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The Koizumi Reforms

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Cover Photo

Prime Minister KOIZUMI Jun'ichiro speaking in the Diet, October 23, 2001. Compliments of the Mainichi Shimbun.

Back Cover Photo

Crowds gather in front of Shibuya Station, Tokyo, to listen an Upper House electoral candidate's campaign speech, while political party commercials are aired on the television screen in the background, July 10, 2001. Compliments of the Mainichi Shimbun.

Editorial Notes

Personal Names

All personal names are given in the customary order in the native language of the person unless otherwise requested. Hence in Japanese names, the family name is given first, e.g. KOIZUMI Jun'ichiro, and in Western names the family name is given second, e.g. Harry HOUDINI.

Romanization

Due to software limitations circumflexes are used in place of macrons, and omitted in most personal and place names.

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Time has yet to tell whether the title of this edition of *Social Science Japan* will prove to be a misnomer, and Prime Minister KOIZUMI's much vaunted reforms the latest in a series of incomplete attempts on the part of the Japanese government to catch up with the winds of change and overhaul lingering and tenacious anachronisms in the political apparatus. The articles in this edition refrain from attempting to predict the still popular Prime Minister's chances of success, focusing instead on the story so far and identifying issues facing the reformers and the government as a whole. We look at this summer's Upper House election, at leadership and policy, at the issue of reform in Japan, and at problems facing researchers of 'the Japanese anomaly.' In addition, NAKAMURA Keisuke and Anthony RAUSCH introduce their recent publications, and Paul MIDFORD writes on the topical question of remilitarization.

We hope you find this edition of *Social Science Japan* informative and interesting, and would also like to wish you a very Merry Christmas and a Happy New Year.

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The 2001 House of Councillors Election

KAWATO Sadafumi

The extraordinarily unpopular Prime Minister MORI Yoshiro was replaced earlier this year by KOIZUMI Jun'ichiro, who won the Liberal Democratic Party (LDP) presidency by means of a primary election in which party members nation-wide voted him to an overwhelming victory. Koizumi approached this summer's Upper House election advocating structural reforms that would "leave no sacred area exempt" (*seiiki naki kôzô kaikaku*). The results of the election were that of the 121 seats up for re-election, the LDP won 64, thus securing the ruling coalition's overall majority in the Upper House.

Let us first evaluate the LDP's victory by comparing it with past elections. As of this election, the number of seats up for re-election was reduced by five; however, the 64 seats the LDP won this time is roughly equivalent to 67 seats won under the former system (when there were 126 seats up for re-election), a total that does not quite match the 72 seats won under Nakasone in the same-day election (both Upper and Lower Houses) of 1986, but which matches the 67 and 68 seats won in the 1992 and 1983 elections respectively. Further, if we look at the proportion of votes obtained by proportional representation (PR) in the national constituency, this year's 38.6% shows an increase of 13.4% over the 1998 election and compares favourably with the 1986 proportion, which remains the highest to date. As for the constituencies in the prefectures, the LDP, on the defensive, limited the number of officially recognised candidates to one per district even in the multi-seat districts and ended up with 41.0% of the vote, which represents an increase of only 9.5% from the previous election. Normally, the votes won by the LDP in the prefectural constituencies outnumber those garnered through PR by several to more than ten percent; however, the increase in PR votes in this election outshone the increase in the prefectural constituency votes such that the difference between the two shrunk to a mere 2.4%.

KABASHIMA Ikuo has pointed out that in the prefectural constituencies the LDP actually lost seats (a loss of five seats as compared to a calculated optimal outcome) due to undernomination ("What has Japanese politics broken with since the arrival of Koizumi administration?" [*Koizumi seiken tōjō de Nihon seiji wa nani to ketsubetsu shita ka*] *Chûô Kôron*, October 2001). Of course, it cannot be said that nominating plural candidates would have brought about a net increase of five seats; however, an extra gain of two or three seats would have constituted a result close to the 1986 outcome, and in this sense it can be seen that the LDP's results this time were roughly



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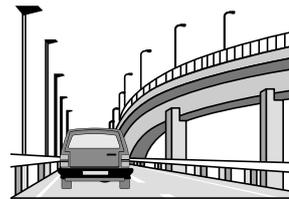
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comparable to a level that was the norm under the 1955 system.

One interesting feature of this election was the adoption of the open list system for PR, which, further to voting for their party of choice, allowed voters the option of voting, instead, directly for a candidate. Votes for candidates, as well as being included in the tally for the number of seats won by the party to which the candidate belonged, under the D'Hondt formula, were also used to decide the ranking order of candidates in the election within that party. Accordingly, as the candidates would be attempting to secure votes for themselves, there were fears of a revival of the fierce vote-grabbing campaigns such as used to occur in the former national constituency. However, in the event, the election results showed that the percentage of votes for candidates constituted 35.7% of the total of the PR vote, as roughly two-thirds of voters opted to vote for party over candidate. Except for the handful of celebrity (*tarento*) candidates and candidates with organisational support, it seems that some 200 candidates found it difficult as individuals to garner enough support from voters. Voters perhaps preferred the "cost-saving" and familiar method of voting for a political party to gathering information on different candidates in order to decide whom to vote for. Nevertheless, it seems that the candidate name vote had an effect insofar as it boosted the LDP's PR vote overall. In previous Upper House elections there has been a high correlation, averaging 0.74, between the percentages of votes gained by the LDP in the prefectural districts and in the PR vote; however, as the correlation dropped to 0.57 in this election, it is clear that the pattern of balloting was quite different this time round. Moreover, this time there was no significant correlation between the percentages of LDP candidate name votes and those of PR party name votes. Accordingly, rather than votes cast for LDP candidates representing a section of party votes turned into candidate votes, it can be surmised that the LDP's open list votes for candidates dug up some new votes for the party and that it was these that pushed up the percentage of PR votes won by the LDP.

Be that as it may, there is little doubt that it was the overall nation-wide increase in votes cast for the LDP that ensured the party's victory in this election, rather than any marginal increase brought about by election strategy. Needless to say, this was most definitely a result that reflected voters' exceedingly high support for the Koizumi Cabinet. What, then, was the substance of Koizumi's popularity? Let us attempt to answer this, taking into consideration the contemporary political context.



Firstly, the LDP has not once independently won a clear majority of seats in a national political election since 1993. Among the political parties the LDP has only come out of elections as relatively the largest party and has achieved its position as the ruling party by means of post-election movements of Diet members between parties and coalitions with other parties. Koizumi's popularity returned a weakened LDP to a position comparable to the position it held under the prior system of one-party dominance.

Secondly, since the Hashimoto Cabinet, the Prime Minister's leadership, character and policies have been decisive with regard to the longevity of his cabinet. In the 1996 general election, the Hashimoto Cabinet solicited voter trust by declaring its political commitment to, for example, tackling administrative reform head-on and, having gained that support and strengthened its position, it continued to appeal to voters through its position on such reforms. In the 1998 Upper House election, however, with election results reflecting voters' marked discontent with his management of the economy, Hashimoto took responsibility and stepped down. Since then, it has become common knowledge both within and without the political world, that a cabinet whose political performance has been negatively evaluated will not contest an election.

Nevertheless, the third point we can raise is that although voters have thus started to become proficient in expressing their evaluation of the administration by way of the ballot box, they have not necessarily become adept at evaluating an administration that has not yet been in power long enough to produce any results. This is clear from the results of the 2000 general election under Prime Minister MORI Yoshiro, who had replaced the late OBUCHI Keizo, where voters did not exactly evaluate the administration but, rather, expressed their trust in it and brought about a victory for the ruling coalition. With this in mind, it cannot be denied that the Koizumi cabinet was blessed with the twofold good fortune of Koizumi's sudden and extraordinary popularity and zero results.

Support for the Koizumi Cabinet has remained high since the election. It is probably the case that Koizumi's position on reforms and his decisive manner of action and speech continue to find him favour in the public eye. Voters will eventually evaluate his cabinet's performance based on whether or not the process of reform actually begins, and whether the reforms bring any results. □

Open-List PR and the Organized Vote in the July 2001 Upper House Election

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The July 2001 election was the first test of the new open-list proportional representation (PR) feature of the Upper House electoral system. As explained in KAWATO Sadafumi's piece in this issue, this new system allows voters to cast their PR ballots for either a candidate name or a party name. Speculation about how the system would work in practice focused in particular on the roles of two types of PR candidates: "talent" candidates (i.e., those with name recognition gained outside of politics) and candidates with organizational backing. The fates of the talent candidates are well known and rather straightforward—most fared quite poorly, with a few prominent exceptions—but the results for the so-called organization candidates are worth further scrutiny.

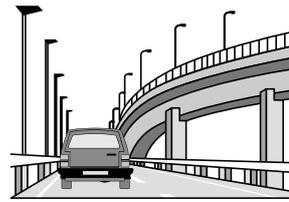
One of the features of the new system that appealed to some parties was the chance to see just how well their various supporter groups were able to deliver votes for specific candidates. It was also assumed that the new open-list system would give support groups such as unions and the industry associations that back the LDP greater incentive to campaign for their candidates.¹ Under the previous system, once a candidate's rank on a PR list was settled by the party, these organizations did not have much incentive to campaign vigorously, unless their candidates were ranked low enough to make their election uncertain. As a result, most groups tended to be more concerned with internal party negotiations prior to the campaign period. Under the new open-list system these groups have every incentive to work to get their candidates as many votes as possible—only those who win enough personal votes to qualify for one of the party's quota of seats are seated, and those who win with the highest vote totals can be expected to have greater influence within the party after the election. Finally, the LDP hoped that some of the religious groups that had turned away from the party after it allied with the *Komeito* might be more willing to encourage their members to cast votes for individual candidates than for the LDP as a whole.² In spite of these new incentives, many observers acknowledged in advance that the power of most of these groups has declined since the days of the national PR constituency for the Upper House (the system in place until 1980). However, the actual results were arguably much more disappointing for the parties concerned than had been anticipated.

