The most troublesome (for democracy) factor contributing to Japan’s postwar accomplishments is the nearly forty years of LDP rule that, in turn, made the whole edifice of the iron triangle possible. When the LDP lost for the first time in 1993, the triangle collapsed. At that point, it seemed as if Japan had reached the end of an era, and broader changes in the party system were likely. However, the LDP stormed back to office three years later, and the most we can say today is that the future of the Japanese party system is up in the air.

**Why the LDP Kept Winning: Money Politics, Factionalism, and the Electoral System**

There is no such uncertainty about party politics before 1993. It provides us with by far the clearest example we will have in this book of what can happen when a single party dominates a country’s politics for two generations.

The LDP was formed in 1955 when the Liberal and Democratic parties merged to ensure center-right control of the government. From then until 1993, it won every election, winning a majority in the all-important House of Representatives each time, except 1979 and 1983. (See tables 8.2 and 8.3.)

Ideologically, the LDP has a lot in common with the other powerful conservative parties we saw in chapters 4 through 6. It is absolutely procapitalist and receives the bulk of its ample revenues from big business. The LDP also is consistently pro-American in its foreign policy.

The similarities are not just ideological. Despite some of the LDP’s organizational peculiarities we will consider later, it is very much a catch-all party. At first, it had a limited appeal, drawing heavily, for example, on farmers. Since the 1970s, however, the LDP has done well in almost every social group in the electorate.

Above all else, the LDP shares one characteristic with all other catch-all parties. Its top priority is to stay in power. It has adapted its positions and changed its leaders whenever it thought doing so would help bolster its support at the polls.

Even though it never won a majority of the popular vote after 1963, it was always able to win a majority of the seats in the Diet, although twice it did have to rely on a handful of independents. In 1993 all that changed so dramatically that we need a different table here, since so many new and different parties were involved in the election that marked the LDP’s first defeat.

The LDP is often portrayed as little more than a front group for big business. While you will see plenty of evidence for that point of view when we consider public policy toward the end of the chapter, the LDP has to be much more than that electorally. Because Japan does have a competitive party system, the LDP could only stay in power by appealing to a far broader segment of Japanese society, including farmers, small-business owners, middle-class “salarymen,” and even blue-collar workers.

Critics argue that the real—and nondemocratic—side of the LDP is the most important aspect of the party and reflects the ways in which Japan is not like the other countries considered in part 2. They often start with the quip that the Liberal Democratic Party is neither liberal nor democratic.

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**TABLE 8.2**

*House of Representatives Elections in Japan: 1958–90 Major Parties Only*

<table>
<thead>
<tr>
<th>Year</th>
<th>LDP</th>
<th>Seats</th>
<th>JCP</th>
<th>Seats</th>
<th>JSP</th>
<th>Seats</th>
<th>DSP</th>
<th>Seats</th>
<th>Komeito</th>
<th>Seats</th>
</tr>
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<tbody>
<tr>
<td>1958</td>
<td>57.8</td>
<td>287</td>
<td>2.6</td>
<td>1</td>
<td>32.9</td>
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<td>296</td>
<td>2.9</td>
<td>3</td>
<td>27.6</td>
<td>145</td>
<td>8.8</td>
<td>17</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1963</td>
<td>54.7</td>
<td>283</td>
<td>4.0</td>
<td>5</td>
<td>29.0</td>
<td>144</td>
<td>7.4</td>
<td>23</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>1967</td>
<td>48.8</td>
<td>277</td>
<td>4.8</td>
<td>5</td>
<td>27.9</td>
<td>140</td>
<td>7.4</td>
<td>30</td>
<td>5.4</td>
<td>25</td>
</tr>
<tr>
<td>1969</td>
<td>47.6</td>
<td>288</td>
<td>6.8</td>
<td>14</td>
<td>21.4</td>
<td>90</td>
<td>7.7</td>
<td>31</td>
<td>10.9</td>
<td>47</td>
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<tr>
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<td>10.5</td>
<td>38</td>
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<td>118</td>
<td>7.0</td>
<td>19</td>
<td>8.5</td>
<td>29</td>
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<tr>
<td>1976</td>
<td>41.8</td>
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<td>10.4</td>
<td>17</td>
<td>20.7</td>
<td>123</td>
<td>6.3</td>
<td>29</td>
<td>10.9</td>
<td>55</td>
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<tr>
<td>1979</td>
<td>44.6</td>
<td>248</td>
<td>10.4</td>
<td>39</td>
<td>19.7</td>
<td>107</td>
<td>6.8</td>
<td>35</td>
<td>9.8</td>
<td>57</td>
</tr>
<tr>
<td>1980</td>
<td>47.9</td>
<td>284</td>
<td>9.8</td>
<td>29</td>
<td>19.3</td>
<td>107</td>
<td>6.6</td>
<td>32</td>
<td>9.0</td>
<td>33</td>
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<tr>
<td>1983</td>
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<td>9.3</td>
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<td>19.5</td>
<td>112</td>
<td>7.3</td>
<td>38</td>
<td>10.1</td>
<td>58</td>
</tr>
<tr>
<td>1986</td>
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<td>300</td>
<td>8.8</td>
<td>26</td>
<td>17.2</td>
<td>85</td>
<td>6.4</td>
<td>26</td>
<td>9.4</td>
<td>56</td>
</tr>
<tr>
<td>1990</td>
<td>46.1</td>
<td>275</td>
<td>8.0</td>
<td>16</td>
<td>24.4</td>
<td>136</td>
<td>4.8</td>
<td>14</td>
<td>8.0</td>
<td>45</td>
</tr>
</tbody>
</table>

*After 1991, SDPL.  

in percent.  

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<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Communists</td>
<td>7.7</td>
<td>15</td>
<td>13.1</td>
<td>26</td>
</tr>
<tr>
<td>Socialists (SDPJ)</td>
<td>15.4</td>
<td>70</td>
<td>6.4</td>
<td>15</td>
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<tr>
<td>LDP</td>
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<td>223</td>
<td>32.8</td>
<td>239</td>
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<tr>
<td>Renewal (Shinsen)</td>
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<td>55</td>
<td>In Shinsen</td>
<td>NA</td>
</tr>
<tr>
<td>Komeito</td>
<td>8.1</td>
<td>51</td>
<td>In Shinsen</td>
<td>NA</td>
</tr>
<tr>
<td>Japan New Party</td>
<td>8.1</td>
<td>35</td>
<td>In Shinsen</td>
<td>NA</td>
</tr>
<tr>
<td>Democratic Socialist Party (DSP)</td>
<td>3.5</td>
<td>15</td>
<td>In Shinsen</td>
<td>NA</td>
</tr>
<tr>
<td>Shinhinto</td>
<td>NA</td>
<td>NA</td>
<td>28.1</td>
<td>156</td>
</tr>
<tr>
<td>Harbingen (Sakigake)</td>
<td>2.6</td>
<td>13</td>
<td>1.0</td>
<td>2</td>
</tr>
<tr>
<td>Democratic Party of Japan</td>
<td>NA</td>
<td>NA</td>
<td>16.1</td>
<td>52</td>
</tr>
<tr>
<td>Independent and others</td>
<td>15.83</td>
<td>34</td>
<td>2.5</td>
<td>10</td>
</tr>
</tbody>
</table>

That it is not liberal, as we have been using the term in this book, is not particularly worrisome. After all, none of the leading conservative parties in Europe are questioning supporters of free-market-oriented policies either.

The more important concerns revolve around the other part of the quip. It should be pointed out that political scientists have long argued that no party, like no government, is wholly democratic. That said, there are related trends that the critics believe make the LDP—and to some degree the other Japanese parties—particularly undemocratic.

Historically, the most important of these has been the factions within the LDP. Many of the other parties considered earlier have factions, which reflect the ideological divisions within them.

In Japan, however, factional divisions have little to do with ideology. Rather, the LDP’s leadership consists of the heads of the four or five major factions. Each has its own organization and sources of funds. In this respect, the party is really a coalition of smaller parties that differ not in terms of ideology—all are conservative—nor in terms of goals—capturing the prime ministry and the patronage powers that go with that office. The only significant difference between the factions is the identity of the faction heads.

Faction leaders maintain the support of their membership by providing campaign funds, political favors, and cabinet positions. They are, in brief, the most prominent political manifestation of the oyabun-kobun relationships that are such a prominent part of Japanese tradition and culture.

It is sometimes said that the four or five factional leaders in the LDP were the kingmakers, the only politicians who count in Japan. As one mayor recently put it, “In the British Parliament, if there are two hundred members, there are two hundred brains. In the Japanese parliament, there are 450 members, and about five brains. Everyone else follows the faction leaders.”

Political scientists are convinced that the importance of these essentially self-perpetuating factions has a lot to do with the restricted group of people who become LDP Diet members. The LDP is the most male-dominated party in Japan, which has fewer female members of parliament than any of the other major democratic countries. In 1989 only twelve women were elected to the House of Councillors, and the next year, only thirty-three made it into the House of Representatives.

