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The End of Equality in Postwar Japanese Politics and the Future Axis of Conflict

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Introduction

The greatest mystery of the general election of September 11, 2005 is this: Why did the middle and lower income classes who suffer the direct consequences of the Koizumi Cabinet's neo-liberal economic policies – the policy package of small government and privatization – overwhelmingly support Mr. Koizumi's Liberal Democratic Party (LDP)? The following two hypotheses can be helpful in delving into this mystery. The first hypothesis is that, in making their decisions as voters, "the public distanced itself from equality as an overriding value and embraced neo-liberalism." The alternative hypothesis is that "there was no change in values and the public did not embrace neo-liberalism, but simply supported Mr. Koizumi's political program for other reasons."

I begin this paper with a review of the characteristics and significance of "Japanese egalitarianism" in the context of the policy system created and maintained by the LDP and the bureaucracy in postwar Japan. It is my intent here to identify the features of the existing framework of income redistribution and the concept of equality that Prime Minister Koizumi attempted to negate. Next, I shall explore the socioeconomic conditions generated by the Koizumi reforms, and pursue the question of how Japanese egalitarianism was transformed or dismantled by them. Finally, using the results of an opinion poll that I myself conducted, I shall try to outline the public's views on equality and to examine its political implications.

In late January 2006, the research project that I head ("Comparative Research into Changes in Governance in an Age of Globalization" funded by a Grant-in-Aid for Creative Scientific Research fromthe Japan Society for the Promotion of Science) conducted an opinion poll on the public's views of equality and the role of the government. The poll was conducted in Tokyo (sample size of approx. 1,000) and in Hokkaido (sample size of approx. 500). (Results of the poll can be seen on the project's website: http://www.global-g.jp/report200602/). The poll was conducted in Tokyo and Hokkaido because one of our key objectives was to gauge regional disparities in views on structural reform and equality. While the choice of Hokkaido certainly does reflect the fact that I am a resident of Hokkaido, more importantly it was believed that Tokyo and Hokkaido presented an ideal combination of contrasting regions for observing political differences on matters related to structural reform. In the general election of September 2005, the LDP won in 23 of a total of 25 electoral districts in the Tokyo, while the Democratic Party of Japan (DPJ) took only one seat.

In comparison, throughout the 12 electoral districts of Hokkaido, the DPJ won in eight districts, making Hokkaido the only prefecture in which the DPJ claimed a majority. This stark difference in voting added to the interest of comparing Tokyo and Hokkaido in our study.

I will attempt to analyze popular views as reflected in the results of our opinion poll to address such questions as: How should the values of equality and fairness be defined? What role should the government play in the realization of equality and fairness? In the final section of this paper, I shall consider how these questions will define the future axis of conflict in the arena of Japanese partisan politics.

1. LDP Politics and Equality

(1) The Truth of the "Social Democratic System that Succeeded"

In identifying the characteristics of the value of equality that the LDP regimes have been pursuing, I would like to draw some hints from the description of the Japanese socioeconomic system as a "social democratic system that succeeded." I believe a better understanding of the Japanese meaning of equality can be gained through the following two processes. First, clearly identify aspects of the Japanese socioeconomic system that are social-democratic in nature. Second, clarify the differences between the social democratic systems of Japan and Western Europe.

Arguments that Japan represents a successful social democratic system can be summarized under the following two points. First, income distribution in Japan has been relatively egalitarian, and a society was created in the course of postwar economic growth that was highly standardized in terms of lifestyles and living standards. As a result, by the mid-1980s, the term "all middle-class nation" had entered the common parlance. Second, the government actively intervened and interfered in the economy through its regulatory regime and public works projects. Consequently, the Japanese economy did not develop as a purely market economy. Arguments that Japan represents a successful social democratic system also contain certain negative implications suggesting that the social democratic model has been rendered obsolete by the forces of economic globalization. This brings us to the question: In what sense is the Japanese socioeconomic system a social democratic one?

In identifying the salient features of the socioeconomic system, I will categorize Japan's social and economic policies under two headings: socialization of risks versus individualization of risks; and discretionary policies versus universal policies.[1] Socialization versus individualization

[1] I have drawn on the works of Ulrich Beck in developing my concept of risk. See Ulrich Beck, *Risk Society: Towards a New Modernity*, trans.

of risks addresses the following question. There is a high probability that all individuals will experience such misfortunes and disasters as illness, unemployment and bankruptcy at some point in their lives. Similarly, all individuals are likely to experience the challenges that pertain to education of children, care of elderly parents, employment and acquisition of a home. The question is whether we should cope with these risks and challenges as individuals, or whether the burden of these risks and challenges should be distributed and borne by the whole of society. Just as risks affecting individuals can be distributed, risks affecting geographic regions can also be distributed. That is, regional risks can be socialized through systems of inter-regional redistribution so as to protect individual regions from being disproportionately affected by poverty or natural disasters. On the other hand, if each region fully accepts its own risks, individual regions would have to administer their own affairs based solely on their own regional financial resources and revenues.

The concept of the individualization of risks implies that each individual accepts full responsibility for his or her life. The corollary to this is that all wealth and gains obtained from the activities of the individual should revert solely to the individual. Hence, the individual must make his own provisions for unexpected misfortunes and for old age through savings and other means. These principles lead to a policy framework that posits that it is desirable for the government not to interfere in the activities of the individual. Specifically, the individualization of risks points in the direction of small government characterized by tax cuts and deregulation. On a regional level, these principles imply that inter-regional fiscal adjustments will not be made. Among the advanced countries, the United States has based its socioeconomic system on these principles. This is a system in which successful entrepreneurs can obtain astronomical wealth, while nearly 20 percent of the population, or more than 40 million people, are still left today without health insurance.[2]

What about the socialization of risks? The fundamental concept here is that the probability of experiencing the challenges and misfortunes mentioned above is more or less equal for all people, and that it is undesirable for any given group of people to bear the brunt of these difficulties on their own. The idea is that no one can ignore these problems as someone else's problems. This leads to the sharing of costs and burdens, and the creation of systems designed to spread out the impact of risks and disasters. Alternatively, for such common challenges as childrearing and

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Mark Ritter (London: Sage Publications, 1992). In the context of the present paper, risk refers not only to risks and uncertainties but is also used to cover the broad range of challenges and difficulties experienced in the normal course of life.

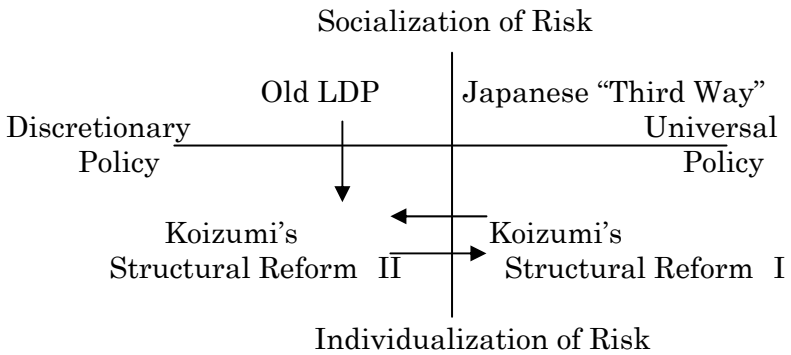
[2] For a discussion of the high cost of the individualization of risks in the United States, see Robert Reich, *Reason: Why the Liberals Will Win the Battle for America* (New York: Alfred a Knopf, 2004).

the care of elderly parents that all people must cope with, the whole of society comes together to create a common foundation that facilitates coping with these challenges. We have various systems and institutions that are based on the concept of the socialization of risks. These include social security systems, such as health insurance, public pensions and long-term care insurance, and policies for providing free compulsory education. On an inter-regional level, various arrangements are made for fiscal adjustment between wealthy and poor regions to ensure a national minimum. Among the advanced countries, this type of socioeconomic system can be seen in Western Europe.

The second axis of tension – discretionary versus universal policies – is useful in examining the features of policy measures adopted by governments when intervening in society and the economy. Universal policies are policies in which the rules and standards of government behavior are clearly defined. Take, for example, benefit-providing policies such as compulsory education and public pensions. Objective standards are established defining the age, medical conditions, and other requirements of eligibility. Under such a system, persons with identical demands will presumably receive identical services. In the case of regulatory policies, the rules that provide the basis for regulation are clearly defined, and the government applies these rules justly and fairly, as would an impartial referee in a sports competition.

On the other hand, discretionary policies are policies that lack clear rules and standards. This implies a regime in which the contents of a policy can be significantly influenced by the discretionary judgment of the bureaucracy that holds the authority and controls the pertinent funds. This discretionary approach can apply to both benefit-providing and regulatory policies. In the case of benefit-providing policies, the main themes of discretionary policy include determining how the available amount of subsidies is distributed among regions, and what industries are granted tax exemptions. In the case of regulatory policies, in the classic case of discretionary policies, the laws providing the basis for regulation are ambiguous, and specific regulations are implemented through non-statutory directives and administrative guidance.

