

Happiness in Post-WWII Japan:

A Temporal Analysis of Japanese Public's Happiness and Economic Policy

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1. Introduction

Political scientists have argued that economic growth directly affects public happiness. The benefits of economic growth would increase happiness and the absence of those benefits would lead to the reverse. The case of Japan seems to challenge this alleged truism. From the early 1950s to late 1980s, Japan experienced significant economic growth; a period commonly referred to as the “postwar economy miracle.” However, from the asset price bubble collapse to the present, Japan has suffered from chronic economic recession, antiquatedly called the “Lost Decade.” One would expect happiness to be high during the post-war economic miracle and low during the “lost decade.” Happiness indexes do not support these conclusions as happiness levels remained steady throughout these periods. This suggests that Japanese happiness is not directly correlated with economic growth. In this paper, I argue societal variables not influenced by the economy are a better metric for determining happiness levels in Japan. I examine the social safety net and work culture to elucidate the complex factors that impact Japanese happiness. Moreover, this paper analyzes whether these factors are also applicable to other countries. These findings suggest that liberalization and lived experiences have important impacts on happiness, which cannot be explained by economic growth alone. In many cases the improvement of these factors occurs at the same time economic growth, but Japan proves that economic growth does not entail the improvement of lived experiences and liberalization.

This paper is organized as follows: First, I examine the academic literature and elucidate on what factors contribute to societal happiness; Second, I explore the reasons why economic growth is often correlated with happiness, looking at employment and income; Third, I examine the case of Japan, which is contrary to the academic literature. Specifically, I utilize economic indicators commonly associated with happiness and determine their applicability to Japan.

Moreover, I provide an alternative hypothesis to why happiness has remained stable in Japan; and last, I provide lessons learned from the case of Japan and how these lessons can be applied to other countries that follow similar growth patterns to Japan.

2. The Theory of Economic Growth and Happiness

Happiness is often hard to define and conflated with other concepts. In common usage, happiness is defined as the lack of negative emotions like anxiety, anger, and sadness. However, it is difficult to measure happiness because culture affects how the public defines it. Furthermore, because happiness is subjective and cannot easily be put on a scale, it is difficult to quantitatively measure it. In most polling data about happiness, participants are asked such as “How satisfied are you with the life you lead?”¹ Therefore, for the purposes of this paper, happiness generally means life satisfaction. This definition is appropriate for this study because its broadness allows for an examination of many factors that comprise economic growth.

The complexity of measuring happiness comes from the many factors that affect happiness, such as work culture, sense of agency, and security.² Moreover, the definition of happiness is also region dependent. In North America, happiness is associated with feelings of personal achievement, while in East Asia happiness is often associated with interpersonal connectedness and social harmony.³ Accordingly, the problem of contextualizing happiness arises from this disparity. Later, I will discuss how the current literature does not utilize culturally relevant definitions of happiness in discussing economic growth and Japan.

¹ R. Veenhoven, 2017. *Happiness in Japan (JP)*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands.

² Frey, Bruno S. and Alois Stutzer. 2001. *Happiness and Economics*, Princeton University Press.

³ Uchida, Yukiko. 2011. “Happiness in Japanese culture: Psychological and social requirements for reconstruction in Japan.” *Planning Administration*, 34, 21-26.

Economic growth is often linked to higher levels of happiness. The idea is that generally high economic growth leads to higher life expectancy, better living conditions, higher wages, and stable employment, factors that contribute to life satisfaction and personal agency.⁴ Because better economic conditions allow for more personal agency, many assume that happiness will come with economic growth. This theory's strength and weakness derive from its intuitiveness, but in its simplicity, it contains many generalizations and broad definitions that allow for contradictory cases. For example, the theory incorporates income, but does not differentiate between relative income and overall income. This lack of differentiate makes it difficult to determine if happiness is relative to individuals. Another objection stems from Tibor Scitovsky's work. Scitovsky disagrees with this theory because he argues that happiness cannot be bought, or in other words, happiness may be completely delinked from economic conditions.⁵ These objections will be explored late in this paper.

According to Maslow's Hierarchy of Needs, before people can engage in higher level activities such as social belonging or self-esteem, one first needs to have safety and physiological needs met.⁶ Income is believed to affect happiness because of the assumption that the more wealth someone has, the more they are able to pursue their own interests beyond basic necessities such as food and shelter.⁷ Historical cases suggest that this is true. In times when a civilization is flourishing, the people are more able to pursue creative and artistic pursuits that they would not be able to if they had to focus on farming every day. In addition, higher income often brings economic security, which is also connected to happiness. If one feels secure in their

⁴ Frey, Bruno S. and Alois Stutzer.

⁵ Scitovsky, Tibor. 1976. *The Joyless Economy*. Oxford Univeristy Press.

⁶ Maslow, A. H. 1943. "A Theory of Human Motivation." *Psychological Review*.

⁷ Ibid.

future because they have enough wealth, then they are generally considered happier than those who must constantly work and live with economic uncertainty.

Yet, data shows that once a certain threshold for income has been met, higher income does not make much of a difference in happiness.⁸ Furthermore, research shows rather than raising everyone's income, what is more important for happiness is one's relative income. If everyone's income has been raised at the same rate, then many will feel as if they are not relatively better off than before. Because many people compare their happiness to others in order to determine whether they are happy, it would not make much of a difference if everyone's income has been increased.⁹ Therefore, higher income generally does not necessarily indicate more happiness.

The second factor that seems to be closely connected to happiness is employment. Without a job, people would not be able to feed themselves or have the agency to do what they desire because they do not have the luxury to explore hobbies. Economic growth generally not only indicates that more jobs are being created, but higher quality, less labor-intensive jobs are being created as well. Because these jobs would have less of an effect on one's health and well-being, they are considered to be positively correlated with happiness.

However, a factor within employment that is important to consider is work culture and satisfaction. One may have a stable, white-collar job, but if the work culture is too demanding and intrusive on one's personal life, then one could be much less happy than if they had a blue-collar, labor-intensive job, that allows for better work-life balance.

Similar to the conception of happiness itself, work culture is country-specific, and these cultural differences are important to consider in any discussion of happiness and economic

⁸ Frey, Bruno S. and Alois Stutzer.