Even more importantly, the LDP parliamentary delegation is extremely unrepresentative. In a typical Diet, about a quarter of the LDP members will be former bureaucrats. An even larger group, usually about 40 percent, will be the sons, other relatives, or former secretaries of other LDP members, known as nisei. An even larger percentage of LDP candidates have been graduates of Tokyo University, the elite national university that has been widely regarded as Japan’s premier institution of higher learning for a century and that has sent a disproportionate number of its graduates to the higher reaches of the worlds of politics, bureaucracy, and big business. This “old school tie” serves as the social cement that binds graduates into a gakubatsu (school clique) that acts as the social foundation of the strong state to be discussed in the next section.

Some political scientists are convinced that the factions became less important during the 1990s. That does not, however, mean that the party has become more democratic. Instead, individual members of parliament have had to rely on their own koenkai, or personal support groups, which extend the patron-client networks all the way down to the grassroots level. The koenkai
Factions and Cabinets

The Hashimoto cabinet, appointed in November 1996, consisted entirely of faction members, and ministerial portfolios were handed out not by the prime minister, who, remarkably, did not have his own faction, but by the party faction leaders in a way that reflected each faction's relative size. The prime minister himself was a member of the Obuchi faction, which got, in addition, six other cabinet posts, while Miyazawa's faction members got five, Mitsuzuka's four, Watanabe's four, and Komoto's only one. Obuchi's domination of cabinet positions led observers to predict that he would become the next prime minister, which is precisely what happened in August 1998.

These figures are all the more remarkable since relatively little money is spent on advertising, by far the most expensive part of an American campaign. In the 1990 lower house general election alone, it is estimated that roughly $1 billion was spent by all the candidates. Contrast that figure with the $445 million spent in the 1990 American congressional elections. Even allowing for the differences between presidential and parliamentary systems, LDP politicians have to be even better fund-raisers than their American counterparts.

Japanese election laws actually are rather strict. There are rules about what candidates can and cannot do. Door-to-door campaigning is technically forbidden. Only certain kinds of leaflets and posters are allowed, and they cannot be distributed just anywhere. For instance, the law forbids dropping them by airplane.

The politicians found ways to exploit every loophole in the law and skirt most of its provisions. To get around limits on campaign donations, individual politicians simply set up dozens of separate organizations, and the corporations contribute to each of them. Abe Shintaro, supposedly one of the "new" and less corrupt leaders, had twenty-seven such organizations in 1984. The most popular recent innovation for getting around the rules is to hold an officially noncampaign-related dinner party fund-raiser, charging up to $200 a plate, and having corporations each buy up hundreds of meals, the cost of which they then deduct from their taxes as business expenses. "Money [power] politics" (kinken seiji) of this sort often engenders public cynicism about the ethics of Japanese politicians and has a lot to do with the plummeting support for the LDP in the polls. Even the once-popular Hashimoto garnered only a 24 percent public approval rating by April 1998. This dangerously low level anticipated the rout of the LDP in the July 1998 House of Councillors elections.

Japan also used to have one of the world's most unusual electoral systems for choosing members of the House of Representatives. Like the other industrialized democracies considered here, Japan was divided into 123 local districts or constituencies. There, the similarity with the other systems ended.

There is no tradition of one person, one vote in Japan. The highly gerrymandered electoral system gave unequal weight to the conservative-minded rural population, which generally supported the LDP. The disparity in the value of one vote between the most sparsely (rural) and the most heavily (urban) populated constituencies for the lower house in the 1990 election was 3.34. This means it took 3.34 votes by urban voters to equal one
vote by a rural person. The supreme court ruled in 1983 and 1991 that the disparity was unconstitutional, but the LDP-controlled Diet, not surprisingly, showed little inclination to reform the system in a way that would give opposition parties a fair chance in elections.

But the hallmark of the Japanese system was the fact that there were **multimember constituencies**. Each district elected between two and six members of the Diet. However, each voter could only cast a ballot for one candidate, and the candidates receiving the most votes were elected—five in a five-member district, four in a four-member district, and so on. Because they could realistically hope to win more than one of those seats, it was common for the larger parties to run more than one candidate in each district. This practice, not surprisingly, has encouraged factionalism.

The parties had to be very well organized. First, they had to know pretty accurately how many votes they were likely to win in each of the districts. Then, they had to decide how many candidates to run in each one. If the LDP expected to win a bit more than half the vote in a four-member district, it would not run four candidates because they might split that vote evenly so that none would be elected.

Even after it decided how many candidates to run, the party’s problems still were not over. It had to make certain that each of its candidates received the “right” proportion of the vote. Here, its organization and, especially, its very expensive **kooenkai** came into play because they had the organizational strength to deliver the “right” number of votes to each LDP candidate.

The system worked very much to the LDP’s advantage. Although together the opposition parties won nearly 54 percent of the popular vote in the election of 1990, they won only 44 percent of the seats as a result of the gerrymandering and competition in the multimember constituencies. Otherwise put, the LDP, with 46 percent of the popular vote, nevertheless controlled 56 percent of the seats in the lower house. Since a simple majority vote is all that is required to pass most legislation, the LDP’s tight party discipline assured passage of its policies.

In 1996 Japan shifted to an electoral system patterned on Germany’s. Half the members are chosen in single-member districts, and the overall balance is evened out in a second ballot conducted using proportional representation. The system has only been used once, and it is therefore far too early to tell if it will live up to the reformers’ hopes by reducing the role “big money” plays in Japanese politics.

In a system in which money is so important, it is hardly surprising that Japan has had more than its share of scandals and corruption. All industrialized democracies have some corrupt politicians. In none, however, does the corruption touch the partisan electoral process as often and as extensively as it does in Japan. The first major electoral scandal occurred in 1948, when Showa Denko, Japan’s leading fertilizer manufacturer, was accused of giving bribes to nearly fifty leading politicians. In the early 1970s, former prime minister Tanaka Kakuei’s officeholding career, but not his political power, was ended when he was indicted and convicted for taking nearly a million dollar bribe from the American Lockheed Corporation.

During the late 1980s, dozens of leading LDP politicians, including several prime ministers, were implicated in an insider trading scandal involving the Recruit Cosmos Corporation. Almost every leading LDP politician, including most prime ministers, has been touched by one or another of the scandals.

The LDP’s fall from power in 1993 was precipitated by scandal when leading LDP kingmaker, the late Kanemaru Shin, was convicted of corruption, stripped of his party and parliamentary positions, and assessed a nominal fine in 1992. Early the next year, he was jailed when investigators uncovered about $50 million in cash and securities in his house (his parliamentary salary was only about $200,000 a year).

It turns out that Kanemaru was a briber as well as a bribee, since it was next revealed that he personally had taken over $4 million in illegal campaign donations from the mob-related Sagawa Kyubin corporation. There was so much money involved (cash, of course) that it had to be delivered in a grocery cart. When the scandal broke, there were new revelations that in 1987 Kanemaru had paid $25 million to Kominto (a group with a reputation no better than that of the Ku Klux Klan) to get it to stop criticizing Takeshita Noboru, then a candidate for the prime ministry.

Kanemaru was not the only one involved, of course. The best estimate is that Sagawa paid as much as $630 million to 130 Diet members over the years, and it obviously wasn’t the only company giving gifts. Abe Pumio, a former cabinet minister and a leader of Kanemaru and Miyazawa’s faction, was arrested from his hospital bed (where implicated politicians often try to take refuge) after he was accused of taking $800,000 from another corporation.

No one knows exactly how much money has changed hands. No one knows, either, how much influence these companies gain. But, everyone knows that neither the money nor the influence is trivial.
The Other Parties

In modern democratic theory, the existence of a competitive, multiparty system is one of the criteria political scientists pay the most attention to. As a result, many argue that on that front, Japan is clearly democratic. Because no matter how well the LDP may have done, the fact remains that voters could freely choose to support a number of opposition parties. The fact that they chose to continue returning the LDP to power election after election, per se, has little or nothing to do with whether or not Japan is democratic.

These other parties play a very different role in Japanese politics today. Before turning to that, however, it is important to see how their fragmentation and the weakness that came with it helped keep the LDP in power for so long.

Chief among the other parties was the Japan Socialist Party (JSP), which renamed itself the Social Democratic Party of Japan (SDP) in 1991. Formed in 1945, it was strengthened in 1955, when the two wings of the progressive camp combined in hopes of recapturing control of the government, something they had done briefly in 1947-48. The Socialists' electoral fortunes peaked in the lower house election of 1958, when they captured 166 of 467 seats, with 32.9 percent of the popular vote. Afterward, their popularity steadily declined.

The reasons for the Socialists' declining popularity are not difficult to discern. Factionalism along ideological lines has resulted in numerous splits within the party. From 1947 to 1960, five such splits occurred. Then in 1960, the less ideological wing broke permanently to form the Democratic Socialist Party (DSP).

