

Japan's Current Reforms and Lessons from History

By *Sasaki Takeshi*

From the latter half of the 19th century, Japan has shown the world its capacity to transform and develop anew. The change in direction of the Meiji Restoration of 1868 and the metamorphosis after World War II demonstrate Japan's unpredictable ability to transform and adapt. Japan must also seek to reform after the bursting of the economic bubble; there have been countless statements inside and outside Japan pointing out the need for reform. Despite that, as indicated by the epithet the "lost decade," attempts to reform had little effect and fears have arisen that the lost decade could turn into the "two lost decades." Because the gap between expectation and reality shows no signs of closing despite the emergence of the Koizumi government proclaiming structural reform, apprehensions of "reform fatigue" have begun to arise. Although there are some who insist, looking back on Japan's once deft ability to transform, that such a recovery will occur this time too, we cannot be adequately convinced of Japan's ability to change just on the evidence of its past record.

A Lack of a Sense of Crisis?

The most popular explanation for the failure of Japan's reforms to advance is the lack of a sense of crisis among ordinary people. Despite widespread talk of an economic crisis, large numbers of Japanese tourists travel the world as always and Louis Vuitton and other luxury stores with outlets in Japan achieve record sales. Looking at this, it is natural to want to ask "What crisis?" To be sure, the unemployment rate is so high as to be off the scale compared to past rates, and wages remain static or are declining. But there are no demonstrations and no angry masses of voters. The Liberal Democratic Party (LDP) still remains in power. Generally, there

is little sign that the economic crisis is turning into a social or political crisis. This invites the interpretation that the Japanese government's strategy has focused on avoiding a social crisis rather than rebuilding the economy. Thus, the lack of a sense of crisis should be considered to be the successful result of this strategy.

However, it is certainly a mistake to assume that Japanese people have credible prospects for the future and to conclude that this is the reason for the lack of a sense of crisis. What opinion surveys show vividly, particularly those aimed at younger people, is a sense of pessimism, verging on despair, over the future. It is scarcely conceivable that there are any credible prospects for the future behind the absence of a sense of crisis. In reality, it is extremely easy to encounter pessimism in Japan today, and it would seem unrealistic not to want to talk about this. So, to put the situation correctly, an increase in pessimism coexists with a lack of a sense of crisis in Japan. If it is natural to believe that the increase in pessimism would contribute to the creation of a sense of crisis, and that this would be expressed by a social reaction, then here we have a situation that is at odds with what seems natural.

There are two views regarding the factors inhibiting the functioning of natural responses here. The first is that, when we consider that the enormous accumulation of financial assets is the reality closest to most people, we should not underestimate the force of economic resistance to any sense of crisis. Despite the stagnation of the economy, individual incomes remain among the highest in the world, and unless the situation deteriorates further, no crisis will manifest itself. Even if what was the middle class continues to break down, the core part of it remains safe and no screams are yet heard from

there. Past successes have created an economic buffer, and it is this buffer that makes it possible to put off confronting the problem, making the situation even worse. Accordingly, it will require a further crisis for a reaction based on a sense of danger to occur, and a strategy to manifest the crisis may be necessary.

The second view regarding the factors inhibiting the functioning of natural responses is that in Japan the mechanism to convert economic crisis into political and social crisis and to use this as a lever to provoke reform is damaged. To make this mechanism work requires social solidarity and leadership, but these conditions themselves could have been lost. Factors behind this include the fact that postwar Japanese politics have been very much interest politics, closely linked to the endless advance of privatization, the fact that motivation for active participation has steadily decreased as a passive, "what can my government do for me" political culture has flourished, and the fact that the leadership class has disintegrated and become blandly disoriented amidst an overwhelmingly and totally middle class society. According to this hypothesis, with the crumbling of the political mobilization system, the increase in pessimism is unable to translate into the rise of a sense of group crisis. Neither can it develop into any appropriate resolution. The phenomenon of a lack of a sense of crisis perceived in individuals is one mark of me-ism and is linked to a deep-rooted cynicism toward collective problem resolution. In this sense, the lack of a sense of crisis should be interpreted as an expression of political distrust rather than a sign of political dependence. According to this view, there is absolutely no guarantee that advancing crisis will precipitate a reaction stemming from a sense of crisis.

