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ON THE CHARACTERISTICS OF NEOCONSERVATISM IN JAPAN*

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1. What is neoconservatism and how it has come to Japan

[1] Neoconservatism and neocorporatism as after keynesianism

Making a patchwork of market system and government control, the so called Keynesian welfare state was, by general consensus, thought to be a hopeful and reliable social system capable of overcoming difficulties that both liberal capitalism and state socialism had fallen into. Mainstream sociologists and political scientists adopted paradigms based on a theory of conversion, rather than revolution, insisting that the ultimate denouement is not the revolutionary transition from capitalism to socialism, but the evolutionary convergence of all modern and modernizing societies toward pluralistic industrialism. It seemed viable so long as the Keynesian welfare state was supported by rapid growth of its economy.

Beginning in the late 1960s, however, Keynesian welfare states began to suffer stagflation. The oil crisis of 1973-1974 greatly exacerbated it. Keynesian theory lost its creditability. The voice of Milton Friedman, the champion of neoliberalism, began to sound louder and louder:

We have not yet reached the point of no return. We are still free as a people to choose whether we shall continue speeding down the 'road to serfdom' as Friedrich Hayek entitled his profound and influential book, or whether we shall set tighter limits on government and rely more heavily on voluntary cooperation among free individuals to achieve our several objectives.¹⁾

Thatcher and Reagan won the reins of government under the banner of Friedman's teaching. Throughout the capitalist West, governments scrambled,

*) This thesis is a summary of Kasuya, Nobuji (1989), "Nihon niokeru Shin-Hoshushugi no Isou: Dai 2 Rinchou to Nakasone-Seiken no Tokushitsu (Situ of Japanese neoconservatism: A study on The 2nd P.C.A.R. and Nakasone Government)", in Kawakami, Tadao and Masuda, Toshio eds. (1989) *Shin-Hoshushugi no Keizai-Shakai-Seisaku (Economic and Social Policies of Neoconservatism)*, Tokyo, Hosei University Press.

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more or less, for new strategies to break the stalemate Keynesian policy had encountered.

Not all of the West, however, adopted Thatcherism or Reaganomics. There seems another way to cope with the crisis of the welfare state. This is called “neocorporatism” in which the difficulties are to be overcome through a tripartite cooperation between government, employers’ organizations and labor unions. Austria, Sweden and Norway are typical cases.

Observing the course of events, John H. Goldthorpe (1984) argues that far from following a convergent path of development, Western capitalist societies have moved in divergent directions between dualism (which corresponds to neo-liberalism in our context) and neocorporatism in their responses to economic problems, and further, that in consequence they now face different political choices in which real ideological alternatives are in fact inherent.²

It is common to classify our Nakasone government as an example of neoconservatism. We can find many points of similarity between the Nakasone government and that of Thatcher or Reagan. It is, however, also true that we can find many points of difference. Besides, it is interesting to note that it is not rare for Japan to be conversely classified as an example of strong corporatism. The Japanese model has even been characterised as a futuristic, ideal mixture of neoliberalism and neocorporatism.

In this paper we are going to analyze the characteristics of neoconservatism in Japan, as compared with those in the U.K. and the U.S..

[2] What is neoconservatism

It will be convenient to point out some basic elements of neoconservatism:

(1) Neoliberalism

Neoconservatism is also called “neoliberalism”. The first element of neoconservatism (in a broad sense) is the resurgence of laissez-faire and is promulgated earnestly by devotees of market mechanism such as Monetarists, The Public Choice school and Supply-Siders. It consists of such sub-elements as follows.

① small government

Criticizing Keynesians, who are inclined towards “big government” as the result of their lack of faith in market mechanism, neoliberals insist on “small government” as the result of their lack of faith in government. As a consequence, neoliberals try to cut government outlays and maintain a fixed rate of increase in money supply, insisting on not only the futility but also the harmfulness of Keynesian monetary policy.

As a natural corollary of the above view they also insist on “self-help” and open competition among individuals, attacking the Keynesian welfare state which promotes full employment and rise in the standard of living of all people as much as human knowledge can do, and awakening the sympathy of Supply Siders who advocate an increase of capital accumulation.

② deregulation or privatization

Neoliberals insist on the dismantling of government regulation and, promote the privatization of state-owned or state-managed enterprises, claiming

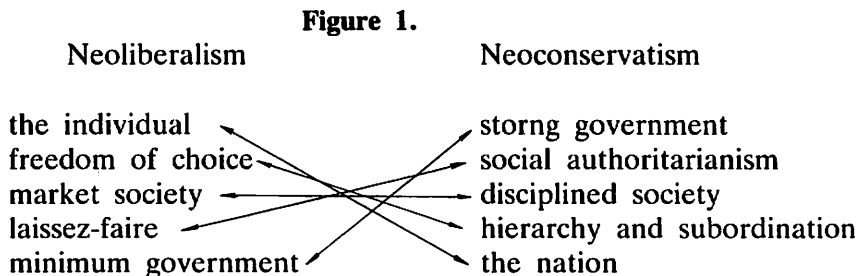
that government interference is ineffective at best, and harmful at worst.

③ flexibility of the labor market

Neoliberalists stand against labor unions and try to weaken them, criticising labor unions for controlling the labor market and making the mechanisms of the market unworkable.

[2] Neoconservatism (in a narrow sense)

Neoliberalists put their confidence in the market mechanism. They, however, cannot but feel anxious about anything that would interfere with the natural function of such mechanisms. Therefore, they want the power to break down any impediments to the smooth operation of market mechanisms. Thatcher, therefore, had good reason when she concentrated on “law and order” policy measures before attempting to carry out neoliberalist measures. Andrew Belsey (1986) argues that the New Right (which roughly corresponds to neoconservatism in the broad sense defined earlier) has two aspects, namely that of neoliberalism and that of neoconservatism (in the narrow sense). He illustrates the contrast between the former and the latter as shown in Figure 1 and says that the two sides seem quite distinct, but, as we shall understand later in this paper, in political practice there is much cross-over and no clear separation can be made.³⁾



* See Belsey, Andrew (1986), in Levitas, Ruth ed. *The Ideology of the New Right*, 1986. Polity Press, Cambridge, in association with Basil Blackwell, Oxford, p.173.

Neoconservatism often appeals to the restoration of tradition and sentiments of nationalism in order to promote a neoconservative revolution. The traditions such neoconservatives as Thatcher and Reagan want to restore are Protestant Ethic and “the spirit of capitalism” of the bourgeoisie during their period of ascendancy, when they were infused with the spirit of an insatiable pursuit of freedom. This helps us understand how neoconservatism and neoliberalism can go hand-in-hand with each other. In addition, for Reagan and Thatcher, their national tradition seems universally appropriate because, in their analysis of history, the U.S. and the U.K. had succeeded both in creating a world-wide economy and winning hegemony by adhering to such traditional principles.

We are going to find similarities and differences between Reagan and Thatcher’s brand of neoconservatism and that of Nakasone’s. We had, however, better draw a rough sketch of how neoconservatism has risen in Japan beforehand.

[3] How neoconservatism has come Japan

The greatest factor in the background of the resurgence of conservatism in the U.K. and U.S. is the economic, political and social crises of the Keynesian welfare state; namely stagflation, economic decline, the weakening of government, and social anomie among others. These factors are also present in Japan to a certain degree. No one can deny that the days of amazingly high growth are gone and a period of low growth has set in since the early 1970s. In a few years just after the first oil crisis Japan suffered from an inflation rate which was the highest among developed countries, the first negative growth rate after W.W. II, and even a deficit in the international balance of payments, though Japan overcame these three problems shortly thereafter. Reviewing the flow of Japanese politics in the post War years, Kenzou Uchida (1989) writes as follows.

In the decade after 1972, during which Kakuei Tanaka, Takeo Miki, Takeo Fukuda, Masayoshi Ohira and Zenkō Suzuki came into power in turn, the conservative regime was absorbed in patching up holes. It is the Nakasone administration that has switched the position of the conservatives from the defensive to the offensive in the reconstruction of a conservative regime.⁴⁾

It is this bend in the stream of Japanese politics that is called the advent of neoconservatism in Japan. It did not, however, come as abruptly as we might think. Even in the period of growth, there were a few economists who criticized the "Income Doubling Plan" as inflationary, aligning themselves with Hayek and Friedman.⁵⁾ A critic warned not to follow the path of Western welfare states, but to construct a "Japanese type welfare society."⁶⁾ But such ideas were held by a very small minority. It was after the mid-1970s that the atmosphere began to change. The Economic Plan designed in 1975 by the Miki administration suggested a concept of a "Japanese type welfare society" for the first time as the government economic plan.⁷⁾

The ideology of neoconservatism represented itself more clearly in the New Seven Years Economic and Social Plan drafted by the Ohira administration as follows.

