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A PRELIMINARY NOTE ON THE STATE IN CONTEMPORARY JAPAN

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I *The Postwar Capitalist State*

To speak of the State in Japan today implies making an analysis of the profound social and political changes brought about by the so-called Japanese postwar economic miracle. Before World War II, Japan was not a fully developed capitalist country, with many pre-modern elements remaining both economically and politically. After 1945, Japan was occupied by the Allied Forces, and industry was reduced to ashes. Today, Japan is the number three economic power in the world, and her international status has clearly changed.

In the economic field, the share of Japanese GNP in terms of total world production was 3.5% in 1955, and rose to 9.5% in 1979. Japanese industrial exports accounted for 4.3% of total world trade in 1955, and 13.3% in 1980. In the military field, Japan is now the eighth ranked military force in the world, although she has no nuclear weapons and her military expenditures have been held to under 1% of the GNP. In the political and diplomatic field, Japan has been called a dependent supporter of U.S. world policy, but has become more outspoken in international affairs in accordance with her economic success, and the relative decline of her partner, the United States. Japan is now one of the most developed capitalist countries in the world, and she is often labeled the Asian military policeman for the western world by other Asian peoples.

The postwar state in Japan can and must be called a capitalist state. The State, before the defeat of 1945, was often considered to be a pre-modern or absolutist state, because the system retained traces of feudalism, and the landlord-tenant relationship existed in agriculture.

In the prewar system, sovereignty was exemplified by the Emperor (Tenno), who was the supreme commander of the Imperial Military Forces, and whose approval was required to appoint a cabinet. The Diet had no real legislative rights, because the Emperor had independent legislative rights, including the right to veto bills of the Diet. In practice, the State was ruled by elder statesmen and the military, and the people had very limited chances of having their interests represented politically, although male franchise was enacted in 1925, and cabinets made up of the representatives of two political parties were formed from 1924 to 1932. These limits to democratic government during the modernization of Japan was one of the main reasons for the militarization and development of Fascism during the war.

However, the Japanese State prior to 1945 also had another face, which facilitated and regulated the development of capitalism. The State promoted industrial activity, an equal educational system, the introduction and the assimilation of western technology,

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and overseas expansion. Thus, Professor Chalmers Johnson called Japan a 'developmental state' in his book, "*MITI and the Japanese Miracle*." This accumulative function of the State survived up until the postwar era, and is characteristic of the economic growth since the 1950's.

The history of Japanese society after the Meiji Restoration of 1868, was in a sense, a full scale attempt to set up a capitalist society. However, the State after 1945 must be distinguished from the prewar State, at least in terms of the international environment, and the internal organization of its political system. After World War II, Japan was occupied by the Allied Forces of the anti-fascist states, but the true occupation power was the United States, which became the hegemonic power in the postwar capitalist reconstruction of the world. In opposition to the socialist rebuilding led by the Soviet Union, the United States carried out the demilitarization and democratization of Japan, which determined the following line of development, and resulted in the formation of a capitalist state.

The capitalist state after World War II has some distinctive characteristics. As the result of the war, capitalist countries in Europe were destroyed. Some Eastern European countries developed a socialist economic system, influenced and led by the Soviet Union. Former colonial countries sought and realized political independence. The international state system after the war has changed through this world-wide building of nation states. For example, United Nations membership totalled 51 in 1945, and now consists of approximately 160 nations. The reconstruction and development of the postwar capitalist system should have taken this new international relationship of forces into consideration.

An imperialist war between western superpowers is not likely, because it may lead to a socialist revolution or to the destruction of the countries involved. In addition, aggression or annexation of other nations is not impossible, but it involves great danger. Thus, the postwar capitalist countries have chosen to form an alliance against the socialist bloc nations and the Third World. This alliance of postwar capitalist states has two important pillars, the IMF-GATT system and the nuclear military network. The IMF-GATT system was the basis of capitalist reconstruction, in which the United States organized and initiated a new imperialist bloc for mutual trade and economic expansion into the Third World. This system can be called the imperialist economic alliance.

This postwar imperialist alliance has of course, some inner contradictions, but has not led to war or other antagonistic conflicts. This economic alliance is accompanied by several military alliances for the defense of common interests. This military alliance stretches across the world in the form of NATO, the Treaty of Mutual Cooperation and Security between Japan and the U.S., ANZUS, etc. in opposition to the Warsaw Pact of socialist states. This military side of the imperialist bloc can be called the anti-communist nuclear military alliance.

In terms of the economic alliance, the relative power of the United States has declined, but militarily, America continues to be the superpower because of its nuclear power. Many capitalist states are under the umbrella of American nuclear weapons, and there are some countries where the U.S. Forces maintain bases. Japan is one of the most important military bases for U.S. world strategy.

The inner structure of the postwar capitalist state has also experienced some basic changes. Mass democracy with universal suffrage and basic labor rights has become popular in all advanced capitalist countries. All state activities are checked and legitimized

by this democratic political process. The Japanese Nation experienced democracy for the first time after the war and during the American occupation. The Western European nations, with long labor movement traditions, and through struggles, stabilized their democratic political systems after the Nazi experience.

Even more remarkable is the growth of economic functions by the postwar capitalist state. In some countries such as Japan, Germany, and Italy, where capitalism was late in developing, the state played a large role in the process of industrialization. After socialist economic planning began in the USSR, and because of the Great Depression in 1929, capitalist countries introduced Keynesian fiscal and financial policies to avoid economic crises, and to maintain capital accumulation.

The capitalist state, which was once considered a passive instrument separated from the market mechanism, began to intervene actively in the process of accumulation. The postwar capitalist state can be considered to be an interventionist state in terms of accumulation. However, the state can not freely manipulate capital accumulation. It can only modify the economic cycle, and moderate the crisis, and all state activities, including these interventions in the economic process must be legitimized through the democratic political process. In this sense, the postwar capitalist state is an interventionist accumulative state, and is also a state legitimized by the democratic process. This combination of intervention in the economy and legitimization through mass democracy, was a new trend in the history of capitalism.

The former liberal state of England or North America in the 19th century, were not democratic, because they lacked real universal suffrage for workers, women and blacks, and were organized to advance the power and wealth of the privileged class. This liberal state maintained free economic competition, although it sought to facilitate capital accumulation. Some capitalist states such as Japan and Germany were certainly interventionist in terms of their own economies in the 19th century, but they were neither democratic nor liberal. The civil society, located between the economy and the state, and mediating these two areas comprising the social formation, was not organized democratically in the 19th century. However, through the efforts of the labor movements and through democratic struggles, all people have gained political rights in the 20th century. This civil society is the focus of the contradiction between the accumulative and legitimate function of the capitalist state, and is where class struggle and popular-democratic struggle take place. The civil society in Japan have matured after 1945 through the occupation and through economic growth.

II *Economy, Civil Society and the State*

We now find four common characteristics of the postwar capitalist state, (1) the imperialist economic alliance, (2) the anti-communist nuclear military bloc, (3) intervention by the state in capital accumulation, (4) legitimization through popular democracy. Each capitalist state has these characteristics to some degree, defined by the international relationships of the forces, and by the stage of world capitalist development. However, the form of each state differs.

For an analysis of the concrete state-form, we need to examine some relative factors:

(a) the state's international position in the imperialist economic alliance, (b) its role in the anti-communist nuclear military bloc, (c) the structure of capital accumulation and reproduction, (d) its traditions, social make-up, and struggles of civil society, and (e) the manner in which its economy, civil society, and state combine and interact.

(a) The position of Japan in the imperialist economic alliance has changed greatly due to the high rate of economic growth from 1955 to 1973. During the occupation by the United States, Japan experienced agricultural reform, dissolution of the Zaibatsu (financial groups), and radical change in its economic structure. Under the pressure of the Cold War, the U.S. sought the reconstruction of Japanese capitalism. Economic assistance from the U.S. and American procurements during the Korean War provided the basis for economic growth. The U.S. held Japan up as a model for Asian modernization (or rather Americanization), and Japan played this given role superbly.

During the Vietnam War, and with the decline of the dollar, Japan became an independent partner of the U.S. Japan's high rate of economic growth was itself one factor in the American decline. The Japanese GNP passed the West German GNP in 1968, and continued a path of relatively higher growth after the oil shocks. The Japanese economy has become one of the three pillars in the capitalist world. The IMF-GATT system collapsed after 1973, but the Japanese economy is closely linked to the U.S. and the EC. It is well known that Japan is a country that imports raw materials and exports manufactured goods. The East Asian countries are an important market for Japan, but the advanced capitalist countries are also indispensable trading partners for Japanese exports.

Japan has a policy of living by trade, and must continue to maintain this policy. In recent years, Japan's trade disputes with the U.S. have often been reported, but Japan cannot withdraw from the imperialist alliance under the hegemony of the U.S. She will be more deeply committed to the rebuilding of world capitalism, and her position will surely rise in accordance with the American decline and the difficulties facing the EC.

(b) In a military sense, Japan remains in a secondary position in the anti-communist bloc. The surrender of Japan in 1945 was decided after the dropping of the atomic bomb by the U.S. on Hiroshima and Nagasaki. The main policy of the U.S. occupation was the demilitarization of Japan. The 1946 Constitution of Japan states that "We, the Japanese people, desire peace for all time, and are deeply conscious of the high ideals controlling human relationships, and we have determined to preserve our security and existence, trusting the justice and faith of the peace-loving peoples of the world." Article 9 further states that "the Japanese people forever renounce war as a sovereign right of the nation and the threat or the use of force as means of settling international disputes." In the framework of the Constitution, the defense of Japan depends largely on the U.S. Forces, which even now has over 100 bases and over 40,000 military personnel stationed in Japan. Japan presently maintains the Self-Defense Force, which grew out of the National Police Reserve in 1950, and the Peace Reservation Corps in 1952, and was formally established in 1954. This Self-Defense Force now has 240,000 members, but its very existence is cast in doubt by the wording of the Constitution. In addition, it is deeply dependent on the U.S. Forces because of the Treaty of Mutual Cooperation and Security between Japan and the U.S. This military specialization, brought about by the limitations imposed by the Constitution, and the dependence on the U.S., is one reason for Japan's efficient economic growth since the Nation has avoided wasting funds on armaments. In regard to nuclear weapons, the

experience of Hiroshima and Nagasaki remains so strong, that over 70% of public opinion is opposed to nuclear rearmament. Japan is even now under the umbrella of U.S. nuclear power and military strategy, but it is being strongly demanded by the U.S. and other capitalist states that Japan must play a larger role in the defense against the communist threat, in accordance with her economic power.

