

# Heisei Japan Declined for Lack of Psychological Independence

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## 1 Abstract

The Japanese economy shrank during the Heisei Period (1989 – 2019), from accounting for 17% of the world's economy in 1995 to 6% in 2015. This major decline is comparable to Japan's defeat in the Greater East Asian War, when it lost Korea, Taiwan, Karafuto (Sakhalin), and Manchuria. This essay demonstrates that this "Great Heisei Decline" was caused by the masochism implanted in the Japanese people by the occupation forces, as well as by Japanese people who benefitted from the defeat and became the main faction with help from the occupation forces. In Japan today, the Heisei stagnation is not recognized as a great decline or massive failure. People believe this stagnation was natural, something that could not be helped or redeemed. Alternatively, some think the Abenomics economic policies are successful. This all stems from the masochism and lack of independent spirit embedded in postwar Japan. Japan has surplus funds, yet it has declined because people are not aware of this surplus and believe Japan is incapable of doing anything.<sup>1</sup> Japan must quickly achieve psychological independence and become able to think about things from a viewpoint based on fairness and freedom. This is essential to revive Japan as a nation that can serve as a world leader.

## 2 Economic success brought a storm of anti-Japanese propaganda

Japan immediately started working to rebuild the nation after its defeat in the Greater East Asian War. A 1955 economic white paper, subtitled "The Postwar Era is Over," stated that Japan had exceeded the highest pre-war gross domestic product (GDP) and set a new record in the 10<sup>th</sup> year after the end of the war. A turning point came when Prime Minister Nobusuke Kishi amended the Japan-U.S. Security Treaty, and then Prime Minister Hayato Ikeda advocated a plan to double earnings. These actions signified that Japan was focusing on economic issues and putting off efforts to restore Japan's independence and spirit. The economy was successfully rebuilt thanks to this, and Japan became an economic superpower, second only to the United States, around 1989 (the last year of the Showa Period). For this reason, Japan posed a threat to the U.S.<sup>2</sup>

Around that time, Japan's GDP per capita was 100 times larger than communist China and 10 times larger than the Soviet Union, which was unable to withstand the arms race with the U.S. The Japanese GDP was 60% that of the U.S. and the GDP per capita was 1.3 times larger. After winning the Cold War between the West and East, the U.S. was overwhelmed by Japan's economic power. Although the U.S. was the victor of the war, it seemed like the true winner was Japan, which was under American military protection.

The clauses in the Constitution of Japan that renounce war and the right of belligerency display an indifference to Japan's destruction. In other words, these provisions prioritize the interests of Japan's neighbors rather than putting Japan first – something that was forced on Japan as punishment for its defeat. President Donald Trump has an "America First" policy, and Tokyo Governor Yuriko Koike says Tokyo residents come first. But by all rights, the Japanese constitution should stipulate that Japan comes first. Japan achieved an economic revival, but its psychological revival – revising Article 9 of the constitution to save us from the punishment imposed on Japan – has been neglected.

During the Japanese asset price bubble, land prices soared consistently. As predicted, this bubble burst right after the start of the Heisei Period. During the bubble economy, people believed that buying land was a winning proposition, even if they had to go into debt to do so. When land prices stopped climbing and then fell, many people who borrowed money to buy property were burdened with debts that were impossible to repay. This was a new experience for Japan, and no one knew what to do. Many bureaucrats attended famous high schools and graduated with relatively high grades from universities like the University of Tokyo,

Kyoto University, and Hitotsubashi University. These accomplished test-takers can handle questions with clearly correct responses, but they cannot do the same when they do not know the right answer.

Since Japan's marked economic recovery, propaganda began circulating that Japan was the world's worst war criminal and the bearer of the highest debt in the world (Japan was conspicuously affluent, and no one could criticize the degree of freedom given to citizens). Powers that did not desire Japan's growth used any possible means to attack Japan, as there was nothing they could say about its economic performance or the freedom of its citizens.

