analysis is national the economy. A new interpretation

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of Japanese experience is expected to raise different issues and questions so that we can challenge the conceptual/theoretical debacle that appears to be plaguing Japanese thinking.

The paper is organized as follows. The first section attempts a brief overview of the current literature and a critique of the framework and methodology of the existing literature. In the second section Japan's transition from miracle to debacle is examined using macroeconomic data. The story of Japan's miracle will be told as the result of the interplay between world-systemic opportunity and internal institutional transformation, and the story of debacle will be told as the interplay of actions taken by the agencies involved, focusing on how the intended and unintended consequences of their actions caused institutional deadlock. The third section examines the income trends in other parts of the world and identifies the characteristics of world-systemic changes in the last quarter of the twentieth century under US-led globalization. Japan's experience will therefore be placed in a larger and longer transformation of the world-system, including the change in the regime of accumulation. After Japan's debacle is placed in the world-systemic context, the fourth section discusses possible strategies the Japanese may pursue in the short, medium, and long run. In the short run, the Japanese need to survive under the new rule of accumulation game set by the US by focusing on the welfare of the common people rather than that of the corporations. In the medium run, it may be required to challenge the rule of the accumulation game. In the long run, disengaging the game of capitalism should be considered. The conclusion section summarizes the argument.

LITERATURE ON JAPAN'S REFORM AND THE PERSPECTIVE AND METHODOLOGY USED IN THIS PAPER

The Japanese economy from the 1990s has been plagued by recession, deflation, and darkening future prospects, prompting many questions as to why the economy is deflating, why expanded government expenditure and lax monetary policy is ineffective, and what would be the way out of this situation. Calls for the reform of existing institutions surged in the late 1980s and the early 1990s. Neoclassical economists and business people demanded governmental deregulation (Ohmae 1989; 1990; Morita 1993). Corporate scandals from the late 1980s involving financial sector companies in particular spurred the criticism of Japanese style stock ownership and resulting unaccountability (Uchihashi & Sataka 1991; Wolferen 1994). Politicians joined the bandwagon of reform, advocating less bureaucratic control (Hosokawa 1993; Ozawa 1994). Bureaucratic scandals that involved almost all ministries in the 1990s (e.g., "Japan's School of Scandal," The Economist, March 14, 1998) generated criticism of the Japanese bureaucratic system, the close connection between the regulating agencies and the regulated companies, and the inept bureaucrats undeservingly enjoying elite status (Dore 1997; Tobioka 1997; Kato 1997). Thus, recession, corporate scandals, administrative mismanagement, and bureaucratic corruption gave momentum to reform as the 1990s progressed.

The diagnosis of the Japanese economy put forth by mainstream economists is that Japan lacks efficiency or market discipline due to various regulations and restrictions imposed by the government (OECD 2001; Overholt 2002). In 1996 Prime Minister Ryutaro Hashimoto introduced reforms in the Japanese bureaucratic system and the financial sector following a neoliberal diagnosis (for review of the reform in Japan, see Molteni 2001; Wakatsuki 2001). This neoliberal prescription included fiscal balancing through consumption tax increase, although the resulting recession brought down Hashimoto from prime ministership. His successor Keizo Obuchi returned to the old way of enlarged fiscal spending and achieved little growth. After Obuchi was ousted, Prime Minister Toshiro Mori advocated reforms but was timid in disturbing traditional LDP (Liberal Democratic Party) politics. The LDP then elected Junichiro Koizumi into the premiership in 2001. Koizumi picked up the neoliberal reforms initiated by Hashimoto by pursuing a reduction in the size of government, privatization of the public service sectors, and reform of the banking sector through intensified competition. His policy appears to have been accepted and supported by the Japanese as his earlier popularity indicated, reflecting the consensus that the old pattern of public spending bonanza would not lead to a bright future (Ihori et al. 2001).

The LDP-initiated reform from the middle of the 1990s, however, is the subject of criticism from those critics who support neoliberal reform but complain about the insufficiency and ineffectiveness of the reform. Mulgan (2000) insists that the LDP-initiated reform will be stalled permanently due to the conflict of interest between the reformers and those LDP politicians who maintain a dominant position through pork barrel politics. Madsen (2001) echoes Mulgan's pessimism about the Koizumi's reform initiative. Bremner (2001) points out that the banking reform initiated by Hashimoto is not yielding any gains (see also "Finance and Economics: Hampered; Bank Reform in Japan," Economist July 13, 2002). This observation underscores earlier pessimism expressed by Hirsh (1998) over Hashimoto's financial reform initiative. Martin (2002) adds to the doubt about Japan's financial reform by suggesting that the curtailment of deposit insurance might further hurt Japanese banks.

On the other hand, the neoliberal reform under LDP leadership is also criticized by those who cast doubt on the application of the neoliberal prescription. Among those who are well informed about the institutional aspects of the Japanese system, Dore (2000; 2001) takes the position that the Americanization of the Japanese corporate system is not happening, nor is it desirable. Uchihashi & Group 2001 (1995) argue that deregulation introduced by the Japanese government is adding to the nightmare of an already dimming situation. Sakakibara (1995) criticizes the application of the American model to Japan as if it is the only model available. Itoh (2001) offers effective critique of the neoliberal reform from a Marxist and French Regulation School perspective.

While these institutionally informed arguments are superior to the arguments based on neoliberal economics and neoliberalism, both share similar shortcomings. First, the unit of analysis employed by most scholars on Japan's reform and debacle is the national economy, and a solution is sought within this unit of analysis. When the size of Japan's national economy is one-eighth of the global economy, Japanese action affects the rest of the world and triggers reaction from others. For a better understanding of the process 'from miracle to debacle', it is necessary to incorporate other principal actors, such as the US, into the analysis so as to allow examination of the said phenomenon from national, East Asian regional, and world economic perspectives. Second, the existing research tends to pursue a single key factor for the understanding of a complex phenomenon. The search for Japan's uniqueness sometimes has taken the form of an essentialist argument, and most times has generated universal claims that lived a short time until counter-examples were presented. The discovery of unique features illuminates important aspects, but it remains a partial interpretation, often blind to changes over time. Historically informed institutional analysis is preferred, with the understanding that interpretation derived from such analysis is subject to modification as further investigation yields new knowledge. Third, most arguments take a short term perspective, failing to place the current situation in the long cycle of capitalist development, in particular the rise and fall of liberalism. Also, by taking a long-term perspective, it is possible to seek a solution without being constrained by existing capitalist institutions and to question the neoclassical economic assumption of unlimited greed and never satiated needs. Considering that Japan's aging population is expected to start shrinking, and with clear limits in resource and environment, it is time to doubt the merit of pursuing continued material growth and the validity of capitalism as the organizational principle of human society.