The Japanese ruling class would like to see an expansion of armaments to fulfill Japan's responsibility as an economic superpower in the imperialist bloc, to defend her own rights and interests in Asia, and to continue her economic growth by developing the domestic munitions industry, if the Japanese people permit it.

(c) The economy in Japan has become fully industrialized. The primary industrial sector of production is the heavy and chemical industry, and the main components of the growing export market are automobiles, electrical machinery and instruments, and precision machinery, etc. This configuration is typical of contemporary advanced capitalism. In addition, information intensive industries, which produce industrial robots, computers, and semiconductor devices are being developed as future strategic industries. However, the inner structure of Japanese capitalism has some weak points. Japan lacks raw materials and energy. A large part of her food is dependent on imports. This structural weakness is well known. In addition, while the labor force in Japan has been both diligent and obedient, which surely accounts for one source of the rapid economic growth, this economic growth has produced a new lifestyle and a new level of consciousness in workers. Today, numerous public opinion polls show that many Japanese feel they worked too hard during the period of high growth, and they now desire more leisure time. The dual structure of Japanese industry is also well known. Many medium and small-sized enterprises depend on the large companies, and subcontract work from them. The wages and working conditions in these medium and small-sized enterprises are very inferior to those of the large companies. Japanese capitalism is further troubled by over-production, which is also the case in other countries. Because of world-wide recession, there is no special remedy for escaping from the structural crisis facing world capitalism. The ruling capitalists in Japan are planning to increase exports, and to stimulate the domestic market through regional development and urban-renewal. The State supports this plan and provides various means to increase production. However, the future of capitalism in Japan is not as clear as it is in other capitalist countries.

(d) To be exact, the nature of Japanese society following the period of economic growth has drastically altered. Society before World War II was in general rural and patriarchal. Defeat in war swept away the basis of old social relationships. The high economic growth has basically changed the social structure and brought about new modernized social relationships. The clearest index of this change is the great migration of the population to the cities. The percentage of the population in cities was only 27.8% in 1945, but rose to 75.9% by 1975. This urbanization was of course a result of structural changes in the economy. In the Table of Industrial Nomenclature, the composition of employment is as follows:

	Primary	Secondary	Tertiary
1950	48.3%	21.9%	29.8%
1960	32.6	29.2	38.2
1970	19.3	33.9	46.8
1982	9.7	34.2	56.1

This national migration and change in the industrial structure shows that the lifestyle of the Japanese people underwent a profound and radical transformation. The Americanized lifestyle, characterized by electrical appliances, private cars, nuclear families, and commercial advertising, was popularized not only in cities, but also rural regions. Many people enjoy material wealth and a variety of lifestyles, but lack a sense of community. They have become egoistic and materialistic because of these sudden changes in their environment. Industrialization and urbanization have resulted in material abundance within the civil society. People have learned to satisfy their desires, seek a happy family life, and demand leisure time away from their places of work and away from family and social obligations. Given this civil society, political socialization of the citizens does not meet the needs of a democratic society. Japanese women have for the first time in history political rights. Labor unions and socialist parties can function legally. But the political side of civil society in Japan has numerous problems.

One of these problems is the so-called tradition of Japanese collectivism. This collectivism represses free representation of individual interests or values, and voluntary groups and even political parties tend to seek orderliness and harmony rather than the free exchange of ideas.

Another tradition is authoritarianism. This is in one respect a historical product of the Imperial System, but in another respect it is a new product of the management in large, centralized companies, which developed during the period of economic growth. For example, workers can not freely disagree with their superiors, not because of class-conscious hostility, but because of the fear of losing their jobs and their status. The material side of civil society has matured, but the subjective side lacks a sense of individuality. Civil society in Japan presents a complex and incomprehensible obstacle to analysis.

(e) In the theoretical abstract model of the social formation, the existence of the state is constrained by the economy, and mediated by the civil society (John Urry, *The Anatomy of the Capitalist Societies*, p.116). The articulation of these three areas of social formation differs in each country. In Japan, we can see that the State is relatively autonomous in terms of the economy and civil society. This autonomy originated from the decisive role the State played in the development of the Nation. The capitalist economy in Japan could not have developed without the support and inducements of the State. Civil society could not be autonomous because of the repressive Imperial System of authoritarianism. Japanese society has long been controlled in a vertical manner. This tradition is reflected in all social relationships even today. The State is not a simple instrument of the capitalist class, but is the specific material condensation of a relationship of forces among the classes and class fractions (N. Poulantzas, *State, Power, Socialism*, p.129). Thus, an analysis of the contemporary Japanese State must be an explication of the combination of these three areas, and the relationship of forces in each area.

III *The Entrepreneurial State*

We will now deal directly with the State in Japan. For an analysis of the concrete form of the State, we use four indexes: (1) the mode of political representation of forces in civil society, (2) the social basis of state power, (3) the mode of state intervention in the

economy, and (4) the arrangement of state apparatuses and personnel, as suggested by Nicos Poulantzas and Bob Jessop. Poulantzas claims that the state is the specific material condensation of the relationship of forces among the classes and class fractions. He also claims that condensed within the state are, for example, differentiation in the power bloc and relationships of force among its components; shifts in hegemony from one class or fraction to another; changes in the character and representation of social classes, in the relations of the power bloc with supporting classes (petty bourgeoisie, peasantry), and in the organization of the working class and its strategic relations with the bourgeoisie, and that these are all imprinted in the organization of each state apparatus; in the relative autonomy of the state with regard to the dominant classes; in the functioning and the form of contradictions within the state; in the configuration of its organizational framework and the domination of one particular apparatus over others; in shifts in the limits between repressive, ideological and economic apparatuses; in permutations in the various functions of the state; and in the organization of state personnel (*ibid.*, p.159). Bob Jessop has added the non-class popular-democratic relationship of force to the class (and class fraction) relationship of Poulantzas, and he provides an original framework for state analysis, by summing up the recent development of the new Marxist state theory. Jessop's theses are as follows: (1) The state is a set of institutions that cannot, qua institutional ensemble, exercise power, (2) political forces do not exist independently of the state: they are shaped in part through its forms of representation, its internal structure, and its forms of intervention, (3) state power is a complex social relation that reflects the changing balance of social forces in a determinate conjuncture, and (4) state power is capitalist to the extent that it creates, maintains, or restores the conditions required for capital accumulation in a given situation, and it is non-capitalist to the extent that these conditions are not realised (B. Jessop, *The Capitalist State*, p.221).

Guided by these theoretical suggestions of the so-called relational theory of the state, we can now sketch the outline of the State in contemporary Japan.

(1) Political representation in Japan was concentrated in the Diet as mandated by the 1946 Constitution. Article 41 of the Constitution says that the Diet shall be the highest organ of state power, and shall be the sole law-making organ of the state. In this legal framework, various political parties struggle with each other for a dominant role in the Diet through the electoral process.

Contemporary party politics in Japan is characterized by the fact that the Liberal Democratic Party (LDP) has continued its dominant role for 30 years. However, the share of the LDP vote, and the position of political parties in Japanese politics are declining. The LDP is the party closest to the monopoly capitals, and works in combination with the state bureaucracy. The political funding of the LDP is dependent on the large companies. The long reign of the conservative LDP government has created two ambivalent results. The first is the close interaction and relationship among large companies, high government officials, and the LDP, which is deeply rooted in the political process. The second fact is that the majority of people left out of this dominant structure have become non-political or apolitical. They do not support any party and do not take part in elections. This is one long-range tendency in Japanese politics.

The centrist parties (the Komeito, the Japan Democratic Socialist Party-DSP, and the Social Democratic Federation-SDF) have made efforts to assume power through coali-

tions which exclude the LDP, but the gap between the LDP and the other parties is so great that the policies of these centrist parties have become more and more similar to those of the LDP, and so they struggle among themselves for a place of coalition with the LDP. The leftist parties (the Socialist Party of Japan and the Japanese Communist Party) are not strong enough to threaten the dominant position of the LDP. They remain as opposition parties only to prevent re-militarization and to check the reactionary policies of the LDP. Although the SPJ is the second strongest party in the Diet and exercises the strongest influence in the trade union movement, its power is weakening along with that of the LDP. The JCP has a policy similar to that of the Euro-communist parties, but its share of the vote is about 10%, and by the end of the period of economic growth, this influence could not be extended. The actual threat to the LDP is the non-party forces, which sometimes take part in elections and so weaken the absolute majority of the LDP.

Party politics in the American or European manner has not been realized in this 30 year period, notwithstanding the great changes in society. This is a clear example of the disfunction of democracy in Japan.

Of course, there are many interest groups and struggles which influence the political process and policy-making. Group politics in Japan had developed before World War II, but the postwar situation is essentially different. Firstly, as a result of the collapse of the Imperial System, and the democratization brought about by the American occupation, people had, for the first time, the right of free speech and association. Secondly, the working class has used these rights, and so trade unionism has become popular. Thirdly, the large economic organizations and the farming organizations are major pressure groups which support the LDP and the cabinet, as they did in the prewar era. However, the social base and activity of these groups is much greater now than it was before the war. Fourthly, during the period of economic growth, the new social movements opposing environmental pollution and nuclear war have arisen outside of the political parties. These types of groups are a new phenomenon of the postwar years. However, these groups themselves are often authoritarian and un-democratic, the common relationship between these organizations and the political parties is not autonomous, and their role in policy-making is limited to an oppositional one.