⁹ Ibid.

growth. In France, people work less hours, have longer lunch breaks, and overtime is less common than other OECD states. Japan is particularly notable for its overtime hours where 21.8% of Japanese work fifty or more hours a week;¹⁰ in France, 7.8% of people work fifty hours or more a week.

What the literature suggests is that a purely quantitative view of economic growth and happiness is insufficient. Economic growth may be a necessary, but not sufficient condition for happiness. In other words, it is the *quality* of growth that determines happiness level. This paper will explore the context and qualitative factors in Japanese happiness levels.

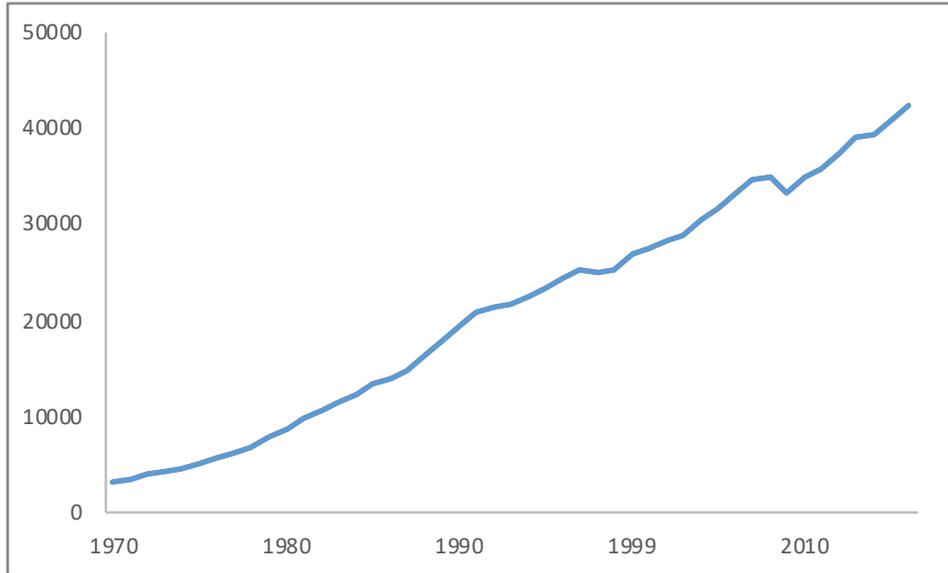
3. The Case of Japan

Since the end of World War II, Japan has experienced vastly different economic periods. Immediately after the end of WWII, Japan experienced its post-war economic miracle, averaging an annual growth rate of 8% from 1952 to 1972.¹¹ Figure 1 illustrates the steep growth (GDP per capita) from 1970 to 1989. At 1989, the slope of GDP per capita starts to level off, and even dips at 2008 during the global financial crisis. After the financial crisis, GDP continued to grow at a steady pace.

¹⁰ OECD (2017), *How's Life? 2017: Measuring Well-being*, OECD Publishing, Paris.

¹¹ Bailey, David. "FDI in Japan: An Open Door or a Legacy of Non-Institutional Barriers." 4 J. World Investment 315 (2003).

Fig. 1: Economic growth in Japan: GDP per capita from 1970 to 2016.



Source: The Organization of Economic Co-operation and Development

Factors that led to this high growth rate include high savings and investment from the public. Japan promoted exports and discouraged imports by devaluing its currency. However, as Japan became more of a world player economically, other countries pressured Japan to stop distorting the value of its currency. This led to the Plaza Accord in 1985. In the next year, the yen doubled in value.¹² In order to slow down the appreciation of the yen, the central bank of Japan reduced interest rates to 0%. This led to the asset price bubble because people could borrow money with no costs. The collapse of the asset price bubble in 1989 led to the recession in Japan, known as the “Lost Decade.”

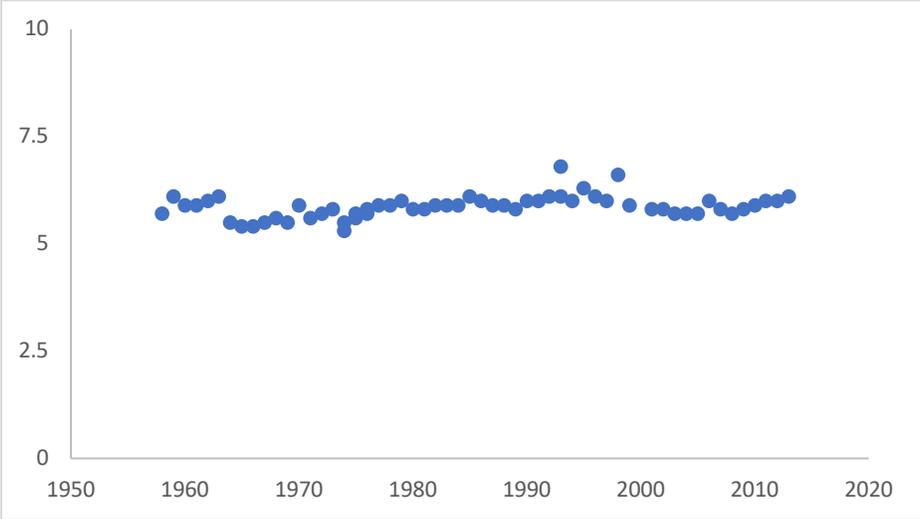
During the “Lost Decade,” Japan underwent many changes in its workforce and economic policies to help the economy recover. Many businesses replaced their labor force with

¹² Ibid.

temporary workers, who would receive less benefits than the full-time workers.¹³ Recently, Japan has improved its economic growth through Prime Minister Shinzo Abe’s “Abemonics” economic policies. Abe has approached growth with a three-pronged policy: quantitative easing, fiscal spending, and deregulation.¹⁴ This has led to the longest period of growth Japan has experienced since before the burst of the asset bubble in 1989.¹⁵ Only recently in the 2010’s has Japan begun to grow again at a slow, unsteady pace.

Japan has experienced periods of both high economic growth and recession. If the theory of economic growth and happiness holds true, then Japan should be experiencing high rates of happiness during its period of growth, and low rates of happiness during the recession. Yet, the World Database of Happiness indicates that Japan’s average happiness has steadily been at around 6 out of 10 since the late 1950s, with a few outlier years showing higher average happiness.

Fig. 2: Average Happiness in Japan from 1958 to 2013.



