



RIETI Discussion Paper Series 16-E-042

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A comparison with the narration of the U.S. and EU crises**

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**The Telling of Japan's "Lost Decade":
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Abstract

Financial newspapers play a key role in forming the intersubjective understanding of what is an economic crisis. Recent crises in the United States and the European Union narrated by the Wall Street Journal (WSJ) and the Financial Times (FT) are contrasted with the Nikkei Shimbun's treatment of Japan's Lost Decade. We observe two forms. In all cases, narration responds to the immediate need to explain the facts of the matter and explain causality. Later, this preoccupation abates and space is given to reflection. Importantly, while all three newspapers do so, the timing and characteristics differ. In comparison to the Nikkei, the WSJ and FT not only respond to this need more quickly but also in a decidedly more open and confessional way. We consider the importance of this.

Keywords: Lost Decade, Economic crisis, Discourse, Constructivism, Intersubjectivity, Ideology

JEL classification: N10, N15

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*This study is conducted as a part of the Project "Historical Study on Japan's Trade and Industrial Policy: From an international perspective" undertaken at Research Institute of Economy, The author is grateful for helpful comments and suggestions by Junko Watanabe(Kyoto Univ.), W. M. Fletcher (Univ. of North Carolina-Chapel Hill) and Discussion Paper seminar participants at RIETI.

Introduction

Japan's economic downturn that began in the early 1990s has proven to be persistent. Now known as its 'Lost Decade(s)', the malaise has gained new salience as the US and EU face their own recent economic crises. Each of these is different: Blame is placed in different quarters, political and economic structures vary and, correspondingly, remedies as well. Analysis of these crises is largely seen as a matter for economists. Their writings are not only important in terms of the search for answers but to the degree that they contribute to the popular press, they are also part of the narrative process that creates an intersubjective understanding of what came to be accepted as a crisis. As will be argued, this discursive process has the potential for fundamental change.

In matters of media reporting, that which has little or no reference point requires explanation. For example, if the spigot was turned off to a country's foreign oil-dependent manufacturing, it would not take long for the effects to be felt by even the man on the street. The public would demand explanation and, if not sufficiently forthcoming, the unknown would soon become intolerable. Rumors would circulate and as they jockeyed for acceptance, one would emerge as orthodoxy. In so doing, the 'truth' of the matter would have been established. To mitigate such problems, newspapers play a critical role in reducing coordination costs (Coyle and Leeson 2009). Furthermore, in the case of these economic crises at least, although the public may have had general notions of what the phenomenon is, each is unique and necessitates explanation. But, given that its full complexity is beyond the grasp of the public (and often politicians as well), decisions are made as to what information will be made public and upon which newspapers will hang their stories (Fumitoshi 1999). These choices are crucial. Effectively, a crisis is a rendered story.

Within the field of International Political Economy, the role of ideas in addressing uncertainty and their intersubjective construction is increasingly

gaining traction as a factor – and in some cases **the** factor – in analysis. (e.g. Blyth 2002). As Colin Hay opines:

Mark Blyth's *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* is a most eloquent and theoretically sophisticated statement of an increasingly influential constructivist variant of the new institutionalism. It will, no doubt, serve to consolidate the author's already enviable reputation as a – possibly *the* [in original] – most powerful and convincing exponent and advocate of ideational explanation in comparative political economy. (Hay 2010)

The role of ideas and institutional rigidity in Japan's Lost Decade (1990-2000) has received some attention but little has been said on the specific matter of its narration (e.g. von Staden 2012). It is argued here that understanding the role of narration in Japan's Lost Decade is important not only because it has received little scholarly attention but also that the malaise persists. Its prolonged nature suggests that further answers lie not in the already well-trodden academic terrain but elsewhere. This is not to argue that existing explanations are wrong but rather that they are incomplete. To this end, we believe the constructivist approach may be useful (see Seabrooke 2007 for discussion on constructivism and materialism).

Findings are drawn from case studies of the recent crises of the US subprime mortgage and that of the EU and Japan. Our concern is how the stories of these crises were narrated by their countries' leading financial newspapers namely the Wall Street Journal (WSJ), the Financial Times (FT) and the Nikkei Shimbun (Nikkei). All three stories are characterized as debt-driven economic crises, the narration of which is observed here to have two genres; the first of these deals with the technical issues at hand later followed by one that is more emotionally charged and blame-oriented. In the very intersubjective and socially reconstitutive nature of this moment, the reflective nature of this is posited as an

essential part of the process through which a nation-state passes in order to advance fundamental economic change.