"It is apprehended that satisfying people's needs for public service in the way as hitherto brings an enlarged public sector and, in consequence, inefficiency of economic society. An efficient government is the foundation of a vital and progressive economic society. To realize such an economic society we have to reconsider the relative priorities of different policies, reviewing administrative organs and fiscal policies which came from the period of rapid growth. We must pursue a path towards a new welfare society which has a proper amount of public welfare on the foundation of individual self-help and social solidarity which is reflected in all levels of government, both of the central government and local governments as well."⁸⁾

Almost concurrently, the other element, neoconservatism in a narrow sense, also began to rise. At the head of this resurgent tide of traditional conservatism appeared such reactionary nationalists as the author of the book titled *Japan, As a Nation State* who insisted that Japan, an economic super power, should have not only political but also military power with nuclear capability.⁹⁾ He, however, belongs to a minority. Those we have to pay attention to are the majority among

neoconservatives called the “new realists”.¹⁰⁾

These people not only insist on making much greater progress in economic diplomacy such as in increasing outlays for Overseas Development Aid and in accepting more positively the U.S. economic requirements to solve trade friction following the way of the main stream conservatives, but also insist on responding more positively to U.S. political pressure to share the military burden of the free world.

Think tanks such as the National Institute for Research Advancement which planned the “Toward the 21st century” project ¹¹⁾, and councils such as Premier Ohira’s study groups for policies ¹²⁾, contributed greatly to pave the way for this trend. It was, however, the second Provisional Council for Administrative Reform (hereafter the second P.C.A.R.) which started in March, 1981 under the Suzuki administration, that displayed an epoch-making political pageant, aiming to turn the post W.W.II political stream to a new direction. And it was Nakasone who gained enough strength to gain power in January 1983 through promoting the second P.C.A.R. as Director General of Administrative Management Agency. He made himself an acknowledged champion of neoconservatives ranking with Reagan and Thatcher.

The second P.C.A.R. produced a series of five reports over two years. ¹³⁾ In its first report it presented two fundamental ideas that Japan should try to realize. The first was that of “a vital welfare society”, and the other was that of “a great contribution to international society”. To realize them, in successive reports, it proposed such amazingly comprehensive reforms or reviews of administrative institutions, measures and operation as to cover almost all fields of administration. The government made a cabinet decision to pay a great deal of attention to the reports each time they were submitted. Drafting necessary laws, often lumping them together, the government hurried to put them into practice. After dissolution of the second P.C.A.R., the government continued to promote its fundamental ideals by setting up a successor Provisional Council for Promoting Administrative Reform¹⁴⁾ (the old one: May 1983-June 1986, the new one: June 1986-present).

As the two fundamental political ideals declared in the reports of the second P.C.A.R. correspond to elements (A) and (B) of neoconservatism mentioned earlier, we can easily find all of above mentioned sub-elements as well in the process of the second administrative reform and the political ideals and practices of the Nakasone government that promoted it (cf. Table 1).

At this point, we will examine them and ascertain the characteristic position of neoconservatism in Japan, comparing it to that in the U.K. and the U.S..

Table 1. Administrative Reforms under the Second P.C.A.R.

	[0] [Restoration of sound public finance]
	① zero increase or decrease in budget spending.
	② Reduction of the amount of issue of deficit financing bonds to zero by 1990 fiscal year.
	③ Enactment "en bloc "laws related to administrative reform
	[1] [Review of administrative measures]
(1) Social security	
1. Pension	① Reduction of government liability for government-managed pension plan for corporate employees.
	② Reduction of government liability for the National Pension Plan.
	③ Introduction of the Basic Pension Plan.
	④ Reform and unification of government-managed pension plan for public employees.
2. Medical care	① Enforcement of The Health Insurance for the Aged Law.
	② Review of benefits and contributions for medical insurance.
	③ Establishment of health insurance for retired employees.
	④ Reduction of government liability for the National Health Plan.
3. Social welfare	① Reduction of high rate of subsidies for social welfare managed by local governments.
	② Restraint of construction of social welfare facilities.
	③ Reduction of subsidies for child care.
(2) Education	
1. High education	① Restraint of subsidies for private universities.
	② Restraint of scale of universities.
	③ Restraint of number of students at national universities.
	④ Raising of fees of universities.
2. Compulsory education	① Restraint of construction of facilities of public schools.
	② Deferment of enforcement of 40 pupil per class plan.
	③ Reduction of government liability for compulsory education.
	④ Rationalization of school managing.
(3) Agriculture	
	② Reduction of costs for government for food-supply control.
	② Review of measures for promoting conversion of planting acreage.
	③ Reduction of bounty for higher quality rice.
	④ Review of the support price of agricultural products.
(4) Social overhead capital, Land, etc.	
1. Social overhead cost	① Restraint of government spending for public works.
2. Land	① Abolition of The Rent of Land and House Control Act.
3. Energy	① Privatizations.
4. Science and technology	① Strengthening the cooperation among industry, university and government.
	② Promotion of international cooperation.

- | | |
|-------------------------|--|
| 5. Small business | ① Restraint of government liability for its modernization and protection. |
| 6. Economic cooperation | ① Promotion of sythetic economic cooperation.
② Promotion of efficient enforcement of economic cooperation.
③ Improvement of the administration of economic cooperation. |
| 7. defense | ① Equipment of efficient defense capacity. |
-

[2]Reform of the administrtive organization

- (1) Strengthening of function of the synthetic adjustment.
- ① Establishment of the Management and Coordination Agency.
 - ② Strengthening of the function of the Cabinet.
 - * Reorganization of the Cabinet Secretariat.
 - * Establishment of the Security Council of Japan.
 - ③ Review of science and technology policy.
 - * The cabinet resolution: The principle for science and technology policy.
 - * Strengthening of the function of planning and adjustment of the Council for science and technology.
 - * Promotion of research cooperation among industry, university and government.
 - * Establishment of the Institute of Science and technology.
- (2) Reorganization of external bureaus.
- ① Unification of the Central Labor Relation Commission and the National Enterprise labor relation comission.
- (3) Reorganization of internal bureaus.
- ① Flexibility of rules for administrative organs.
 - * Transfer of jurisdiction over Secretariats, Bureaus and Departments to the government.
 - * Reorganization of Bureaus and Departments covering 10 Ministries and 20 Bureaus.
 - * 10% reduction of Sections.
- (4) Reorganization of local offices.
- ① Disorganization of bloc offices of in the Ministry of Transport and the Ministry of Posts and Telecom.
 - ② Scale down of bloc offices.
 - ③ Scale down of prefectural offices.
 - ④ Drastic reduction in the number of branch offices.
- (5) Reform of the system of government officials.
- ① Reduction of the legally fixed number of officials.
 - ② Promotion of the relocation of officials.
 - ③ Establishment of the Council for Personnel Management.
 - ④ Moral building through the 'Principle of Personnel Management '.
-

[3]Review of relations between the central government and local governments.

- (1) Allotment of functions between the central government and local governments.
- ① Review of function allotment between the central government and local governments.

- ② Disorganization of administrative charges mandated by the central government.
 - ③ Law of 'liquidation of interference of the central government'.
 - (2) Rationalization of the management system of local finance.
 - ① Consolidation of self-support for local finance.
(Public service at more than the standard level is at discretion of the local people but at the cost of additional.)
 - ② Promotion of subcontracting of administrative jobs to the private sector.
 - ③ Reduction, rationalization and unification of subsidies to local governments.
 - ④ Review of subsidies.
 - ⑤ Review of local administration systems toward an integration of administration over larger area.
 - ⑥ A resolution: Principle of the policies for local administration.
-

[4]Reform of public corporation and other semigovernmental bodies.

- (1) Reform of public corporation.
 - ① Break-up and privatization of the Japan National Railways.
 - ② Privatization of Nippon Telegraph and Telephone Public Corporation.
 - ③ Privatization of Japan Tobacco and Salt Public Corporation (except the section concerning salt).
 - (2) Reform of Semigovernmental bodies.
 - ① Abolition or unification (26 cases concerning 37 bodies, between 1980-1988).
 - ② Privatization (12 bodies between 1980-1988).
 - (3) Reform of government agencies.
 - ① Rationalization of the business of postal services.
 - ② Rationalization of the business of forestry.
 - ③ Reorganization of national hospitals and sanatoriums.
-

[5]Deregulation

- * Enforcement of the reports of the second P.C.A.R and successive P.C.P.A.R. (490 items by March 1988).
-

[Sources] Abstracted from the Provisional Council for Promotion of Administrative Reform, The rate of progress of enforcement of the reports of the second P.C.A.R. and P.C.P.A.R., (June 1988), Soumu-chou, Annual Report, (September 1988), and others.

