

How Can We Accommodate Populism in the Social Contract?

By Kazumasa Kusaka

“Sovereignty, for the same reason as makes it inalienable, cannot be represented. Every law the people have not ratified in person is null and void – is, in fact, not a law. The people of England regard itself as free; but it is grossly mistaken; it is free only during the election of members of parliament. As soon as they are elected, slavery overtakes it, and it is nothing. The use it makes of the short moments of liberty it enjoys shows indeed that it deserves to lose them.”

Jean-Jacques Rousseau, *Du contrat social ou principes du droit politique*

The recent decision by the British electorate to leave the European Union, the so-called Brexit, makes us think about referendums and parliamentary democracy. When Jean-Jacques Rousseau refers to democracy, he has in mind direct democracy on the ancient Greek model, while believing parliamentary democracy limits sovereignty. But it raises the question of under what circumstances do we delegate decisions to representatives, and when should we resort to direct democracy or referendums?

The Japan Economic Foundation held its annual Japan-US Forum and Japan-Europe Forum in the early summer of this year, with the Center for American Progress in Washington DC and the Aspen Institute of France in Paris. In the United States, they were in the final stages of the nomination process for their presidential candidates, and observing that the formerly “silent majority” seemed to be gaining confidence in making their views known, to the bewilderment of various political experts and elites. In Europe, the timing was just two weeks after the Brexit vote and they were in the middle of digesting the result and exploring how to interpret this development. The British public, who felt they had not been directly consulted on the deepening and broadening of the EU, were suddenly given the opportunity to vote directly on the issue, including the hot topic of immigration, which some regarded as a clear and present danger.

During his observational trip to the US that resulted in *De la démocratie en Amérique*, Alexis de Tocqueville is said to have developed the belief that what kind of times one observes in one's childhood shapes one's view of the world. That is to say, in the US time was on their side — they would see their frontiers broaden and the younger generation's income was expected to be higher than their parents'. This contrasted with the European societies essentially formed during the Middle Ages. This was Tocqueville's view.

But when we apply his theory to the current situation in America, we see that while the parental generation of workers in the automobile or steel industries could afford to own a house and finance their kids' state college education before a happy retirement, the current younger

generation, even with double income from husband and wife, often earn less than their parents'. In addition, the exposure of income disparities by the Internet has intensified frustrations and caused many to start asking where the “American Dream” has gone. Naturally, from this a quite different view of the world is going to emerge.

Faced with current trends, the initial statement by Britain's new prime minister, Theresa May, is worthy of attention. What she is aiming to communicate seems not to be dictated by the Brexit result itself, but by a need to understand why such developments have occurred and to prescribe not a palliative treatment but a curative therapy – in other words, to create an agenda to reconstruct the social contract. Unless a crisis of some sort emerges, complacency can prevail in society, like a frog placed in a pot of cold water that is gradually heated, never realizing it is being boiled alive. It could be that Prime Minister May will use the sense of crisis as a vehicle to achieve her own agenda.

Such an approach would be similar to Japanese Prime Minister Shinzo Abe's strategy of using the TPP not for the sake of free trade per se, but as a vehicle to realize structural reforms and neutralizing stakeholders' opposition to them. Wise political leaders realize their own vulnerability and do not underestimate the role of populism. They try to cope with the frustrations and anxieties of the public that lie behind this phenomenon.

Historically, developmental dictatorship was understood as a social contract to trade political freedom with economic development. If the dictator cannot deliver economic prosperity, his legitimacy, if any, collapses. Even in US presidential elections, whether the incumbent president is given a second term or not mainly depends on economic performance, according to statistics.

In the real world, if a government cannot keep delivering economic satisfaction, its legitimacy has to come from the nation's sense of participation in forming a social contract. The question is how, without resorting to direct democracy every time, we can develop ownership of the process of democracy by the diversified layers and generations of people. In Japan, the challenge is how to engage the next generation, which is outnumbered by a politically powerful senior population, in order to realize intergenerational or inter-temporal fairness.

Kazumasa Kusaka is chairman and CEO of the Japan Economic Foundation (JEF), as well as being a professor of public policy at the University of Tokyo. He previously served as special advisor to the prime minister on global warming after having been vice minister for international affairs at the Ministry of Economy, Trade and Industry.