

JAPAN

Since 1980

Thomas F. Cargill

University of Nevada, Reno

Takayuki Sakamoto

University of Kitakyushu, Japan



CAMBRIDGE
UNIVERSITY PRESS

Contents

<i>Preface</i>	page xi
<i>Abbreviations</i>	xiii
1 Introduction and Overview	1
<i>Introduction</i>	1
<i>The Pretransition Period: Developments up to 1980</i>	3
<i>The Transition since 1980 in Broad Perspective</i>	10
<i>The High-Water Mark of Japanese Economy, 1980–1985</i>	11
<i>An Accident Waiting to Happen, 1985–1990</i>	13
<i>Economic, Financial and Political Distress, 1990 to 2001</i>	15
<i>Koizumi – The Unconventional Politician, April 2001–September 2006</i>	17
<i>Beyond September 2006</i>	20
<i>Outline of the Study</i>	22
2 Economic and Political Institutions in the 1970s	27
<i>Introduction</i>	27
<i>Economic and Political Institutions: Is Japan Special?</i>	29
<i>The Financial System</i>	32
<i>Corporate Governance</i>	38
<i>Labor Market Institutions</i>	40
<i>LDP Dominance</i>	46
<i>The Bureaucracy</i>	48
<i>Constrained Policy-Making Power of the Prime Minister</i>	49
<i>The Iron Triangle in Sum</i>	53

3	The “High-Water Mark” of the Japanese Economy – A “Model” of Financial Liberalization: 1980 to 1985	55
	<i>Introduction</i>	55
	<i>Financial Liberalization at the Forefront of the Transition</i>	57
	<i>Collapse of Bretton Woods</i>	57
	<i>Inflationary Monetary Policy</i>	59
	<i>Low Transactions Cost of Institutional Change in Finance</i>	61
	<i>Advances in Computer and Telecommunication Technology</i>	62
	<i>Financial Redesign and Financial Liberalization in Broad Perspective</i>	63
	<i>Japan Commences Financial Liberalization</i>	68
	<i>Financial Liberalization Becomes Official Policy in Japan</i>	75
	<i>Redesign of Japan’s Financial System</i>	76
	<i>Japan as a Model of Financial Liberalization and Central Bank Policy</i>	80
4	An Accident Waiting to Happen – The Bubble Economy from 1985 to 1990	83
	<i>Introduction</i>	83
	<i>Japan’s Fundamentally Flawed Financial Liberalization Process</i>	84
	<i>The Bubble Economy in the Second Half of the 1980s – the Beginning of the End</i>	90
	<i>Japan’s Bubble and Burst of the Bubble à la Minsky</i>	92
	<i>The Story up to 1990</i>	99
5	Economic and Financial Distress from 1990 to 2001 and the Turning Point	101
	<i>Introduction</i>	101
	<i>Government Response to the Economic and Financial Distress of the 1990s</i>	105
	<i>The Turning Point: Koizumi</i>	119
6	Why Did the Economic and Financial Distress Last So Long?	123
	<i>Introduction</i>	123
	<i>Japan-Specific Restraints on Institutional Redesign</i>	125
	<i>General Restraints: Bank of Japan Policy</i>	136
	<i>Deflation Is a Serious Problem</i>	137
	<i>Why Did the BOJ Permit Deflation?</i>	139
	<i>Koizumi and the BOJ</i>	142
	<i>General Restraints: Japan’s Fiscal Program</i>	143

7	The Transition of Political Institutions in the 1990s and the New Century	148
	<i>Introduction</i>	148
	<i>Political Corruption and Call for Political Reform</i>	150
	<i>The LDP's Split and Fall from Power, Electoral Reform, and Party Realignment</i>	151
	<i>Economic and Financial Distress and Government Inaction</i>	154
	<i>Electoral Reform and Implications for Prime Minister Leadership</i>	157
	<i>Administrative Reform and Implications for Prime Minister Leadership</i>	160
	<i>Central Bank Reform and Political Implications</i>	163
	<i>The Policy-Making Process during the Koizumi Administration</i>	166
8	Political Economy of Japan's Fiscal Program	172
	<i>Introduction</i>	172
	<i>Fiscal Conservatism out the Window in the 1990s, Except in 1997</i>	173
	<i>The General Budget: Pre-1990s</i>	176
	<i>The General Budget in the 1990s</i>	183
	<i>Fiscal Consolidation Debacle of 1997 in Detail</i>	189
	<i>The Redesign of Japan's Fiscal Policy: Hashimoto and Koizumi</i>	193
	<i>The FILP Budget: Pre-1990s</i>	196
	<i>Redesign of the FILP Budget</i>	197
9	Koizumi Administration's Reform in Broad Perspective: Fiscal Consolidation and Market Reform	201
	<i>Introduction</i>	201
	<i>Reducing Government Spending</i>	203
	<i>Reform of Government Programs and Institutions</i>	207
	<i>Postal Privatization</i>	216
	<i>Restructuring of Government Financial Institutions</i>	217
	<i>Privatization of Japan Highway Public Corporations</i>	218
	<i>Closure or Privatization of Other Public Corporations</i>	219
	<i>Reforming the Relationship between the National and the Local Governments – Devolution</i>	220
	<i>FILP Budget Reduction Manifests the Combined Effect of Koizumi's Policies</i>	221
	<i>Administrative Reform and Amakudari</i>	222
	<i>Other Economic Policy Reforms</i>	223

<i>Accounting for Koizumi's Success</i>	226
<i>Koizumi: Lasting Influence?</i>	229
10 Japan's Corporate Governance, Labor Practices, and Citizens' Social and Economic Life at the Beginning of the New Century	235
<i>Introduction</i>	235
<i>What Are Japanese Companies Like Now?</i>	237
<i>New Corporate Governance Institutions</i>	242
<i>Adverse Consequence of Restructuring for Japanese Workers: Increase of "Nonregular" Workers and Personal Financial Fragility and Instability</i>	246
<i>Increasing Income Inequality and Poverty: Japan Is Not the Egalitarian Society that It Was</i>	249
<i>Decline of Population and Birth Rates, Population Aging, and Their Effects</i>	256
<i>Women, Work, and Birth Rates</i>	259
<i>Immigration is Not an Immediate Solution for Workforce Decline</i>	263
<i>Japan's Welfare Regime: Implications for the Economy and People Today and in the Future</i>	264
<i>Japan's Welfare in Comparative Perspective</i>	265
<i>Expected Economic and Social Difficulties in the New Century</i>	273
<i>Overview</i>	278
11 Japanese Political Economy in the First Decade of the New Century	280
<i>Introduction</i>	280
<i>Economic Reform and the Economy</i>	281
<i>Demographic and Socioeconomic Challenges</i>	285
<i>Generational Replacement</i>	286
<i>Power of the Prime Minister: Lasting Influence of Koizumi</i>	288
<i>The Bureaucracy in the New Japan</i>	291
<i>Public Opinion, Policy Competition, and Potential for Change in Government</i>	294
<i>A Final Note</i>	298
<i>References</i>	299
<i>Index</i>	307