In contrast to existing research—based on a short-term perspective, with a small unit of analysis (national economy) and essentialist tendencies—this paper employs the world-system perspective (Wallerstein 1974; 1995; 2000; Shannon 1996; Chase-Dunn 1998) and the methodology of T.K. Hopkins' historical sociology (Hopkins 1982; Hopkins and Wallerstein 1982). The world-system perspective places Japan's trajectory in the context of the world-system which is conceptualized as a system with a single division of labor and multiple states

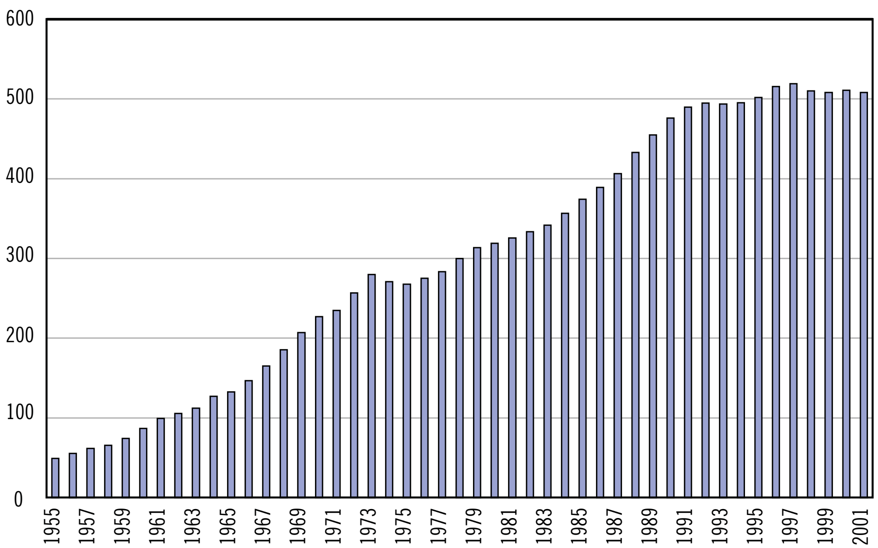
promoting accumulating agencies for the protection and promotion of state interest. The fruit of accumulation activities is distributed unequally, forming the hierarchy of states and the core, semiperiphery, and periphery zonal structure. Hopkins' historical sociology directs our attention to the relationality of historical agencies, expected/unexpected consequences of actions taken by the agencies, and the importance of historical interpretation using reproductive and transformative historical processes. By broadening the scope of analysis beyond Japan and by taking longer perspectives than 20 years, I hope to raise questions and suggest solutions that have not yet been explored. But before attempting the world-systemic appraisal of Japan's experience, the following section summarizes the Japanese transformation from miracle to debacle and establishes social and economic expression of debacle as a national phenomenon.

historical sociology of japan's miracle and debacle

This section starts with an overview of macroeconomic statistics to show the process the Japanese economy has undergone in the past fifty years and how Japan reached the debacle of the 1990s. In contrast to the neoliberal story where Japan's demise is blamed on inadequacy of Japanese institutions in the face of the natural and inevitable process of globalization, this section tells the story of the transition from miracle to debacle as a result of an interplay of actions taken by historically existing agencies such as the US state, the Japanese state, Japanese bureaucrats, and both US and Japanese corporations. Also, the concept of debacle will be expanded beyond economic aspects to cover the political, social, and ideological ineptitude that appears to have been plaguing the Japanese people.

Figure 1 shows the changes in Japan's Gross National Income (GNI) at constant 1995 prices from 1955 to 2001 (current GNI was adjusted by the consumer price index). The source of data for this and other figures is the IMF (2001a). GNI is defined as Gross Domestic Product plus/minus external income inflow/outflow. With the increasing importance of international income transfer, GNI is better than GDP as a measure of the economic well-being of a country as a whole. In these 46 years, Japan's GNI grew more than 10 times from 48 trillion yen in 1955 to above 500 trillion yen in 2001. The period between 1955 and 1973 was a rapid growth period, and after the oil shock recession years of 1974 and 1975, a stable growth period (1976–1991) followed. Japan's real income has increased by 100 trillion yen every 8 to 9 years. The pace of real GNI increase was quite steady in the stable growth period, although the growth rate tended to be smaller than those in the rapid growth period. Therefore, it is possible to suggest that Japan's miraculous growth continued into the stable growth period.

Figure 1 – Real GNI in 1995 Yen (Trillion Yen)



But miracle turned into debacle in the 1990s as Japan's real GNI stagnated in the period from 1992 to the present.

The period between 1955 and 1973 is known to be the period when Japan achieved rapid economic growth. I have discussed in other places the institutional formation/transformation that contributed to this phenomenon (Ikeda 1994; 2002: ch.2). Japan's rapid growth accompanied the formation/transformation in the organization of finance, labor, and market. As direct financing declined in importance as the source of capital formation, major Japanese enterprises were organized into several corporate groups that were tied by stable mutual share holdings. Each group had the commercial and investment banks that channeled low cost finance advanced by the state to the member companies. The major industrial corporations created a multi-layered subcontracting system that integrated smaller enterprises whose employees were paid less than those in large corporations. Japan's labor market developed into a segmented market where workers were stratified according to gender, education, age, marital status, etc., and the major corporations indirectly incorporated disadvantaged and marginalized workers through subcontracting. The Japanese government took measures to facilitate accumulation by the major corporations through the creation of monopoly space using trade restrictions, capital control, and competition restriction. The postwar economic transformation was accompanied by the decline of the rural/agricultural sector and the rise of the urban/industrial sector. This transformation created an expanding domestic

market, but Japan's rapid growth was spurred mainly by exports, particularly to the US, and investment in productive facilities.

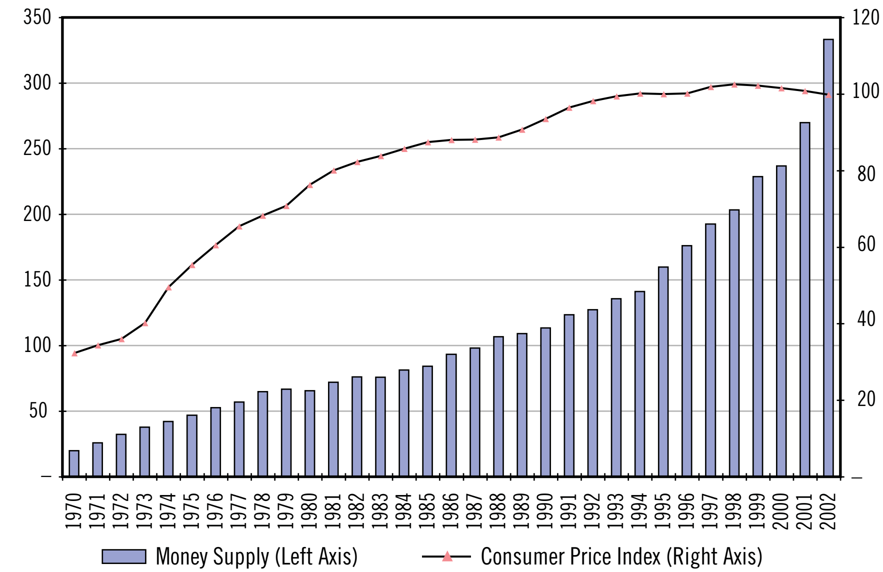
The miracle of Japanese postwar development/growth was a process of moving up in the hierarchy of the inter-state system. Arrighi and Drangel (1986) attempted the first systematic survey of the zonal structure by comparing GNP per capita, and identified that Japan moved up from semiperiphery in the 1960s/1970s to core in the 1980s. According to Arrighi (1991) only Japan and Italy have achieved miraculous growth in the postwar period. What world-systemic 'factors' would enter into an explanation of Japan's miracle? Cumings (1987) pointed out the political economic condition in Northeast Asian that was favorable to Japan's miracle. Under the condition of Cold War confrontation, the US provided protection and access to US capital, technology, and markets to Japan, South Korea and Taiwan. Arrighi, Ikeda and Irwan (1993) and Arrighi (1996; 1998) advanced the argument that Japan's miracle was a phenomenon integral to the rise of East Asia. Arrighi (1996) summarizes this world-system/regional explanation of the rise of East Asia, of which the Japanese miracle is a part, that it was a result of US strategic favoring, trans-border expansion of the Japanese subcontracting system, and the revival of the Chinese Diaspora network.

