

Generations after Growth and Development

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What I Saw in Tohoku

Dawn in Tokyo started to have some cool breeze. The platform for Tohoku Shinkansen just started to have some light. It only took about 1.5 hours to see partly red trees around Fukushima station. After all, it was the end of summer and beginning of fall.

I took a van to go to Minamisoma, Fukushima. The van moved from inland to the coastal area, approaching to the areas harshly affected by 2011 Tohoku Great Earthquake and Tsunami. The major affects to these areas were from nuclear meltdowns in Fukushima Daiichi Nuclear Power Plant.

The van often had to stop due to construction. I saw construction site after construction site. Literally more than half of vehicles on the road were dump trucks. They are on massive decontamination projects. They are on massive seawall building projects. The industry was booming with the government investment.

Same was seen in Sendai, Miyagi. On another Shinkansen, I was heading to the largest city in Tohoku. Streets around Sendai Station were full of crowds hanging out for foods and drinks. It was hard to find a place for dinner. "Sendai is experiencing a bubble," a Japanese friend told me, "a recovery bubble."

Japanese government said they would allocate 25 trillion yen towards the reconstruction budget. This would be spent for 5 years from 2011. It is difficult to hire labor and trucks for construction in Tohoku now. Money is on the road. Large cities like Sendai are seeing population growth after the earthquake. People are moving to Tohoku cities to open bars and restaurants. Tohoku is seemingly recovering back strong.

Is that so?

One staff of a foundation in Tohoku did not think so. "They have money now," she sighed, "but nothing in 2-3 years." This is, after all, a boom with a time limit. She works for a community foundation in Sendai. She gives out grants for local NPOs which are helping people in need. She is not sure if those people in need can still sustain their lives here in Tohoku in three years.

A volunteer who worked at the evacuation center had another story. "The poorest people now were the poorest even before the earthquake," he said, "disasters only made them visible."

He was a volunteer in an evacuation center after the earthquake. He saw the children with single mothers were abandoned even in the evacuation center. Many children did not even go to school. He sometimes wondered if the mothers were mentally viable. Those children were at stake. They were really at the bottom of the pyramid. He decided to launch Asuiku, an educational NPO to help the children study.

A Filipino entrepreneur constantly saw isolation of foreigners after the earthquake. Filipinos and Filipinas were suffering from the lack of information and lack of help. He himself eventually decided to operate his company in a way to help the Filipino community in the affected area including Koriyama.

Fishermen in the coastal areas in Fukushima showed a different side of story.

Fishing facilities were being rebuilt in the coastal area of Souma, Fukushima. One small processing building was completely rebuilt. But fishermen only use this facility once a week. "If you go out fishing at least once a week," a fisherman explained, "you get compensation from TEPCO." That's how fishermen who cannot sell their fish survive.

Buildings and roads and walls were coming back. But businesses were not. Neither were people.

Revealed Future 1: Japan after 3.11

On one hand, it looks like the earthquake made people in need poorer. It looks like the earthquake made people more dependent.

This is, however, not the way Dr. Oguma Eiji thinks. This Keio professor and renowned author on contemporary history of Japan did a well-thought presentation titled "Revealed Future" in a seminar at Asia Leadership Fellow Program (ALFP) 2014. In this presentation, Oguma argues that everything happened after the earthquake quickly and dramatically revealed what was going to happen to the communities in Tohoku.

According to Dr. Oguma,¹ local industries in Tohoku were already declining after post-industrialization in the 1990s. Young generation was leaving the region for jobs. Local communities were rapidly aging.

Facing young population drainage, the government came in to stop migration. The government massively provided people in Tohoku with public works. Fishermen in the region were benefited and soon addicted. They now are hard to survive without public works. They never prevented migration but brought in dependency. Here the dependency issue comes in.

Democracy issues played a role in the declining society. A lot of community associations lost vitality with population drainage. Many of them turned into exclusive gerontocracy rather than grass-root democracy, which they are supposed to be in the first place. In this type of social order, usually marginal people are the least informed and the least benefited.

Construction was always there. Japanese legal system of counter-disaster measures was always weighted towards facility constructions. They were even common counter-recession measures.