Figure 1 Relationship between Policy Ideas and the Constellation of Political Forces



These two axes can be combined to delineate the categories of socioeconomic policies shown in Figure 1. As will be discussed in detail below, postwar Japan is positioned in the second quadrant where risks are socialized through discretionary policies. While it will not be discussed in detail in the present paper, I will simply state the conclusion that the Koizumi reforms basically aimed at the individualization of risk. Insofar as they are designed to reorganize public services based on the criteria of economic viability and efficiency, the bulk of the Koizumi reforms can be positioned in the fourth quadrant. On the other hand, some of the Koizumi reforms belong to the third quadrant because of residual discretionary policies. An example would be the reform of the Japan Highway Public Corporation where standards are ambiguous and the vested interests of the bureaucracy and special-interest Diet members have remained intact. Finally, mechanisms for the socialization of risks belong in the first quadrant when the pertinent standards have been clearly defined.

(2) LDP Politics and Equality

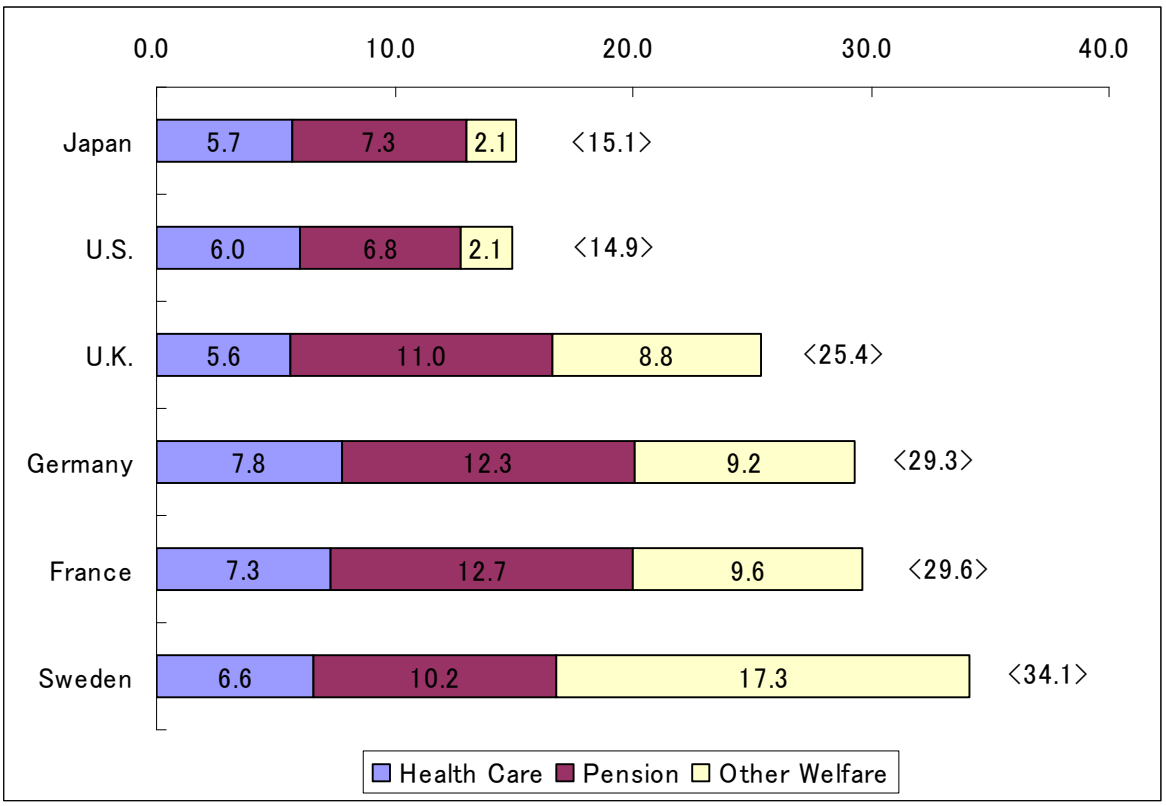
Figure 1 can be used in examining what kind of equality was pursued by LDP politics of postwar Japan. Before considering the socioeconomic policies of postwar Japan, it is necessary to understand the means that were employed by LDP regimes to promote equality. It is not without reason that Japan's postwar socioeconomic policies have conjured up images of socialism or social democracy. In a sense, the postwar LDP regimes were zealous in their pursuit of equality. However, the LDP conception of equality was essentially a spatial one, as expressed in one of its principal slogans: "Balanced development of the land." In other words, the LDP concept of equality was focused on eliminating disparities between the urban and rural areas and creating a socioeconomic environment that ensured a certain standard of living throughout the entire country.

Therefore, while Japan may have been a successful social democratic system, its policy framework was unlike that of Western Europe, the home of social democracy. In the context of Western Europe, equality implied equality among the classes and strata of society. The policies necessary for the achievement of this form of equality were universal social policies, such as social security, employment and housing, which were implemented under the strong political influence of labor unions.

Japan also has its share of universal social security policies, such as the national health and pension plans. However, as shown in Figure 2, the weight of social security in the total national economy is far lower in Japan than in European countries. The achievement of spatial equality had its own policy requirements. The most important of these consisted of arrangements for the transfer of financial resources to peripheral regions with weaker economic and fiscal foundations. Also important were public

works projects designed to improve the living environment in rural and agricultural areas and to create employment. Moreover, the "convoy system" of regulatory protection has been maintained for agriculture, distribution and other leading industries in the peripheral regions.

Figure 2 International Comparison of Expenditure for Social Security (1998) (% in GDP)



Source: OECD Social Expenditure Database 2001

The principal means for inter-regional transfer of financial resources have been local tax grants and subsidies. Large portions of the subsidies have been used to finance public works projects, which present the classic case of discretionary policy implementation. In this process, local governments are constantly petitioning for allocations of subsidies. The granting of subsidies is left to the discretion of bureaucrats, breeding such bad habits as pressure and solicitation from politicians and the entertainment of bureaucrats. In effect, the acquisition of subsidies stands as the most important mission for ruling party politicians.

In principle, local tax grants constitute a form of universal policy in contemporary Japan. Standardized fiscal requirements are computed for each local government based on such objective criteria as population and land area. Local tax grants are then transferred to each local government to cover the difference between its standardized fiscal requirement and its actual revenues. While this was the original intent and structure of local tax grants, the program also contains a "special tax grant" account that is purely discretionary. For example, special tax grant allocations to certain

towns in Hokkaido were reduced when they opposed the transfer of U.S. military training grounds to Hokkaido.[3] Moreover, since the 1990s, the entire local tax grant system has been subject to discretionary management. In an effort to stimulate the economy after the collapse of the bubble economy, local tax grants have been used to underwrite the debt-servicing charges of debt taken on by local governments to finance public works projects. In other words, the original intent of system, which was to provide the fiscal resources needed to ensure a national minimum, has been distorted and the standardized fiscal requirements have become subject to arbitrary and discretionary manipulation.

The convoy system of regulatory control never had a clear legal mandate. For all intents and purposes, the system was managed through the exercise of bureaucratic power. In this framework, "administrative guidance" was routinely used, and industry associations and supervisory agencies became intertwined in what may be referred to as a phenomenon of "mutual penetration." Industries that were not competitive were buffered from competition through regulatory policies, and in turn, these industries provided jobs in the peripheral regions.

It is not without reason that the LDP zealously pursued spatial equality. The majority of the most powerful LDP politicians have traditionally been from rural districts, and their political mission was to ensure that the rural residents they represented achieved their desire of enjoying the same level of convenience and affluence as city dwellers. Human beings are unable to choose the place of their birth. The LDP slogan of "balanced development of the land" ultimately implied the socialization of the risk of being born in a poor region. For LDP politicians and their supporters, the essence of postwar democracy lay in the process by which local communities used their elected representatives to bring home the benefits of government policies. In this sense, it can be said that the LDP's concession-seeking political system contained certain elements of socialism. In this context, it is interesting to note that the Etsuzankai, the local political support group for former Prime Minister Kakuei Tanaka, counted among its members the former leaders of radical farmers' movements in southern Niigata Prefecture. This is an indication that, in certain respects, the LDP's concession-seeking politics contributed to the realization of economic equality.[4]

One of the reasons that the Japanese socioeconomic system conjures up images of a "social democratic system" is that bureaucrats have intervened and interfered on a major scale through public works projects and the regulatory system. Bureaucratic intervention and interference

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[3] From an interview with the mayor of Hamanaka Town, Hokkaido, conducted in November 1998.

[4] Toru Hayano, *Tanaka Kakuei to sengo no seishin* [Tanaka Kakuei and the postwar spirit] (Tokyo: The Asahi Shimbun, 1995).

effectively curtailed the freedom of the private sector. But at the same time, it cannot be denied that such activities contributed to the Japanese vision of equality. The former Ministry of Construction and the Ministry of Agriculture, Forestry and Fisheries controlled huge budgets for public works projects. The expenditure of these budgets was sharply skewed in favor of rural and peripheral regions. These ministries cooperated with their own groups of special-interest Diet members to move forward on the goal of achieving the balanced development of the land. In extreme cases, bid rigging in public works projects performed the important function of protecting small construction companies in rural and peripheral areas.

In areas that did not have a significant manufacturing sector, such service industries as distribution, financial services and transportation functioned as an important source of employment. For this reason, many of the benefactors of the convoy system of regulatory control were those who resided in the rural areas. Moreover, the fiscal link between the center and the peripheral regions featuring local tax grants and subsidies can be viewed as a form of convoy system that operated for the regulatory protection of local governments.. This fiscal control exercised by the central government restricted local autonomy in terms of policy implementation. However, on the other hand, this arrangement offered local governments the security of a "comfortable collective system."