Source: World Database of Happiness

¹³ Tabushi, Hiroko. 2009. “When Consumers Cut Back: An Object Lesson from Japan.”
¹⁴ “Daniel Okimoto on Japan’s Recent Economic Growth.” 2017. *Asia Experts Forum*.
¹⁵ Soble, Jonathon. 2017. “Japan extends economic growth streak.” *New York Times*.

The robustness of Japan's happiness has presented a puzzle to economists, many trying to decipher why Japan seems to defy the theory presented. This paper will focus on the application of the economic assumption that growth leads to greater happiness, and how political science can explain the puzzle of Japan.

3.1 Economic Factors and Happiness in Japan

I will now look at four economic indicators, what effects they are predicted to have on happiness, and what effects they actually have on happiness. The four economic indicators I will discuss are the unemployment rate, income growth, the consumer confidence index, and the savings rate.

Unemployment has fluctuated in Japan, but it has remained relatively low despite the fluctuations. The unemployment rate in Japan has fluctuated greatly, from close to 1.0% in the 1960s, to above 5% in the 2000s,¹⁶ yet happiness remained constant at around 5.6.¹⁷ This may be because happiness is considered relationally. Thus, even when unemployment is higher, people who are employed may rate their happiness higher than before. This is because they believe they are doing better compared to others who are unemployed. A similar phenomenon occurred after the Fukushima disaster. Although there was a nuclear meltdown in Japan in 2011, overall happiness rose from 6.0 to 6.1. This did not mean that people were happier because of the nuclear meltdown, but that people appreciated their lives more because of the great suffering caused by it.¹⁸ This also demonstrates the importance of culturally-sensitive definitions of

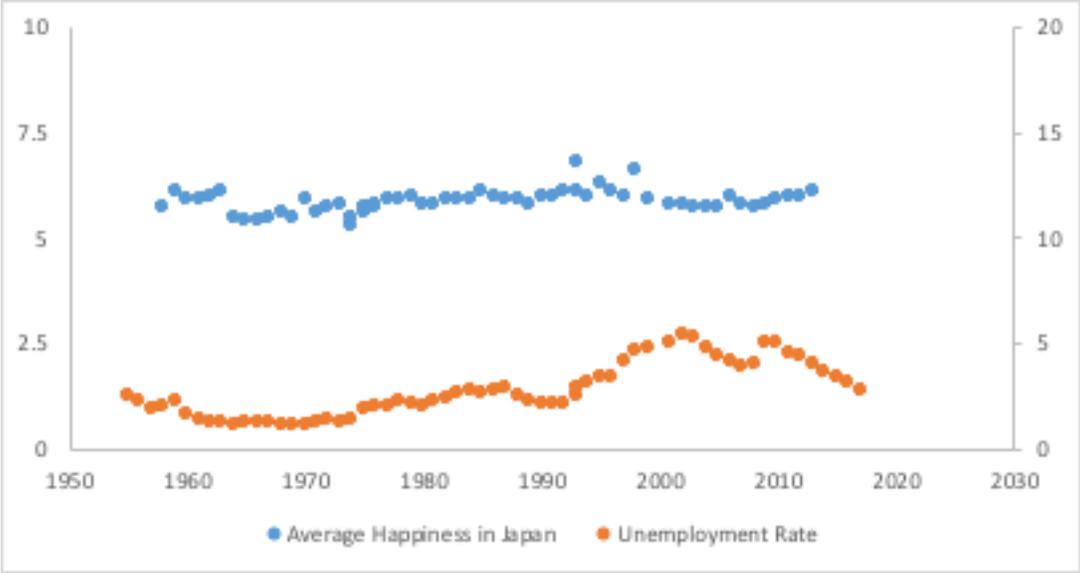
¹⁶ OECD. 2017. "Japan." OECD Publishing, Paris.

¹⁷ R. Veenhoven.

¹⁸ Warnock, Eleanor. 2012. "Did the 2011 Disaster make Japan Happier?" *The Wall Street Journal*.

happiness. Rather than only asking generally how someone views their life as the World Database of Happiness does for its surveys, it would be helpful to also look at the different factors Japanese people consider when it comes to happiness.

Fig. 3: Happiness in Japan (1958-2013) compared to Unemployment Rate in Japan (1956-2017).



Source: World Database of Happiness, The Organization for Economic Co-operation and Development.

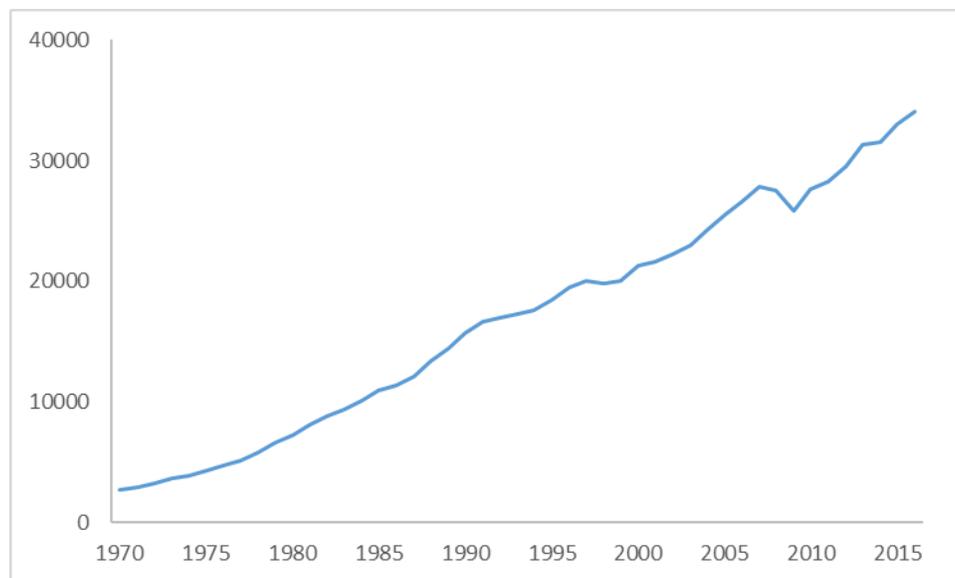
Figure 3 shows how the unemployment rate and average happiness in Japan are related. It seems that they are related in some instances. For example, when the unemployment rate in decreases around 2010, happiness also seems to rise. But there are periods when happiness and unemployment rate are not correlated. When unemployment decreases around 2005, happiness seems to remain the same. This may be because unemployment is decreasing because companies begin to hire more part-time workers with less benefits than full-time employees with more

benefits. In 2017, 24.3% of the workforce was made up of part-time workers with low benefits.¹⁹

This difference between average happiness and unemployment implies that happiness may be more closely linked to benefits and a social security net rather than unemployment itself.