The miracle of Japan's economic growth in the period between 1955 and 1973 may be spectacular, but many other national economies also recorded substantial growth. For the world economy, this was the period of Kondratieff A-phase, or the rising phase of a 50 year business cycle (Ikeda 1996). Together with covert and overt military intervention, the US used national economic development along the capitalist path as an instrument to counter the expanding socialist revolution in the periphery and semiperiphery. At the same time, national economic development with distributive concessions to workers served as a policy to counter socialist movements within the core. The success of this anti-socialist US strategy, however, brought about unintended consequences. The West European countries and Japan promoted national enterprises and challenged US industrial supremacy. US war engagement in Vietnam created a US trade deficit that brought an end to the fixed exchange rate arrangement among the key national currencies. Aspirations of national economic development in the periphery paved the way for resource nationalism in the 1970s, in which export cartels were sought as the instrument to improve terms of trade. The OPEC oil cartel exploited conflict in the Middle East and successfully took away control over petroleum prices from the major oil companies. Sudden oil price increases in 1973 put an end to postwar economic growth.

The Japanese economy was quick to recover from the oil shock recession in 1974 and 1975, and the Japanese manufacturing industries expanded exports to the US. Rapid increase in Japanese market share made the US resort to industrial protectionism, and the Japanese corporations established plants in the US to circumvent export restrictions and to clear local content requirements. By the 1980s, the popular press and academic writers were warning the Americans of Japan's takeover of US industry (Vogel 1979; Ouchi 1981; White 1985). As a measure to curve Japan's exports, the US pushed yen appreciation, or US dollar depreciation, in the G5 Financial Ministers Summit in 1985 in New York. The resulting Plaza Accord and concerted market intervention by the major countries raised the value of the Japanese Yen and the German Mark. This policy, however, further deteriorated the US bilateral trade deficit vis-à-vis Japan, and Japan's foreign asset holdings increased as earnings from exports were invested in US financial instruments and other assets. Also, the strong yen inflated the value of Japan's investment funds measured in US dollar, and the Japanese institutional lenders, i.e., banks, insurance companies, security brokerage houses, etc., became the low-interest bulk finance suppliers in the emerging global financial markets. Toward the end of the 1980s, Japanese industrial corporations, financial corporations, and general trading companies appeared to be heading for global domination, fueling Japanese confidence (Sawa 1989; Takahashi 1990; Mizuno 1991).

This trajectory, however, did not materialize. Responding to yen appreciation from 1985, the Japanese government, always concerned with the welfare of Japanese corporations, applied an expansionary monetary policy to counter the impending 'strong yen recession.' Figure 2 shows the changes in money supply and consumer price index. Between 1985 and 1988, the level of money supply was raised by 26%. This, however, did not cause inflation as shown by the consumer price index, which stayed about the same level. Additional money was poured into the real estate and financial markets, causing an asset bubble. The Japanese banks lent money not based on profitability of the project but on collateral, such as land, bonds, and stocks. The bubble inflated rapidly due to the cycle of lending based on collateral value, borrowed money invested in assets, asset price increase, increase in collateral value, further leading, assets investment, and so on. As shown in Figure 3, stock prices increased rapidly between 1985 and 1989. In ten years from 1980 to 1989, the average Japanese stock prices increased by 5.5 times. By mistaking the asset bubble as harmful inflation, the Japanese government raised the discount rate in 1989 (the discount rate was raised from 2.5 in 1988 to 4.5 in 1989 and to 6.0 in 1990), and this caused a sudden burst of the bubble boom. The Japanese stock market deflated in value by nearly one half between 1989 and 1992. The Japanese debacle was ushered in by the US policy of yen appreciation, but the major culprit was the Japanese government. With misconstrued economic theories and the institutionalized Japanese corporate practice, the government policy fed a greedy dream of easy money.

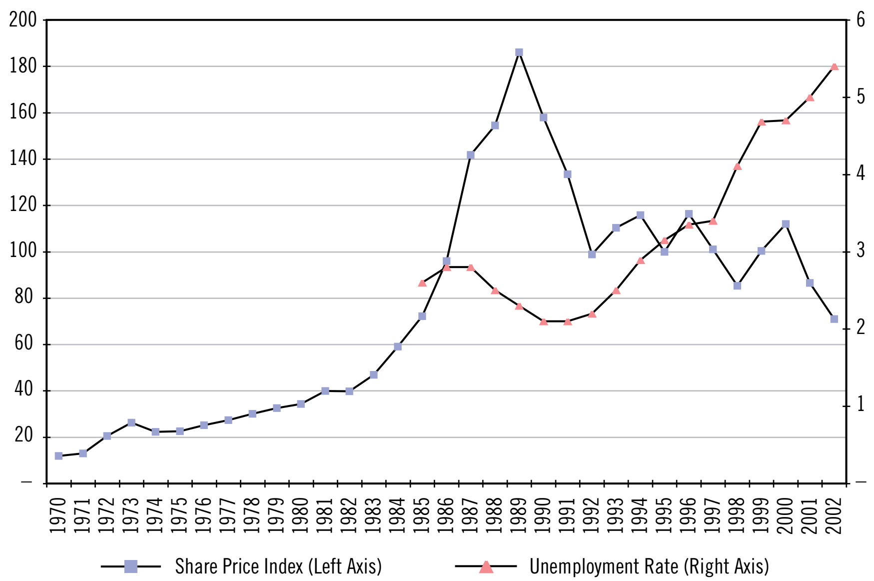
Figure 2 – Money Supply (Trillion Yen) and Consumer Price Index (1995=100)



In the 1990s, the Japanese economy was plagued by insolvent loans held by the banking sector, over-capacity in the industrial sector, stagnant and declining consumer demand, and ultimately misguided government policies. This outcome was a result of actions taken by the Japanese financial companies, industrial sector companies, and the Japanese government, motivated to protect themselves and the existing institutions. However, their actions in turn aggravated the situation further. Let us review how they behaved and examine how they dug the grave of the country's postwar institutions starting with the financial companies.

The bubble economy left a huge number of insolvent loans and financial sector losses that burdened the Japanese economy in the 1990s (Ikeo 2001: 76–80). The amount of non-performing loans held by the Japanese banks is still increasing because continued recession and deflation is bringing many companies into insolvency year after year (Anonymous 2002). The Japanese banks attempted labor-cost cutting, asset consolidation through mergers, and accelerated write-offs with government help in the form of near zero interest on deposits (it fell from 0.9% in 1995 to 0.07% in 2000 [IMF 2001a]), an ample supply of money at near zero discount rates (0.5% since 1995), and government buy-out of bad loans. The Japanese government kept expanding the money supply in

Figure 3 – Share Price Index (1995=100) and Unemployment Rate (%)

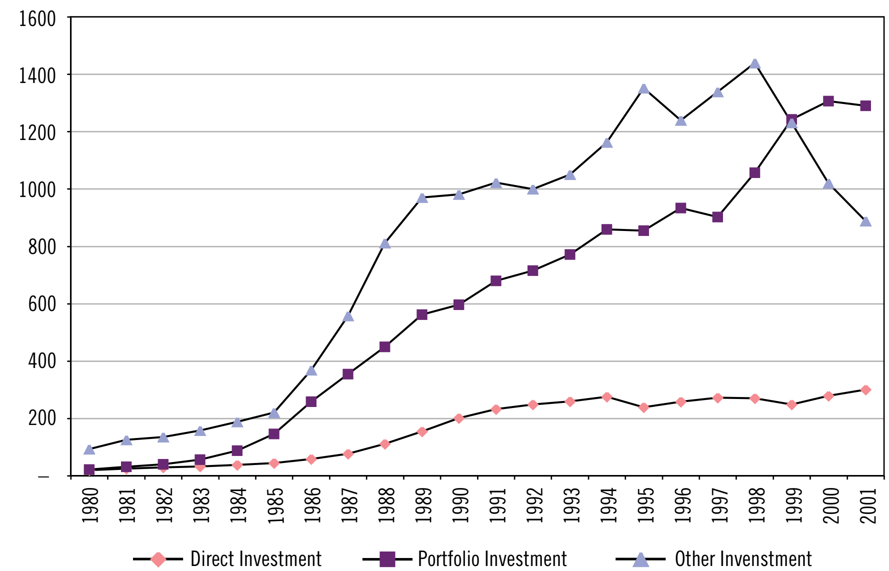


the 1990s (see Figure 2) without stimulating the domestic economy. In fact, a rapid expansion of money supply since 1998 was accompanied by a decline in consumer price (Figure 2) and shrinkage in domestic economy (Figure 1).