Using the combination of regulations and public works projects, bureaucrats assiduously pursued the interests of their own ministries. This most importantly implied the preservation of ministerial authority and budget scale. In the process, they brought benefits to localities, contributing to the standardization of society, at least in a spatial sense.

Equalization policies generally ignored the employees of highly competitive companies in the major cities. If anything, these people were negatively impacted by the dearth of housing and transportation policies for large cities, and were forced to personally bear the brunt of high mortgage payments and "commuters' hell." During the age of rapid and continuous economic growth, companies made up for the dearth of public policies and served as guarantors of the welfare of their employees. Thus, employees also benefited from social standardization through the institutions of long-term stable employment and corporate welfare programs.

(3) The Price of Equality

The use of discretionary policies for the realization of equality resulted in many respects in a disconnect between equality and fairness. Moreover, discretionary policies benefit only a certain segment of the people and regions that require the same sort of policy support. That is, there is no guarantee that discretionary policies will equally assist all persons in need.

The same holds true for regions. There is no guarantee that a number of towns suffering the same level of poverty and inconvenience will all receive the same amount of funding for public works projects. On a macro level, it is true that progress was made in reducing regional disparities and income inequalities in postwar Japan. But at the same time, different regions and different industries did not always receive the same level of policy support. Going back to the previous figure, we can say that among regions and industry associations facing identical risks, some were very thoroughly protected from these risks, while others remained relatively exposed. Interestingly enough, these disparities were exploited in LDP politics to leverage and to extract political support. This resulted in a scheme in which regions and industries vied to maximize their support for the LDP as a means to maximizing the benefits derived from discretionary policies.

This was made possible by the opacity of the decision-making process and the absence of rules and standards in discretionary policies. It is exactly for this reason that politicians representing local communities and industries involved themselves in the policy -making process or acted as fixers and influence peddlers. The collusive relations that bonded together the political, bureaucratic and business worlds were ultimately rooted in the system of discretionary policies.[5]

The allocation of benefits to any specific region or industry is immediately transformed into a vested interest that becomes impossible to retract or to control. This is a common criticism of contemporary democracy.[6] It can be argued that in the case of Japan, the situation was made more serious because of two factors: the high ratio of discretionary policies, and the opacity of policy procedures. Furthermore, it can be said that policies for equality and redistribution have become wedded to the negative images of corruption, lack of transparency, and injustice. These discussions have intermittently surfaced whenever there has been a new bribery or corruption scandal. The subtle disparities that existed in the equality pursued in LDP politics have had a major impact on how the Japanese people view equality in the early years of the 21st century.

2. Growing Disparities and Criticism of Equality in Contemporary Japan

(1) Neo-Liberal Structural Reforms and the Critique of Japanese Egalitarianism

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[5] Jiro Yamaguchi, *Seiji kaikaku* [Political reform] (Tokyo: Iwanami Shoten, 1993), 15–22.

[6] For a representative work, see Theodore Lowi, *The End of Liberalism* (New York: Norton, 1979).

One of the major questions in contemporary democratic politics is why the people who stand to lose the most from small government – the underdogs of society and their reserves – are willing to support the political forces of neo-liberalism that promote policies that work to their direct disadvantage. The question can be restated as follows: Why don't the people who have fallen on the wrong side of the divide push for equality?

One explanation might be that the critique of "Japanese egalitarianism" emanating from government councils promoting small government, as well as certain segments of the media sympathetic to this position have permeated the fabric of society.

Japanese egalitarianism contains the various distortions mentioned above, and the presence of these distortions is closely linked to the arguments used to validate today's neo-liberal reforms. Discretionary policies have been made the constant targets for political pressure. Furthermore, systems and institutions created to protect the weak and to promote equality will eventually become the source of vested interests and the hotbed for collusive relations among the political, bureaucratic and business worlds. In recent years, economic policy think tanks have churned out a constant stream of criticism saying that Japan's excessive egalitarianism has resulted in injustice and unfairness. This line of criticism can be traced back to the Economic Strategy Council of the end of the 1990s. In more recent years, these arguments have been carried forward by the Koizumi Cabinet's Council on Economic and Fiscal Policy.

For instance, "Strategies for Reviving the Japanese Economy" published in February 1999 by the Economic Strategy Council contains the following criticism.

"The Japanese social system, which has looked highly on across-the-board equality, has generated a bloated public sector and inefficient resource allocation. Typical examples are excessive regulation, overprotection, lack of self-reliance, and the 'convoy' system. To cope with these problems, a new system needs to be built in which all production factors such as capital, labor, and land should be best allocated in a more efficient way through fundamental reforms in the public sector and full utilization of the market mechanism."

"Institutional reform is to be done to reorganize the local government system to help economically and financially sagging local areas to become self-supporting. Furthermore, reforms involve the taxation system, which should reward the hard worker, and an overhaul of the education system to cultivate human resources of creative talent. All of these point to the need to build a new system to enhance individual incentives and to motivate their creativity."

(http://202.232.58.50/foreign/senryaku/intro.html)

The argument can be restated as follows. Subsidies and the convoy system have protected the pseudo-weak. This protection has morphed into vested interests and sacred cows, which have effectively heightened the level of inequality.[7] Conversely, there is "justice" in reducing government intervention in society and the economy and allowing successful individuals to amass large personal wealth. Criticisms that fiscal assistance to rural areas and the protection of the construction industry and small- and medium-sized enterprises generate "bad equality" have always lurked in the background of the Koizumi reforms. It is for this reason that it is argued that the adoption of market principles and the prescription for small government will result in greater equality and fairness. Under the Koizumi Cabinet, this logic was strongly advocated by the Council on Economic and Fiscal Policy and others.

This type of argument does have a certain amount of persuasiveness. The social system that created Japanese egalitarianism may be described as an "enclosure society." In the company, in the industry and in the local community, those who do not object to being brought into the enclosure are assured a certain level of equality in the distribution of rewards. On the other hand, this Japanese style of conformity and collusion do have their drawbacks. Japanese egalitarianism and paternalism have long been the two sides of the same coin. In the workplace, in industry, and in the local community, those who accepted and acquiesced to the existing order were protected from risks through the practices of long-term employment, peaceful coexistence of industries, and regional development programs featuring public works projects. Seen from a different perspective, individuals and local governments seeking to walk an independent path found these practices to be stifling.[8]

Therefore, small government and cutback in policies do have a liberating effect on the enclosure society. In the eyes of those who were never part of the enclosure society, or those who previously belonged but have since been pushed out, the enclosure society has all the appearances of a system of privileges and prerogatives. From their perspective, dismantlement of the enclosure society would promote fairness and equality. Similarly,

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[7] For a representative work, see Naoki Tanaka, *2005-nen taisei no tanjo* [Birth of the 2005 system] (Tokyo: Nihon Keizai Shimbun, Inc., 2005).

[8] Specific cases are discussed in Ronald Dore, *Nihon to no taiwa – fufuku no shoso* [Dialogue with Japan – The many faces of discontent] (Tokyo: Iwanami Shoten, 1994). The negative aspects of the socialization of risks through paternalism are particularly well described in the testimonies of Masao Ogura (founder of home delivery services who fought the Ministry of Transportation), and Taiji Sato (fought the Ministry of International Trade and Industry and unsuccessfully tried to import gasoline, which was prohibited by administrative guidance) contained in this book.

those opposed to non-transparent arrangements and the Japanese style of conformism that is nurtured in the enclosure society would welcome this dismantlement.

Businessmen who read the Nihon Keizai Shimbun everyday and who feel repressed in the Japanese regulatory environment would probably sympathize with these criticisms of "Japanese egalitarianism." But what about the younger people who find they must resign themselves to part-time positions? And what about the self-employed who have been squeezed out of the market and company employees who have been downsized as a result of deregulation? It would be difficult to imagine that such people would empathize with these sophisticated criticisms of egalitarianism. We will need to further examine, in particular, the changes and developments that have occurred in the criticism of egalitarianism since the start of Koizumi politics.

(2) Inequalities that Are and Are Not Politicized

At this point, I would like to introduce two working hypotheses. The first hypothesis concerns the differentiation between inequalities that are politicized and those that are not politicized. The second hypothesis concerns changes in the popular sense of inequality caused by the dysfunction of mechanisms for the socialization of risks.

The first issue concerns how people view disparities and inequality. Should these be rectified through the use of political power? Or, should one be at least partially resigned to disparities and inequality as an unavoidable aspect of the human condition? In Japan's period of economic development, regional disparities between urban areas that led in the process of growth and rural areas that lagged emerged as a major political issue. However, in the early 21st century, disparities in wealth do not necessarily develop into a political issue. Rather, if economic globalization and the resulting intensification of competition are accepted as a given, the enormous gap between winners, who have successfully swam with the tide, and the losers, who have not, tends to be accepted as an inevitable and natural outcome. Gaps that cannot possibly be filled cannot develop into political issues. However, more subtle disparities that are closer to home can. For example, multi-millionaire entrepreneurs ensconced in the luxury condominiums of Roppongi Hills are too distant to be envied. But the preferential treatment given to a nearby civil servant is viewed as the source of intolerable inequality. The latter can very easily develop into a political issue. It can be argued that it is for these reasons that the slogans of small government and "from the public to the private sector" enjoyed such success in the urban areas in the general election of September 2005.