Another reason for the failure of the Socialists to capture control of the government was its narrow electoral base in organized labor, which continued to narrow as union membership steadily declined to the point that in the 1990s only one in six factory workers are union members. An additional reason was the socialist message, essentially a negative oppositionist platform that centered around rejection of the United States-Japan Security Treaty and, for many years, repudiation of capitalist development. During the 1950s, it went through none of the moderation that made the British Labour or German Social Democratic parties competitive at the national level. And a final reason for Socialist failure was the LDP's "creative conservatism" that fashioned successful public policies appealing to an ever wider circle of voters, regardless of their class or economic background.

For these reasons, the Socialists were considered a "permanent opposition" party, having little or no chance of winning a Diet majority. One-party dominance by the LDP, in brief, made the Socialists an electoral irrelevancy, more adept at factional infighting than at designing a successful strategy to capture power.

To its credit, the Socialist party began to change in the late 1980s. It tried to give itself a new image by abandoning orthodox Marxism and opposition to the United States-Japanese Security Treaty. It also selected a new and dynamic leader, Doi Takako, the first woman to head a major Japanese party. The party did dramatically better in 1990, but voters abandoned the socialists in record numbers in 1993.

Right after the 1993 election, a few observers expected to see dramatic changes in Japanese public policy. With the defeat of the LDP, one of the corners of the iron triangle seemed critically weakened. In fact, however, the damage was quickly repaired. By early 1996 the LDP had joined a government nominally headed by a Socialist and forced its newfound ally to redefine itself largely in the image of the LDP. This tactic had the effect of exposing the Socialists' leaders as power-hungry opportunists rather than the principled pacifists their following had believed them to be. As a consequence, another massive voter defection ensued, with the effect that today, in early 1999, the Socialists have been nearly eliminated from electoral politics as a credible political force.

It wasn't just the Socialists. Historically, they were but the largest party in an opposition whose fragmentation all but ensured LDP success. To their right was the DSP, which we just saw used to be a large faction in the old JSP. The party began with high expectations. Its first leader brashly predicted it would come to power within five years of its creation in 1960. It had considerable support in the Domei, the more moderate of the trade union confederations, as well as among anticommunist intellectuals.

It was caught between the larger Socialist party on its left and the LDP on its right and has never been able to define a platform that would expand its appeal. The DSP only won 8.8 percent of the vote in the first election it contested and never did even that well afterward. In the 1990 lower house election, it captured only 4.8 percent of the vote. DSP has often cooperated with the LDP in the Diet, including joining with it on such critical votes as the one on Japan's involvement in the American-led alliance against Iraq. Today the party is defunct.

Also on the left is the somewhat larger Japan Communist Party (JCP). The party originally was
formed after the Russian revolution, but government repression before World War II and American purges afterward kept it from gaining a serious popular base of support until the 1960s. At that time, it was able to expand on its core of support among young intellectuals by being one of the first communist parties to separate itself somewhat from the Soviet Union and pursue its own strategy.

The JCP's popular following peaked in the 1970s, when several of its more populist leaders hit upon an antigrowth message that appealed to a pollution-plagued citizenry that had grown increasingly disenchanted with the problems of economic growth. But since the 1980s, despite adopting a more moderate domestic and foreign policy, the JCP's electoral fortunes have stagnated.

With the evisceration of the other left-wing parties since 1993, the JCP's electoral fortunes have improved, almost by default, since it remains as the only viable leftist party in the nation. Votes that once would have gone to the Socialists or Democratic Socialists now go to the Communists. In early 1999 the JCP has almost fifty members in both chambers of the Diet, a level of success it had not seen in almost twenty-five years.

The final major opposition party was the Komeito, or Clean Government Party. It was the only one not to have roots in the prewar party system. Komeito was founded in 1964 as an arm of the Buddhist Soka Gakkai sect. Soka Gakkai appeals to those sectors of the urban population that have benefited the least from Japan's remarkable economic growth, much like the politicized fundamentalist churches in the United States.

Unlike other Japanese religious movements, it always has actively proselytized and has never shied away from political involvement. At first, Komeito took populist and progressive stands not terribly different from the Socialists' on most issues. It staked out its own turf by claiming it wanted to "clean up" politics and defend the interests of the common person.

By the end of the 1960s, nearly 10 percent of the adult population belonged to the Soka Gakkai. Komeito was able to build on that support to become Japan's third largest party, capturing between 8 and 11 percent of the vote in every election after 1967. Komeito leaders realized early on that the party's identification with Soka Gakkai limited its popular appeal. It therefore broke all formal ties with the sect. Nonetheless, most of its campaign workers, candidates, and funds came from the Soka Gakkai, and the party was never able to break the public identification of it as the political wing of the Soka Gakkai.

The political forces that culminated in the LDP's 1993 defeat also disrupted the party system. In particular, it led to the creation of a number of new parties, almost all of which were formed by prominent faction leaders who quit the LDP. These have included Hata Tsutomu, who headed the commission that revised the electoral law, and the party's behind-the-scenes kingpin, Ozawa Ichiro. These politicians and the parties they formed talked as if they were serious reformers. Thus, Ozawa claimed that "we must reform our politics, our economy, our society, and our consciousness to bring them into greater currency with the rest of the world." In practice, these parties did not offer a clear policy alternative to the LDP and gained little popular support. They also proved unable to govern effectively in the two non-LDP cabinets that came to office after the 1993 election.

An attempt to unite most opposition parties—with only the communists and the LDP's coalition partners demurring—occurred in December 1994, when they all dissolved their own organizations to join the Shinshinto, or New Frontier Party. Several former prime ministers, including Hata and Hosokawa, tried but failed to gain permanent control over the new party. They were no match for Ozawa, who patiently but persistently garnered sufficient support to assume leadership in late 1995. Ozawa hoped to transform Japan's electoral politics into a U.S. model of a two-party system. He might have succeeded if the drama were being played out in the United States, where strong, aggressive, reformist leaders can rise to the top of the party hierarchy. Unfortunately for Ozawa, in Japan his aggressiveness and self-promotion only served to cause rifts within the Shinshinto, and party followers withdrew from him and gravitated toward the several faction leaders within the party.

Any hope of forming one grand opposition party gradually disappeared following the LDP's lower house election victory in October 1996. Eleven separate factions within the party, very roughly coincidental with the "party" affiliations existing prior to merging, resumed their old identities. Alliances among them were formed, only to crumble under the weight of the politics of personalism revolving around the various faction leaders.

Personalities proved more important than issues. Ozawa and the Shinshinto in 1996 had the same opportunity as candidate Clinton had in 1992. Ozawa only had to utter, "It's the economy, stupid," to galvanize support against the LDP and its failed economic reforms. But the voters went with the devil they knew, the LDP, rather than chance being further bedeviled by a badly fractured Shinshinto that was led by an egoist who showed little sensitivity to Japan's traditional collectivist values.
Shinshinto's election loss splintered the party into thirteen opposition parties by the summer of 1997. Party size in the Diet ranged from a pitiful three representatives—hardly even a faction—to a credible seventy or so members (in both houses) as in the case of the newly formed Democratic Party led by the charismatic insider-turned-outsider, Kan Naoto, the former minister of health who blew the whistle on his own ministry's complicity in approving the transfusion of HIV-tainted blood. Other party mergers followed, only to experience dissolution before new mergers took place. At the end of 1998, the only opposition party with any clout is Kan's Democrats, which has nearly 150 Diet members, too few to challenge the LDP. In early 1999, Ozawa's forty-seven-member Liberal Party entered into a coalition agreement with the ruling LDP.

The LDP Again: Victory by Default?

In other words, by 1996 the LDP had recovered most of its lost support, almost all of it at the expense of the new parties created three years earlier. Hashimoto Ryutaro, LDP bon vivant, succeeded the Socialist Murayama Tomiichi in January 1996 as head of a coalition government. Despite optimistic predictions that the new electoral laws would produce a "normal" two-party system, the October 1996 election disappointed the pundits and prognosticators by returning electoral politics to the status quo ante 1993. "One strong [LDP], five weak [opposition parties in a loose alliance]" was how the press characterized this newest form of one-party-dominant system.

The major difference between late 1996 through today and the pre-1993 situation was the effect of a faltering economy. Prior to 1993 one-party LDP rule rested on a strong, vibrant, rapidly expanding economy. Voters would cast ballots for the LDP because it delivered the bacon and would overlook or forgive its pork-barrel and dirty missteps within the stg called the iron triangle. After 1993, when all optimism that the recession would be transitory faded, voters temporarily withdrew support from the LDP only to learn that the other, opposition pigs at the trough were equally dirty and self-aggrandizing, and to discover that the inexperience and divisiveness of the opposition parties made it even less likely that they could lead Japan toward recovery. Japan's economic downturn, worsened by 1997-98 because of the "Asian flu," as the current economic slump in Asia is often called, coupled with repeated and egregious instances of wrongdoing by high-ranking, once respected government bureaucrats, laid the groundwork for the voter rebellion in the July 1998

House of Councillors election. As they had done in 1989, the voters harmed the LDP's electoral standing in the weak upper chamber, sending a message of impatience, but in the knowledge that damage inflicted there would not cripple the party, only its leader. Hence, Hashimoto resigned to take responsibility for the poor results and the colorless Obuchi was chosen by party insiders to replace him. The power of factionalism was reaffirmed in the prime minister's selection. It was as if 1983 and the demands for reform had never happened.