Japanese bureaucrats cannot respond properly to this propaganda. When the comfort women and Nanjing Massacre are brought up, they merely say, "The Japanese government has already apologized," or, "We cannot deny there was a massacre in Nanjing." Therefore, it is easy to make false accusations against Japan. These types of issues continue today because the Japanese government is so powerless that it cannot even speak the truth. This weakness stems in some ways from Article 9 of the constitution. Japan lacks the right of belligerency. In other words, Japan is weak because it thinks as a criminal that is still serving its sentence. Even when Japan flatly denies that it forcibly conscripted workers, it falls silent when the other party glares and says, "What are you going to do without the right of belligerency?" On the topic of economic issues, no one puts up strong opposition when someone attacks Japan by saying, "The Japanese government has a huge amount of public debt, and is effectively bankrupt." Of course fiscal austerity is necessary, but the correct answer to this statement is, "Public debt signifies that the Japanese people are affluent enough to lend so much money to their government. Public debt of one quadrillion yen does not mean the government is bankrupt, but rather symbolizes the wealth of the Japanese people." Naturally, "extensive fiscal stimulus to fill in the deflationary gap" was necessary.<sup>2</sup> Still, the Japanese government has been guided by propaganda to continually implement policies for achieving a primary balance, which have suppressed demand.

### 3 The Great Heisei Decline was caused by insufficient spending

When bureaucrats do not know what to do, they do not refute criticisms. Instead, their initial response is in good faith. The following year, they continue the same responses as the previous one. Bureaucrats must not change policies, as this is seen as a repudiation of the people who created them last year. Maintaining policies over multiple years lends them more legitimacy. Namely, their goal is to make people believe that bureaucrats set the same targets because they are correct objectives. The primary balance is a target continued from the end of the last century, and initially the goal was to achieve it in 2000. But each time the target year approaches, they repeatedly postpone the goal of achieving the balance, and today they are striving to reach it in 2027. However, no one forecasts that this will be possible. Targets that can never be accomplished are mistaken objectives. The unmet goal of 2% inflation over 30 years shows that spending was continuously low in Japan. More-than-sufficient consumption would invigorate the economy and cause inflation. Deflation lasting for 30 years indicates that orders did not keep up with production capabilities in the Japanese economy. The main cause of this is the primary balance policy that has been continuously adopted for 30 years. These policies constantly restrained spending, and deflation has stretched on in Japan for 30 years. Historically, it is normal for a primary balance to be out of reach. The year 1989, the height of the asset bubble when tax yields outstripped annual expenditures, was an exception. That year, the government distributed rural area development funds of 100 million yen each to local governments across the nation. It seems to me that the primary balance, a nearly impossible goal, is based on the intentions of those who want to stifle demand in Japan. Shinzo Abe became prime minister in 2012, and his cabinet implemented bold monetary easing by printing 80 trillion yen and pouring it into the market each year. However, Japan is still in a state of deflation. Printing money is a type of monetary easing that accelerates the economy, but the government also hit the brakes with its primary balance policy. Spending was still suppressed, and the unused money flowed to the U.S. and other countries, depreciating the value of the yen. New bureaucrats inherited the policies of the first ones who believed the mistaken claim that extensive public debt is effectively bankruptcy, and who set forth the erroneous primary balance policy. Deflation continued for this reason, leading to the Great Heisei Decline. The too-low level of spending over the past 30 years exemplifies the constantly poor, low evaluations of Japan's economic strength. The overly low targets mean the self-evaluation of Japan's economy was consistently low as well (in other words, a masochistic viewpoint was in effect). Japan did not spend money in a manner befitting a major economic power with a GDP equaling 60% of the American GDP. Rather than saying, "Japan is a country with a lot of debt, so we must not spend money," the correct thinking should have been, "Japan is the richest nation in the world, and we should put together a budget with this wealth in mind." The Japanese GDP is the sum total of citizen income. It equals the sum total of the money spent by all Japanese people. People believed they must not spend money, which meant Japanese people's income did not increase. The average inflation rate across the world was 2%. Relatively speaking, Japan's lack of growth meant that it rapidly became impoverished.

