

**MAKE IN INDIA
WEEK**

USD 227 BILLION
of investment committed

LEARN MORE
makeinindia.com

**MAKE IN INDIA
WEEK**

USD 227 BILLION
of investment committed

LEARN MORE
makeinindia.com

[← Back to Article](#)

[Click to Print](#)

TIME

Monday, Mar. 12, 2012

Japan One Year Later

By Clay Chandler

The water has receded. One year after Northeastern Japan was battered by a 9.0-magnitude earthquake and 130-ft. (40 m) tsunami waves, coastal villages where photographers captured haunting images of devastation now exude an eerie calm. Cars no longer dangle from the upper floors of tottering buildings. The twisted hulls of wrecked fishing trawlers have been hauled from downtown streets.

The extraordinary resilience and cohesion of Japanese society helped the nation cope with the unprecedented triple disaster--quake, tsunami, crippled nuclear reactors--that struck a year ago. At least 20,000 people died, with countless homes and livelihoods destroyed, many never to be rebuilt again. Naoto Kan, the then Prime Minister, rightly described the March 11, 2011, shocks as Japan's greatest crisis since its defeat in World War II.

Because Japan has repeatedly rebounded from adversity, often to become more vital than before, many thoughtful Japanese (and non-Japanese) believed last year's calamities would have a similarly cathartic effect, inspiring the country not only to revive the ravaged northeast but also to shake off decades of social and economic malaise. Yet, a year on, 3/11 has not been that hoped-for catalyst. What's most remarkable about postcrisis Japan is how much it resembles precrisis Japan. The new normal is a lot like the old normal.

What's terrific about Japan--the orderliness of its cities, the sophistication of its technology, the refinement of its culture--remains. But so do the weaknesses. Japan's political system is as dysfunctional as ever and its economy still anemic. GDP shrank in the final quarter of 2011 at an annualized rate of 2.3%. The strong yen is hammering Japanese exporters. Storied electronics brands, including Sony, Panasonic and Sharp, say they expect combined losses of \$17 billion in the current financial year ending March 31.

Even more worrying: postcrisis Japan seems no more willing than precrisis Japan to confront three deep-rooted--and interrelated--cultural challenges that pose a far greater threat to the nation's welfare than any

earthquake or tsunami.

First, Japan's workforce is aging faster than any other society's. The number of children born per Japanese woman is 1.39, far below the replacement ratio. Japan is losing a million people every year. The government has estimated that by 2060, Japan's 128 million population will shrink by a third, with more than 4 in 10 Japanese at least 65 years old.

Tokyo already borrows more than twice the annual output of the economy, a debt-to-GDP ratio worse than that of Greece or Italy. The debt is manageable because 95% of it is held by Japanese. But as more Japanese retire, they will draw down savings and demand more health and retirement benefits. Economists differ over how long Japan has until it must turn to foreign creditors, but in the absence of dramatic--and unlikely--tax increases, that day of reckoning will come. Gains in productivity would help greatly. But a society dominated by seniors is unlikely to be innovative, entrepreneurial or adaptable; it consumes rather than generates resources.

Second, women are marginalized. Japan's failure to integrate women into the workplace, fused with its aversion to immigration, compounds the economic consequences of a shrinking labor force. Only 65% of college-educated women are employed. Goldman Sachs in Tokyo calculates that if the figure could be boosted to match the 80% rate for men, Japan would add 8.2 million workers and boost economic growth by as much as 15%.

Finally, Japan's youth are too insular. Japan's biggest corporations once sent their best recruits to top U.S. universities to obtain M.B.A.s. Hardly any do so now. The number of Japanese students in the U.S. has declined sharply in recent years, even as ever more Asians, especially Chinese, study there. In Silicon Valley, which is flush with tech talent from Asia, particularly China and India, Japanese are practically nonexistent. The English proficiency of Japanese college graduates, as indicated by scores on the Test of English as a Foreign Language, is the lowest among 27 Asian nations.

The Japanese can respond to crisis. After the catastrophe, volunteers poured into stricken areas to help. Millions more raised money for victims. Contribution boxes for relief funds remain a common sight in shops in Tokyo. No less impressive is the enthusiasm with which consumers and businesses have embraced the government's setsuden (save electricity) campaign to compensate for the suspension of nearly all Japan's 54 nuclear power plants. Homes and offices turn down air conditioners and switch off lights. Manufacturers have shifted production to weekends to ease strain on the grid. Possibly no other advanced industrial democracy is capable of such social cohesion in peacetime.

Kent Anderson, director of Australian National University's School of Culture, History and Language, describes the tendency to see rebirth emerging from disasters like last year's as "the phoenix trope." The alternative is that the 3/11 calamities and their aftermath reflect the desperate final moments of a once gilded period of prosperity. Anderson finds both interpretations extreme. Japan, he believes, is like the literary genre *zuihitsu*, "following the brush": random, abstract, with no clear narrative. Perhaps. But if it is, Japan can only hope that brush traces a line to higher ground.

Chandler, Asia editor for the consultancy McKinsey & Co., is a co-executive editor of the McKinsey project Reimagining Japan: The Quest for a Future That Works, a collection of essays on Japan's future

 [Click to Print](#)

Find this article at:

<http://content.time.com/time/magazine/article/0,9171,2108032,00.html>

Copyright © 2014 Time Inc. All rights reserved. Reproduction in whole or in part without permission is prohibited.

[Privacy Policy](#) | [Add TIME Headlines to your Site](#) | [Contact Us](#) | [Customer Service](#)