An expansion in money supply and continued balance of trade surplus until 1999 were accompanied by an increase in the amount of overseas loans, making Japanese overseas bank loans hot money that contributed to the wave of Third World debt crises including the East Asian financial crisis in 1997. Figure 4 shows the Japanese external investment position (stock). 'Other Investment' is composed mainly of short-term bank and non-bank lending to overseas borrowers. US dollar-denominated portfolio investment and other US dollar-denominated investments are subject to depreciation when the yen appreciates against the US dollar. As a result of yen appreciation, the Japanese financial sector has been giving the US lump-sum income transfers in the form of asset shrinkage in terms of the yen, starting in 1985.

Therefore, the historic mission of the Japanese banks, i.e., gathering household savings for profitable investment with government support, appears to have ended. Japanese banks stopped paying interest and dividends to households. They put the money in overseas speculation/gambling but did not lend money to troubled Japanese corporations, especially small- and medium-size companies. The so-called 'pay off' system that will be introduced in coming

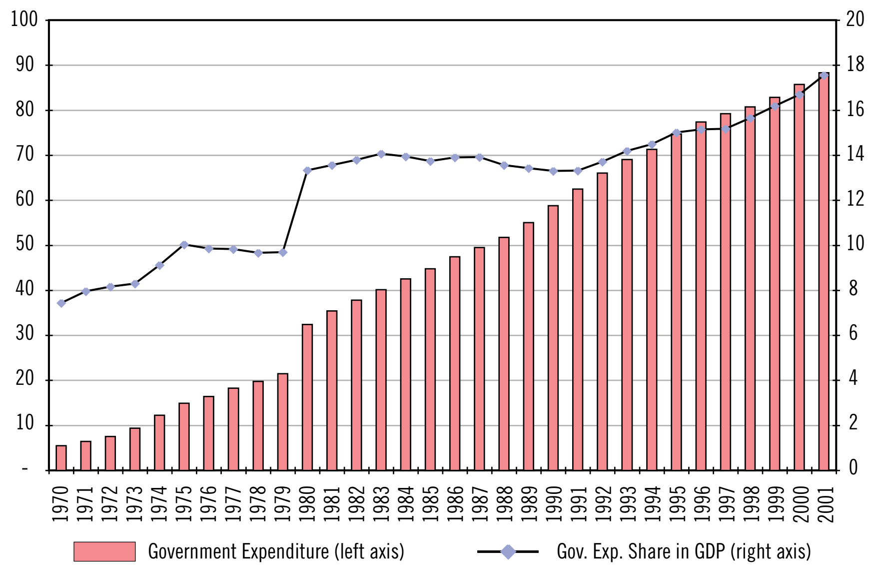
Figure 4 – Japanese Investment Abraod (Billion USD)



years will allow banks to write off payment obligations to the depositors for the protection of banks in the event of bank failures, but this measure can cause a banking crisis due to deposit flight (Martin 2002). Thus, the Japanese financial companies as well as the financial authority managed to turn themselves from a contributing member of postwar prosperity to a cancer-like parasite on the Japanese economy.

On the other hand, companies in the industrial sector laid off workers and relocated plants to low-wage countries. As Figure 3 shows, the unemployment rate soared in the 1990s, and it reached 5% in 2001. Also, the amount of overseas investment as shown in "Direct Investment Abroad" (Figure 4) increased, underscoring the trend of plant relocation. Excess capacity in the industrial sector was a result of the aggressive investment strategy taken by the Japanese corporations in the bubble period, and excess capacity dampens investment demand which has been one of the major components of economic growth up to the 1980s. The Japanese corporations also terminated the postwar social contract as the provider of life-long employment commitment with increasing wages (Abegglen 2001). Declining wages, disappearing jobs, eroding job securities, and the lack of earnings and securities of household investment squeezed Japanese households, dampening consumer demand. The postwar income distribution arrangement whereby the fruit of growth was shared by workers and

Figure 5 – Government Expenditure (Trillion Yen) and Its DGP Share (%)



those that were outside the major corporate networks was coming to an end, shrinking the absorption capacity of the Japanese domestic economy.

Together with private investment, exports became the locomotive of the Japanese economy during the rapid and stable growth periods. Successful Japanese exports, however, invited the demise of Japanese exports. Faced with US protectionism, the companies in the labor-intensive manufacturing sector established plants in the East Asian countries with low wages that received US preferential treatment until the fall of the Soviet Block countries. The companies in the capital-intensive manufacturing sectors, such as automobiles, opened factories in North America. The strong yen after the Plaza Accord forced exporting companies to increase their share of overseas operations. In the 1990s, Japanese exports faced competition from the East Asian countries which expanded capacity to take advantage of the strong yen while fixing their exchange rate to the US dollar. This lasted until the financial crisis in 1997 left their currencies significantly devalued. Consequently, Japan's exports stagnated in the 1990s.

The Japanese government has been the source of problems more than a provider of solutions. Misdiagnosis of the bubble phenomenon on the part of Japanese financial authorities ushered in the lost decade of the 1990s. In addition, politicians and bureaucrats have been involved in various corruption scandals from the bubble period onward. Japanese politicians, those of the leading Liberal Democratic Party in particular, stuck to the old ways of doing business

(or politics) where government expenditure and favor-giving serve as the continuing source of campaign funds to buy electoral votes. The Heisei recession was used as a good excuse to expand government spending. As Figure 5 shows, government expenditure increased steadily, and the share of government expenditure in GDP has increased from 7.3% in 1991 to 17.5% in 2001. The Keynesian prescription for a stagnant economy, i.e., an increase in money supply and government expenditure, turned out to be an utter failure.

Japanese bureaucrats also participated in the fleecing of public funds through embezzlement and abuse of ministry authority as shown by the scandals involving almost all ministries in the 1990s onward. The Japanese bureaucrats have been finding lucrative post-retirement jobs in the private corporations that are under their guidance and control. In addition, the Japanese bureaucrats created a network of public and quasi-public corporations for lucrative post-retirement jobs (Ikeda 2002: 70–81). As high officials moved from post to post, they received big sums of retirement compensation all at the expense of taxpayers. Without stimulating the economy, expanded government spending only raised the amount of government debt. As fiscal health deteriorated, the Hashimoto cabinet raised the rate of consumption tax. This gave a fatal blow to consumer spending in the recovering economy in the middle of the 1990s. The Japanese government's debt reached 1.3 times the GDP in 2001 (IMF 2001b: 18, Table 1.3), the highest among all developed countries, and the market lowered the ranking of Japanese government bonds to a level lower than those of some developing countries (Moody's Investor Service Press Release May 30, 2002). The Japanese government, i.e., bureaucrats and politicians, lost its touch in economic management by turning itself into a parasite, taking part in the dismantling of the postwar corporatist arrangement among the state, capital, and labor.