In recent years, together with these modes of political representation (parliamentarism and pluralism), a new political mode can be found. This is a type of neo-corporatism. The government formed an extraordinary public administrative council in 1981, as public financing experienced difficulties due to overspending by the government, and by the issuing of deficit financing bonds during the 1970's. This council consists of representatives from large enterprises, trade unions, the mass media, academic figures, and former government officials. The composition of this council is similar in nature to the European tripartism. This council has reported to the Prime Minister that the number of public employees should be reduced, and that the priority of public expenditures should be re-examined. This plan for the reform of public administration has been put in operation, and the wages and the number of public workers have been restrained. This mechanism of policy making is similar to neo-corporatism, and the results are similar to the income policy of European countries, because Japanese public workers form the basis of the labor movement, and their wage standards strongly influence the wage scales of private enterprises. Thus, one journalist called this council 'a legislative organ that is not subject to the vote of

the people.' Two national trade unions which sent representatives to this council agreed to cooperate in this reduction in the number of public workers. However, this mode of representation in Japan has some important differences from the European neo-corporatist system. It is certain that the Japanese system has common characteristics with the European system in its tripartite composition, in the decision-making process for economic policy, in the function of cooperation between capital and labor, and its form of non-parliamentarist legitimation. However, labor representation is not as strong as in European tripartism, because the trade unions only account of 30% of the workforce in Japan, and the unions themselves are divided. European neo-corporatism was built during the period of economic growth as a mechanism of the welfare state, usually with the government in power being a social democratic party. Japan has never experienced either a welfare state or government by a social democratic party, although the Socialist Party was in cabinet twice during the American occupation. In European neo-corporatism, workers have gained some expansion of rights or improvements in working conditions in exchange for wage restraints. Japanese workers are forced to accept not only cuts in wages, but also restraints of rights and a worsening of labor conditions. In the European experience, the neo-corporatism among labor, capital, and the state, has stirred up resistance of the non-class social movement against the monopoly representation of capital and organized labor. The Japanese system is accompanied by a type of national conservative movement, and non-class social movements are supporting administrative reform in favour of the so-called cheap government. Thus, there is a kind of neo-corporatism in Japan, but it must be called quasi-corporatism, because labor is too weak to pressure for, and achieve their minimum rights in opposition to the capitalist powers and the State.

(2) The social basis of state power in Japan is now being rearranged. The power at the time of the occupation from 1945 to 1952 clearly belonged to the U.S. However, the mode of occupational administration in Japan was indirect as opposed to that of Germany. The occupational powers controlled and used former leaders of the ruling classes as long as they obeyed the commands of the Allied Forces. The Emperor was left as the symbol of the State to unite the Japanese People. Military cliques and war criminals were purged, but most high government officials and business leaders survived as the agents of the U.S., or as direct executors of occupational policies. De-militarization and democratization were the main slogans of occupational policy, and the people, released from the old forms of statism, accepted them favourably. After the new Constitution was adopted in 1946 and formal independence took place in 1952, the State had to legitimize its own activities through the democratic political process.

In the political process, the medium-sized constituency system was beneficial for the LDP, because the LDP had absolute influence in rural electoral districts. The LDP is essentially a party representing the interests of monopoly capitals and a agent of the imperialist economic and political alliance, but LDP Dietmen were also the interest mediators of farmers and small and medium-sized businesses, especially in rural districts. During the period of rapid economic growth from 1955 to 1973, the political mechanism of interest mediation and redistribution, in exchange of voting support for the LDP, developed and spread. This mechanism created the social basis of the postwar state.

The support for the state power was supplied mainly by the traditional middle class. However, economic growth has destroyed this basis. Urbanization has meant the decline

of the rural community and of the agricultural mode of life. The support of farmers given to the LDP is not sufficient to ensure stability of the government. The ruling political bloc consists of monopoly capitalists, party leaders of the LDP, and high governmental officials. This bloc required a new social basis after the oil shock of 1973. The new support for the LDP and the capitalist system has been found in a sector of the working class. So-called Japanese management and Japanese collectivism offered the best conditions for the new corporatist strategy. Workers in large companies accept relatively better wages and working conditions. Their trade unions are organized in each corporation and cooperate with the capitalists. Middle managers especially, believe that their interests are the same as their companies and the State. Workers in small enterprises tend not to be organized into trade unions, and they, especially the younger workers, are often indifferent to political problems. Thus the State is seeking to secure its new social basis among the new middle class and white collar workers. This attempt is now underway.

(3) State intervention in capital accumulation has not been uncommon in Japan since her start toward industrialization. Economic officials were not relieved of their posts by the occupation as opposed to the political and military leaders. The State in Japan has always been in the center of economic development. When we look at official statistics for national financing in the capitalist world, it appears that public financing does not play a great role in the national economy of Japan, as it does on other capitalist countries. Japanese governmental expenditures totalled only 10.1% of the GNP in 1981, while they were 19.1% in the U.S., 20.7% in Germany, and 24.3% in the U.K. The number of governmental officials is also lower in Japan than in other capitalist countries. This suggests that Japan has a relatively inexpensive government in relation to other capitalist countries. But this does not suggest that the State in Japan has no great role to play, or is liberal. Although there are few national enterprises and public corporations, the economic growth in Japan can not be considered apart from the role of the State. The secret is in the manner of state intervention.

Intervention in Japan is not direct, as opposed to intervention in other capitalist countries. The Japanese method works through the use of indirect administrative guidance. The government strongly influences the business world. The well-known Ministry of International Trade and Industry (MITI) presents the business world with indexes concerning the economic plan, and offers suggestions on ways to fulfill the plan. Private enterprises follow these guide lines in the collective interest of the business world. This technique of administrative guidance was handed over from the prewar bureaucracy to the postwar economic bureaucracy. Moreover, the accumulative function of the state represents itself in terms of the component of public financing. Public investment occupies the central position in the national financing of Japan. Only a small share of this expenditure goes for social welfare or social services, and the greatest share is for regional development or the industrial infrastructure. Private enterprises, above all the large companies, gain enormous benefit from these public expenditures. The tax system is also of great advantage to large companies. The government often controls even the production of each industrial sector. More important is the small amount of welfare and military expenditures. Public finances in Japan on the whole, favor large companies, and all of these systems affect economic development. Thus, when we see the depth of state intervention in the process of capital accumulation, and the composition of national financing

in the capitalist world, we can distinguish three types of capitalist states. The U.S. in the 1960s was a typical military state, because her military expenditures were enormous as the largest nation in the imperialist bloc, and her armament industries were at the center of the national economy. The U.K. in the 1960s was a welfare state, because a large share of state expenditure went for social security and welfare, and the pressure of wage increases made high economic growth impossible. Japan in the 1960s was a typical entrepreneurial state with no real welfare and heavy armament outlays, which allowed her to expand the rate of capital accumulation and gain an international market. While the U.S. developed into a relatively welfare state during the Vietnam War, and the U.K. attempted to become an entrepreneurial state characterized by new liberalism, Japan remained the most profitable type of capitalist state, the entrepreneurial state.

(4) The state is not monolithic, but is an ensemble of institutions. These institutions can be divided into some functional state apparatuses. We can distinguish a repressive, ideological, economic and welfare-representative apparatuses. The army and the police are typical repressive apparatuses, the public schools and the media are ideological, the ministry of Finance and MITI are economic, and the Diet and the Ministry of Health and Welfare can be welfare-representative for the people. This does not suggest that each apparatus performs only one function. For example, the Diet is a representative apparatus for citizens, but it also functions ideologically to maintain domination. The Ministry of Labor is welfare-representative, but it can also function accumulatively in the administration of labor market. In Japan, the main function of the state is the playing of a dominant economic role.

In prewar Japan, the repressive state apparatus was enormous and played a dominant role. Repressive organizations were destroyed by the occupation during the demilitarization, but were then reconstructed and reinforced at the time of the cold war. However, the repressive state apparatus in the postwar era is, as a whole, a marginal and concealed organ of day-to-day domination, although it became greater in the 1970s, and will have to face the people if a political crisis arises.

The welfare-representative apparatus in Japan plays a great ideological role in terms of domination, but the Diet is actually not in the center of policy-making, and the welfare system in general, is relatively undeveloped compared with Europe and the U.S. This apparatus is often useful for class, and popular-democratic struggles, but its status within the state system is in practice not very high.

The ideological apparatus in Japan is very wide-spread in civil society. The educational system under the control of the Ministry of Education and the mass-media networks of television and newspapers have great influence on the ideological relationship of the forces. However state control over these apparatuses is not easy to accomplish. The mass-media is often the cause of problems for the business world and the State, because it can become a weapon in the struggle against state domination. The educational system is also ambivalent for the ruling class. The public school system has been developed since the start of Japan's modernization. Though the postwar educational system is a product of the democratization mandated by the U.S., it is suitable to the new democratic constitution. Especially important is the role of teachers and their trade unions. The Japan Teachers Union is one of the most active trade unions in Japan. This activism is also found in other unions within state organizations. Workers in the State form the main stream of the leftist

labor movement. They support the leftist parties in the representative state apparatus, and attempt to create more democratic services for the people.

Thus, the most important section for domination by the State is now the economic organizations. The economic apparatus of the State in Japan collects the best talent for capitalist development. These state personnel have close contact with the business world, they supply many statesmen to the LDP, and organize all state apparatuses through the compilation of the budget and the planning of state strategy. In so far as Japan has succeeded economically in the postwar capitalist world, the State in Japan can be called an entrepreneurial state.

However, numerous contradictions exist within the State. For example, there is the conflict between high governmental officials and public workers. Bureaucratic conflicts among the sections are often the focus of political struggles. These conflicts are reflected in the contemporary strategic choices that must be made among a stronger military, the continuation of the entrepreneurial state, and a welfare orientation by a new reformist government. The ruling bloc attempts to step toward a more military state. But the civil society created by the entrepreneurial state is one obstacle to this course, because the majority of the Nation becomes now the young generation, who has not experienced the World War II nor the occupation by the U.S., and whose concerns are narrowly focused on their non-political private life.