During the era of Japan's accelerated economic growth, it was plainly obvious that the urban areas were leading in the drive to affluence. At the

same time, there was tangible hope that all Japanese people could rise above regional and class divides to share in this affluence. More than anything else, this hope was propagated by politicians. But with the advent of the Koizumi era, the government adopted the position that wealth could not be created through the exercise of political power. The wealth of the IT multi-millionaires had been gained through individual initiative and was not the result of a political process. Hence, the gap that existed between the fabulous winners and everybody else could not develop into a political problem. Instead, what was to be rejected were those who had obtained a certain level of wealth without real personal effort, relying upon the government to ensure their personal security and stability—such as civil servants and local construction companies dependent on public works projects. This implies that the gap between persons profiting from the public sector and those who are not can develop into a political problem.

The second issue concerns the changing position and significance of the public sector. Textbook descriptions of the emergence of the administrative state explain that the development of capitalism from the second half of the 19th century into the 20th century widened the gap between capitalists and workers, and that this provided the impetus for expanding the functions of the government. Extreme inequality heightens the dissatisfaction of the working class and destabilizes the capitalist system itself. Hence, textbooks explain, inequality had to be reduced through social policies and income redistribution, both of which served to expand the role of the government. Thus, the public sector gradually extended its reach in the process of rendering society more equal.

A reversal of this process is seen in 21st century Japan where the public sector appears to be contributing to the growth of inequality. For example, take the national health and pension plans. Originally this system was created to socialize the risks of medical treatment and post-retirement living, and to ensure a certain level of equality among the people. How is the system viewed by the younger generations who are earning about 3 million yen per year in low paying informal jobs? Quite naturally, from their perspective, the payment of pension and health insurance premiums is nothing less than pure exploitation. Members of today's working and active generations do not expect to receive pensions when they reach retirement age. Hence, pension premiums are understood to be an income transfer to the elderly. Similarly, because the younger generations require fewer medical services, they view the payment of health insurance premiums to constitute a subsidy to the elderly who require frequent medical attention.

This structure is not unique to social insurance programs. The same can be said for local tax grants and programs for the protection of agriculture and other weak industries where urban taxpayers and consumers bear the burden of protecting designated groups of the allegedly weak. Workers in

low paying non-formal jobs are definitely in a position of weakness. However, Japan's policies for protection of the weak protect some but neglect others. The neglected weak, such as workers in low paying non-formal jobs, do not bear grudges against the government, which fails to protect them. Nor do they bear grudges against companies, which are holding down their labor costs by employing part-timers. Rather, their antagonism is focused on those who are receiving the full benefit of government protection.

The belief is spreading that public policies originally designed for the socialization of risks are instead creating inequality in certain areas. Herein lies one of the reasons why the losing side is giving its support to neo-liberalism.

(3) Universalization of Risks and Growing Disparities

Japan in the early 21st century has experienced a conspicuous deterioration in the ability to manage risks through public policies. This dysfunction, which can be referred to as the "universalization of risks," has contributed to the growth of disparities. A growing number of people are finding that they cannot maintain a stable life when experiencing such crises as the sudden loss of employment, reduction in income, the need to care for family members, and major natural disasters. An overwhelming majority of the Japanese people, including those who previously were totally free of these anxieties, can no longer ignore such risks as something that will never touch their own lives. What is propelling this process of universal anxiety? The fundamental factors are changes in social structure that affect family life and employment, and changes in the natural environment. However, a more immediate factor making risks apparent is that the government, which had once been regarded as responsible for engaging in risk management in active response to these changes, is now seen to be minimizing its role in favor of the all-out pursuit of market-oriented reforms--and people are finding themselves increasingly vulnerable in the face of these risks.

Specifically, the Japanese people today can be said to be facing four major groups of risks.

The first pertains to the collapse of the Japanese safety net. Long-term stable employment, fiscal grants and public works projects in the peripheral areas, the protection of industries through collusive practices and the convoy system of regulations: all of these institutions and practices protected the weak and contributed to process of socioeconomic leveling. But these systems have now collapsed or are in retreat due to such forces as economic globalization, deregulation, and fiscal tightening. As a result, employment has been destabilized and local economies have been rendered increasingly vulnerable.

The second major group of risks pertains to the atrophy of family functions. Traditionally, the Japanese safety net provided employment and income to the male members of the household, while childrearing and nursing care were dependent upon functioning of the "implicit asset" of the family. Therefore, the destabilization of the family accelerated the dismantling of the Japanese safety net and multiplied the impact of its collapse. As the aging of society advanced, risks pertaining to the twilight years of life also increased. Parallel to this, the destabilization of employment made it more difficult for young people to marry, increasing the risks related to raising the next generation.

The third group of risks pertains to the moral hazards in the private sector. Moral hazards affecting the bureaucracy are highly visible. One only has to turn to such recent scandals as the combination of bid rigging and *amakudari* (literally the "descent from heaven" in which government officials retire to jobs in the private sector) at the Defense Facilities Administration Agency, and corruption in the Social Insurance Agency. Angered by these scandals, the people have turned to support the process that the Koizumi Cabinet called "from the public to the private sector." But there is clear evidence that the private sector is also subject to moral hazards and its fair share of improprieties. Recent examples include the falsification of earthquake-proofing structural specifications and the falsification of corporate accounting in the LiveDoor incident. These scandals remind us that improprieties will proliferate in the private sector when social regulations are eased and the blind pursuit of profits is tolerated. The losses and costs generated by moral hazards in the public sector are spread thin over the entire population. However, in the case of the private sector, scandals and inappropriate behavior directly and massively impact those who happened to have had business dealings with the miscreant firm. As a result, moral hazards in the private sector can completely erase the asset values of individuals overnight.

The fourth group of risks pertains to natural disasters and environmental destruction. Changes in the global environment have started to generate visible risks in the form of typhoons and heavy snowfall. This is where the consequences of market-oriented reforms make themselves strongly felt. The hollowing out of local communities has undermined their ability to respond to disaster-related risks. As a result, during the winter of 2006, more than 100 snow-related deaths were reported in Japan. Moreover, as was made very clear in the aftermath of Hurricane Katrina, the low-income strata are the most seriously affected by disasters in an unequal society. The job of responding to major disasters is a job that only the government can effectively perform. In this connection, it should be pointed out that northeastern United States, the Mecca of free market economic principles, is free of such natural disasters as earthquakes and typhoons. This is a region that can pursue efficiency without fear or

compromise because it does not need to make expensive investments in disaster-prevention that remain unused under normal circumstances.

These four groups of risks are becoming increasingly intertwined as they begin to routinely affect our lives. Moreover, these phenomena are emerging in a period of growing inequality. It should be noted that the ability to cope with risks is significantly affected by personal income and asset levels. The rich, whose spending has created a mini-bubble of sorts, do not need to fall back on public services for their education, health care and post-retirement living. They can perfectly cope using their own resources. However, the majority of the people are almost immediately thrown into dire straits when they experience any of a number of risks that are by no means rare or unusual. These would include the loss of employment, the need to care for elderly parents, or a child that has withdrawn from society. In other words, the impact of growing inequality is being amplified by the universalization of risks.

3. Continuity and Change in the Sense of Equality

(1) Equality in Postwar Japan and the "Effort–Based" View of Justice

How do inequality and growing disparities become a political issue in an environment of universalized risks? In this section, I will use the results from our opinion poll to examine the continuity and change in the people's consciousness of equality.

First, our respondents were asked to give their assessment of social polarization and growing disparities. In Hokkaido, where the dismantling of the enclosure society is linked to destabilization of employment and the decay of local communities, nearly two-thirds of the respondents said that Japan is moving toward an "unequal society where effort is not properly rewarded." Approximately 30 percent said that Japan is moving toward a "good society where talented and capable people can become rich." (Figure 3 and Table 1) In Tokyo, 54 percent opted for the negative assessment and 40 percent for the positive assessment, indicating a relatively narrow gap between the two positions. In particular, 56 percent of the Tokyo respondents in their twenties opted for the positive assessment. These results indicate that in Tokyo, a significantly larger percentage of people view the dismantling of the enclosure society in a positive vein. For them, this dismantling implies personal liberation and the emergence of new business opportunities. As can be expected, many of those who said that Japan had improved during the Koizumi era and those who said that their own lives had improved responded that Japan was a society in which talented and capable people can become rich. This is probably one of the factors that underlie the difference in how people in the major cities and the peripheral regions view the politics of the Koizumi Cabinet.

Figure 3　How do you feel about the Gap and Polarization of the Society?