The Japanese economy, therefore, took the path of debacle as agencies motivated by self-interest acted to overstretch the institutions that supported them earlier and brought a debacle to the Japanese economic system. But the debacle is not limited to economic aspects. The condition of deadlock appears in other aspects such as politics, society, and ideology. The political turmoil that plagued the Liberal Democratic Party in the 1990s was a manifestation of the limit of the so-called 1995 system where the LDP held stable leadership so as to foster corporate-centered economic development with minor distribution concession to the workers. The neoliberal reform pushed by Hashimoto and Koizumi is diametrically opposed to the institutional foundation of the LDP where allocation of public spending and administrative intervention secures its rule in the Diet. Japanese politics is in gridlock between traditionalism and neoliberalism, both of which are dysfunctional. Japanese society appears to be on the path toward a dim future plagued by unemployment, suicide, crime, population decline, and the lack of hope. An ideology of competition that justifies inequality by blaming the losers of the competition game (which is rigged from the beginning) is ruling the Japanese schools, corporations, and society at large (Kudomi 1993). The popularity of Koizumi may be an indication that the Japanese voters accept the neoliberal ideology of individualistic competition. In the general election in 2002, the Japanese voters rejected the opposition parties that are still rallying for the weak and the unprivileged (Sato 2001). The TINA (There Is No Alternative) syndrome manifests itself in Japan in the form of the acceptance of neoliberal ideology since the traditional way has defaulted and no other perspective is gaining recognition.

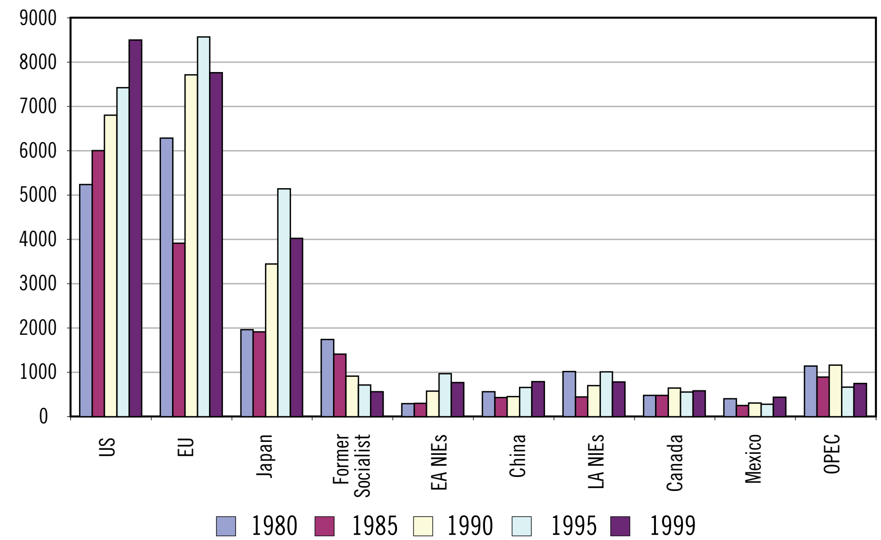
This section identified the process that led Japan to the debacle, but Japan is not alone in this respect. The next section broadens our scope of analysis to the world-system and examines the world-systemic debacle under globalization in order to break the mode of the existing debate, which is bounded by a national and short-term perspective.

GLOBALIZATION, US ECONOMIC RESURGENCE, AND THE DEBACLE OF THE REST

This section expands the scope of analysis from Japan to the world economy and examines the spread of the debacle under globalization. It then lays out a historical sociology of globalization by focusing on policies and strategies taken by the US government and corporations. By placing Japan's trajectory in the world-systemic transformation, it is possible to gain insights as to why the current reforms attempted in Japan are utterly ineffective and inappropriate.

When we take a look at the world economic trends in the 1980s and 1990s, the debacle that plagued Japan turns out to be the norm rather than the exception. Figure 6 shows the changes in real income (real GNI in US dollars) of countries and country groups between 1980 and 1999. The figures were derived by converting current GNI in local currency into the US dollar figures using the market exchange rate and by adjusting them to constant 1995 US dollar figures using the US consumer price index. US real income increased from $5.2 trillion in 1980 to $8.5 trillion in 1999. Combined real income of the European Union countries (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom) declined between 1980 and 1985 due to currency devaluation against the US dollar and to global economic recession, but increased between 1985 and 1995 as their currencies appreciated against the US dollar despite recession in the early years of the 1990s. Between 1995 and 1999, however, real income of the EU countries declined to a level below that of the US. Japan's real income took

Figure 6 – Real Income of Major Countries and Country Groups (Billion 1995 USD)



a path similar to that of the EU countries with a smaller decline between 1980 and 1985. In 1999, Japan's real income was just above $4 trillion. The industrial countries in Europe and Japan experienced real income decline measured in US dollars while US real income kept growing in the 1990s (with a slight recession in the beginning). Especially in the 1995–1999 period, the EU and Japan went through relative and absolute impoverishment.

The rest of the world also went through stagnation and deflation. Former socialist countries (Armenia , Belarus, Bosnia & Herzegovina, Bulgaria, Czech Republic, Estonia, Hungary, Kyrgyz Republic, Latvia, Lithuania, FYR Macedonia, Moldova, Poland, Romania, Russia, Slovak Republic, Slovenia, Ukraine, Yugoslavia) showed a disturbing pattern of real income decline. The newly industrializing countries in East Asia (Hong Kong, Korea, Malaysia, Singapore, Thailand) showed a remarkable increase in real income between 1985 and 1995, but suffered a setback in the second half of the 1990s. China is an exception in terms of not suffering a declining real income between 1995 and 1999, but its real GNI level is far smaller than that of the US. Latin American NIEs (Argentina, Brazil, Chile, and Mexico) collectively showed a pattern similar to that of the EU countries. Canada and Mexico failed to gain substantively despite their economic integration with the US. The OPEC (Organization of Petroleum Exporting Countries) countries (Algeria, Indonesia, Iran, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE, and Venezuela) also lost between 1980 and 1999. These countries enjoyed semiperipheral status at one point, but they went through a process of re-peripheralization (Soederberg 2001) under globalization.

Most developing countries in Africa, South and West Asia, and Latin America and the Caribbean went through impoverishment as they were structurally adjusted by the International Monetary Fund and the World Bank. The structural adjustment program raised interest rates in order to attract foreign investment, devalued currencies to promote exports, reduced public spending so that governments could pay the interest on debt, privatized the public service sector, deregulated industries, and liberalized capital movements (Jomo 1998; Chossudovsky 1998). But higher interest rates deflated the economy, added exports lowered commodity prices, devalued currency lowered export earnings, and reduced government spending and public withdrawal from basic services caused social devastation. Also, privatization, deregulation, and liberalization allowed foreign investors to purchase at bargain prices anything of value including land, labor, companies, natural resources, and the environment. Most of the developing countries (excluding those small economies that became tax havens for global financiers and export processing platform), became poorer in the 1980s and 1990s (Chossudovsky 1998). These countries went through further peripheralization, or peripheral impoverishment.

The examination of real income trends shows that Japan's debacle is not unique; rather, Japan's experience followed a pattern that was shared by most of the countries in the world. The general pattern is the decline of real income through economic stagnation/deflation, rising government and external debt, and devastation from financial crisis or bubble/bubble burst. The exception to this pattern was the US, which achieved a steady increase in real income in the 1980s and 1990s. Therefore, the world economic transformation in the last two decades of the twentieth century can be summarized as "US economic resurgence and stagnation of the rest." And globalization should be understood as the political, economic, and social process that brought in this transformation with the following characteristics.