So the region was already economically dependent to the government support even before the earthquake. It is not surprising that the earthquake only made this happen fast and visibly. It is

¹ "Nobody Dies in a Ghost Town: Path Dependence in Japan's 3.11 Disaster and Reconstruction," *The Asia-Pacific Journal*, Vol. 11, Issue 44, No. 1 (November 4, 2013). Oguma Eiji also had a talk in Asia Leadership Fellow Program on October 2, 2014.

not surprising that fishermen in Souma go out fishing once a week for subsidies. It is also not surprising most of communities agreed with public work oriented reconstruction plans by the government. This was going to happen anyway if the decline in local industries continued to deepen.

The region was already suffering from exclusive social order in small rural communities. Administration had a great influence in those community leaders. It is not surprising that underresourced people—foreigners, disabilities, newcomers from other areas—were the last people who benefit from emergency aids under such a social order. It is not surprising women and children had hard time voicing up in community decision making processes. This was going to happen anyway if the exclusivity in local communities continued to expand.

Government-led construction projects were already necessary part of the regional economy. True, the sizes of decontamination projects and seawall building projects are unprecedented. Yes, construction helps the local economy for a short time span. But this kind of hardware cannot build up a long-term capacity of a society. The region needs more software and human resources to revive and sustain. But this was already there. Considering policy path dependency, the government would provide massive construction works anyway if the young population migration continued to increase.

Japan is experiencing aging, population decline, and rising inequality. These created dependency, gerontocracy, and construction-oriented development path in the region. Tohoku only experienced these more fast and harsh. These were problems even before the earthquake. The disasters only revealed this future fast and visible. So did aging and economic stagnation to the Japanese society.

It was just a revealed future. Not only the future of Tohoku, but also the future of any society after growth and development. This surely applies to other societies in Asia, including Korea.

Revealed Future 2: Korea after Growth

I was very much interested in what is happening in Tohoku since I thought it would reveal some truth about the future of Japan. I was very much interested in what is happening in Japan since I thought it would reveal some truth about the future of Korea.

Dr. Ogawa Takeo, the president of Asian Aging Business Center, gave me a striking statistics² in his seminar on aging and community building in cities around Fukuoka. If you take per capita income and the percentage of population over 65, Korea is following the exactly same path with Japan with a 15–20 year time gap. It means that Korea will face similar challenges, which Japan is facing now.

Well, Korea is seemingly a rapid-growth country with efficient government and strong corporations. Korea enjoyed rapid economic growth for last decades. Per capita income grew from nothing to \$25,000 for 50 years.

Government-led economic development plans in the 1960s–1970s worked from textile and construction industries to steel and automobile industries to semiconductor and smartphone

² Ogawa Takeo gave a talk to ALFP Fellows in Fukuoka on September 25, 2014.

industries. Then authoritarian government brought in guns to oppress its opponents, but they also brought in roses for people with poverty. People had jobs and housing. Children had schools. Patients got the national healthcare system.

This country even enjoyed democratization. Civil revolution took place in 1987 and direct presidential election was constitutionalized. Trade unions had a momentum. The press finally had freedom of speech. People power made this happen.

Marketization followed. IMF bailout program came in 1997. Investor rights strengthened. Corporations transformed themselves into shareholder-centric ones. They were run as family businesses before the bailout. Corporations were now allowed to lay off employees. Many of them were lifetime employment before the bailout. Korea was a whole new economy now.

Despite these promising numbers and impressive history, Korea shows two shocking statistics about its present and future.

Korea has the highest suicidal rate in the world. Number of Koreans committed suicides was over 30 out of 100,000. OECD average is only around 13 and Japan is still around 20. Suicidal rates reveal what a society is like to the least resourced people. For at 1,500 Koreans a year on average, this country is worse than six feet under.

Fertility rates reveal what people think about their future, while suicidal rates is about the present. It is also depressing that fertility rates in Korea have been declining for last decades. Its fertility rate is now the lowest in OECD.