Of course, if a country does not spend much money, that money is left over. As a different tactic to prove that spending was low, let us take a look at where surplus funds exist. Japan's net external assets (the net worth of plants built abroad and money loaned to other countries) exceeded 400 trillion yen at the end of 2018, the largest amount of any nation. In the last fiscal year, corporate internal reserves totaled 450 trillion yen. Since Abe's inauguration in 2012, the government has printed 80 trillion yen of Japanese banknotes annually as a type of bold monetary easing. The total amount of these banknotes is 450 trillion yen. Together, these three categories total 1.3 quadrillion yen. This money could have been used for the Japanese people, but it was not.

Despite this surplus of 1.3 quadrillion yen, the Japanese public finance authorities are working to hike the consumption tax to 10% to gain just several trillion yen in tax yields. In my opinion this is insane behavior, and these actions show that Japan is still living in a “closed language space.”<sup>3</sup>

#### 4 Psychological independence would put an end to Japan’s deflation

At soccer games and other competitions, it is essential that participants intend to win. Without a thirst for winning, victory is impossible. Even if a nuclear weapon can be built in one month, this is impossible without the will to do so. On the Yasukuni Shrine issue, we cannot just silently make the argument that visiting the shrine is permissible. Even if one dedicates holy evergreen branches to the shrine for each annual festival, not visiting is the same as recognizing that visits are improper. For instance, China claims dominion over the Senkaku Islands, and there is concern about whether Japan can fully protect them. If we fear this country with a population 10 times larger than ours, we will not be able to guard the islands. But if we decide to protect them at all costs, we will find a way to do so. Abe is the only politician who believes the Japanese constitution can and must be revised, which is why it has been neglected in the past. People assumed Japan could not have a military, yet the National Police Reserve was changed to the National Safety Forces and then into the Japan Self-Defense Forces (JSDF) to maintain public order when the U.S. moved its forces to the Korean Peninsula. However, the JSDF restricts and denies itself to the minimum level of military force required. This shows a lack of concern about protecting the country of Japan, and we can say the constitution, which does not put Japan first, is significantly harming our nation.

A characteristic of postwar Japan is that the ruling party, which believes in “Japan First,” and the opposition parties, which prioritize our neighbors, have difficulty coming to terms with each other. According to the principle of putting our interests first, Japan should abolish Article 9 to gain the right of belligerency and have our own army, a military force that can fight for our survival. Without a clearly defined principle of self-interest, it will be difficult for Japan to deal with our shrinking economy and falling birthrate. Under the constitution that does not prioritize Japan, no one thinks, “This is terrible, we must do something” about the 30 years of continuous deflation and decreasing number of children. Japanese bureaucrats are obligated to obey the Constitution of Japan. To avoid inflation, Article 5 of the Public Finance Act prohibits the Bank of Japan from directly underwriting government bonds. However, today this should be endorsed, not prohibited, as a way to break free from deflation. This is common sense, but it seems like an outrageous method to Japanese bureaucrats. For example, if the government needed 40 trillion yen, it would slowly raise the consumption tax to 30% (the equivalent of a 40-trillion-yen yield increase) over the next few decades, instead of printing new Japanese banknotes to easily obtain that amount right away. Bureaucrats do not want to sully their images by using methods that are seen as prohibited.

Imagine that Japan increased its defense spending to 3% of the GDP back when it equaled 60% of the American GDP. Defense production would likely account for a large portion of domestic demand, which would help prevent deflation. Perhaps Japan would be in the position of maintaining world peace together with the U.S. Deflation is an illness that comes from not doing one’s job, and it makes sense that Japan was punished for not doing the job it should have as a major power. Japan has not been psychologically revived; even when it became an economic superpower with half the economic strength of the U.S. or more, it did not think of using this economic strength in the political realm. Because of the masochism and passivity instilled after the defeat, Japan did not conceive of transforming into a major military power or a nation renowned for its science and technology. There must have been other methods for continually stable growth. Various types of self-inhibition were in effect as people said, “Japan is in debt,” “Our country is still under construction,” and, “No mistakes are allowed.” No one did anything because of this “debt,” which brought about long-lasting deflation. Deflation means not spending money – in other words, not doing anything at all. It seems people believe Article 9 prohibits Japan from doing anything (namely, from protecting itself).

