

**Syncretism: The Politics of Economic  
Restructuring and System Reform in Japan**



**SYNCRETISM**

The Politics of  
Economic Restructuring  
and System Reform  
in Japan

Edited by  
Kenji E. Kushida, Kay Shimizu, and Jean C. Oi



THE WALTER H. SHORENSTEIN  
ASIA-PACIFIC RESEARCH CENTER

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*We dedicate this volume to Daniel I. Okimoto, for his years of mentorship and his dedication to understanding Japan and building bridges across the Pacific.*



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## Abbreviations

<b>BOJ</b>	Bank of Japan
<b>BRP</b>	book-reserve plan
<b>CB</b>	cash-balance plan
<b>CEFP</b>	Council on Economic and Fiscal Policy
<b>CME</b>	coordinated market economy
<b>CO</b>	Cabinet Office
<b>COLI</b>	corporate-owned life insurance
<b>CRO</b>	contract research organization
<b>DB</b>	defined benefit
<b>DC</b>	defined contribution
<b>DER</b>	debt-equity ratio
<b>DIK</b>	Dai-Ichi Kangyo Bank
<b>DIR</b>	Daiwa Institute of Research
<b>DPJ</b>	Democratic Party of Japan
<b>EFPIA</b>	European Federation of Pharmaceutical Industries and Associations
<b>EPF</b>	employee pension fund
<b>FDA</b>	U.S. Food and Drug Administration
<b>FDI</b>	foreign direct investment
<b>FIEL</b>	Financial Instruments and Exchange Law
<b>FILP</b>	Fiscal Investment and Loan Program
<b>FSA</b>	Financial Services Agency

<b>IBJ</b>	Industrial Bank of Japan
<b>ICH</b>	International Conference on Harmonization
<b>ICT</b>	information and communications technology
<b>IRCJ</b>	Industrial Revitalization Corporation of Japan
<b>ISP</b>	Internet service provider
<b>JCGR</b>	Japan Corporate Governance Research Institute
<b>JFC</b>	Japan Finance Corporation
<b>JFTC</b>	Japan Fair Trade Commission
<b>JGB</b>	Japan Government Bond
<b>JILPT</b>	Japan Institute for Labour Policy and Training
<b>JPI</b>	Japan Post Insurance
<b>JPMA</b>	Japan Pharmaceutical Manufacturers Association
<b>JSDA</b>	Japan Securities Dealers Association
<b>JSP</b>	Japan Socialist Party
<b>KDDI</b>	Kokusai Denshin Denwa (telecommunications carrier)
<b>LDP</b>	Liberal Democratic Party
<b>LME</b>	liberal market economy
<b>LTCB</b>	Long-Term Credit Bank
<b>METI</b>	Ministry of Economy, Trade, and Industry
<b>MHLW</b>	Ministry of Health, Labor, and Welfare
<b>MHW</b>	Ministry of Health and Welfare
<b>MIC</b>	Ministry of Internal Affairs and Communications
<b>MITI</b>	Ministry of International Trade and Industry
<b>MMD</b>	multi-member district
<b>MNC</b>	multinational corporation
<b>MOF</b>	Ministry of Finance
<b>MOSS</b>	“market-oriented sector-selective”
<b>MP</b>	member of parliament
<b>MPT</b>	Ministry of Posts and Telecommunications
<b>MR</b>	medical representative
<b>NCB</b>	Nippon Credit Bank
<b>NHI</b>	National Health Insurance
<b>NLI</b>	Nihon Life Institute
<b>NNKK</b>	Nikkeiren Nōryōkushugi Kanri Kenkyūkai (business organization study group)

<b>NPL</b>	non-performing loan
<b>NTT</b>	Nippon Telegraph and Telephone Corporation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PARC</b>	Policy Affairs Research Council
<b>PhRMA</b>	Pharmaceutical Research and Manufacturers of America
<b>PR</b>	proportional representation
<b>SMD</b>	single-member district
<b>SME</b>	small and medium enterprise
<b>SPVA</b>	single premium variable annuity
<b>TDB</b>	Teikoku Databank
<b>TK</b>	Tōyō Keizai (publisher)
<b>TQPP</b>	tax-qualified pension plan
<b>TSE</b>	Tokyo Stock Exchange
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>VoC</b>	Varieties of Capitalism
<b>WTO</b>	World Trade Organization





