

# Social Science

# Japan



## *Parties in Disarray* *The Fall of the LDP*



ISS

**Published by:**  
Institute of Social Science  
University of Tokyo

**Editorial Committee:**  
Hirashima Kenji  
Ishiguro Kuniko

**Distribution**  
*Social Science Japan* is available on  
the World Wide Web at:  
<http://newslet.iss.u-tokyo.ac.jp>

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**Cover**  
Cover photograph  
Conference, "A Perfect Tectonic  
Shift?: Structural Developments,  
Koizumi Reforms, and the Collapse  
of LDP Rule," hosted by the Institute  
of the Social Science, the University  
of Tokyo, August 19 and 20, 2010.

#### Editorial Notes

##### Personal Names

All personal names are given in  
the customary order in the  
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unless otherwise requested.  
Hence in Japanese names, the  
family name is given first, e.g.  
Toyotomi Hideyoshi, and in  
Western names the family  
name is given second, e.g.  
George Bush.

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Japan was devastated by the Great East Japan Earthquake on March 11 this year, and the earthquake has sustained a massive number of casualties. In addition, the nuclear crisis at the Fukushima No. 1 nuclear power plant has posed unprecedented risks to the country. Under these challenging circumstances, Japan's politics seems dysfunctional, leaving the people's lives difficult, and it has hindered the recovery of Japan's economy which had already been faltering even before the disaster. Needless to say, one of the key actors which could revitalise Japan—and which the country desperately seeks—is a strong, stable and efficient government.

Two years after the regime change in 2009, this issue of *Social Science Japan* revisits the issue of the change of government. Six scholars who participated in the conference, "A Perfect Tectonic Shift?: Structural Developments, Koizumi Reforms, and the Collapse of LDP Rule" (August 19 and 20, 2010), sponsored by the Hobriba International Conference Fund and the Todai-Yale initiative, discuss the factors contributing to the change of power in 2009, and add updated information in relation to the recent catastrophe brought about by the earthquake and subsequent nuclear plant problems, as well as by political disarray.

First, Hiwatari Nobuhiro discusses the challenges facing Japanese parties in the post-LDP era. Jun Saito then presents a report on a current research project on the leadership and policy changes. Kyohei Yamada examines the relationships between urban-rural inequality and the distribution of partisan support. In the fourth essay, Kay Shimizu analyses the political consequences of structural change by focusing on economic and demographic transformations over the last two decades. Kenneth Mori McElwain discusses the causes and effects of "party discipline" in Japanese politics. Finally, Patricia L. Maclachlan addresses postal reform in Japan and discusses financial and social roles for the postal office in post-quake Japan.

In the "Research Report Section," Michio Nitta, a Professor at Kokushikan University and a former Professor of Industrial Relations at ISS, presents a retrospective essay on his twenty-three years' academic life at *Shaken*. In the "Questions and Answers with the Visiting Professors" section, we present individual accounts from four scholars who recently conducted research at *Shaken*.

Finally, in addition to presenting abstracts of the ISS Contemporary Japan Group (CJG) and recently published books written by members of our research staff at the ISS, we feature the Contemporary China Research Base in the section, "Focus on ISS."

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# Parties Running Amok?

## Or, just another episode in the new era of responsible party government

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Now is the winter of our discontent made excruciating summer by this partisan bickering. For over two months, we have been forced to watch the DPJ (Democratic Party of Japan) stagehands desperately try to push the never retiring Kan Naoto offstage as the country's problems mount. Cries of inept governance reach a crescendo, a sharp contrast with fall 2009 when for a shining moment Tokyo witnessed the emergence of "a responsible two-party system." Now that flicker seems lost in what turns out to be a dark tunnel of five short-lived governments, four successive majority-routing national elections, and an intermittently paralyzed legislature. But what are the alternatives that would boost confidence in representative party government? Should unpopular leaders be deposed through Shakespearean intrigue like Margaret Thatcher? Or should we sit through a Belgian-style *noh* act that takes more than a year (and still counting) to form a government? Are leaders in Washington fiddling while US treasury bonds burn? The summer of 2011

may not be exceptional, but it certainly hasn't been kind to the reputation of political parties.

Why do parties seem so incompetent these days? Can partisan wrangling be a productive part of representative democratic governance? After a somewhat trying intellectual journey, I arrived at these questions. My journey started with a completely different question: why did the Japan's Liberal Democratic Party (LDP) fall into bewildering disarray? On the way, new questions unexpectedly popped up. Why, for example, does the DPJ seem determined to be a worse failure than its predecessor? Is the Japanese political scene a burlesque of developments in other advanced democracies, or is it in a league of its own?

The chronicles of our group journey in the throes of party politics, *Seitō-Seiji no Konmei to Seiken Kōtai* (Partisan Disarray and the Fall of LDP Government), published by Tokyo University Press, will be in bookstores soon. The voyage took us from the neo-Gothic buildings of New Haven to the contemporary halls of Hongo, thanks to support from the Todai-Yale Initiative, the Yale MacMillan Center, and the Todai Horiba International Conference Fund. My participation in this expedition could not have proceeded without the invaluable inspiration and encouragement of my co-authors and many others. However, instead of plugging the volume with a dry overview, allow me to present my personal snapshots of our explorations.

Whenever one looks at the inter- and intra-party wrangling in Tokyo over Kan's tenure or the fight in Washington over the debt ceiling, one cannot help thinking, "Enough, get on with it!" The polarization of American politics is amply demonstrated by rancorous debates on Capitol Hill and contentious statements from both ends of Pennsylvania Avenue. Polarized politics is frequently deplored on cable news and Sunday talk shows for promoting extremism. In this hyper-charged atmosphere, is there anything good

about ideological polarization?

Well, yes—ideological polarization implies that voters are informed and care about issues, albeit too intensely for some.

Voters judge candidates based on how close they are to the voters' preferences. If the voters have become sophisticated enough to understand where candidates and parties stand on a variety of issues, surely that is better than people voting, or not voting, in the dark or out of habit (cf., Abramovitz 2010). There was a time when the sages of the American Political Science Association (1950) openly lamented that the two major parties in the US were unresponsive to the electorate and incapable of presenting alternative platforms and called for "a responsible two-party system." An important part of contemporary studies of American government is devoted to examining how well American parties have lived up to such expectations, with some proclaiming the advent of "conditional" party government in the mid-1970s (Aldrich 1995; Cox and McCubbins 1993, 2005).

Still, we see before us partisan bickering rendering the government incapable of meeting the serious and impending challenges of the day. Is "responsible" partisanship the cause of policy stalemate? The empirical evidence is mixed on the matter but tilts towards the reassuring view that American institutions are capable of producing results that reflect the preferences of the average voters (Nivola and Brady 2008; Mayhew 2005, 2011). As of this writing, President Obama has moved to the center by offering a "grand bargain" of welfare cuts and tax increases and has gained an odd bedfellow in Speaker of the House John Boehner. Maybe, as the quote (misattributed to Otto von Bismarck) goes, laws are like sausages, better not seen being made. The product, however, is not as revolting as the process.

Indeed, the process is messy. Efforts to bridge the deep divide between the president and tea party Republicans in the House have been made by Senate leaders as well as Speaker Boehner himself, although their efforts were at odds with each other, and the endgame remained uncertain till the last second. The final deal, reached just hours

before the deadline, does not include a tax increase and seems to be more towards the GOP than the President's initial position. At stake is not only the distribution of debt reduction costs but also the political blame for deviating from the preferences of the parties' bases. However, what is significant about the efforts by the president and congressional leaders is that they defy the common view that a divided government and a divided legislature are prone to gridlock. The Senate has acted as the moderating counterweight to the polarized House, instead of being another source of stalemate. It suggests that divided governments and legislatures are capable of producing a centrist outcome but not without persistent bickering until the clock runs out. If all's well that ends well, maybe the legislative sausage-making here ain't that bad.

What makes the president and congressional leaders receptive to taking centrist positions in a polarized polity? The answer can be summarized in one word: Re-election! None of the leaders wants to commit electoral suicide by bringing down the economy through inaction. President Obama reportedly said to Republican House Majority Leader Eric Cantor, "Don't call my bluff, Eric. You know I am going to take it to the American people." Oddly enough, electoral strategies are absent from the literature on responsible, or conditional, party government although re-election is *the* central concern of most if not all elected officials (Mayhew 1974; Jacobson and Kernell 1983).

To win or retain control of the White House or Congress, party leaders must occupy the center when something has to be done to avoid a catastrophe. Yet, unsure of where the center is located and wanting to minimize concessions that will alienate their base, both sides have to fight to control the ball (or the bill, or the agenda) and try to move it to their optimal location, keenly monitoring the reactions of the public and their party's base to each and every move. What we see now is not so much a war of ideologies but a series of credit claiming and blame avoidance maneuvers, with everyone's eyes on the ultimate prize in 2012.

Anthony Downs' (1957) insight, now over half a century old, is very much alive, and it is showing



no signs of middle age fatigue. Empirically, Downs was wrong in predicting that parties converge at the center at election time but correct in postulating that the median voter is pivotal in representative democracies. The more parties become ideologically distinct, competitive, and polarized, the more they have to work together to claim credit for catering to the median voter. Parties have to go beyond representing their ideological base to win majorities and power. If they abandon the center and become preoccupied with certain causes, parties will become small, niche players. Hence, the pursuit of conflicting electoral and policy goals compel political parties to turn ideological polarization into legislative politics as the art of the possible (correctly attributed to Bismarck).

Presumably, in the American context, the impulse to reach a compromise is weaker in the House, where members can be re-elected by ideologically homogeneous districts, compared to the Senate or the presidency. Unless US voters become ideologically bimodal and polarized with no center, which would make it almost impossible to govern short of some kind of consociational arrangement like that of Belgium (Lijphart 1977), electoral polarization and legislative compromise might very well be the *modus operandi* for political parties. That implies the parties will continue to fight tooth and nail in front of a national audience—their supporters, the media, and the general voters—before reaching a compromise. Without the rancorous bickering, credit claiming and blame avoidance is impossible.

What does this all mean for Japanese politics? Japanese parties, the DPJ in particular, are facing the birth pains of a two-party system. It is clear that the DPJ government has been torn between staking a position distinct from that of the LDP and responding to the impending policy matters of the day. Of course, their agonizing is no surprise because under LDP rule, all the opposition could do was to win more seats to show that the LDP had deviated from the center; the opposition was never prepared to take hold of the reins of government.

The Japanese scene is complicated. The DPJ leaders are not sure where they are located ideologically or whether to pursue centrist policies, while

the rank-and-file lawmakers are divided between the moderates, ideologically closer to the LDP, and the freshmen who are revolting against the party leaders, determined to prevent a return to LDP politics; the latter not unlike the tea party Republicans in the House.

After Hatoyama tried to reshape the US-Japan alliance by proposing an abrupt change of the bilateral status quo, which made little sense to the Japanese voters and the US government, Kan tried to appeal to centrist voters by promising to solve the fiscal crisis. His decision to champion tax increases *before* persuasively explaining the dire fiscal situation to the public was as inexplicable as it was damaging. Kan's pattern of impetuous behavior and strategic miscalculation is typical of his leadership. His inability to build policy coalitions and attract allies is the source of his low approval rates and has led to intra-party revolts by groups ranging from those hoping to strike a deal with the LDP to those determined to change inside the *Nagatacho* politics as they know it. The prime minister's credibility has fallen far more drastically than that of any of the US leaders since he failed to consult his own party, allowing the opposition to dismiss him as an untrustworthy negotiator.

The challenge facing Japanese parties in the post-LDP era is whether they can compete over policies based on the distribution of voter preferences, instead of the anti-LDP vs. LDP divide, and whether they can foster compromises between party leaders so that legislative outcomes will reflect the median voter. The DPJ government cannot strike a deal with the LDP if its platform is simply "anti-LDP." Such diagnoses are not new. However, the media and even the politicians seem bewildered as to whether Japan's emerging two-party system should be based on ideological differences or a centrist compromise. "Both!" is what I learned from my recent academic journey. I believe that the conflicting goals of parties compel them to pursue a mixed strategy. In a viable representative democracy, parties should be ideologically coherent enough to compete in elections and organizationally structured enough to negotiate legislative compromises.

Obviously, my remarks represent just another

step in my unfinished research journey. So, where am I heading? If a large public debt and an inability to address budget deficits are signs of substandard democratic governance, Japan's problems are serious. American voters currently accept that large budget deficits are undesirable, a sentiment apparently shared by (of all people!) the Italians, judging from the three-year austerity program just passed by the Berlusconi government. My research continues to ask what makes hard choices on budgets and taxes palatable to the median voters, and why hasn't an acceptance of hard choices been seen in Japan? More importantly, how does partisan competition contribute to the education of the average voter? It is clear that in the United States the partisan battle over the debt ceiling is really about credit claiming and blame avoidance, but the squabbling serves to inform the voters about "what all this means to you" (the most worn out cliché in cable news). What about Japan? If some degree of partisan bickering and compromise is the price elected officials must pay to convince the voters to accept a reform package, then the current divided governments in Japan and the US—contrary to the view of most commentators—may be a blessing in disguise ("certainly very well disguised," as Winston Churchill might say).

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# Policy Reform and Leadership Change in Japan

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## 1. Japanese Politics and the Implications of March 11

The aftermath of the March 11 Tōhoku earthquake and tsunami and the subsequent nuclear accidents in Fukushima lead us to rethink the structural stability of Japanese society. On the one hand are the images of the large number of people affected by this disaster, who persevered through seemingly insurmountable difficulties by voluntarily and mutually cooperating with each other in an orderly way. On the other hand, what has become apparent is stability of a bad kind—the lack of responsiveness and inflexibility of the Japanese political system in the face of the unprecedented crises triggered by the magnitude 9.0 earthquake. While the resilience of ordinary Japanese citizens has been duly admired,<sup>1</sup> the way Japanese policymakers handled the mounting crises has attracted a slew of criticism, often

accompanied by skepticism towards government leaders' competence,<sup>2</sup> institutional gridlock hindering swift policy decisions and implementation,<sup>3</sup> and lack of transparency, especially concerning the severe accidents in the Fukushima Daiichi nuclear reactors.