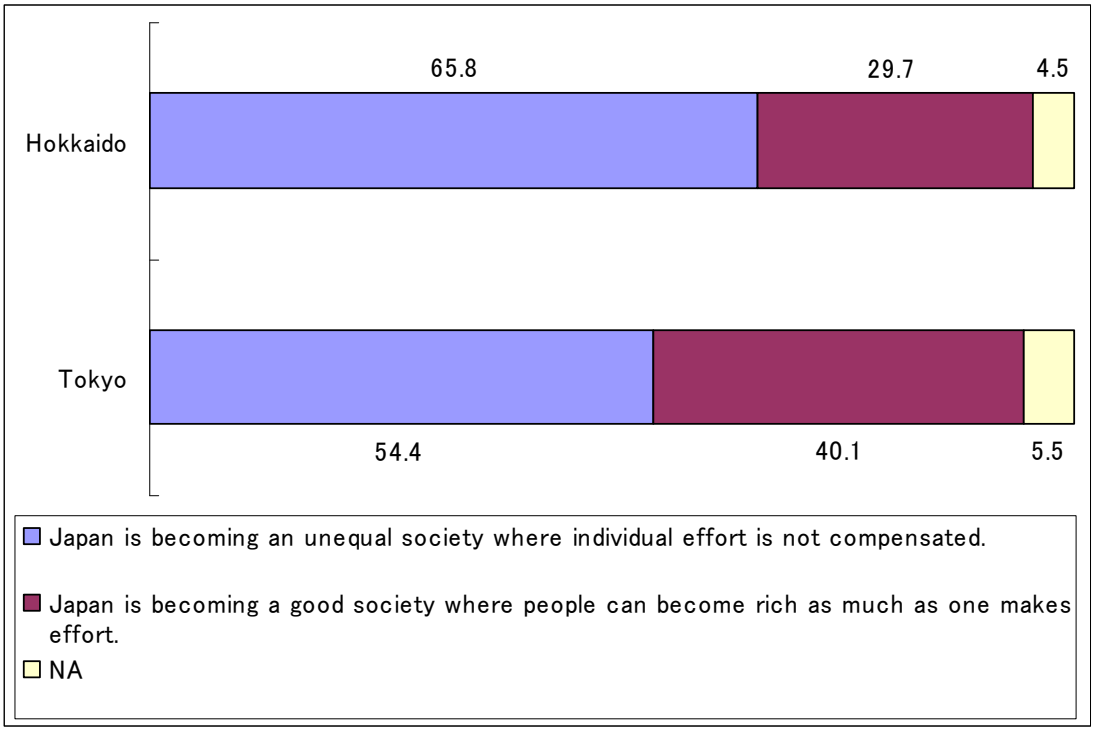


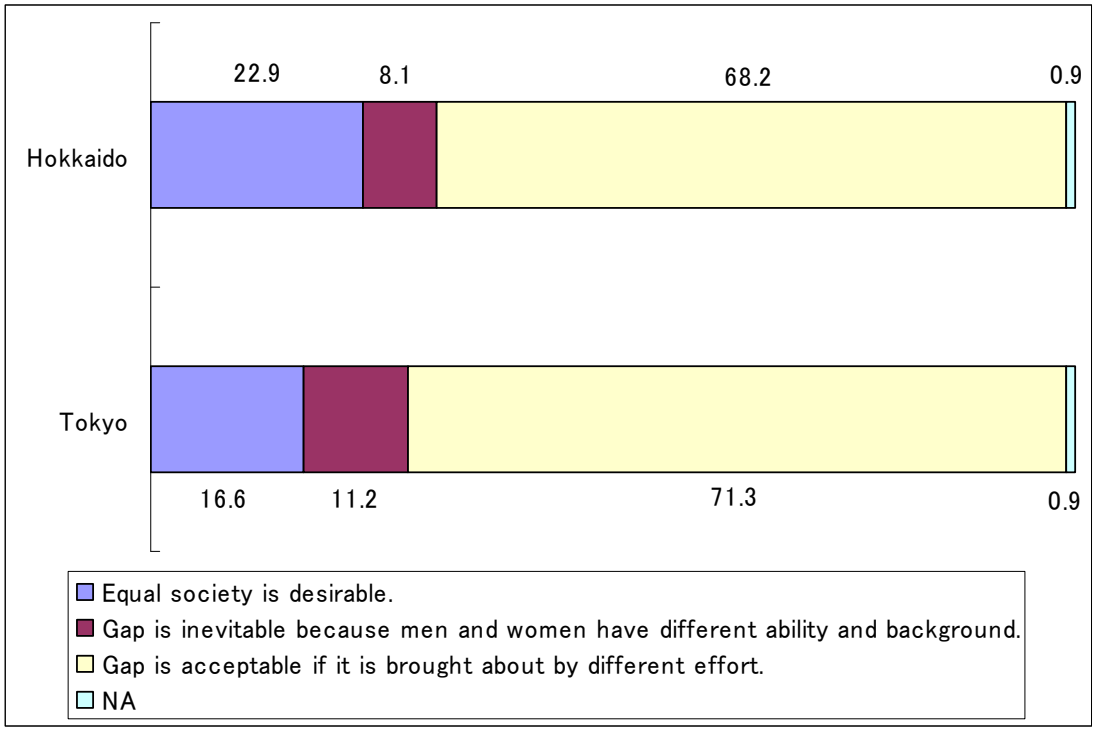
Table　1 Answers by generations to Question 3 in Tokyo

		Japan is becoming an unequal society where individual effort is not compensated.	Japan is becoming a good society where people can become rich as much as one makes effort.	NA
Influence of the gap and inequality on the society	20s	41.6	56.7	1.7
	30s	51.1	42.2	6.7
	40s	52.8	38.9	8.3
	50s	66.2	31.2	2.6
	60s	65.5	27.2	7.3
	70s and above	53.4	37.7	8.9
Change of Japan during the 5-year Koizumi Administration	Becoming better	30.6	62.0	7.4
	Keeping good	34.4	61.2	4.4
	Keeping bad	71.2	25.2	3.6
	Becoming worse	85.6	10.6	3.8
	NA	35.5	39.9	24.6

What is the “most desirable form of equality?” The images of equality that people have in their minds exhibit some very marked features. The respondents were presented with the following three choices on this question: “Society should be as equal as possible;” “Disparities are unavoidable due to differences in birth and upbringing;” and, “Disparities resulting from differences in levels of effort cannot be helped.” Both in

Tokyo and Hokkaido, roughly 70 percent of the respondents said that disparities resulting from differences in levels of effort cannot be helped. (Figure 4) In other words, there is very little support for "equal results" in both major cities and in the peripheral regions. At the same time, there is very little support for disparities resulting from "birth and upbringing."

Figure 4 Which idea do you support?



This very strong support for the "effort principle" in the Japanese consciousness of justice has also been identified in SSM surveys, the leading survey of social stratification and social mobility in Japan. Modern Japan has always contained elements of a meritocratic culture in which special respect is paid to effort. For example, this can be seen as the driving force in the highly competitive school examination system. It has also been argued that "systems that encourage long-term membership and consequently suppress mobility" (what we would call an "enclosure society"), nurtured a mindset that places greater emphasis on the amount of effort put into the process and less emphasis on the outcome.[9]

This sense of justice, which bears the deep imprint of the "effort principle," is taking a new direction in contemporary Japan. That is, it is being directed toward criticizing the Japanese-style safety net and the enclosure

[9] Yuriko Saito and Toshio Yamagishi, "Nihonjin no fukohei-kan wa tokushu ka" [Is the Japanese sense of inequality unique] in *Nihon no kaiso shisutemu 2: Fukohei-kan to seiji ishiki* [Japanese systems of stratification 2: The sense of inequality and political consciousness], ed. Michio Umino, (Tokyo: Tokyo University Press, 2000).

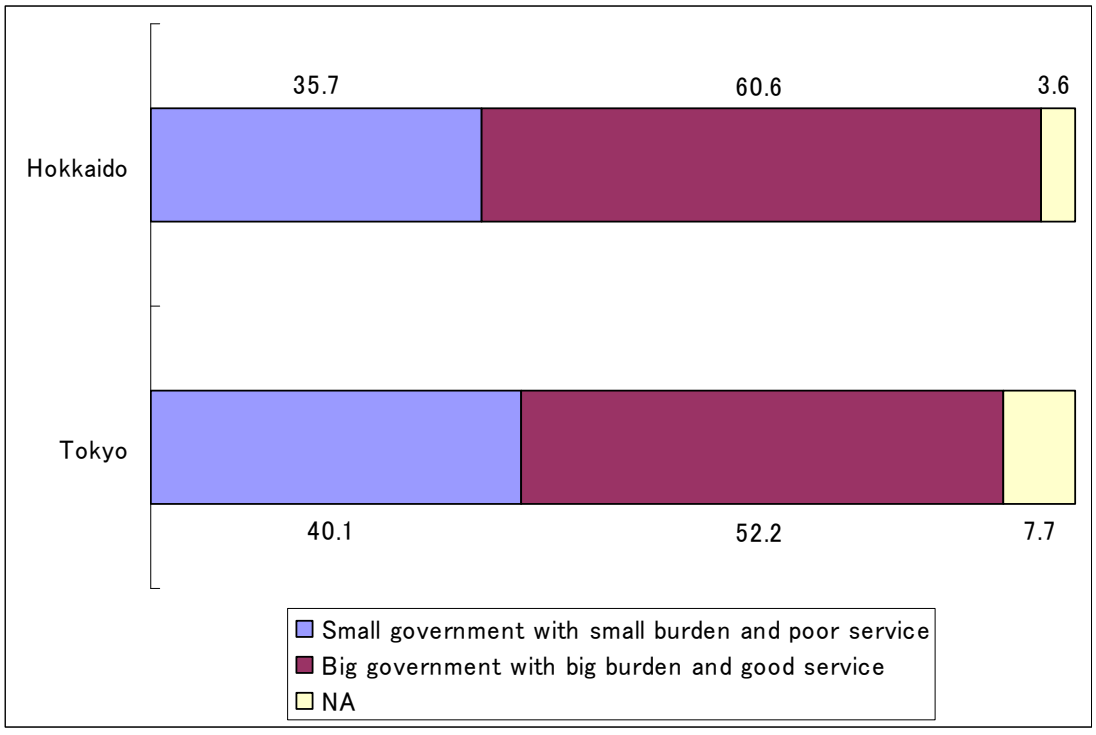
society for the shadowy evidences of free riders. Nevertheless, there is no guarantee that this consciousness of justice is a good match with market principles. The idea of emphasizing social participation and conscientious effort by maintaining a strict correspondence between individual performance and reward contains certain discrepancies with what is being advocated in neo-liberalism. In fact, it is possible to argue that market principles can find a better match in the "social inclusion" type of society or in the "third way," which seeks to support the social participation of a broad range of people.