Notes

¹ *Yomiuri Shimbun*, July 30, 2001

² *Yomiuri Shimbun*, July 12, 2001

The first surprise was that many more voters cast their PR ballots for parties than for individual candidates. Seventy-one percent of LDP PR voters cast their votes for the party, while sixty-eight percent of Democratic voters did the same. The Liberals and Communists collected nearly all of their PR votes as party votes, but this was an explicit part of the strategies and campaigns of these parties and was thus not unexpected. PR candidates from the LDP and the DPJ, however, campaigned as individuals and were expected to garner much larger numbers of individual votes. In the DPJ



case, the party actually initially planned to have only its labor-backed candidates campaign for individual votes—the other candidates were to be encouraged to campaign for party votes. The non-union candidates and their supporters vehemently objected to this proposal, as they recognized that their party votes would mainly help the labor candidates who would be elected with higher PR list rankings. In the end the party was forced to drop the plan and allow all candidates to campaign as individuals.³ Thus, the low proportion of individual votes was rather surprising.

The *Komeito* was the only party to see a predominance of candidate PR votes—the result of an effective campaign strategy. *Soka Gakkai*, the lay Buddhist organization that backs *Komeito* has 8,210,000 members. The party calculated that if turnout was between 60 and 65%, they would need 10,000,000 votes to get their eight "must-win" candidates elected. Since their firm *Gakkai* votes would not suffice, they divided the country into eight separate campaign blocs—one for each candidate—and had the candidates work for *Gakkai* and non-*Gakkai* votes in competition across their blocs.⁴ Furthermore, by concentrating on individual names rather than party names, the party most likely made it easier for non-*Gakkai* members to vote for a somewhat stigmatized organization. The strategy worked very well; 77% of *Komeito*'s PR votes were cast for individual candidates and all eight priority candidates won seats. Additionally, the top *Komeito* vote-getter received over a million votes, making her the second-highest ranked candidate in the nation.

The system also turned out to be more problematic for the LDP and the Democrats due to non-productive competition between PR candidates from the same party. First, the new system made it difficult for PR and district candidates of the same party to campaign together because of differences in their support groups—there appear to be fewer cases of these groups supporting pairs of candidates from the same area than in the past. Some candidates became quite secretive, with PR candidates refusing to inform their district counterparts of their campaign schedules, and vice-versa. In Yamaguchi, for instance, a Yamaguchi-based PR candidate's plan to attend a *koenkai* meeting of the LDP Yamaguchi district candidate ran into difficulties. The district candidate's organization feared that inviting the PR candidate from Yamaguchi risked upsetting their industry support groups because these groups were backing other PR candidates. LDP-*Komeito* cooperation across the PR and district portions of the electoral system only complicated matters further, as LDP district candidates that had received backing from the *Komeito* in their districts were also supposed to be supporting *Komeito* PR candidates.⁵

Notes

³ *Yomiuri Shimbun*, July 30, 2001

⁴ *Yomiuri Shimbun*, July 31, 2001

⁵ *Yomiuri Shimbun*, July 22, 2001



Notes

⁶ *Ibid.*

⁷ *Yomiuri Shimbun*, July 31, 2001

⁸ *Asahi Shimbun*, October 28, 2001

⁹ Koso has been replaced by a very weak organization candidate, NAKASHIMA Hiroo, who has ties to Japan Rail.

The Democrats ran into similar difficulties with its PR candidates. In Hokkaido, the local PR candidate wanted to schedule a joint appearance with party leader KAN Naoto and the district DPJ candidate. However, the union that was supporting the district candidate opposed this because this would work against the (different) PR candidate they were supporting. Thus, Kan was forced to make two separate appearances.⁶

However, the biggest shock of this election for these two parties was the poor performance of their industry and labor support groups. LDP industry group-backed candidates only got between one half and two-thirds of the votes they were expected to garner.⁷ For instance, the now infamous KOSO Kenji (backed by Taiju, an association of former postmasters and their families largely seen as an LDP vote-gathering machine) was expected to gain at least 800,000, or perhaps even a million, votes. His showing, a mere 479,585 votes, was the best of all of the organization candidates. The construction industry-backed candidate came in fifth on the LDP's winner list with only 279,121 votes, and other organization candidates fared even more poorly.

On the Democratic (and also the Socialist) side, the shock was perhaps not as great, but the results were even more dismal and create an even greater dilemma for the party. The best of the labor backed candidates managed to secure the votes of only about a third of the members of the union backing him. The continued decline in union membership only makes this problem more serious for the party, and in the wake of the election the divide within the party between those who prefer to continue to ally with labor and those who would like to make a clean break appears only to have deepened. The Socialists, who saw two of their three PR seats go to non-union candidates, are also looking toward new bases of support for the party. One SDP representative commented to the press at the October 2001 party conference that "unions aren't useful for elections anymore."⁸

This new system has created one final difficulty, for both parties and citizens—new incentives for questionable and/or illegal campaign tactics. Most readers will by now be aware of the Koso Kenji scandal. As mentioned above, Koso, a former head of the Kinki Regional Postal Services Bureau, was elected with the second-highest LDP PR vote total. Under the open-list PR system, Koso's backers very much wanted to elect a strong Diet member who would be able to lead the resistance against Prime Minister KOIZUMI's plans to privatize the postal service. Under Japanese law, however, civil servants are prohibited from participating in electoral campaigns. The desire to elect Koso with a high vote total led to numerous violations of this proposal and eventually resulted in Koso resigning his seat—likely in the hope of preventing further investigation of his own activities and his arrest.⁹

□

Locating the LDP and Koizumi in Policy Space: A Party System Ripe for Realignment

Leonard SCHOPPA

The 1990s was a tumultuous decade for Japanese party politics. After 38 years of one-party cabinets headed by the Liberal Democratic Party (LDP), this decade saw so many twists and turns that voters could barely keep up. The LDP split into three parts in 1993, ushering in an era of shifting coalitions that saw a seven-party, non-LDP coalition rule for eight months, followed by a three-party coalition including the LDP and its long-time arch-rival, the Socialists. A brief period of LDP-only rule was then followed by another series of shifting coalitions: the LDP plus the Liberals; these two parties plus the *Komeito*; and then the LDP and *Komeito* plus the Conservatives. Along the way, the Japanese party system saw the creation of many brand new parties, including New Frontier Party (the major opposition party between 1995 and 1996), and the new major opposition party, the Democratic Party of Japan. The Upper House election this summer revealed that both the LDP and Democrats remain internally divided in ways that could unleash further party realignment in the months ahead.

Pundits and political scientists have offered a variety of explanations for each of these twists and turns as they were happening, mostly focused on the machinations of ambitious politicians like OZAWA Ichiro who were willing to split, ally, and merge their parties into whatever combinations best served their ambitions for power. The views of voters and politicians on policy, according to the conventional wisdom that emerged from these analyses (see for example Kohno 1997 and Curtis 1999), had very little influence on a process driven largely by raw thirst for power.

Contrary to this conventional wisdom, I propose here that the turmoil in party politics during the past decade results from the way it has been knocked loose from its moorings by changes in how voters and politicians think about policy issues—in other words, in the way the system is situated in "policy space." During the 1990s, these shifts in policy space opened up new opportunities for party splits, mergers, and alliance shifts. Today, with the stakes involved in the policy debates over security and economics much larger than they were a few years ago, the policy environment is poised to drive the next phase of realignment.

The first shift in policy space has been widely discussed by analysts of Japanese politics: the "1955 System" was shaken up by the end of the Cold War, the dominant feature of Japan's international environment that long



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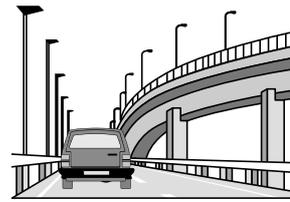


kept the party system stable by tying it to the deep social cleavage over whether Japan should be armed and allied to the United States. On one side of this cleavage, the Socialists and Communists stood firmly against the U.S.-Japan military alliance and opposed the very existence of the Japanese Self-Defense Forces, representing a large minority of the public that shared these views. On the other, the LDP represented the majority of voters who consistently supported the alliance and (limited) defense efforts. The end of the Cold War rendered this old policy divide much less urgent, allowing politicians to think about splitting, allying, and merging parties in ways that previously had been inconceivable.

This change in "policy space" would have been much less disruptive had it been replaced by a new left-right cleavage, for example over the government's role in redistributing income from the rich to the poor. In the U.S. and Britain, the persistence of this social cleavage has helped anchor stable, two-party politics. In Japan's case, however, the emergence of a new, salient divide over economic policy has not mapped neatly onto the old security-based left-right divide. On the contrary, the debate over economic policy has created a second axis of cleavage that bisects the old one.

The emergence of this new line of cleavage has been hard for voters, politicians, and political scientists to absorb. As long as the "1955 system" was in place, political scientists didn't need to spend much time trying to determine which issues defined the partisan debate: the divide over security policy was obviously the most salient. Pollsters did ask about economic issues, but usually in ways that mapped neatly onto the progressive-conservative divide over security policy. Pacifist voters and politicians tended to favor the "leftist" perspective on economic policy, calling for more welfare spending and a bigger government. Hawkish voters and politicians were also mostly "rightist" on economics, favoring Japan's "tradition" of relying on families to provide social support and small government. Party competition in Japan seemed to reflect, at least passively, the left-right divide over economic policy seen in most other advanced democracies.