The series of crises since the massive March 11 earthquake was preceded by an important transition in the history of postwar Japanese politics: the first significant change in the partisan control of the executive branch of government. In August 2009 the Democratic Party of Japan (DPJ) triumphed over the Liberal Democratic Party (LDP), raising the hopes of the Japanese public that the new government could resolve the chronic economic stagnation that persisted under the old regime. These hopes, however, were ephemeral.

Public support for the DPJ-led coalition government diminished largely due to prime minister Hatoyama Yukio's mishandling of the Futenma air station relocation issue, which resulted in the fall of his cabinet. After the Kan Naoto government was subsequently installed, problems in the Japanese political system were exacerbated by the DPJ-led coalition's loss of its upper house majority in the July 2010 election. Legislative gridlock was then added to problems caused by the DPJ's internal strife and administrative paralysis in the central government bureaucracy. The March 11 earthquake, the fifth largest ever measured, and the unprecedented simultaneous meltdowns of multiple reactors in the Fukushima Daiichi plant occurred in these extraordinary political circumstances. While natural disasters themselves are exogenous shocks, the lack of political and administrative responsiveness to the crises is a consequence of the mismatch between the constitutional architecture of the state and the landscape of Japan's party system and voter preferences.

<sup>1</sup> "Who Needs Leaders?" *Economist*, June 9, 2011.

<sup>2</sup> "The Indecision of Naoto Kan." *Financial Times*, June 2, 2011.

<sup>3</sup> "A Grand Stitch-up or an Election?" *Economist*, June 9, 2011.

To understand the post-disaster response and reconstruction efforts, it is imperative to have a clear analytical picture of the political tectonics shift that led to this political and policy immobility. The chief questions confronting social scientists with an interest in Japan are: what are the structural forces that generated the leadership change of 2009 and what are the implications of the leadership change for policy making and the trajectory of Japanese political development? With a view to answering these questions, Nobuhiro Hiwatari (Institute of Social Sciences, the University of Tokyo) and I have organized a collaborative research project on the domestic and international aspects of leadership and policy change. The project consists of conferences at Yale and at the University of Tokyo, public lectures, and publications of research outcomes in English and Japanese. This project is also facilitated by the Todai-Yale Initiative.

## 2. Domestic Context of Policy Reform and Leadership Change

The first year of the project focused on the interactions of policy reform, policy outputs, and their electoral consequences, primarily from the perspective of domestic political economy. The government change in the summer of 2009 was a watershed event in the history of postwar Japanese politics in the sense that for the first time an alternation in the partisan control of the cabinet was made possible as a result of a competitive electoral process between two major parties. The lower house election toppled the ruling Liberal Democratic Party from its longtime position of power. Just four years prior, the ruling coalition of the LDP and the New Komeito won a landslide victory in an election that was mostly about Koizumi Jun'ichiro's proposed reform of the postal service. Given the formation of a strong majority government, the postal reforms were seen as guaranteed to pass. However, after Koizumi's resignation as prime minister, the reforms met criticism from both the ruling and opposition parties. This criticism culminated in the LDP's crushing defeat in the 2007 upper house election, losses in many local elections, and political insta-

bility that resulted in three prime ministers within a short span of time. Consequently, the DPJ's influence and popularity increased dramatically. To what variables can these four years of political turmoil and unrest be attributed? How does it relate to our knowledge about the role of democratic institutions in the market economy?

The influence of structural reforms on government survival has garnered widespread interest among scholars of comparative political economy. Behind this interest among scholars of advanced industrial democracies is the European Union's "Lisbon agenda," a development plan that was set out in the European Council in March 2010.<sup>4</sup> This action plan was intended to promote structural reforms and regional economic growth. In order to salvage European economies from chronic economic stagnation and low productivity growth, the European Union expected to have its member states take various structural reform initiatives. However, studies have found that incumbent politicians and voters are similarly inclined to vote down reform initiatives,<sup>5</sup> and developments in Japan leading to the summer of 2009 at least in part mirrored this pattern.

In Japan, the analysis of the effect of reforms on government survival is confounded by electoral reforms in the 1990s, which redefined the incentive structures that politicians and voters face, reshaped the political balance between urban and rural areas, revised the effectiveness of redistributive tactics in garnering electoral success, and changed the formation of political coalitions for achieving majority control in both Diet chambers. These features make Japan an interesting case among industrial democracies.

With the above questions in mind, we examine in detail how setbacks in financial reconstruction and structural reform in the 1990s were related to the Japanese political system. We focus on how Koizumi's introduction of reforms and the subsequent economic recovery coincided with the international financial crisis of 2008, and how this resulted in turmoil in the ruling party, shifting allegiances among politicians, defiance by local

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<sup>4</sup> Maria João Rodrigues, *Europe, Globalization and the Lisbon Agenda*. (Cheltenham, UK: Edward Elgar, 2009).

<sup>5</sup> Michele Ruta, "Political Constraints to Growth in an Economic Union." *Journal of Public Economics* 93, no.7-8 (2009):989-97.



governments, and the rise of the DPJ. Taking Koizumi's administration as our starting point, we examine how government policies and organizational shifts affected the leadership structure within the ruling party and its likelihood of losing a lower house majority. The April 2010 meeting held at Yale featured twenty presentations by scholars and practitioners. Revised versions of these presentations were discussed further at the University of Tokyo in August 2010 under the auspices of the Horiba Foundation.

### **3. International and Comparative Perspectives on the Leadership Change**

The second year of our project focuses on the international context of Japan's leadership change using comparative cases drawn from East Asia. Supported by the Japan Foundation's Center for Global Partnership, this round of the project sheds light on the possible tensions between leadership change, especially as a result of elections, and long-standing foreign policy commitments. This tension is epitomized by Hatoyama's 2009 campaign promise to relocate the Futenma air station—a significant deviation from Japan's 2006 agreement with the United States on military matters. While the DPJ tried to attract electoral support in Okinawa and cement non-LDP parties' electoral pacts, Hatoyama was boxed in by the bilateral agreement and unable to deliver on his promise, eventually leading to an erosion of his support among voters. This consequence is attributable to the Japanese government leader's lack of experience, competence, and support within the ministries.

Seen from a comparative perspective, the recent

Japanese experience is not at all unique. Democracies in East Asia, namely Japan, South Korea, and Taiwan, all underwent or at least attempted foreign policy shifts as former opposition parties took control of government. Depending upon the institutional constraints and the configurations of domestic politics, these new governments met with mixed success in revising their international commitments.

Following the April 2011 meeting at Yale, the September 2011 conference at the University of Tokyo will explore these aspects of leadership change, democratic accountability, and diplomacy in Asia. The papers presented in these two meetings investigate electoral and legislative dynamics that structure foreign policy choices in these three East Asian democracies as well as the United States and China, which both structure available choices within the regional international system. Given this context, close attention will be paid to how electoral and legislative politics interact with security and foreign economic policy in East Asia. By bringing the empirical cases, especially Japan's leadership change of 2009, into broader comparative perspective, we will examine how institutional configurations of domestic political players and the structure of international bargaining affect policy choices. In addition, foreign policy is remarkably different from domestic electoral and legislative politics in the sense that international systemic properties are directly factored into the strategic interactions among the players of the game. The comparative analysis of the lessons drawn from these political systems will contribute to both academic inquiries on the domestic foundations of foreign policy as well as policy deliberations concerning the future of East Asia.

# Urban-Rural Income Inequality and the LDP

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In the 2009 lower house election, the Democratic Party of Japan won a landslide victory and captured more than 300 seats. The Liberal Democratic Party, which had been in power for more than half a century with the exception of the brief period from 1993 to 1994, suffered a historic defeat. Various factors presumably brought about the LDP's loss such as the erosion of its organizational support base (e.g., Reed, Scheiner, and Thies 2009), the swift reduction in the number of local politicians due to municipal mergers (Horiuchi and Saito 2009; Saito 2010), and the LDP's failure to appeal to the growing number of floating voters (e.g., Krauss and Pekkanen 2010), to name only a few. In this essay, I look at another factor that may have contributed to the LDP's defeat and the subsequent alternation in power – growing income inequality between urban and rural areas – and provide descriptive information linking inequality, distribution of partisan support

across space, and their changes over time. In what follows, I show trends in income inequality across municipalities, focusing on the urban-rural disparity, examine political consequences of the growing inequality in recent years, and discuss the implications of my findings.

## 1. Income Inequality between Urban and Rural Areas

How has urban-rural income inequality changed over the last several decades? Figure 1 shows trends in income inequality across municipalities using the median taxable income and the mean taxable income from 1973 to 2008.<sup>1</sup> Municipalities are the smallest aggregate units for which per capita income data are available. Municipal population size is used as a proxy for urbanness, with larger ones being more urban. The coefficient of variation is used to express the inequality of per capita income among municipalities. A higher value of the coefficient of variation indicates a higher degree of inequality across observations.

Income inequality was relatively high in the early 1970s, decreased throughout the decade and remained relatively low until the late 1980s. It then expanded around the time of the asset price bubble in the late 1980s. As the country went through the decade of economic doldrums, inequality across regions actually shrank and remained low in the 1990s, before the trend reversed again in the 2000s. Thus, both our present level of inequality, which is approximately 0.32 in coefficient of variation, and its current rate of increase were reached during the 1970s and 1980s. However, national per capita and median municipal incomes rose during that period, while they stagnated in the 2000s. This difference is significant because the political consequences of the growing inequality across space are likely to differ considerably, depending on whether the well-

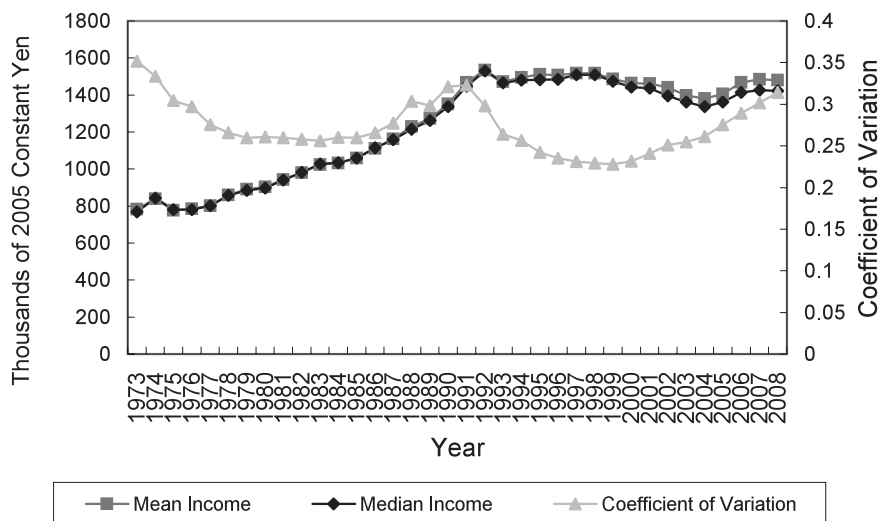
<sup>1</sup> The median income refers to the median in the distribution of municipal per capita incomes for each year. The mean income refers to the national mean of taxable income, which is obtained by dividing the total taxable income in a given year by the total population in the country.

being of those in the lower part of the income distribution is improving or not.

Having looked at these trends in inequality over time, the next natural step is to ask where exactly income grew and where it dropped. Figure 2 shows the relationship between municipal population and the growth rate of per capita income for the entire period, 1973-2008, and the following sub-periods: 1973-1980, 1980-1990, 1990-2000, and 2000-2008. Small municipalities enjoyed higher positive growth in the 1973-1980 and the 1990-2000 periods. Growth slowed across the nation in the 1990s, with some municipalities experiencing negative growth, but smaller towns continued to have higher growth rates than their larger counterparts. However, the smallest towns suffered the steepest rate declines from 2000 to 2008 when the majority of municipalities had slower growth. Thus, income inequality across municipalities indeed increased over the past decade, and, while most municipalities had negative income growth between 2000 and 2008, the magnitude of the decrease was larger in rural areas.

Note also that the income growth was higher for smaller municipalities, which were initially less wealthy, during the period from 1973 to 2008. This is in line with the hypothesis and empirical findings that, in the long run, average incomes of geographic units such as states tend to converge (e.g., Barro and Sala-i-Martin 1992). Smaller municipalities had much lower incomes in the beginning of the sample period. However, over the 36-year span, they grew faster than the richer and larger ones.

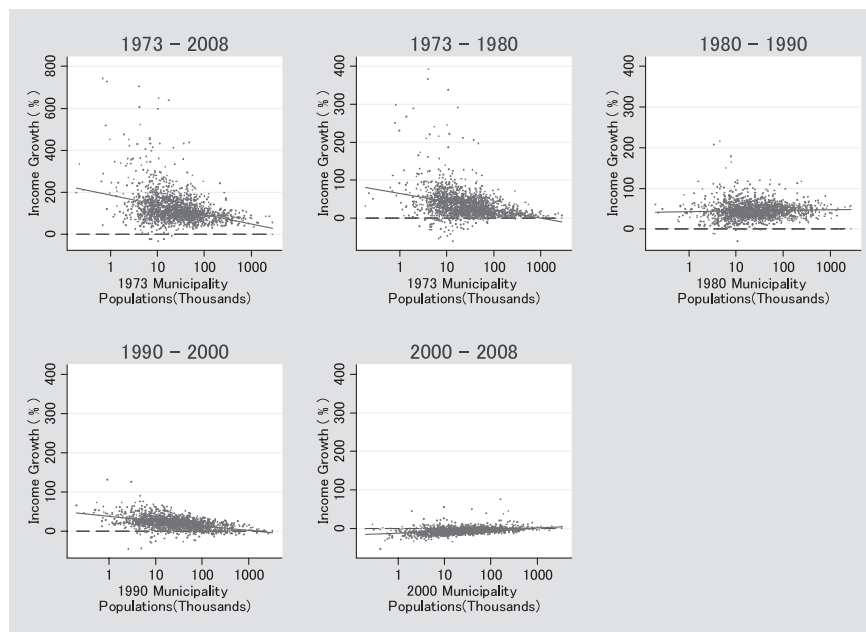
**Figure 1. Extent of Income Inequality between Urban and Rural Areas**



*Notes:* Constructed from municipal-level income data. Mean income is the national mean taxable income, obtained by dividing all taxable income by the total population in the country. The median income refers to the median in the distribution of the municipal per capita incomes for each year. Constant 2005 yen is used to account for inflation.