An analysis of these areas will be taken up in a future work.

**JAPANESE REGULATION AND GOVERNANCE IN
RESTRUCTURING: TEN YEARS AFTER THE
'POST-FORDIST JAPAN' DEBATE**

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JAPANESE REGULATION AND GOVERNANCE IN RESTRUCTURING: TEN YEARS AFTER THE 'POST-FORDIST JAPAN' DEBATE*

TETSURO KATO

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Abstract

Japanese regulation in the 1980s was once admired as an alternative model of 'Post-fordism' or 'Toyotism.' But in the 1990s, which is now called 'a lost decade,' confronted by the world-wide changes after the end of the Cold War, Japan could not adapt to the globalization and new information technology. In politics, the long single-party domination by the Liberal Democratic Party (LDP) finished in 1993, but a new political system could not appear in spite of several rearrangements of so-called 'new parties.' The word 'restructuring' is used both in economics and politics. But there is no clear goal to aim for. The point at issue is not regulation in economic terms, but rather governance to articulate the economic structure with political discourses. The amendment of the 1946 Constitution will be the focus of arguments in the early 21st Century.

* This paper was presented to the International Conference "East Asian Modes of Development and Their Crises: Regulationist Approaches," Tunghai University, Taichung, Taiwan, April 19-20, 2001. I would like to thank the late Rob Steven (former professor of political science at the University of New South Wales, Australia) for his great inspiration to this paper from his sickbed. He died on April 18, 2001 by cancer, just before the day I gave my presentation in Taiwan. I would like to extend my hearty sympathy to his short life. I also thank Prof. John Crump (the University of Sterling, UK) for his helpful comments and editorial assistance in English and Prof. Jenn-hwan Wang (Tunghai University, Taiwan), Prof. Bob Jessop (Lancaster University, UK) and Prof. Robert Boyer (Cepremap, France) for their useful comments at the conference.

I. 'A Lost Decade' for the Japanese Economy

About ten years ago, I published a jointpaper with Rob Steven entitled *Is Japanese Capitalism Post-fordist?* (Japanese Studies Center, Melbourne, May 1991), in which we criticized a tendency to admire the Japanese economic system as an ideal model after fordism. We especially focused on arguments represented by Martin Kenny and Richard Florida in their paper 'Beyond Mass Production: Production and the Labor Process in Japan' (*Politics & Society*, Vol.16, No.1, 1988).

At that time, Japan was at the peak of its bubble boom and many American scholars interpreted 'Toyotism' or 'Fujitsuism' with excitement as a more rational and flexible system of production and management than American Fordism. Many European scholars also responded positively to the 'flexible production' or 'lean production' which they found in the Japanese system.

We organized an international debate in the Japanese journal *Mado* and edited a book with the title *Is Japanese Management Post-Fordist?* (both in Japanese and English, Mado-sha, 1993, Tokyo). Some Regulationists, including Alan Lipietz, Benjamin Coriat and Kiyooki Hirata, took part in this debate and the other commentators were Andrew Gordon, John Crump, Luis Alberto Di Martino, Makoto Itoh, Roh Sung-Joon, Yuukichi Takahashi, Bernard Eccleston, Stephen Wood, Bill Taylor, Karol & John Williams, Colin Haslam, Michio Goto and Taro Miyamoto.

The main point at issue was the evaluation of the Japanese economic system. Martin Kenny and Richard Florida argued that the Japanese system was 'post-fordist' because it displayed such characteristics as:

1. a shift from mass production to small-run multi-product production
2. a shift from unskilled to multi-skilled work
3. a shift from status-defined hierarchical management to labor participation
4. a shift from wages based on job evaluation to wages based on personal evaluation
5. a shift from mass consumption to demand management by means of the 'just-in time' approach
6. a shift from shop-floor resistance to labor-management cooperation through lifelong employment
7. a shift from crisis-ridden industrial relations to a crisis-free cooperative community.

Against the arguments advanced by Kenny & Florida, Rob Steven (who at the time was based in New Zealand) and I insisted that the reality of Japanese corporate society is very different and should be called 'pre-fordist' or 'ultra-fordist'. Our reasons were:

1. that since the Japanese system is a historical product of Japanese development, its 'non-fordism' does not necessarily imply 'post-fordism'
2. that domestic, small-run, multi-product production is combined with mass production overseas by Japanese multi-national corporations employing Asian workers for low wages (Japan's New Imperialism)
3. that so-called multi-skilled workers in Japan may have acquired their skills via 'learning by doing,' but consequently have very weak veto powers based on their skills against job

switches ordered by their managers

4. that since the lifelong job security applies at most to only about one-third of Japanese working people (regular male workers in big companies), and since seniority wages are paid for personal loyalty to the company rather than for the job, the crucial point is 'flexibility for whom?'
5. that the essence of 'just-in-time' production (the *kanban* system) is not the geographical proximity of the 'child' to the 'parent' companies but the capacity of the 'parent' companies to shift burdens onto the subcontracted 'child' companies and their workers
6. that labor-management harmony based on the 'enterprise' (in-house) unions is a historical product of oppression by the government and reflects the weakness of Japanese class-based movements
7. that since the Japanese system has many internal contradictions, transplanting Japanese management to other countries will not be easily realized without provoking resistance and that it will face crisis in the future.

Ten years later, the situation regarding the Japanese economy has changed completely.

In the international context, the Japanese economy cannot revive because of its huge burden of bad debts and is always criticized at G5/G7 summit meetings. A decade after the collapse of the asset-inflated economy, Standard & Poor's credit rating of Japan's long-term bonds has been cut from the highest triple-A rating to double-A. Japan and Italy are now the only members of the Group of Seven advanced industrial nations to have lost the triple-A rating. This downrating means that Japan has slipped down the ranks of the so-called advanced nations.

In the domestic context, the expression 'a lost decade' is now very popular. What this refers to are such features as the highest unemployment rate in the postwar period (about five percent); no progress of restructuring to adapt to 'global standards' either at the macro or the micro levels; delayed introduction of 'Information Technology' to offices and schools; no resistance by unions to the cutback of middle age workers; reduction and abolition of fringe benefits by management, again with little resistance; and so on.

Japanese management, which was once admired as post-fordist by many foreign scholars, is now seen a major domestic barrier to reviving the economy. Instead of being regarded as post-fordist, it is now frequently perceived as old-style fordism or even a pre-fordist system.

As a consequence of historical developments, I believe that our criticisms of the post-fordist arguments and our perspective on the incipient crisis of Japanese system were relatively correct and that we can be proud of this. However, theoretically speaking, we also have to recognize that our estimation of the Japanese system in the 'pre-fordist vs. post-fordist' debates was somewhat one-sided.

Firstly, our (or perhaps I should say my) position at that time tended to postulate a single line of development within 20th century capitalism. This envisaged from pre-fordism, fordism and post-fordism as successive historical stages, followed by 'socialism' or at any rate a more desirable system for ordinary people. However, the reality after the collapse of the existing socialism and the end of the Cold War has been not the peaceful development of capitalism without a socialist alternative, but struggles between capitalist economies, or more exactly speaking, among 'capitalisms' within a global world market.

Secondly, when we argued the impossibility of transferring the Japanese system to other countries, we mainly had in mind the advanced countries of the West, like the USA or EU states, with their long tradition of unions. On the other hand, we reserved our judgement on Asian countries because the Asian economies were still developing in the 1980s and some countries (South Korea, Singapore etc.) deliberately imported parts of the so-called Japanese system.

After a decade of Japanese post-fordist debates, we have to reconsider these two problems seriously.

II. *Types of Capitalism: Rob Steven's Recent Model*

On the first point above, the historical stages and types of capitalism, I will engage with the notion of 'capitalism.'

The Regulation approach has a threefold explanation of the historical stages of capitalism. At the level of the 'accumulation regime,' there were an extensive regime of accumulation in the 19th century and an inclusive regime in the 20th century. At the level of the 'mode of regulation,' there was the development from a competitive mode of regulation to a monopoly mode in the middle of the 20th century. At the same time, at the level of the 'mode of development,' there was a change from pre-fordist to fordist patterns, and in the 1970s and 1980s many advanced countries began to pursue new models of after-fordist development (not only post-fordism, but also neo-taylorism, volvoism, toyotism, fujitism etc.). Such historical developments and/or changes accompany particular combinations of institutional forms, including the wage relation, the monetary system, competition among capitals, the state form, and the form of enrollment into international systems.

While this theoretical model is useful for understanding the advanced economies in Europe and the USA, especially during the age of competition between capitalism and socialism, its drawback is that it essentially presupposes a single line of capitalist development. Bearing this in mind, some other approaches might be useful for understanding the Japanese system. For example, A. Gerschenkron's so-called 'late-development effect' (*Economic Backwardness in Historical Perspective*, Harvard University Press, 1962) was sometimes used to explain Japanese and Asian development. Japanese marxists who were close to the Japanese Communist Party traditionally insisted that there was a combination of three elements in pre-war Japan: namely the absolute monarchy, monopoly capitalism and feudal landownership. This interpretation originated from the 1932 Comintern Thesis on Japan.