Globalization is a phenomenon of the late twentieth century where national economic development was replaced by global competition among the corporations of different national origins and among the individuals from different countries on a global scale. The walls of national economies have eroded as a result of deregulation, liberalization, and privatization which were either imposed on or willingly adopted by nation states. Transnational corporations dominate global accumulation activities, especially in the developing countries, at an unprecedented degree. The IMF and the World Bank forced those developing countries suffering from mushrooming debt to adopt TNC-led globalization through Structural Adjustment Programs (SAPs). The theoretical foundation of SAPs is neoclassical economics where the 'free market' is celebrated as the solution for any economic problem even though the beneficiary is monopolistic/monopsonistic global corporations (under the assumption of perfect competition, monopoly and monopsony are supposed not to exist). The ideological expression of neoliberal economics, i.e., neoliberal ideology, became truly hegemonic in the circle of international bureaucrats. Liberalization of the flow of goods, services, and finance was achieved through multilateral agreements such as the WTO and regional agreements such as European Union and North American Free Trade Agreement (NAFTA). In this process, the US Americanized the financial system of non-US economies as well as the global financial system (Kaufman 1994). Also, globalization was a process where the US dollar became the only global currency that expresses universal value for transaction and account settlement. This was a process pushed by the US government that represented the interests of Wall Street (US financial establishment), major corporations, and the asset-holding interest earners/rentiers (Strange 1986). Gowan (1999) describes this relationship as the Wall Street-Treasury Complex.

From an economic point of view, globalization was a process where the US re-established domination in the inter-state system, and it was a process where the capitalist/rentier class regained control over the accumulation process. Welfare state provisions were pushed back in the interest of the rich and the propertied class, including those who have investments in mutual funds, saving accounts, and pension funds. The world-systemic regime of accumulation (Arrighi 1994) had shifted from the growth regime in the 1950s to 1960s to the distribution regime from the 1980s. Under the growth regime, which is conceptualized as the Fordist regime of accumulation by French Regulationists, the benefits of economic growth were shared by the working class, legitimizing capitalism. Under the distribution regime, income is transferred from the indebted to the creditors and from the working class to the capitalist class without growth. This is done under the ideology of neoliberalism that sanctions greed of the rich and the propertied and places the blame for poverty on the poor and the non-privileged. Most of the households in the core countries derive income from wage labor and investment in assets, creating a working class that shares interest with the rentier/capitalist class yet receives a declining share of concessions. Therefore, globalization was a historical process where the US regained economic domination, the capitalist/rentier class regained control over accumulation processes at the expense of the working class, and the distribution regime replaced the growth regime.

The historical process of globalization was ushered in by the actions/policies taken by the US ruling class from the 1970s in response to the challenges the US faced. The US economy dominated the world economy in the early years of the postwar period, but its dominant position in production, trade, currency, and finance was threatened from the late 1960s (Reifer and Sudler 1996). The challengers included West European countries and Japan, which promoted national enterprises to challenge US corporations and industries. State socialism in the USSR and the eastern block countries were successful in the 1960s and 1970s, and it challenged US military control in various places in Asia, Africa, and Latin America. The Third World countries mobilized the United Nations (especially UNCTAD, United Nations Conference on Trade and Development) to improve the terms of trade in their favor and to increase development assistance from the developed countries. Oil producing Third World countries formed OPEC and successfully raised oil prices in the 1970s, promising the possibility of development through resource exports. Also, the export-oriented industrialization strategy taken by the so-called Newly Industrializing Economies (NIEs) in East Asia and Latin America added further competition for US corporations.

These challenges to the US forced the American government and corporations to take countermeasures. These included the end of dollar-gold convertibility (1971); the end of fixed exchange rates (1973); financial deregulation such as foreign currency transactions without trade and the elimination of walls separating banking, investment banking, insurance, and other financial services activities (1970s onward); and anti-inflation interest hikes (late 1970s). The tripling of discount rates in 1978 and 1979 by the Federal Reserve Bank triggered the Third World debt crisis, but the US government saved US lenders (and others from Europe and Japan) by remaking the IMF and World Bank into the institutions that salvage US banks through debt restructuring. The entire burden of bad loans was placed on the debtor country. At the same time, the conditions attached to debt restructuring allowed the US government to impose neoliberal reform on the debtor country, dismantling the 'national economy' and opening it to foreign investors and corporations. Military buildup by the Reagan administration from 1981 brought the demise of state socialism, and exchange rate adjustment through the Plaza Accord resulted in the end of the Japanese miracle. The US government pushed financial deregulation onto other countries to aid American corporations, banks, and investors, and the global economy became dominated by global casino gambling, as Strange (1986) so aptly described it. US demand for a 'level playing field' and 'opening markets' in the newly industrializing countries in East Asia after the fall of the Soviet block prepared their path toward the financial crisis and the debacle of

these countries (Ikeda and Kim 2000). OPEC countries became rich while they could control the oil supply, but such ability had eroded as many non-OPEC oil-producing countries expanded petroleum production and global economic stagnation created the condition of excess supply. The strategy of the US government and US oil interest neutralized the power of OPEC, ending the hope of Third World resource nationalism that cartels among resource exporters would raise income from exports.

US corporations, on the other hand, took a direction in which production ceased to be the key process in profit making. They accelerated the de-industrialization of the American economy through international transplantation, international sourcing, and acquisition of foreign production facilities. The key operation has shifted to marketing, product design, public relations, and financial operation. Consequently, intellectual property rights became important as the primary source of monopoly rent while production is delegated to low wage countries. Under the stagnant economic conditions, financial services, or interest collection activity from debtors and fee collection activity from the participants of legally sanctioned gambling in the global financial markets, became the key source of surplus appropriation. With most liberalized markets, the US corporations became the leader in inventing financial instruments (means of gambling) and the US financial market became the Las Vegas for investors from all over the world. Concurrently, US corporations pushed the US government to break down the walls of the national economy and exploited the opportunity to buy land, labor, and companies in the rest of the world at bargain price.

The policies and strategies of the US government and its corporations amounted to changes in the rules of the game of accumulation. The new rules favor American corporations over non-American corporations, finance over production, the capitalist/investor/rentier class over the working class, and the rich people in the North over the poor people in the South. The institutional framework that fostered stable economic growth in the 1950s and 1960s was challenged and dismantled in the 1970s onward. Such dismantled institutions included the Keynesian welfare state in the North, national economic development projects in the South, state socialism in the East, authoritarian developmentalist states in East Asia, and the Bretton Woods Arrangement. The resulting changes, called globalization, opened up national borders for US investors and corporations, established superiority of finance over production (financialization), and placed the US dollar as the sole global currency (US dollar hegemony).

Since 2002 the world economy has entered the era of US bubble deflation. Global capital flows into the US market have reversed and stock prices are falling. As the propertied class suffers from capital loss, the US is joining the rest of the world, which has been in protracted deflation for some time. Globalization has created a mass of impoverished people through the debt enslavement of developing countries, newly industrializing countries, and formerly socialist countries. China may be the only exception, but its participation in WTO and eventual capital liberalization may bring a crisis to China which is similar to the debacle in Japan. The success of Chinese exports was a result of Chinese conformity with the neoliberal economic order and not of Chinese challenge to US domination. If we apply Arrighi's definition of hegemony that a hegemon leads the world-system with a dominant regime of accumulation, then China is not a rival to the US since it has not yet shown what would be the new regime that would replace the current one. China, up to now, has played the capitalist game according to US rules, and for China to emerge as a new hegemon, it is necessary to establish a global financial system that dismantles US dollar hegemony given the supremacy of finance in the global accumulation game (Ikeda 2003).

Stagnation and deflation in Europe and Japan had robbed these economies of dynamic growth potential. The Japanese debacle is not an isolated phenomenon. It is part of a global economic crisis (Yoshikawa 2001) that was triggered by global financial deregulation and liberalization (Giron 1998), and that now engulfs the United States. The financial sector of the economy became independent of the real sector, and it is destabilizing and devastating the real sector (Maull 1999). Given such a worldwide phenomenon triggered by neoliberal reform of the financial sector, the solution to the Japanese problem cannot be sought simply within the Japanese economy and through neoliberal reforms. The root of the problem is the limits of capitalist development on a world scale, and the time has come to reevaluate capitalism in an effort to secure a better future.