*Sources:* JSP (various issues), Nippon Marketing Kyōiku Center (various issues), Shichōson Zeimu Kenkyūkai (various issues).

**Figure 2. Taxable Income Growth Rates by Municipality Size**



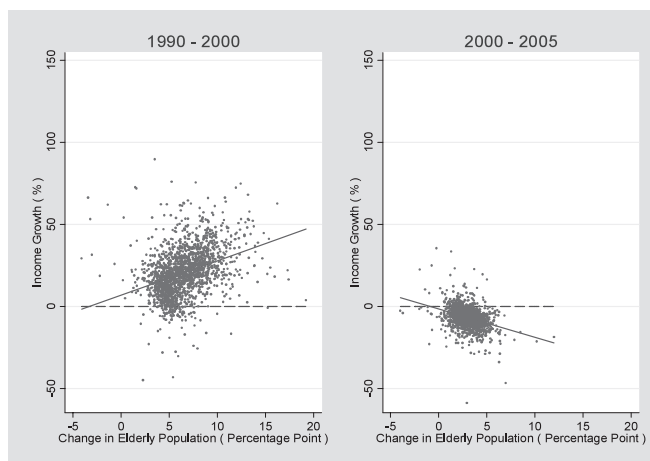
*Notes:* The unit of observations is municipalities. The number of observations is 1798 for all panels in the figure. August 2009 boundaries are used. Constant 2005 yen is used to calculate the growth rate of per capita income. The x-axis is the municipal population (log). The x-axis label shows the actual population (in thousands), instead of the values in log. The y-axis is the growth rates of the taxable per capita income (%), calculated by dividing taxable per capita income in the final year in the period by taxable per capita income in the first year, then multiplying it by 100. Thus, it is cumulative. The dashed line shows  $y = 0$ . Observations below this line indicate municipalities whose per capita incomes decreased during the period. The solid line is OLS fit.

*Sources:* JSP (various issues), Nippon Marketing Kyōiku Center (various issues), Shichōson Zeimu Kenkyūkai (various issues).

## 2. Political Consequences

One potential factor that may have driven the increase in inequality across municipalities and the stagnation of rural areas is the pace of aging. Income tends to be lower for the elderly and the rate at which the fraction of the elderly in the population changes over time is not uniform across municipalities. The pace of aging is faster for some municipalities than others, leading to lower income growth in such areas and possibly widening the overall regional inequality. Figure 3 shows that increases in the percentage of the elderly (those who are 65 years old or older) are negatively associated with the growth rate of municipal per capita income from 2000 to 2005. However, the relationship is positive in the 1990s, which is contrary to my expectation.

**Figure 3. Increases in Elderly Population and Income Growth**



*Notes:* The unit of analysis is municipalities. The x-axis shows the change in the fraction of the elderly in municipal populations (percentage points), calculated by subtracting the percentage of the elderly population in a municipality in the final year in the period from that in the first year. The y-axis is the growth rates of per capita income (%), calculated by dividing taxable per capita income in the final year in the period by taxable per capita income in the first year, then multiplying it by 100. August 2009 boundaries are used. The dashed line shows  $y = 0$ . The solid line indicates OLS fit.

*Sources:* JSP (various issues), Nippon Marketing Kyōiku Center (various issues), Shichōson Zeimu Kenkyūkai (various issues). Ministry of Internal Affairs and Communication (various issues).

Another potential source is the decrease in inter-governmental transfers, which is likely to have detrimental economic effects on rural areas. Small municipalities, which are generally rural, tend to have weak tax bases and local governments rely

heavily on transfers from the central government. Previously, the central government provided municipalities with generous transfer payments with allocations biased in favor of small towns and villages. Japan's fiscal problems curtailed this generosity. The reduction of transfer payments was one of the reasons why so many small municipalities merged in the early 2000s. In other words, there were few cases of municipal mergers for several decades until the early 2000s precisely because of the lucrative transfers to local governments (Saito and Yamada 2011). Intergovernmental transfers are also nontrivial sources of public works spending, which provides jobs in rural areas (Hayashi 2004). Thus, the cuts in intergovernmental transfers should have had negative effects on the economic well-being of rural areas in particular.

Figure 4 shows the rise and fall of the local allocation tax grant (LAT grant), the national treasury disbursement, and the two combined. As the figure shows, these subsidies have continued to decline after peaking in the late 1990s. As shown in Figure 1, inequality across municipalities has been rising since around 2000, coinciding with the decrease in LAT grants and the national treasury disbursements. Another point to notice is that income inequality decreased in the 1990s, when the transfers were on the rise.

Regardless of whether or not the cutback of inter-governmental transfers affected income inequality, in the 2000s income distribution became more unequal between urban and rural areas and the latter struggled economically. Given these observations, it seems plausible that the LDP lost votes in rural areas due to retrospective voting (e.g., Kramer 1971) as voters punished the LDP for its disappointing performance. Or, it might be the case that the economic stagnation caused the LDP's core supporters to defect, which in turn resulted in less mass mobilization.

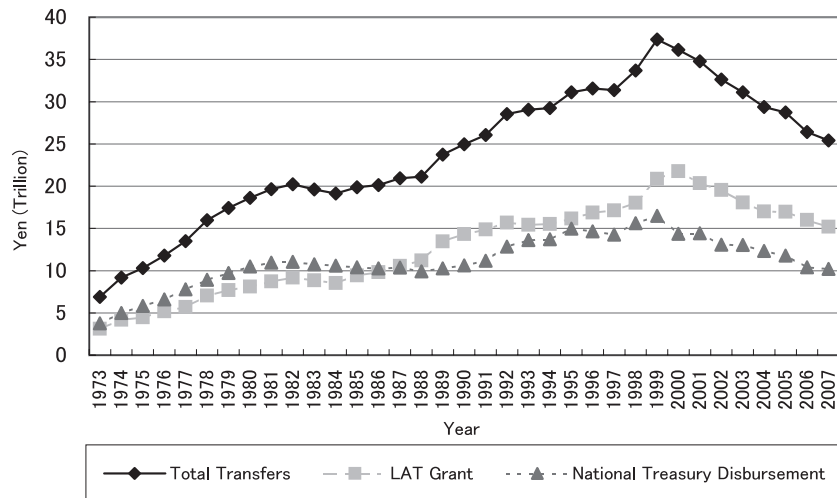
Figure 5 presents the relationship between municipal population size and the LDP's vote share in lower house elections from 1980 to 2009. Rural areas strongly supported the LDP until recently (Figure 5) despite their negative income growth in the 2000s (Figure 2). After the current electoral rules were instituted prior to the 1996 election,



the LDP should have had greater incentive to shift its campaign focus from its rural strongholds towards gaining votes in urban areas (Rosenbluth, Saito and Yamada 2010; Saito 2010), but voting patterns basically remained the same for a while. However, the trend changed in the 2005 election. In contrast to the previous elections, the association between the size of municipalities and the LDP-led coalition's vote shares was quite weak in 2005. LDP-coalition vote shares in rural areas remained low in 2009. Figure 6 shows the relationship between municipal population size and the change in the LDP-led coalition's vote shares after 2000 more explicitly. The ruling coalition's vote shares

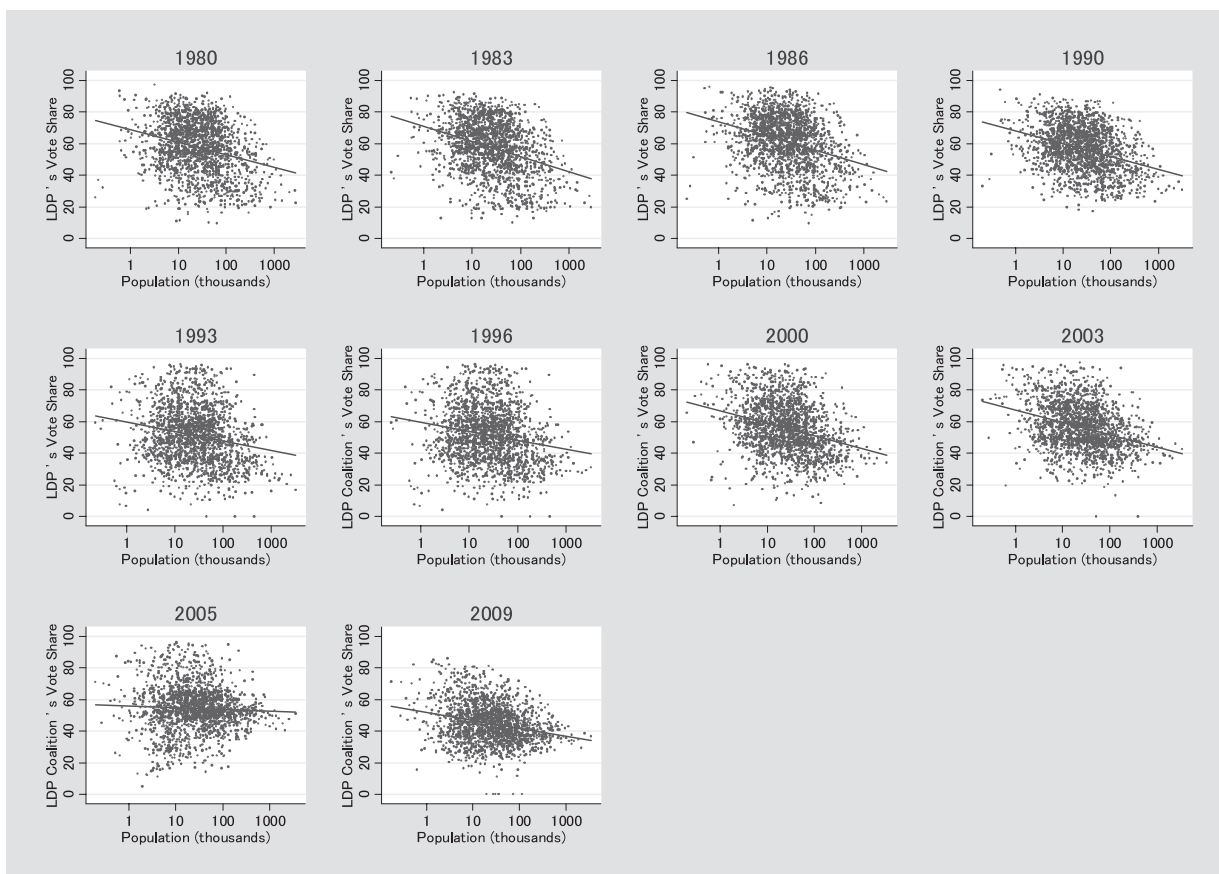
in rural areas in 2005 and 2009 were lower than in 2000 or 2003.

**Figure 4. Trends in Intergovernmental Transfers: Local Allocation Tax Grants and National Treasury Disbursements**



Sources: Chihō Zaisei Chōsa Kenkyū Kai (various issues)

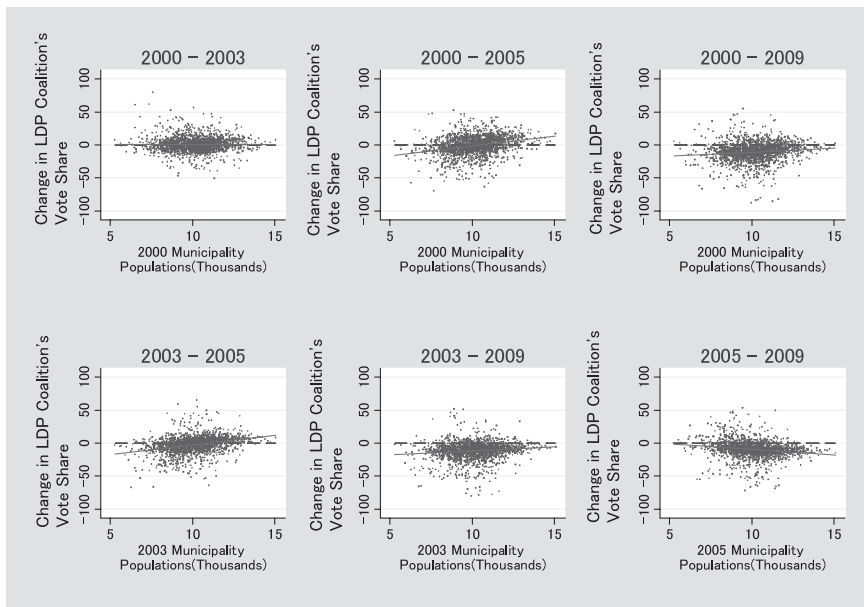
**Figure 5. Municipal Size and the LDP-led Coalition's Vote Shares in Lower House Elections, 1980-2009**



Notes: The unit of observations is municipalities. The x-axis is the municipal population (log). The x-axis label shows the actual population in thousands. The y-axis is the LDP-led coalition's vote share within each municipality, calculated by subtracting the LDP's vote share (LDP coalition's vote share if the party is forging one with other parties) in the final year in the period from that in the first year. The vote share data are those of the single member districts for the elections under the new electoral rule (1996~). The solid line is OLS fit.

\* I would like to thank Prof. Jun Saito for generously providing municipal-level election data.

**Figure 6. Municipal Size and Change in the LDP-led Coalition's Vote Shares in Lower House Elections, 2000-2009**



*Notes:* The unit of observations is municipality. X-axis is the municipal population (log). The X-axis label shows the actual population (thousand). Y-axis is the change in the LDP-led coalition's vote share in municipality (percentage points). The dashed line shows  $y = 0$ . The solid line is OLS fit.

\* I would like to thank Prof. Jun Saito for generously providing municipal-level election data.