Unfortunately, this tendency of political scientists to think about economic policy debates in terms of "small" versus "big" government has carried over into an era when the salient divide among voters and politicians is defined quite differently. KABASHIMA Ikuo's well-known "zemi" survey of politicians (2000), for example, followed previous practice in asking Diet members whether they favored more spending on social welfare, small



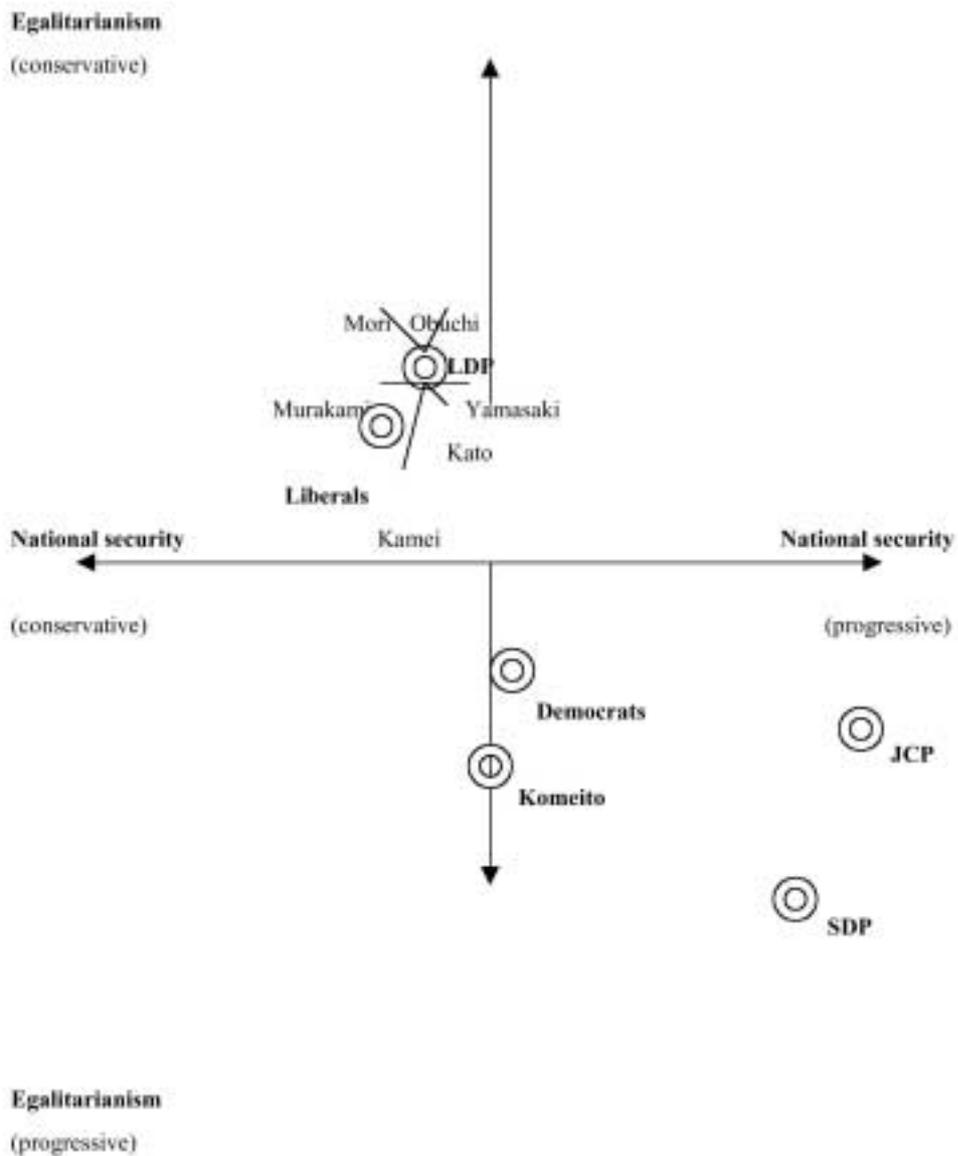
government, and self-reliance. It found that politicians' answers to these questions fell fairly neatly in line with the persistent left-right divide on security policy. Plotting the positions of the parties in two-dimensional policy space defined by the old differences over the security policy on the horizontal axis and the divide over economic policy (which he called "egalitarianism") on the vertical axis put all of the parties into the NW "conservative" quadrant or the SE "progressive" corner. He thus justified continuing to simplify things by placing the parties along a single left-right dimension. Also interesting was his finding that when politicians were asked about economic policy in these terms, they were relatively homogeneous. Consequently, he predicted, a further split in the LDP was very unlikely. (See Figure 1)

I propose that this way of asking about views on economic policy has caused us to overlook the most important ways in which Japanese policy debate over economic policy has changed over the course of the 1990s. The most salient division, at least since 1993 when HOSOKAWA Morihiro took center stage with his proposals to decentralize, deregulate, and cut agricultural protection, has been between two camps that have not fallen neatly into the old progressive or conservative camps. On one side, a motley collection of old Socialists and old-guard members of the LDP has favored a continuation of policies designed to protect declining and uncompetitive sectors of the economy through trade protection, regulation, maintenance of the "convoy" financial system, and government spending on public works. On the other, an equally assorted band of "economic reformers" has favored deregulation, fiscal restraint, the speedy disposal of bad loans, and the elimination of public corporations—all designed to make the economy more efficient and create more incentives for workers and firms to boost their productivity.

Surveys conducted by Kabashima (2000) and Kato and Laver (1998) included a few questions that hinted at the emergence of this cleavage. Kabashima found that when asked whether they supported "administrative reform," LDP politicians were relatively lukewarm compared to those from all other parties save the Communists. Likewise, when Kato and Laver asked political scientists to identify where the parties stood on the important issues, they found that on "regulatory policy" the LDP was again relatively opposed to deregulation, in comparison to the more reformist positions of the Democrats, the New Frontier Party, and Sakigake. This issue, these studies suggested, cut across the cleavage line represented by party views on



Figure 1: Two-Dimensional Positioning of Parties and LDP Factions



Source: Kabashima Ikuo, "An Ideological Survey of Japan's National Legislators," *Japan Echo* (August 1999), p. 14.

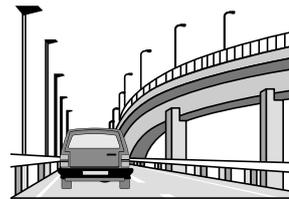
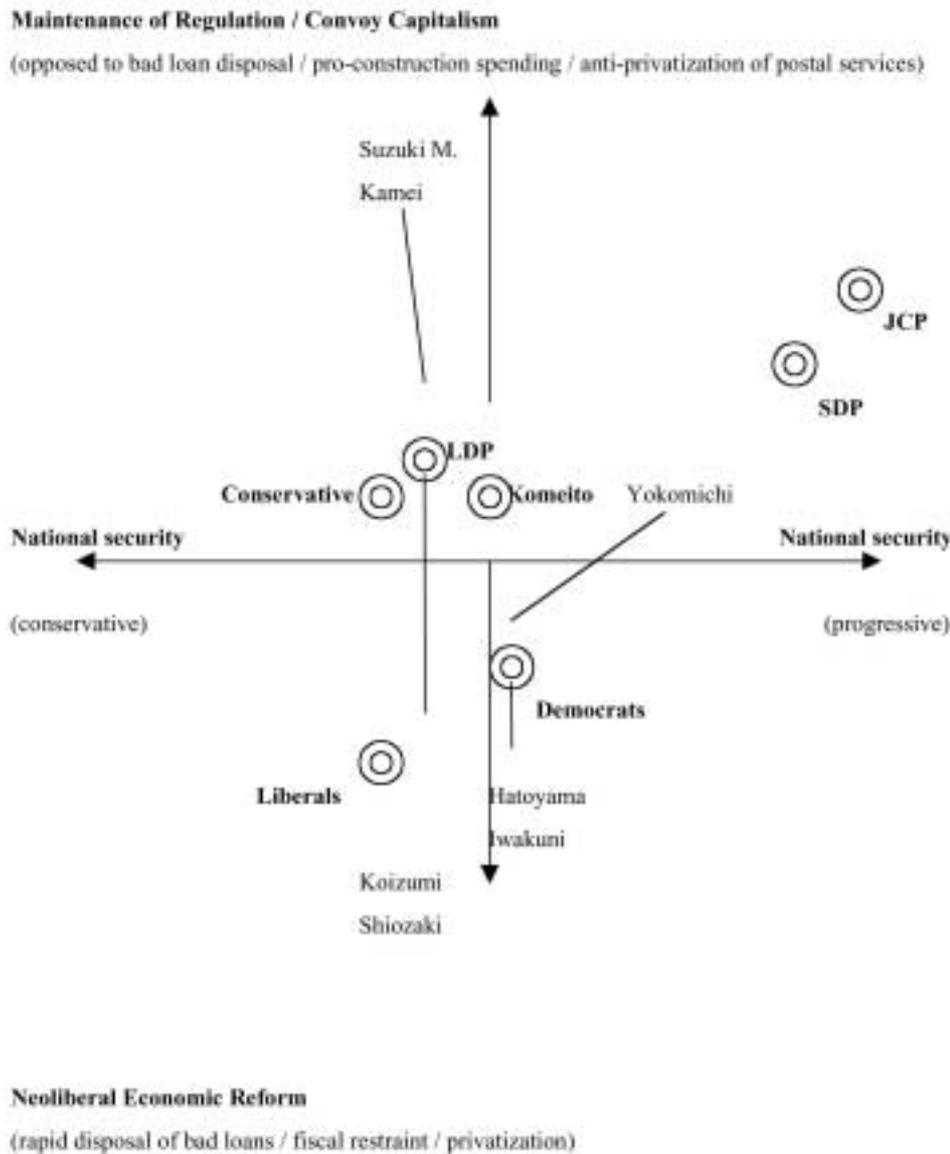


Figure 2: Two-Dimensional Positioning of Parties and Key Politicians (2001)

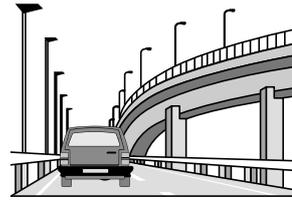


Method: Security policy positions are based on Kabashima data used in the chart above; positions on neo-liberal reform for parties based on Kabashima and Kato/Laver survey questions about administrative reform and regulation cited in the text, along with recent policy positions taken by parties during the upper house election; positions of individual politicians are estimated based on recent public statements.

security policy rather than mapping neatly on top of it. Policy space was becoming truly two-dimensional.