Next, I will discuss the effect of income on average happiness. Figure 4 shows the growth of net national income over time. In 1970, net national income was 2695 in U.S. dollars per capita (2016 rate). By 2016, net national income had increased by 13 times.²⁰ Yet, these increases in income do not seem related to average happiness. This may be because after a certain point, income no longer increases happiness. Once you have your basic needs met, there are only so many more things you could buy, and the material goods may not even lead to happiness. Income has a decreasing marginal utility and increasing incomes would not necessarily coincide with increasing happiness.

Fig. 4: Net National Income from 1970 to 2016.



Source: The Organization of Economic Co-operation and Development.

¹⁹ Statistics Bureau of Japan. 2017. "Labor force Survey." *Statistics Bureau, Ministry of Internal Affairs and Communications*.

²⁰ OECD (2017). Japan.

Because happiness is considered relationally, whether income is on average higher would not make much of a difference for happiness once needs are met. Relative income is more important for happiness. Recently, income inequality in Japan has been increasing, affecting social mobility and education within the country. It becomes difficult to tell what effect inequality has on happiness because some people are doing relatively better while others are doing relatively worse.

Another factor to consider within the category of income is economic security and confidence in the future of the nation. However, this becomes complicated in the case of Japan. Japan has a high savings rate, which indicates higher economic security for the citizens.²¹ Furthermore, consumer confidence statistics show that trust of the Japanese public in future prospects fluctuate often.²² This fluctuation may indicate why the Japanese public has high savings rates. If they are unable to trust the government or the future, it may give them more security and agency to save more of their income. Although it seems that the savings rate and consumer confidence should have an indirect relationship, figures 4 and 5 reveal that they actually have peaks and dips at the same time. However, over time the savings rate has gradually decreased, while consumer confidence seems to rebound back to around 100. The reason the savings rate and consumer confidence seem to be positively correlated may be because when someone has more confidence in the economy, they are more likely to save and therefore invest. When they have low confidence in the economy, they are less likely to invest.

²¹ Ibid.

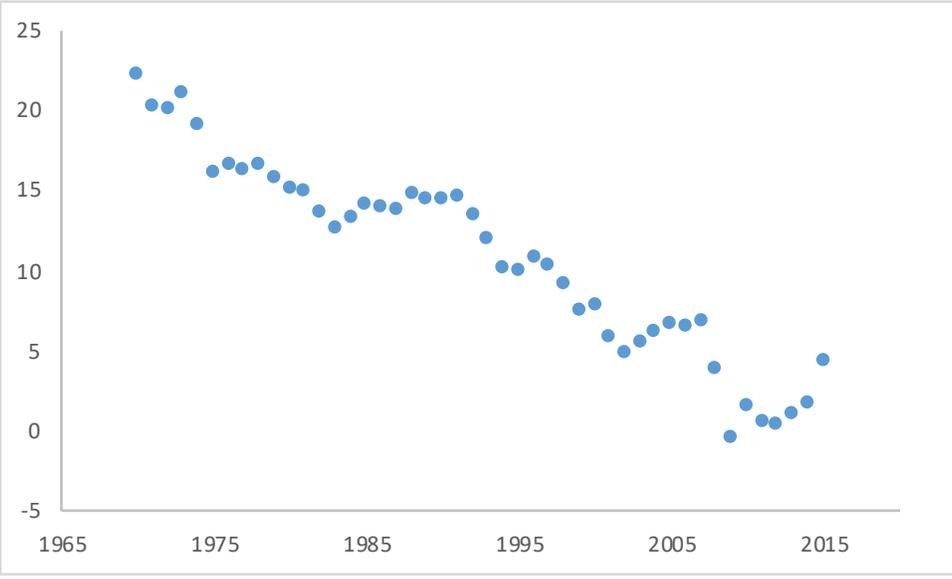
²² Ibid.

Fig. 5: Consumer Confidence Index in Japan from April 1982 to February 2018.



Source: The Organization of Economic Co-operation and Development.

Fig. 6: Savings rate of Japan from 1970 to 2015.



Source: The Organization of Economic Co-operation and Development.

Although the savings rate is steadily decreasing over time, this does not seem to affect happiness. If the savings rate is an indicator that the public does not trust in the economic future of the country, then a lower savings rate should mean lower happiness. In the case of Japan, this may not be the case. In order to deal with the stagnant economy, Japan reduced interest rates to close to 0%. This means that there is not much incentive for people to save their income. Therefore, people would naturally save their income less over time. We see that the savings rate really starts to decline around the early 1990s, which is the same time interest rates fall to 0%. Therefore, instead of indicating trust in the economic future of Japan, the low savings rate seems to reflect the growth strategy of the state.

For the most part, it is unclear whether the general conceptions of how economic growth affects happiness holds up in the case of Japan. One reason for this seems to be that the theory is based off assumptions of economic growth that do not necessarily apply. For example, it assumes that as economic growth increases, and unemployment decreases that work culture does not degrade. In fact, work satisfaction may be sacrificed for more economic growth, meaning that happiness and economic growth would more likely be negatively correlated. Japanese in particular suffers from grueling work schedules that have led to societal problems such as *karoshi*, or death from work.

The main problem with the theory of economic growth and happiness is that it assumes that the public takes into account vague economic concepts when considering their own happiness. Instead, what has more of an influence on their happiness is their lived experience. This means that rather than GDP and the unemployment rate, relative wealth and work satisfaction has more of an effect on happiness. Further, the relativity of happiness makes it difficult to determine whether an event has affected happiness, similar to what happened after the

Fukushima disaster. In addition, as discussed at earlier, Japan may have sacrificed in other areas pertaining to happiness in exchange for higher economic growth, such as work satisfaction. The next section will explore these factors more in depth.

4. Possible Explanatory Variables of Happiness

This next section will explore my alternative hypothesis for why economic growth has not led to increased happiness. I argue that happiness seems to be correlated with economic growth in some countries and not others because there is a difference in the quality of economic growth. The quality of economic growth in Japan has been high for the most part. But, there are some key factors that still have much room for improvement.