The Japanese State: The Iron Triangle

The state is the central component in all the varied interpretations of what makes Japan so powerful and so different from the other industrialized democracies. At first glance, that may strike you as odd, since the constitution provides for many institutions and practices that are quite similar to those discussed in chapters 2 through 6. However, once we dig just a bit below the surface, the distinctiveness of the Japanese state shines through, driving home one of the most important lessons about comparative politics—that constitutions are not always a good guide to what political life is really like.

Constitutional Basics

Japan's basic institutional arrangements should be familiar enough that we can dispense with them quickly.
They are laid out in its constitution, which was drafted during the postwar occupation in March 1946 and which went into effect on 3 May 1947. Like the German Basic Law, the constitution was largely written by Americans, who imposed standard parliamentary and other arrangements on Japan as part of their broader efforts to stanch any reemergence of fascism. The constitution does have a few distinctive features, none of which has proved more important and popular than Article 9, the so-called Peace Clause in which Japan “for-ever” renounces war as a sovereign right of the nation, as well as “the threat or use of force” in settling disputes with other nations. The second part of the clause promises that Japan will not maintain “land, sea, and air forces, as well as other war potential.”

On paper at least, the constitution is also one of the most democratic in the world. For example, it includes an equal rights amendment for women that is rarely found elsewhere. Otherwise, the constitution is pretty much the same as the ones found in other parliamentary systems. It guarantees the individual a wide array of political and personal rights, including equality before the law; the right of every adult to vote; the right to petition; freedoms of thought, religion, assembly, association, speech, and press; equal education; “minimum standards of wholesome and cultured living”; and even the right to a job.

These rights represented a radical departure from the Meiji Constitution. However, the postwar constitution’s American authors respected Japanese custom in some critical ways. For instance, they retained a bicameral parliamentary system—a lower House of Representatives and an upper, but relatively powerless, House of Councillors. But they certainly broke with tradition by demoting the emperor to merely “the symbol of the state and the unity of the people” and by making the people sovereign through their elected representatives in the Diet. In addition, the prime minister has to be elected by the Diet, rather than be chosen behind closed doors by the “senior statesmen” as in the prewar system. The prime minister, moreover, is now accountable to the people’s representatives. He (always a he) loses his job if the Diet passes a motion of no confidence, and he, as well as his cabinet ministers, must appear before parliament to answer questions about policy on command. In short, as is the case elsewhere, the constitution made the lower house of the Diet sovereign as the elected representatives of the people, giving it the sole power to make or break governments.

The House of Councillors has few powers, but it occasionally flexes its puny muscles. In the July 1996 councillor election, the LDP fared poorly, dropping fifteen seats from its pre-election strength and winning only 103 seats in the 252-seat chamber. Energized opposition parties, nine in all, combined forces in October 1998 to pass a motion of censure against a cabinet member—the Defense Agency director (comparable to the head of the Joints Chief of Staff)—for the first time in postwar history. They cited the director for complicity in an arms procurement overcharge scam. Although the vote was nonbinding, the embarrassment to the government prevented Prime Minister Obuchi from securing parliamentary approval for the new United States-Japan defense cooperation guidelines. The take-home lesson: a weak prime minister presiding over a divided government at a time of economic crisis cannot afford to ignore the normally powerless House of Councillors.

Other features of the new constitutional order bear an American imprint. For example, the aristocracy was abolished. The judicial system was made independent and was modeled on the one in the United States, topped by a supreme court having the right of judicial review. Even though a unitary system was kept, local governments were granted some autonomous powers.

The LDP in Power

As in any parliamentary system, the most important government official is the prime minister. (See table 8.4.) Strictly speaking, the constitution says that the Diet chooses the prime minister by a simple majority vote. (See figure 8.1.) Practically, this means that the party having a majority in parliament elects its party president as prime minister. And, as with so much of Japanese politics, informal practices are far more important than the rules laid out in the constitution and other legal documents.

How are prime ministers chosen? The party changed its selection procedures over the years, in every case to give the appearance of being more democratic. In fact, party elders have always made the choice behind closed doors. And who are the party elders? They usually are strongmen who are leaders of their own personal factions, with the leaders of the largest factions having the most influence. The elders had a history of lengthy service in the Diet, served as cabinet ministers, and developed excellent personal connections with big business leaders. The factions themselves consisted of LDP Diet members who demonstrate unswerving loyalty to the faction head, much as samurai once behaved toward feudal lords. At any one time the LDP is divided into four or five factions, whose sizes range from quite large (one had 111 members in 1993) to quite small (another had thirty-five members in 1966).
TABLE 8.4
Japanese Prime Ministers since 1945

<table>
<thead>
<tr>
<th>Date</th>
<th>Prime Minister</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1946</td>
<td>Yoshida Shigeru</td>
</tr>
<tr>
<td>May 1947</td>
<td>Katayama Tetsu</td>
</tr>
<tr>
<td>March 1948</td>
<td>Ashida Hitoshi</td>
</tr>
<tr>
<td>October 1948</td>
<td>Yoshida Shigeru</td>
</tr>
<tr>
<td>December 1954</td>
<td>Hatazawa Ichiro</td>
</tr>
<tr>
<td>December 1956</td>
<td>Ishibashi Tanzen</td>
</tr>
<tr>
<td>February 1957</td>
<td>Kishi Nobuhide</td>
</tr>
<tr>
<td>July 1960</td>
<td>Ikeda Hayato</td>
</tr>
<tr>
<td>November 1964</td>
<td>Sato Eisaku</td>
</tr>
<tr>
<td>July 1972</td>
<td>Tanaka Kakuei</td>
</tr>
<tr>
<td>December 1974</td>
<td>Miki Takeo</td>
</tr>
<tr>
<td>December 1976</td>
<td>Fukuda Takeo</td>
</tr>
<tr>
<td>December 1978</td>
<td>Ohira Masayoshi</td>
</tr>
<tr>
<td>July 1980</td>
<td>Suzuki Zenko</td>
</tr>
<tr>
<td>November 1982</td>
<td>Nakasone Yasuhiko</td>
</tr>
<tr>
<td>November 1987</td>
<td>Takeshita Noboru</td>
</tr>
<tr>
<td>June 1989</td>
<td>Uno Sosuke</td>
</tr>
<tr>
<td>August 1989</td>
<td>Kaito Toshiki</td>
</tr>
<tr>
<td>November 1991</td>
<td>Miyazawa Ichiro</td>
</tr>
<tr>
<td>August 1993</td>
<td>Hosokawa Morihiro</td>
</tr>
<tr>
<td>April 1994</td>
<td>Hata Tsutomu</td>
</tr>
<tr>
<td>June 1994</td>
<td>Murayama Tomiichi</td>
</tr>
<tr>
<td>January 1996</td>
<td>Hashimoto Ryutaro</td>
</tr>
<tr>
<td>August 1998</td>
<td>Obuchi Keizo</td>
</tr>
</tbody>
</table>

FIGURE 8.1
Decision Making in Japan

The factional balance at a given moment determines who becomes president of the LDP and, hence, prime minister. But in one form or another that is the case in many other parties in parliamentary systems. What made Japan different is the fact that LDP rules require party presidential elections every two years and normally prohibit any individual from holding the presidency (and hence being prime minister) for more than two, two-year terms. As a result, even with the LDP’s dominance, there is unusually rapid turnover in top cabinet posts, making the shifting strength and preferences of faction leaders all the more important. Individual prime ministers rarely leave as big a mark on their country as, say, Margaret Thatcher or Helmut Kohl did.

Factional size is also important because of an unwritten rule of proportional representation that gives the largest factions the greatest number of cabinet positions.

Until the election of Tanaka Kakuei in 1972, every postwar prime minister was an ex-bureaucrat. Ex-bureaucrats also occupy about 30 percent of the LDP’s Diet seats and usually half of the cabinet. Since that time, however, more professional politicians (tojin) have become prime minister than have former civil servants. Nevertheless, in each of the twelve main ministries represented in the cabinet, an administrative vice minister, a senior civil servant and hence not a political appointee, has day-to-day control, a power that is enhanced in light of the high turnover rate of cabinet ministers and vice ministers, whose average tenure on the cabinet, is less than one year. Politicians come and go, but the bureaucracy seems to go on forever.

In recent years, professional politicians began acquiring the expertise and organizational skills to challenge bureaucratic control of the government. So-called zoku, or “policy tribes,” consisting of LDP and other Diet members with particular areas of expertise, such as construction, agriculture, and commerce, are not timid about challenging bureaucrats in the making of policy. As often as not, however, such zoku allied themselves with their bureaucratic counterparts and with interest groups—construction companies, agricultural cooperatives, and trading companies, in the case of the three examples cited here—to secure government support for favored groups. In such cases, politicians acted as equals rather than as subordinates to bureaucracy. Regardless, the effect of such collaboration was, in one view, to create an even tighter bond between the LDP, its corporate sponsors, and the bureaucracy. From another view, the rise in prominence of party politicians in making policy reflects greater democratization or, according to one specialist, “patterned pluralism.”