We are seeing that some people, to a certain degree, welcome the dismantling of conventional measures for equalization, and that the public has adopted an extremely negative stance on equality of results. As the next step, I would like to further consider the following two questions. What form of equality should be pursued in the future, and what role should the government play in the process?

(2) What Is Expected of the Government

Our survey contained a straightforward question on preferences for "big government" and "small government." The results showed that the majority of respondents in both Tokyo and Hokkaido preferred big government. (Figure 5) A poll taken by Asahi Shimbun in the midst of the September 2005 general election indicated that only 34 percent "looked forward to small government," while 43 percent responded that small government made them "feel insecure."

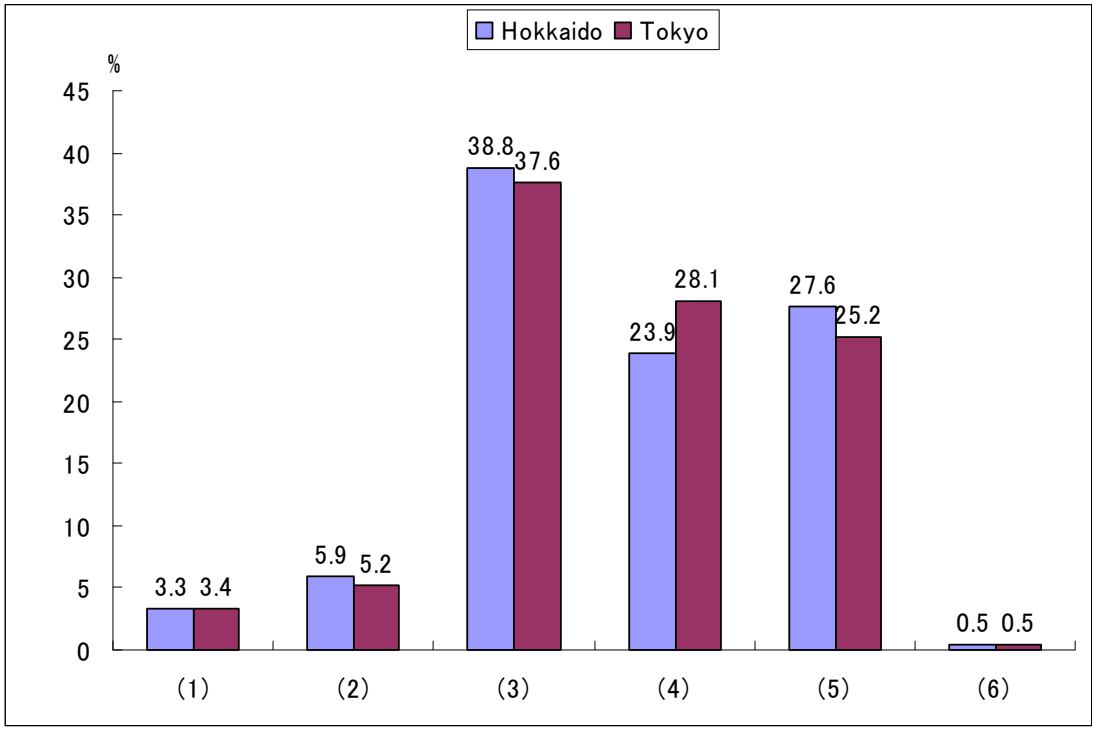
Figure 5　Which government do you support?



While these results may seem surprising, the truth is there is no solid evidence of strong support for small government in Japan. For instance, the 2005 Annual Report on the Japanese Economy and Public Finance states that "the people do not desire big government." But the evidence is weak. The awareness survey on which this statement is based fires off the following questions. "Do you know that Japan's potential national contribution rate is 45 percent?" "Do you know that Japan's potential national contribution rate will increase beyond 55 percent in the future?" and lastly "Do you think the government's target of limiting the potential national contribution rate at about 50 percent is appropriate?" Of all respondents, 73.3 percent stated that this "burden was too high." The Annual Report extrapolates from this to conclude that the people do not desire big government. But this is stretching the results too far.

Is it not more natural to conclude that the people do not mind "big government" so long as it is functioning effectively? However, the point is that a significant segment of society is suspicious of whether the government is actually functioning effectively. (Figure 6) Many people believe the government is "inefficient and wasteful," and that "there are too many civil servants and taxes are too high." Thus, there is a real twist in how the people view the government.

Figure 6　Which image do you have about public services?

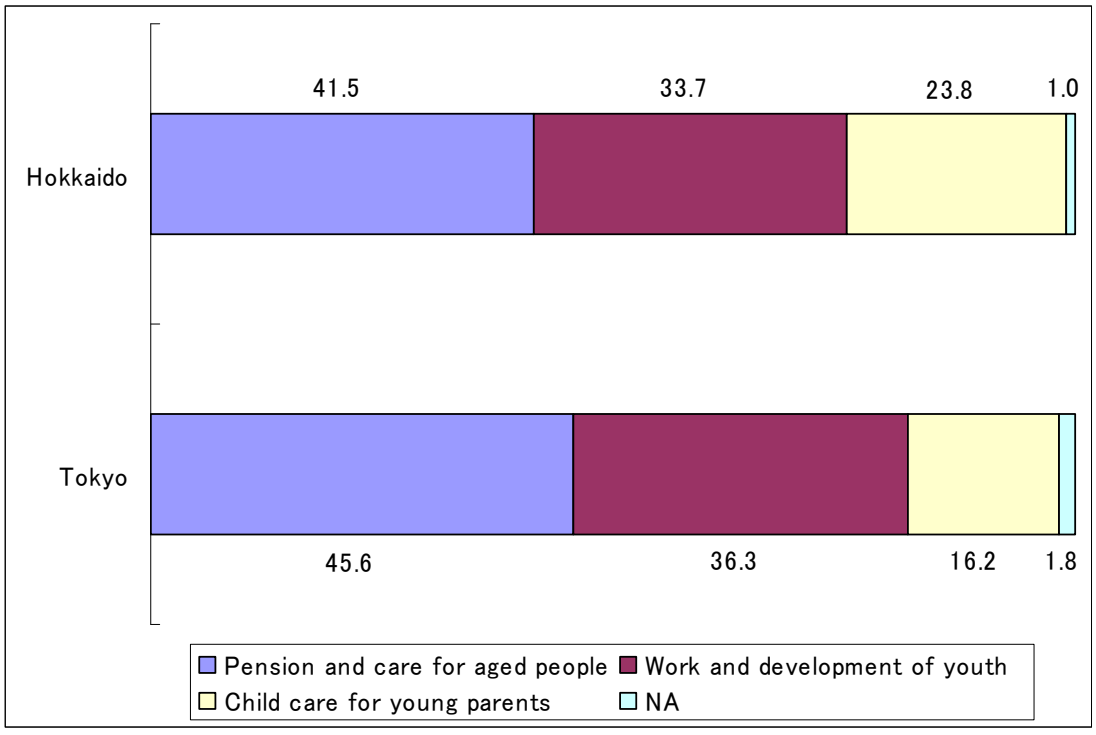


(1) Work hard altruistically
(2) Arrogant
(3) Inefficient and ineffective
(4) Too many civil servants and heavy tax
(5) Irrelevant to public needs
(6) NA

So, what is the actual ratio of the number of civil servants to the total working population? In the case of Japan, the ratio comes to approximately 9 percent, even when the employees of government-related public corporations are included. This is lower than France, where the ratio exceeds 30 percent, and even the United States with 14 percent. Furthermore, in Japan, the ratio of general government expenditure to GDP comes to about 37 percent. This is the sixth lowest among all OECD countries. Nevertheless, people who are not advocates of small government still respond that "there are too many civil servants." These figures provide a glimpse of the following situation. First, people are distrustful of government administration that supports the enclosure society and feel "weighed down" by it. Second, people are strongly aware of a mismatch between their own needs and actual government activities.