The main point of this section is to illustrate that economic growth itself does not necessarily lead to growth in happiness. The cases show that there can be economic growth that does not necessarily lead to increases in happiness because there is not an expansion of rights, and there can be cases of economic growth that do lead to more happiness. What I suggest differentiates these cases is whether an individual experiences important liberalization and have a robust social safety net. If a state has a robust social safety net, then citizens can feel more secure in their future despite how the economy is. This is not to say that the public would not at all be interested in the economy, but that the direct effect of the economy on happiness would be much lower than that of a state with a less robust social safety net. The next section will explore how Japan specifically fits into this hypothesis.

First, I will compare the quality of economic growth of the United States to Japan. I will show that in both cases, there are important societal factors that are influencing happiness more

than economic growth would. Then, I will look at Japan and two social factors that are important for happiness: the social safety net and work culture.

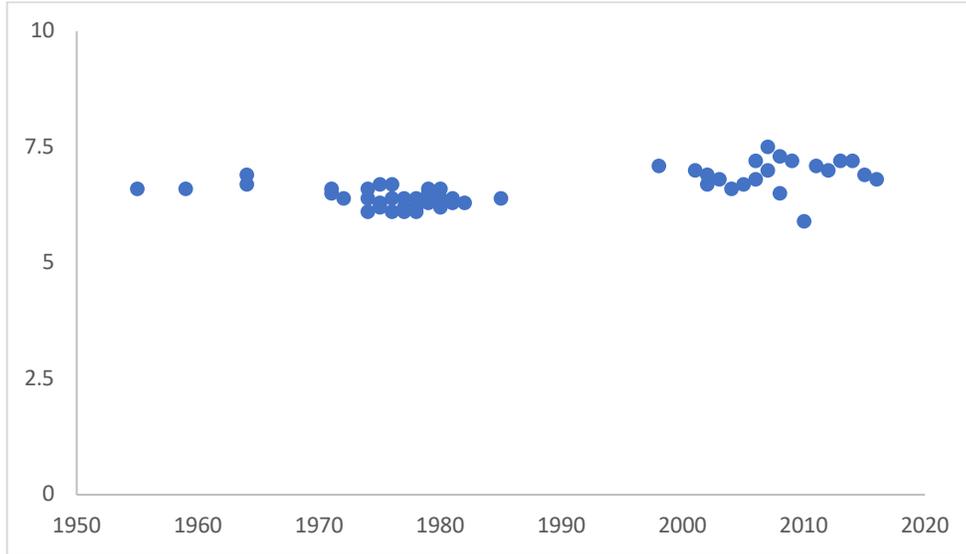
Economic theory says that economic growth will lead to greater happiness because of the benefits associated with growth. With growth often comes lower unemployment rates and higher wages. This is thought to improve the lived experience of the public as more are employed and they can afford better goods. However, these assumptions are based on the growth patterns of Western economies, such as the United States and the United Kingdom. These growth patterns cannot necessarily be expected of countries that are trying to catch-up with the first-wave developed countries. As we look into why economic growth seems to lead to more happiness in the United States and the United Kingdom, we see that it is mainly driven by political rather than economic factors.

The data on the United States shows that happiness has gradually grown since the 1950s. Although there are some lows, happiness on average has grown. In the following graph, this may not be obvious because different studies at the time produced different results. However, on average happiness in the United States is at 7.3 now compared to 6.6 in the 1950s.²³ GDP during this period grew on average at a rate of around 3.5% per year.²⁴ Because both these factors grew gradually over time, it is easy to conclude that happiness has been a byproduct of economic growth. However, this would be conflating economic growth with its associated effects. I will now talk about the effects associated with economic growth, and how they were achieved in the United States. This explanation will illustrate how these effects are not necessarily associated with economic growth even in the case of the United States.

²³ R. Veehoven. 2017. *Happiness in the United States of America (US)*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands.

²⁴ OECD. 2017. "United States." OECD Publishing, Paris.

Fig. 7: Average Happiness in the United States from 1955 to 2016.



Source: World Database of Happiness.

The United States began with the structures of a liberal democracy. However, many groups within the U.S. were disenfranchised and had little political power. Although the voting population began restricted to white property-owning males, over time the voting population grew to include women and people of color. There seems to be a decrease in happiness around the time of the Civil Rights movement, but this may be because people are more aware of deep-rooted problems in the country. This would therefore lead them to believe that their lives are not as happy because they are more aware of such problems. Once the Civil Rights movement was over, there was a perception that race relations within the United States was getting better. This belief that the country has now moved past its difficult racial tensions led to beliefs that life was better. This expansion of rights affects perception of control of one's life. As freedom is a core value in the United States, perceptions of control over one's life is important and can greatly affect happiness.

Another expansion that occurred during this time was that of welfare in the U.S. The data on happiness is clustered around two different time periods which were different eras of welfare. Attempts to create a welfare program first began with President Roosevelt in 1933 during the Great Depression. This was done in order to help relieve people of the economic consequence of the time.²⁵ Over time, the scope of welfare in the United States has greatly fluctuated. In the mid-1960s, happiness increased. Around this time President Johnson launched his War on Poverty and the Great Society. Happiness decreased again around the 1970s and 1980s, when President Nixon and President Reagan began to dismantle President Johnson's Great Society.²⁶ Happiness spiked again around 2008, around the same time President Obama is elected and passed the Affordable Care Act through Congress.

In contrast, Japan did not have such a large expansion of rights because groups had relatively more rights in Japan than in the U.S. Freedom House gave Japan a score of 96 out of 100 based on freedom.²⁷ Gender inequity remains a large problem in Japan, with the existence of pink collar jobs meant for women to work before they marry, and social pressures keeping women as housewives. In terms of rights, women in Japan technically have equal rights as men, but there are still efforts to reduce societal norms against women.²⁸ In terms of welfare, Japan provides a large amount of social services for its citizens, which may be mitigating the effects of the fluctuating economy. In this next section, I will elaborate more on what is meant by the social safety net of Japan, and how it affects happiness.

²⁵ Schlesinger Jr., Arthur M. 1958. *The Coming of the New Deal: 1933, 1935, The Age of Roosevelt*. Houghton Mifflin Company.