As just described, it cannot be denied that the picture of the lack of a sense of crisis itself, which is the main factor delaying reform, is quite warped and complex. Therefore, rather than simply pointing out the lack of a sense of crisis, it would be useful to make comparisons with past experience in order to find a prescription to treat that lack of a sense of crisis.

Comparison with the Meiji Modernization and the Postwar Recovery

Both the Meiji modernization and postwar recovery occurred against the background of a hopeless crisis and were paths Japan had no choice but to follow. In the foreground was not an abstract crisis but a threat from overwhelming military power or the threat of desperate starvation. People did not have the political luxury of a “lack of a sense of crisis.”

The modernization of Japan originated in the crisis of the move by the Western powers into Asia in the mid-19th century and the threat of colonization. This crisis generated a political revolution and a transformation of the social and economic structure. The modernization started from a perception of a hopeless gap between the scale of the crisis threatening Japan from the outside and the obvious lack of strength of the government. Japan followed a typical nationalist revolution process, remaking the government (changing from a decentralized feudal government to centralized power) to increase its strength and then decisively carrying out reforms for modernization under a strong government. Despite the decentralized feudal political system, some degree of crisis-driven political mobilization of the masses was achieved that cut across existing differences of rank and region. In place of the leaders whose power was premised on the old system of rank, a new class of leadership appeared from among the samurai who did not rank particularly highly. The samurai were the political and warrior class by birth, and by transferring power within the political class, Japan



Food was in short supply after the end of World War II

was able to shift to a new political system relatively smoothly. The Meiji modernization was characterized by its highly rational and neat process of transformation, carried out through political mobility based on a strong sense of crisis, centralization of power against that background, and determined modernization perceived as an absolute necessity.

The situation from 1945 was a little different to this. What was facing Japan was not just a crisis but physical collapse. This was the reality facing the Japanese people with compelling force. But physical collapse brings with it a sense of despair rather than crisis. Although there was a sense of liberation, there was not necessarily sufficient political energy for the people to effect reforms under their own steam. The political shortfall was made up by the occupation forces, led by the Americans. Japanese leaders, encouraged by this support, began embarking on various reforms. The absolute authority needed for the reforms was supplied externally by the occupation forces, and the reforms carried out depended on this power. Even in the reform of the economic structure, the political will of the occupation forces, which held absolute power, was in the background, as evidenced by the Dodge Line. The role of the Japanese government was limited to moving those

reforms to the implementation stage. Although there were some domestic confrontations, ultimately they were controlled and kept within a manageable range, by the political will of the occupation forces. A precondition of Japan's rehabilitation was a reduction in the political cost, given the presence of the occupation forces. While the Meiji modernization took the route of a typical nationalist revolution, the postwar rehabilitation was a unique process carried out in a very singular political environment and by passing the political cost onto others.

Comparing this to the current situation, the first thing we notice is that the level of urgency of today's crisis is completely different to that in these earlier crises. Even if people at those times had desired such luxuries as shopping at a Louis Vuitton store or travelling abroad, they had no chance of obtaining them. In that sense, the level of crisis is completely different to those of earlier crises. To continue on with an analogical inference, if the current crisis deepens, we will get to the previously mentioned point where the luxury of a lack of a sense of crisis wanes. The reason that the reforms are not succeeding is that the crisis is still minor, and a policy of actually “creating a crisis” is necessary.