If the people’s elected representatives are gaining more power at the expense of the unelected bureaucracy in the making of policy, there nevertheless exist other trends within the electoral arena, indicating that undemocratic forces remain formidable. The Tanaka government (1972–74) serves as a fair, if extreme, example. A self-made millionaire who earned his fortune in the scandal-ridden construction industry, Tanaka took
the political world of LDP politics by storm when elected LDP president, and hence prime minister, in 1972. Within two years of taking office, however, it was revealed that he had been guilty of financial irregularities. Two years later came the further revelation that Tanaka had taken bribes from the Lockheed Corporation. Although indicted, he was still reelected by a constituency long-favored by his pork barrelling. Even more importantly, Tanaka, known as the “shadow shogun,” continued to exercise control over the largest faction within the LDP. Effectively, this meant that Tanaka controlled the selection of the prime minister, even after he was convicted, for nearly another decade until he was disabled by a stroke in 1985.

Tanaka’s fall from power meant that leadership of his faction was up for grabs. One of his more politically astute lieutenants, Takeshita Noboru, assumed leadership of the faction, only to take the prime ministry for himself in 1987. When Takeshita was forced out by the publicity growing out of yet another bribery case, the so-called Recruit Scandal, an influence-peddling scheme by the Recruit Cosmos Corporation that bribed leading LDP politicians, he still had sufficient power to crown his successor. Uno Sosuke lasted only two months in office before an embarrassing press disclosure, revealing that he physically abused his mistress, appeared just as the House of Councillors election resulted in a loss of LDP majority control. His successor, Kaifu Toshiki, survived for two years as prime minister (1989–91) only because Takeshita, the new shadow shogun, supported him. Takeshita’s decision not to renew his support for Kaifu in 1991 resulted in the choice of ex-bureaucrat Miyazawa Kiichi.

The Iron Triangle

The really distinctive aspects of the Japanese state are the informal links centered on the bureaucracy, which are much like, but have gone much further than, those we saw in France. In 1979 Ezra Vogel of Harvard published Japan as Number One: Lessons for America. Although Vogel is careful to avoid attributing the reasons for Japan’s success to any single factor, it is clear that he gives major credit to the state, which consists of “two key groups of decision makers: the top politicians and leading bureaucrats.” Of the two groups, the bureaucrats dominate—the top politicians have little leverage over the bureaucracy—if only because “most of the legislation is in fact drafted by bureaucrats rather than by Diet members.” In other words, bureaucrats, not politicians, generally have set the policies that have made Japan an economic giant.

Few Japan specialists quarrel with Vogel’s basic point about the centrality of the bureaucracy in setting policy or the fact that it continued even when the LDP was out of power, but many scholars offer less positive interpretations about the significance of this fact for the health of Japanese democracy. Scholarly differences, however, are less important in coming to grips with the Japanese state than posing two, interrelated questions. First, how have the bureaucrats combined with the LDP and its business allies to form the strongest state in the democratic world? Second, does it matter that they have so much influence, both for the making of public policy and in any assessment of the degree to which Japan is democratic?

To understand why the bureaucracy is so powerful, some background is necessary. Electoral politics did not recommence until April 1946, when the first postwar general election took place. When it appeared that the Liberal Party’s leader, Hatoyama Ichiro, who was tainted by wartime activities, would be chosen prime minister, the occupation authorities had him purged on the eve of the election. This cleared the way for the occupation’s favorite, Yoshida Shigeru, a bureaucrat, to assume the office. Yoshida remained prime minister well beyond the end of the occupation and cemented the link between the upper levels of the bureaucracy and the conservative politicians. (See figure 8.2.)

The occupation authorities had retained most of the prewar and wartime bureaucrats in office, largely because there were too few Americans with the language skills and knowledge about Japanese government to take their places. On the one hand, the continuity in management kept the government working smoothly during this difficult period of foreign occupation. But on the other hand, bureaucratic power became even more deeply entrenched at a time when Japan was struggling to democratize its political and electoral systems. Hence, in comparison with the badly fragmented political parties in the Diet, where power was supposed to be lodged, the bureaucracy remained fairly coherent, well organized, and powerful. This is not to say that the bureaucracy ruled then or rules now. Rather, it is to point out that at the beginning of Japan’s political reconstruction, the bureaucracy possessed more power than did the politicians.

Before describing the bureaucracy and its rule, it is important to dispel one common misconception, that the strength of the Japanese state means it has a large bureaucracy. In fact, the Japanese state is rather small. It spends a smaller proportion of total GNP on domestic programs than do any of the other liberal democracies,
including the United States. It only employs about 4.5 percent of the total workforce, compared with between 6 percent to 9 percent in the other liberal democracies.

The bureaucracy is, however, extremely powerful. About 90 percent of all legislation originates in the different ministries, which, as we have seen, is now common practice everywhere. In Japan, however, the legislation that is finally adopted in the Diet usually just outlines basic principles and includes few details about how the bill should be enforced. Those rules and regulations are only later spelled out by the bureaucrats, giving them yet another source of power.

As in most other liberal democracies (but not the United States), the bureaucrats are so influential in part because they are so highly regarded by the public. The civil service traditionally has been the most prestigious of all careers and has consequently attracted the best and the brightest from Japan’s major universities. Entry into it is based on highly competitive exams that have over fifty hopefuls competing for every opening. The meritocratic nature of the system based on examinations, however, is somewhat mitigated by the domination by graduates of Tokyo and Kyoto Universities, who together produce about half of the top bureaucrats. Their overrepresentation clearly makes the system parochial and elitist, recruiting from an even narrower social base than France’s ENAmarques.

Organizationally, the bureaucrats’ power is based in the ministries into which the Japanese government is divided. Today there are twelve main ministries plus the prime minister’s office. Each is headed by the minister who is a member of the cabinet and who also has one or two other Diet members who serve as vice-ministers. Everyone else is a civil servant.

In these respects, Japan is little different from the European democracies. The Japanese bureaucracy is distinctive, however, because of the way it functions. Because few ministers stay in their jobs for more than a year, real expertise and hence much power within the ministries lies with the senior civil servants. Typically, the administrative vice minister will have between twenty-five and thirty years of service in a single ministry.

The individual ministries also have rather broad areas of responsibility and clear lines of authority. The most famous of them, MITI (Ministry of International Trade and Industry), is in charge of virtually all microeconomic policy, including foreign trade, resource management, the development of new technology, and much of commerce. In the United States these responsibilities are scattered among many departments and agencies, and many are not even part of the government at all. As Clyde Prestowitz put it, “a hypothetical U.S. version of MITI would include the departments of Commerce and Energy, the Office of the U.S. Trade Representative, the Export-Import Bank, the Small Business Administration, the National Science Foundation, the Overseas Private Investment Corporation, the Environmental Protection Agency, and parts of the departments of Defense and Justice.” Even in France, there is far less coordination, especially between domestic and foreign economic activity.

MITI and the other ministries do not exercise their power by the granting or withholding of large sums of money to individual companies. Rather, the bureaucrats try to provide “guidance” to help companies make the “right” decisions. Fully 80 percent of the top civil servants surveyed in one study readily acknowledged that they—and not the elected politicians—were most in charge of solving country’s problems. In no other country did the figure reach 25 percent.

It’s not only MITI. The Ministry of Finance (MOF) has equally far-reaching control over the treasury and macroeconomic policy. The Ministry of Posts and Telecommunications (MPT) plays a critical role in the vital telecommunications industry and also runs the country’s largest savings bank through the postal service.

The bureaucrats have never ruled as dictators. The various ministries disagree among themselves. At some times, the LDP had to make concessions in the Diet. At others, the “guidance” did not always produce the desired results, especially outside big business. Still, it seems safe to argue that the Japanese bureaucrats are far more powerful policymakers than their counterparts in other industrial democracies are, and they are likely to remain so whatever happens in the party system.

That power is buttressed by the way bureaucratic careers develop and end. Promotion during the first twenty-five years or so of a bureaucrat’s career is determined almost exclusively by seniority. Civil servants develop close ties with people in their “class” that
entered the ministry with them as well as fellow students from their university who ended up in other ministries. At about age fifty-five, a final cut is made. A very small number of people make it into the limited number of positions at the top of each ministry. The rest retire from the civil service, but not from professional life. They engage in what the Japanese call amakudari (literally, descent from heaven), which is reminiscent of the French pantouflage, and retire to second careers in either business or partisan politics.

The former bureaucrats have been the heart of policy-making power within the LDP. Even more important, perhaps, are the ex-civil servants who are to be found at or near the top of most major corporations. The ministries help retiring civil servants find these jobs, and the "old boy" ties are used to build strong but informal links between the remaining bureaucrats and their former colleagues in big business.