What role do the people expect the government to play? Our opinion poll results indicate that, with regard to the content of social security programs, many people want the government to provide more support to the working and active generations. (Figure 7) It is true that, taken by itself, a large number of people hoped the government would provide for "pensions and long-term care for the elderly." However, in combination, a significant number of people stated that they wanted support for "childrearing by young parents" and for the "independence and employment of young people." Particularly among female respondents the number stating "childrearing by young parents" slightly exceeded the number stating "pensions and long-term care for the elderly." These results can be interpreted to be linked to the ongoing transformation of Japan's risk structure and to disparities related to this transformation.

Figure 7　Which purpose should social security work for?



Some analyses have shown that growing disparities are becoming more conspicuous among younger households. Gini coefficients for households categorized by the age of the head of the household provide some interesting results. The highest Gini coefficient is found in the category of elderly households, but the coefficient has been declining over the years. On the other hand, the coefficient has been increasing for households in the people in their twenties, thirties and forties. This probably is a reflection of the atrophy of family functions and the destabilization of employment, both of which have contributed to growing low-income risks for younger households. In early 2006, the country was shocked by the revelation that one out of every four children in Tokyo and Osaka was receiving public assistance for schooling. This is probably a manifestation of the low-income risks faced by households that are bringing up children. Notwithstanding this fact, social security benefits paid to the working and active generations are far inferior to benefits to the elderly, including pensions and health care services. Although this type of mismatch between social security systems and new risk structures can be seen throughout all OECD countries, the mismatch is particularly conspicuous in the Japanese case because of the high level of dependence on employment and family in the past.

In this context, it is highly significant that discussions of social welfare reform contain calls for the improvement of "social security in the first half of life." But such reforms must not be allowed to deteriorate into a zero-sum game in which resources are taken away from the elderly to be redistributed to the working and active generations. Support related to employment, continuing education, childrearing and other needs of the working and active generations would stimulate and revitalize the economy. This is made clear by the experiences of the northern European economies where ample social support is given to this segment of the population. And if the working and active generations were energized, their heightened level of activity would provide the resources for supporting the elderly. In order to respond to the popular views expressed in our opinion poll, it will be necessary to consider a paradigm shift in social security.

(3) Equality and the Vision for the Nation

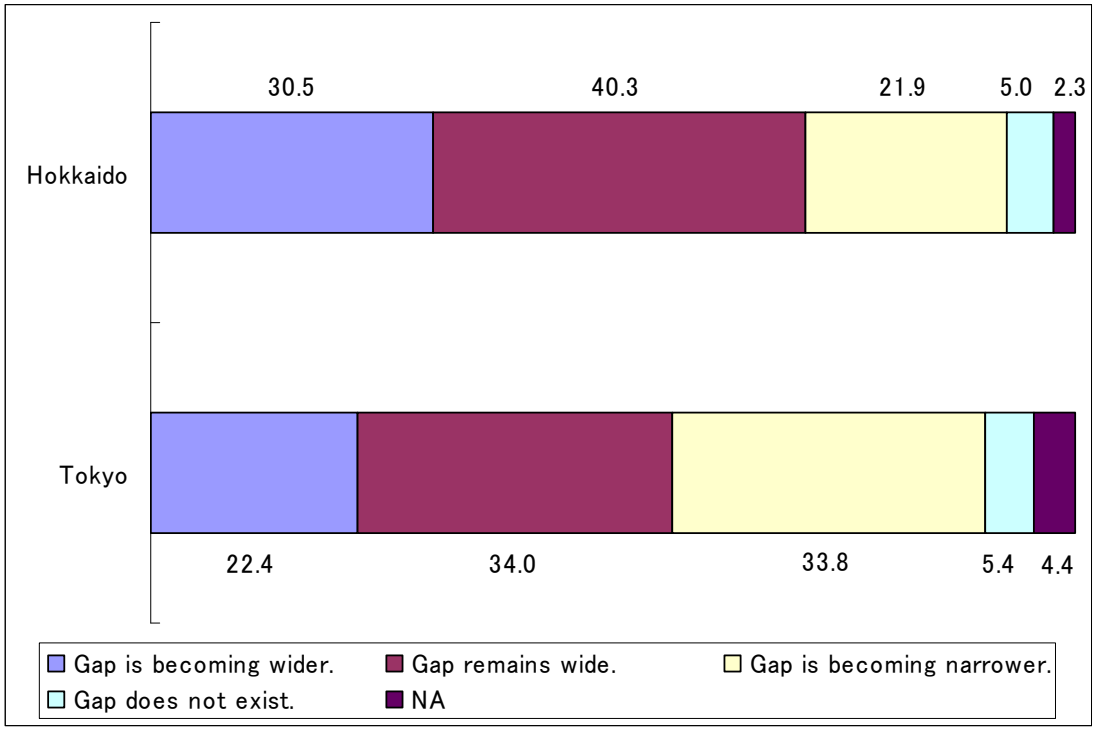
Our opinion poll also contained questions concerning spatial equality, a major goal in Japanese politics. In the structural reforms of the Koizumi Cabinet, inter-regional redistribution was reduced and local governments were pressed to accept responsibility for their own affairs, all of this was done in the name of decentralization of fiscal authority. Many of the Koizumi reforms implicitly negated the pursuit of inter-regional equality. This can be clearly seen in such institutional revisions as the review of the function of local tax grants in guaranteeing the availability of fiscal

resources, the expanded application of market principles to local government bonds, and reduced spending on public works. The mayors and employees of local governments in rural areas throughout Japan are raising their voices in opposition to the "decentralization" currently being pursued by the Ministry of Finance, demanding to know whether this "decentralization" means that people should no longer live in the countryside where administrative costs are high.

In the world of politics, advocates of the balanced development of the national land have been labeled as the villains opposing structural reform. The media have also played a role in popularizing the view that special-interest politics has resulted in wasteful public works and pork-barrel projects throughout the peripheral regions. So has a change occurred in how people view inter-regional equality?

In our opinion poll, we approached this problem by first asking about the current status of inter-regional disparity. In both Tokyo and Hokkaido, "large disparities exist, and the gap is growing" and "disparities remain large" combined to account for a majority of the respondents. Particularly in Hokkaido it accounted for more than 70 percent. As opposed to this, "disparities exist, but the gap is being reduced" and "disparities hardly exist" combined to account for only 25 percent of the respondents in Hokkaido and little under 40 percent in Tokyo. (Figure 8)

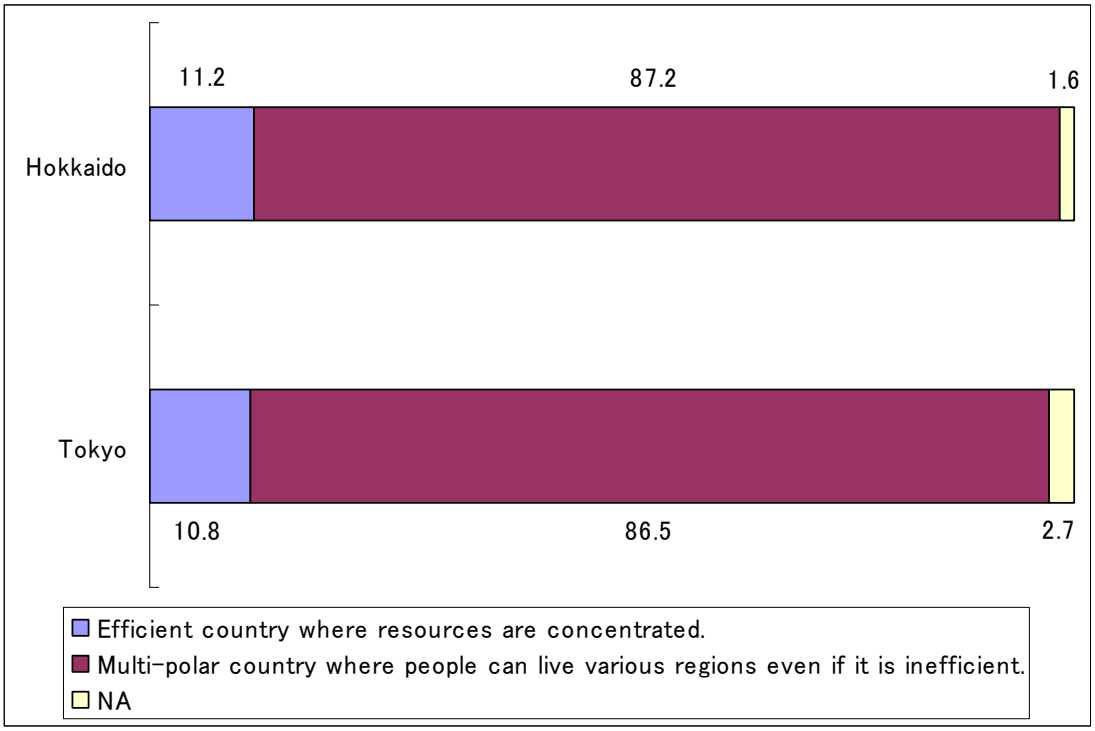
Figure 8 Which opinion do you support about the gap between metropolitan area and rural area?



Next, the respondents were asked to identify their vision for the future of country by choosing between the following two: "A country that assigns

priority to economic efficiency and where people are concentrated in economically viable urban areas;" "A country that is not bound by economic efficiency and develops the economically unviable peripheral regions so that people will also live there." In both Tokyo and Hokkaido, nearly 90 percent of the respondents opted for a "country that is not bound by economic efficiency." (Figure 9) In the case of Hokkaido, one would naturally expect the majority to take this position. The surprise was that the survey conducted in Tokyo produced essentially the same result.