However, all crises are, on the one hand, absolute and at the same time,

relative. It is not correct to assume that, once people enjoy a standard of living over a certain level, the sense of ruin vanishes away. Rather, it is very likely that the sense of loss would become relatively even more acute. A lifestyle predicated on high costs has its own unique fragility, and being conscious of that fragility is different to the sense of danger of falling into absolute poverty. In that sense, Japan already has a large number of people who have lost hope for the future and are mentally scarred by a relative sense of deprivation. As long as the people have a certain rationality, a movement will naturally appear to quickly try to solve Japan's problems by using this sense of deprivation as a lever. If this does happen, the cause of Japan's problems will not be seen as the lack of a sense of crisis, but the peculiarity of its social and political mobilization systems.

If we take a slightly larger view of the reality of crises, we see that Japan's past crises were not just economic crises but political and military emergencies. What the Meiji leaders faced was the crisis of colonization, and post-war Japan faced its entire power being wrested from it by the occupation forces. In today's Japan, there is no acute external crisis in this sense. In prewar Japan, those who held political and administrative power had to take into account the possibility of an attack by the military or a coup d'état, while today's leaders are free from such fears. That is, internally and externally there is no serious political or military danger in today's Japan. Even if there was such a danger, the conditions affording a consensus on it among the Japanese people are actually weaker compared to those during the past Cold War era.

Even though the crisis facing Japan has international economic aspects, it is basically a domestic matter. In this sense, rather than comparing it to the Meiji Restoration or the postwar recovery, it is more appropriate to compare it to Japan from the 1920s to the beginning of the 1930s. During that period, even though Japan's international position was rising fast, Japan suffered from a series of failures, experiencing

the economic bubble that arose during World War I and its bursting, and the structural fragility of the domestic economy. The fact that Japan was the slowest to return to the gold standard and suffered a serious financial crisis even though it was among the winners of World War I, points to the vacillation and failure of those structural reforms. At that time, heavily indebted Japan's attempts to return to the gold standard at the insistent demands of Wall Street occurred immediately prior to the Great Depression, and the deflationary policies strongly promoted by the Hamaguchi Osachi Cabinet to return Japan to the gold standard ran counter to the international environment and brought economic catastrophe and terror, triggering the rise of military power (the 1931 Manchurian Incident and the Shanghai Incident of the following year). In contrast to the Japan of those days, the current Japan is no longer an "economic minnow" requiring large debts, and in this sense too, the crisis is very much a domestic affair.

The Fragility of Japan's Political Leadership

A characteristic pattern can be discerned in Japan's political dynamism since the latter half of the 19th century. That is, the appearance of a serious threat from an external source and the political centralization and resolute reforms taken to deal with it, the attainment of remarkable results in consequence of this and the concomitant appearance of self-satisfaction and the weakening of leadership, the lack of ability to make rational judgements, and the appearance of a new crisis. In this respect, this may be a common pattern in history rather than a peculiarity of Japan, but here I would like to discuss some questions in detail relating to the structure of leadership in Japan.

The state, facing a crisis, implements reforms from above based on a centralization of power. When that succeeds and the goal is to some extent achieved, the system for exercising this power becomes taken over by vested interests.

The systems that allowed the success behave as if they have a natural right to continue because of their success, or they continue to garner deeply rooted support. In this sense, bureaucratic systems and political parties cannot escape serving vested interests. That is, organizations that come into being as a means of achieving reform have a tendency wherein the means easily changes into the end. Through the experience of success, reforms from above easily degenerate into politics for meeting demands from below. For example, as a result of experiencing success, Japan's bureaucratic system steadily self-proliferated and formed into a maze-like network composed of enormous cumulations of individual vested interests. A bureaucratic system is not one entity, but a generic term for a network of a huge number of individual vested interests in which we see the endless propagation of fragmentation of power. As long as political parties see their reason for existence in negotiations with this fragmentation of power, it will not be possible to escape further fragmentation. One historical experience of Japan is that success leads to fragmentation of power and weakening of leadership, and this invites political crisis.