#### 5 Everyone lies and insults others as means of self-justification. Instead of taking these statements seriously, Japan should speak proudly of its strengths.

After winning the Greater East Asian War, the U.S. judged Japan while feigning innocence about its own crimes. The U.S. used its position of absolute power as the occupying army to implement the War Guilt Information Program, which it came up with during the war, to inspire a sense of guilt among the Japanese people. The U.S. censored information to hide the truth. China portrayed Japan as an evil aggressor to prop up the legitimacy of the Communist Party of China (CPC) government. To conceal its history as a backward nation, Korea spread propaganda and taught its people that Japan was a war criminal. Leftist political parties in Japan attacked the former leaders by saying these leaders had waged an ill-advised, aggressive war and obscured their responsibility for doing so. This was actually an attack on the ruling party, and was an advantageous way to enhance the leftist parties’ strength. The Imperial Rescript on Education was declared invalid in the National Diet. Children are not taught about Shinto or Buddhism, and moral education is watered down. Japan has continued retreating and been unable to wage effective counterattacks against China, South Korea, opposition parties, and others that prioritize neighboring countries’ interests regarding the comfort women and Yasukuni issues. Before Prime Minister Kiichi Miyazawa’s visit to South Korea in 1992, *The Asahi Shim-*

*bun* newspaper reported that proof of army participation in the comfort women issue had been discovered. Afterwards, Miyazawa repeatedly apologized and repented eight times during his meeting with President Roh Tae-woo. The Japanese media coerced the prime minister with its false news; Miyazawa was easily taken in and ended up apologizing. Prime Minister Yasuhiro Nakasone promised not to go to Yasukuni Shrine during his term because these visits “hurt the feelings of the Chinese people.” We must not forget that these nonexistent issues were created and inflamed by the left wing. We must also disregard what these people say and realize there are fundamentally different values at play.

As Yoichi Kusama mentioned in his essay last year<sup>4</sup>, Japan was clearly a major economic and cultural power in the modern as well as the contemporary era. Today as well, the Programme for the International Assessment of Adult Competencies study by the Organisation for Economic Co-operation and Development (OECD)<sup>5</sup> is drawing a great deal of attention because it showed that Japanese people have by far the greatest abilities. If Japan is superior to other countries in some ways, I think this is likely due to the “software” that only Japanese people are programmed with – our language that combines *kanji* (Chinese characters) and the native *kana* syllabaries. We are always questioning how to read or write in our challenging language, which we must keep studying for the duration of our lives. Having a skillful grasp of the Japanese language makes one more intelligent. This is my view of the Japanese people and Japanese language. Missionaries who came to Japan during the Sengoku Period wrote that Japan had the world’s highest literacy rate. People say Japanese is a difficult language, but I think the high literacy rate indicates that it is easy to remember, simple to use, and highly functional. It seems natural that the society of Japanese people, who have a language of this type, is one with an advanced culture and a high level of affluence.