It is observed that of the three financial newspapers, it is the writings of the Nikkei that reflect the least on the deeper issues of Japan's crisis, in fact, making scant mention of it. This is in contrast to the FT and WSJ both of which come to discuss such issues much more quickly, openly and self-critically. The ensuing will proceed by first elaborating on the constructivist argument of crisis and narration. This will be followed by an empirical section which will take up the cases of the US, EU and Japan. Finally we will pass to a discussion on the implications of the findings.

Crisis and its narration

There is an important relationship between crisis and its narration. While the former opens 'space' for the re-conceptualization and re-configuration of state projects, the latter facilitates the (re) constitutive dynamic between stakeholders through which they may come to share a new and similar mental model of what that project is (Blyth 2002). The clarion call of crisis rallies and facilitates the inculcation of a new cognitive framework through which to understand the state's decisions. Narration's power comes from leading participants into and engaging with a cognitive process that changes the way they think (Schmidt 2008). Value judgments and behavior, in turn, follow from the new way people see the world. To illustrate, if say the guiding ideology of the state is social democracy, one would anticipate state presence in the market and that labor regulations would aim to protect workers during sustained economic malaise. In turn, during such periods, workers would tend to spend less time looking for new employment (Hall and Soskice 2001). To shift this paradigm to neo-liberalism, assuming conditions permit, would require that a convincing case be made for its necessity and a plan of action.

Crisis

The meaning of the term 'crisis' varies widely from its use in common parlance to mean a bad situation (Koselleck 2006; Samman 2015). As for this analysis, our particular concern is its use in the ideational turn of International Political Economy. Since the 1990s and, in particular the contribution of Mark Blyth's work (e.g. 2002), the relationship between ideas and crisis has become more explicitly cognitive. In bringing to the fore the use of ideas as the explanatory factor in institutional change, he focuses the on the process of sense-making of the world around us. While ideas, as he explains, provide a 'road map' for decision makers, a crisis is when they have come to the end of said map and are at a loss as to what to do next. In explaining this, Blyth draws on the concept of Knightian uncertainty in that under this condition actors are at a loss to assign the probability of the outcomes of what an act will have on a given situation (Blyth 111). Borrowing Blyth's own example, during the Great Depression elite stakeholders – governmental and business – found themselves at an impasse in navigating the US from its economic malaise. Their diagnosis of the causal links of and consequent solutions to the crisis were made through the lens of laissez-faire economics. Firm in their belief in this ideology, they persisted in interpreting and seeking solutions to the Depression from this perspective. Although other interpretative frameworks such as Keynesianism existed at that time, their willingness to let go of their beliefs and embrace this could only come when they no longer saw a way forward. This acceptance came once they acknowledged that they stood at the edge of said map and peered into the abyss of a chartless future. By implication, as long as they were bound by their cognitive lock-in, systemic fundamental change would have eluded them. Crisis, in this sense, is the condition when one is receptive to fundamental change.

Effectively Blyth thus presents a binary categorization in that the state is either in a crisis or not. If not, then the cognitive pre-conditions are not met and so there is, in this sense, no crisis. For our purposes, this is limiting in that an economic system may experience significant contradictions yet find solution within the existing ideology. For example, the US subprime mortgage crisis has raised questions about its style of capitalism, yet the fundamental tenets of its liberal market economy remain. What Blyth's interpretation of crisis does

importantly underscore is that contradictions in the system create an opportunity for change. That opportunity may play out in different ways. In its most extreme the “unity of the state is ... re-achieved and in which a new strategic trajectory is imposed upon the institutions that now (re-) comprise it” (Hay, 1999, 331). However, as Hay outlines below in Table 1, there are other moments that do not constitute a ‘crisis’ in Blyth’s sense but nonetheless are part of the process of narration.

Table 1: Contradictions and decisive interventions

	Moment of decisive intervention	Moment of indecisive or non-intervention
Contradictions subjectively perceived	Crisis	Catastrophic equilibrium
Contradictions unacknowledged	Tipping Point	Failure

Source: Adapted from C. Hay, “Crisis and the structural transformation of the state: interrogating the process of change.” *British Journal of Politics and International Relations* 1 (3), October 1999, p. 325.