²⁶ Bailey, Martha J. and Nicolas J. Duquette. 2014. "How Johnson Fought the War on Poverty: The Economics and Politics of Funding at the Office of Economic Opportunity" *The Journal of Economic History*. Vol 74, 2.

²⁷ Freedom House. 2018. "Freedom in the World 2018: Japan." Freedom House.

²⁸ Nemoto, Kumiko. *Too Few Women at the Top: The Persistence of Inequality in Japan*, Cornell University Press. 2016.

4.1 Work Culture

Work culture is directly related to happiness because work takes up a good portion of a person's life. People will often spend at least a third of a day on weekends at work, and work culture affects that experience for them. If work culture promotes unhealthy behavior, then this will shape an individual's lived experience.

Japan has an extremely high work ethic that borders on extreme. In 2017, the OECD reported that 21.8% of workers in Japan work more than 50 hours or more on average per week.²⁹ The term *karoshi* was coined in the early 1980s to describe a phenomenon in which people die from overwork.³⁰ The term *karojisatsu* describes suicide by overwork, often because workers become depressed from stress associated with their work.³¹ These phenomena along with data on working hours in Japan paint a bleak picture of work culture in Japan.

The first case of *karoshi* occurred in 1969. For several decades, deaths by *karoshi* were associated with other causes. In the early 1980s, the term *karoshi* was coined to explain the phenomenon, and links between overwork and sudden death were created. Some reasons for *karoshi* seem to stem from the high economic growth of Japan. It has been argued that the high economic growth promoted unhealthy behaviors, and long working hours are idealized.³² This has led to unsustainable work-life balances for many,³³ and despite government policies to prevent *karoshi*, large improvements have yet to be seen.

The lack of improvement of work culture in Japan, and the promotion of unhealthy work behaviors may explain why economic growth does not lead to greater happiness. Unions are not

²⁹ OECD. 2017. Japan.

³⁰ Kanai, Atsuko. 2009. "'Karoshi (Work to Death)' in Japan." *Journal of Business Ethics*. 84.

³¹ Hiyama, Toru and M. Yoshihara. 2008. "New occupational threats to Japanese physicians: *karoshi* (death due to overwork) and *karojisatsu* (suicide due to overwork)." *Occupational and Environmental Medicine*. Vol 65, 6.

³² Nishiyama, Katsuo and Jeffrey V. Johnson. 1997. "Karoshi-Death from overwork: Occupational health consequences of the Japanese production management." *International Journal of Health Services*.

³³ Kanai. 2009.

a large political force, and the Japanese production model continues to idealize the 24-hours per day worker in order to keep productivity high.³⁴ If work culture remains unhealthy during times of economic growth, then average happiness would be unlikely to rise.

A puzzle that remains to be addressed is if work culture explains why average happiness does not rise with economic growth, then why does it not lead to lower happiness during recessions. In order to maintain growth, it seems that workers would be encouraged to work even longer hours, leading to less happiness. However, it seems that these policies of long working-hours are primarily targeted toward full-time employees.³⁵ Because during the recession, more people were hired as part-time worker, the number of people who would have to work longer hours would be less. Therefore, the effect on happiness would not be as great as it would have been if the workforce composition had not changed.

Although there are many reasons why the work culture of Japan degrades overall lived experiences and happiness, it is also a source of pride for the Japanese public.³⁶ The long working hours and strict conditions have contributed to its high economic growth and current global position. Because it is a sense of pride and has been a part of Japanese culture for so long, despite many measures to try to alleviate conditions, the work culture does not seem like it will change any time soon.

4.2 Social Safety Net

The social safety net generally refers to the public goods and welfare services a state provides for its citizens. I will first outline the history of the social safety net in Japan, as well as

³⁴ Nishiyama and Johnson. 1997.

³⁵ Hiyama and Yoshihara. 2008.

³⁶ Lincoln, James R. and Arne L. Kalleberg. 1990. *Culture, Control and Commitment: A Study of Work Organization and Work Attitudes in the United States and Japan*. Cambridge University Press.

look more in depth at specific welfare and public goods policies. Then, I will discuss how this safety net affects happiness of citizens, and how it can soften the impact of economic recessions.

Welfare was introduced in Japan during the Meiji Period. In the 1920s, companies began to offer their own welfare programs in the form of benefits for workers.³⁷ The government until World War II had a relatively conservative stance on welfare. Multiple crisis such as the Rice Riots, the Great Kanto Earthquake, the Great Depression, the second Sino-Japanese War, and WWII prevented the government from implementing more peacetime welfare policies.³⁸ After WWII, Japan implemented a new constitution, and one of its articles stated that “All people have the right to maintain the minimum standards of wholesome and culture living. In all spheres of life, the State shall use its endeavors for the promotion and extension of social welfare and of public health.”³⁹ This article spurred more welfare programs and public goods within Japan, promoting education, pensions, and social insurances. The welfare program in Japan was able to be enacted because of the high growth of the economy, allowing it to spend more on what some considered outside the scope of the government.⁴⁰

Education in Japan has been of high quality since the beginning of the state. Japan was heavily influenced by Confucian emphasis on the importance of education. By the end of the 19th century, education had become more available to the general populace. During the Meiji period, education policy became decentralized and more widespread, and a program of compulsory public education was implemented. After World War II, education became more standardized, such as standardizing the amount of time in elementary and secondary school.⁴¹ Japan’s

³⁷ Peng, Ito. 2000. “A Fresh Look at the Japanese Welfare State.” *Social Policy & Administration*. Vol. 34, 1.

³⁸ Aspalter, Christian. 2005. “The Welfare State in Japan and China: Development and Challenges.” In *Welfare States and the Future*. Palgrave Macmillan.

³⁹ *The Constitution of Japan*. 1947.

⁴⁰ Odaka, Konosuke. 2002. “The Evolution of Social Policy in Japan.” World Bank Institute.