## 6 Stratagems, plots, and espionage behind the scenes in Japan

During the Deng Xiaoping era, China must have studied Japan’s high-level growth to find out what made it successful. Finally, I think China grasped the principle that building roads and Shinkansen, and manufacturing vehicles and other products, leads to economic growth and increases national income. That is why it promoted policies for reforming and opening up the economy to build this type of environment. Good relations with other countries are essential for smoothly transferring technologies and bringing in funds, and China knew it was not enough to just commend Japan for its overwhelming economic strength. To firm up its position, China spread propaganda saying that Japan was the world’s worst war criminal and bearer of the world’s largest debts. After the Tiananmen Square protests, Jiang Zemin introduced anti-Japanese education in which children repeated and recited the phrase, “We must not forget that China was invaded and disgraced by Japan.” They were taught to detest Japanese militarism instead of the CPC, with the Nanjing Massacre serving as a central theme. The CPC knew this story was false, but started producing fabricated evidence to the contrary. Iris Chang’s book *The Rape of Nanking* was published in the U.S. in 1997. The CPC provided Chang with falsified documents and made her write this book, then turned it into a best seller by forcing Chinese people to purchase it. In 2004, Chang committed suicide with a pistol in a car at the age of 36. I wonder if she was killed for some reason, perhaps because she realized her book was full of nonsense. A movie (tertiary source) was also produced, based on documents that supposedly referenced the diary of John Rabe (the primary source). This film claims the Nanjing Massacre was a true event, and portrays Rabe as the Oskar Schindler of Nanjing. A little before 1990, Japanese people became aware that Chiune Sugihara did great things during World War II. These actions were disadvantageous to the CPC. While stationed at the Japanese consulate in Lithuania, Sugihara simplified government procedures and issued visas through Japanese territory to save the lives of 5,000 Jews who were fleeing Nazi oppression. This Japanese diplomat saving Jews by helping them leave Europe must have displeased the Beijing government, which created an inflated copy of Sugihara’s deeds. They say Ho Feng-Shan, a Republic of China diplomat, saved lives by issuing 5,000 visas to Shanghai while working at the embassy in Vienna, Austria. This so closely resembles what Sugihara did that I cannot help thinking they copied his story. Japan controlled Shanghai at that time, and the Republic of China would not have been able to issue visas to that city.

Japan’s unbroken imperial line is one great element of its profound history and culture, yet many people are displeased if this heritage inspires pride and encourages people to think and act with presence of mind. I remember learning the Kamakura Shogunate began in 1192, but lately this date has been changed to 1185, when the Minamoto Clan defeated the Taira Clan at the Battle of Dan-no-ura. Similarly, the start of the Edo Shogunate has been revised from 1603, when Tokugawa Ieyasu was appointed shogun, to 1600, when the Tokugawa Clan won the Battle of Sekigahara. All these changes were made by historians and educators who wish to deny that the emperor played the central role in Japanese history.

The so-called “Yutori education” was implemented from 2002 to around 2008 by people who recognized that education is the key to Japanese economic success and growth. Their aims were to overturn the past educational system, produce huge amounts of children with poor scholastic abilities, and halt Japan’s development. Class time was cut, educational content was reduced, and children were given easy questions to inspire confidence when they were able to answer many correctly. This education was supposed to be free of pressure, but it was clearly meant to produce many children who lacked academic competence and confidence. True confidence actually comes from answering many questions and realizing you can solve any type of problem. I burst out laughing when I heard the idea that we should teach children that pi equals 3, since this is easier to memorize than 3.14. Pi is fascinating because it is an infinite decimal (3.14165...), which inspires interest in science and mathematics. After an international

achievement survey showed a strikingly lower level of scholarly skills due to Yutori education, it was criticized for several years, finally abolished, and then class time was increased by 10%. Yutori education is a good example of how various efforts to harm Japan have easily succeeded and become official movements. This demonstrates that forces inside and outside Japan that prioritize other countries above our own are cooperating on a range of different issues.

## 7 Tactics used by factions that want to catch up with Japan and those that want to impede its growth

Japan was still shining brilliantly at the end of the Showa Period, and it seems like Japan caused great anxiety in the U.S., China, and other countries. The U.S. introduced Bank for International Settlements (BIS) regulations to impede Japan's growth, forcing banks to maintain a capital ratio of at least 8%. This was one American tactic to slow down Japan's economic growth; banks could not freely lend money to Japanese companies, and many had to withdraw loan credit. After studying Japan's high-level growth, China came up with a strategy of building anything it could to come closer to Japan's GDP. It constructed roads, bridges, housing, expressways, dams, power plants, universities, research institutions, and hospitals. All of these were calculated in the GDP, leading to national growth. The Chinese government was fully responsible for paying these costs, and it carried out economic reform while bearing in mind the mistakes of the Great Leap Forward. China easily raised funds through sending many international students to study in other countries, foreign companies expanding into China, increased global trade after joining the World Trade Organization (WTO), and the U.S. generously buying Chinese products.