Under the parliamentary system adopted after World War II, political parties held overwhelming constitutional power and appeared to overcome the prewar system of rival political barons competing for power. But the political parties on their own brought about the fragmentation of power as a result of the success of the "economic miracle" and their slide into endless interest politics, resulting in their own abandonment of the conditions for the subject of governing. The LDP created a perfect system for interest distribution politics, the like of which is not seen in any other country in the world, attaining conditions for perpetual power. This virtual one-party system is an interest politics conglomerate predicated on and aiming at reproducing Japan's successful economic experience, and is fundamentally uninterested in any radical review of those interest politics or res-

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olute implementation of major reform. The powerful bureaucratic system is the "field unit" of this interest politics conglomerate and LDP politics has cooperated with the bureaucratic system with a singleness of purpose.

The fact that the LDP's decision-making style is directed to preserving, above all, intraparty accord, and has demonstrated virtually no interest in producing strong leadership, is closely linked to the way political parties are in Japan. The prime minister is almost powerless in regard to the decision-making of his party, which works in this way. By demanding that the prime minister frequently change the members of cabinet as a matter of course, the governing party ensures the cabinet remains weak. Therefore, power has remained with the LDP, the governing party, but the LDP itself is in the thrall of the changing alignments of its factions and *zoku-giin* politicians serving special interests, and the fragmentation of power has relentlessly continued in close cooperation with the political parties and bureaucratic system. In this way, the one party system has brought results that are completely antithetical to the establishment of the subject of governing. Koizumi's government has attempted to overcome this fragmentation by a centralization of power in the cabinet, which centers on the prime minister. However, the prevailing situation eloquently shows that individual reforms are impossible without structural political reform.

The more the crisis and grimness of the future outlook are recognized, the more the people hunger for powerful leadership that will allow reform to take place. In this respect, the existing parties, typified by the LDP, are seen as more or less unable to meet these expectations. Along with this, except for what we see in the Diet, the parties seem to be becoming almost invisible. At the same time, the attention of the people is shifting from the parties to individual politicians – in particular to prefectural governors and others who are implementing some novel experiments in local government. In Japan's local government system, prefectural



Louis Vuitton outlets in Japan are achieving record sales despite widespread talk of an economic crisis

governors and municipal mayors are elected through direct elections by residents, and in that sense, operate in a different environment to the Diet system. The rising interest in direct elections for the post of prime minister is seen as an experiment in adapting the central political system to the regional system. Koizumi is an enthusiastic proponent of direct elections for prime minister, but this has not been placed in any specific political program. The hollowing out of Japan's parliamentary system, however, is a case that underlines how serious the problem of structural reform has become in Japanese politics.

The focus for now is on how rational and comprehensive a reform package the Koizumi government can propose for specific reforms, and to what extent it can be brought to implementation. The fragmentation of power has proceeded, as if following a natural route, to the inner halls of government, and the battle to overcome this will require the personal judgement of the prime minister. The cabinet reshuffle at the end of September 2002 was an indication that Koizumi will not tolerate fragmentation of power within the cabinet, but whether this attitude will be carried through to the actual policy level is another matter. The Koizumi government is unprecedented in that it enjoys a certain level of strong support despite publicly announcing that it would require the people to bear the "pain" of restructuring. In this respect, this government has proven that it is actually

possible for a government to clearly distance itself from the traditional interest politics conglomerate, whose existence is predicated on reproducing the experience of success, and this has indicated the feasibility of reform. To this extent, there is no longer virtually any possibility of directly bringing back the old interest politics, but this is no guarantee that Koizumi's reforms will succeed. The future is fraught with danger, as can be seen in the existence of serious deflationary pressures, and the sharpening of domestic conflicts is inevitable. Amidst all this, what we should notice more than the confrontation between ruling and opposition parties is the attitude toward reform held by the prefectural governors who run the local bodies that directly address the realities of people's daily lives.

The hollowing out of Japan's leadership has not only resulted in the failure of reforms. That absence of leadership may prepare the way for a road to politics that are different from those in the past. For example, the failure of Japan's politics might trigger right-wing politics tinged with xenophobia, or open the road to populism tainted with self-satisfaction. In that sense, we must not lose sight of the fact that the success or failure of the reforms will have a major impact on Japan's choices for the future.

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