### 3. Discussion

In sum, rural areas had been LDP's stronghold until recently. However, this party loyalty weakened as rural areas went through economic stagnation in the 2000s. Although most municipalities had negative growth in the 2000s, the magnitude of the drop was larger in rural areas. The LDP coalition's vote shares in rural areas were lower in 2005 and 2009 than before. In fact, the relationship between the change in the LDP coalition's vote share and the change in per capita income is positive. The relationship holds even after controlling for relevant variables such as the pace of aging and population size (Yamada 2011). I acknowledge that it is necessary to develop a precise estimate of the effect of negative income growth on voting. Whether the vote share change brought about by the economic stagnation was large enough to significantly affect electoral outcomes also needs to be tested, although a small change in vote share tends to generate a much larger change in seat share in the majoritarian system (Taagepera 1973; Tufte 1973).

Finally, if cutting the resources flowing into rural areas exacerbated their economic decline and widened geographic income inequality, one might wonder why the LDP took the risk of alienating its key constituency by implementing such policies. One interpretation is that the recession in the 1990s forced the government to provide fiscal stimulus, which allowed per capita incomes in rural areas to grow. However, the recession led to shrinking tax revenues, which required the government to fund the generous spending by running deficits. As soon as the economy showed some indications of recovery, the government was forced to initiate fiscal reconstruction, of which the cutback of the intergovernmental transfers was an integral part. Generous transfers were not sustainable, and the LDP could not

afford to keep catering to its longtime supporters like rural voters.

On the other hand, the changing geographic income distribution is consistent with the growing importance of urban districts in lower house elections, brought about by the reapportionment in 1994 that was part of the electoral reforms. Along with the introduction of the new mixed rule based on single-member districts and proportional representation, the number of urban seats increased, while rural seats decreased. Fewer rural Diet members indeed result in a decrease in transfers, and vice versa (Horiuchi and Saito 2003). The LDP began to cater to urban areas after the electoral reform (Rosenbluth, Saito, and Yamada 2011). Thus, it is perhaps not surprising to find that rural areas lost ground economically once their electoral importance decreased. We can see that changes in geographic income distribution are to some extent endogenous to political competition, electoral rules, and the degree of malapportionment. Closer investigation of the interplay among institutions, political competition, and geographic distributions of economic well-being and partisan support is needed.

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# The Political Consequences of Structural Change

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By the time this article goes to press, two years will have passed since the historic election of August 2009 when Japan's Liberal Democratic Party (LDP) lost power for the first time. The Horiba International Conference held at Tokyo University in August 2010 gave participants an opportunity to reflect on the first year of the Democratic Party of Japan's (DPJ) rule, and to examine both the direct and indirect causes of this power change. This essay reports on one such cause: the political consequences of structural change, in particular the economic and demographic changes sweeping all corners of Japan over the last two decades.

## **1. Economic decline and the weakening of the LDP voting machine**

The defeat of the LDP came nearly two decades after the collapse of Japan's economic bubble. While scholars have long puzzled over the LDP's longevity, Japan's economic downshift during the 1990s and 2000s would at least on the surface

seem like a logical source for the LDP's decline. Over five decades of nearly continuous rule, the LDP gradually came to be known as the catch-all party, adapting to changing voter interests by buying off groups whenever new interest groups formed. Their strategy for winning political popularity required vast spending power, and spend they did, most notably on infrastructure, paving highways, building bridges, and laying high-speed railways. Political success ensured continued financial backing which in turn attracted successful political candidates, thus creating what appeared to be a foolproof winning formula.

The great premise of the LDP formula, however, was continued economic growth which kept the central and thus local coffers full. Diet politicians remained in power by honing their skills at bringing this pork from Tokyo to their home districts. As the post-bubble economic stagnation lengthened, however, tax revenues declined, eventually giving Japan the highest debt among all OECD countries at 225% of GDP as of early 2011. When there is little money to distribute, support from key players and industries in the LDP's voting machine such as construction and agriculture inevitably weakens. For the construction industry, the decline in funding for public works (short-lived revitalization efforts of the mid-2000s notwithstanding) has forced the industry to diversify their business both geographically and content-wise. Many construction companies have renewed their efforts to expand into Southeast Asia or to venture into related businesses such as office and retirement home management and landscaping. Agriculture is another example of an industry with now weaker allegiance to the LDP, especially as the DPJ began to defeat the LDP at their own game in the rural areas by guaranteeing farmers a direct cash subsidy rather than protecting the agricultural industry per se.

While fiscal decline has itself directly weakened the once formidable LDP voting machine, measures taken to alleviate the pressure on central



and local coffers have also indirectly weakened the LDP. Most notable among such measures is the effort to merge municipalities to cut down on administrative costs, especially in the more depopulated areas. Between 1999 and 2010, the total number of sub-prefectural units declined from 3229 to 1727, almost halving the number of sub-prefectural units. Most consolidations occurred in the span of a few years, 2003-2006, when the total number of sub-prefectural units declined from 3190 to 1820, a decline of 43 percent (see Table 1).

The majority of these mergers have occurred in rural areas, once the stronghold of the LDP. Decreasing the number of local governments through mergers has not only cut down the number of local politicians and bureaucrats, and thus the number of foot soldiers supporting the LDP voting machine (Horiuchi and Saito 2008), but the manner in which mergers were carried out has strengthened the voice of urban voters. Mergers often take place between fiscally weak rural governments and stronger urban governments. The population balance between two or more merging local governments also skews towards urban residents. Thus the new local government resulting from the mergers takes on an urban political voice, burying the voice of rural voters and their preferences along the way.

## 2. The demands of a post-industrial economy

Perhaps just as importantly, Japan's post-industrial economy and society also contributed to the weakening of the LDP voting machine. By the early 1990s and certainly by August 2008, even the most remote areas of Japan had smoothly paved roads and bridges connecting the major

islands to the main island of Honshu. The bullet train was scheduled to connect the southern city of Kagoshima to Osaka in just four hours by 2011 (completed in March 2011). Voters in Japan no longer yearned for large infrastructure projects that benefitted both their locality as well as the construction companies hired to build the project, nor were they satisfied with government subsidies continuing to support zombie firms (Hoshi and Kashyap 2011). Rather, the public's needs and desires had shifted towards social security, stable jobs, and economic revitalization. Rural voters in particular could no longer be simply bought off with promises of new *hakomono* as such boxes filled with facilities of every kind will not put food on their table or guarantee the livelihoods of future generations. In a telling interview, a local government official in Kyushu lamented rather than anticipated the upcoming completion of the bullet train line because the new train would make it easier for local talent to leave the area. In this post-industrial society, electoral tactics need to change from that based on pork to that based on real, long-term economic improvement, a change not yet fully realized by any party.

## 3. Appealing to older voters

Japan's rapidly aging population provides an additional twist to the rebalancing demanded by a post-industrial economy and society. The nation's older voters are the most active in Japanese politics (as is the case in many developed countries). Recent voter demands to reform Japan's social welfare policy in the midst of urgent post-3.11 recovery efforts is but one example of the growing political influence of the elderly.

The prefecture level analysis in Shimizu and Miya-

Table 1. Decline in the Number of Municipalities

Date	Cities (shi)	Towns (cho)	Villages (mura)	Total
1965.04	560	2,005	827	3,392
1995.04	663	1,994	577	3,234
2003.04	677	1,961	552	3,190
2005.04	739	1,317	339	2,395
2006.04	779	844	197	1,820
2010.03	786	757	184	1,727

gawa (2011) which agglomerates the data at the prefectural level consistently finds a positive correlation between older voter populations (over the age of 65) and LDP support throughout the 1990s and 2000s. This trend holds true at both the lower house and prefectural assembly levels. Furthermore, we consistently see greater electoral support for the LDP in more rural areas with smaller populations. These relationships also hold at the electoral district level for the lower house (2005 and 2009) and prefectural assembly elections (1999 and 2003). These findings make the DPJ's 2009 victory in many of these former LDP stronghold districts all the more intriguing. The extent to which this older and more rural support base for the LDP can counteract the influences of a stagnant economy and the demands of a post-industrial economy and society remains to be seen.

#### 4. A post-3.11 Japan

The political consequences of structural change became most evident in the aftermath of the March 11th earthquake and tsunami. The Tohoku region hit hardest by the disaster typifies rural Japan. Tohoku is home to many farming and fishing villages and its residents are disproportionately older than the national average. In the 2009 lower house elections, however, Iwate, Miyagi and Fukushima--the three prefectures hit hardest by the disaster--fell almost completely into DPJ hands (with one exception in Miyagi). While the ongoing recovery efforts will include the rebuilding of the region's basic infrastructure, the longer term goals that residents and local leaders articulated only weeks after the disaster go far beyond

the roads and railways that rural areas once coveted. Numerous TV interviews reveal that what residents affected by the disaster want most are better opportunities for work, more outside investment, and ultimately more independence to pursue different models of development. To meet such demands, politicians along with the central government in Tokyo must drastically alter some long-standing policies and decentralize fiscal power more effectively. Only then will the Tohoku region be able to take full advantage of some of Japan's hidden gems including the numerous, small, high-tech manufacturing firms long cultivated in the local area. Post-3.11 Japan faces many challenges, but also provides an opportunity to create from scratch a political environment more suitable for Japan's present day economic and social structure.

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# Why Are Japanese Parties Undisciplined?

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On June 2, 2011, the administration of Kan Naoto almost came to an end, not because of electoral loss or coalitional desertion, but because of internal collapse. Intra-party opposition to Prime Minister Kan had intensified after the 2011 Tōhoku earthquake, and his two predecessors as president of the Democratic Party, Hatoyama Yukio and Ozawa Ichiro, were openly pushing for his resignation. When the Liberal Democrats, Komeito, and the Sunrise Party announced a no-confidence motion against Kan, the prime minister threatened to call for snap elections. The media was critical of both sides of the political wrangling, juxtaposing updates of Diet negotiations with man-on-the-street interviews of people who questioned Nagatacho's prioritization of political in-fighting over disaster relief. On the eve of the no-confidence motion, journalists suggested that up to 90 DPJ Diet members could defect—enough to oust the prime minister. The DPJ's collapse was averted through a last minute

détente after Kan promised to resign following the resolution of pending disaster reconstruction measures. Most DPJ dissidents accepted this compromise, undoubtedly to avoid running for reelection in the face of mounting public disapproval. Observing the DPJ walk to the brink, however, an unavoidable question was, "Why can't the party get its act together?"

Intra-party revolts are not new to Japan. The LDP's fall in 1993 was precipitated by factional defections over electoral reform. Recent ex-LDP dissidents form the core of the Sunrise, New Renaissance, and Your Parties. The DPJ itself began with defectors from the LDP and the Social Democrats in the early 1990s, and its surge over the last decade has been aided by the strategic advice and influence of Ozawa Ichiro, who joined the party after the DPJ-Liberal Party merger in 2003. What was surprising about the most recent revolt against Kan, however, was that the DPJ had finally come into power in a historic electoral victory, winning 64% of the seats in the House of Representatives in 2009. It was the first time since 1955 that a non-LDP party held a majority in the lower house. After over a decade in the opposition, it seemed exceedingly unlikely that the DPJ would sabotage itself by forcing out its leader and risking an internal split.

This recent episode highlights a research question I have been exploring over the last two years: what are the causes and effects of "party discipline," which I define as the ability of political parties to act as cohesive actors that pursue collectively beneficial goals. Very few legislative items, whether they involve taxes, regulation, or fiscal transfers, are equally beneficial to all party politicians, whose priorities vary with the socio-economic and geographic makeup of their districts. Parties face internal dissension when tactics that could ensure aggregate success are at odds with the policy preferences of individual legislators. Discipline, then, is both the process and outcome of a party's ability to solve collective action

or coordination problems that threaten the group's prosperity.

What makes the puzzle of DPJ in-fighting interesting in the Japanese context is that a number of institutional and electoral changes over the last two decades *should* have strengthened party discipline. Electoral reform in 1994 was designed to usher in a two-party system based on ideological competition. Under the old multi-member district, single non-transferable vote (MMD-SNTV) system, candidates from the same party routinely fought over the same group of partisan voters which led to campaigning based on personal achievements, such as winning public works projects and regulatory favors. The LDP held its legislative factions together by divvying up policy-making posts and ensuring access to pork-barrel resources so that no group felt unfairly disadvantaged. Electoral reform was meant to curb this personalism. With only one seat per district in the single-member plurality tier, no party would run multiple candidates, thus making it more likely that candidates would focus on programmatic, ideological differences. A focus of policy programs, in turn, would increase the electoral salience of party labels and programs over candidate-centered factors, producing more legislative discipline. Instead, the DPJ's near-collapse epitomizes the continuing internal fragmentation of political parties. Given that two-party competition—one of the central goals of electoral reform—has more or less materialized, is there any hope for organizational and policy coherence within the major parties?

There are two related angles from which to examine party discipline--voter behavior and party organization. One traditional explanation for party fragmentation has been the relative weight voters give to the qualities of candidates versus those of parties. Reed, Scheiner, and Thies (2009) demonstrate, however, that since 2005 candidate

victory is better predicted by party affiliation than by candidates' individual characteristics. In a related study, I examine whether an incumbent's reelection is linked more to her own past performance or to national vote swings (McElwain 2011).<sup>1</sup> I find a major disjuncture before and after reform. Since 1996, an incumbent's past margin of victory has become a weaker predictor of reelection, while vote swings among co-partisan candidates have become increasingly correlated across electoral districts, suggesting national rather than local trends in voter preferences.

A number of reasons underlie this shift towards greater partisanship. For one, parties are campaigning as national entities: they publish electoral manifestos that lay out their policy agendas and carefully craft TV commercials to maximize their collective appeal. For another, the relative popularity of party *leaders* has become an electoral focal point. They are the centerpieces in television coverage of elections (Krauss and Nyblade 2005), and administrative reforms in the late 1990s strengthened the policy-making capacity of the Cabinet Office, making party leaders key legislative players (Estevez-Abe 2006). In examining the 2005 election, I found that the electoral performance of LDP candidates improved in districts where Prime Minister Koizumi Jun'ichiro campaigned, signifying the growing value of electoral coattails (McElwain 2009). The more voters value parties over candidates, the more parties should try to act as coherent units to better demonstrate their collective competence and viability to voters.