The last piece in this puzzle is the unusual way in which Japanese big business is organized. Again, the popular American notion of tightly organized monopolies offering their employees lifetime employment in exchange for all but fanatical devotion is rather overstated. At most, the big groups, or keiretsu, employ about one-third of the Japanese workforce. But, they include the most important firms and the ones that have been most responsible for Japan's remarkable economic performance since the end of the war.

Those groups include a remarkable number of interconnected businesses that share management, resources, and markets. The Sumitomo group, for example, includes a bank, a metallurgical company, and a chemical firm at the top. They, in turn, have links to others in construction, trading, real estate, finance, insurance, warehousing, machinery, electronics, forestry, mining, glass, cement, rubber, and more. While these firms do not do all their business within the Sumitomo group, that is where they receive the bulk of their financing, buy most of the material they need for manufacturing, and sell most of what they make. Together, they plan new business ideas and do much of the needed research and development.

Again, it should be noted that these groups do not dominate the entire economy. But, with relatively few exceptions, they are the firms that have spearheaded Japanese development and that have set the tone for the rest of the economy.

In sum, the Japanese state is based on an elite that is far more integrated than any of the others we saw earlier. Unlike France, which has had its experience with an iron triangle, the LDP has provided far more continuity in personnel (except at the very top) and policy. The bureaucrats exert a more powerful influence over both partisan politics and big business than their counterparts do in any other industrialized democracy. The bureaucrats themselves are the most unified civil service in the industrialized world in terms of their policy goals and self-definitions. And, Japanese big business is the most integrated corner and, thus, most able to act in a coherent and coordinated way.

These informal mechanisms have not changed very much following the dramatic events of 1993. The iron triangle no longer is as strong as it was in its heyday. By 1993 career politicians were already challenging the former bureaucrats for power in the LDP, and today the bureaucrat themselves are being subjected to more criticism. The business elite is probably less homogeneous as the leaders of small companies, who do not have bureaucratic experience, gain more leverage and visibility. Still, all the signs suggest that the bureaucrats—current and former—remain very powerful and may have become even more so in the short run, since they are the one source of certainty and continuity at a time when the party system and the economy are in flux.

Public Policy: Japan as Number One?

As elsewhere, public policy in Japan represents most concretely the state's link with its citizenry. As demonstrated thus far, that policy usually is the product of decisions made by the bureaucracy after consulting with relevant interest groups (especially business) and turned into law by the LDP-controlled Diet.

Again as in any country, public policy comes in a variety of different forms in Japan, ranging from industrial policy largely absent in the United States, to monetary and fiscal policy, environmental policy, land-use policy, social (educational, medical, welfare) policy, and foreign policy. Patterns in Japanese public policy reflect what we have seen earlier in the chapter. Far more than in the other chapters, however, we will see sharper differences between domestic and foreign policy in Japan. At home, we will see the strong state, with its tightly integrated elite at work. Abroad, we will see a Japan that is far less master of its own destiny, despite press reports to the contrary.

Domestic Policy

Even with the downturn of the 1990s, Japan has one of the world's most dynamic economies. Why? Unlike the
United States, where business leaders frequently see the government as an adversary, Japanese elites believe that cooperation among them is more conducive to economic growth. The product of this cooperation is what has been called "state-led capitalism," or "Japan, Inc.," to its many American detractors. They see Japanese capitalism as somehow different, perhaps unfair, certainly as more successful than it has any natural right to be.

However, such notions as Japan, Inc., or other theories of a government-bureaucracy-business link that are all but conspiratorial miss the central point. What we really have are two very different models of what capitalism should be like. In the United States and, to a lesser degree, in Great Britain, the preference is for government to keep its distance from private enterprise.

In Japan, key public and private actors collaborate and thus can often cooperate more effectively and efficiently than Western theories would predict. What seems unfair in the West seems quite normal in Japan.

Thus, the first thing to understand is that Japan, unmistakably, has a capitalist economy. Japanese executives may pay more attention to long-term growth and to increasing their company's share of the market than do their American equivalents, who are preoccupied with quarterly profit and loss statements. Still, industrial corporations and their managers have profit as their bottom line every bit as much as any American executive does.

What is different is that in France, Germany, and Japan, there is no equivalent of the American cultural dictum that the government that governs least governs best. Quite the opposite. The state is expected to play a major role in shaping the economy, in helping business make the "right" decisions, and so on. In Japan, government assistance to business is often called "industrial policy," meaning that the state plays a relatively intrusive role in shaping and/or guiding economic development. Central to that policy are two key institutions discussed earlier: MITI and the keiretsu.

Ironically, when the economy was in shambles during the immediate postwar period, it was the American occupationaires themselves who set the stage for much that happened afterward. They backtracked on the policy of breaking up the zaibatsu (financial cliques) largely because they wished Japan to rebuild quickly in order to spare American taxpayers the burden of subsidizing its economy. To no one's surprise, Japanese bureaucrats, whom the occupation chose not to purge, renewed prewar practices of collaborating with business to create high-speed economic growth policies. Additionally, the occupation decided to spare Japan the economic burden of rebuilding its defenses so that Japan could have free rein to focus government efforts solely on economic development.

Moreover, during the 1950s and 1960s, the United States did not complain about Japan's protectionist policies designed to shield Japanese corporations from outside competition. For reasons of global strategy, America wanted an economically secure Japan and therefore encouraged a kind of "hothouse capitalism" that would give Japan free access to the American market, while at the same time defending Japan's policy to protect its own industry from foreign competition.

The Japanese quite reasonably took advantage of the situation, with MITI taking the lead in directing development of heavy industry, especially steel, shipbuilding, and petrochemicals. MITI used its powers to ensure that private corporations in these targeted industries would receive adequate financing through preferential bank loans instead of having to raise scarce capital by selling stock. MITI restricted competition to prevent costly battles within these selected industrial sectors. The effect of such industrial policy was to cement government-business ties, strengthen already large corporations, and speed up economic growth.

How was that done? The government imposed discriminatory tariffs to protect Japanese corporations from overseas competition. It reduced the tax rate on domestic corporations that were competing with foreign firms and imposed currency controls to prevent overseas investors from capturing strategic sectors of the Japanese market. Those powers were largely negative. On the positive side, the Japanese government encouraged low-interest loans to be given to promising enterprises, subsidized certain firms needing extra help, waived import duties on foreign-made equipment that was crucial for corporate development, used public tax monies to build industrial parks and infrastructure for private businesses, and provided information and other services to corporations whose chances of success seemed bright.

The policy of favoring producers meant that corporations benefited more from development than consumers. A poorly developed social infrastructure, inadequately funded public works, and dangerously high levels of pollution all meant that the average citizen was forced to pay for high-speed growth.

By the early 1970s, citizens' movements began emerging throughout Japan. These movements called on the government to adopt policies that would improve the quality of their lives. The Tanaka government responded by spending more on housing, roads, pollution abatement, education, and welfare. Simultaneously,
MITI began shifting its attention away from heavy industry in favor of technology and capital-intensive industries, such as computers, telecommunications, and robotics, all sectors of production that would pollute less, use less energy, and improve working conditions for labor. MITI adjusted its relationship with business to accommodate these changes. Now, instead of directing business, it relied on "administrative guidance": inducements, informal persuasion, and only occasionally the issuing of legally binding ordinances that, in the government's words, "help private enterprises develop in a desirable direction."\(^{12}\)

In the 1990s, MITI is playing yet another role, that of facilitator in the "internationalization" of the Japanese economy. Specifically, MITI is trying to help resolve "trade friction," especially with the United States, by encouraging more imports of foreign goods and by eliminating trade barriers.

Because MITI has directed Japan's remarkably successful industrial policy since the Second World War, sometimes using a heavy hand, it is widely assumed that MITI epitomizes government-business collusion as the all-powerful puppeteer, with corporations acting as the pliable puppet. In fact, this picture is a gross distortion of reality. In the early 1960s, for instance, when MITI was at its most powerful, it pressured Mazda and Honda to "rationalize" the automobile industry by merging with Nissan and Toyota. MITI assumed that the international automobile market could not sustain four major Japanese manufacturers. At considerable risk, Mazda and Honda defied MITI, much to Detroit's chagrin and to MITI's delight today.

MITI's industrial policy generally has worked not because the ministry has enormous resources—it gets only about 1 percent of the government's annual budget—or because it has been invested with wide-ranging legal powers. Rather, MITI has enjoyed success in guiding Japan's economic development because it has recruited top graduates from Japan's best universities, because it has devised long- and short-term strategies with the cooperation of business, and because its information-gathering capabilities have enabled it to steer industry into promising markets.

Japanese industrial policies have been consistent enough that we can focus on a single example here, the increasingly important manufacture and sale of semiconductors. Those tiny chips are an essential part of almost any electronic product. Although some readers might think Americans dominate the industry, given the near monopoly Intel has for personal computers, Japanese firms produce far more semiconductors than the Americans do. That is in large part a function of the close links between the state and the highly concentrated world of big business.

Early on, most semiconductors were developed in U.S. labs. In the 1980s, though, Japanese manufacturers began making dramatic inroads into production of the state-of-the-art chips. With the help of MITI, they were able to cut manufacturing costs. Most producers were also able to take advantage of the close links they already had with suppliers, which were part of their keiretsu.