⁴¹ *Ibid*.

educational system is regularly rated within the top 10 or top 5 of the world by the Programme for International Student Assessment.⁴²

Japanese citizens often have both a government pension and an employee pension. The first government pension was first introduced in 1942. By 1959, a national pension policy was introduced. This is a compulsory savings system for both Japanese citizens and foreigners. After the asset price bubble collapse in 1989, the pension system was reformed, implementing cost-saving measures such as raising the pension age from 60 to 65.⁴³ Employee pensions are used in addition to corporate pensions, and are a form of legislated welfare. The employee pension insurance was first introduced in 1944, legislating that a certain percentage of an employee's salary should be saved for their pension.⁴⁴ During economic recessions, companies attempted to reform their pension systems, but this proved to be difficult. As a result, companies ended up hiring more part-time employees who do not enjoy the same benefits as full-time employees.⁴⁵

Social insurances encompass a wide-ranging scope of insurances. They includes medical insurance, as well as unemployment insurance. Medical services were largely provided for by privately-owned clinics. However, in the 1920s, the government introduced policies promoting more medical care for its citizens. The medical insurance system was more fully implemented after WWII. Japan has a universal health care system, and all citizens are required to be insured. Many citizens obtain more health care coverage through their companies. If they do not have medical insurance through their company, then the government offsets the costs of treatments.⁴⁶

⁴² OECD. 2017. "Japan."

⁴³ Peng. 2000.

⁴⁴ Ibid.

⁴⁵ Tabushi. 2009.

⁴⁶ Odaka. 2002.

Japan's medical care is one of the factors that have led to its citizens having one of the highest life expectancies in the world.⁴⁷

Similar to many of its other social safety net programs, Japan began its unemployment protection program following WWII. Before a policy to help the jobless was introduced, the Japanese government used public works projects to temporarily create jobs for a workers.⁴⁸ In 1949, Japanese unemployment insurance was reformed so that it would be more relaxed, and the amount paid to the unemployed was similar to that of the average daily wage.⁴⁹ If one is not able to meet minimum living standards, they are provided livelihood aid, housing aid, medical aid, occupation aid, education aid, maternity aid, and funeral aid. A very small percentage of the population utilizes this social assistance. For the 2011 fiscal year, approximately 4% of the households utilized social assistance programs.⁵⁰

These programs combined make a robust social safety net for Japanese citizens to fall back on during economic hardship. Although there are some social pressures keeping people from fully utilizing the programs,⁵¹ its existence reassures citizens that they are able to have a stable future regardless of what may happen. Confidence in the future is considered an important element of happiness.⁵² In this way, the government is able to insulate the life satisfaction of its citizens from economic recessions.

Although these measures seem successful for the most part, full-time and part-time employees see vast differences in the benefits they receive. Pensions and medical insurance are

⁴⁷ OECD. 2017. "Japan."

⁴⁸ Kraemer, Hans M. 2013. "Historical Origins of a Welfare-State Regime: Unemployment Protection in Japan, 1919-1949." *Social Science Japan Journal*. Vol 16, 1.

⁴⁹ *Ibid*.

⁵⁰ "Report on Social Welfare Administration and Services FY 2011." 2011. Ministry of Health, Labour, and Welfare.

⁵¹ Kristof, Nicholas D. 1996. "Welfare as Japan Knows It: A Family Affair." *New York Times*.

⁵² Frey and Stutzer. 2001.

much better for full-time employees than they are for part-time ones. This difference in benefits may explain why unemployment and happiness are not as related after the asset price bubble collapse. Since the portion of part-time employees that make up the workforce has increased, the quality of the benefits enjoyed by people are not as high. However, the safety net still exists and basic needs of citizens are met, which may explain why happiness did not decrease during the “Lost Decade.”

4.3 Political Stagnation

The last section has given an argument for why happiness is able to stay at relatively high levels. This next section will explore political reasons why happiness may not grow further. Specifically, I discuss political stagnation and predictability as reasons why the public does not feel like they are in control of Japan.

Since 1955 until now, the Liberal Democratic Party has almost consistently been in power. The realm of politics has generally been restricted to the highly-educated upper class. The university system was a way to formalize the process of becoming a bureaucrat, and throughout history universities were more available to the upper class.⁵³

After WWII, Japan was occupied by the United States, which reformed its political system. This occupation and reformation of the political system led to the suffrage of women in 1947 and the formation of several political parties. In 1948, Japan held its first elections with the election of Yoshida Shigeru of the Liberal Party.⁵⁴ The Liberal Democratic Party took power in

⁵³ Johnson, Chalmers. 1975. “Japan: Who Governs? An Essay on Official Bureaucracy.” *The Journal of Japanese Studies*. Vol. 2, 1.

⁵⁴ McClain, James L. 2002. *Japan: A Modern History*. W. W. Norton & Company, Inc.

1955 and has consistently held power until now except from 1993-94.⁵⁵ One of the key factors of a democracy is that there is uncertainty in who will win in election. For the most part, there is no uncertainty in who the ruling party will be. One party rule is considered a sign of an authoritarian regime, and although Japan has held free and fair elections, one party remains in power. Because the LDP has almost always been in power since 1955, the Economist Intelligence Unit considers Japan to be a flawed democracy.⁵⁶

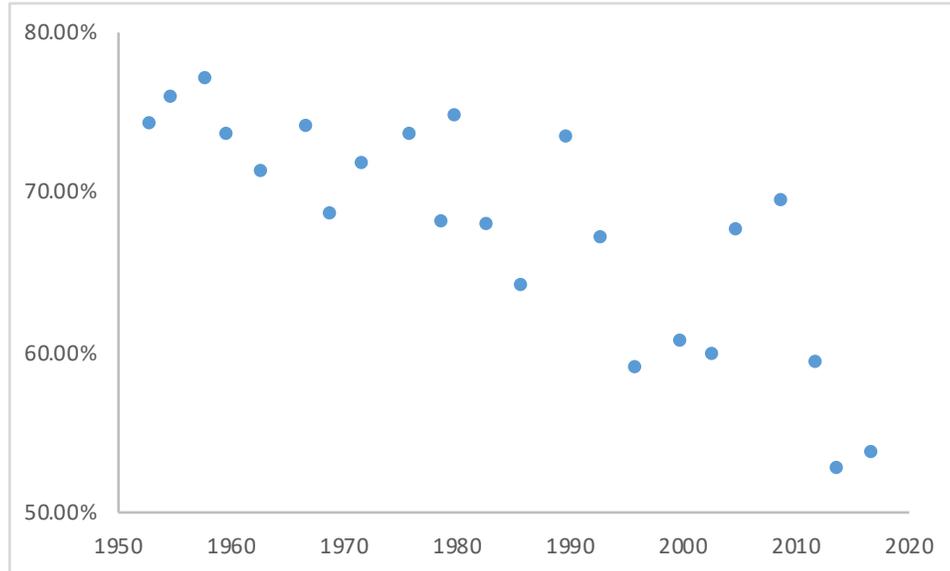
There are a few indicators to consider within political participation. The first indicator is voting turnout. Voting turnout indicates whether the public feels they can influence the state through their representatives. The second is how satisfied the public is with the political process. The final indicator is who becomes a politician. The type of people who become politicians indicates who believes they can participate in the policy making process. It also indicates who the public believes is more qualified to be a politician. Who becomes a political representative in Japan may indicate social norms that stop most of the public from entering the political sphere.