For Hay, crisis is defined as a ‘moment of decisive intervention’ when the contradictions in a system are generally acknowledged; an unsustainable equilibrium is characterized by a general recognition of the contradictions but matters have not reached a point where decisive action is taken; and finally failure is when the contradictions exist but are not acknowledged as such. In all of these cases, though the contradictions that give rise to a particular moment are grounded in a material reality, it does not necessarily follow that a crisis may ensue. While material fact needs to be interpreted, it is through its explanation that meaning is ascribed. To this end, the media not only serves to reduce the coordination cost of dissemination but also plays a crucial role as the interface point between decision makers and the people. Through their discourse the moment of crisis is created and potentially leading to a new shared understanding of the state project.

Narration

Crisis is a matter of intersubjectivity, is created, and may lead to a “path-dependent evolution and transformation of the state” (Hay 322). Between the confluences of factors that give rise to the materiality of the crisis and the emergence of an accepted story, numerous interpretations may contend. That which becomes orthodoxy does not, as D. C. North (esp. 2005) has argued, necessarily correspond with reality. What is important though is that a ‘story’ is accepted and in so doing the state embarks along a new path and associated institutions become embedded. Predicting which of the stories will win out is difficult however Hay argues that the “mobilization of perceptions of crisis ... involves the formulation and triumph of a simplifying ideology which must find and construct points of resonance with a multitude of individuated experiences of state and economic failures (Hay 335).

The Narrative Genres of the US, EU and Japanese Crises

We have argued that the recognition of an economy’s contradictions and development of the shared belief that the contradictions led to a crisis is constituted through narration. This understanding can only be a cognitive process and, by extension, the transformative potential of a crisis that Blyth argues for must also, ultimately, be a matter of cognition. With this in mind, we turn to the narrative genres observed in the WSJ, FT and the Nikkei. Our focus is the discourse itself for it both reflects thinking and, at the same time, is process by which ideational (i.e. transformative economic) change takes place.

The observed genres are of two forms, the first of which pertains to the speed by which information is disseminated and relatedly timing. At the outset, all three newspapers similarly respond to the immediate and pressing need to provide information. Reporting is factual and with time more analysis is interwoven. There is little concern for judgment or reflection on larger issues. At this point, the public – and indeed possibly government as well - remain in doubt as to whether the matter constitutes a ‘crisis’ or not. Although initial indicators may point to disaster, it is only in the fullness of time that this may be proven true.

The rate at which newspapers can provide information is governed by institutional factors. Before journalists can report they must wait for government sources to cull, choose and interpret before disseminating. We should also remember that the public might already have a good understanding of what a crisis is. For example, in countries that have recently experienced serious economic downturn, there may be less need for explaining essential conceptual ideas. Similarly, in periods when other countries have been through crisis, the public may already have a higher level of understanding. In this study the WSJ and to a lesser degree the FT began to incorporate more reflective reports within the first 12 months while the Nikkei only began to do so after 10 years. This difference in timing may be partly attributable to the fact that by the onset of the US Subprime mortgage in 2008, Japan's malaise was closing on its second decade. In other words, given that crisis in major developed economies (e.g. Japan) had figured in the media for some time, the US and European readership would already have had some understanding of what a crisis is. However, the starkness of the timing difference between the Nikkei and the FT and WSJ and that each of the crises is quite different suggests that something else is at play.

This reflective genre of narration is the second form. Comparatively, such a very delayed appearance of this genre suggests either a journalist's personal reticence or the adherence to a strict editorial dictate, or both. However, more importantly is the discourse itself. In the case of the FT, reporting soon extended beyond specific economic analysis to take on broader issues. Within months editorials began raising questions that led readers to contemplate the very fabric that holds the EU together. Indeed, using the occasion of US Secretary of State Hillary Clinton's speech in March 2009 at Brussels provided opportunity to thrust deep into the heart of the matter, namely to question the willingness of EU leaders (and those they represent) to sacrifice self at the alter of higher ideals.