The Japanese goal was not to maximize short-term profit, as it typically the case for an American or British firm, but rather to build its market share for the long haul. In the short run, that meant that Japanese firms were willing to sell chips below cost and thus incur charges of dumping from their American and European competitors. MITI was also committed to protecting the market share of Japanese companies by making it hard for foreign companies like Intel or Motorola to locate production facilities there. The upshot was that Japanese firms were taking an ever larger share of the global market, while American firms only were selling about 9 percent of the chips sold in Japan or not even half of U.S. firms' share of worldwide sales.

What is important here is to see a rather common pattern. American or European firms may develop new technologies, but their reliance on the market and the "arm's length" distance between private companies and the state mean that they often do not develop these technologies very effectively for commercial purposes. In Japan, however, such efficiency has often come because close links among companies and, then, between them and the state facilitate rapid improvements in manufacturing technologies and comparable development of marketing strategies for the long run.

In short, iron triangles have made a major contribution toward enriching Japan. That does not mean that Japan succeeds in all respects. Japan lags behind Western European countries and, in many cases, the United States in social policy development. And, while the basic freedoms that define liberal democracy are not being denied, the inequities of Japan's social policy have made it hard for the disadvantaged members of society to take advantage of those freedoms they legally have unless they ally themselves with the LDP.

Begin with labor. Since the occupation, labor has been closely aligned with the two major socialist parties. Otherwise put, organized labor has been the political enemy of the LDP. Yet in a curious way, organized labor also has been the ally of big business, which is the ally of the LDP. The explanation of this anomaly has to do with how most labor is organized, namely in "enterprise
Liberalization in Japan

Japan provides us with a very different view of the liberalization issue.

In the other countries we have considered, the debate has been over whether publicly owned companies should be privatized. That has not been a major issue in Japan, since the state has not owned many companies—at least since the end of World War II. There were some exceptions, including the NTT telephone monopoly and the country’s largest savings bank, which is part of the post office. However, compared with the other countries covered in this book, there was simply less to privatize.

That does not mean we can ignore liberalization for Japan. If its critics are to be believed, it has a lot farther to go than any other industrialized democracy in opening its markets both to new companies at home and, especially, to competition from abroad.

unions,” or unions specific to the corporation. Improved wages and working conditions hinge on the success of the company, and the company, drawing on traditional Japanese values, consciously strives to inculcate feelings of family membership among its workers. Workers, therefore, experience mixed feelings toward the enterprise “family” on the one hand, and the union, on the other hand. For this reason, strikes by workers often seem ritualized and empty of content, similar to children throwing a controlled tantrum to get their parents’ attention. For its part, management practices noblesse oblige, paternalistically rewarding the workers with raises on a regular basis.

This dynamic of labor-management relations has militated against the creation of effective labor federations and, ultimately, against the Socialist parties with which the two major labor federations, Sohyo and Domei, have been aligned. Currently, the Socialists can only count on about one-quarter of union members to support them in elections. More and more, organized labor is supporting the LDP, which, after all, is the only party that has been able to deliver on legislation helpful to the worker, to wit the 1975 Employment Insurance Law and the 1986 Basic Pension Law, both the products of labor leaders working with government and business. The effect of such developments has been to strain relations between labor and the Socialists, with organized labor deciding in 1989 to merge the two major federations into one (Rengo) and fielding its own candidates in elections. Besides portending the further decline of labor support for the socialists, the merger also reflects an emerging political partnership between once-radical labor and the forever-conservative state.

In educational policy, the state is notoriously intrusive in some respects and extraordinarily unobtrusive in others. The Ministry of Education in Japan resembles its counterpart in France before Mitterrand took office. Students throughout Japan take exams at precisely the same time and study exactly the same material at the same rate, six days a week. Also, the Ministry of Education dictates the “choice” of textbooks used nationally and has been known to censure those deemed too critical of nationalism, past and present. Conversely, the ministry is relatively uninvolved, and maybe unconcerned, about the proliferation of costly after-hours cram schools (juku) that attract students anxious about falling behind in the educational rat race. The high suicide rate of college hopefuls at entrance exam time every year lends credence to charges that the government regards this “exam hell” as an acceptable price to pay for maintaining “higher standards” than any Western educational system.

We find the same mixed record in most other areas of social policy. Japanese women have made relatively little progress toward equality with men at the workplace or anywhere else. Japan’s treatment of its racial minorities and of foreigners living and working in its cities is among the most discriminatory in the industrialized world. And, Japan was the last industrialized democracy to implement pensions for the elderly.

Political scientists have not done enough research yet for us to understand why Japan has done so well in overall economic development but lags so far behind in many areas of social policy. Certain conclusions, however tentative, seem obvious and reflect the trade-offs of figure 8.2.

Economic and industrial policy reflect the strength of a state built around the iron triangle. Far more than any other government we’ve seen in a liberal democracy, that elite has been able to forge, enact, and implement a coherent and consistent package of economic policies for an extended period.

Social policy, however, reflects one of the most important problems associated with a strong state and its tightly knit elite. The state’s priorities and choices do not benefit everyone. And, as we saw in Gaullist France in the 1960s, when an elite has the degree of unchecked power we see with this type of iron triangle, it is hard for
“outsiders” to have any substantial leverage over the policies that emerge.

In closing, note that this is one of those ways in which Japanese politics forces us to confront some powerful Western cultural biases. People living in English-speaking countries tend to equate capitalism, or “free enterprise” with a market operating largely without state interference. Japan and the Asian “tigers” (which admittedly seem more kittenish in the late 1990s) show us that there are other versions of capitalism in which the static and private companies cooperate to set guidelines and steer the economy. If some interpretations are to be believed, such an approach may actually lead to more rapid and sustained growth.

Foreign Policy

There is no question that Japan is an economic juggernaut. Japan produces 15 percent of the world’s GNP, second only to the United States. For years now, it has been running huge trade surpluses with, and making massive and profitable investments in, both Europe and the United States. Japan is the most generous provider of foreign development assistance, the largest exporter of capital, and the leading creditor.

This economic strength once led many (mostly frightened) observers to call Japan a superpower and talk about the beginning of the “Japanese century.”

While there is no doubt that Japan remains a power in a world that increasingly defines national security in economic terms, there is another side to the story.

You can see that quickly by looking at Japan’s behavior during the Gulf War. When Iraq invaded Kuwait in August 1990, the United States and the European Community nations immediately imposed an embargo on Iraqi goods and oil from occupied Kuwait. Japan waited three days before following suit. At the very end of August, Japan finally announced its policy—to donate $1 billion in nonmilitary aid to the allied coalition and economic assistance to Middle Eastern nations hurt by the war. The United States dismissed the amount as insufficient “checkbook diplomacy.” Two weeks passed before Japan announced a $3 billion increase. The prime minister took the additional and unprecedented step of promoting a “United Nations Peace Cooperation Corps” that consisted of two thousand unarmed or lightly armed—Tokyo couldn’t decide which—soldiers to help the UN coalition in noncombat roles.

The proposal was met with fierce cries of “militarism” by peace groups and opposition parties. The government withdrew the proposal, knowing it would be defeated in the opposition-controlled upper house. When war began in January 1991 and anticipating criticism from the United States, Prime Minister Kaifu convinced the money handlers to add another $9 billion to the allied war chest. Japan’s foreign policy in this instance was anything but what we saw for semiconductors. It
was slow, hesitating, uncertain, sloppy, and vulnerable to outside (U.S.) pressure. And, that is pretty much what it has been like throughout the postwar period.

Why? There are two main reasons why Japanese foreign policy lacks the certainty and consistency we saw in the relationship between business and government.

First, when military security is involved, Japan's foreign policy has consistently been shaped by Washington's demands. Article 9 bars it from having a military. While successive governments have adopted ever looser interpretations of Article 9 and while Japan now has one of the most technologically sophisticated armed forces in the world, its military is not very big in relative terms. Only once has Japanese military spending exceeded 1 percent of GNP, compared with 7 percent annually in the United States.

Given cold war thinking, the Japanese Self-Defense Force was not big enough either to protect Japan itself or to contribute to the broader containment of the former Soviet Union in Asia as a whole. While many question whether or not such thinking ever made sense, the fact is that the U.S. and Japanese governments felt that the United States "had" to ensure much of Japan's defense. Upwards of 50,000 American troops still operate from more than a hundred bases in Japan. The United States-Japan Security Treaty, in place since the end of the occupation, put Japan under the American "nuclear umbrella." The United States has never ordered Japan around. At times, the United States has even respected Japanese sensitivities, for instance, by not bringing nuclear weapons to any of its bases there. Nonetheless, as with Britain, Japan routinely has gone along with American wishes in most foreign policy arenas.