2. "Restoration of Sound Government Finance without Tax Increases"

Cutting down an inflated budget expenditure to make a small government with a balanced budget is the first principle of neoliberalism (point A-① above). It is this element that paved the way for the rise of neoconservatism in Japan. Just before the start of the second P.C.A.R., Premier Suzuki pledged to restore sound government finance without a tax increase to the business world that had previously

been strongly opposed to an increase in corporate income taxes. This contributed to spreading the understanding that the second P.C.A.R. was established only to restore a sound government finance without a tax increase.

The second P.C.A.R. proposed first of all to restore sound finance, namely, to decrease the sales of deficit financing bonds to zero by 1984 fiscal year (deferred to 1990 fiscal year afterward). For that purpose, it took up almost all budget items for reconsideration and classified them into three blocks as follows.

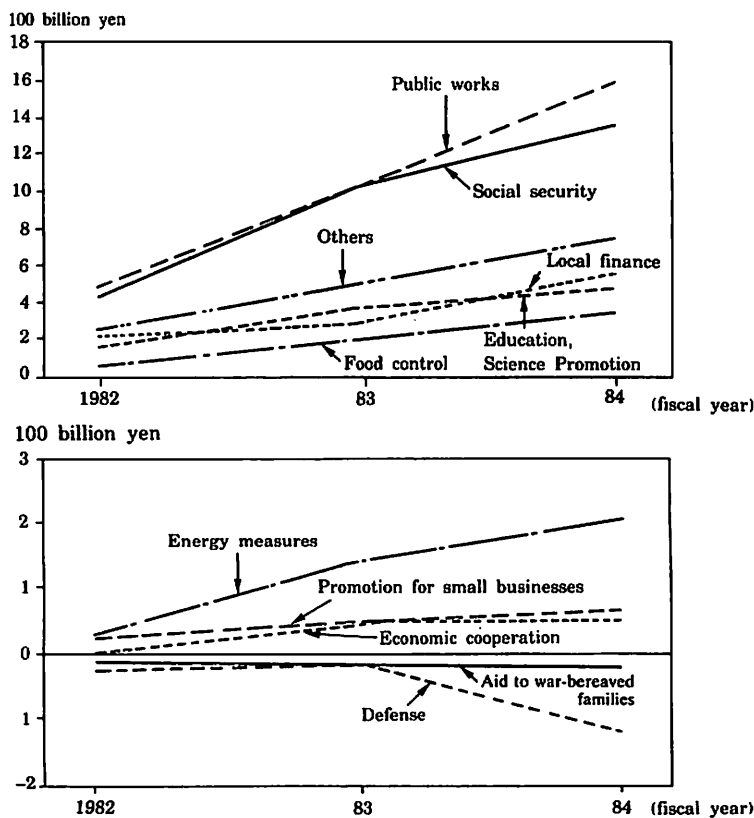
(1) Those of administrative fields where the responsibility of government should be checked as in agriculture, social security, education, etc..

(2) Those of administrative fields where government should take primary responsibility; diplomatic intercourse, economic cooperation, national defense, etc..

(3) Those of administrative fields where responsibility of government should be reconsidered from both of the above perspectives; land and housing, energy, science and technology, etc..

According to the reports of the second P.C.A.R., the government compiled a "zero-ceiling" budget (where the rate of increase of the "general expenditure" budget is zero) for 1982 fiscal year and reduction in the budget for the following years mainly by cutting down the scale of the budget expenditure in administrative field (1) as figure 2 shows. In this way the Japanese government seems to have successively carried out the first element of neoliberalism (A-①).

Figure 2. Amount of Reduction by Main Items of General Expenditure



Source) Miyajima, Hiroshi [1989], P.147.

The (new) Council for Promoting Administrative Reform states proudly in its review report as follows.

“Japanese public finance which had once seemed to have fallen into a crisis, has made steady steps towards the restoration of sound finance without tax increases through the severe compliance with zero ceiling budgets or budget reduction and the reconsideration of policies across all administrative institutions, measures and management, etc..”

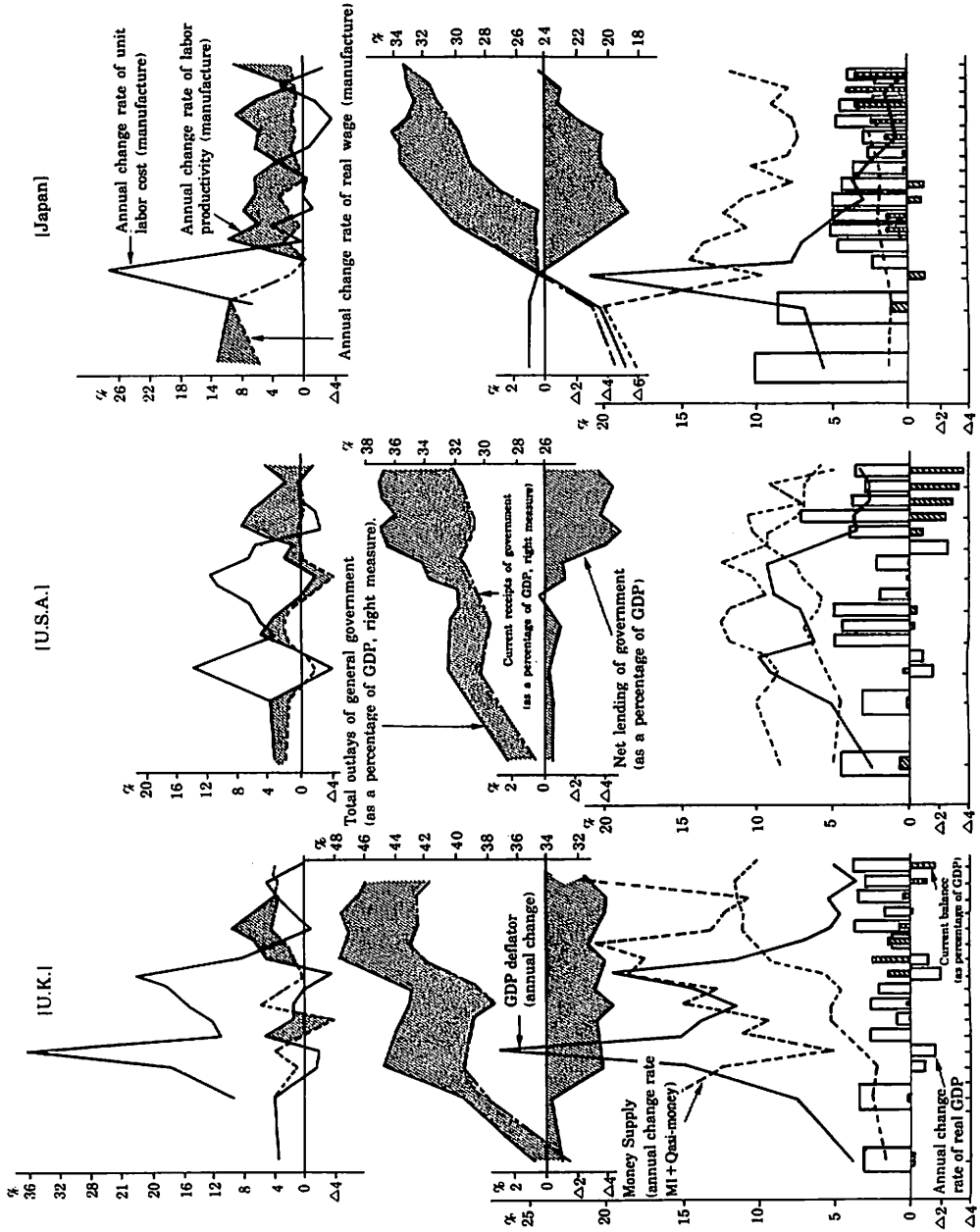
Let us compare this process of implementation of the elements of neoliberalism (A-①) to that of the twin stars of neoliberalist government, the U.S. and the U.K. (cf. figure 3). In all three countries the rapid increase of government spending seems to have stopped, judging from the fluctuations in total government outlays as a percentage of GDP. In the U.S. and the U.K., however, the amount of revenue were decreased as well through large scale tax cuts. The U.K., thus, has been forced to take slower steps in restoring a sound budget and it is the U.S. that has ironically suffered a record-breaking large scale budget deficit. Therefore, Japan seems the most successful at least in the restoration of sound government finance.

If we, however, examine the Japanese case further, it will show another side to things. Miyajima, Hiroshi (1989) reveals cuts in “general expenditures” consists largely of reductions such as the provisional deferment of obligated outlays from general accounts and the re-classification of some items from “general expenditures” and or general account expenditures to special accounts or local government finance, etc.. Aggregating only such measures that are numerically ascertainable, we can estimate they amount to 8% of the general account expenditures and 10% of the “general expenditure”. Thus the implementation of the first element of neoliberalism (A-①) in Japan turned out not to be as promising as it looks. Why was this so?