A second explanation for internal discipline (or lack thereof) is the institutional capacity of political parties. Under the more personalistic electoral system prior to 1994, parties had few carrots or sticks to keep backbenchers in check. For example, fund-raising and campaign support were mostly provided by intra-party factions, which competed to maximize their legislative member-

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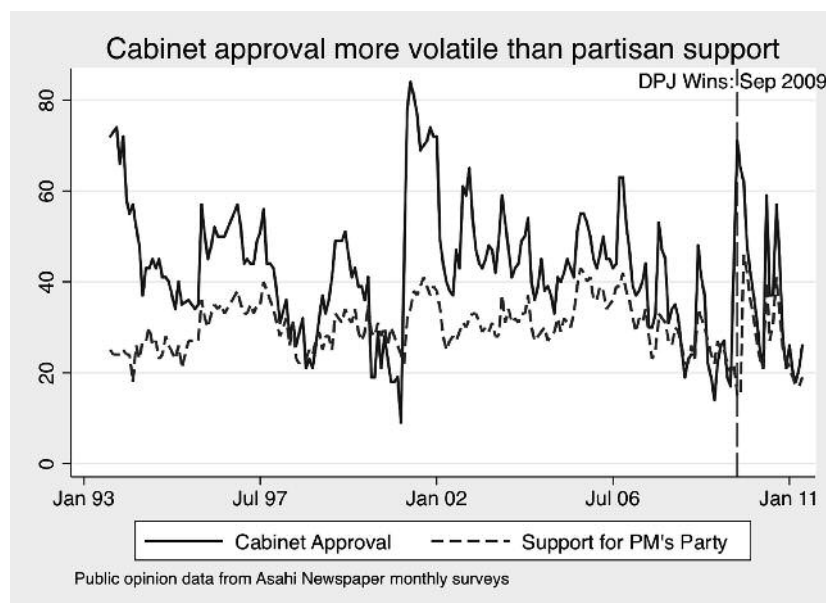
<sup>1</sup> I run a logistic regression model, where the dependent variable is a dichotomous indicator of whether an incumbent candidate was reelected. Separate regressions were run for 1958-93 under MMD-SNTV and 2000-09 under the new mixed-member majoritarian system. Mirroring studies of "partisan swing" originally conducted by Tufte (1973), explanatory factors were kept simple: 1) the incumbent's margin of victory in the last election; 2) the average vote swing to the incumbent's party in all other districts; 3) the district's level of urbanization. There were two notable findings. First, the predictive power of the models jumps significantly: the pseudo-R<sup>2</sup> for LDP candidates was 0.07 under MMD-SNTV, but 0.46 after reform. Second, the substantive significance of partisan vote swings increases. Before 1994, the difference in victory probability when an incumbent experiences no swing versus a median vote swing was 2% for LDP candidates and 3% for the JSP. After electoral reform, however, the difference jumped to 8% for LDP incumbents and 15% for the DPJ. Specific results are available from the author upon request.



ship relative to one another. Reforms since the early 1990s, however, should have strengthened party unity. Greater regulation of private campaign donations and the introduction of public party subsidies—government subventions to defray a party’s administrative and electoral costs—have given party leaders new financial resources that can be used to keep backbenchers in line. Importantly, the DPJ and LDP have both switched their leader selection mechanisms to allow for voter primaries<sup>2</sup>, which gives leaders more incentive to appeal to their national base collectively, instead of focusing on each legislator’s particularistic needs (McElwain and Umeda 2011). Both of these changes have strengthened the autonomy and leverage of political party leaders, which in turn should produce more coherent party behavior.

Despite these shifts in voter behavior and the organizational capability of parties, the threats to Prime Minister Kan’s tenure captures the persistence of intra-party strife. My explanation for this lack of discipline is straightforward: while voters certainly care about partisan cues, their preferences are being driven by the popularity of party leaders, not underlying ideological convictions. This distinction is crucial, because party leader

support tends to be fickle. The figure below displays changes in party affinity and cabinet approval between 1994 and 2011, as measured by the *Asahi Shimbun*’s monthly surveys. The volatility in cabinet ratings—a rough proxy for the popularity of the governing party’s leader—is 1.5 times greater than voter support for the prime minister’s party.<sup>3</sup> Given the greater electoral focus on party leaders, candidates risk defeat should they hitch their wagons to an unpopular leader, making their threats to defect to another party credible. Any electoral costs from party switching will remain minimal as long as voters value leader image over ideological inconsistency. In fact, many politicians continue to invest in their *koenkai*, or personal support networks, to insulate themselves from capricious swings in leader popularity (Krauss and Pekkanen 2011). While defecting from a party may be a radical solution, legislators have less compunction about ousting their leaders. As of July 2011, there have been six different prime ministers and eleven different cabinets since the 2005 general election. Indeed, the LDP and DPJ’s alternating electoral sweeps in 2005 and 2009 only make sense if candidate attachment is declining (thereby reducing personalistic advantages) but partisan identification also remains weak (reflected in more ballot-switching by voters).



<sup>2</sup> When the outgoing party president completes his term, all dues-paying party members can vote in a primary to elect the next leader. When leaders resign in the middle of their terms, however, both the LDP and DPJ can choose to expedite the succession process by reserving the vote to Diet members. See McElwain and Umeda (2011) for the evolution of leader selection since the 1980s.

<sup>3</sup> The coefficient of variation (CV), a normalized measure of dispersion, is 0.234 for government party affinity and 0.346 for cabinet approval. The CV is calculated by dividing the standard deviation of each variable by its mean.

Leaving aside whether Japan *should* have a disciplined and programmatic party system—as espoused by many reformers, including Ozawa Ichiro—an interesting question is *whether* this is even possible. There are reasons to answer negatively. One huge hurdle is the lack of grassroots ideological movements in Japan. American politics scholars distinguish the conservative or liberal leanings of candidates and voters from their affinities with the Republican or Democratic Parties. While “pragmatic” voters will always support the party or candidate that is closest to them ideologically (even if none are particularly close), “ideological” voters may withdraw campaign contributions or back an insurgent candidate if their preferred party strays too far from core policy beliefs. Deeply held ideological convictions thus keep parties disciplined, since deviation from established policy platforms risks voter backlash. It is unclear if similar frameworks apply to Japan. While most voters can be arrayed along a conservative to progressive spectrum, election campaigns often focus on the political *process*, such as curbing bureaucratic autonomy or eliminating government inefficiencies and corruption. A reasonable interpretation is that Japanese voters are pragmatic more than ideological; parties and leaders are assessed by their perceived competence or proposed solutions to immediate problems, not on ideological fidelity.

The transition to a disciplined party system will depend on the broadening of a core, partisan vote base. Recent electoral volatility has been driven by the growing number of floating or independent voters who are particularly sensitive to short-term trends, such as party leader popularity. I believe that the salient counterbalance is the electoral influence of *interest groups*. Sustained ideological movements are more than the sum of individual preferences and require the coordination of geographically-dispersed but like-minded voters. While interest groups are often perceived as self-interested single-issue organizations, they serve broader electoral functions by mobilizing activists (as in the case of labor unions) and funding campaign expenditures (as in the case of business federations). Indeed, two of the largest interest groups in Japan—Rengo and Keidanren—do match up neatly on a left-right ideological spectrum. Their electoral relevance may increase due

to widening economic inequalities, which have put free market and social insurance reforms in the spotlight. However, smaller groups, such as medical professionals and religious sects, appear to be more pragmatic, channeling their support to individual candidates, especially in the House of Councillors. While occupational and faith-based groups may be less well known to the public, their collective size is substantial. Should they begin to stake consistent programmatic positions and mobilize their supporters at the polls, then political parties will also be induced to take nationwide partisanship seriously.

So far, we have an incomplete picture of the power of interest groups—both national and local—to persuade and mobilize voters. Fortunately, a series of legal changes in the last decade have made it easier to analyze the size and resources of organized interests. New regulations on non-political organizations require them to regularly submit data about their finances and membership in order to maintain their tax-exempt status. Reforms in the Political Finance Control Law mandate greater transparency in political donations and expenditures, allowing us to examine where and from whom politicians receive support. The quantitative nature of this new information allows us to use statistical methods to examine interest group resources. We can, for example, map interest group resources geographically to assess the spatial distribution of organized supporters and their activities. To the extent that political donations and campaign support are the hallmarks of partisan commitment, I believe that focusing on interest groups will allow us to better understand the shifting salience of ideology in Japanese politics. By extension, we can begin to explore how political parties balance the demands of floating versus core voters—in elections and in policy-making—which should help us assess the evolution of party discipline.

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# Postal Reform in a Changing Japan

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National calamities tend to bring out the best in the Japanese postal services. In the wake of the Great Kantō Earthquake of 1923, the commercial banks remained closed for several days while the postal system introduced an emergency withdrawal system that allowed even those residents who had lost their passbooks to withdraw up to ten yen per day from their postal savings accounts. Similar services were introduced after the 1945 Tokyo fire bombings and the atomic blasts at Hiroshima and Nagasaki.

In March 2011 the post office delivered once again. Less than 24 hours after the 9.0 magnitude earthquake and tsunami struck the Tōhoku region, the Japan Post Group announced that residents in stricken areas could make emergency withdrawals of up to ¥200,000 from their postal savings accounts with or without account documentation. Within six weeks of the disaster, Japan Post Bank had completed nearly 20,000 such transactions under the emergency system (Japan Post Group).

Although the postal system's recent contributions to the welfare of struggling local communities have attracted little media attention, they could very well strengthen political opposition to Koizumi Jun'ichirō's 2005 postal privatization as the country engages in broader debates about its post-quake future. What follows is a snapshot of the postal system's multi-faceted functions and of the objectives and likely outcomes of the contemporary anti-privatization movement.

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Since its establishment during the early Meiji period, the Japanese post office has been far more than just a place to mail a letter. For instance, post offices have offered important financial services ranging from money orders and inter-institutional money transfers to the well-known postal savings and life insurance services. It was largely thanks to these financial services that ordinary Japanese familiarized themselves with the trappings of modern finance (see Garon 2000). Meanwhile, proceeds from the savings and insurance systems supplied the modern state with a vast reservoir of funds—known as the Fiscal Investment and Loan Program, or FILP—for investment in everything from prewar military expansion to postwar industrial development, loans to small and medium enterprises and local governments, environmental protection, public works projects, and more recently, the development of new or expanded sources of energy.

Less well known have been the post offices' informal welfare services, which include programs for ensuring the safety of young children on their way to and from school and the so-called *Himawari* programs in rural and semi-rural communities in which postal employees check up on housebound elderly residents and network with local governments and businesses to supply them with groceries, medicines, and other necessities. In sum, the postal system—which is the country's oldest and largest institutional network—serves



as a vehicle not only for the delivery of modern bureaucratic and financial services but also of social services that one normally associates with a more traditional Japan.

Fans of the state-run postal system and the traditional values it represents fear that former prime minister Koizumi's postal privatization will destroy the post offices' distinctive functions due to the impersonal mechanisms of the competitive market. Although Koizumi took pains to protect the size of the postal network and its social functions by pledging to maintain "one post office for every village" and establishing a two trillion yen government-administered fund to prop up financially vulnerable post offices, some of his opponents' worst fears have already been realized. Since the privatization process officially began on October 1, 2007, wait times at the post office *madoguchi* have increased as postal employees struggle to comply with new banking and insurance regulations; several hundred small post offices have closed; postal employees' morale has deteriorated; and the strict division of the postal services into separate corporate entities has prevented mail carriers from collecting savings deposits and performing *Himawari* services for the elderly while on their rounds. More pressingly, the services in general and the mail service in particular are in various stages of long-term financial decline—a situation that bodes poorly for the integrity of not only local postal services but also of the FILP.

Opponents of postal privatization have banded together to try to reverse these trends. In the past, Koizumi's foes were concentrated in the LDP and gravitated around an exchange relationship between members of the postal *zoku* and the commissioned postmasters (*tokutei yūbinkyokuchō*). As a result of Koizumi's 2005 electoral strategy, which severed that exchange relationship and temporarily rid the party of anti-privatization candidates, the center of oppositional gravity shifted to the Democratic Party of Japan (DPJ) and the People's New Party (PNP), which was formed in the lead-up to that fateful election by the postal "rebels." From the start, the PNP has been the party of choice for Japan's nation-wide network of commissioned postmasters, the vast majority of whom vehemently oppose postal pri-

vatization. Since the 2007 upper house election campaign, the DPJ's Ozawa Ichirō carefully cultivated the PNP as an electoral ally and potential coalition partner that would help his party compensate for its lack of a majority in the chamber. In return, Ozawa promised the PNP his party's support for a new round of postal reform. Not all DPJ members are opposed to Koizumi's handiwork; in fact, many at one time would have preferred an even more radical privatization package than what Koizumi was able to deliver. But the DPJ leaders' new anti-privatization stance resonated strongly with party members who supported the other major interest group connected to the postal services: the now privatized postal workers union. In the wake of the DPJ's landslide victory in the 2009 lower house election, during which postmasters mobilized en masse behind the PNP and the DPJ (in constituencies where no PNP candidates were running), the DPJ made good on its anti-privatization pledge by including the PNP in its coalition government and appointing its leader, Kamei Shizuka, as minister of financial services and postal privatization.

A long-standing opponent of Koizumi and the "laws of the jungle" that allegedly informed his structural reforms, Kamei quickly set out to reverse postal privatization. At Kamei's insistence, in December 2010 the government passed a law to freeze the divestiture of government shares in Japan Post Holdings (JPH) and JPH's shares in the two postal financial services. Kamei then oversaw the drafting of a series of sweeping reform bills. Included in the bills are plans to: 1) merge the mail and network firms with JPH and link the bank and insurance firms to the new entity as subsidiaries; 2) legally obligate the government to hold more than one-third of the shares of this new firm at all times and to maintain the number of post offices at current levels; 3) hire up to 100,000 part-time postal workers as permanent employees; 4) impose universal service requirements on postal savings and insurance; and 5) increase the ceiling on postal savings deposits from 10 to 20 million yen and on postal life insurance payouts from 13 to 25 million yen. Meanwhile, Kamei pressured Nishikawa Yoshifumi, Koizumi's choice as JPH president, to resign, replacing him with Saitō Jirō, a friend of Ozawa's and former administrative vice-minister of finance.