Figure 9 Which shape of the country do you prefer?

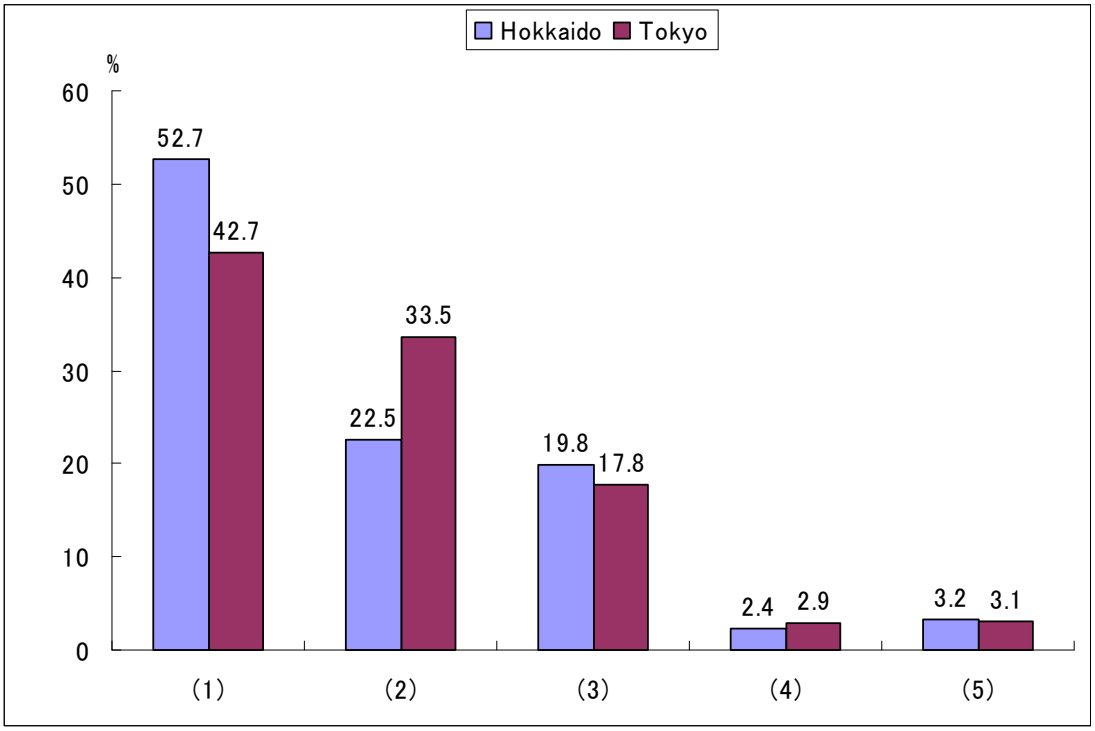


In the next step, the respondents were asked to evaluate the mechanisms for fiscal redistribution to maintain inter-regional equality. The following four choices were presented: "maintain the current system;" "redistribution should be reduced only if regional disparities have been reduced;" "regional disparities should be reduced through the self-help efforts of the peripheral regions;" and, "the idea of reducing regional disparities should be rejected." In both Tokyo and Hokkaido, only about 20 percent of the respondents opted for the self-help efforts of the peripheral regions and the rejection of the idea of reducing regional disparities. (Figure 10) In both Tokyo and Hokkaido, an overwhelming majority expressed support for reducing disparities through fiscal redistribution. In the case of Hokkaido, a large number of respondents favored maintaining the current system. On the other hand, in Tokyo, opinions were split on the level of redistribution to be maintained.

One of the most notable results came from residents of the rural areas of Hokkaido, which are highly dependent on fiscal transfers from the major cities. In this cohort, only 39.2 percent opted for maintaining the current

system of fiscal transfers, a ratio that was far lower than for Tokyo and the urban areas of Hokkaido. Similarly, 28.6 percent of this cohort opted for self-helping efforts of the peripheral regions, a ratio that was far higher than for Tokyo and the urban areas of Hokkaido. (Table 3) In the rural areas of Japan, it has become painfully clear that the reduction in local tax grants and public works projects over the past few years has created a crisis in local finances and has impoverished local economies. The generally held image is that the rural population has been sitting back and taking advantage of fiscal redistribution. But our results suggest that, on the contrary, an increasing number of rural residents feel that they cannot continue to rely on the government. The question of viable methods aside, a considerable number of these people have the gumption to admit that self-helping efforts are necessary.

Figure 10　What do you think about fiscal redistribution between urban and rural areas?



(1) Urban areas should support rural areas.
(2) Although equalization is necessary transfer should be reduced.
(3) Although equalization is necessary rural areas should take care of themselves.
(4) Since equalization is not necessary redistribution should be abolished.
(5) NA

Table 2 Answers by regions to Question 10 in Hokkaido

	(1)	(2)	(3)	(4)	NA
Urban area	55.0	17.9	19.0	3.2	4.8
Medium cities	52.7	27.8	16.7	1.1	1.8
Small cities	59.2	20.1	16.4	–	4.4
Towns and villages	39.2	26.0	28.6	5.2	1.0

For some years now, the media has latched on to the theme that the peripheral regions are receiving more than their fair share of government services. A highly visible group of politicians and commentators, lead by Governor Shintaro Ishihara of Tokyo, have attacked the redistribution of tax revenues from the major cities to the rural regions However, the fact remains that the public clearly continues to support the balanced development of the land. It is very interesting to note the reversal of positions in this context. Urban dwellers, who are financing the transfers, appreciate the need for fiscal redistribution, while rural dwellers, who are the beneficiaries of these transfers, are voicing support for self-help and the reduction of fiscal transfers. The picture that emerges is that urban dwellers are not waxing hysterical about being victimized, nor are rural dwellers claiming dependence on the government to be their natural right. These popular views will provide important hints for future efforts for developing the concept of decentralization.

Conclusion: The Possibility of a "Freedom and Equality Axis" in Japanese Politics

Due caution is needed in interpreting poll results because the thoughts expressed always contain some ambiguity. Nevertheless, I believe it is safe to say that our results, in the very least, point to the existence of certain discrepancies between the Koizumi reforms and public opinion. The ideologues of the Koizumi reforms have rejected the very concept of equality that postwar Japan pursued and have claimed that market principles and competition will create a just society. Moreover, they have criticized the existing mechanisms for inter-regional equality and the protection of the weak as a source of free riders. However, the people continue to respect the principle of equality and expect the government to play an active role.

On the other hand, while the people continue to respect personal effort, they are not demanding equality of results. Furthermore, residents of the peripheral regions who have benefited from the policies of protection have not been spoiled by vested interest. In this sense, Japanese egalitarianism is a "modest" egalitarianism. Nonetheless, there are very strong indications of discomfort with the acceleration of the competitive society.

Having said this, why then do we see growing support for Koizumi politics? The contradiction between public support for modest egalitarianism and the ongoing reform boom can be attributed to two factors. First, the present government is not fully capable of achieving equality. Second, the people do not feel that they can trust and rely on the government. Indelibly impressed upon the mind of the public is the belief that the sustainability of public policies is profoundly threatened by the crisis of the social security system accompanying growing fiscal deficits and the aging of society. For the younger generations who have only job

insecurity and low incomes to look forward to, the payment of premiums into a universal insurance system to maintain pensions and health insurance has all the markings of exploitation. When sustainability is suspect, it becomes extremely difficult for them to believe that premiums paid for the socialization of risks may eventually benefit themselves.

With mounting disbelief in the sustainability of the system, politicians have lost the capacity to think and a greater part of the population has settled into a mood of resignation. Herein lies the problem. The practical propositions that can be derived from our opinion poll can be summarized as follows. It should be possible to restore the sustainability of the system if the people were to respond to political initiatives with understanding and a willingness to accept the necessary burdens. But this option is being drowned out by voices clamoring for small government. These are the voices that are saying that systems of questionable sustainability should be radically downsized or dismantled, and these are the arguments that are carrying the day. On the contrary, given the universalization of risks, now is the time to develop stable systems for the socialization of risks. This is the policy direction that would most effectively respond to the views expressed in our poll.

In closing, I would like to briefly touch on the ramifications of the analytical framework for Japanese partisan politics. The LDP prior to the Koizumi Cabinet contained elements of liberalism supporting the creation of wealth as well as elements of social democracy promoting the redistribution of wealth. While workers did not directly benefit from social policies, their incomes did move in the direction of equalization as a result of Japanese labor practices featuring seniority pay and long-term stable employment. This effectively prevented the emergence of an axis of conflict between the left and the right[10] based on the issue of equality. Thus, in the arena of partisan politics, the Japanese mechanisms of equalization rendered the clash of policies over redistribution and equalization increasingly ambiguous. However, the destruction of these mechanisms under the Koizumi Cabinet has now exposed the people to risks in a major way. This should mean that for the first time in Japan, conditions are now in place for clearly delineating an axis of conflict between the left and the right that is rooted in the issue of equality.

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[10] Norberto Bobbio, *Left and Right* , trans. Allan Cameron (Cambridge: Polity Press, 1996; Chicago: University of Chicago Press, 1997), Chapters 3, 6.