Causes for this vary. Some say income disparity. Some say aging society. Some say the lack of social welfare. Right. Rapid economic growth radically changed the way people live their lives in Korea. Some were benefited from the change, while some were devastated.

Economic growth brings us bread and butter. It also brings dynamism in a society. Too rapid growth too brings, however, frustration of people without competitiveness. It destroys communities which used to protect the under-resourced in the society.

It is not surprising that the aged in rural communities in Korea are highest in suicidal rate. They did not benefit from growth much. But they lost their communities. Younger generations left the communities, larger corporations penetrated to the local economies, and they were out of business without the proper social safety net.

Young generation also suffer. They have hard time to find a "Korean dream." Many agree that Korea is moving towards "patrimonial capitalism," as Thomas Piketty indicated in his recent bestseller *Capital in 21st Century*, in which much of the economy is dominated by inherited wealth.

The Korean economy saw the phenomenal growth from the scratch. After the Korean War, the country had virtually nothing. So it was relatively equal. Everyone competed on the same ground. Entrepreneurs had opportunities to seize wealth in the market.

Samsung and Hyundai are the largest companies in Korea. The founders of those companies started their business with a rice store. One converted it into a best-selling smart phone maker while the other into global top 5 automaker. They were from nowhere.

As time went by, however, things changed. Asset accumulation went on and competitiveness between enterprises and individuals diverged. As it continued, it is now near “patrimonial capitalism” where one cannot succeed unless born in a well-resourced family. Next Samsung will be from Samsung family and next Hyundai will be from Hyundai family.

Growth destroyed communities. Growth now starts to hinder entrepreneurship. Growth will even hinder further growth, if business as usual continues. In the end, this has been the price for bread and butter.

Champions of Hope

Still, there are hints for solutions. One from young social entrepreneurs, another from vibrant local communities, last but not least from corporations with social responsibility. All of these were observed in Japan. These are still mere seeds. But they can grow into forests.

I took Shinkansen from Tokyo station again. This time to the South, towards Gifu. I met a CEO of a local NPO called Organ. This young entrepreneur was passionate and committed to revitalization of the local city with the population of 400,000, which is suffering from population drainage.

His dream is have more young people come back to Gifu from larger metropolitan cities like Tokyo. He now starts with local tourist promotion work, in hopes of attracting younger generation who will end up living in this area. He is somehow doing a business, but it is not for profit but for the revitalization of the declining local communities. He is a social entrepreneur.

Another person I met in Sendai was also a social entrepreneur. He opened this after-school to help children from single-mother families.

He introduced e-learning to this after-school with help from an IT company. He needed information of whereabouts of these children and Sendai city government helped. He asked local consumer cooperatives to use their space for classrooms. In this way, he engaged the government, the corporate sector, and civil society to his project to help these children. It was a cross-sectoral approach. After all, he was a social innovator who led a cross-sectoral collaboration to solve a social problem.

I also met a person in Ishinomaki who is running a rehabilitation center. He moved from greater Tokyo area for this new venture after 3.11. Yet another person is connecting farmers in Tohoku to designers, marketers, and Internet experts in the Tokyo area. This ex-McKinsey entrepreneur halted his for-profit consulting business and started this social business project after 3.11. I have a long list of these young social entrepreneurs.

A different type of entrepreneurship was found in Tachiarai, Fukuoka.³ This small town shows a nice model of *machizukuri* (community building). But nothing can be done without proper people, as we watched from famous NHK drama *Amachan*.⁴

³ ALFP fellows visited Tachiarai, Fukuoka as a field trip on September 26, 2014.

⁴ *Amachan* (あまちゃん) is Japanese television drama series. It debuted on April 1, 2013, and was broadcast until September 28, 2013. It was scripted by Kudo Kankuro and starred Nōnen Rena as Amano Aki, a high-school girl

In Tachiarai we talked to a public official in the city government of Tachiarai. She travels around the town. She talked to women at home. She organized meetings and helped people chat. As a result, the women in town were developing ideas to market their product through the Internet, to help the elderly living alone by serving free lunches, and to open a shop in the city hall to sell their local crafts and foods, who otherwise would have been at home. She is virtually showing a social entrepreneurship, though she herself is not running an enterprise.