While Koizumi's mission had been to shrink the size of the postal financial services and hence the government's role in financial intermediation by creating a more level playing field between the postal services and their private-sector competitors, Kamei sought just the opposite: to expand the services and strengthen the government's control over them. More to the point, Kamei was intent on reinvigorating the local post office's functions as a public service institution at precisely the time that fallout from the 2008 global financial crisis was underscoring the growing disparities between rich and poor, urban and rural in Japan—disparities that Kamei blamed (unjustly) on Koizumi's structural reforms.

In May 2010, Kamei's bills cleared the lower house, but the Diet session ended before the upper house could review them. Kamei resigned his cabinet post in protest shortly after prime minister Hatoyama Yukio vacated the DPJ presidency and Ozawa the secretary generalship. Kamei was replaced by Jimi Shōzaburō, a PNP colleague who is equally committed to reversing many of Koizumi's reforms. It is highly unlikely, however, that Jimi will succeed in bringing this latest round of postal reform to legislative fruition. For starters, prime minister Kan Naoto appears lukewarm on the issue. More problematically, the coalition government's poor performance in the July 2010 upper house election deprived it of the majority it needs to pass legislation. The PNP's dismal performance in that election, moreover, suggests that tampering with Koizumi's structural reforms is not a priority for the voters. Finally, the government is now fully preoccupied with the aftermath of the March 11, 2011 natural disasters and ongoing nuclear crisis. Although Kamei's bills are still before the Diet, they are, understandably, receiving scant attention from lawmakers.

While it is very doubtful that Kamei's postal reform bills will be passed in their current form any time soon, debates about the post office's role in Japan's future are likely to recur in ways that could lead to more moderate changes to Koizumi's privatization blueprint. There are several reasons for this. First, the postmasters and their employees remain fully mobilized in support of change and are prepared to back whichever polit-

ical party does the most to limit or reverse privatization. For as long as the postal services remain Japan's largest employer and elections are unpredictable, these pressures from below will continue to matter to the parties. Second, although critics of Koizumi's reforms are wont to exaggerate the ill effects of postal privatization on local communities, the privatization process has undeniably encountered problems that have directly affected the provision of services. These problems will in turn provide both advocates and opponents of postal privatization with incentives to make at least moderate changes to that process.

Third, once the post-earthquake crisis abates, the post office could figure in national discussions about the future of the political economy. Should Japan preserve a role for "financial socialism" and the other trappings of more "traditional" institutions that played such a prominent role during the 19<sup>th</sup> and 20<sup>th</sup> centuries? Or should Japan follow Koizumi's path by according more power to the market? It is very possible that the aging residents and political representatives of Tōhoku's rural and semi-rural communities will press for a reinvigorated financial and social role for the post office and the communitarian values it represents. So, too, will those who envision a revived role for the FILP in the reconstruction of northern Japan, although such advocates appear to be declining in number. However, if the government dithers during the recovery, government debt reaches intolerably high levels, or the recovery is slowed by excessive regulation, the political momentum could shift toward a more market-oriented approach to future postal reform that puts the anti-privatization movement more squarely on the defensive. A third scenario is a hybrid solution to the post office's contested future that combines elements from both camps. This would involve a reevaluation of the corporate structure of Japan Post Group in order to reduce the government's role in the services while enhancing institutional protections of the system's more traditional social functions—functions that have been so widely valued for softening the negative side effects of market forces. Given the importance of compromise in the history of postal reform and the absence of a decisive, Koizumi-like figure in the prime minister's office, this latter scenario is the most likely of the three.

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# A Perfect Tectonic Shift? Structural developments, Koizumi reforms, and the collapse of LDP rule

The conference "A Perfect Tectonic Shift? Structural Developments, Koizumi Reforms, and the Collapse of LDP Rule" was held on August 19 and 20, 2010 at Fukutake Hall, Hongo Campus. Sponsored by the Hobriba International Conference Fund and the Todai-Yale initiative, more than 15 leading scholars of Japanese politics from Canada, the U.S. and Japan, including the contributors of this volume, presented their papers or gave comments to an audience of over 200. The original papers have been published in English in the *Journal of Social Science* vol.62(1), and will be published in Japanese by the University of Tokyo Press titled *Seitō-Seiji no Konmei to Seiken Kōtai* (Partisan Disarray and the Fall of LDP Government) this November. The meeting concluded a two year collaboration project coordinated by members of Todai and Yale University.

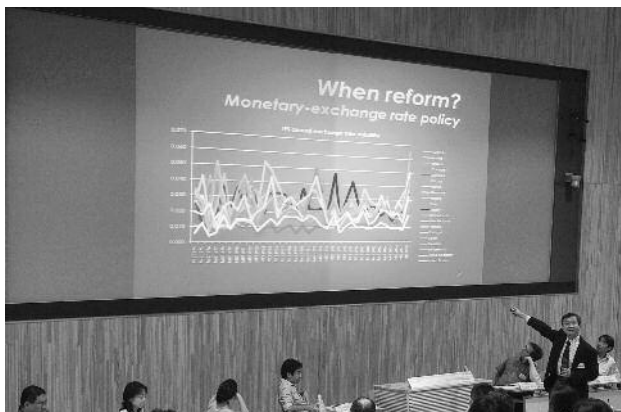
(Natsu Matsuda, Research Assistant to Professor Hiwatari / Ph.D. Candidate in Political Science, Yale University)

東京大学 THE UNIVERSITY OF TOKYO  
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## 構造改革と政権交代

A Perfect Tectonic Shift?  
Structural developments, Koizumi reforms,  
and the collapse of LDP rule

2010年8月19日・20日  
August 19 & 20, 2010  
東京大学本郷キャンパス・福武ホール  
Fukutake Auditorium, University of Tokyo



東京大学堀場国際会議  
構造改革と  
政権交代

選挙制度改革と構造改革の帰結がなぜ衆参選挙での自民党大敗と歴史的政権交代だったのか?  
東京大学とイェール大学を拠点とした同時代実証研究

プログラム・参加予定者  
基調講演「政権交代と日本外交」(19日 13:00)  
田中明彦(東京大学副学長)

I. 構造変動と政治対応(19日 14:00)  
Frances Rosenbluth・Gregory Noble・橋波原典  
内山融・加藤淳子

II. 政策対応と政治変動(20日 9:30)  
Yves Tiberghien・斎藤淳・山田恭平・川人貞史・山田真裕

III. 構造変動と政権交代(20日 13:30)  
Benjamin Nyblade・前田幸男・梅田道生・谷口将紀・Steven Reed

日時: 2010年8月19日・20日  
場所: 東京大学本郷キャンパス・福武ホール  
参加: 一般公開

問合せ: 東京大学社会科学研究所・総務課  
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## My Research at the Institute of Social Science: A Retrospective

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Starting with my appointment as an associate professor in 1990, I worked at the Institute of Social Science for 23 years until my retirement in March 2011. In this article, I would like to reflect on the kind of research I undertook during my tenure, focusing on my personal research. Involvement in Institute-wide projects was also an important aspect of my career at the Institute, but I will omit that here as I think there will be another opportunity to discuss that subject.

My 23 years at ISS can be divided into the following three periods:

First period:	1990-1995
Second period:	1995-2005
Third period:	2005-2011

In the first period, immediately after my appointment, I spent a great deal of time and energy on research. During this period, I spent one year (summer 1991 ~ summer 1992) conducting research abroad at the Michigan State University, School of Labor and Industrial Relations. This tied into the long-term research plan I had envisioned when I was appointed to ISS. Most of the labor researchers of my generation were profoundly influenced by Professor Kazuo Koike. They all began by studying labor and employment relations in Japan but hoped to conduct comparative studies based on field work in other countries. I felt the same way, and I wanted to do research on labor and employment relations in the US steel industry in light of the research on Japan's steel industry in which I was already involved. I had begun research on US steel industry for a Japan Institute of Labor project (supervised by Professor Kenji Okuda; 1987-1992) and had some of the legwork done, having already spent time at a National Steel plant (Nitta 1995). At that time, many Japanese companies were attempting to invest directly in the United States amid a period of yen appreciation after the Plaza Accords. In the steel industry, as well, all of the major players had formed partnerships with US steel companies and were participating in mill management, so the intended plan for my personal project was primarily to survey those steel mills with which Japanese companies were involved. I had every intention of compiling the survey results into a book akin to Professor Koike's *Shokuba no rōdō kumiai to sankā* (Unions and Participation at the Workplace) (1977). However, due to various reasons, this plan did not come to fruition.

While at Michigan State University, I did manage to travel throughout the United States and visit several steel mills. I visited nine mills with Japan-

ese connections and two that were not directly affiliated with Japanese companies as well as USWA headquarters in Pittsburgh and Nucor (a leading minimill company) headquarters in North Carolina. I recorded several interviews and collected resources. The results of these efforts are still stored in the cabinets in my office. While inaction on my part is the main reason I was unable to compile these resources into the intended end product, the fact is that there were several factors that made the task difficult.

First, my old friend Joel Cuther-Gershenfeld (who was then an associate professor at Michigan State University and is now a professor and dean of the School of Labor and Employment Relations at University of Illinois) and I held a special seminar in the spring semester of 1992 at Michigan State University in which we conducted case studies on Japanese-affiliated factories (so-called Japanese transplants) in the United States. I ended up working mainly with students in this seminar on a research project visiting Japanese-affiliated factories in a range of industries (Michigan has many companies, most of which are automobile-related), and this consumed a good deal of my energy. This project resulted in the publication of the co-authored book *Knowledge-Driven Work* (Cuther-Gershenfeld et al., 1998).

Second, I became involved in a large-scale project for the international comparison of labor and employment relations in 1992 at the behest of Professor Thomas Kochan of MIT. While I was managing this project as its coordinator, the need arose for me to get involved in studies of the Japanese steel and telecommunications industries (Japan Institute of Labor 1996; 1997).

Finally, I ended up spending a great deal of time on the projects of my second period, which began in 1995.

However, my aforementioned research on the US steel industry did not remain totally unused. In *Knowledge-Driven Work*, we used my case studies on I/N Tek and I/N Kote, joint ventures between Inland Steel and Nippon Steel, and I wrote moderately in-depth reports on National Steel's (which was acquired by NKK) Great Lakes Plant (Japan Institute of Labor, 1995) and LSE (Nitta

1995), a joint venture between LTV and Sumitomo Metal Industries. But, I am forced to admit the most upsetting thing about my first period of research is that this project was never finished as intended.

The ten year second period of my career at ISS could be called the "dark ages" of my research life at the Institute. During this time I was mostly engaged in administrative work—for example, serving as the chair of the steering committee for the ISS-affiliated Information Center for Social Science Research on Japan, established in 1996—rather than on pure research. Before I realized it, I found myself immersed in administrative duties full-time as the director of ISS, a position I held for four years from 2001 to 2005. This was a challenging time. In the midst of national university incorporation, I was forced to run a council of national institutes and research centers affiliated with national universities, an experience akin to navigating a ship in zero visibility at night, and as a director, I had to participate in university-wide structural reforms including shifts of staff status from public servant to private employment. These duties kept me extremely busy, and I was almost completely unproductive as a researcher. My major research publication during this period was *Henka no naka no koyō shisutemu* (Employment systems in a changing Japanese Society) (Nitta 2003), which was basically a compilation of previously written papers. However, my work during this time helped to firmly establish the Information Center for Social Science Research on Japan (now the Center for Social Research and Data Archives) and to get the data archives and Japanese General Social Surveys (JGSS) project up and running. I think this was highly significant in that it created vital infrastructure for social science research in Japan.

Finally, the third period of my research, or at least the first half of it, could be considered a time of rehabilitation. Four years without conducting research is a long time, and it was not easy reverting to the role of a "plain researcher." Against this backdrop, I was persuaded by Hiroatsu Nohara, senior researcher at the French National Center for Scientific Research's Economics and Sociology of Labor Laboratory (CNRS-LEST), to begin research into call center employment and human

resources development. This was a big first step toward reconfirming who I was--a social scientist, specializing in contemporary issues in labor and employment relations. Visiting call centers and analyzing data for this project gave me the chance to ponder Japan's employment situation in the throes of change. The results of this work are still limited to one survey report (Nitta 2010), but I plan to continue my analysis and present my findings to the world in due time.

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## Chongwoo Choe



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(Visiting *Shaken* from November 29, 2010 to February 28, 2011)

**Q.** How did you come to know about *Shaken*?

I have been visiting Japan about once every year since 1999. During my previous visits I met many Japanese economists, with some of whom I have developed joint research projects. During my previous visits, I also gave several seminars at *Shaken* and the Graduate School of Economics at the University of Tokyo. So I am reasonably familiar with the environment and people at the University of Tokyo. At *Shaken*, I have formed friendships with economists including Professors Sasaki, Matsumura, and Nakabayashi among others. It is through these friends that I came to know more about *Shaken*. In 2010, Professor Sasaki asked me if I wanted to visit *Shaken* and I was more than happy to do so.

**Q.** What is the main purpose of your visit?

The purpose of my visit was two-fold. On the research front, I continued my work on corporate governance and executive compensation. I also had very fruitful discussions with Professor Sasaki on product liability regulations governing transactions of goods in which buyers and sellers have asymmetric information. Last but not least, I

met Professor Owan, who is well-known for his research on economic organizations and human resource policies. We had stimulating discussions on these issues.

On the personal side, I don't think I have had enough of Japan despite almost a dozen previous visits. I have cravings for Japanese culture – culinary culture in particular! -- that are not easy to quench when you live in Melbourne. Despite globalization, free trade and so on, some of the best Japanese food and sake can be had only in Japan. And winter is the best time to visit Japan when you are into seafood! I also have an interest in Japan's pre-modern history, from the nation's formative stages leading up to the emergence of the Tokugawa Shogunate. So another purpose of my visit was to broaden my understanding of Japanese culture and to satisfy my cravings for Japanese food and sake until my next visit.

**Q.** What are your current research interests?

I have diverse research interests in the area of applied microeconomics. But one main area of my ongoing research is how firms choose their organizational structures, how they motivate various players within their organizations and, more generally, how they allocate resources. The key elements here are the asymmetry of information held by various players and their potentially conflicting interests. A firm's organizational structure and human resource policies should make the best use of information in decision making and alleviate the potentially damaging effects of conflicting interests.