JAPAN, GLOBALIZATION, AND BEYOND CAPITALISM

US economic resurgence under globalization is coming to an end in the form of US bubble deflation since 2002, involving an American stock price fall and US dollar devaluation against the Euro and the yen. The global recession that started in the 1970s is finally entering the phase of global deflation. Hopkins and Wallerstein argued in the middle of the 1990s that the capitalist world-economy has been in a triple downturn of the Kondratieff business cycle of 50 years, the US hegemonic cycle of 100 years, and the capitalist world-system of 500 years (Hopkins and Wallerstein 1996). These three different temporal perspectives give different outlooks and answers to the problem of Japan's debacle. The short-term perspective directs our attention to the question of how to survive under global deflation. The medium-term perspective sets the current

situation in US hegemonic decline where the US changed the rules of the accumulation game in order to prolong its domination. The solution the Japanese can pursue centers around challenging the new rules, and how to change them to Japan's advantage. The long-term perspective guides our attention to the fundamental contradiction of capitalist development. Given global environmental and natural resource constraint together with Japan's demographic constraint, a new direction needs to be sought that is not constrained by the existing institutions and practice of capitalism. Let us examine the problem and possible solutions from these perspectives.

Most discussion on contemporary Japan is based on the short-term perspective that takes the national economy as the unit of analysis. The mainstream argument goes more or less as follows (for a compact summary of current reforms, see Molteni 2001). Japan's debacle is a result of institutional obsolescence in a new age, and the solution is neoliberal reform of Japanese corporations, the bureaucratic system, and the financial sector. Once public service is privatized and the financial sector writes off non-performing loans, then the Japanese economy will enter a recovery and growth process. Schumpeterian innovation involving biotechnology, nano-technology, fine material technology, and information technology will prepare renewed growth. For the acceleration of this process, Japanese corporate structure requires neoliberal reform where the existing commitment to employees, suppliers, banks, and other stake-holders is scrapped and replaced by bottom line considerations (shareholder interest).

These neoliberal diagnoses and prescription are completely inadequate because of the global dimension of the debacle. Single country-based neoliberal policy has been destroying one national economy after the other from the 1980s, and adopting neoliberalism in Japan will not help but further accelerate the deepening global debacle. Moving up from the second class deck to the first class deck in a sinking Titanic does not make much difference. We need to face up to what is causing the world-systemic debacle.

The last time the world-economy faced major asset bubble deflation was the Great Depression in 1929. But global recession had already started in the late nineteenth century. As Marx observed, capitalism went through the cycle of boom and bust and the depth of recession/depression was getting deeper. The world economy was facing the limitation of the structure of accumulation that depended on imperial conquest of the extra-European world for natural resources, commodity production, and market. Except in the US where the internal market was expanding, imperialist European countries and Japan faced stagnant domestic markets due to low wages. The solution was sought in further acceleration of imperialist expansion, and inter-imperialist struggle ensued. The First World War destroyed productive capacity throughout Europe, but the fundamental contradiction of liberal capitalism continued to exist, i.e., limited effective demand due to worker exploitation and the market control (which means no control in reality) of credit creation and distribution under the gold standard system. Further militarization only partly solved the demand shortage, but the contradiction of over-capacity and under-consumption under liberal economic arrangements ushered in the Great Depression and the Second World War. The imperialist regime of accumulation was replaced in the postwar era with the growth regime where effective demand was created through increasing wages and government expenditure and financial power was controlled under Keynesian monetary policy, restriction in international capital flow, and a fixed exchange rate arrangement. Previously colonized people gained political independence, and they too were integrated into the growth regime with the hope of national economic development.

In the beginning of the twenty-first century, the distribution regime of accumulation is showing signs of exhaustion just as the imperialist regime of accumulation did at the beginning of the twentieth century. Declining wages and insecure job prospects are robbing workers of purchasing power; neoliberal doctrine has stripped the government of fiscal capacity to control effective demand; and the US bubble deflation is ending the capital gain bonanza for the capitalist class. Over-capacity is reduced this time not through war devastation but through SAP- and debacle-induced devaluation of productive assets. And just as the imperialist regime claimed many human lives in the first half of the twentieth century, the distribution regime is creating hunger, civil strife, environmental destruction, and social degradation in many parts of the world. In spite of rising poverty and global deflation, neoliberal ideology is still dominant as was the case of imperialism in the beginning of the twentieth century. By comparing the classical liberalism of the nineteenth century and the neoliberalism of the early twenty-first century, Itoh maintains that "just as classical liberalism failed in the mid 19th century, neo-liberalism is also unable to achieve a rational, harmonious and efficient economic order" (2001: 124).

Under this darkening scenario, the short-term objective for Japan ought to have been the maintenance of living standards. The Japanese household sector is increasingly facing the threat of unemployment and declining wages. The value of its assets in the form of bank deposits and bond and security investment is threatened due to curtailment of deposit insurance, bankruptcy of banks, insurance companies, and brokerage houses, collapse of stock markets, and dismal future prospect. These developments started as an aftermath of bubble jubilation, but the introduction of neoliberal reform, or the market, under the Hashimoto and Koizumi cabinets worsened the situation for Japanese households. Some argue that the reforms are not proceeding due to the resistance of the old guard in the LDP who fear erosion of their power base (Mulgan 2002). Under globalization, both the old way and new way are not working for Japan. Since the situation is worsening, the Japanese household sector needs to find ways to maintain its living standard outside existing economic institutions dominated by large-scale monopolistic corporations under state protection. Some of the strategies already emerging, although they may be still in their infancy, include voluntary exchange of non-wage labor, local currency for the support of locally contained economic activities, and slow food and slow life movements promoting choices and lifestyles free from corporate domination. The existing political structure, which favors the corporation and sacrifices the household, needs to be challenged. The Japanese voters need to demand life-based politics instead of sectarian interest-based politics.

Existing financial institutions have become overly globalized and internally corrupted, and the Japanese banks, insurance companies, and brokerage houses have proved themselves to be the cancer of the Japanese economy. They not only devoured household savings and investment but also gulped down taxpayer money without showing any sign of improvement. In the discourse of neoliberal reform, corporate accountability and transparency is said to be the foundation of solid corporate governance. The Japanese banks are the worst perpetrators of "unaccountability and non-transparency" and constitute deadweight for the Japanese economy. The issue here is the alienation of asset holders from direct involvement in the selection and control of investment projects. Therefore, financial reform should be promoting a small-scale, locally based system where the investors have greater control of investment. At the national level, investment cooperatives should be promoted so that the lenders can choose corporate and household borrowers through the judgement of project viability based not only on financial return but also on the impact on local economy and on social and cultural contributions. More investor involvement requires the Japanese to become knowledgeable and responsible investors, and this is the only way to use their investment funds for a better future and not for wasteful global gambling.

While the short-term goal for the Japanese is survival and maintenance in the period of global debacle, the medium-term goal should involve challenging the rule of accumulation game the US has imposed on the rest of the world. This is based on the earlier argument that the current debacle is the result of US-led globalization wherein the growth regime was replaced by the distribution regime, or US dollar domination under the neoliberal economic order. If the Japanese are to rescue themselves from subordination to the US, then they need to challenge the US government and corporations that are pushing the neoliberal economic order. What would constitute an effective challenge to the US economic domination, or how can Japan change the new rules of the game imposed by the US?

