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Japan's Failed Revolution: Koizumi and the Politics of
Economic Reform (review)

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public perception of judicial corruption or incompetence or that judges might act out of partisan preference or extreme ideological commitment. Albeit perhaps hoodwinked into belief in the possibility of “neutral” principles of law, the public is unlikely to approve of decisions overtly motivated by a leftist ideological bias. Such perceptions by a conservative electorate would, surely in the eyes of senior judges, have inexorably undermined public trust in the judiciary as a whole, hence the vigilance of senior judges assigned to the secretariat to prevent any judges—especially young assistant judges fresh from college campuses traumatized by radical student demonstrations—from behaving in a manner that might discredit the judiciary. This would include any judge perceived to be dishonest or incompetent or who in deciding cases transgresses well-established precedents established by the Supreme Court or legal parameters that have been widely accepted within the judiciary as a whole. True, were the public’s trust lost, they might also fear political intervention as a result. Some might thus wish to resuscitate Ramseyer’s brief. But it would now be a story of public trust, not political control.

Japan’s Failed Revolution: Koizumi and the Politics of Economic Reform.

By Aurelia George Mulgan. Asia Pacific Press, Canberra, 2002. ix, 260 pages. \$A42.00.

Reviewed by

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White knights rarely ride to the rescue at the beginning of the twenty-first century. Their samurai equivalents are generally no more readily in sight. Yet, confronted by modernity’s numerous fire-breathing monsters—the bevy of complex, interlaced, and intractable problems that confront most societies today—many people naturally yearn for the arrival of a dragon-dispatching knight with the purest of souls and the most keenly honed of swords. Koizumi Jun’ichirō took up the office of Japanese prime minister in April 2001, and his bold promises combined with his media-savvy image as a maverick reformer quickly gave him credibility as the rare warrior who would dramatically dispatch the country’s interwoven amalgam of nettlesome economic and political problems. The stronger the expectations surrounding Koizumi’s arrival, the deeper have been the subsequent disappointments.

Aurelia George Mulgan is among the most disheartened. Her book examines the deep-seated political and economic problems enmeshing Japan

since the beginning of the 1990s along with Koizumi's far-ranging promises about how he would confront them. Koizumi certainly trumpeted a range of vigorous proposals for sweeping changes in numerous problematic areas. The privatization of postal services; banking reform; tax, medical-, and pension-system reforms; a limit on public spending; an explicit reduction in Japan's extensive and costly public works programs; the restructuring of the country's 163 public corporations; and a number of deregulatory measures were among his early and most conspicuous targets.

Had all of these promises been carried out, Japan's political economy would unquestionably have been radically transformed. George Mulgan's book is an extended analysis of why Koizumi has failed to deliver on his early promises. Fundamentally, she argues, he has missed a major historical opportunity, consequently leaving the country with even fewer resources to devote to its continually burgeoning problems.

A great strength of George Mulgan's book lies in its continual interweaving of structural and institutional politics with particular economic choices. The interlacing of Japan's political and economic problems should at one level be obvious, yet the most prominent debates among economic analysts and policymakers have too often been merely over how much attention Japanese policymakers should be devoting, among other things, to stimulating the economy, embracing inflation targets, devaluing the yen, tightening the budget, avoiding deflation, and reforming corporations. George Mulgan redirects attention to the political features likely to structure any such economic choices.

The book is organized around 13 political conditions originally specified by John Williamson and Stephan Haggard as necessary to carry out economic reform.¹ Using these criteria, George Mulgan argues that Koizumi took office armed with the resources that should have allowed him to carry out his reforms, thus making his failure to do so particularly paradoxical (p. 96). But after showing how a good theoretical case could be made for the apparent ease and likelihood of reform, George Mulgan then uses many of the same criteria to underscore the particular areas where she believes that Koizumi and his team either missed opportunities, made tactical errors, or else confronted impregnable structural impediments that caused their reform efforts to be derailed. She is hardly alone in her frustrations; many others had also hoped for more rapid and radical transformations under Koizumi's prime ministership.

Two underlying assumptions undergird George Mulgan's pessimistic message. Both shape her subsequent assessments. First, "economic reform"

1. "The Political Conditions for Economic Reform," in John Williamson, ed., *The Political Economy of Policy Reform* (Washington: Institute for International Economics, 1993), pp. 527–96.

is equated largely with the adoption of laissez-faire market principles such as those presumed to prevail in the United States, Australia, and Britain. To her this means “moving economies in the direction of freer and more transparent markets by introducing or strengthening the market mechanism” (p. 3).