When the asset bubble burst, a campaign was implemented in Japan saying the Liberal Democratic Party had built too many dams, roads, and Shinkansen. Some people also claimed Japan should not be spending money because it had the world's heaviest debt, that printing money would lead to hyper-inflation, and that a primary balance is needed for fiscal reconstruction. They said expenditures must be curtailed and taxes increased to that end. Just like the American BIS regulations, this was clearly aimed at keeping as much money out of the Japanese economy as possible and curbing spending. This may have been a scheme by Japanese people who did not put our own interests first, or perhaps it was carried out under orders from China. This strategy was successful, and Japan fell into a period of prolonged deflation known as the "Lost 20 Years." The anti-Japanese powers that wanted to catch up with Japan, and those who desired to impede its growth, executed their tactics to great success.

The inauguration of the second Abe Cabinet in 2012 was the best chance for breaking free from deflation. It was also the riskiest moment for those who do not want Japan to grow. The Abe administration printed 80 trillion yen annually and started circulating this money into the market, but it was only used to purchase existing government bonds, which did not help relieve deflation. Buying government bonds is merely a means of repaying debts – it does not increase the GDP or bring larger tax yields. If the government had used these newly printed banknotes for extensive fiscal stimulus with a large budget of 140 to 150 trillion yen, domestic demand would have been significantly expanded, and inflation of 2% easily achieved.

Data from the 20-year period spanning 1995 to 2015 showed the nominal economic growth rates of 75 principal countries across the world.<sup>6</sup> Qatar was number one, with a nominal GDP that grew 20 times larger in this period. Number two was China at 15.14 times. The worldwide average was 2.39 times, while Japan was the lowest at 0.80 times. Only Japan's GDP shrunk during this time. Comparing the conspicuous differences between Japan and China shows they took totally different economic measures during this time period. One can surmise that Japan's growth was interrupted by China or some other power that is extremely close with China, and I think we can say it was miraculous that China was able to hinder Japan so successfully. This must have been accomplished because of the many Japanese people who do not prioritize Japan, or those who prioritize other nations' interests. Without a doubt, there is a network that cooperates to harm Japan's prestige, put it at a disadvantage, steal technologies, and abduct Japanese citizens.

Modern Monetary Theory (MMT), which states it is acceptable to have massive debts for government bonds in one's own currency, is drawing attention in recent years. Although this theory is named "modern," this has been known for some time. When the Japanese government bond rating was lowered because they were too numerous, the Ministry of Finance protested by saying, "Yen-denominated government bonds will never be defaulted on. In what cases can you imagine a default happening?" This objection is entirely correct, and indicates that the ministry affirmed MMT. The government should have been unafraid to increase its debt and use newly printed banknotes to pay it off, which would have achieved growth.<sup>7</sup> The root of all these evils is the harmful effects of the primary balance goal that has been maintained for 30 years. Japanese bureaucrats, scholars, politicians, and others lack a sufficient spirit of independence and are terrified of failure, so they handle criticisms and attacks in an excessive way and are led astray from the correct path. In "The Way for a Japanese Person to Win the Nobel Prize in Economic Sciences" 「日本がノーベル経済学賞を受賞する方法」<sup>8</sup>, I stated that a Japanese citizen could win this prize if more yen notes were printed to increase public spending, which would put Japan on a growth trajectory and revive Japan as the world's most affluent economy. However, we cannot expect this of the academics who lack an independent spirit and are paralyzed by masochism.

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「最優秀賞」の英訳は28ページからはじまり、23ページで終わります。  
The English translation of the Grand Prize essay begins on page 28 and ends on page 23.

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