When Hillary Clinton visited the European parliament in Brussels two weeks ago, she praised Europe's post 1945 political and economic integration as a 'miracle'. The US Secretary of state was too polite to point out that the global financial crisis and economic recession are

jeopardising some of that continent's greatest achievements of the past six-and-a-half decades. More diplomatically still, she avoided putting the question that many Europeans themselves are asking: are governments and the European Union capable of winning this battle?' (Financial Times, March 19, 2009)

Later, this fear, now expressed as a crisis, is explicitly recognized as more than a strict matter of the economy.

The situation in Europe has developed from a financial and banking crisis to a sovereign debt crisis, and from there to an institutional crisis, as the European Union's collective inability to make effective decisions becomes an ever larger part of the problem. (Financial Times, July 15, 2011)

In the case of the WSJ, we also soon find editorial analysis reaching beyond strict economic lines. However, where the FT was restrained in its use of emotive language, the WSJ showed less concern. Also, there was a very clear tendency in the WSJ to report on the conditions of the man on the street. In so doing, the crisis took on a much more human quality. Importantly, by using the words of the common man who both expressed anger and contrition drew home the message that this crisis had much to say about US society. To be sure, Wall Street financiers and government were fingered but by putting a human face to what could have been rendered in terms of technical economic jargon begged answers to questions of identity and morality.

By and large, the lenders were no less irresponsible than the borrowers who aspired to live a bigger life than they could afford. But all of the strange creatures of subprime – the overpaid loan officers, bloated budgets, lavish Las Vegas “planning meetings” and the like – were nurtured by consumers who believed that incurring massive debt was the secret to becoming a rich landholder (or boat owner). (Wall Street Journal, Feb 11, 2008)

Jim Saffold traded up to this groomed hillside neighborhood from a nearby subdivision in 2004. He bought a house from a speculator and refinanced through his wife's hairdresser-turned-mortgage-broker. ... But falling home values nixed that plan....

It's not that we don't want to pay. It's that we can't pay," Mr. Saffold says. "I've kicked myself so many times. (Wall Street Journal, Feb 27, 2015)

Turning to the Nikkei, in the year 2000, on the occasion of the passing of Japan's first decade of economic downturn, the NHK aired a documentary entitled "Questioning the Lost Decade" (失われた10年を問う). Following on its heels, the Nikkei printed an article entitled "The Sin of the Lost Decade Argument". The article begins by acknowledging that the term Lost Decade is widely used and at this juncture gave reason for serious reflection. Not only had the economy been adrift for the past 10 years but also that politically and socially there were ample signs of problems. In other words, what had originally been presented by the Nikkei (and the media in general) as a problem limited to the economy had now come to be recognized as a multifaceted issue. When the first interpretation gave way to the second is not discussed but, though implicit, this raises the issue that if the passing of the first decade of Japan's crisis had not be marked by such a documentary, how long would have the Nikkei waited before acknowledging that the crisis is more than a technical economic-cum-political matter. That is to say, it is hard to imagine that it was only in late 2000 that Nikkei journalists first recognized the multifaceted nature of the issue.

Perhaps even more revealing is the thrust of the argument itself. The article follows by agreeing with the documentary's point that the central issue revolves around how one interprets the origin of the Lost Decade, which would be a futile witch-hunt. From this point, the article embarks on a retrospective examination concluding that there is a lack of reflection on the decades that preceded the onset of the crisis:

However, even though at the end of the 1980s there continued to be attempts to implement fundamental change [that would have prevented the onset of the crisis], financial institutions that did not have sufficient asset management knowledge and were not capable of saving new businesses took out excessive loans backed by real estate collateral. The result of this was the very regrettable asset bubble. (Nikkei, August 6, 2000)

Lamenting the failure of reform attempts prior to the bursting of the real estate bubble in 1990, the author concludes on the following note:

Within the limits of the above-mentioned reasons for the delayed reform of the financial system, there is scant reflection on the policy makers and financial institutions. Without due reflect, reform will not happen. (Nikkei, August 6, 2000)

The author thereby explicitly acknowledges the need for reflection, agrees with the NHK's position that the Lost Decade is more than a matter of economics and yet does not explore the issue. Moreover, to the degree that the article does 'reflect', it does retrospectively. In other words, rather than squarely tackling the issue of the multifaceted nature of Japan's problem, the author deftly sidesteps the issue by looking backward.