Equally important is George Mulgan’s belief in the desirability of what she refers to as a “true Westminster” system of government. Such a government, she contends, is characterized by strong top-down executive leadership. The prime minister can issue, and ensure the implementation of, strong policy directives as a consequence of a loyal parliamentary majority and a largely pliable civil service. Japan, in contrast, the author argues, has a political system in which all executive directives must confront powerful parallel channels of policymaking within both the ruling Liberal Democratic Party (LDP) and the fragmented and often uncoordinated government ministries. The consequence, she concludes, is that “Japan does not have cabinet government, it has party-bureaucratic government. It is a system in which the executive is left out of the loop” (p. 146). No Japanese prime minister operating within such a system could be expected to succeed in effecting any reform agenda explicitly aimed at undermining these parallel channels of power.

How comprehensively any individual reader will accept George Mulgan’s overall argument will depend on the extent to which that reader agrees with her specific presuppositions about those three items above—the particular criteria needed for successful economic reform, the underlying goals of a laissez-faire economy, and the value of a Westminster system of governance. On each of these I have my particular doubts.

The Williamson-Haggard categories are unquestionably suggestive, but as with any taxonomy, their power rests on how well they focus our attention on aspects of a particular situation that might otherwise have been missed. They provide neither a predictive model nor clear-cut criteria for analysis. This is particularly problematic since George Mulgan uses the various criteria to cut both ways: on the one hand, they draw attention to Koizumi’s alleged assets as reformer, but then a number of them are reversed to highlight reasons why his reform efforts stumbled. Many of the specific interpretations of George Mulgan ring true, yet because the Williamson-Haggard categories are open to individualistic interpretation, one analyst’s “social consensus for reform” can as well be assessed as “divisive disagreement over details” by someone else. The individual lauded as a nonpareil “technopol” by A could as easily be dismissed by B as no more than a “politically naive theorist.”

Second, George Mulgan along with many other pro-reformers equates “economic reform” with the embrace of laissez-faire principles, thereby ignoring the multiple models of capitalism that have appeared across the in-

dustrialized world. Without question, the Japanese economy must cope more effectively with increasingly globalized monetary, trade, and production systems. Nevertheless, in doing so, Japan need not unilaterally embrace American-style capitalism and simultaneously jettison well-established Japanese norms of regional equality, social protection, long-term employment, corporate responsibility to stakeholders, activist and socially conscious government, and so forth. Countries such as Sweden, Italy, the Netherlands, and even South Korea have recently gone through significant economic reforms that retained many longstanding institutional structures and social commitments; these countries have achieved enhanced economic success even though their national political economies remain quite different from those of the United States or the United Kingdom. Japan, in its reform efforts, would do well to avoid falling into the trap of presuming that “capitalism” enjoys some single teleological magnetism, striking instead a sensitive balance between global adaptation and national particularity.

Finally, the efficiency of the Westminster model is compelling when the outside analyst shares the goals of whoever is driving the changes. Under the control of “good” governors, it can be a wonderfully effective system. Yet, to any minority steamrollered by Westminsterian “efficiency,” a system of checks and balances is obviously much more appealing. George Mulgan applauds many of Koizumi’s reform goals, as do I. But would top-down efficiency be so appealing if the Japanese prime minister were, for example, an antireformer, a territorial expansionist, an anti-civil libertarian, or a nationalist fanatic—no shortage of whom could be found among Japan’s political class? Her preferred political arrangements force one back to the classic Platonic conundrum of “who guards the guardians?”

Despite such hesitations, I agree with George Mulgan’s broad perspective: economic adjustment to a more globalized world has been exceptionally difficult to achieve in Japan, largely because of the strength with which Japan’s least economically efficient, but often most politically powerful interests have knotted up the Japanese economy. They have prevented changes that would increase national productivity and they have stymied Schumpeterian “creative destruction.”