Let us, first, step into the process of making policies for the restoration of sound government budget without tax increases. Faced with worsening fiscal difficulties during the depression years after the oil crisis of 1973-74, the bureaucrats in the Ministry of Finance and members of its Fiscal System Council seemed to have left the restoration of sound government finance without increases out of consideration for a good while. In October 1977, the Fiscal System Council submitted a report on the tax system and proposed to introduce a general consumption tax to restore sound government finance while maintaining the level of public services. “The New Economic and Social Seven Years Plan” (1979), on the one hand, advocated a “Japanese style welfare society” as mentioned above. On the other hand, the Plan had not changed from the position of a high level of welfare with an associated high level of tax burden, and proposed to introduce a general consumption tax in fiscal 1980. However, confronted by strong opposition from almost every section of the electorate, Premier Ohira gave up the attempt just before the 1979 general election. After that a general consumption tax or a large scale indirect tax became a political taboo. Nevertheless, the Ministry of Finance as well as the Finance System Council had not abandoned its line of policy. Even at the end of December 1980, only three months before the start of the second P.C.A.R., the head of Finance System Council declared the beginning of deliberations on a new tax (a large scale consumption tax) from the coming March.

But as we have already stated, their scheme collapsed when Toshio Dokou,

Figure 3. Main Economic Indicators



Data) Graphs made from OECD [1989] Historical Statistics 1960~1987, Paris.

ex-president of the Keidanren (The Federation of Economic Organizations) made Premier Suzuki stake his political career on the restoration of sound government finance without tax increase just before assuming the chairmanship of the second P.C.A.R.. The bureaucrats in the Ministry of Finance had to cut budget expenditures, so as not to lose control of the budget compilation. For all that, it does not appear that they gave up their initial intention to implement the policy of high welfare high burden.

To our regret, we have not enough space to introduce an interesting book entitled "The Political Process in the Transition Era: the Locus and Function of the second Provisional Council for Administrative Reform"¹⁶⁾ by Kanbara, Masaru. Analyzing a vast array of facts and data, the author describes vividly a political drama of confrontations and concessions played by a wide range of actors in policy making; the business circle, which required the restoration of sound government finance without tax increases; the Ministry of Finance, which intended to introduce a large scale indirect tax in the long run; the government and the Liberal Democratic Party, which are susceptible to political pressure both at home and from abroad for an expansion of domestic demand; and, last but not least, both active and retired bureaucrats, who resist administrative reforms as much as they can; as well as some minor groups. Now it would not be so surprising if only a superficial cut in the budget expenditure came out of such a drama of dynamic confrontations and concessions.

Raising cries of "the bankruptcy of Keynesian economics", "the failure of big government", "the developed-country-disease", etc., neoliberalism gained great popularity among Japan's journalists, academic circles and economists in the bureaucracy. But judging from the vagueness and sometimes even inconsistencies when put into practice, we could not help surmising that to be neoliberal was something like a fashion from abroad and applied as a temporary expediency. Even Nakasone, the champion of neoconservatism in Japan and the then Director General in charge of administrative reform, is reported as saying:

"Having accumulated too many public bonds following Keynesian policy, we are now on the brink of a bankruptcy of public finance. So we have come to the position of 'Good bye Keynes and Hello Friedman!'. Friedman is useful as scapel for the time being. But we must not disregard the fundamental truth of an inherent need in Japan for a mixed-economy".¹⁷⁾

Why is neoliberalism in Japan fated to realize itself only so vaguely and often even inconsistently? Though the question has yet to be answered by the whole of this paper, as far as the restoration of sound government finances concerned, we might say as follows.

First of all, the Japanese budget as a percentage of GDP has already become smaller than any other developed country and it is difficult to make it any smaller. The extreme difficulty of shrinking the budget further can be understood by considering the work of H.L. Wilensky. His classical study on what elements decide the ratio of government expenditure for social welfare to GNP teaches us that;

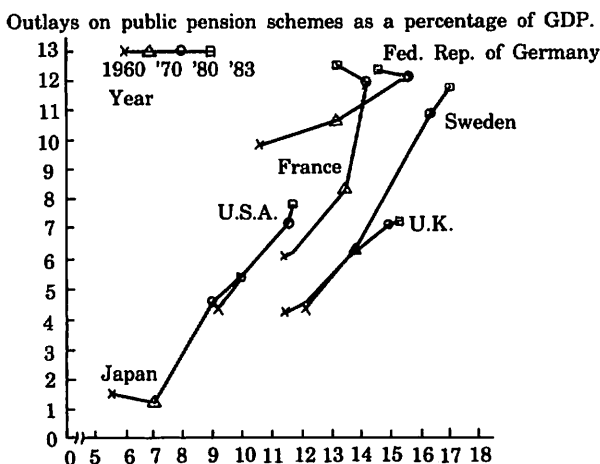
① The rise in the level of economy (per capita GNP) is the most fundamental element which brings forth the development of a welfare state in the long run.

② It develops mainly through a chain of cause and effect: modernization → a decrease of birth rate→an increase in the proportion of elderly people.

③ The effects grow as time elapses after the initial emplacement of welfare measures.¹⁸⁾

If we bear the above in mind, and look at figures 4 and 5, we can interpret these figures as an indication that Japan has entered into an era of big government and that government will have to grow rapidly.

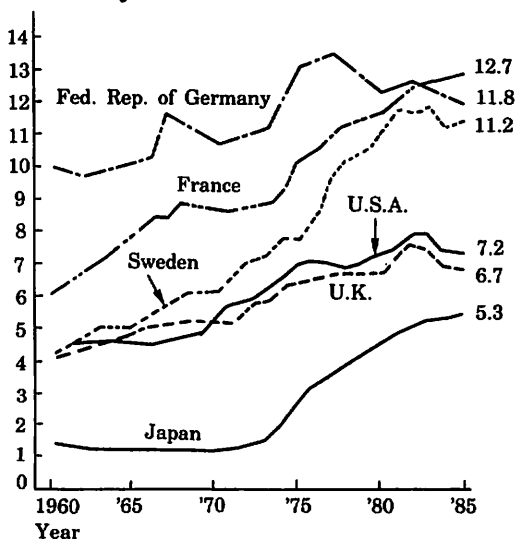
Figure 4. Ratio the People Aged over 65 and Outlays on Public Pension Schemes as a Percentage of GDP.



Source) Kosei-Tokei-Kyoukai, Hoken to Nenkin no Doukou, Vol. 35, No.14, P.247.

Data) UN, Demographic Yearbook.
 ILO, Cost of Social Security.
 OECD, National Accounts of OECD Countries.

Figure 5. The Trends Outlays on Public Pension Schemes as a Percent of GDP.



Source) idem.

Data) OECD. Social Date File.
 OECD. Annual National Accounts.

Neoconservatives insist on a Japanese style welfare society which relies

strongly on the function of mutual cooperation in the informal sectors of households and local communities to check the growth of big government. They, however, think little of the aftermath of rapid economic growth. It has not only brought forth an era of an increase in the proportion of the aged in the population but also destroyed the foundation of mutual cooperation which had informally substituted for public measures and had contributed to maintain a relatively small government to up that point. So, what is needed now is an epoch-making growth of public expenditure to build a new foundation for grass-roots social cohesion that would be appropriate to the new age.

Second, business circles in Japan have not always been consistent in standing for a small government. Faced with the recession of 1970, especially after the "Dollar Shock" of 1971, all pressure groups in business clamored for a stimulation of the economy by adopting an easy money policy and large scale supplementary-budget financed government bonds, while resisting both calls for an upward revaluation of the yen and fears of incurring inflation. In addition, during the worsening depression after the oil crisis of 1973-74, it was "Mr. Rationalization", Toshio Dokou, then-president of the Keidanren, who turned into an expansionist comparatively early, following the move by the Nisshou (The Japan Chamber of Commerce and Industry). Meanwhile, the Ministry of Finance, the Bank of Japan and the Keizai Douyukai (Japan Association of Corporate Executives) still maintained a tight monetary policy. Dokou insisted on strong stimulation of the economy, even going so far as to urge a policy of issuing deficit-financing bonds.

But when the government increased the rate of corporate tax out of necessity due to Ohira's failure to introduce a general consumption tax, business circles raised strong voices of opposition and took the initiative to make the second P.C.A.R., crying for the restoration of sound government finance under the flag of Friedman. This time the Keidanren held fast to its position for a longer time, resisting increasingly louder voices promoting the expansion of domestic demand. The Keidanren, however, fell in line by 1987.

Therefore, the main stream thought of the Japanese business circle can be called self-interested pragmatic rather than genuine (neo)liberalism.

As a Third point, drastic budget cutting and administrative reform met with firmly-rooted resistance among members of not only the politician-bureaucrat-business circle complex but also among all sort of special interest groups which had been enlarged enormously during the period of rapid economic growth through political policies designed to solicit special interest votes. The end of rapid economic growth has made catering to special-interest groups more difficult and forced the Liberal Democratic Party, which had benefitted the most from such a political system, to provide a new basis for policy-making. An answer was found in neoliberalism. But it has been confronted with rebellion among former supporters of the party. Without their support, the LDP could not maintain a conservative government, as the 1989 Upper-House election has suggested.

