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## INTRODUCTION

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## INTRODUCTION

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The failure of government or, more exactly, the failure of the Keynesian welfare state has given rise to neoconservatism in the postwar capitalist world. The surge of neoconservatism washed upon almost all countries. However, it should be admitted that the triumph of neoconservatism has not been global, but rather has been found primarily in the United Kingdom and the United States. Why is this? We can suggest two reasons. First of all: there was the severity of the economic crisis centered on the two oil shocks of the 1970's. Specific elements of the contemporary economic crisis; high inflation, stagflation thereafter, and chronic balance-of-payments deficits hit hardest the U.S. and the U.K., which are the main planners and supporters of the postwar capitalist economic order. Moreover, the worst phenomena of the economic crisis means more than a short or temporary problem. Both the U.S. and the U.K. have had to suffer a 'decline': they have had to face the loss of economic hegemony. The second element in localizing neoconservatism in the U.S. and the U.K. has been the failure and reshaping of world policy. The U.S. and the U.K., the main builders of the postwar political and military framework of the western world, have simultaneously come to face the failure of their world policy. Two examples of this failure were: (1) in the Vietnam war failure of America's attempt to be the policeman of the world; and (2) in the collapse of the Brettonwoods system in which the dollar was the key currency. (Throughout this period the the United Kingdom has taken the roll of supporting player to America's lead.) The failure of the world system has burdened the economies of the U.S. and the U.K. in a nearly intolerable manner. The exorbitant defense expenditures and the necessity to repeatedly defend the dollar (most recently through high interest rates) are only two of the possible examples we could cite. The failure of government is, therefore, one element in the drama of the end of the postwar world as a whole. The U.S. and the U.K., the main players, have suffered the most from the failure of government as such.

As a result, though economic crisis has been more or less common in all the advanced countries, the reaction to it has been the most severe in the U.S. and the U.K.. In these countries the government have sternly denounced the Keynesian welfare state and consensus politics, and tried to return to the 'liberal' economic order which was assumed to have prospered in the pre-Keynes and pre-Roosevelt era --- in the nineteenth century. 'Small government', and 'laissez faire' based on the idealized strong individual are the main catchwords. The supreme value is given to *liberté*. The neoconservative solution may be said to rely on: (1) a conception of

society based on independent individuals, even though the individuals may be subject to manipulation by powerful institutions or organizations; and (2) a reliance upon market forces even in situations of obvious market failure. In contrast, the major continental European countries did not follow the same path, but rather kept to their historic corporatist and/or authoritarian tradition. In the former a preeminent role in deciding economic questions was given to large corporations and unions, in the latter the state or the head of the state was given this duty. Among them, Austria, Sweden and Norway distinguished themselves by adopting, as a result of serious debate, even more corporatist measures after temporary experimentation with neoconservatism. They have chosen this path to overcome the economic crisis, in an effort to assure them all the more *égalité* and *fraternité*. This sharp contrast reminds us of the dispute which existed during the Enlightenment between Voltaire and many others who advocated *liberté* first, and Rousseau and others who asserted that *égalité* and *fraternité* should be the first priority. It seems to me essential to examine neo-conservatism from this viewpoint and account for its historic meanings as well as its limitations.

What position does Japan's response occupy between these two alternatives --- between *laissezfaire* individualism and postwar corporatism?

Usually accused of possessing a peculiar fusion of state bureaucracy and big business management called 'Japan Incorporated', Japan emerged in the late 1970's as the country with the best performance in overcoming stagflation. Although the initial shock of the oil crises in Japan was rather greater than in, say, the U.S., overall economic damage was successfully limited. Partly as a result of the successful policies to deal with the economic crises of the 1970's, the Japanese economy developed a severe tendency towards trade surpluses which resulted in considerable international trade friction. The concern with resolving these problems has led the government, partly as a result of external pressure, to adopt neoconservative economic policies.

With quite different economic structure, economic performance, and international relationships, the politics of Japan has even so, also come under a neoconservative sway. It has even become fashionable. It is indeed surprising, but neoconservatism has found a third base of operations in Japan!

However, saying this, we must proceed with care, and further investigation should be carried on into the real state of politics and economic policies. This is because economic and social policies actually adopted are never so clear as to be completely neoconservative in character. They may be said to frequently have double natures, that is, partly neoconservative as well as partly corporatist. This is why we often encounter totally different explanations for the Japanese response to the worldwide surge of neoconservatism.

To improve our understanding of the contemporary impact of neo-conservative politics, a project was organized in 1986 at Hosei University's Institute of Comparative Economic Studies, with Tadao Kawakami as project leader, to conduct a comparative study of neoconservative economic and social policies of the Reagan, Thatcher and Nakasone administrations. In all, 19 scholars attached to various universities participated in this project. Our main products are the two studies; *Keizai no Manageability (Manageability of the Economy)* and *Shinhoshushugi no Keizai-shakaiseisaku --- Reagan Thatcher Nakasone 3 seiken no*

hikaku-kenkyu (*Economic and Social Policies of Neoconservatism --- A comparative study of the Reagan, Thatcher and Nakasone administrations*), both published in 1989. The latter is a comparative study of neoconservative policies themselves, while the former is a basic re-examination of the Keynesian economics.

As the third product we offer the first three papers in this volume of the *Journal of International Economic Studies*. The Japanese government carried out a fairly drastic privatization of government-operated public corporations as an essential element of its administrative reform. Professor Kurokawa and Hubbells' paper deals with this from the pro-reform standpoint, arguing that the new regulations and resulting benefit from the privatization program are generally in harmony with Japan's newly affluent society. Professor Nagai's paper takes a close-up look at NTT, one of the recently privatized public corporations engaged in telecommunication. The condition of competition for the reborn NTT is thoroughly investigated, and it is asserted that under the present condition of privatization and the remaining government regulation, the problem of cross-subsidization remains unsolved. This situation may demand yet another restructuring. Professor Kasuya's paper tries to make clear the total character of neoconservatism in Japan in relation to its historic structure, present-day situation and international relationship. This paper stands rather against the administrative reform by pointing out its limitations, and asserting that the Japanese neoconservative policy package cannot be a real alternative to the capitalist world's serious economic crisis.