One Japanese marxist scholar, Prof. Sumio Shigeta, found that the word 'capitalism' was not widely used in the 19th century and was popularized only after the publication of J. A. Hobson's *The Evolution of Modern Capitalism: A Study of Machine Production* (1894), Werner Sombert's *Der moderne Kapitalismus* (1902) and Max Weber's *Die protestantische Ethik und der 'Geist' des Kapitalismus* (1904). He checked all the important works by Karl Marx in German and argued that Karl Marx had no strict concept of 'Capitalism.' Marx used the term only once in the second volume of *Das Kapital* and mainly used the adjective 'capitalist,' as in 'capitalist mode of production,' 'capitalist ownership' etc. This suggests that the concept

KARL MARX'S TERMINOLOGY OF "CAPITALISM" (in German)

	<i>Mehrwert</i>	<i>Kapital</i> (total)	Vor(Nach)wort	Bd.1	Bd.2	Bd.3
bürgerliche Produktion	31	2	0	2	0	0
kapitalistische Produktion	368	334	4	100	98	132
moderne Produktion	0	1	0	0	0	1
bürgerliche Produktionsweise	5	2	0	1	0	1
kapitalistische Produktionsweise	66	289	4	63	21	201
moderne Produktionsweise	0	6	0	4	0	2
bürgerliche Gesellschaft	22	16	2	8	0	6
kapitalistische Gesellschaft	3	12	1	3	6	2
moderne Gesellschaft	1	9	1	4	0	4
kapitalistisches System/Regime	0	16	0	7	1	8
Kapitalismus	1	1	0	0	1	0

(Sumio Shigeta, *Discovery of Capitalism* [in Japanese], 1983)

'capitalism' is itself a historical product. Shigeta's summary is above.

Even today, Ronald Dore, a famous British specialist on Japan, sometimes compares British-American capitalism with Japanese-German capitalism. He says that the British-American company belongs to the stock-holders and is financed through the stock-market, while Japanese-German capitalism is different because the company signifies a community of employees, including workers and managers, and is mainly financed by banks, based on mutual shareholding among 'group' corporations. He also compares the work ethic of British-American individualism, which puts priority on the pursuit of profit, with the Japanese-German emphasis on harmony, entailing respect for industry itself and a tendency to look down on money. As a consequence, Dore's conclusion is that two different capitalisms exist.

My former co-author, Rob Steven, recently made a more sophisticated model of Anglo-capitalism versus Japanese capitalism in his draft paper on '*Competing Capitalisms and Contrasting Crisis: Japanese and Anglo-Capitalism*,' the full text of which can be found in Appendix of this paper. In this paper, he first argues that we have to recognize the difference between 'capitalism' and 'market economy,' and says that the essence of capitalism refers to the relationship of ownership and control over production. He then introduces five indexes to differentiate capitalisms from one another:

1. the degree to which the market is the mechanism through which the productivity of labor, and hence the exploitation of labor, is increased
2. the degree to which the market is used to drive the system through the different 'moments' of the circuit
3. the degree to which the social surplus is distributed to individuals
4. the degree to which individuals are the agents of accumulation
5. the degrees to which individuals are exclusively associated with the functions of either capital (control over the labor process and the accumulation process) or labor (the

requirement to produce more than is received in wages).

By means of these five points, he makes a comparative chart between Anglo- and Japanese capitalisms:

	Anglo-Capitalism	Japanese capitalism
1.	Market competition among producers, resulting in the survival of capitals that achieve high labor productivity via 'smarter' work methods and in the bankruptcy of those that do not	Market competition is limited and distinctive systems of managerial control and extra-economic coercion are also used extensively to lift the exploitation of labor
2.	Market competition and variations in profit rates allocate capital from one moment to the next	Relationships of mutual dependence (<i>keiretsu</i> system) greatly affect allocations from one moment to the next
3.	Since the purpose of capitalism is to enrich individuals, very large proportions are distributed to individuals, either as 'dividends' or high salaries for executives	Purpose of capitalism is to protect the nation: much more of the surplus is retained by institutions, & much less is distributed to individuals, either in the form of 'dividends' or 'salaries'
4.	Individuals then decide where to invest this money, giving them leverage over the accumulation process	Institutions rather than individuals have the greatest leverage over the accumulation process
5.	Functions of labor and capital fairly exclusively performed by different groups of individuals (classes); with potentially high levels of class conflict	Almost all individuals perform both functions (in varying combinations), so that 'class' does not take the form of groupings of individuals; class conflict is thus minimal

Steven also shows the different form of crisis found in these two capitalisms. He writes:

Anglo-capitalism is pre-disposed to what might be called 'crises of individual greed and fear' which are transmitted rapidly and violently through market mechanisms and which can produce very powerful political reactions. These reactions are more explosive because Anglo crises affect the fortunes of individuals much more devastatingly than do Japanese crises and because the ways classes are formed tends to mobilise groups of individuals into collective political action more easily than in Japan.

For Japanese capitalism, in which the power of capital is *institutionalized* much more thoroughly, where it takes much longer for individuals to be affected and where class formation is blurred, the crises tend to be much more *systemic*, with the major contradictions occurring more between different parts of the system than between groups of individuals.

Since Anglo crises are more likely to result in organized political struggles, they are also more able to produce major social changes. Japanese crises, on the other hand, do not produce

the same degree of social conflict and therefore tend to result in much less social change. (see Appendix)

Although I do not say that Ronald Dore's and Rob Steven's analyses are completely right, I accept their idea that Japanese capitalism should be seen as a different type of capitalism from the orthodox Western model. The corollary of this is that capitalism should be seen not in purely economic terms but also as a socio-political complex of various institutions.

III. *The 1946 Constitution as the Core of Institutional Forms*

To turn now to the second problem, for Western scholars, many Asian economic-political systems might be seen as a deviation from standard capitalism. Even in the Regulation approach, Alan Lipietz raised the concept of 'peripheral Fordism' and Bob Jessop sometimes refers to 'Atlantic Fordism,' which derives from his original supposition of 'spatio-temporal fixes.' The line of thinking here is that, while Fordism with the Keynesian Welfare State might be realized mainly in the Atlantic area, how should we describe 'Pacific Fordism,' which has now become the world center of mass-production but with very limited social welfare. In 'Atlantic Fordism,' especially within the countries of European Union, scholars can easily identify deviations or, to put it another way, a periphery in contrast to the European center. On the other hand, when we turn to the Pacific, how are we to define the 'Pacific standard'? There is no fixed organization or regional center which could serve to combine Asian economies in a way that would incorporate mainland China and India. Even in the case of the US system, one can legitimately ask whether a division might exist between the Atlantic East system, dominated by the WASP elite, and the Pacific after-fordist system in California, where Silicon-Valley exists. Basically, the spatio-temporal condensation and configuration are very different in the Atlantic and the Pacific regions.

Here I concentrate on the 'Japanese Fordism,' which flourished from 1955 through the 1980s, since I have no reliable knowledge of and materials on the other Pacific countries. I will stress that the Japanese financial system and management are the historical products of the postwar era. They were neither the simple product of market mechanism nor of the dictatorship by the US occupational force. Rather, their origin lay in the particular social relationships in postwar Japan.

The key aspects of what Ronald Dore calls 'Japanese capitalism' are not derived from the long tradition of Japanese industrialization. Indeed, historically one cannot find very strong loyalty to the company in prewar Japan, at least from the workers. Many records of strikes and absenteeism exists, even though the Emperor system mobilized national loyalty and oppressed the union movement. At the center of the capitalist economy, there was very strong control by stock holding companies (*Zaibatsu*) like Mitsui, Mitsubishi, Sumitomo etc., and not by managers. The key characteristic of prewar Japan was not the lack of a wide stock market or bank financing, but rather the strong combination between the *Zaibatsu* and the Emperor state, including the military clique. Even after the 1945 defeat, Japanese capitalism has had a strong tendency towards close connections between the business world and the state bureaucracy. Furthermore, official economic and industrial planning played an important role in its

development.

We can interpret this, in the context of the Regulation approach, along the lines that the state structure was crucial for creating the new wage relations and the monetary system as institutional forms. Moreover, the postwar stage of Japanese capitalism, namely Japanese fordism, was the result of changes in the state form, from the Emperor (*Tenno*) system to Japanese-style democracy with a constitutional symbolic monarchy.

Although I will not describe the political history of postwar Japan, I will say a little about the relationship between economic regulation and political (or hegemonic) governance. In Asian developing countries, the economic system is strongly combined with the political system. Especially in the first stage of industrialization, the state played an important role in establishing the market mechanism, the monetary system and even wage relations. After the take-off from the colonial or semi-colonial stage, state building encompassed both nation-building and the creation of a national market. Thus, political governance is very important for understanding Pacific or Asian capitalism (or capitalisms). The term I employ here is governance, not government. The former can include regional or local government, civilian control of the military clique, the autonomy of civil society, international and regional organizations, NGOs and NPOs, the social tradition of mutual aids in the community, so-called corporate governance and family ties. Governance appears as an arrangement of various institutional forms. As such, it exerts effects on economic institutions and performance. From this standpoint, we can see the 1946 Japanese Constitution as a national hegemonic project which aligned both economic and political institutional forms during the process of fordist development.

I thus take the Japanese Constitution as the core of governance which made Japanese economic growth possible, because the Constitution is the longest living institutional form and framework found during Japanese development. In addition, the amendment of 1946 Constitution now becomes an important issue for the restructuring of the national state in Japan. I intend to show here only the economic effects of the Constitution (see, The 1946 Japanese Constitution, http://www.uni-wuerzburg.de/law/ja00000_.html).

1. The Preamble and famous Article 9 (Renunciation of War) set the framework for Japan's trajectory after 1945. They placed restrictions on the nation's military orientation, although after the US-Japan Security Treaty of 1951, the Japanese Self- Defense Forces played some role. I do not say that Japan was a peace-loving country during the Cold War, but military expenditure was restricted to about one per cent of GDP and this made possible huge investments in order to refurbish industry. Hand in hand with this trend there was the establishment of 'norms of production' and the 'mode of consumption.'
2. The symbolic Emperor system (Article 1, Symbol of the State) remained in spite of the resistance by the Left in 1945/46. This symbolic Emperor system had the ideological effects of rebuilding national identity and making it a national goal to catch up with the Western countries, even though the Emperor was politically controlled by the Cabinet and had only symbolic power.
3. The recognition of private property in law (Article 29, Property) was the basis of capitalist development, but the right of private property was sometimes limited by 'public welfare'

considerations in order to establish the new infrastructures necessary for rapid economic development.