Lastly, concerning fiscal reform, the Japanese economy might not have needed to promote such radical neoliberal policy. The U.K. and the U.S., which had long been suffering from aggravated stagflation and were threatened with a fall into economic and social decay, had good reason to embrace a radical neoliberal policy, craving for a resurgence of their former glory. In the case of Japan, it is true that

the days of rapid economic growth are gone and unemployment has risen, even if only a little. Japan, however, retains relatively good economic performance by international comparison. In particular, Japan has succeeded in overcoming stagflation, which, just after the first oil crisis could not have been said to be a minor problem, through radical rationalization of business enterprises as the downward curve of unit labor cost suggests (cf. figure 3). It should be noted that all this was long before the start of neoliberal policy.

One may have anxiety about the size of the outstanding government bonds GNP ratio or the large share of debt-service payments in the central government general accounts spending. But these might be due to the especially low ratio of taxation to national income by international comparison. In Japan, a public banking such as the fiscal investment and loan Program funded by mainly surplus funds of postal savings and social security funds has been functioning as an important measure to fulfill policy targets and has supplemented a small government with a low ratio of taxation. If high ratio of taxation to national income depends on a high degree of political consensus, European societies could be said to be more politically cohesive. And if "less politically cohesive" means "more market-minded", Japanese society could be said to be more pro "capital accumulation". So, in Japan, even if the crisis after the first oil shock appeared in the form of the over-accumulation of government bonds, Japan's situation was not as serious as the situation in other countries, so long as the ratio of taxation in Japan remains lower.

In addition, promoting neoliberal policy may work to further rationalize an already efficient economy only to bring forth new troubles at home and abroad. In fact, it is this very process which Japan is experiencing today.

Now we can understand more easily why neoliberal macro policies such as the restoration of sound government finance are so vague and not genuine in Japan. In the cases of neoliberal policies other than fiscal reform, we can make similar observations.

3. Deregulation and Privatization

[1] Promotion of Deregulation and Privatization

The second P.C.A.R., and the Special Advisory Council that followed it, made reports proposing 511 deregulation measures. The proposals included simplification measures affecting the ever-day life of people such as the issuance of driver's licenses; and deregulation measures in such industries as telecommunications, transportation, finance, energy, construction, agriculture, etc., in order to allow or strengthen the work of market mechanism in the Japanese economy. The government worked to implement these proposals. The demands of the U.S. and other countries to make access to the Japanese markets easier, also have driven the government to promote further deregulation and or liberalization. This must be said to constitute an epoch making turn of events for an economy which had been fully acclimated to regulation and controlled by the bureaucracy since the beginning of modernization in the Meiji Era.

The document entitled "Deregulation" edited by the bureau of the Special Advisory Council, boasts data which suggests that the deregulation measures have, so far, contributed to the vitality of the Japanese economy.¹⁹⁾

In addition to deregulation, the 2nd P.C.A.R. proposed "privatization" of public owned and or managed enterprises and even subcontracting-out eripheral administrative activities to private hands.

The first among the "three public corporations", the Telegraph and Telephone Corporation was transformed to the Nippon Telegraph and Telephone Corporation (NTT): its stock being offered to the public through a revision of the Telecommunications laws, together with opening the door to value-added service on leased telecommunication networks (Class 2 telecommunication companies) as well as to new common carriers (Class 1 telecommunication companies).

The Japanese National Railway (JNR) were privatized and at the same time divided into 6 local Japanese Railway (JR) companies, the Japan Freight Railway Company and the Shinkansen Holding Corporation, leaving a vast debt and "surplus" workers to be dealt with by a specially established "liquidation" firm. The Tobacco monopoly was transferred to the Japan Tobacco Inc..

Among other public corporations, 12, including Japan Air Line, were privatized. Also, integration and abolition of other public corporations proceeded, affecting altogether 26 cases concerning 36 corporations.

The share of public corporations in post-war Japan has been not large from the outset. As of 1975, public corporations shared only 9.28% of Japanese total net assets and 4.75% of total net employment. This is a slightly larger figure than in the U.S. and far smaller than in European countries. The process of privatization mentioned above has made it even smaller.

So, in Japan the second program of neoliberalism, that is, "enforcing the work of market mechanism by deregulation and privatization" seems to have been carried out successfully.

If we investigate further into what has actually happened, however, we encounter certain facts which clearly contradict the assertions of neoliberalist deregulation apologists.

[2] "Mutual Infiltration of Market and Organization"

Recently, reports of favorable settlements of Japan Railway companies' (JR's) accounts have been circulating, giving an impression that "the break up and privatization" of the Japanese National Railway has ended in a great success. But the following should be noticed. First, the accounts were settled without considering the vast debts transferred to the account of the liquidation body of the JNR. If we had had previously left the same amount of debt out of calculation, the JNR would have already been restored to a favorable account settlement even before the privatization. Second, even after the privatization we find such an inconsistency as follows. Many local lines in debt have been abolished one after another, discarding a public obligation to provide transportation in the local areas where it is needed most, while, yielding to various political pressures, other lines which are certain to go into the red have been newly undertaken. These facts would be enough to arouse a doubt whether the privatization and break-up of the JNR can be justified even from the view-point of neoliberalism itself. It has to be said that

the entire process was very political and non-ideological. Before discussing this point further, let us have a look at the remaining object of public attention, namely, deregulation and privatization in telecommunications.

By the measures mentioned earlier, telecommunications in Japan, like that of the U.S., seems to have been liberalized more than that of Europe or Canada where they are still nationalized, and more than in the U.K. where it was privatized by creating British Telecommunications but introducing only one new common carrier as a competitor. From a certain point of view, it is more liberalized than in the U.S., where local networks are still retained by monopolies under regulation by State Public Utility Commissions. But the actual situation in Japan is not so transparent as it looks.

New common carriers (They are referred to as Class 1 telecommunication companies.), to our surprise, amounted to 39 companies as of Oct. 1988. They can do so-called "cream skimming", while NTT is still under the obligation to supply the public as a whole. NTT, however, still holds an advantage at various points and retains a position of a Gulliver in every kind of telecommunication market. This is especially true in terminal circuits, where though NTT asserts that it suffers a loss which is made up by a gain from providing long distance service. Anyway, almost all sorts of markets in the telecommunication industry are, more or less, integrated in a de facto manner, especially by NTT and there are very big gaps in competitive power between the rivals. Because of this, the government finds the grounds to intervene in the industry, so that not only entry and retirement but also rates for service need the approval of the Ministry of Posts and Telecommunications. Lower rates are approved especially for New Common Carriers to help them get their share of the market.

Itou, Mitsuharu (1989) discusses these issues, saying:

NTT covers the nation-wide network. New-comers skim off profitable parts of it. But costs for new-comers are higher and these firms play only a marginal role in the market. The rates for service are set according to their costs and simply become the de facto official government rates. So, rates for long distance telecommunication do not go down so much and NTT also retains its easy-going style of management. Especially, when we consider that the actual managers of the New Common Carriers can be JRs personnel (in the case of Japan Telecom Co.), from the Japan Highway Co. (in the case of Teleway Japan Co.) and Kyocera group's DDI Co., which, while appearing as private capital, are actually managed by ex-bureaucrats, we cannot but doubt that there is strong competition between them.²⁰⁾

Professor Itou further refers to a paradox in privatization as follows.

Many scholars of economics and economists voted for the privatization of public corporations, expecting that it would lift governmental regulations and incite competition through which all would gain. But it has not turned out so. The Ministry of Posts and Telecommunications hardly intervened in the management of Public Corporations, because they consisted of a part of the government itself and the MPT had to trust in the ability of such corporations. Once privatized, however the MPT has had to supervise these private companies in the same manner as that of a public utility. Requiring data in detail concerning both the level and the system of rates as well as management operation, the MPT controls companies in a de facto manner.²¹⁾

Up to now, we have seen that while deregulation and privatization in Japan, on the one hand, have certainly functioned to allow or stimulate the work of the market mechanism to our benefit, they also may have functioned conversely at the same time. At this point it is interesting for us to see that government intervention in Japan cannot be said necessarily to impede the work of the market mechanism to the disadvantage of the economy. For example let us review the industrial policies in post-war Japan.

Some industrial policies certainly hindered the function of market mechanism and fostered rent seeking. But this was not always the case and not all of them worked to hinder the market mechanism. At some stages of development, some of them worked to induce the synergetic evolution as Ken'ichi Imai (1984) demonstrated in case of information industry policy.²²⁾ Therefore, we can say as follows.

While the post-war Japanese economic system has been characterized as organizational, on the one hand, as in the case with "Japan Inc.," it has, on the other hand, also been characterized as very competitive as if it were in the world of the neoclassical school of economics. Either, indeed, both of these mutually contradicting interpretations are justifiable. It is ambiguity that is the salient feature of the post-war Japanese economic system.