Japan is considered to have high public participation in elections. Figure 7 illustrates Japan's voter turnout for each of its general elections since 1953. From the 1950s to late 1980s, Japan had high levels of voter turnouts for the general election. After the burst of the asset bubble, voter turnout decreased significantly. Turnout spiked again in 2005 and 2009. In 2009, the LDP was displaced by the Democratic Party as the ruling party, but in 2012 the LDP gained power once again.

⁵⁵ Krauss, Ellis S. and Robert J. Pekkanen. 2011. *The Rise and Fall of Japan's LDP: Political Party Organizations as Historical Institutions*. Cornell University Press.

⁵⁶ "The Economist Intelligence Unit's Democracy Index." 2017. *The Economist*.

Fig. 8: Japan Voter Turnout from 1953 - 2017



Source: Japan Bureau of Statistics

Approval ratings for the prime minister of Japan fluctuate frequently. Data shows that there is a pattern of anticipation and disappointment with each prime minister beginning with Prime Minister Kaifu in 1989.⁵⁷ When the LDP experienced numerous scandals, and the public was dissatisfied with the economic performance at the time, the voter turnout spiked for the 2009 elections. This shows that public satisfaction with the government affects its political participation. At the time of the 2017 elections, Japan had been experiencing its longest period of economic growth since the asset price bubble collapse. The voter turnout in the 2017 elections was also the second lowest in the postwar period. This seems to suggest that when the public is more satisfied with the performance of the government, they are less likely to participate

⁵⁷ Kushida, Kenji E., Kay Shimizu, and Jean C. Oi. 2014. *Syncretism: The Politics of Economic Restructuring and System Reform in Japan*. Walter H. Shorenstein Asia-Pacific Research Center.

politically. Therefore, low voter turnout does not necessarily indicate that the public is dissatisfied. In fact, the opposite may be true.

Japan is considered to have free elections because most all citizens are able to vote. However, even if the citizens can vote, many politicians from Japan are from dynastic families. Seven out of eleven prime ministers from the past two decades have been from a dynastic family. Over the past few decades, 20% - 30% of legislators from the Lower House were from families of political dynasties.⁵⁸ Rather than legal pressures, it seems that there are societal pressures keeping much of the public from entering the political sphere. Even if people are theoretically free to enter the political sphere, it has largely been restricted to the highly-educated, upper class.⁵⁹ Japan does not really practice direct democracy even though it is an option for some local governments, and so policy-making is generally restricted to the elected representatives.

According to the book *Happiness and Economics*, perceived control is an important indicator of happiness. Whether one feels they can participate in the political process would affect whether they have perceived control over their lives. Satisfaction with the current political regime can indicate one's feelings about the political process, which in turn affects happiness. 67% of respondents in a national poll reported either hostility to the reigning cabinet or no interest whatsoever in the government.⁶⁰ Since two-thirds of the population is unhappy with the current party in office, and that party has been in office since 1955, this may indicate that a majority of the population has been unhappy with the government for several years. Yet, another party has yet to take power. This shows that although people are unhappy with the Liberal Democratic Party, they feel unable to change the government. This means that they are not truly

⁵⁸ Asako, Yasushi, Takeshi Iida, Tetsuya Matsubayashi, and Michiko Ueda. 2015. "Dynastic Politicians: Theory and Evidence from Japan." *Japanese Journal of Political Science*. Vol 16, 1.

⁵⁹ Johnson. 1975.

⁶⁰ Frey, Bruno S. and Alois Stutzer. *Happiness and Economics*.

free actors within the political process. If the public does not feel like they can actually influence the political system, then their feeling of perceived control would be lower. This would keep their happiness levels lower, despite other factors such as the social safety net.

5. Conclusion

The puzzle of Japan has illuminated that economic growth alone cannot explain a society's level of happiness and more attentions needs to be paid to type of growth and if the basic needs of citizens are met. In many countries, whether the needs of citizens are met is dependent on the economic growth of the state. This is because the social safety net of the citizens is dependent on economic growth. If a state has low growth, then welfare and public goods can seem like an unnecessary tax, leading to policies that shrink the safety net. These policies are what actually lead to decreased happiness during recessions. In contrast, during times of high economic growth, states are more able to fund welfare and public goods programs, improving the lived experiences of its citizens and improving happiness.

In the case of Japan, its social safety net has not been as affected by recessions. Although the economic downturn of the "Lost Decade" spurred efforts for reform of some programs, such as the pension system, many of the components of the social safety net stayed largely intact. The economic recession did not keep citizens from meeting their basic needs. In other words, economic growth sustains a relatively high level of happiness in Japan through a dependable social safety net, but economic growth also prevents happiness from growing any higher because of the various tradeoffs that society paid to maintain that growth.

Another lesson to take away is how the composition of the workforce can affect happiness, especially when benefits are tied to happiness. Because more part-time employees

were hired in place of full-time employees, the unemployment rate seems to have decreased. However, the benefits of the part-time employees are much worse than those of the full-time employees. This means that the happiness that should stem from more people working have having wages is mitigated because the benefits received are much lower.

The third lesson is that healthy work culture is important to maintain. In order to achieve high economic growth, work culture was sacrificed. However, this has led to many problems in Japanese work places, and workers do not seem to enjoy similar labor protections that workers in the U.S. might expect. This unhealthy work culture directly impacts the daily lives of citizens, affecting their happiness. Furthermore, sacrificing work culture for economic growth has led to a series of health problems, such as stress, anxiety, and even death. To avoid these problems, reasonable work hours and healthy work culture should be practiced and enforced.

The puzzle of Japan's happiness and economic growth has revealed factors that are crucial for happiness. The factors associated with economic growth are important for improving the overall lives of citizens, but when it comes to day-to-day life and lived experiences, the social safety net, work culture, and political stagnation should be considered carefully when assessing a country's happiness.

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