In short, our empirical analysis shows that financial newspapers engage with their narrative role in different ways. While the playing out of the crisis discourse that transpires on their printed or electronic page creates the intersubjective understanding of what the crisis is, newspapers also have agency to decide whether they wish to engage in the second genre of narration and if so how.

Discussion

Central to this paper is the proposition that fundamental change is a cognitive matter. To be sure, reform may change behavior but that, in turn, begs the question of whether it is an act of conformity or a result of a new way of thinking. During the crises in question, the US, EU and Japan have all implemented new laws that, ostensibly at least, alter behavior in the market. Although it is too early to discern the trajectory of recovery for the US and the EU, it is clear in the case of Japan that the crisis drags on. This persistence argues that simply changing the rules will not cut the mustard. The matter is of a deeper nature and one that extends beyond the realm of the economy, in the strict sense of the term.

Society is a construct from which markets spring (Polyani, 2001; Weber, 1978). As such, markets are embedded therein and, by extension, transactions manifest, repeat and reinforce the social nature of those engaged in commerce. As economic behaviorists inform us, barter – one of the most basic market activities – is not just a monetary exchange. Both parties form – albeit fleeting – a cognitive relationship whereby individual norms of fairness are affirmed or challenged. In the case of the latter, at least one of the two parties leave the exchange aggrieved and may feel the need to reevaluate his or her views on what is fair when bartering. Where affirmed, consciously or not, values are reinforced.

The essence of this vignette is repeated countless times each day from the most simple to the most complicated transactions in any market. What is considered fair varies across markets but human intercourse and its role in the reconstitution of societal bonds remains. The logical extension of the above scenario of the single unfair transaction if repeated throughout the market place is that commerce stops and social unity disappears. To wit, economic exchange plays an essential role in reinforcing the bonds between people that hold a society together as a more or less cohesive entity.

As argued, financial newspapers play a crucial role in narrating a crisis. To be sure, they are only one component of the larger media construct. In this sense, the FT, WSJ and Nikkei have limited direct connection with the common man and, in turn, shaping society. Their readership to a large degree is businessmen. That

said, business in all the countries in question have important links with government and influence political decision making. Thus, a financial newspaper's narration is particularly important for this influential sector of society. Accepting this limitation, the role of narration is to lead a readership along the path of fundamental cognitive change remains crucial. Expressed in Northian terms, if changing the formal rules of the game fail to have the desired effect, it suggests that policy makers – and society at large – need to reflect on how they think about reform and what this means for the success of the implementation.

Ideology as outlined by Blyth is a single entity that provides the framework through which we determine what our interests are and our courses of action. Human behavior is, as cognitive behavior theory reminds us, a more complicated matter. Judith Beck (2001) presents a three level schematic of 'automatic thought', 'intermediate beliefs' and 'core beliefs'. The mental activity of the first is, as the term suggests, one that happens without conscious deliberation. Thoughts appear in our minds as we read this text and are not the result of 'deliberation or reasoning' (Beck 31). Though fleeting, nonetheless they may subsequently lead to action or emotions whose origins we may not be fully aware. Their deeper origin, Beck argues, comes from one's beliefs. They are often formed when we are young and embedded. Although grasping our 'core beliefs' is often difficult, they critically shape thinking and behavior at the subsequent levels. Also, given their rooted nature, they are the hardest to change. Between these and automated thoughts, resides 'intermediate beliefs. They directly pertain to rules, attitudes and assumptions that govern our actions which are often unarticulated yet important in shaping our behavior.

What is germane here is that fundamental ideological change is a deliberative process. That which shapes our behavior, assumptions of what is right and wrong and our interests springs from embedded beliefs which, although not immutable require concerted effort to change. In terms of the narration of a crisis and the role of financial newspapers in leading its readership beyond basic levels of information dissemination and even cogent analysis it requires the

willingness to see an economy as something beyond the narrowly defined parameters of neo-classical economics. Japan's Lost Decades is well into its third decade and as a 'crisis story teller', influential newspapers such as the Nikkei must be more than just the medium through which information is disseminated but consciously and deliberately use their agency. This is not to argue that Japan or for that matter any country needs to undergo fundamental change to address crisis. However, a nation-state should make these choices as a function of reflection and deliberation.

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