In order to analyze its mechanism we need a broader frame of reference so as to be able to interpret the relationship between market mechanism and organization. As an example of this "the theory of mutual infiltration of market and organization" or "the theory of intermediate organization" has recently been presented by Imai, Ken'ichi and others.²³⁾ But we do not have enough space here to introduce and examine the theory, much less to use it to analyze the Japanese economic system. Leaving a lengthy explanation of a work a side, we will presuppose such a perspective for the present. Then, we could summarize what we have described in this section as follows.

Neoliberalist oriented deregulation and privatization could be said to have been introduced as "fashion". This is because it is easy for Japanese economic system to accept such appealing ideas. The Japanese economic system already has the element of dynamic market competition along with the element of an organization due to the complex nature of its institutional organization, namely, the mixing of freely competitive market with government and/or Keiretsu guidance and control. But it means, conversely, that the Japanese economic system has no urgent necessity to introduce such neoliberalist oriented policies as if they were something new. And this fact would help us understand, to a certain degree, why deregulation and privatization have not been pursued consistently as neoliberalists might have expected. It also implies that promoting such policies could be pursued pragmatically with very political goals in mind.

Such a relation between the fate of neoliberal policy in Japan and the characteristics of the Japanese economic system can be found in a crystalized form in the policies concerning the third element of neoliberalism, flexibility of the labor market.

4. Making Industrial Relations Flexible

The main feature of Thatcher's government has been its strong antagonism towards labor unions. In promulgating the Employment Act of 1980 and the Trade Union Act of 1984, Mrs. Thatcher restricted the controlling power of union shops, first by obligating the assignment of union officials and calls of strike to be subject to vote by rank and file in the name of "democratization" of labor unions; second by banning so called "second picketing" and political strikes; and third by depriving labor unions of immunity from some compensation demands by narrowing the scope of lawful union activities.

Reagan's government also threw out the long cherished policy of promoting full employment and declared war against labor unions with a sweeping disciplinary dismissal of strikers at the air traffic controllers union just after his inauguration.

Against the back-drop of such anti-union policies we can identify the belief that labor unions are to blame for serious stagflation by damaging the function of the market mechanism in the labor market. A technical report of the OECD also states to the effect that those countries which show the highest rigidity of real wages are those which suffer from the high rate of unemployment and vice versa, in short the degree of rigidity correlates with the rate of unemployment ²⁴⁾.

Neoliberalism intended to return to the origins of vital capitalism by breaking up the rigidity of labor market.

Also to be considered is the dramatic changes that have been occurring in the structure and character of industry, firms, technology and labor forces, etc.. The service sector has enlarged its share greatly and each industry has increased the proportion of the service among its in-put factors. The rapid pace of technological innovation, above all in electronics, have brought forth new sectors and changed the boundaries of industries, the processes of production, and the products themselves, resulting in changes in job descriptions and the skills required of workers. The proportion of female and part-time workers has greatly increased in the labor force. These changes have had a large impact on industrial relations, eroding the bases for the organizing and therefore controlling power of labor union on the one hand, and increasing the demands of management for a more flexible adjustment of labor forces on the other hand. Thatcher and Reagan, taking advantage of this trend, have tried to envoke the logic of capitalism and the workings of the market mechanism.

We can find the same tendency in recent Japanese policies in industrial relations. First of all, no one would deny that through the break-up and privatization of the JNR, The second P.C.A.R. intended to destroy one of the strongest unions in Japan. Second, it aimed at making the labor market more flexible in at least four ways; by reducing the legally fixed number of public service personel, by introducing the merit system into wage scales, by subcontracting out public service work to the private sector, and by introducing the use of temporary workers. The government also promoted its course further by closing down unemployment relief works, by legitimizing a temporary service industry and by making the necessary amendments to the Labor Standards Act to achieve their purposes.

Compared to the clear-cut about-face moves away from long-established

industrial relations policy in the U.K. and the U.S., the new wave in Japanese industrial relations policy has not been so conspicuous. This is because what neoliberals are pursuing in the U.K. and the U.S. has already been found in Japanese industrial relations since the era of rapid growth. The unionism in post war Japan has taken the form of the company based unions from the start. Therefore, the power of unions to control the labor market remains very weak and it has hardly had any impact on labor-management relations within the workshops. It has certainly worked to secure the so called "life-time employment" and relatively higher wages for workers in the large companies. But their higher wages rest on the condition of "dual" or the hierarchical structure (from the oligopolistic large firms' sector to the excessively competitive small and medium sized firms' sector) in Japanese industries and in the labor market.

The above mentioned technical report of OECD as well places Japan at the farthest point from the problem of rigidity. Even in Japan, "Incomes Policy" was once referred to in discussions of the Economic Council. But they could not find enough rigidity in real wages to introduce an incomes policy²⁵). As stated earlier in the paper, just after the first oil crisis, Japan also fell into stagflation. Japan has, however, succeeded in overcoming it much earlier than any other developed countries due to not only a decline of real wage rates but also through the innovative development of products and production processes and quality control so as to drastically save energy and labor costs. The Japanese economic system, especially that of the predominating private sector, having been already endowed with indigenous elements that neoliberals want to introduce in the U.K. and the U.S., strengthened them further during the depression of the 1970's. So when the high waves of neoliberalism came surging upon Japan in the early 1980s, Japan could not find the reason to introduce such radical neoliberal policies. What occurred was that managers rode on neoliberal waves, to add the finishing touches on Japanese industrial relations by sweeping out such labor unions as had managed to stand up against management up to then. And it seems to have resulted in an excessive rationalization that only created further problems in supplying public goods and services. In addition, it led to further friction with trading partners abroad, especially with the U.S. by increasing the competitiveness of Japanese goods to an excess.

I should mention here that to say that Japan has already realized such industrial relations as neoliberals are pursuing in the U.S. and the U.K. is one thing, but it is quite another thing to say that Japanese industrial relations did in fact commit itself to the hands of the market mechanism in the manner that neoliberals expect. Here we encounter the ambiguous character of the Japanese economic system already mentioned. There are many scholars who classify Japan in the group of the least corporatized countries. There are, however, also some who place Japan in the group of the most strongly corporatized, together with Austria and Sweden (cf. Table 2).

Table 2. Classification of Developed Countries by Degree of Corporatism

	Schmitter('83)	Cameron('84)	Czada('85)	Lehmbruch('84)	Wilensky('81)	Schmidt('83)
High	1 Austria 2 Norway 3 Sweden 4 Denmark 5 Finland 6 Holland 7 Belgium 8 Fed. Rep. of Germany 9 Switzerland 10 Canada 11 Ireland 12 U.S.A. 13 France 14 U.K.	High 1 Sweden 2 Norway 3 Austria 4 Belgium 5 Finland 6 Denmark 7 Holland 8 Fed. Rep. of Germany 9 U.K. 10 Australia 11 Ireland 12 Switzerland 13 Italy 14 Canada low 15 U.S.A. 16 France 17 Japan 18 Spain	(gain) 7 Austria Sweden Norway 6 Finland 5 Belgium Denmark 4 Holland Ireland New Zealand 3 Switzerland 2 U.K. Australia 1 Canada Italy 0 U.S.A. Fed. Rep. of Germany France Japan	strong corp. Austria Sweden Norway Holland medium corp. Ireland Belgium Fed. Rep. of Germany Denmark Finland (Switzerland) weak corp. U.K. Italy pluralism U.S.A. Canada Australia New Zealand Corp. without labor Japan France	democratic corp. Austria Sweden Norway Belgium Holland Fed. Rep. of Germany Israel Italy corp. without labor Japan France Switzerland non-corp. U.S.A. U.K. Canada Australia	Strong corp. Austria Sweden Norway Switzerland Japan Medium corp. Finland Denmark Belgium Holland Luxembourg Fed. Rep. of Germany Australia New Zealand Iceland weak corp. France Greece U.K. Ireland Italy Canada Portugal Spain U.S.A.
low	15 Japan 16 Italy					
	(n=16)	(n=18)	(n=18)	(n=18)	(n=15)	(n=23)
criteria	labor sector; centralization of organization, monopolistic corporation	(degree of unification of labor organization + power of collective bargaining) × rate of organized labor (per labor force)	scale of nation, degree of reliance on trade, degree of specialization of industry, rate of organized labor, degree of centralization of labor unions, time-span of social democrats government, supersectorial unification.	institutionalization of participation like tripartite coordination, scope of bargaining and policy, effectiveness of agreement.	type of participation on policy-making, unification, stability and effectiveness of interest groups.	social partnership between labor and management, cooperation among labor, management and government (number of cases of strikes, nonexistence of authoritative incomes policy, centralized labor movement.