In fact, *machizukuri* itself is an alternative concept for local community development. It is seen as a radical departure from the conventional centralized, top-down, “civil engineering” approach. It relies not on massive hardware construction for local development, but on participation of local residents and authentic software from the community. The combination of social entrepreneurship and grass-root participatory democracy is an ideal type of *machizukuri* or community building. For local communities declining along with economic growth paradoxically, *machizukuri* gives another idea of hope.

The other idea of hope came from Mr. Sato Hiroshi, a development researcher at RETRO. He put an emphasis on BOP business.⁵

BOP is an abbreviation for “base of the pyramid.” Traditionally, businesses target rich people first. BOP business reverses this conventional wisdom. Businesses go to rural areas in developing countries. Businesses create jobs and market their products in those villages in need at the same time. That way, they can actually create consumers. When they have jobs, they will spend more. And they will spend more for the brands who care their communities. Now, businesses try to create shared value with those communities.

This is the whole concept of BOP business. This is also an idea of hope. Small and medium size corporations in Korea and Japan are having hard time. They are losing revenues and jobs at the same time. They can go to distant towns in developing countries in Asia to create shared values. The value created will be actually shared to the corporations themselves.

Social entrepreneurship is still a young concept in the traditional nonprofit sector. You need to work with other sectors for this. *Machizukuri* is also young in the public sector. You need to trust people to adopt this as a serious development policy. BOP business is still new to the corporate sector. You need to compromise your “short-term profit maximization only” notion for a moment.

These new breeds will be, however, definitely nice try to solve social problems after growth and development. Japan might be able to see a new society, which differs from the rapid-growth period. Korea might be able to discount the price for the bread and butter, which was too much for the quality.

Why not try?

from Tokyo who moves to the Sanriku Coast in the Tohoku region to become a female diver. She becomes a local idol, then returns to Tokyo to try to become a real idol, and finally returns to Tohoku to help revitalize the area after the Great East Japan Earthquake. (en.wikipedia.org) This drama makes a case of *machizukuri* (community building) very well.

⁵ Sato Hiroshi had a talk in Asia Leadership Fellow Program on September 18, 2014.

Future of Asia after Growth and Development

Now, a new question comes in. How about Southeast Asia? How about South Asia?

Should China and India, countries that still need more growth to reach living standards equivalent to a Japanese one, start worrying side effects of economic growth now? Should Bangladesh, Nepal, and Vietnam whose populations are still growing start worrying of the sustainability of the society? How about Malaysia and Philippines?

Tanabe Akio, a Kyoto University professor and South Asia expert, gives a hint. "India is growing with a large unorganized sector mostly in service and domestic industries," he said in a seminar,⁶ "which is a different development path from conventional manufacturing-led one." He thinks that this can be a new model of development along with participatory democracy and diversity.

There could always be a different path. Other parts of Asia should avoid paying the same price which Japan and Korea had to pay during economic growth. They could take another path like India is doing. Or just thinking about what happens after growth and development and being prepared will help. In the end, it all comes down to how to make our society, and this world more sustainable.

After all, Japan is future of Korea, and probably other Asian countries which eagerly seek bread and butter. Japan is in a position to share challenges and trial errors which were taken in the development process. This country should show knowledge leadership in sustainable development.

Korea should experiment new cross-sectoral solutions more aggressively and get back to the Asian society with the results. Younger generations should come forward, like U-turning and I-turning Japanese young generation. China, Southeast Asia, and South Asia should go on to research possible side effects of growth and try different path when they are confident in the meantime.

After all, many conventional solutions from the government and the market are dysfunctional. New solutions including social entrepreneurship, community revitalization, and responsible business won't hurt anybody. Nonprofit organizations, businesses, and policies should work together to tackle imminent social needs. Research and experiment on more cross-sectoral solutions will only enrich our knowledge on how to build a dynamic and sustainable society.

Next time I am in Shinkansen, spring should have come already.

Paper received from the author in October 2014

⁶ Tanabe Akio had a talk in the seminar with ALFP fellows on September 29, 2014.