At *Shaken* I mainly worked on corporate governance and executive compensation. Specifically, there has been a lot of debate on whether the compensation contract for a corporation's chief executive officer (CEO) provides him or her with sufficient incentives to work in the interest of shareholders, especially when the CEO is powerful. An alternative view is that a powerful CEO can use a compensation contract as a channel for rent extraction, which would be detrimental to



shareholders. I formally modelled and fleshed out a rent extraction view of CEO compensation as put forward by the managerial power theory and tested its main implications on the relations among CEO power, CEO pay and firm performance. My co-authors and I used the sample of Standard & Poor's 500 US firms for the period of 1999-2008, and found that the implied relation between power and pay has some support. However, the relation between power and firm performance has mixed support. So the main take-away point from this research is that, while the managerial power theory may help to explain the relation between CEO power and pay, the scope of power needs to be broadened to better understand how CEO power affects firm performance.

I am currently working on a related issue of how resources are allocated within a multidivisional corporation. The focus here is the information asymmetry between corporate headquarters and division managers. Division managers tend to have better information about their divisions and want to influence HQs' resource allocation decisions in their favour. This may result in sub-optimal resource allocation for the organization as a whole. Once more, the organization of the multidivisional structure and the incentives provided to division managers become key issues. My goal is to develop a theoretical model and apply its main implications to data from Australia (because I work there!) and the US.

One of the nice things in academic life is that you get to meet many smart people with various research interests. When your interests converge, you can start collaborating almost instantly, much easier than meeting a partner or starting a business! I work with several colleagues on various other topics. In one project, we have worked on how microfinance can be detrimental to children's education (because parents tend to use their chil-

dren's labour for the household enterprises set up with microfinance loans), for which we have found robust evidence from Bangladesh. In another project, we are working on how media and democracy are related to how governments allocate resources in tackling natural disasters, both before and after disasters strike. This project was started before the tragic events in the Tōhoku area and we are using data from cholera epidemics over the past century.

**Q.** What do you like about *Shaken*?

What did I like about *Shaken*? I guess it may be more or less clear from what I said above. Meeting smart people who do stimulating and interesting research was one thing. The presence of researchers in other fields of social science was an added bonus. At formal seminars or during informal conversations, I could listen to alternative views from the angle of, for example, law or industrial relations. At a time when researchers are becoming more and more entrenched in their narrow fields (presumably because it is 'easier' to publish that way), such an interdisciplinary dialogue was very refreshing. I must say I also liked the democratic, flexible and open research environment at *Shaken*. Some places I had visited in Japan previously were very bureaucratic and, quite often, form was more important than content. I can say *Shaken* was at the opposite end. Oh, I should also mention that I enjoyed *nomikai* held at *Shaken*. I didn't time my visit strategically but it happened to straddle 2010 and 2011, meaning that there was a *bōnenkai* and *shinnenkai*. During these *nomikai*, I was introduced to at least a dozen new types of sake thanks to a colleague who is very knowledgeable about the Japanese sake industry. Finally I'd like to thank *Shaken* for having given me the opportunity to visit, and all at *Shaken* for having been such wonderful friends and colleagues.

### Changhee Lee



**Dr. Changhee Lee is Senior Specialist on Industrial Relations, ILO Beijing Office**

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(Visiting *Shaken* from December 1, 2010 to January 31, 2011.

\*as Visiting Research Fellow: January 1 to 31, 2011)

#### Q. How did you come to know about *Shaken*?

I feel that *Shaken* is my second intellectual hometown. I was a visiting scholar at *Shaken* for one and a half years in the mid-1990s (September 1993 – February 1995). At that time, I was in deep intellectual turmoil after having a rough ride during my youth as a radical student movement leader in Korea. Having left Marxist ideology behind, I was looking for a new perspective to understand varieties of capitalism. My research at *Shaken* greatly helped me to open my eyes to distinctive institutional arrangements of labour market institutions in modern society, as I gained insight into the institutional evolution of postwar Japanese industrial relations systems. In particular, my academic advisor, Professor Nitta Michio taught me about the empirical research history of the industrial relations research community in Japan, which was established by such great *Shaken* scholars as Ōkochi Kazuo and Ujihara Shōjiro. During my first stay at *Shaken*, I compiled a literature review and conducted field research on the evolution of Japanese industrial relations in the 1950s

and 1960s for my Ph.D thesis. At the same time, it was in *Shaken* and Tokyo that I began to see myself as an Asian—not just Korean—and to develop an intense intellectual interest in social developments in Asia. My research experiences in Japan, together with my newly found interest in Asian developments, propelled me later into a career at the International Labour Office (ILO), a specialized agency of the UN in Geneva.

#### Q. What are your research interests?

For the last ten years, I have been working extensively in the transition economies of East Asia—such as China, Mongolia and Viet Nam—to assist policymakers there to establish and improve labour laws, collective bargaining systems, and labour dispute settlement mechanisms. While industrial relations is seen to be on the decline in many developed countries, there have been impressive transformations and expansions of industrial relations institutions, which intersect economy and politics, in China and to lesser extent in Mongolia and Viet Nam as well.

In particular, industrial relations developments in China display a distinctively Chinese pattern, which may defy our conventional understanding of industrial relations systems. Before the economic opening and reforms in the late 1970s, there was no political and social space for any autonomous associations. Trade unions existed only in name and were just administrative and political arms of the Party-State apparatus, while employers were not recognized in China's legal and institutional frameworks. Unlike many other former socialist countries where the communist-controlled trade unions failed to survive market economy reform, however, trade unions in China have gradually adjusted their orientations, strategies and roles to adapt to the market-based employment regime, and have begun to carry out collective industrial relations functions. Trade unions seem to be slowly but steadily outgrowing their state origins to form a bridge between the working class and the Party-State. This is a very unique path of industrial relations development,

which has been unseen in the history of other developed economies.

Currently my research takes a two-pronged approach. Firstly, I am conducting a series of empirical studies on industrial relations development, including analysis of trade union evolution, collective bargaining practices at the workplace and industry levels, and evolution of regulatory framework on collective industrial relations. Secondly, I am reviewing varieties of theoretical tools that might help to explain the unique evolution of industrial relations in China.

**Q.** What is the main purpose of your visit?

After I left *Shaken* in 1995, I did not have the opportunity to return to *Shaken* or carry out serious academic research due to my heavy workload in Asia. On the other hand, I accumulated precious first-hand experience by working with policymakers in China, Viet Nam and Mongolia in transforming industrial relations systems—laws, institutions and actors—at the time of those countries' move towards market economies. I really wanted to write an article to provide a theoretical explanation and analysis of the unique paths towards transforming and building industrial relations institutions followed by post-socialist countries in Asia. There cannot be a better place to write this article than *Shaken*, as it is the birthplace of industrial relations study in Asia after the second World War, and because it is my second intellectual hometown. At the same time, I wanted to update my knowledge on labour market developments in Japan since the mid 1990s, as there has been a sea change in the ways Japan's labour markets are structured and governed.

Certainly two months was too short to achieve these multiple goals. But it was more than enough to recharge my intellectual energy by having extensive interactions with scholars at *Shaken* and beyond, and by immersing myself in the truly academic atmosphere of the *Shaken* and Tōdai. With the help of *Shaken* and other institutions, I organized a number of seminars during my stay, which helped me to further elaborate my perspective on industrial relations developments in China and elsewhere in Asia, through very frank and genuinely academic discussions with fellow researchers.

**Q.** What do you like about *Shaken*?

I love everything about *Shaken*—its atmosphere, tradition, multidisciplinary faculty, and great library. *Shaken's* reputation was not built overnight. Ever since its postwar birth, generations of great social scientists have collectively built *Shaken's* intellectual traditions and approaches. Whenever I go deep into the *Shaken* library to find, for example, research questionnaires developed by Professor Ujihara's research team in the 1950s, I can almost feel the ethos of the time which may have guided *Shaken* scholars' postwar research on social and labour issues. And I must also say that *Shaken* has a great balance of empirical research and theoretical reflection in its approach, which shows its strength at the seminars led by its truly multidisciplinary researchers. And I have to add that I really like the year-end party (*bōnenkai*) at the *Shaken's* meeting room where everybody brought their favorite drinks, delicious sushi was offered and most importantly we had an opportunity to see our friends as human beings, not just as respected scholars!

### Jianguo Sun



**Professor**  
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(Visiting *Shaken* from December 20, 2010 to March 19, 2011)

**Q.** How did you come to know about *Shaken*?

I am a professor of social science, so I had already studied Japan's culture and society extensively before I started to learn Japanese. I wanted to strengthen academic cooperation with Japanese scholars by learning their language. I first came to know about *Shaken* when I came to Japan to study in 1998. At the time I heard of the Institute for Advanced Studies on Asia (University of Tokyo) and *Shaken* from a Chinese student. However I did not have any opportunity to learn more about the institutes. In 2006, I got to know more about *Shaken* when I came to the University of Tokyo to study at the Graduate School of Economics. I went from only knowing its name to joining research activities at *Shaken*.

**Q.** What was the purpose of your visit to *Shaken* this time?

The purpose of my visit to *Shaken* this time was to pursue academic exchange activities. Right now I am working on comparative studies of China and Japan. I wanted to raise the academic level of my

research by utilizing facilities at the University of Tokyo, especially the abundant books and data at *Shaken*. My research topic during my visit was the development of credit guarantee systems in Japan. And in fact, I have improved my understanding of the topic through research and active support from the university. I also had the opportunity to give an academic presentation at *Shaken*. I met a lot of specialists from the same field and exchanged opinions with them. It was a good chance for me to push my research forward to the international academic frontier.

**Q.** What is your current research interest?

I am currently most interested in comparative studies between China and Japan, especially studies on the improvement of Japan's credit system. My interest is not limited to financial institutions; I think that Japan's social credit system is also worth studying and learning from. Both China and Japan's approaches to credit are influenced by eastern culture. These two countries have different customs and systems which are also unlike those of western countries. Therefore, comparing China and Japan leads to new insights which can be applied to other nations as well. The industrialization of modern Japan was closely related to the improvement of its financial credit system while the key to Japan's success as a stable and safe society is related to the soundness of its social credit system. Compared to Japan, China's efforts at building and improving its social credit system have yet to produce desirable results; firms' reputations and product quality are both seen as suspect by consumers. Consequently, social credit has been lost and exclusionary social behaviors in various forms have seriously damaged social norms. China's rapid economic growth has been achieved in spite of its underdeveloped social credit systems, and further examination is needed on these topics. There is also a practical side to studying Japan. One of the purposes of my work certainly is to learn from Japan's successful experience in building and improving a national credit system.



## Questions and Answers with Visiting Professors

Q. What do you like about *Shaken*?

Firstly, I like its good research environment. The academic environment is nice at *Shaken*. There are quiet offices, abundant books and data, and convenient network services. What makes *Shaken* more special is that it often holds academic workshops on various topics. It is a very good way to broaden our academic views. I also think that the research environment at *Shaken* is comfortable. Researchers are allowed to enter the building any time, so we are able to conduct our research during quiet hours at night. It is a quite humane system to me.

Secondly, I like the cordiality of the relationships among staff. All my Japanese colleagues were very polite and we got along well. In addition to communicating at colloquia and so forth, private discussions on academic topics were also easy and efficient. My visit at *Shaken* was comfortable and pleasant thanks to good relationships with my colleagues. I really miss the happy time when

I worked at *Shaken*.

Thirdly, I like the highly internationalized system of academic activities. Although most colleagues at *Shaken* are Japanese, there are also Americans, Koreans and scholars from many other countries. Discussions with scholars from different cultures and academic environments make it is easy to keep academic activities at the highest level and are of great importance in improving the academic level at *Shaken* as well.

Fourthly, I like the scenery of Hongo Campus at the University of Tokyo. The appearance of the old-styled building near Sanshiro Pond in which *Shaken* is located is quite nostalgic. I felt proud every time when I passed by *Akamon*, the architectural symbol of the university. And I miss the look of Yasuda Auditorium behind those yellow leaves of the ginkgo trees. I like the University of Tokyo, I like *Shaken*. The time when I worked here is an important part in my academic life.

### Bill W.K. Taylor



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(Visiting *Shaken* from January 4 to June 30, 2011. \*as Visiting  
Research Fellow: April 1 to June 30, 2011)

**Q:** How did you come to know about *Shaken*?

I first heard of the *Shaken* when I was a Monbusho student at Hitotsubashi University from 1987 to 1989. I was studying the development of the wage system in Japan but realized I needed to examine its history of industrial relations more generally. My informal supervisor, Tomizawa Kenji, suggested I meet Totsuka Hideo and Yamamoto Kyoji who were not only experts in the subject but involved in much of its postwar history. I made an appointment with Professor Totsuka, as I knew he had visited my university in the UK, Warwick, and was friends with my teacher, Richard Hyman. Professor Totsuka was very gracious and gave me a lot of advice and asked searching questions which showed I had a lot to learn (and read). After our meeting, I wandered the cool dark corridors of *Shaken* until I found Professor Yamamoto's office. I paced back and forth before picking up the courage to knock. I was beckoned inside only to

be told he had a meeting in a few minutes, but I left with an invitation to return the following week and every subsequent week till I left Japan to attend his class on Japanese labour history. Each week I walked through *Akamon* to hear one of the greatest scholars in labour history in the world. I learned the significance of *Akamon* as one of the sites where the postwar capitalist trajectory of Japan was decided. As a young Marxist, those were truly the most interesting days of my life.

**Q:** What is the purpose of your visit?

I am at the *Shaken* as a visiting scholar for the first half of 2011. Marukawa Tomoo has kindly agreed to sponsor and look after me here. In the first week of my visit, Chang Hee Lee and I gave a seminar, chaired by Professor Marukawa, concerning recent developments in industrial relations in China which was attended by 80-90 people. Since then I have been free to engage in my twin activities of writing and planning my next research projects. I have been writing up research on Japanese and Korean investments in China as well as on domestic industrial relations issues in the PRC. My research plans revolve around two related subjects--Chinese direct investment in Japan and 'guest workers' from China to in Japan under 'training' visas. In other words, I am working on the direct impact of Chinese economic interests in Japan and their implications for workers. The Great Eastern Earthquake and tsunami has become a central feature of my time here. It affected my research as many Chinese have returned home, but much more significant has been what I learned about Japanese people in this crisis. The stoicism of the people has not just led to so much admiration the world over, but their commitment to recovery and their striving for normality has touched my whole family. Incidents like Sudo Shin cycling for hours to pick up his daughter from school on 11th March and the quiet and somewhat somber loading of trucks with emergency provisions outside the administration building to take to the north will remain with me forever.

