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It is well known that Japan's business community has often welcomed the guiding hand of the government in industrial policy. Yet few Americans realize the extent to which the Japanese state has promoted economic development by actively managing and mobilizing society itself. To most Japanese officials and businessmen, the country's ability to compete in the next century rests as much on maintaining safe streets, intact families, the work ethic, low welfare spending, and high rates of saving. These favorable conditions are not expected to endure by themselves, but assumed to depend on the government's continuing efforts to mold the behavior of its people.

Only by recognizing the widespread commitment to "social management" can one make sense of the current Japanese debate over deregulation. Take the "Blue Bird Plan" put forward by the leading employers' federation, Nikkeiren. Echoing American free-market thinkers, the proposal boldly seeks to eliminate government regulations that raise production costs and erode Japan's international competitiveness. Yet in attacking the nation's legendary high prices, the business federation calls not for freer markets or an end to the inefficient distribution system, but for a massive government campaign to "educate" consumers to spend less money on goods. Consumers themselves, the manifesto complains, have brought about the country's high price levels, paying top yen for brand names, regardless of quality. Aptly enough, the Blue Bird Plan recommends against following either the American or European economic models. Japanese must find, in the words of the song, their own "blue bird" of happiness.

In no other democracy has the government mobilized its populace behind strategic economic policies as successfully. Campaigns to promote household saving are a prime example. The Japanese on average save 13% of disposable income, compared with only

4% in the case of Americans. With great fanfare 11 years ago, the government announced plans to stimulate consumption on a massive scale. In reality, Japan remains the only advanced economy that has an official agency devoted to encouraging saving. Established in 1952, the Central Council for Savings Information works with local schools and civic groups to inculcate habits of thrift. Housewives' magazines lend a helping hand, with story after story about clever homemakers who cut wasteful expenditures and faithfully record all spending and income in account books.

Moreover, the government has successfully dampened public expectations of more generous welfare programs for the elderly. Although social spending has steadily risen as the population ages, Japan has thus far avoided many of the costs that Western nations pay to institutionalize the frail or support the independent living of healthy seniors. Some 55% of Japanese aged sixty-five and older were living with their children in 1994. At a time when comparable figures have dropped to less than 20% percent in Western nations, the slow decline of the Japanese family as the primary welfare institution owes much to managerial efforts by the government. In a deft public relations campaign spanning the last two decades, officials and a cooperative media have persuaded the public that Japan faces an "aging-society crisis." Only if families, particularly wives, continue to care for the elderly, the message goes, will Japan escape the rising costs of entitlements experienced by its economic rivals.

Indeed, women play central roles in the government's social management. Americans are quick to deny the existence of a Japanese "women's movement," having found few U.S.-style feminist organizations. Yet, millions of Japanese women belong to local women's associations. While these groups sometimes take issue with national policies, for the most part they provide the ground troops for the many official campaigns. They promote household saving, discourage the use of credit cards, and assist the police in crime prevention. In addition, women constitute the vast majority of the 5 million "volunteers," whom the central bureaucracy has aggressively recruited to serve as unpaid social workers and thereby contain welfare costs.

Japan's preoccupation with managing society has had a long history. During the first half of the 20th century, few areas of what Americans regard as "private" escaped supervision by the state. Officials mounted an endless stream of nationwide "moral suasion" campaigns. People were exhorted to save more money, buy fewer imports, and work harder to avoid relying on public assistance. At the local level, tens of thousands reinforced government policies within the many state-sponsored trade associations and neighborhood groups.

Even the flourishing brothels became instruments for strengthening the nation. As state regulators explained, licensed prostitution served to satisfy the urges of husbands and thus preserved family units. Prostitutes also enabled single men to forego marriage, and thus to avoid the costs of supporting families and so reduce aggregate national consumption. Although Japan became a more democratic polity after World War II, many of the cozy relationships between the state and civic associations persist to this day.

In an age when Americans lament the decline of volunteerism and social capital, there is something appealing about the Japanese government and local activists working together. On the other hand, intimate relations between the state and civic groups inhibit the rise of more independent movements that might challenge the government's anti-consumer orientation and its miserly welfare programs. But for better or worse, these patterns of social management remain a fundamental fixture of the Japanese political economy. Only by understanding them, can we deal more realistically with a nation that shows few signs of adopting American norms and policies.

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The Japan That Doesn't Know What to Say by **Richard J. Samuels**

In the late 1980s, when Japanese elites were feeling particularly rich and technologically muscle-bound, Sony Chairman Akio Morita joined forces with nationalist politician Shintaro Ishihara in a widely discussed book, *The Japan That Can Say "No"*. The authors said that they were weary of being pushed around on trade and policy issues. Japan had grown up and should shed its role as compliant junior partner to a United States that, in decline and beset by troubles of its own making, had gone from great power to moralistic bully. Japan could play a Soviet card. It could deny technology to the United States. At least, it could "just say no."