[Source] Tsujinaka, Yutaka [1986], Gendai Nihon Seiji no Kohporatizumuka [The Corporatization of the Contemporary Japanese Politics], in Uchida, Mitsuru [1986] ed., Seiji Katei [The Process of the Politics], Tokyo, Sanrei-Shobou, P.232.

As we have already stated, Japan has never adopted an explicit incomes policy and even lacks institutionalized tripartite (labor, management and government) cooperations. But the asserted good performance of the Japanese economic system cannot be attributed only to the successful functioning of market mechanisms but also to such cooperation among labor, management and government, including the “announcement effects” of suggestions from the government and business circles, by which all parties act in accordance with an implicit incomes policy. It is this type of invisible income policy that is what we may call “Japanese style incomes policy”.

It is also of great interest that, while waves of neoliberalism come surging in on the one hand, neocorporatism seems to be developing right along with it. Inagami (1989) sees this development of neocorporatism in the informal tripartite consultations in the private advisory organ of the Ministry of Labor and the formation a new and more comprehensive central organization of labor unions known as “Rengou”, with its progressive participation in policy making, and so on. But at the same time he also refers to the fact that Japanese industrial relations have long enjoyed a satisfactory record of good labor management relations within individual companies which is often called “Micro Corporatism”. It is this condition that neoliberalism wishes to bring about in the European context. We may note with interest that he then says as follows.

“The idea of a choice between neoliberalist and neocorporatist alternatives cannot be applied to the Japanese economic system.”²⁶⁾

And he posits a synthesis of these two mutually contradictionary movements by presenting a concept of “loose neocorporatism” such as is constructed on the basis of “micro corporatism”, which is often extended to the scope of the Keiretsu (group companies).

Summing up the above, we could say as follows.

(1) Since the end of the 1970s, especially in the early 1980s, the ideology of neoliberalism has rushed into our country like a flood-water. Bolstered by the Second P.C.A.R, almost the entire menu of the neoliberalist-oriented policies has been introduced, on the surface, in a rather more comprehensive and systematic way than in other countries. In addition, the success of these policies has not been so limited as in the U.K. and the U.S..

(2) However, when it comes to their actual results, consistency and whether or not they would be considered radical, vague and rather contradictory facts and tendencies suddenly come into view, which we hardly ever find in the U.K. and the U.S..

(3) Pursuing the reason why such is the case in Japan, we came across the ambiguous character of the Japanese economic system. To understand such a contradictory character in the Japanese economic system we need to move to a higher dimension, or more general framework of reference, which positions both market and organization as its lower dimension or more special cases. Assuming such double meaning character for the Japanese economic system, we can then understand more easily both points (1) and (2) above. The high acceptability and comparatively good performance of the neoliberalist-oriented policies can be attributed to the fact that the post W.W. II Japanese economic system was already equipped with the elements of neoliberalism. Therefore the Japanese economic

system did not have an urgent necessity to introduce and enforce those policies as if they were something new. Multiplied by the anti-liberal character of the Japanese economic system, this fact would supply sufficient reason why such contradictory facts and tendencies appear.

Before proceeding further in our consideration of the double meaning of the Japanese economic system, let us take a quick look at how element (B) from section 1, namely, neoconservatism in the narrow sense, has appeared in Japan.

5. On the Character of Neoconservatism-oriented Integration in Japan

[1] The Points of Similarity

In Japan as well as other countries, neoconservatism has intended, first, to create a strong government and, second, to restore tradition while at the same time promoting a small government and liberalization.

(1) Strong Government

The administrative reform under the 2nd P.C.A.R. aimed at reviewing the administrative organization as well as additional political measures. The Nakasone government especially, put an emphasis on strengthening manageability over crises both at home and abroad. It intended to make "a presidential government", expanding and strengthening the Cabinet Secretariat (by setting up a Cabinet Councillors Office on Internal Affairs, another on External Affairs, etc.) and establishing The Security Council of Japan (cf. Table 1). It tried to centralize administrative power by creating a Management and Coordination Agency and by promoting the neoconservatism-oriented administrative reform of local governments which aimed at promoting small local governments and decentralization but, in reality, resulted in the so called "neo-neo-centralization"²⁷⁾. However, what stood out most in the Nakasone government was "Council Politics". Nakasone's government shortened the ordinary democratic procedure of policy decision-making and channeled the political discourses in and out of the Diet by committing several important policy-decisions to ad hoc Councils, which are not open to the public and members of which the government chose at its discretion.

The Administrative Reform and Restoration of Sound Public Finance through the second P.C.A.R. is, of course, the most typical case. It was followed by the case of Education Reform which Nakasone counted as among the three biggest neoconservative reforms along with the two mentioned earlier. In addition he promoted such other important neoconservative policy-targets as officially sanctioning worship by cabinet members before the Yasukuni Shrine, breaking through the 1 percent of GNP ceiling on defence spending, etc..

(2) Restoration of Tradition

The strong government Nakasone seeks is none other than "the Japanese" strong government, namely, the restoration of Japanese tradition. As we have already stated, neoconservatism demands restoration of Japanese tradition. As we have already stated, neoconservatism demands restoration of tradition and sentiments of nationalism in order to promote a neoconservative counter-

revolution. Neoconservatism in Japan also calls for restoration of tradition. However, the resemblance between western and Japanese brands of neoconservatism ends at this point.

[2] The Points of Difference

(1) The Difference in the Character of the two traditions

The character of the tradition Nakasone seeks is, of course, quite different from those of neoconservatists in the U.K. and the U.S.. For the latter two nations, traditions are essentially “the spirit of a young capitalist Europe” at the threshold of its hegemony over the rest of the world. But for the former, “it is”, Nakasone argues, “a communal society which has lasted for these two thousand years, or several thousand years if we include Japan’s neolithic Jomon period, sharing common joys and sorrows as human being on the islands, and living in the culture of ‘the philosophy of symbiosis’ or the polytheism such as would regard animals and plants as their brothers and sisters.” Nakasone continues, “it is something deeper and of more humanity than in the European model, which is distinguished by such concepts as individualism, confrontations and contracts.”²⁸⁾ In our context, it can be represented as infiltration (or intertwining) of “the individual and the whole”. It is interesting that even such a dyed-in-the-wool forerunners of neoliberalism in Japan as Kiuchi, Nobutane and Nishiyama, Chiaki differ from neoliberals in Europe and the U.S. on this point. For example, Kiuchi, Nobutane places high values on individuality, but does not limit the concept to that of an individual person. It can be expanded to that of higher levels such as that of house-holds, communities, firms and even nations, and among them he sets the highest values on the nation. ²⁹⁾ Nakasone, Yasuhiro praises such traditional characteristics of Japanese culture as modesty, symbiosis, transcendence of dichotomy between a subject and an object. To put this in other words, when expressing ideas in Japanese language, it is not the subjects but the predicates that dominate the situation. Nakasone asserts boastfully that he can find the potential elements in Japanese tradition that would enable it to make a breakthrough in the deadlock of European modernity which has been too much ego-centric or human being-centric. We will return to this point in the conclusion.

(2) Reactionary Revolution in Crisis vs. Spontaneity out of Satisfaction

In the U.K. and the U.S., as mentioned in the first section of this paper, the cries for the restoration of the glory of tradition have risen in the face of decline and crisis in many quarters. In Japan, however, it has risen spontaneously in a traditional manner characterized by “subjects infiltrated by others or the situation” (passive acceptance of external influence). Nakasone, Yasuhiro states as follows.

For these 40 ears Japan has developed its economy dramatically and has raised the standard of living greatly, maintained a low crime-rate, a low rate of unemployment and stable prices; and what is more, its people enjoy the longest life-span in the world. Looking from these points of view, we feel with satisfaction that Japan is now in the most ideal situation. And it is at this time that we become aware of what we are, namely, of our Japanese identity. ³⁰⁾

This argument can be verified by the fact that the resurgence of neoconservat-

ism in Japan had already begun spontaneously toward the end of the 1970s as the stagflation triggered by the first oil crisis was overcome. The surging waves of neoconservatism from abroad served as the following current only to carry it further in from the shore.

(3) Pragmatism and Maneuvering

Another distinguishing feature of Nakasone's politics was pragmatism and non-ideological maneuvering. Of course, in both East and West, in the past and the present, politics has always been full of pragmatism. Mrs. Thatcher and Mr. Reagan as well are first-ranked politicians. However, the pragmatism of Nakasone seemed more conspicuous than that of his counterparts, judging from such a few cases we will mention at the head of the next section. It is not difficult to surmise why this is so, reviewing what we have stated up to now. A conclusion to this section will become at the same time an appropriate conclusion for the whole of our thesis.