Japan's success in export promotion, in retrospect, triggered the financial domination over production that accompanied the establishment of US dollar hegemony. Japanese surplus was poured into the US and European financial markets, and the value of US dollar-denominated assets dropped when the US dollar depreciated against the yen. The US demand for Japanese reform, which is embraced by Hashimoto and Koizumi, is to dismantle state control over credit creation and allocation. Although such national sovereignty became the source of bureaucratic and corporate fleecing, abandoning it does not help the situation. What Japan failed to achieve under US dollar hegemony is the creation of an international mechanism that translates Japanese external assets into a secure and growth-inducing tool of investment. Japanese savings domestically and internationally are wasted and shrinking in size because they are poured into the global casino where the house, the US, has been the only gainer. The return from gambling might have been high while the bubble was inflating, but as the bubble deflated or was burst, capital loss is and will be mounting to choke the economy to slow death. In order to avoid the trap of market induced global financial death and subordination to US dollar hegemony, a new mechanism of investment and asset management needs to be created.

Such a mechanism can be conceived at the level of local communities, the national economy and the East Asian regional economy. Local currency and credit creation/allocation mechanisms will allow people to monitor directly the ways in which their investments are used for the objective of creating a sustainable local economy. At the regional level, closer coordination among East Asian countries will create a mechanism where the external surplus countries can invest in the deficit countries without being exposed to exchange risk and speculative disturbances. In Japan and East Asia, rapid and stable economic growth was achieved earlier not because they relied on 'functioning markets' that are supposed to bring growth, but because the state took the major role in directing credit creation and allocation. Closer financial cooperation among the East Asian countries needs to focus on the creation of a financial system that is secure, productive, and growth generating for East Asia unlike the existing neoliberal financial arrangement. Today's global financial system promotes fleecing by the global investors/rentiers with insecure, risky, destructive, and distributionally polarizing investment which is deceptively promoted by the ideology that the market is efficient and growth inducing. Japan's medium-term goal, therefore, calls for establishing an East Asian institutional framework that facilitates mutually beneficial flow of investment funds from Japan to the East

Asian countries in addition to a mutually beneficial trading system.

The long-term perspective calls our attention to the viability and sustainability of the capitalist mode of social organization. Endless accumulation has been the historical mode of operation under the capitalist world-system from the sixteenth century (Wallerstein 1995). But the system appears to be facing the limits of further accumulation in the form of environmental degradation as shown by global warming and resource exhaustion, and expected water and petroleum shortages. Capitalism has been the engine of material growth, and the recipients of the benefits of material growth have been limited to the inhabitants of the core countries. For the majority of humanity living in the peripheral countries, capitalist material growth has been a curse instead of a blessing, since they were exploited as the source of cheap labor in the form of slaves, indentured workers, and low-wage factory and plantation workers throughout the history of capitalism. US-led globalization is further polarizing global income distribution, and the number of the impoverished is increasing. The world is truly facing the limits of the global ecology, its natural resource, and human societies. Given these limitations, it is time for the Japanese to discard material growth as the necessary condition for development.

In contrast to the medium-term goal of challenging the US-imposed rule of the neoliberal competition game, the long-term goal involves abandoning the game altogether. This game of capitalist development was characterized by the axial division of labor (the world economy was integrated into a single network of production), with multiple political jurisdictions organized into an inter-state system with limited and unequal sovereignties. The capitalist world-system went through changes in the regime of accumulation as it faced the limit of existing regimes. The last time liberal ideals brought about a global debacle, the world economy moved to a growth track through the Keynesian revolution, the incorporation of workers in the core countries as the source of consumer demand (Fordism), and colonial independence that created peripheral states that were willing exporters of natural resources and commodities to the core. Similarly, it may be possible to bring back the current world economy through major income redistribution from the core to the periphery, and by providing workers with rising wages at the expense of the owners of global financial surplus.

It is easy to see that such radical income redistribution goes against the current regime dominated by the global investor/rentier/capitalist class. It took almost half a century and tremendous human casualties for the last liberal arrangement under the imperialist regime to be replaced after showing the first sign of debacle in the late nineteenth century. The current neoliberal arrangement under the distribution regime may linger for some time while dragging the world economy through deflation, crisis, and chaos. Capitalism survived the crisis of liberal economy by allowing some of the working class to be the beneficiaries of the material wealth generated under the growth regime. This time, it may not be enough to bribe just a part of the working class since the limit of expansion is global and fundamental. It is quite possible that whatever comes after the distribution regime of the current neoliberal craze may be an arrangement where capitalism recedes to the background to an extent that we cannot call it capitalism any more. Furthermore, such redistribution of income from the rich to the poor will help in restoring an ecological balance by lowering energy and resource consumption.

Movements toward establishing something better than capitalism are on the rise in efforts to overcome the problems of ecological, resource, and social limitation. Examples of challenging paradigms include the subsistence perspective and ecological feminism (Bennholdt-Thomsen and Mies 1999; Bennholdt-Thomsen et al. 2001) and bottom up resistance to globalization (Starr 2000; Feffer 2002). For the Japanese, it is necessary to consider the alternative ways of life that overcome the current problems. The current problem is not material shortage since the Japanese achieved significant levels of material wealth. The major problem is the gloomy future prospect of an economy that is heavily dependent on the monopolistic major corporations and the corrupt government that supports them. Japanese corporate society has been raising the stress level of the Japanese people, but now it stopped delivering the goods it promised. It is time for the Japanese to disengage in the competition game for unlimited material 'growth' at the expense of the poorer countries that supply resources and labor at low prices. Instead, it is necessary to start engaging in cohabitation, cooperation, and harmonious co-existence within Japan and with the people of the world. A large part of the Japanese economy functions without being dependent on the major corporations and it is necessary to expand the realm of activities not dictated by the profit motive. Once such a choice is made, then it will become clear what to do with the existing dysfunctional institutions.

Japan as a society is facing a major challenge. In the short run, its survival and the maintenance of people's living standards are at stake. In the medium run, Japan needs to challenge the rules of the global accumulation game imposed by the US. In the long run, the Japanese need to examine whether they should keep engaging in the game of capitalist accumulation. In the politico-military arena, Japan is subordinated to the US since 1945. The US is engaging in military intervention to advance US interests, and Japan is following the US blindly, just like the Japanese in the first half of the twentieth century who followed their military leaders. The lack of an alternative vision to neoliberalism and unilateral US militarism is darkening the prospect for Japan. A new vision

is possible only when we take a broader and longer perspective. It is time for the Japanese to question what is good for them and the global humanity instead of continuously asking for more goods.

CONCLUSIONS

The picture this paper attempted to paint was that Japan's success invited a US reaction, which in turn undermined the institutions that brought Japan's success. The fate of Japan is a phenomenon shared by other developed and developing countries. But Japan's success in material growth brought corporate domination, bureaucratic and political corruption, social degradation, and the loss of direction. Koizumi is promoting conformity with the American standard where monopolistic corporate domination replaces manipulation/embezzlement/bribe taking by bureaucrats and politicians. The goal for Japan should not be the further pursuit of material growth at the expense of workers, consumers, and the environment by favoring inept but greedy bank and corporate managers. The goals are to promote meaningful life not subjected to corporate doctrine, expand sovereignty by widening and deepening independence from monopolistic corporations, protect national sovereignty, expand East Asian regional cooperation in trade and finance, and challenge the false capitalist ideology that insists unlimited capitalist greed will bring goods for all.

Once the Japanese followed military generals devastating neighboring countries and Japan itself. Yesterday, the Japanese followed Japanese corporate managers and bureaucrats. Today, they are following American corporate managers and politicians. Once, the Japanese were told that they were the children of the emperor. Yesterday, they were told that they are the members of the corporate family. Today, the Japanese are told that they have to survive by themselves as individuals. It is time to reclaim the society not for the emperor or corporation or individuals, but for a humanistic future for all.

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