4. Japanese people could expect 'the minimum standards of wholesome and cultured living' (Article 25, Welfare Rights) as one of their human rights, although in realizing the benefit of this were minimized by the interpretation put on this provision by the government.
5. Under Articles 27(Right and Obligation to Work, No Child Labor) and 28(Unions), all people have the right and obligation to work. Minimum standards for wages, hours, rest and other working conditions were fixed by law.
6. As the Constitution was the supreme law of the nation (Article 98), almost all economic and political institutions should be constrained by its spirit, although in reality there were many distortions brought about by political and bureaucratic interpretations of the Constitution.
7. Article 96 (Amendments) was politically very important. Amendments of 1946 Constitution require the votes of two-thirds or more of all the members of each House of the Diet. As the major conservative party which was at the helm of economic growth, the Liberal Democratic Party (LDP) could not succeed in getting two-thirds of the Diet seats even at the peak of its power in the 1960s. Accordingly, in the face of American pressure, it sometimes used the peace-oriented Constitution to excuse Japan from not sharing the burdens of military partnership, even though the LDP kept revision of the Constitution as official policy in its party program.

Of course, the Constitution was at times only a paper document which had no direct effect on economic policies and performance. Nevertheless, for people who wanted peaceful development and democracy in the workplaces, the Constitution was a powerful weapon for getting better working conditions and 'wholesome and cultured living.' However, in the conditions prevailing at the beginning of the 21st century, which are characterized by the end of continuous economic growth, Japan faces a turning point for maintaining the 1946 Constitution.

IV. *Possible Hegemonic Projects under Restructuring*

(1) **Widening Social Gaps**

One important element contributing to the prevailing mood of doom and gloom and leading to calls for restructuring of the system is the widening social gap since the 1990s. Until the 1980s, Japan was well known as a 'middle class society.' There were not marked differences of income between 'rich' and 'poor' and over 80% of the people felt that they belong to the 'middle strata.' Even blue collar workers lacked class consciousness, typically seeing themselves not as belonging to the 'working class' but as 'a member of my company.'

However due to restructuring of the economy after the Cold War and the rapid development of information technology, we find the growth of social differentiation. Prof. Toshiaki Tachibanaki of Kyoto University published a book on the economic gap existing in Japan in 1999. This book shocked many people in that it destroyed the myth of a 'harmonious middle class society,' demonstrating statistically that this was not so both with regards to incomes and assets. In April 2000, two popular monthly magazines in Japan, *Bungei Shunju*

and *Chuou Kouron* published special issues with very similar contents. *Bungei Shunju* pointed to the existence of 'A New Class Society Japan,' while *Chuou Kouron* 'The Collapse of the New Middle Class.' Both focused on the increasing gap between 'winners and losers' and on the hereditary status of 'winners' and 'riches.'

Regarding the social elite, we now see in all fields the phenomenon of the *NISEI* (second generation). In the business world, there are some young executives of big companies, but they are mainly the sons of the founders or former presidents. In politics, both in the House of Representatives and the House of Councilors, seats are mainly occupied by the so-called *NISEI Giin* (second-generation Diet members). Not only in the ruling LDP but also in the Democratic Party (the biggest opposition party) the major leaders are the children of former Diet members or important local politicians. As such, they have inherited the constituencies from elder members of their family. The students of Tokyo University are now mainly recruited from elite families, because they are the ones who can receive sufficient favorable treatment to win in the competition for places at this foremost educational institution. All these mean the decline of social mobility, the collapse of the myth of the 'equal society,' and the widening of social gaps between 'winners and losers.' Additionally, the rapid introduction of information technology is spreading the so-called 'digital divide' between computerized and non-computerized people.

While no-one in Japan has a clear image of the happy millennium or of a hopeful future, it is possible to detect a number of different orientations with in the population.

(2) New Nationalism

First, there is what might be called the 'New Nationalism.' It is a strongly conservative feeling, found especially among aged people and embracing such attitudes as the return to more disciplined schools and workplaces, respect for the Nation, loyalty to the national government, obedience towards the elder generation, emphasis on family bonds, the belief that women should be more at home to take care of children and domestic work and that, as wives, they should be submissive towards their husbands.

Such nostalgia for the 'good old days' appears not directly in the political discourse, but nevertheless sometimes bubbles to the surface from a deep stream of conservatism. For example, when asked about the growth of violent crime among school children, Prime Minister Yoshirou Mori expressed the view that the *Kyoiku Chokugo*, the Imperial Rescript on Education of the Meiji Period, should be revived. He also said that Japan is the divine nation which has the Emperor (*Tenno*) at the center. Of course, he apologized the next day, claiming that his remarks had only a symbolic meaning and that he would obey the sovereign power of the people according to the Constitution. Despite this, his utterances might be interpreted as expressing his deeply held sentiment to go back to the Meiji Imperial Constitution, which described the Emperor as 'sacred and inviolable.'

In economic policy, the New Nationalists tend to avoid any kind of change and to depend on public expenditure. They sometimes show their feeling of dislike for American pressure, but they have no ideas to reconstruct the Japanese economy.

One important point that is worthy of attention is that even among the young generation there seems to be evidence of a widening sentiment of New Nationalism. This manifests itself

as the dream of a stronger Japan which can take up a position more clearly independent of the US. It also includes a chauvinistic attitude towards foreigners, especially Koreans or Chinese, the desire for a powerful new leader to emerge, and so on. As an example of the first of these, the governor of Metropolitan Tokyo, Shintarou Ishihara, used on one occasion a discriminatory word *Sangokujin* (literally, the 'Third Country People'), which just after the Second World War had the meaning of the criminal or inferior Koreans and Chinese. Significantly, his use of this expression evoked no widespread resistance from young people; nor did it lead to a diminution of his appeal. This orientation is of course anachronistic, and might not be realized as the official line of policy. Nevertheless, such feelings and sentiments are very strong now in Japan's current state of gloom and depression.

(3) New Globalism

The second orientation might be called 'New Globalism.' It is popular among intellectuals and is the official policy line promoted by the bureaucrats. From a neo-liberal standpoint, they stress the need for restructuring and change, the reconstruction of state expenditure on a healthy basis, adaptation to the global market and global standards, promotion of the 'Information Technology Revolution,' maintaining the US-Japan partnership, making companies more rational and flexible, reducing working hours so as to revitalize leisure industries and tourism, and so on.

A clear statement of this line is found in an official report issued by the Prime Minister's Commission on Japan's Goals in the 21st Century in January 2000. This report was entitled *The Frontier Within: Individual Empowerment and Better Governance in the New Millennium*. It is notable for the many beautiful words it devotes to the global society and the national identity of Japan in the future.

It started from recognition of 'the end of Japanese Model':

After World War II Japan made a seemingly miraculous recovery, achieved amazing growth, quickly joined the ranks of economically developed countries, and became a member of the Western camp. Japan achieved and has maintained peace, stability, and prosperity. By and large, the Japanese remember the postwar period as a success story. The political, economic, and social systems built up then were also accepted as components of a successful model. It cannot be denied that they contributed to political and social stability. Nevertheless, this successful postwar model or, more precisely, unquestioning belief in this model, has now leached Japan's vitality. Many of the vested interests and social conventions that grew up over the postwar period have made Japan's economy and society rigid and stale.

This model was, in a word, the 'catch up and overtake' model, followed not only in the postwar period but ever since the Meiji era (1868). Japan must now seek a better model. But the world no longer offers ready-made models. The time when answers could be sought from without has passed. Most societies face the same challenge. The globalization that is expected to envelop the world in the twenty-first century brings with it great benefits but also many problems, posing the same challenge to every country. No doubt countries will respond in diverse ways. The same can be said of the aging of society. Japan will face that challenge sooner than any other country in the world. The whole world is watching to see how Japan will deal

with it.

No model of immediate use to Japan exists. While studying cases from around the world, we must find solutions to such problems within Japan. In so doing, it is more important than ever to bring the latent mettle, talent, and potential within Japan into the open. Doing so is the key to Japan's future.

Then, it focused on global issues:

The major trends that the world faces in the twenty-first century are (1) globalization, (2) global literacy, (3) the information-technology revolution, (4) advances in science, and (5) falling birthrates and aging populations.

Globalization has progressed beyond the stage of being a 'process.' The markets and media of the world have become increasingly integrated, and people, goods, funds, information, and images are moving freely across national borders on a major scale. The fences between countries have become lower, and the effects of developments in one part of the world are immediately being felt elsewhere; the world is indeed becoming an ever smaller place. This trend will accelerate even further in the twenty-first century. As a result, the universality and utility of systems and standards in various fields, including the economy, science, and academic training, will be held up to global yardsticks for questioning and evaluation. Every country will have to review, reevaluate, and adjust its existing systems and practices on the basis of a global perspective. It will be an age of megacompetition in systems and standards. The effects will extend from politics and diplomacy to the economy, society, and everyday life; closed systems that are complete unto themselves within a single country will grow hollow and impoverished.

This report even talked about 'Governance' in Japanese style. It might be worth while citing a long sentence. In 'From governing to governance,' the report wrote:

In Japanese society so far, opportunities for examining the question of social governance have been limited. This is because the state, the bureaucracy, and organizations have always been given precedence and society as a whole has advanced in lockstep. 'Public' has been more or less synonymous with 'official,' and public affairs have been seen as something to be determined by the authorities. Citizens, too, have accepted this and, in fact, relied on it.

A top-down, or public-sector to private-sector, image of governance exalting the bureaucracy and looking down on citizens has long prevailed in Japan. It has been hard for the Japanese to see governance as implying a kind of contractual relationship between the people, who entrust government with authority, and government, which is so entrusted. Nor have they ever envisioned governance in terms of individuals acting on the basis of self-responsibility and various actors jointly creating a new public space in the context of a pluralistic society led by spontaneous individuals.