More recent surveys of politicians and elites are not available, but my prediction is that if we asked where politicians stand today on the economic issues that have truly come to the fore under Prime Minister KOIZUMI Jun'ichiro, we would see the spread over two-dimensions expanding in even starker terms. The "conservative camp" on security issues is split between those who want to continue spending money on pork barrel projects, delay resolution of the bad debt problem, and postpone privatization of public corporations—exemplified by the public positions taken during and since the Upper House elections by KAMEI Shizuka and SUZUKI Muneo—and those from various parties who want to follow Koizumi in implementing "structural reform with no sacred cows." Likewise, the "moderate camp" on security issues is split between those who favor deregulation, fiscal restraint, and bad loan disposal—such as HATOYAMA Yukio and IWAKUNI Tetsundo—and those who oppose privatization and favor a sharp increase in social welfare spending. In contrast to what was mapped by Kabashima, I suggest, the political world now looks like Figure 2.

These shifts in the contours of policy space matter because they have fundamentally changed the opportunities and constraints facing politicians and parties struggling for power. First, the declining salience of security issues since the end of the Cold War and the emergence of a new cross-cutting cleavage over administrative reform opened up opportunities for parties to split, merge, and ally in ways that were previously unthinkable. Individual politicians' power ambitions certainly played a major role in driving the process, but the shifts in policy space were a necessary condition that allowed the splits and alliances that created the "pro-reform" Hosokawa government, followed by the "anti-reform" Murayama LDP-JSP coalition. Likewise, the new policy space allowed Ozawa to gather in the New Frontier Party a group of parties that disagreed over security policy while standing together on the reformist side of the debate with the LDP over "administrative reform." Finally, the Democrats too represented a union of hawks and doves that would not have happened in the Cold War days, but one that was made possible by their common opposition to the way the LDP was putting the country deep into debt in its desperate attempt to avoid economic reform.



Today, however, the stakes involved in debates over economic policy have become great enough that they are poised to drive the next phase of party realignment. The LDP is today divided down the middle by the proposals for "structural reform" that Koizumi is trying to push forward. The party may in the short-term paper over these divisions, but the differences are too great and the economic situation too desperate to allow politicians with such divided views to stay together in one party. Likewise, the Democrats are showing signs of strain as they struggle to reconcile their previous support for fiscal restraint with their recent calls for increased social spending. When the LDP splits, the group associated with Koizumi is likely to attract defectors from other parties as well. How many will depend on whether the split happens before or after Koizumi loses his public support in the face of the continuing rise in unemployment.

□

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The Enigma of Mr. Koizumi: 'No Sacred Cows' or 'Just Plain Bull?'

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Koizumi: a New Leader Facing Old Predicaments?

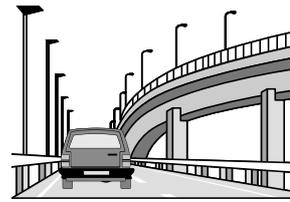
Prime Minister KOIZUMI Jun'ichiro's uncompromising pledge to engage in "reform with no sacred cows," was skeptically labeled by many seasoned observers of Japan as no more than "just plain bull." During the last decade a succession of Japanese governments have announced "the mother of all stimulus packages" or "ultimate deregulation plan." Unfortunately for Japan, while the declarations have become an annual event, the governments that have made them have been as yet unable to revive the economy as promised.

Despite a decade of patently ineffective government and amid predictions of another doomed reform, however, the bubble of Koizumi's extraordinary popularity has yet to burst. At the time of writing, nonetheless, Koizumi is caught in the fiscal stimulus-structural reform trap; a dilemma faced by his predecessors since Prime Minister HOSOKAWA Morihiro. Although structural reform and fiscal reconstruction are prescribed as essential to help the feebly recovering economy back to sustainable growth, the resulting slow-down in the economy and increase in unemployment due to such measures compel the government to respond with a stimulus package thereby compromising structural reform. The Japanese government has faced this dilemma recurrently and the results have been the worst of many worlds; namely, ineffective fiscal stimulus, compromised structural reform, and disaffection with government. Indeed, prior to Koizumi, Prime Ministers Hosokawa and HASHIMOTO Ryutaro (who came into power after what was then thought of as the ultimate stimulus package) both initiated structural reform only to then enact an even larger stimulus package, effectively ending their tenure. This is the vicious cycle that faces Koizumi.

Possessing neither the foresight nor insight to predict Koizumi's fate, I speculate below on why the above vicious cycle has become institutionalized and on the research implications thereof.

Why the Decade of Structurally Dashed Hopes?

Figures 1-4 show the basic macroeconomic indicators of Japan and other G7 nations since the mid-1970s. Figures 1 & 2 show that inflation and unemployment remain relatively low in Japan. Noteworthy of Japan in the economically stagnant 1990s—when Japan's growth rate was the lowest of all G7 countries—is the stubbornly large trade surplus (Figure 3), the gradual climb in unemployment rates, and the drastic increase in the budget deficit



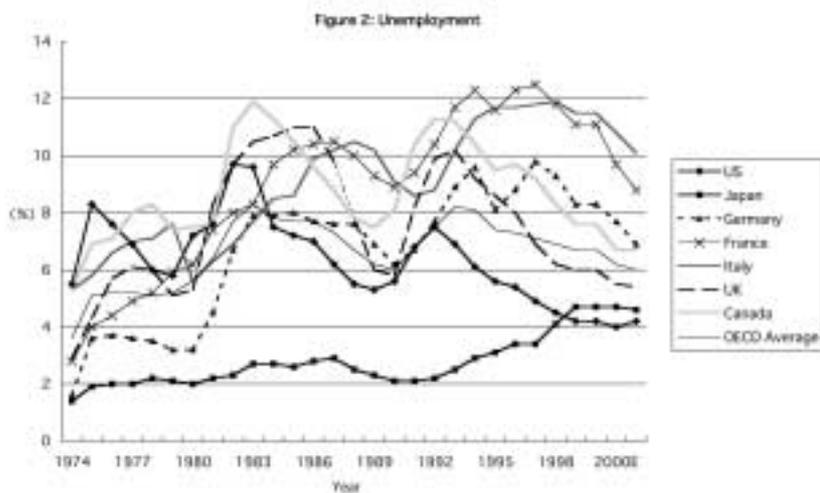
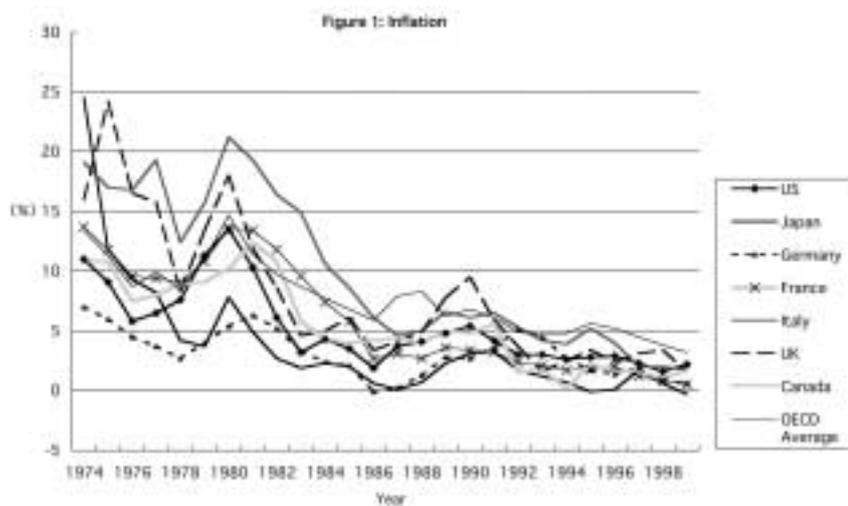
(Figure 4). The figures show that Japan's low inflation rendered it unnecessary to undertake painful disinflationary policies like most other G7 countries and, instead, enabled the country to continue relying on the policy of spending to cope with unemployment. No other G7 nation increased its budget deficit or public debt in the 1990s, fearing the negative effect on domestic investment of the relatively high interest rates necessary to finance public debt. The steady rise in unemployment and public debt testifies to the increasing ineffectiveness of the uniquely Japanese fiscal policies, and adherence to such policies can only be explained by the internal politics of economic adjustment, rooted in Japan's international economic situation.

A pattern of economic adjustment can be detected in the various fiscal stimulus packages put together since the Miyazawa Cabinet in 1992.