## Glossary

***amakudari*** “descent from heaven”: post-retirement position, usually for ex-bureaucrats

***antei kabunushi*** stable shareholder

**Chūshō Kigyō Kihon Hō** Basic Law Governing Small and Medium Enterprises

**Chūshō Kigyō Kinyū Kōko** Japan Finance Corporation for Small and Medium Enterprise

**Daini Rinchō** Second Administrative Reform Committee

***himawari*** social services component of the old postal system

***jigyōsho*** establishments

***jūsen*** housing finance company

***jūgyōin*** employees

***kaisha*** company

***kampo*** life insurance services

***keiretsu*** horizontal inter-market business group

**Keizai Doyukai** Japanese Association of Corporate Executives

***kigyō*** enterprise

***kōenkai*** candidate support group

**Kokumin Seikatsu Kinyū Kōko** People’s Finance Corporation

**Kokusai Kyōryoku Ginkō** Japan Finance for International Cooperation

- Kōei Kigyō Kinyū Kōko** Japan Finance Corporation for Municipal Enterprises
- mochiai kabunushi* mutual shareholders
- MOF-tan** dense interpersonal relationships between banks and MOF officials and bank employees (Ministry of Finance “handlers”)
- nenreikyū* age pay
- Nihon Shintō** Japan New Party
- Nippon Ishin-no-Kai** Japan Restoration Party
- Nippon Yūsei Kōsha** Japan Post
- Noringyogyō Kinyū Kōko** Agriculture, Forestry and Fisheries Finance Corporation
- purosesu jūshigata seika shugi* process-oriented performance-based salary system
- seisekikyū* performance pay
- senmon iinkai* special expert committee
- sentaku to shūchū* “choose and focus” reorganization
- Shinseitō** Japan Renewal Party
- shita-uke* dedicated suppliers
- Shōkō Kumiai Chuō Kinko** Shoko Chukin Bank
- shokunō shikaku seido* skill-grading system
- shokunōkyū* ability/skill pay
- shōtengai* shopping district
- shuntō* yearly wage negotiation cycle
- yakuwarikyū* role/job pay
- yūcho* postal savings account
- Yūsei Jigyōchō** Postal Services Agency
- zaikai* business world
- Zenkoku Seikatsu Eisei Dōgyō Kumiai Rengō (Seiei)** Japan Association of Life Sanitation Industries
- zoku* “tribes,” referring to politicians specializing in particular areas

## Contributors

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## Preface

This volume originated in a conference held in the summer of 2006 at Stanford University's Walter H. Shorenstein Asia-Pacific Research Center (Shorenstein APARC). Organized by Jean C. Oi, Byung-Kook Kim, and Jennifer Amyx, it was part of a broad project covering China, the Republic of Korea, and Japan. The goal was to understand the politics of corporate restructuring and economic reform in the three countries. As is often the case with comparisons between these three very different countries, the dilemma was how to maximize comparability, while recognizing that the institutions required to facilitate economic and corporate restructuring would differ in each country. The idea of one large volume quickly grew into an ambitious strategy to orchestrate a volume for each country.

A central theoretical question linking the three countries was: to what degree was system change driven by firms or the state? The conference followed the lead of the Varieties of Capitalism framework articulated by Peter Hall and David Soskice. Their framework not only placed the activities of firms as central to the diverse organization of capitalist systems around the world, but also posited that firms were the primary drivers of systemic change. This was a proposition worth examining in Northeast Asia, where states and governments played critical roles in economic development.

The China volume, *Going Private in China: The Politics of Corporate Restructuring and System Reform*, and Korea volume, *Adapt, Fragment, Transform: The Politics of Corporate Restructuring and System Reform in South Korea*, were both published by Shorenstein APARC in 2011 and 2012, respectively.

The theoretical finding from these volumes, put simply, was that firms had relatively little autonomy to drive change in the way that the Varieties of

Capitalism conception contended. In China, state-owned enterprises were clearly unable to influence their surrounding environment in areas such as labor and pension schemes. In Korea as well, politics rather than firm behavior was the primary driver of system change. The Japanese case, as analyzed in the chapters of this volume, also demonstrates system change occurring as a result of politics driving regulatory reforms, leading to economic and industrial restructuring.

Along the road to publication, authors in this volume gained many insights from the period of remarkable change and continuity for Japan between 2006, when the first batch of papers from the conference was presented, and 2012, when the final set of chapters was completed.

Politically, in 2006, the ruling Liberal Democratic Party (LDP) had an almost unprecedented number of seats in the National Diet, after Prime Minister Koizumi had orchestrated a landslide victory for the LDP in the 2005 election. Yet, just three years later, the LDP lost power in a historical electoral defeat to the Democratic Party of Japan (DPJ), ending its almost continuous reign since 1955. Yet, the DPJ only lasted for three years before the LDP came back as powerful as ever, gaining majorities in both the Lower House and Upper House.

In 2006, the Japanese economy seemed to be on a trajectory of sustained growth, buoyed by regulatory reforms and corporate restructuring. However, the 2007–8 global financial crisis hit Japan hard—not in the financial sector, but in exports, as demand plunged around the world. Then, even as the economy was recovering quickly, the 2011 Great East Japan earthquake and tsunami hit, devastating regional economies and disrupting supply chains. While the longevity of the recent resurgence of Japan's economy under Prime Minister Abe's "Abenomics" has yet to be seen, the Japanese economy has undoubtedly undergone numerous major changes over the past two decades.

There is much uncertainty about the challenges Japan faces, ranging from demographic change of a rapidly aging society, new waves of globalization in production networks, uncertainty surrounding the future of its energy sources after the Fukushima nuclear disaster, to the government's large fiscal debt. However, what is certain is that Japan's trajectory of change will be shaped by aspects of Japan's political economy covered in the chapters that follow.

There are many people we would like to thank for enabling this volume. Paper presenters and discussants at the original conference helped formulate the original research questions and stimulated discussion that shaped the trajectory of this volume. In particular, input from Alicia Ogawa, Daniel



Okimoto, Yves Tiberghien, Steven Vogel, and Anthony Zaloom were invaluable in setting the direction of the volume. We extend particular thanks to Jennifer Amyx, who spearheaded organizing the conference and provided feedback to early versions of papers. We thank George Krompacky for his patience and tireless efforts shepherding this project to its completion. We would like to express our gratitude to Gi-Wook Shin and the Shorenstein APARC staff. A very special note of thanks goes to the Japan Fund at the Freeman Spogli Institute, which provided the final source of funding to get this volume published.

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