Citizens, or individuals, entrust self-realization to various organizations and institutions, but are the systems so entrusted functioning adequately? Are there equal opportunities for participation? Are the rules clear? Are the rights of the entrusters adequately guaranteed? Is self-realization fully achieved? Are those entrusted truly meeting expectations, and how is this to be assessed? Is dialogue and the flow of information between the entrusters and those entrusted a two-way process? Questions like these, which address the essential nature and quality of governance, have seldom been asked, as symbolized by the fact that no apt Japanese word for governance has been devised.

In meeting the various challenges outlined above, Japan needs to build governance in the true (but new to Japan) sense and enable it to mature. This requires new rules and systems between individuals and organizations, whether government, companies, universities, or non-governmental organizations. Disclosure and sharing of information, presentation of options, transparent and rational decision making, steady implementation of policy decisions, and ex post facto policy assessment and review are needed so that rules can be articulated, policy distortions caused by minority interests prevented, and fair and efficient public services provided. This means, in short, establishing governance built up through joint endeavors, governance based on rules and the principle of responsibility and grounded in two-way consensus formation, rather than governance premised on one-way rule. This new governance is not adequately expressed by the Japanese word traditionally used, *Tochi*. While we do not repudiate everything about the old governance, we suggest calling the new governance *Kyochi*, a word that emphasizes cooperation (*Kyo*) rather than governing, rule, or control (*To*).

However, the hottest issues in the debates which this report sparked off in the mass-media were to do with 'global literacy' and 'transforming education.' The report interpreted 'global literacy' as meaning to speak English as the second official language and to use the internet. As for 'transforming education,' this was taken to mean the freeing up of education in the marketplace, with public schooling restricted to only three days per week (see: Official Report of the Prime Minister's Commission on Japan's Goals in the 21st Century, January 2000, "The Frontier Within: Individual Empowerment and Better Governance in the New Millennium" <http://www.kantei.go.jp/jp/21century/report/overview.html>).

This utopian globalism may become the dominant line of the Japanese government in the 21st century, but it will take a lot of time to overcome the previously summarized line of New Nationalism or Conservatism.

(4) The Third Way ?

I would like to be able to point to the third way, which we could identify as 'New Internationalism' or 'New Reformism' to emphasize its critical distance from both the 'New Nationalism' and 'New Globalism.' However, regretfully, it has to be admitted that there is no such clear third stream. Nevertheless, we can identify some critical ideas emanating from former left or marxist intellectuals and I will introduce three keywords which have appeared in the discussions among left or radical academics and social movements.

The first keyword among the reformists is 'Postwar Responsibility.' We should emphasize that this is not the same as the so-called 'War Responsibility.' The responsibility for the Asian War was a hot issue in Japan in the 1990s due to the problem of Korean comfort women in the Second World War and their entitlement to compensation. The postwar responsibility means not only the responsibility of the Japanese state for what it did to Asian countries during the war, but also the responsibility of the nation for the results or the effects of the war.

Let us take the case of the division of Korea into two states as an example. Japan has no responsibility in international law for the division between North and South Korea. However, every Japanese, even the young postwar generation, has some responsibility for this turn of events because Japan supported the US in the Korean War, concluded a peace treaty only with

the South, and so on. This concept of postwar responsibility thus means neither the responsibility in law or diplomacy, nor the responsibility of the government in international relations. Instead, it is more individual, ethical or moral responsibility of Japanese people as members of the global society.

Perhaps the most appropriate way of envisaging postwar responsibility is to see it as a kind of social movement to keep alive the memory of the War and to transmit that memory to the young generation. For example, students sometimes ask me why young Japanese who were born after the Asian-Pacific War should apologize to Korean people when they travel in Korea. I say: 'You are a Japanese. Koreans have some antipathy for Japanese which originated in the history of the two countries in the 20th century. Yes, you have no obligation to apologize to them in law and you can easily leave it there. However, if you would like to communicate with them or wish to know the reason why you were asked for an apology, you have to study the history and to learn about the relationship between Japanese and Koreans.' It is in contexts such as this that we can use the expression 'Postwar Responsibility.'

The second is 'Safety Net' Theory, which seeks to defend public welfare, the education system and family ties, and to revive local communities, all in the face of the global market mechanism. This school of thought insists that the market system may be good as a means for providing competition among the public sector, private sector and the voluntary sector as well, but that a counter mechanism should necessarily be built in in order to save the 'losers' or the 'weak people' and to keep the market free and flexible. The argument here is that, since market winners may get advantages from the mechanics of the system, they should also pay to keep the market free, shouldering such burdens without complaint. In this fashion, the government could then redistribute the levy on the winners to those who lose in the market and to weak people who cannot enter into competition. One could say that this 'Safety Net' school has an orientation of reviving the Keynesian welfare state.

Finally, in the field of politics, the *Rakusen Undo* or 'Negative Campaign against the dirty candidates in elections' started last year in anticipation of the general election. This type of movement originated in the South Korean Election in Spring 2000, where many dirty candidates who were associated with criminals, corruption, discrimination, slips of the tongue and sexual harrasment were defeated by the negative campaigning of citizens' volunteer movements aimed at the mass media, especially by using the internet. Some Japanese citizens' movements opened homepages for negative campaigning against Prime Minister Mori, against the shadow boss of the LDP Hiromu Nonaka (former Chief Secretary of the LDP), or against candidates who were involved in corruption or sexual scandals. I do not think that the Japanese negative campaign could have the same effect as in Korea, but its style of politics was new and remarkable. What I mean new are such features as focusing not on a good candidate but on a bad one; independence from political parties; its evaluation not of the party to which the candidate belongs but of the individual political activities of the candidates; and of course the effective use of the internet to achieve political objectives. The political potential of the internet is well illustrated by my own homepage in Japanese (URL: <http://www.ff.ij4u.or.jp/~katote/Home.html>). This is one of the biggest websites on Japanese politics and has already received over 160,000 hits.

V. *Japanese Governance in Transition: the Problem of Amending the Constitution*

Finally, I will explain what I see as the most important issue for 21st Century Japan and consider how it effects the three political orientations or possible hegemonic projects that I have been discussing. This is the problem of revising the 1946 Constitution.

In a public opinion poll conducted by the *Yomiuri Shinbun* newspaper, about 60% responded positively when asked about revising the 1946 Constitution. In both Houses of the Diet, the Research Council on the Constitution had already been established and debate between the political parties had begun. All this represents a big change from late 20th Century Japan, when the amendment of the peace Constitution was almost a taboo subject.

The New Nationalist current of course welcomes the change of public opinion and has insisted on openly recognizing the Self Defense Forces as the National Army, which is forbidden by the famous Article 9 of the current Constitution. Although they do not clearly insist on redefining the status of the Emperor from his current standing of 'symbol of the state and the unity of the people' to 'the head of the state,' Prime Minister Mori and other likeminded conservatives aim it. They use the 'public welfare' as a reason for restricting human rights and freedom and focusing on the duties of the nation, in contrast to individual rights. However, since they are overly concerned with the historical process by means of which the current Constitution was 'forced on Japan by the US' during the Occupation period, they cannot get mass support from the young generation, for whom such old history is a closed book. These conservatives are called the 'Amendment circle' (*Kaiken-ha*).

The New Globalists are not strongly oppose to the New Nationalists, but neither are they very anxious to revise the Constitution. This is because they fear that it might provoke some serious reactions from neighboring countries and from the domestic Left. They believe that they can realize their policies without clearly amending the Constitution. Nevertheless, they are also sensitive to public opinion and to what the mass media have to say. If the majority of Japanese are willing to revise the Constitution, the New Globalists too would be happy to draw up a new constitution which more clearly recognized the Japanese Self- Defense Force's, or even the Japanese Army's participation in the Peace Keeping Operations of the UN and which altered for some addition to human rights in fields such as maintaining the environment, accessing public information, defending privacy etc. This dominant current will shift from time to time according to the results of elections and the drift of public opinion.

One could say that they are ready to discuss amending the Constitution, but are not very active in raising this issue in politics. Those holding this attitude are sometimes called 'Discussion circle' (*Ronken-ha*).

The third alternative of defending the Peace Constitution rigidly was the majority position until the 1980s, but has subsequently become weaker both in academic circles and in public opinion generally.

There is a division within this camp between the fundamentalists and the revisionists. The fundamentalists, mainly former communists and socialists, insist on the world historical significance of the Article Nine, which denies not only war but also all military forces, and they

oppose any kind of amendment. Those adhering to this are called the 'Maintenance circle' of the Constitution (*Goken-ha*).

On the other hand, the revisionists are prepared to argue about the problems (the same as *Ronken-ha*). Although they insist that they will not revise the 1946 Constitution, they can envisage adding some new articles and phrases (like the right of the environment or the right of information), just as has been done to the American Constitution ever since the 18th century.

I cannot go into further details here on the debates surrounding the Constitution. What I will say is that this problem will figure as the most serious issue confronting in the first decade of the 21st century. Not only that, but these struggles for hegemony in the field of discourse will both be reflected in and have their effects on economic restructuring.

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Appendix: <http://members.jcom.home.ne.jp/katori/RobSteven.html>

Competing Capitalisms and Contrasting Crises: Japanese and Anglo-Capitalism

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This paper attempts to theorize the differences between Japanese capitalism and what is loosely called Anglo-capitalism, which refers to the broad features which systems like the US, Britain and Australia have in common. It also tries to show how each system is vulnerable to a type of crises which stems from its distinctive features, and that

recipes for solving crises in the one are likely to have at best a limited impact on crises in the other, at worst to exacerbate these crises.

When is Capitalism Capitalism?

Whilst I do not want to argue in an 'essentialist' sense for what constitutes the *essence* of capitalism, I do want to suggest that the following are necessary features of all capitalist systems, and I think I would also want to argue that they are sufficient features of any system I would call capitalist. They resemble, but are not identical to, the Marxian notion of 'the capitalist mode of production.' This latter is too riddled with features of Anglo-capitalism to serve the more general purpose I require.