- Unions, led by those of large export-sector corporations, conceded on wage reductions even amid strong exports because of the appreciating yen and ongoing employment adjustment. Figure 5a shows how wage adjustment precedes employment adjustment in manufacturing, while Figure 5b shows that the manufacturing industry initiates employment adjustment. Both figures show employment adjustment peaking in 1993 and 1998, during the aforementioned end of the Hosokawa and Hashimoto Cabinets, after exports started to recover in 1990 and 1996 (see Figure 3). This pattern is consistent with earlier periods when employment adjustment peaked amid export recovery and still rising unemployment. In other words, since the late 1970s, major firms in the export sector promptly adjusted to adverse conditions by controlling labor costs, shifting production overseas and shedding redundant employees by way of transferring them to subsidiaries and subcontractors. As a result, the export sector remained competitive, increasing Japan's exports, while employment problems spread to small unproductive firms in the domestic non-manufacturing sector, reducing the country's imports.
- In response to domestic economic slowdown and increased unemployment, and intense external pressure led by the US (facing worsening bilateral trade deficits), the government put together stimulus packages. What the stimulus packages of the 1990s had in common was an increase in public investment (including land acquisition), investment tax cuts for small businesses, expansion of loans for small businesses by public banks, increases in home construction loans, and subsidies to train



The Enigma of Mr. Koizumi *continued*



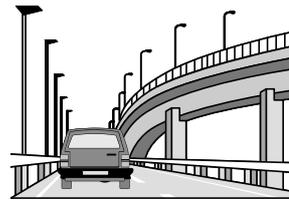


Figure 4: General Government Financial Balance / Nominal GDP

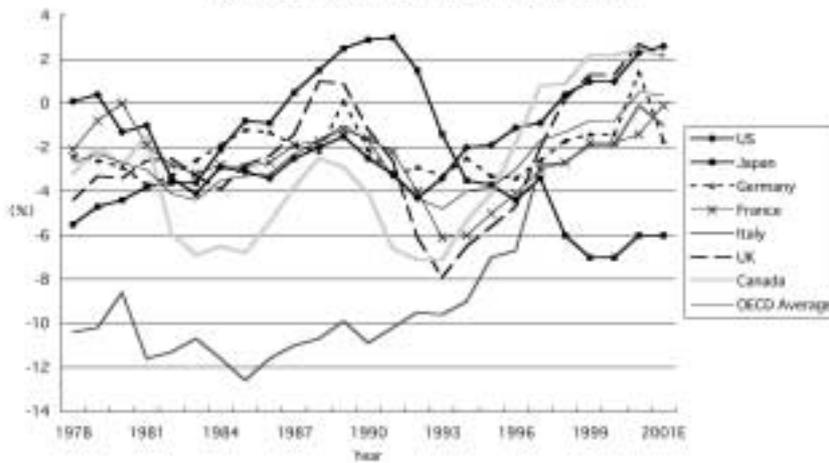


Figure 5a: Employment Adjustment in Manufacturing

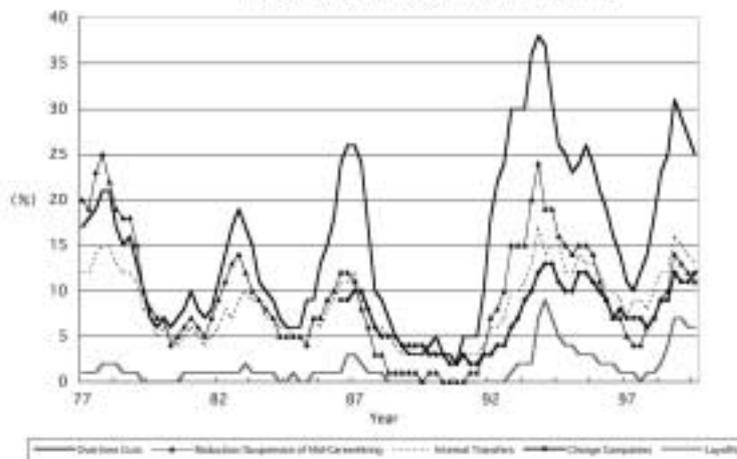
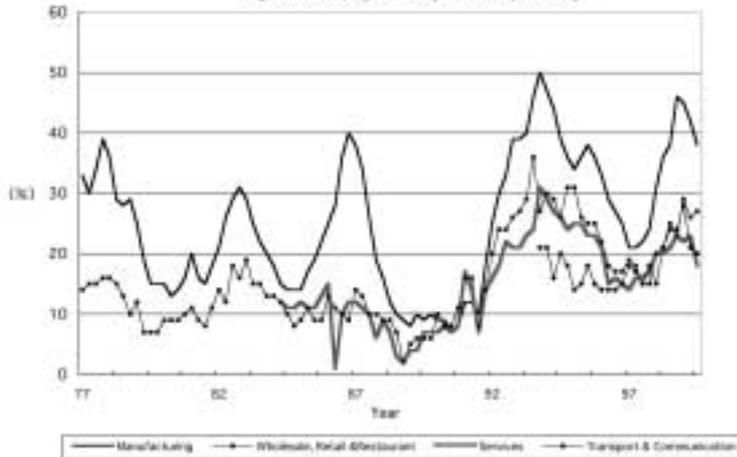


Figure 5b: Employment Adjustment by Industry



and employ workers. The packages were consistent with government policies of modernizing the domestic small-business sector and assisting the construction sector, which were the major absorbents of employees released from large manufacturing firms, and of keeping elderly workers active, rather than encouraging early retirement. Thus, fiscal stimulus packages in Japan were strongly oriented towards helping small producers and concomitantly expanding the domestic labor market

- Compared with the above measures, which in principle the government and opposition parties supported, the government and the business community were internally spilt over income tax cuts, with opposition parties trying to exploit the rift. Income tax cuts, probably more effective in increasing imports and generating product competition, were realized only when the sharp drop in domestic consumption and harsh criticism from abroad (in 1994 and 1998) compelled large corporations and the Ministry of Finance to temporarily abandon their anti-tax cut position. A one-year tax cut was favored over a multiple year one, and temporary tax cuts were favored over a permanent reduction of the tax rate. Ironically, as a result, despite international pledges to reduce trade deficits (and lower the yen in the mid-1990s), Japan maintained large trade surpluses without increasing trade dependence.
- Since export-oriented corporations and the Ministry of Finance opposed the accumulation of public debt, which would necessitate an unpopular future tax hike, they led the call for consumption tax increases (and corporate tax cuts), public investment cuts, deregulation, and administrative reform in order to improve the state of public finance and reinvigorate the economy. However, unlike in the 1980s, in the 1990s fiscal stimuli failed to decrease unemployment rates or put the economy back on track due to problems in financial institutions and the construction industry. Financial institutions became the recipients of public funds and the role of providing investment capital for small domestic firms had to be borne by public financial institutions. Similarly, the construction industry could no longer absorb redundant employees but relied on public acquisition of land and support of land prices to remain solvent. Without robust growth, the economy sinks into another downturn and unemployment creeps up, compelling the government to focus on another emergency stimulus package, which in turn aggravates public debt, instead of continuing with structural reform.



This brings us to the aforementioned fiscal stimulus-structural reform trap. Cuts in public investment projects, reducing the number of government-subsidized public corporations (by privatization), and competition-inducing deregulation run counter to the means necessary to implement the stimulus packages effectively. At the time of writing, unprecedented unemployment has strengthened voices within the government calling for a second supplementary budget and opposing drastic plans to privatize public corporations and cut public (road) investment. Koizumi's pledge to keep national bond issues below 30 trillion yen is becoming precarious.

Where's the Beef: Concerted Policymaking or Political Mobilization?

Koizumi's uniqueness does not lie in the content of his structural reform plans. The privatization list compiled by Finance Minister Takemura in 1995 contains the currently debated Japan Highway Public Corporation and the Housing Loans Corporation. Koizumi's pet project to privatize the postal services is unfinished business from the Hashimoto reforms. Unlike any of his predecessors, however, Koizumi has secured a popular mandate to reform. He remains popular despite his call for the nation to endure pain. Compared to his predecessors—Hashimoto, Obuchi, and especially Mori—Koizumi has adopted a confrontational leadership style (labeling his opponents as "resistance forces") that appeals to the electorate, instead of skillfully coordinating the aforementioned rifts in a way that appeals to ruling circle insiders. Noteworthy by way of comparison is the fact that even Prime Minister Margaret THATCHER and President Ronald REAGAN faced formidable opposition and policy gridlock and had to strike policy deals. This will apply to Koizumi as well. Rather, the true test for Koizumi is whether his popularity can push his reform agenda far enough to break out of the above vicious circle and whether he can modify inclusionary policymaking in favor of more electoral mobilization and competition among the major parties (within the confines of a mixed-member electoral system). Indeed, the LDP is about to change its party rules to give more power to local organizations. And if Koizumi can finish his tenure on a successful note, this might open up Japan's consensual (or "concerted") politics in a way that forces political leaders to obtain popular mandates. "I shall reform the LDP" and "I will not become another Hashimoto," seem to be the two declarations with which Koizumi's legacy will be evaluated.

Still the Decade of Japanese Anomaly

In the comparative political economy literature, Japan has largely been



Notes

¹ Toben Iversen, Jonas Pontusson, David Soskice eds., *Unions, Employers, and Central Banks: Macroeconomic Coordination and Institutional Change in Social Market Economies* (Cambridge: Cambridge University Press, 2000); Kenneth Dyson & Kevin Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union* (Oxford: Oxford University Press, 1999).

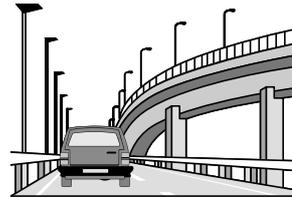
² James M. Poterba & Jürgen von Hagen eds., *Fiscal Institutions and Fiscal Performance* (Chicago: Chicago University Press, 1999); Alberto Alesina, Nouriel Roubini & Gerald Cohen, *Political Cycles and the Macroeconomy* (Cambridge, Mass: MIT Press, 1999).

³ Fritz W. Scharpf & Vivian A. Schmidt eds., *Work and Welfare in the Open Economy*, vols. I & II (Oxford: Oxford University Press, 2000); Paul Pierson ed., *The New Politics of the Welfare State* (Oxford: Oxford University Press, 2000).

⁴ Peter H. Hall & David Soskice eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

characterized as an outlier, mostly because research topics have been generated in Western Europe. A list of recent topics is witness to a certain Western bias in comparative research and the inability of Japan specialists to come up with notions that have broader relevance.