Second, when Iraq invaded Kuwait, the press repeatedly reminded Japan's noninterventionist public about its oil dependency. Some 12 percent of Japan's imports came from Iraq and Kuwait, provoking genuine fears of shortages if Japan joined the allies. This was but part of the larger problem of resource dependence. Because Japan does have to import so many of the goods it needs to keep its economic "machine" going, it has had to adopt a foreign policy guided not by principle, such as combating aggression, but instead by pragmatic self-interest, grounded in widespread awareness of its utter dependency on the world's resources for its economic development.

During the Gulf crisis, a balanced, carefully reasoned judgment had to be reached regarding the costs of inaction, which would mean not alienating Iraqi oil suppliers, versus the costs of upsetting its chief trading partner and closest defense ally, the United States. At the time of the first "oil crisis" in 1973, Japan chose to risk upsetting the United States by adopting a pro-Arab stance, exactly contrary to the American position on the OPEC embargo. This time around, Japan depended less on the Middle East for its oil supply and quickly increased imports from Iran to make up for lost Iraqi and Kuwaiti oil.

This case helps illustrate the characterization of Japan as a fragile superpower because of its resource dependency and its close relationship with the United States. It is that fragility that prevents Japan from becoming an unqualified superpower like the United States, and it is that fragility that still drives Japan's foreign policy at century's end.

Feedback

The Japanese media is huge, even by American standards. With well over one hundred and twenty newspapers and with the largest, Yomiuri, having a daily circulation of ten million. (Compare that with the Wall Street Journal's daily circulation of about two million.) It is not surprising that Japan's per capita consumption of daily newspapers is the largest in the world. Indeed, the Japanese are a nation of readers.
What they read is a different story. For years the media has enjoyed an unholy alliance with government that encourages the practice of self-censorship or, worse, accepting government strictures on what can be reported. So-called kisha (reporter) clubs from the various media attach themselves to different ministries, political parties, or industrial associations, and in exchange for easy access, the "clubs" agree to publish only that which they are told to publish. To do otherwise can result in being denied access to the newsmakers.

Most Japanese newspapers are national, and their format—content, page breakdown, and editorial slant—is virtually identical. Reading, for example, the Asahi is virtually the same as reading the Mainichi on any particular day. Uniformity, not difference, is expected by the Japanese readership. Political neutrality on issues is common. Investigative reporting is rare because it threatens the alliance news reporters have with newsmakers. A similar level of uniformity characterizes television (terebi) programming, whether public-owned (NHK) or private (for example, Fuji or Asahi).

More inquiring minds generally turn to the weekly or monthly newsmagazines, yet many of them also "dumb down" by including pornographic cartoons and massive sports coverage in order to appeal to a wide readership. Late night television similarly provides what we would call "R-rated" programming. Such liberality in social programming throws into bold relief the very strictly controlled and generally conservative reporting of "hard news."

**Conclusion**

Taking stock of Japan's predicament on the eve of the twenty-first century produces a very mixed picture. The topping of the corruption-ridden LDP in 1993, and the electoral reforms that followed during the interregnum, did not prevent the LDP from recapturing power, did not produce a "normal" two-party system, and did not result in strong government and party leadership or a worthy, electable opposition. Pessimists may never be disappointed, but optimists are seldom satisfied either.

Voters appear to be disillusioned. A postwar record low voter lower house election turnout in October 1996, only 59 percent, suggests as much. The reasons for voter disenchantment seem obvious: the political system seems beyond reform; private corporate leadership has been thoroughly discredited by such misadventures as routinely dealing with mafia-like figures in corporate boardrooms and shareholder meetings; Japan's major brokerage houses have fallen from grace because of embarrassing disclosures of misdeeds and wrongdoing; and a significant number of officials in Japan's vaunted bureaucracy, especially the Ministry of Finance, has been shown to be as venal and self-serving as the businesses whose conduct they are supposed to regulate. In brief, the iron triangle is bent, disfigured, and pretty wobbly as a result.

Citizens have reason as well to despair over the sinking economy. Economic growth has ground to a virtual halt in the 1990s, private investment has plummeted to record lows, and government investment has sunk to a level not seen since 1980. Bad loans made during the bubble economy of the 1980s have come home to roost in the 1990s, forcing one bank after another to close its doors or to go the route of the savings and loans in the United States and be taken over by a government bailout agency. And consumer confidence is broken, as witnessed by the flight from retail stores and banking institutions. At the end of 1998, the stock market was stuck at a low level that was last seen in 1986. Unemployment is at a postwar high, and business confidence indices are at record lows, despite near-zero interest rates that would have Americans borrowing like crazy. Promises by politicians to effect massive reform of the economy are met with jeers or yawns.

Yet, for all the gloom and doom pervading Japan's political economy, it is nevertheless smart to remember that Japan remains the world's second largest economy. Japan, arguably, also has the world's best-educated workforce and an unmatchable record of converting, judo-like, weaknesses into strengths. Also, its current difficulties could very well be the signs of a "mature economy," one that has left behind high-growth and that has settled into low, sustained growth while suffering periodic readjustments.

Hence, the reader is cautioned against indulging in schadenfreude, that tendency to smirk when a worthy competitor suffers. Americans should not want Japan's economy or polity to fail: Japan remains our second largest trading partner and is a leading investor in our and the world's economies. In September 1998 Sandy Berger, President Clinton's national security adviser, stated "We have a strong sense of urgency that the Japanese government move as quickly as possible to stimulate its economy, restore growth to deal with its banking problem, open its markets, to deregulate." Alan Binder, Princeton economist and G-7 adviser, added
pointedly, “Can Asia recover while its largest economy [Japan’s] sinks? . . . I fear the answer is no.”

In brief, then, for the sake of America’s, Asia’s, and, indeed, the world’s well-being, we all must recognize the imperative for Japan to recover its economic bearings. What remains problematic, however, is whether that can happen so long as Japan’s political system is stuck in the mud. There I fear it will remain until democracy is taken seriously by Japan’s political and economic leadership.

**Critical Thinking Exercises**

1. Much has changed since this book was finished in early 1999. Does the analysis of Japanese politics presented here still make sense? Why (not)?

2. Public opinion pollsters routinely ask questions about whether people think their country is heading in the “right direction” or is on the “wrong track.” If you were asked such a question about Japan, how would you answer? Why did you reach this conclusion?

3. Japan’s political history is very different from those in the West we saw in chapters 2, 4, 5, and 6. What are the most important of those differences? How are they reflected in Japanese political culture and the rest of its political life today?

4. One party, the LDP, has dominated Japanese political life for almost half a century. How has it been able to do so? What impact has it had on political, economic, and social life in Japan?

5. Many people argue that Japan really can’t be democratic because it does not have an individualistic political culture. Do you agree? Why (not)?

6. What is the iron triangle? How does it contribute to policy making in Japan? What are its implications for democracy there?

7. Some people claim that Japan is “number one.” Do you agree? Still? Why (not)?

8. Why is Japanese foreign policy so different from domestic policy?

**Key Terms**

<table>
<thead>
<tr>
<th>Concepts</th>
<th>People</th>
<th>Acronyms</th>
<th>Organizations, Places, and Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amakudari</td>
<td>Hashimoto Ryutaro</td>
<td>DSP</td>
<td>Article 9</td>
</tr>
<tr>
<td>Bubble economy</td>
<td>Hirohito</td>
<td>JCP</td>
<td>Daimyo</td>
</tr>
<tr>
<td>Faction</td>
<td>MacArthur, Douglas</td>
<td>LDP</td>
<td>Democratic Socialist Party</td>
</tr>
<tr>
<td>Groupism</td>
<td>Miyazawa Kiichi</td>
<td>MITI</td>
<td>Diet</td>
</tr>
<tr>
<td>Iron triangle</td>
<td>Obuchi Keiko</td>
<td>SCAP</td>
<td>Genro</td>
</tr>
<tr>
<td>Keiretsu</td>
<td>Ozawa Ichiro</td>
<td>SDPJ</td>
<td>House of Councillors</td>
</tr>
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<td>Koenkai</td>
<td>Takeshita Noboru</td>
<td></td>
<td>House of Representatives</td>
</tr>
<tr>
<td>Money politics</td>
<td>Tanaka Kakuei</td>
<td></td>
<td>Japan Communist Party</td>
</tr>
<tr>
<td>Multimember constituency</td>
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<td>Komeito</td>
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<td>Oyabun-kobun</td>
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<td>Liberal Democratic Party</td>
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<td>Patron-client relationship</td>
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<td>Meiji Restoration</td>
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<td>Ministry of International Trade and Industry</td>
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<td>Social Democratic Party of Japan</td>
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<td>Supreme commander of the Allied powers</td>
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<td>United States-Japan Security Treaty</td>
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Further Reading


A look at the economic successes of a number of Asian countries, not just Japan, with a strong emphasis on both political culture and economic policy.


Understandably thin overview of Japanese from the beginnings through the Murayama government that still manages to touch almost all the bases as well or better than many more specialized books.


Reid, T. R. *Confucius Lives Next Door*. New York: Random House, 1999. By far the most accessible (and enjoyable) book on how political culture in general and Confucian values in particular have contributed to the remarkable economic growth and social stability one finds in Japan and most of the rest of East Asia.