Japan has always had its share of well-institutionalized feeders at the public trough, but over the last decade or so, the country has become even more dominated by mutually beneficial back-scratching among powerfully entrenched LDP politicians, individual bureaucratic agencies, and domestically oriented economic sectors such as agriculture, construction, distribution, financial services, air transport, road freight, food, agriculture, and small business generally. When Japan’s growth was rapid, the relative costs of such retrograde collusions were offset in large measure by enhanced tax revenues and increasing labor and capital productivity that derived from Japan’s more internationally competitive sectors such as electronics, auto

production, machine tools, and the like. With time, however, many of those international firms moved substantial portions of their productive capabilities abroad, taking Japan's best blue-collar jobs with them in an as-yet-uncorrected "hollowing out." Moreover, even Japan's best firms now face enhanced competition from corporations in the United States and Europe, low-cost labor centers in China and the rest of Asia, and a mass of debilitating domestic regulations that lock much of Japan into faxing and phoning while the rest of the world has moved on to email, text sharing, and B-to-B commerce. Without question, sweeping political and economic changes are essential if Japan is to remain even a moderately successful society in the face of its deteriorating demographics and geometrically expanding public-sector debts.

Despite the fact that my assessment of Japan's problems resonates with that of George Mulgan, I am somewhat less pessimistic than she is concerning Koizumi and Japan's prospects for reform. This may be largely because my assessment does not rest on Japan becoming an Anglo-American economy or embracing a Westminster system of politics. It may also be the result of my conviction that reform is invariably a slow-moving process, and one that, to be effective, must become deeply institutionalized.

With Japan twirling in the competing currents of reform and protection of established interests, it is difficult to offer a definitive answer as to whether and how substantially Japan is reforming. Are the country's underlying structures frustrating a well-intentioned reformer, or is the reformer simply lukewarm in his commitment to the reform agenda he nominally espouses? Just how enthusiastic about his task is Japan's purported dragon slayer, and how quickly are the dragon's fires being squelched? Greater historical distance will ultimately provide answers to such questions, determining the importance or irrelevance of this period, as well as of Koizumi himself. For the moment, however, I am more impressed by the practical political victories represented by the various structural political reforms that have occurred than by the idealistic goals that have been missed.

Many of the Koizumi reforms, though admittedly falling well short of their original promises, have nevertheless begun to set in motion the slow and arduous process of loosening the economically strangling talons of Japan's most inward-looking elements. The cabinet secretariat, the cabinet office, and the Council on Economic and Fiscal Policy all provide important weapons to any prime minister seeking to bypass the entrenched party and bureaucratic roadblocks to change. Many previous bureaucratic powers have been curtailed. Politicians bent on securing particularistic regulatory favors for their friends must now get the permission of top officials before contacting individual civil servants. Policy changes have meanwhile been made in the postal system, in the road budget, in restructuring or eliminat-

ing several public corporations, in corporate accounting, in public spending for information technology, and elsewhere.

Of equal importance, and largely unexamined in this book, many Japanese corporations have begun making substantial changes to enhance their global competitiveness. These will ultimately contribute to overall national growth. Moreover, though still far less welcoming of incoming foreign direct investment than any other industrialized democracy, Japan has become far more receptive to foreign mergers and acquisitions in numerous key areas from finance to auto production, creating new sources of dynamism and competitiveness within the Japanese domestic market. Such changes on the corporate front may prove to be at least as important as those taking place in national politics.

The real question that neither George Mulgan nor I can yet answer is whether the changes that have occurred so far will be built upon and thus create momentum for still further changes or whether, instead, they will remain stillborn, perhaps even subject to rollback by some antireform successor to Koizumi. Perhaps because my expectations are less dramatic than hers, perhaps because I believe in the long-term momentum of even incremental institutional changes, or perhaps because I see no sustainable economic future for Japan without substantial reforms, I find myself impressed by George Mulgan's sweeping evidence, but drawing somewhat more optimistic conclusions than she does about Japan's future.

Machiavelli's Children: Leaders and Their Legacies in Italy and Japan.

By Richard J. Samuels. Cornell University Press, Ithaca, 2003. xiv, 456 pages. \$39.95.

Reviewed by

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Richard Samuels has written an extraordinarily ambitious and, in large part, successful book. *Machiavelli's Children* has two overt themes and an implicit one. It compares and contrasts Italian and Japanese political and economic history from the mid-nineteenth century until the present. It explores the nature and meaning of leadership. And, less wittingly, it expresses American dreams and nightmares in the early twenty-first century.

In echo of its epic intent, it is arranged in 12 chapters, three in each of four parts. They deal with "Creation Stories" (the Risorgimento in Italy and the Meiji Restoration in Japan), "Liberal Exhaustion" (the failure to avoid