- The literature on disinflationary discipline either by central bank independence or pegging one's currency to a hard currency has little applicability to Japan, which has had low inflation without witnessing either of these two measures.¹ Indeed, the issue in Japan is deflation and currently there are strong voices in the government requesting a revision of the Bank of Japan Law to compel the Bank to inflate!
- The literature on fiscal discipline—whether unstable coalition governments can enforce fiscal discipline and whether budget pacts and delegation to a conservative finance minister are the two alternative methods of fiscal discipline—has little relevance to Japan,² where a decade of coalition governments increased debt by coordinating business (thus societal) interests. What the coordination of societal interests in Japan could not realize was a pertinent income tax cut and, in order to avoid (or justify) consumption tax hikes, Japanese governments were adamant about fiscal and administrative reform.
- The recent explosion of literature on welfare reform accentuates the uniqueness of Japan, where the availability of fiscal deficit and emphasis on employment measures have not compelled governments to revoke existing "social contracts.". Whereas the earlier adoption by major continental European states of early retirement measures to curb unemployment put employment and pension insurance schemes in trouble,³ the Japanese government since the 1980s has pursued a policy of keeping the elderly active and extending working years thereby showing continuum in employment and pension policies. The recent reorientation towards "reactivating" elderly workers in Europe has been the only policy in Japan.
- Finally, the recent conceptualization of "coordinated market economies" seems to put Japan firmly in the center of comparative analysis.⁴ In contraposition to the Anglo-American liberal market economies, long-term practices in employment, training, financing, and more flexible relations in corporate governance are listed as the sources of the characteristic policies and competitiveness of coordinated market



economies. The above short description shows that long term relations in finance and employment are not only being challenged, especially in the competitive export sector, but also being criticized as the cause of current policy predicaments. In other words Japan's coordinated market economy may be the problem not the solution.

In short, the policy dilemma Koizumi faces also poses a challenge for those who wish to explain Japan in a coherent comparative framework. There are few cases like Japan where industrial and employment policies to expand small domestic businesses persist in a world of open economies. Nonetheless, explaining the foundations of Koizumi's problem can generate comparative research topics that are embedded in Japan's reality and also have general relevance. This is another reason why Koizumi is a "must see" Prime Minister.

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Political Leadership and Economic Policy in the Koizumi Cabinet

Gregory W. NOBLE

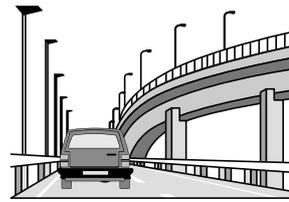


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In the 1990s, recurrent economic weakness and a series of bureaucratic errors led to increasing calls for strong political leadership. Changes in the electoral system and public opinion created an increasingly separate and important image for the post of prime minister, previously considered little more than an embodiment of the ruling party (Kawato, this issue; Kabashima and Imai, forthcoming). As prime minister from 1996-98, HASHIMOTO Ryutaro, a long-time party leader with considerable popular appeal, pushed through a number of important structural revisions, including the "big bang" financial deregulations, reorganization of the central ministries, and strengthening of the Cabinet. Nonetheless, Hashimoto was never popular within the party and his reforms were widely derided as inadequate and compromised. His immediate successors did not even attempt major reforms. Then in 2001 KOIZUMI Jun'ichiro captured the prime ministership as an outsider, campaigning against the legacy of his own party with bold calls for painful and fundamental reform sparing no sacred cows. He ignored factional balance in Cabinet assignments, reached decisions on his own or with private advisors rather than going through the formal LDP machinery, and hinted broadly that he might realign the party system if conservative forces in the party resisted his reforms.

Initial popular euphoria that a charismatic leader had finally arrived soon gave way to increasing doubt: how could a prime minister relying mainly on popular support fundamentally reform a deeply entrenched system in the midst of an extended recession?

The reforms instituted by Hashimoto and the administrative reform movement proved a major asset for Koizumi. New and revised laws reduced ambiguities about the formal authority of the prime minister to guide discussion in the Cabinet and (within the constraints of the Cabinet as a collective decision making body) to oversee the bureaucracy (Tanaka and Okada, 2000: 78-79, 90-91). The prime minister gained a larger staff, including five personal assistants. Most staff came from the former Economic Planning Agency, long dismissed as a mere colony of the Ministry of Finance, but also included a couple of dozen outsiders, led by Yale economics professor HAMADA Koichi, who were hired on special appointments of up to five years not subject to normal public service salary restrictions (Kawakita and Onue, 2001: 210-211). Construction of a larger and more modern official residence is moving toward completion in the spring of 2002.



Koizumi made active use of four major advisory councils attached to the Cabinet, particularly the Council on Economic and Fiscal Policy (CEFP), which debuted in January 2001. In addition to the Prime Minister, the ten members included at least four representatives from outside government and, unlike the traditional *shingikai* advisory councils, they received office space and secretarial support. The six ministers included the Chief Cabinet Secretary and the state minister for economic and financial policy, as well as the heads of the Ministry of Finance (MOF), the Ministry for Economics, Trade and Industry (METI), and the *Somusho* (Ministry of Public Management, Home Affairs, Posts and Telecommunications); major spending ministries were excluded. The first batch of private members consisted of professors of economics from the Universities of Tokyo and Osaka, plus leading executives from Japan's most important export industries, automobiles and electronics. For the crucial post of state minister for economic and fiscal policy, Koizumi chose another reformist outsider, Keio University economics professor and popular commentator TAKENAKA Heizo, who has proved an energetic leader of the council. In line with new openness provisions, minutes of CEFP meetings appear on the Internet within days, thus placing an emphasis on the ability to present persuasive arguments rather than simply cut deals across ministerial bailiwicks.

Bureaucratic battles over the establishment of the CEFP had left doubts about its effectiveness and influence. Observers noted that the council was placed under the Chief Cabinet Secretary rather than directly under the Cabinet, and predicted that bureaucrats seconded from the MOF and elsewhere would try to block the panel's reform initiatives. Skeptics pointed out that the council's mandate was merely to "investigate and deliberate" (*chōsa shingī*), while authority to "plan and draft" (*kikaku ritsuan*) remained with the cabinet secretary. An attempt, allegedly masterminded by the MOF, to preempt the council with a joint government-party meeting of economics leaders (but no outsiders) raised more concerns (Kawakita and Onou 2001: 239-243). But the effort at preemption failed and most observers predicted that the council's influence would ultimately depend upon the determination, skill and political heft of the prime minister (Tanaka and Okada 2000: 127).

Widespread expectations that policy failures would soon turn the Koizumi boom into the Koizumi bubble foundered on the prime minister's political

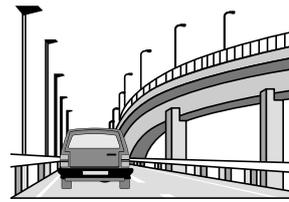


savvy and luck. Koizumi proved skillful in debate and image making, while the Democrats and other opposition parties remained divided and awkward in the face of a clever LDP reformer. Koizumi led the party to a strong victory in Upper House elections in July, and LDP candidates won two Lower House by-elections in October. Aggressive action to support the United States' war on Middle Eastern terrorists unleashed after the September 11 attacks in New York and Washington revitalized Koizumi's public opinion ratings, which had started drifting downwards, though at the cost of alienating him from potential allies in the Democratic Party, thus reducing the credibility of his threat to realign.

Koizumi's aggressive goals for economic policy included: 1) Fiscal reform to reduce dependence on deficit financing; 2) improvement of the quality of government expenditures by setting clear priorities rather than just (as allegedly happened in the past) increasing (or occasionally cutting) each item or ministry by the same amount; 3) reform and, if possible, privatization of public corporations (*tokushu hōjin*) to reduce excessive investments and increase the efficiency of operations; and 4) accelerated disposal of problem loans so that banks could return to active provision of loans to support business activity.

Through the autumn, Koizumi's efforts at economic reform registered modest progress in the face of difficult circumstances and bureaucratic infighting. The leadership held spending requests for the 2002 budget to the first decrease in four years. Even after compiling a supplementary budget for 2001, Koizumi upheld his pledge to limit the deficit to 30 trillion yen. While the CEFP's private members called for aggressive stimulus packages, the MOF tried to reduce current expenditures to pay for the supplementary budgets, undercutting the very notion of a stimulus. In an ironic reversal of traditional accusations of MOF manipulation, the Finance Minister complained that meetings left insufficient time for the council to debate Takenaka's policy packages (*Nihon Keizai Shinbun*: October 20, 2001). The MOF's resistance notwithstanding, economic contraction, declining tax revenues, and growing unemployment made a second, pledge-shattering, supplementary budget appear inevitable.

Koizumi, the CEFP's private members and METI all agreed on the need to promote seven priority areas, including employment, science and technology, and urban development, even while restraining general spending and cutting both public works and foreign aid by 10%. The MOF



was not opposed in principle, though it strove to limit CEFPP influence over budgetary decisions to the broadest statements of principles. Measuring the effect of these efforts is difficult, not least because budget participants cannily redefined some public works projects as priority areas and vice versa. On balance, though, oversight by the Prime Minister and the CEFPP probably provided more political direction to the process of budget compilation than seen under other recent prime ministers, and reduced the share of inefficient public works expenditures.

Koizumi's initial plans to reform public corporations were rebuffed almost contemptuously by bureaucrats, back-bench politicians and their supporters; even the MOF and METI, generally supportive of structural reform, resisted efforts to reform and shrink the financial organizations under their control. Koizumi and his reform team then narrowed their focus to seven public bodies, starting with the Japan Highway Public Corporation. They attempted to cap the amount of roads to be constructed and rejected an exceedingly vague reform plan. In addition, they announced a policy to convert all government investments in public corporations to more transparent subsidies and required all public corporations to submit financial data complying with private-sector requirements for openness.

Perhaps least progress has materialized in the most pressing area: resolution of bad loans. The Prime Minister rejected suggestions by chief financial regulator YANAGISAWA Hakuo that clean-up of failed loans could take as long as seven years, insisting that resolution must be achieved within three years. He also rejected the idea of buying up bad loans at face rather than market values. Economic and financial czar Takenaka threatened to use the CEFPP to check audits if the financial authorities did not make quick progress. Overall, however, the Koizumi team refrained from drastic action at a time of insecurity and rapidly rising unemployment.