6. An Interim Conclusion and a Prospect for the Future

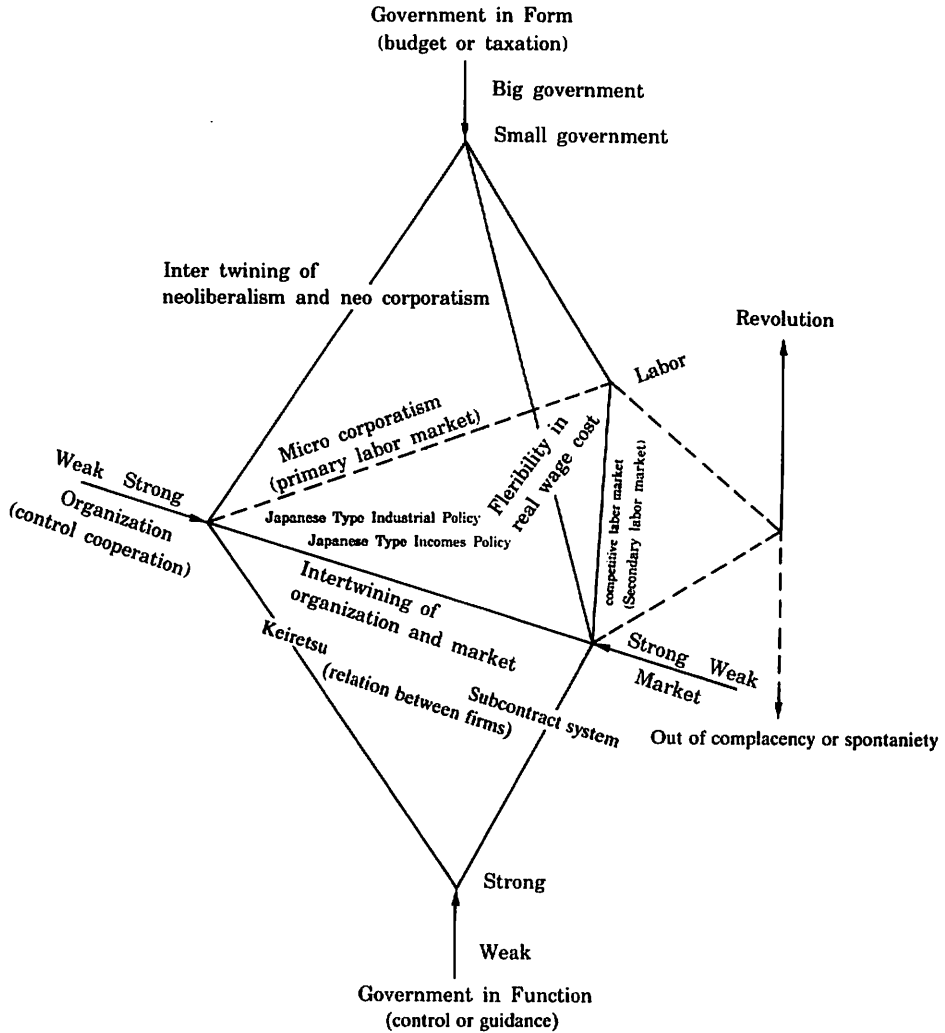
As summed up at the end of section IV, neoconservatism, while in theory having rushed into and spread over our country like a fashion, in practice suffers from vagueness, inconsistency, double-meanings and pragmatism. Now, reviewing Nakasone's neoconservative politics, we cannot but notice that the above characteristics go to illogical extremes. For example, crying for such radical reform as the "Third restoration" following the Meiji Restoration and the MacArthur Reform, or the "Total Liquidation of Postwar Japan" on the one hand, Nakasone appealed to the feeling of satisfaction with the existing condition, on the other hand. Proclaiming the intention to make the Japanese Islands "unsinkable aircraft-carriers" or to install a new improved Constitution after cleaning house through administrative reform on the one hand, he asks on the other hand, "What do people want now? I think it is peace or something very 'soft' such as humanity."

We have found that the main reason why Japanese neoconservative politics could not emerge from such vagueness, double-meaning and pragmatic manipulation lies in the fact that Japan hardly had the urgent internal necessity to adopt such neoconservative politics as in case of the U.K. and the U.S.. It was due to the fact that the ways of "the Main stream conservatism" remain available. Why is this so? On the one hand, it rests on a such favorable performance of the Japanese economic system so as to bring forth as many as 100 million so called complacent "Middle Masses". On the other hand, "the main stream conservatism" already possessed some elements of neoconservatism as Hideo Outake argues in H. Outake (1986).³¹⁾

Up to now, we have encountered everywhere the ambiguous or double-meaning character of the Japanese Model (cf. Figure 6). First, the mutual infiltration of big government and small government (section II-IV), second, that of market and organization (section III), third, that of neoliberalism and neocorporatism (section IV) and last, that of spontaneous integration through complacency and The Third

Restoration (section V). It is this double meaning character of the Japanese Model that lies as a bed rock in every characteristic of neoconservatism in Japan.

Figure 6. Double Meaning Character of Japanese Model.



Because the Japanese economic, social, political and cultural system or structure, owing to its double-meaning character, potentially had the elements of neoconservatism, Japan has been, for a while, receptive to the surging waves of neoconservatism as they swept over her. It, however, means at the same time that what neo conservatives abroad are pursuing had been already realized in Japan at least half-way. So, Japan had not such an urgent internal necessity to enforce a neoconservative revolution as in the U.K. and the U.S.. It is this fact, together with the other elements (shown by such vectors as an organization, government control and 'out of complacency' in Figure 6) of the double-meaning character of the Japanese Model that has given neoconservative phenomena in Japan its characteristic vagueness, inconsistency and pragmatism.

In addition, Japan's unnecessary embrace of neoconservatism requires us to pay more attention to the international elements of neoconservatism that promoted a Japanese willingness to adopt it in the first place.

The rise of Japan from a relatively poor country to an economic super power through its rapid economic growth; the decay of "Pax Americana" as a result of the economic decline of the U.S.; and, out of the cross-linking of these changes, the ever growing economic, political and even cultural friction between Japan and the U.S. (extending to friction between the E.C. countries, the NIEs, the ASEAN countries, etc.), placed main stream conservatism in a difficult position. It was becoming increasingly more difficult to continue its favorite path taken first by Shigeru Yoshida, the founder of the mainstream conservatives, based on his two-part scheme to make economic growth as rapid as possible (in order to integrate the nation by raising the standard of living as much as possible), while committing an outline of Japan's safety and diplomatic policy into the hands of the U.S.. In the course of time, not satisfied with status as the economic super power, main stream conservatives themselves have become to have an inclination for being a political super power. Japan also has come under pressure to share the U.S.'s burden of maintaining the order of the free world. Japan had to somehow change the path previously followed. It is this fact that worked to generate neoconservatist idea of a strong government among Japanese conservatives. However, so long as it does not deviate far from the scope of passive accommodation to main stream conservatism, we cannot deny that even these external elements can act in concert with, or in some cases, add to the above mentioned vagueness and pragmatism of Japanese neoconservatism.*

Before closing this paper, we would like to reflect on the implication of the Japanese tendency to try to serve dual-purposes that is at the root of Japan's economic, social, political and cultural systems or structures, "the Japanese Model". This model is often expected to open up a new horizon for the post Keynesian welfare state. What is more, it is postulated on a supposed innate Japanese philosophy of symbiosis that has existed since remote antiquity by the

* In addition, here, we have to mention some important but hitherto hardly touched elements that helped give rise to neoconservatism. They are the excessive accumulation of capital, its exportation especially in the form of multinational enterprises amid a globalization of the economy, as well as drastic changes in industrial structure. They are, so to speak, indispensably basic and at the same time both internal and external elements. We, however, treated them as common knowledge.

ideologues of Japanese neoconservatism and the Japanese model is expected to surmount not only crisis of Keynesian welfare state but also crisis-ridden European modernity and the world at its present deadlock.

The judgement about whether expectations for the Japanese Model or “Japanization” will prove true or not need further consideration in the broader framework of reference mentioned already, as well as elaborate investigations into concrete cases in not only developed countries such as the U.K. and the U.S. but also developing countries.

However, only a moment of consideration should be enough to surmise that such expectations might be unreasonable. Why is the Japanese Model sought after? Though other reasons can exist, the main one would be Japan’s favorable economic performance, as Nakasone understood when he stated. “We are expected by the world to inform them of the secret of rapid economic growth.”

Why could Japan have brought forth so far a favorable economic performance? The reason may well be that the logic of the market does penetrate too deeply and too broadly, due to its character of the mutual infiltration, into even such fields as, in other countries, must be rejected by the strong sentiment of identities of individuals, households, communities, labors’ world and so on. It also may well be that the strong competitiveness of the Japanese economy will diminish as it exhausts the last drop of the vast advantages of being a late-comer in the international arena as Ken’ichi Tominaga argues.³²⁾

If so we would still be in the position of searching for new models for surmount the crisis of Keynesian welfare state as well as crisis-ridden European modernity and the world at a deadlock.

Notes

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- 12) The report of each study group (9 groups) was published by the Printing Office of the Ministry of Finance.
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