Instead, during the Gulf War crisis of 1990-1991--the first real test of this perspective--Japan said "yes," albeit sotto voce. After a wrenching and protracted domestic debate, the Japanese government reluctantly agreed to underwrite President George Bush's Gulf War coalition, to the tune of \$13 billion. It also took the first small steps toward enabling the Japanese military to participate in U.N.-sanctioned peacekeeping activities. Soon after, my students and I organized the first of three biannual Asia Pacific Crisis Simulations, which analyzed Japan's post-Cold War international role in light of plausible domestic, regional and global changes. Attention was always paid to the foreign-policy choices and domestic political dynamics in China, the United States and other neighboring states.

The game's players were assembled from around the world and assigned to teams representing constituencies and leaders in Japan, the United States, China, Korea, Indonesia, Taiwan, Vietnam, Malaysia and Australia. The game starts 10 years from the present. Action is fast and furious. Deals are cut and reneged upon; betrayal and cooperation vie for prominence. Crises once thought resolved return to frustrate diplomats. Participants feel the pressure and stakes of world politics.

The first game, held in May 1993, investigated the dynamics and outcomes of an all-out U.S.-Japan trade war. When Europe and a democratic Russia emerged from global financial and monetary crises richer, stronger and consolidated, we learned an important lesson of how much the United States and Japan had to lose from a trade war. But the Japanese press took away a different lesson. One major magazine ran a feature story about how the Massachusetts Institute of Technology, the site and organizer of the game, was the tool of the Pentagon.

Troubled by Japanese misunderstanding of the purposes and lessons from this exercise, I decided to secure Japanese funding and to play the game in full view of the Japanese public the second time around. The second game, held in May 1995, explored how Japan might react in regional crises if the United States declared itself unwilling to intervene on Japan's behalf.

Two crises were conceived, one involving huge flows of Korean refugees to Japan after a bumpy Korean unification, the other a hostage crisis in Southeast Asia. Despite considerable domestic political instability, the Japanese team succeeded in achieving many of its long-term objectives, including a resolution to trade disputes with the United States, revision of its anti-war Constitution and reaffirmation of U.S. security guarantees. To the surprise of many, the refugee problem was swiftly resolved. The rise of a hostile Islamic republic in Southeast Asia, on the other hand, led to military activity and the disruption of trade in the Malacca Strait. This time, the Japanese press reaction was overwhelmingly positive. But the television show based on the game was broadcast between 1 a.m. and 4 a.m. in Japan.

When the time came to secure funding for this year's exercise, we were told that Japanese think tanks were working on their own simulations, and that inclusion in our game of any one of a half-dozen most likely regional conflicts would be too touchy for a Japanese sponsor to support. So we ran the game without outside support. Again we invited Japanese, Chinese and other regional experts. We sought to test the dynamics of a northeast Asian region in which China, Japan and the United States no longer had any mutual obligations, but one in which mutual mistrust was rife. We observed a fluid pattern of alliance formation, one in which the balancing of power overwhelmed historical animus. The Japanese reaction has been stunning. The day after the game, the Mainichi Shimbun ran a front-page story about how MIT fantasized an "isolated" Japan in the early 21st century. The story ended by noting correctly that our 1995 simulation presaged with eerie accuracy the takeover of the Japanese ambassador's residence in Lima, Peru. My office was deluged with calls from the Japanese Embassy in Washington and from the consulate-general in Boston seeking background information and data on the game. The governor of Okinawa sent his U.S. representative to Cambridge to meet me. A major Japanese publisher asked a leading Japanese television personality to contact me to secure the rights for a co-authored account of the game. Apparently, the game has even worked its way into parliamentary debate in Japan.

It is good that Japan is engaged in this long-overdue public discussion. After all, it spends more on its military than all but two nations in the world. Despite its cultivated image as an unarmed small-island trading nation, it is already a very strong regional actor. Japan has the most powerful air force in Asia and the second largest blue-water navy.

Thus, it is especially disquieting that the Japanese media and government have so much trouble assessing the relative importance of an educational exercise at a U.S. university, as against the much larger importance of substantive debate about foreign- and security-policy options in the real world. Ironically, the greatest lesson from our simulations did not emerge from the fictional crises we created and tried to resolve. It has come from observing the widely oscillating reactions back in Japan to what academics in the United States are studying. The Japanese people, their neighbors and their U.S. allies will be very fortunate indeed if Japanese security policy is not tested until Japan decides what it really wants to say.

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