Prime Minister Koizumi has made a serious effort at economic reform, utilizing and further developing the machinery left by Hashimoto, especially the Council on Economic and Fiscal Policy.

Nonetheless, the prognosis for fundamental reform under Koizumi is doubtful. Many issues have yet to be tackled and even initial victories could be overturned under pressure from the LDP's rank and file. Continuing economic weakness creates political pressures to engage in massive



government spending and to delay structural reform of public corporations. The desire to avoid bankruptcies risks creating a continuing future stream of bad debts and financial paralysis, as banks remain unwilling to lend, firms unable to borrow, and consumers afraid to spend. Without a political realignment, it is difficult to see how Koizumi can satisfy both the public's demand for strong leadership and his party's desire to continue the massive spending and lending that have kept it in power.

Yet if a dramatic reformist breakthrough is unlikely, Koizumi is still likely to leave an important legacy. Even if his successes are slow and partial, LDP Diet members are reluctant to repudiate the leader that brought them a string of victories when the party was on the verge of collapse. Moreover, Koizumi has clearly set a precedent for what can be done with the new policy machinery. Whether or not Koizumi clings to power for a considerable period, calls for strong political leadership are unlikely to diminish as the economic and financial dilemmas besetting Japan worsen at an alarming rate.

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Education Administration and Labour Relations (*Kyôiku Gyôsei to Rôshi Kankei*)

By NAKAMURA Keisuke and OKADA Mariko, Eidell Research Institute, 2001.

Introduced by joint author NAKAMURA Keisuke

This book is the product of case studies of labour relations in public elementary and middle schools. The research has thrown light on such issues as the fact that labour relations constitute a hierarchical structure with the *Monbusho* (now the *Monbukagakusho*) and the National Personnel Authority (NPA) at its head; that rules pertaining to pay, working hours and educational training are less than satisfactory, encapsulating a number of problems; and that it is likely that this is due in large part to the existence of an ideological image of what a teacher should be (*aru beki kyôshi zô*). Teaching staff at public elementary and middle schools are regional civil servants and, as such, their positions are included in the reform of the regional civil servant system currently underway. We suggest that the reformers would do well to take the above points into consideration in the reform process.

Labour relations at public elementary and middle schools constitute a hierarchical structure with the central government's Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the NPA, an independent administrative body, at its zenith. Teaching staff at public elementary and middle schools are, in principle, regional civil servants employed by the local government under whose jurisdiction their school falls. The local education committee, an independent administrative committee under the aegis of the local government, is responsible for their supervision. However, it is the prefectural government's education committee that is responsible for the personnel management of teaching staff at public elementary and middle schools and that is authorised to appoint them. Moreover, an independent personnel committee established by the prefectural government also participates in the legislation and application of regulations pertaining to remuneration and working hours. Above these committees in the hierarchy come the MEXT and the NPA. The labour side of the equation also constitutes a hierarchical structure made up of groups at the individual school level, local chapters, and prefectural teachers' unions which combine to form the Japan Teachers' Union (JTU).

Decisions taken at the central level basically determine the overall structure of labour relations. Personnel transfers aside, the basic rules and standards pertaining to remuneration, working hours and educational training are largely decided by the MEXT and the NPA. Recently, the JTU has also come to have some say in such matters.

The hierarchical structure of labour relations in public elementary and middle schools is responsible for serious problems in two areas. The first is the discrepancy between the establishment, alteration and application of various rules, customs and practices at the lower level and the rules put in



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Education Administration and Labour Relations *continued*

writing at the central level in the form of law, government and ministerial ordinances and regulations. Since the working conditions of civil servants are required to be constituted by either law or ordinance, such discrepancies could well be adjudged to be in violation of the law.

The second problem is that due to the fact that basic rules and standards governing work and remuneration are legislated centrally, in a place far removed from the teaching staff actually working in the schools, the formulation of logically consistent rules is severely hampered. One example of this can be found in the working hours system. Teachers, who due to the "particularity of the work of education" (*kyôiku rôdô no tokushusei*) legally fall outside the framework of the Labour Standards Law (*rôdô kijun hô*) are, as a rule, not required to work overtime. Nevertheless, overtime does in fact exist and the crammed schedules of teachers are a problem. Further, overtime entitlement is recognised and covered by a separate law. Similar confusion can be identified with respect to remuneration and training.

It is the authors' opinion that some of the basis for this confusion lies in the existence of an ideological image of what a teacher should be. This ideology holds, for example, that teachers should be devoted to educational activities all the time and that they should continue to improve their teaching ability by constantly engaging in educational training. Rules and standards deduced from such an ideology will, in practice, not work very well.

As regards the ongoing reform of the civil servant system, it is thought that the above points merit consideration, without which there is little hope for effective reform.

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A Year With the Local Newspaper: Understanding the Times in Aomori Japan, 1999

By Anthony S. RAUSCH, University Press of America (US\$49.00, 240pp, ISBN 0-7618-2050-7).

Introduced by the author

Located at the northernmost end of Honshu, Aomori Prefecture is one of the few remaining undiscovered areas of Japan. In *A Year With the Local Newspaper: Understanding the Times in Aomori Japan, 1999*, Anthony Rausch presents the passing of a year in Aomori, in a book both accessible and academic. Professor Rausch has selected, edited, translated, grouped, and contextualized a year's worth of articles from a local Aomori newspaper in a manner which provides for both an in-depth description of Aomori as well as analysis of the prefecture on the basis of two contemporary sociological themes, peripherality and revitalization.

The book opens by introducing the descriptive and analytical/interpretative objectives of the work. The analytical/interpretative objectives place the descriptive nature of newspaper articles within frameworks of peripherality and revitalization. Aomori's geographical peripherality is clear from looking at a map; the articles of the book allude to the prefecture's continued social peripherality. The notion of revitalization (*kasseika*) is common in contemporary Japan, generally in the form of nationally-subsidized infrastructural improvements; the articles of the book portray a revitalization that is happening at a more local, even individual level. The first three chapters of the book present a year in Aomori, winter in Aomori, and the "cultures" of Aomori, respectively. Chapter One highlights a year of events dictated not as much by calendar as by weather and turn of season: the opening of a snow-closed road in the spring, the *sansai* mountain vegetable picking seasons, and the "stove train" that operates each winter to cite a few. The chapter on winter in Aomori, in following the week by week accumulation of record-breaking snowfalls of 1999, portrays the human and fiscal costs of the smothering snows of Aomori. The third chapter highlights the "cultures" of Aomori, among them its Jomon history, its Tsugaru shamisen music, and its local dialects, as well as various cultures of tradition, celebration and prayer, including the kuchiyose at Mt. Osore and the Christ Festival held locally each year.

Chapter Four establishes Aomori as peripheral with articles which portray Aomori's limited accessibility, the reality of its aging population and various measures of prefectural poverty. Chapters Five through Eight, which cover rural Aomori, urban Aomori, Aomori government and the economy and Aomori tourism, both confirm the prefecture's peripherality and allude to local efforts at revitalization. The future of Aomori farming looks bleak when considered by measures of competition from overseas apple producers, the



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A Year With the Local Newspaper *continued*

low rate of in-family farm succession, and a decrease in consumer preference for rice. On the other hand, Aomori farmers are forging a future through both improvements in the quality of each farm commodity and the creation of closer ties with urban consumers. The future of urban Aomori is seen in what can be called "rural urbanism," the process of localized urbanization in a clearly rural area, through the proposals put forward and actions taken under the umbrella of *machi-zukuri*. Citizen participation in contemporary rural urbanism is high, yielding towns that will highlight nature, history, culture in one case, and people, industry and the environment in another. Local catchphrases attesting to the nature of rural urbanism include "Ripening Our Hometown," a "Lively Horse Town," and the "Mushi-okuri Town." The state of government in Aomori is shown in two lights, the first portraying election violations and closed doors, the second openness, citizen participation and municipal responses to resident's concerns. The state of the local economy, like that for agriculture, looks bleak. Bankruptcies, layoffs, and *dekasegi*, the seasonal migration of labor from Aomori to urban areas to the south, are clearly up. Employment, as well as the fortunes of a local third-sector resort complex, are decidedly down. Efforts at recovery are limited, seen primarily in attempts to create new products based on local resources. Perhaps most important to Aomori's revitalization, if the trend of newspaper articles is any indication, is the promise of tourism. Aomori can boast of a number of natural and scenic places and puts its Jomon history, its status as a gateway to the Shirakami Mountain Area, designated a World Heritage Site by UNESCO, as well as its ferocious winters, to work for tourism. Aomori is working to further develop tourism with intense local preparation and widespread national public relations campaigns. A single event in the spring of 1999 however, showed the fragility of such efforts, as a series of articles covering the period from early March to late June detail the effects on local tourism of a landslide in a scenic gorge, just at the start of the local tourism season.

Chapter Nine details two divisive controversies which held the attention of Aomori locals in 1999, one the Ajigasawa Ski Area Expansion on Mount Iwaki and the other the plan to host the Asian Games 2003. The book closes by considering how the inherent tension in addressing Aomori's peripherality via the notion of revitalization will be negotiated and questions the degree to which revitalization will cost Aomori its "positive" peripherality.

A Year With the Local Newspaper: Understanding the Times in Aomori Japan, 1999 is the first work describing Aomori Prefecture in the English literature on Japan and provides one view of the state of contemporary rural Japan. □

Cartelization versus Democratization: Can Japan be Trusted to Wield the Sword?

Paul MIDFORD

In *Myths of Empire*, Jack SNYDER uses cartelization to explain imperial over-expansion by great powers in the industrial age, including Germany, Japan, the Soviet Union, the United States, and Britain. More recently, others have used cartelization to explain diverse outcomes in Japan's post-war political economy. Instead of military over-expansion, according to Karel VAN WOLFEREN, the postwar logroll of parochial economic cartels under the leadership of competing ministries has led to domestic protectionism and over-expansion of exports in several sectors. Over the long-run, according to Richard KATZ, cartelization appears to be causing techno-economic slowdown and stagnation in Japan. These accounts suggest that despite democratization, cartel dynamics remain a salient feature of Japan's political-economy.