1. The production of *most* goods and services is for exchange rather than for the direct use of the producer. There is no assumption here about the kind of market, if any, through which the exchange takes place. Neither is there any assumption about the numbers of buyers or purchasers of the goods concerned. Considerable variation is possible, from the use of the full 'auction model' of the market to rigid long term contracts. Neither is more *capitalist* than the other.
2. The term 'capital' refers to a relationship of ownership and control over the various means of production in those majority enterprises which produce for exchange. There are many concrete forms in which this ownership and control can be found, and these variations, typically from high levels of individual ownership and control to various forms of predominantly institutional or group ownership and control, also contribute to the distinctiveness of different systems.
3. The overwhelming majority of direct producers are wage labourers, which means that it is possible for them to contribute more to the production process than what they are paid for, or alternatively to contribute less than what they are paid for. The problem with the neo-classical theory of wages as equivalent to the *marginal product of labour* (wages are equal to the contribution made) is that it rules out by definition the possibility of exploitation, except when 'collusion' undermines competition so that unions end up exploiting employers. What was so useful about Marxian wage theory was that it provided a conceptual distinction between money wages, real wages and what was called the 'value' of wages. This latter concept was an attempt to measure the purchasing power of wages (real wages) on the same scale as the productivity of the labourer in order to measure the degree of the exploitation, if any, to which the worker is subjected.
4. The mechanism through which the social surplus (difference between the total product created by the society and what is consumed) is *appropriated* from the direct producer is the wage system, specifically the *pricing* of wages and the goods consumed by those who work for wages. Marx was not alone in emphasizing that it was the cheapening of the goods consumed by workers, that is, increasing the productivity of labour through new technologies which allowed labourers to work smarter rather than simply harder, that contributed most to the expansion of the social surplus. There is no single or even dominant method through which all capitalisms lift the productivity of labour, and a large part of the distinctiveness of each system lies in the way it drives this process.
5. There is no single mechanism through which the surplus is *distributed*, and many of the most distinctive features of different types of capitalism stem from their dominant forms of surplus distribution. Again the *price* system is central to this process, although *what* is bought and sold (eg. managerial skills, land, gold, video-cassettes), *who* are the buyers and sellers (eg. institutions, individuals, groups of individuals) and the degrees to which the *market* is used to mediate the transactions are all variables that can result in wide divergences among capitalist systems. Obvious examples are seven-figure executive 'salaries,' booms and slumps in the prices of assets like shares and land and 'post-Fordist' managerial systems that rely more on shop floor initiatives than top down directives.
6. Each of the above features contributes to the notion that capitalism is a system of *class relations*. However, its essential *political* character takes an *economic* form, so that politics is as it were 'once removed'. Although the political relationship rests primarily on ownership and control of the various means of production, the 'economic form' of the

system is expressed in at least three key 'moments' which must work together in an appropriate balance, or as Marxist put it, the total social capital must continue to move uninterrupted through its full circuit. The key 'moments' in the circuit are:

M (money) capital, which purchases means of production and wage labour, which are then used in

P (a production process) which creates

C (a new commodity) which is then sold for

M' (more money than was initially laid out) which enters the circuit again from the beginning.

7. The mechanisms through which 'the total social capital' moves through the circuit, or more concretely, through which the activities of banks, manufacturers and traders are connected and kept in balance, vary considerably among systems. They range from reliance on profit signals expressed through the market, to long term 'crony' relationships with little reliance on the market, to state-level planning.

If one accepts the above reasoning, it should be clear that many of the features commonly associated with 'the essentials of capitalism'—especially by neo-classical writers and those Marxists for whom an efficient market is the very lifeblood of the system—tend to be peculiar to particular capitalisms. Anglo-capitalism, which relies heavily on the market to perform a large number of functions, is normally put forward as the ideal type, while Japanese and Russian or even 'Soviet' capitalism are seen as somehow deficient. I will argue that this is a mistake, that the market is simply one possible *mechanism* through which the *more 'essential'* functions of the system are performed and that the degree to which the market is used is one of a number of variables which distinguish capitalist systems from one another. The main variables I will focus on in this paper are:

1. The degree to which the market is the mechanism through which the productivity of labour, and hence the exploitation of labour, is increased;
2. The degree to which the market is used to drive the system through the different 'moments' of the circuit;
3. The degree to which the social surplus is distributed to individuals;
4. The degree to which individuals are the agents of accumulation;
5. The degrees to which individuals are exclusively associated with the functions of either capital (control over the labour process and accumulation process) or labour (the requirement to produce more than what is received in wages).

The Auction Model—A Critique

The tendency to idealize the market as a mechanism through which virtue rather than power is expressed is deeply embedded in the basic building block of neo-classical economic theory: the notion of consumer choice as an expression of taste and therefore of the sacrosanct concept of *demand*. A demand price, in neo-classical theory, expresses how badly someone wants a good or service, what the person is prepared to pay for it, or for purists it expresses the quantity of utility the person will derive from it given their tastes or 'values'. The notion of supply is constructed in a similar way on the basis of the disutility of parting with something and the compensation *wanted*. A supply price is the price at which one is willing to part with a good or service. A good is then sold on the market at a price which corresponds to the intersection of the demand and supply 'curves': the price the buyer is prepared to pay coincides with the price the seller wants.

This theory of price is at best vacuous, at worst misleading. It is vacuous because it is circular:

- i) Why did that car sell for \$1,000?
- ii) That's what was paid.
- iii) Why was that paid?
- iv) That was the price where demand and supply coincided.
- v) What was the demand price?

- vi) The price the buyer was prepared to pay.
- vii) And the supply price?
- viii) The price the seller was willing to accept.
- ix) How do you *know* that the buyer and seller were willing to accept this price?
- x) Because it was the price that was actually paid.
- xi) So the price that was paid is the price that was paid, I see.

The notion of choice adds absolutely nothing to the *explanation*, which requires the *circumstances shaping and constraining the choices to be filled in*. Maybe the seller was desperately hungry and had to accept virtually anything, or perhaps the buyer had a sick relative in need of immediate hospitalization and was vulnerable for that reason. It is simply trivial to say that human beings choose to act in the ways they do, for example, it is virtually tautological to say that people who are poor in a capitalist society choose either to work for wages or they choose to be unemployed.

But the attempt to explain an action by claiming it was chosen is also very misleading, because the primary function of adding the notion of choice is to *justify* the action as the *right* one because it *was chosen*. To say that prices are determined by (the neo-classical conceptions of) demand and supply is therefore to say that all prices and transactions determined by competitive markets are the *right prices*. It is a political prescription for all forms of collective organization and collusion, especially by governments and unions, to refrain from interference in the competitive activities of business. Keynes actually recognized that if the notion of demand was to have any real explanatory power, it had to be interpreted as *effective demand*, that is, in terms of the *power* to exercise a preference. The market is thus a space in which power is wielded, in which there are winners and losers, and prices express the *power* possessed by those who participate in the market.

That capitalism is about power is perfectly consistent with what I have been arguing, and that the market should be used to enforce the power of the various individuals and classes in capitalist society is quite normal. What I am taking issue with is the *auction model* of the market as an institution which does more than this: the view that a competitive market is somehow more fair than other institutions or mechanisms through which the *exchanges take place* that are necessary to the functioning of capitalism: the buying and selling of skills, goods and services.

I only have time to present the substance of my argument in summary form. This argument is that on each of the five above-mentioned variables that distinguish the different kinds of capitalism from one another, Japanese and Anglo capitalisms are opposed. In summary:

	Anglo-Capitalism	Japanese capitalism
1.	Market competition among producers, resulting in the survival of capitals that achieve high labour productivity via 'smarter' work methods and in the bankruptcy of those that do not	Market competition is limited and distinctive systems of managerial control and extra-economic coercion are also used extensively to lift the exploitation of labour
2.	Market competition and variations in profit rates allocate capital from one moment to the next	Relationships of mutual dependence (keiretsu system) greatly affect allocations from one moment to the next
3.	Since the purpose of capitalism is to enrich individuals, very large proportions are distributed to individuals, either as 'dividends' or high salaries for	Purpose of capitalism is to protect the nation: much more of the surplus is retained by institutions, & much less is distributed in individuals, either in the

	executives	form of 'dividends' or 'salaries'
4.	Individuals then decide where to invest this money, giving them leverage over the accumulation process	Institutions rather than individuals have the greatest leverage over the accumulation process
5.	Functions of labour and capital fairly exclusively performed by different groups of individuals (classes); with potentially high levels of class conflict	Almost all individuals perform both functions (varying combinations), so that 'class' does not take the form of groupings of individuals; class conflict is thus minimal

Comparative Crises

In no case does the peculiarity of either system give it an advantage over the other, although each tends to have its own peculiar vulnerabilities and predispositions towards crisis. A major part of this paper that is still to be written, even in summary form, concerns the different types of crisis and the different forms of crisis management that are appropriate. Anglo-capitalism is pre-disposed to what might be called 'crises of individual greed and fear' which are transmitted rapidly and violently through market mechanisms and which can produce very powerful political reactions. These reactions are more explosive because Anglo crises affect the fortunes of individuals much more devastatingly than do Japanese crises and because the ways classes are formed tends to mobilize groups of individuals into collective political action more easily than in Japan. For Japanese capitalism, in which the power of capital is *institutionalized* much more thoroughly, where it takes much longer for individuals to be affected and where class formation is blurred, the crises tend to be much more *systemic*, with the major contradictions occurring more between different parts of the system than between groups of individuals. Since Anglo crises are more likely to result in organized political struggles, they are also more able to produce major social changes. Japanese crises, on the other hand, do not produce the same degree of social conflict and therefore tend to result in much less social change.

What is so striking about the current recession in Japan is that crisis management has been so ineffective, and that this has resulted in stronger and stronger demands for more public works spending and more market liberalization, remedies which might well have some relevance in the United States, but which have repeatedly had no impact on Japan. What I believe to be the fundamental problem is Japan's very high level of specialization in consumer goods production through heavy reliance on extra-economic coercion and low wages. Japan's production system is out of kilter with its consumption system.