## Questions and Answers with Visiting Professors

**Q:** What are your research interests?

My research started with examining Japanese multinationals abroad, mainly in the UK and then China. I was involved in the so called 'Japanisation debate' and related but more interesting discussions of Fordist and post-Fordist modes of production within labour process theory. Abo Tetsuo of the Shaken did much empirical work in developing a 'hybrid' model to explain diversity and Kato Tetsuro (Hitotsubashi) was the leading theorist arguing against the culturists and managerialists. These topics still interest me, though I am now looking at other countries and ownership patterns with, as I've said, a growing interest in Chinese investment overseas. In May 2011 I was lucky enough to receive a Japan Foundation Fellowship to study Chinese investment in Japan and so will be returning to Shaken soon and Professor Marukawa will continue to be my (long-suffering) mentor. I also have a strong interest in the development of industrial relations in China, not only because I think it is an important public policy issue within the country, but also because China has the potential to impact the international regulatory mechanisms that are meant to hold capitalism in check. To this end, I have been developing an interest in collective human rights within the context of collective labour and community. I think my time here is helping me to think more about modernity in terms of commu-

nity rather than the individual, and the shock of the Great Eastern Earthquake was a further reminder that the future of human dignity is a communal experience.

**Q:** What do you like about *Shaken*?

The *Shaken* has over time been a significant place for debates over many of the significant events in Japan and internationally. Its faculty have both informed the debates and provided foreigners like me with access to those discussions, and *Shaken* has been pluralist enough to allow different views within the institution. Moreover, as one great debate turned into another (e.g., debates over a capitalist or non-aligned future for Japan evolved into discussions about social welfare and the sharing of prosperity, which in turn led to current concerns over the development of Asia) *Shaken* has evolved to remain current and a leader. It has never wallowed in the history of its own significance, or become complacent toward current social problems. Comparing *Shaken* in 1989 with now, 2011, it seems nothing has changed in a sense. *Shaken* has not--as so many universities have done in Asia and elsewhere--tried inappropriately to mimic the US model. *Shaken* is a product of the Japanese and its own history, with academics emphasising democratic management, combined with seminal publications and engagement in public service.

## ISS Contemporary Japan Group at the Institute of Social Science, University of Tokyo

ISS Contemporary Japan Group seminar series provides English-speaking residents of the Tokyo area with an opportunity to hear cutting-edge research in social science and related policy issues, as well as a venue for researchers and professionals in or visiting Tokyo to present and receive knowledgeable feedback on their latest research projects. Seminars are open to everyone. Admission is free and advance registration is not required. For inquiries, please contact the seminar organizer Professor Gregory W. Noble ([noble@iss.u-tokyo.ac.jp](mailto:noble@iss.u-tokyo.ac.jp)).  
Photo by Takahashi Satsuki (ISS)



### Gregory W. Noble

*Professor of Politics and Public Administration at the Institute of Social Science, the University of Tokyo*

*Plugging in the Future: Multiple Policy Goals and the Rush to Promote Electric Cars*

*April 28, 2011*

**Abstract:**

First the Toyota Prius, and now the Chevy Volt, Nissan Leaf, Ford Focus, Tesla Roadster and more—suddenly hybrid and electric vehicles are everywhere. Central and local governments offer huge subsidies for purchases of "eco-cars," and proclaim their commitment to turning local producers into global leaders of next generation vehicles. What happened—didn't globalization, liberalization and the spread of neo-liberal ideology relegate industrial policy to the dustbin of history? Have car companies captured governments? Developmentalism and rent seeking provide only partial explanations for the recent rush to promote electric vehicles. Rather, electric cars emerged as an enticing possible solution to multiple policy challenges, including energy security, reduction of pollution and greenhouse gases, technology development, and economic stabilization in the wake of the global financial crisis. Policy responses have not been totally uniform, however: variations in energy dependence and political polarization have created significant differences between North America and East Asia.

### Saadia M. Pekkanen

*The Job and Gertrud Tamaki Professor at the Jackson School of International Studies, University of Washington*

*Space Policy and National Security in Japan*

*May 26, 2011*



While the commercial and scientific aspects of Japan's space policy have drawn some attention over the postwar period, its military angle has remained under the radar. Specifically, little notice has been paid to Japan's use of its space program to increase its defensive and even offensive military capabilities. The incremental militarization of Japan's space assets has in fact taken place in plain sight of the public within its steadily advancing civilian space program and has left little doubt that there has been a paradigmatic shift toward national security in Japan's space policy which deserves attention as a military space race in the Asian region heats up.





**Ming Wan**

*Professor of Government and Politics at George Mason University*

*Party Politics, Big Media and Japan's China Policy: The Chinese Fishing Boat Collision Incident*

*June 16, 2011*

In this talk I will discuss Sino-Japanese relations focusing on the Chinese fishing boat collision in September 2010, which sparked the worst bilateral dispute since 1952. In the context of growing tension over territorial issues, the DPJ government's actions were viewed by the Chinese government as provocative and Beijing overreacted. I will also examine Japan's party politics, big media and foreign policy, which played out differently in the pre-crisis, crisis and post-crisis stages.

**Iwona Merklejn**

*Assistant Professor of Japanese Studies at Nicolaus Copernicus University*

*The 1964 Tokyo Olympics: a Symbolic Media Event of the High-Growth Era*

*July 13, 2011*



The Tokyo Olympics became a major national myth rooted in the collective memory of the entire generation of Japanese who lived the most active part of their lives in the era of postwar recovery and high economic growth. It became a symbol of success, a new stage of modernization and "the reentry of a rehabilitated Japan into the international community" (Kenneth Ruoff 2010). On the other hand, the '64 Olympics inflamed nationalist feelings as the Ministry of Education put more effort into "patriotic education" in preparation for the Games and elevated controversial national symbols such as the *Hinomaru* and *Kimigayo*. The event also raised questions about the high costs of modernization as it completely changed the city landscape of Tokyo. In this presentation, I am going to focus on the symbolic meanings of the Tokyo Olympics and analyze them as a media event. The study of the Olympics provides us with a number of insights into the national identity patterns and ideologies constructed by the Japanese mass media in the high-growth era. As I discuss the Olympic champions who became new national heroes, a gender perspective will also be needed, especially when talking about the "Oriental Witches" volleyball team whose final victory over the Soviet Union won record audience ratings.

# Recent Publications by ISS and ISS Staff

田辺俊介（編著）

『外国人へのまなざしと政治意識  
社会調査で読み解く日本のナショナリズム』  
（勁草書房）2011年2月



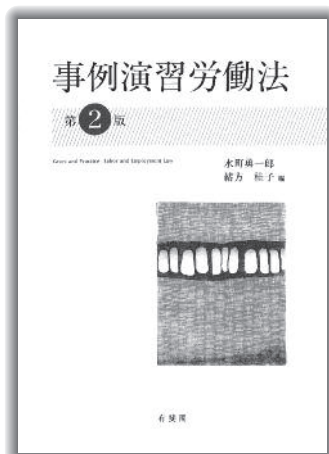
佐藤博樹・武石恵美子（編著）

『ワーク・ライフ・バランスと働き方改革』  
（勁草書房）2011年3月



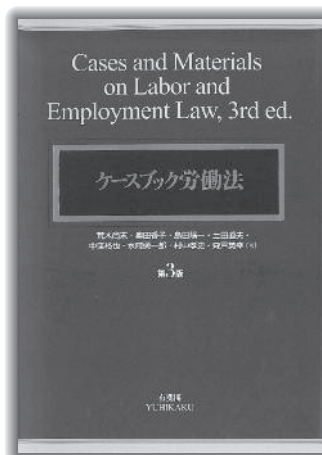
水町勇一郎・緒方桂子（編）

『事例演習労働法 第2版』  
（有斐閣）2011年3月



洪紹洋（著）

『近代臺灣造船業の技術轉移與學習  
臺灣史與海洋史09』  
（遠流出版公司）2011年3月

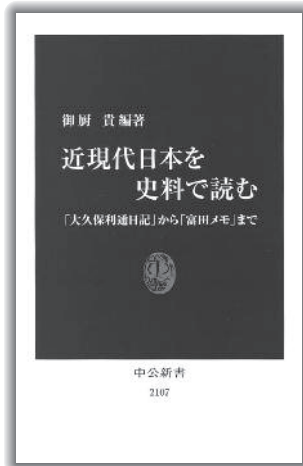


荒木尚志・奥田香子・島田陽一・  
土田道夫・中窪裕也・水町勇一郎・  
村中孝史・森戸英幸（著）  
『ケースブック労働法 第3版』  
（有斐閣）2011年3月

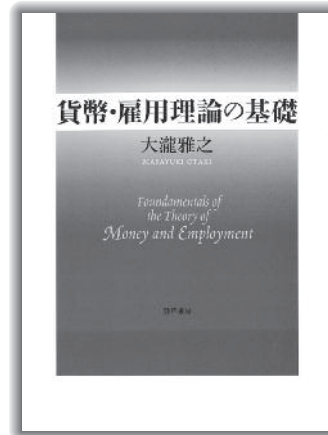
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\*For more publications, please visit the ISS Homepage (<http://www.iss.u-tokyo.ac.jp/>, <http://www.iss.u-tokyo.ac.jp/>).

御厨貴（編著）〔中澤俊輔、米山忠寛〕  
『近現代日本を史料で読む  
「大久保利通日記」から「富田メモ」まで』  
（中公新書）2011年4月



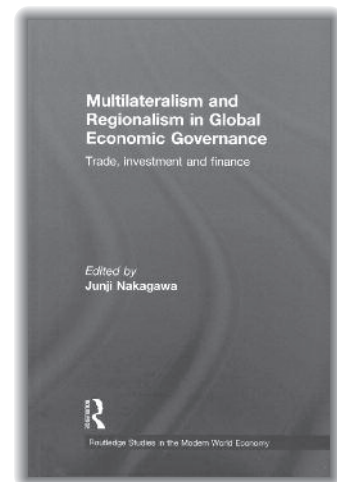
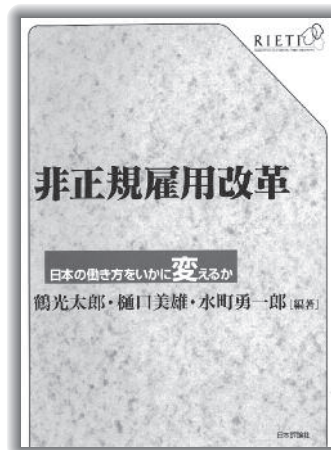
大瀧雅之（著）  
『貨幣・雇用理論の基礎』  
（勁草書房）2011年5月



鶴光太郎・樋口美雄・水町勇一郎（編著）  
『非正規雇用改革 日本の働き方をいかに変えるか』  
（日本評論社）2011年6月



大沢真理（編著）  
『社会的経済が拓く未来  
危機の時代に「包摂する社会」を求めて』  
（ミネルヴァ書房）2011年6月



Junji Nakagawa (ed.)  
『Multilateralism and Regionalism in  
Global Economic Governance:  
Trade, Investment and Finance』  
（Routledge）2011年6月

# Focus on ISS

In this issue, Dr Jun Kajima gives us an outline of one of projects ISS has been conducting, the Contemporary China Research Base.

The Contemporary China Research Base at the University of Tokyo's Institute of Social Science (ISS) is a five-year research project that began in FY2007. The Contemporary Chinese Area Studies Program is the second act in the three-act play that is the National Institutes for the Humanities (NIHU)'s Promotion of Area Studies Initiative, which also includes the Islamic Area Studies Program launched in FY2006 and the Contemporary India Area Studies Program established this academic year.

One unique feature of the Promotion of Area Studies Initiative lies in its operation: multiple research institutions establish research bases and each is assigned research topics. In the case of Contemporary China, joint research is undertaken at research bases at the University of Tokyo and five other institutions—Waseda University, Keio University, Kyoto University, the Research Institute for Humanity and Nature, and Toyo Bunko (Oriental Library). For instance, the research base at the University of Tokyo is in charge of the Chinese economy and explores the topic of economic growth and stability, while the research base at the Research Institute for Humanity and Nature handles social development and environmental conservation in China. In addition, one or two researchers from the NIHU are dispatched to each research base, and I happen to be the NIHU researcher assigned to the University of Tokyo base. This means that I am originally affiliated to NIHU, not ISS, and that my colleagues are scattered across the other research bases. My colleagues and I occasionally meet and discuss the situations at our respective bases, and I have come to find that—despite the fact that we are all conducting research on China—the research methods, organizations and ways of presenting research results differ greatly among the institutions and the disciplines. Personally, this has been a tremendous learning experience for me.

With this being the final year of the research project, efforts have begun throughout the Contemporary Chinese Area Studies Program and at the University of Tokyo research base to compile research outcomes. To date, six research groups have been established at the University of Tokyo research base to study the Chinese economy since it is a broad topic with many facets. The research groups have undertaken a highly diverse array of themes, including structural adjustment and economic policy (exploring cases in the cement industry), economic law (i.e. Property Law, Antitrust Law etc.), agriculture and rural issues, trade (FTAs), industrial agglomeration (in Wenzhou, Guangdong etc.) and foreign economic assistance (to Southeast Asia, Africa etc.). How to

compile this wide-ranging research is a perplexing problem for the research base—not to mention for the entire Contemporary Chinese Area Studies Program—but ideally, I hope that everyone can contribute to creating a singular vision of the Chinese economy while fully communicating the fascinating elements of each group's research.

I would like to thank everyone involved for their continuing support of this project.

(For more details on this project, please visit the Contemporary China Research Base homepage:

<http://web.iss.u-tokyo.ac.jp/kyoten/eigo.html>)