If so, this raises a disturbing implication: although generally described as an advanced democracy, Japan may again be prone to cartel-driven over-expansion. This possibility may lend at least some credence to widespread perceptions in the Asia-Pacific region that Japan cannot be trusted to wield the sword. Ironically, Japan's exceptionally modest post-war defense posture can be taken as evidence that Japan is still ruled by cartel dynamics. The eradication of imperialist interest groups under the allied occupation may have led, in effect, to Japanese "under-expansion," or the under-provision of defense, because pro-expansionist interests were no longer seated at the cartelist's table. Rather than following the logic of a democratic system, in which national security would be provided for up to a level optimal for the state as a whole, under Japan's cartelized system, security should be chronically under-provided as concentrated interests with access to the state satisfy themselves at the expense of under-represented interests and the provision of public goods. However, this scenario suggests that under-expansion could easily revert to over-expansion if military-industrial interests again grow large enough to participate in log-rolling coalitions. Thus, if Japan is still effectively a cartelized state, there may be good reason to fear Japan's emergence as a "normal" military power commensurate in size with its economic stature.

However, the notion that Japan cannot be trusted as a great military power flies in the face of democratic peace theory. Although it is easy to find skeptics, Japan is, nonetheless, generally coded as a mature democracy. Were Japan now found not to be a functioning democracy, this would certainly raise doubts about the coding of other democracies and subvert the



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whole notion of a democratic peace.

According to democratic peace theory, democracies go to war about as frequently as other states, although they do not fight each other. Democracies do go to war against non-democracies, but are more cautious than other kinds of states, and usually go to war only when there is a high chance of victory. Democracies are more casualty averse, and they learn lessons and retrench more quickly in the face of setbacks. Although democracies are more likely to win wars, their loss aversion should make them easier to deter.

Based on these findings, one should expect to find little concern about Japan as a military power in democratic states such as the United States or South Korea. Yet, doubts about Japan's potential to act as a responsible military power can easily be found in the halls of power in Seoul and Washington. By the same token, non-democratic states, such as China or Vietnam, or anocracies (in-between states) should show no greater concern about Japan's propensity for over-expansion than they do about that of the United States or other democracies. Given that Japan's military potential is significantly below America's current capabilities, Asian non-democratic states may have good reason to prefer the emergence of Japan as an independent military power over the continuation of the US-Japan military alliance. Yet, there is considerable evidence that these countries have been far more fearful of Japan re-emergence as a military power than they are about continued American dominance.

Cartelization and Democracy

A cartelized political system has three characteristics. First, power assets are concentrated in the hands of parochial and concentrated interest groups. These groups also enjoy special access to the state. These characteristics make it hard for other groups, especially those representing more diffuse interests, to compete. Imperial over-expansion is likely to result when at least some of these parochial interests are pro-imperialist. Second, cartelization is characterized by the lack of strong centralized and independent decision-making institutions in the state that can effectively mitigate or manage the impact of parochial interests on policy.

Third, a cartelized system is characterized by the presence of log-rolling (or vote trading) coalitions among concentrated interests. Log-rolling gives each group what it wants most in return for accepting the adverse effects of

the policies its coalition partners seek. Short-run costs are passed on to groups outside the coalition, most notably diffuse interests such as taxpayers and the general population of conscripts. Long-run costs are not calculated because they are hard to foresee and due to the highly parochial horizons of coalition participants.

By contrast, in a mature democratic system, political power is widely dispersed, generally through an electoral system with universal suffrage and bureaucratic institutions beholden to elected officials. This empowers diffuse interests, especially median voters, and places checks on concentrated interests. Median voters generally have encompassing, long-run interests corresponding to those of the state as a whole.

These characteristics of a mature democracy have obvious implications for imperial expansion. Because the median voter rules, competitive democratic politics force politicians to reject extreme imperial projects supported by concentrated interests. Consequently, pro-expansionary interests have the choice of voting for slightly pro-imperial candidates or not voting at all. Moreover, as imperial expansion becomes more costly, median voters, who bare the costs directly, are more likely to demand retrenchment. Thus, coalitions favoring imperial expansion must pursue low-cost strategies.

Post-war Japan

Post-war cartel accounts of Japan's political economy build on MARUYAMA Masao's characterization of Japanese politics as a system of "collective irresponsibility." The dominant theme is that Japan lacks strong central decision-making institutions capable of brokering among competing concentrated interests, much less calculating and pursuing the national interest. Were a military-industrial complex to emerge as a significant interest group, it would be easy to predict the LDP co-opting it, but then being unable to control its demands any more than it can reign in the demands of other interest groups. One might ask, if the LDP failed to control farm subsidies, could it control the budget of a full-scale military and associated industries? Based on this literature, the answer would seem to be no.

Despite evidence suggesting that Japan again suffers from cartelization, this does not necessarily trump Japan's democratic system. As Snyder demonstrates in the cases of Victorian England and Cold War America, a



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degree of cartelization can co-exist even with a well established democratic system. However, in such cases democratic institutions generally help to limit, and eventually reverse, cartel driven overexpansion once the costs to society at large become salient. So, is there reason to suppose that democratic institutions might operate in a similar fashion in the case of Japan?

On balance, the evidence suggests that the answer is yes. Despite all its shortcomings, Japanese democracy appears reasonably responsive to median voters. Moreover, recent and evolutionary changes suggest that the Japanese political system is becoming even more responsive to the desires of median voters.

To be sure, industry cartels, huge public works projects in the middle of nowhere, massive subsidies for agriculture, and markets largely closed to imports all impose costs on median voters. Yet, these costs are usually imperceptible and indirect, and therefore difficult to measure or trace. Perhaps most importantly, these costs were much less perceptible during periods of higher growth.

However, even during the high growth years of the 1960s the costs of rapid economic development became salient for voters. Pollution became especially so. Growing demands for improved social welfare infrastructure and pollution abatement caused urban voters to increasingly turn away from the LDP. The party responded by enacting a whole series of laws and regulations designed to reduce pollution. And even while he was catering to concentrated interest groups, TANAKA Kakuei spent lavishly to satisfy the social-welfare demands of the urban middle class.

These examples suggest responsiveness to median voters when the latter perceive salient costs emerging from government policies. To be sure, more stringent pollution measures and greater spending on welfare may have been relatively easy to pursue because the Japanese economy was still healthy in the 1970s. Yet, these programs did drain resources away from concentrated interests traditionally supporting the LDP, most notably rural and construction interests.

Another example demonstrating the ability of Japan's democratic system to provide public goods and cater to median voters is, ironically, the stability of defense spending in the 1990s, despite Japan's increasingly tight fiscal

constraints. The military-industrial complex remains far too insignificant to be a player in cartel politics. Consequently, the stability of the defense budget in the face of mounting competition for tightening fiscal resources suggests the influence of median voters rather than cartelization.

These examples suggest that Japan's political system may well be capable of restraining military expansion overseas. The prospect of taking casualties overseas appears to be at least as salient for Japanese voters as it is for voters in other advanced democracies. One might argue that once Japan amends its constitution and again becomes a major military power, Japan's pacifist norms and culture of anti-militarism will dissipate as forces restraining Japan's military. Yet, there is no reason to presume that Japan's aversion to casualties will dissipate as well. Japanese median voters are likely to remain at least as sensitive to casualties as are voters in other advanced industrial democracies.

Moreover, Japanese public opinion has proven to be less susceptible to elite manipulation regarding foreign policy than is often presumed. It has been argued that after the failure of government efforts to dispatch the SDF to Saudi Arabia during the Gulf Crisis, the LDP successfully manipulated public opinion, paving the way for the subsequent approval of SDF participation in UN peacekeeping operations. Yet, a careful study of Japanese public opinion polls reveals that even during the Gulf Crisis, Japanese public opinion supported dispatching the SDF overseas for humanitarian and disaster relief. Throughout the following debate on PKO participation, Japanese public opinion changed very little. Rather, LDP and government proposals were continually watered down, until in the end, SDF participation in UN peacekeeping very much came to resemble humanitarian and disaster relief operations. So rather than a process of elite manipulation of public opinion, dispatching the SDF overseas suggests the opposite: namely an elite groping blindly for the position of the median voter.

Japan's new election system and the gradual decline of organized blocs of voters are acting to increase the responsiveness of Japan's political system to the needs of median voters. The new lower-house electoral system adopted in 1994 increases the minimum winning coalition needed for the new single-seat constituencies. Another factor is the rise of so-called floating or independent voters (*fudôhyôha* or *mutôhaso*). These voters are less likely to



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vote, but more likely to vote retrospectively against parties and policies they dislike, as exemplified by the 1998 upper house election.

In sum, cartelization in Japan operates only on the margins of Japanese democracy. Much like the American sugar lobby, concentrated interests in Japan can have their way only when the costs of their policies remain imperceptible. This leaves little room for imperial adventures overseas, the costs of which are highly salient for average voters. Moreover, there are no longer any social groups with a stake in imperialism. Due to high factor mobility in Japan's advanced manufacturing sector, it is very unlikely that defense contractors could develop a strong stake in military expansion. This is because they can easily shift out of armaments and into civilian production. So the perception that Japan is unfit to wield the sword appears to be misplaced. This distrust, especially in the case of Asian nations, appears to stem from cognitive dynamics, exacerbated in some countries by domestic myth-making.

Nonetheless, this conclusion should not encourage complacency about Japan's existing institutions for managing military power. Japan needs to do more to reassure others that it can be a trustworthy military power. Civilian control in Japan is strong, but democratic accountability remains weak. The control of elected politicians over the SDF needs to be strengthened. By strengthening democratic accountability Japan can not only erase its reputation as an aggressive militarist, but can also establish a good reputation as a military power on a par with that of any other advanced democracy.

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