**Japan and the Governance of Democratic Market Economies**

Tuesday 5th Period Gregory W. Noble

(16:30:18:00) (noble@iss.u-tokyo.ac.jp)

Room K303 Nobuhiro Hiwatari

(hiwatari@iss.u-tokyo.ac.jp)

Institute of Social Sciences

**Course Description**

This course is designed as an introduction to government and public policy, focusing on Japan and the Asia Pacific. By the end of the course, students should have better tools to understand how democratic government works and how such workings can result in positive policy responses as well as serious policy inaction. Hence, the course hopes to enable students to make better sense of the massive inflow of information about the governance of leading democracies and the global economy as a whole.

The objective of the course is realized in two ways: first, through a systematic introduction of the basic concepts of political science, especially the theories of comparative politics and political economy, which seek to explain how varying government institutions and public policies result in different patterns of governance across countries. The second aim is to familiarize students with the characteristics of contemporary Japanese governance as seen through the lenses of these theories. Examining the Japanese case, in turn, should help students get a better sense of the concrete reality behind the abstract theoretical concepts.

The lectures will be in English. The course is anticipated to be a small lecture class with considerable class interaction in a collegial atmosphere.

**Grading**

Class Participation 30%

Take-home Midterm 30%

Final Examination 40%

**Reference Books**

1. **Arend Lijphart, *Patterns of Democracy: Government forms and performance in thirty-six countries, 2nd edition* (Yale University Press, 2012)** ISBN: 978-030017.
2. Michael D. McDonald and Ian Budge, “Elections, Parties, Democracy: Conferring the Median Mandate (Oxford University Press, 2008) ISBN: 978-0-19-928672-0.
3. **Thomas E. Cargill and Takayuki Sakamoto, *Japan Since 1980* (Cambridge University Press, 2008)** ISBN: 978-0-521-67272-6**.**
4. Frances McCall Rosenbluth and Michael F. Thies, *Japan Transformed: Political Change and Economic Restructuring* (Princeton University Press, 2010) ISBN 978-0-691-13592-2.
5. Ells S. Krauss and Robert J. Pekkanen, The Rise and Fall of Japan’s LDP: Political Party Organizations as Historical Organizations (Cornell University Press, 2011) ISBN: 978-0-8014-7682-2.
6. Steven R. Reed, Kenneth Mori McElwain, and Kay Shimizu. eds. *Political Change in Japan: Electoral Behavior, Party Realignment, and the Koizumi Reforms* (The Walter H. Shrorenstein Asia-Pacific Research Center, 2009) ISBN 978-1-931368-14-8.

**Course Schedule and Suggested Readings**

The course is divided into three parts. The overview of the class is presented below (with the numbers indicating the week of instruction and the instructor’s name in parenthesis).

The first part explains the diversity of democratic political institutions. The key focus here is to understand how competition among political parties in the electoral and legislative arenas results in different outcomes depending on the institutional setting of the arenas. Through this exercise, students are expected to discover the different ways in which the voices of the people are represented in the political process and reflected in concrete policies.

Based on this understanding, the second part explores the varieties in government policy as a result of diverse political institutions and processes reacting to broader socio-economic developments. The first three weeks (Weeks 6 to 8) examine how governments regulate the three major markets of the economy: production, finance, and labor. In addition to examination of government type and socio-economic trends, some emphasis will be placed on how economic globalization and the adjustments of other major economies to it shape government regulation. Week 9 looks into the distributive function of the government, particularly distribution to those who have exited the labor market. Students will examine the large differences among governments in the way they perform this social welfare function as well as the reasons for the difference. Based on the increasing demand for government spending on social welfare, the final week of Part II explains how governments reconcile such demands with their efforts to control business cycles.

The last part (Weeks 11 to 13) briefly examines how the interaction of governments shapes international economic and security policy. The basic interest here is how governments managing the domestic economy are also interested in maintaining and promoting an open global economy and why the deepening of economic interdependence does not necessarily reduce political tension and military rivalry. The last part also serves as an introduction to the fields of international politics/political economy.

**Week 1: Introduction: Japan among Democratic Market Economies** (Noble and Hiwatari)

**I. Democracy: Institutions and Actors**

**Week 2: Electoral Systems and Party Systems** (Hiwatari)

**Readings**

* Lijhart, Chapters 2-5 and 8.
* Rosenbluth and Thies, Chapter 4.
* Steven R. Reed and Key Shimizu. “Avoiding a Two-Party System: The Liberal Democratic Party versus Duverger’s Law,” in Reed *et al*. eds., Chapter 2

**Key Words**: Majoritarian vs. Proportional Representation; Majoritarian vs. Coalition Governments; Westminster Model vs. Consensus Model of Democracies; Japan’s Electoral Reform of 1994.

**Week 3: Party Systems and Party Competition** (Hiwatari)

**Readings**

* McDonald and Budge, Part I.
* Rosenbluth and Thies, Chapter 4.
* Krauss and Pekkanen, Chapters 2, 4, and 8.
* Jun Saito. “Pork Barrel Politics and Partisan Realignment in Japan” in Reed *et al*. eds., Chapter 4.

**Key Words**: Ideological (Spatial) Competition; Median Voter Theorem; Political Cleavages; Electoral Competition; Pork Barrel Politics and the Personal Vote; Campaign Organizations; The “Old” and “New” Party Systems; Japan’s Postwar Liberal Democratic Party Dominance.

**Week 4: Party Competition and Legislative lawmaking** (Hiwatari)

**Readings**

* Lijhart, Chapters 2-5 and 8.
* McDonald and Budge, Part II.
* Rosenbluth and Thies, Chapter 6.
* Krauss and Pekkanen, Chapters 3, 6, and 9.
* Ko Maeda. “Has the Electoral-System Reform Made Japanese Elections Party-Centered?” in Reed *et al*. eds., Chapter 3.

**Key Words**: Issue Ownership and Electoral Mandates; Economic (Retrospective) Voting vs. Issue Voting; Ideology and Policy Coalitions; Party Discipline/Government in the Legislature; Agenda Setting and Legislative Procedures; Japan’s Government Change of 2009.

**Week 5: The Legislature and Executive Office** (Noble)

**Readings**

* Lijphart: 79-129; 187-203
* Cargill and Sakamoto: 46-54; 148-171; 288-294

**Key words**: minimum winning coalition vs. oversized coalitions; debates on prime ministerial power; parliamentary vs. presidential systems; semi-presidential systems; bureaucratic dominance; unicameral vs. bicameral; amakudari (descent from heaven); zoku (policy tribe) politicians; iron triangles; platform (manifesto) politics; administrative reform; Council on Economic and Fiscal Policy (CEFP); Prime Minister Koizumi Jun’ichirō

**-Take Home Midterm Exam-**

**II. Governing Market Economies**

**Week 6: Producers and Production Markets** (Noble)

**Readings**

* Lijphart: 158-173

**Key words**: pluralism vs. corporatism; social vs. liberal corporatism; (tripartite and other) concertation; peak associations (in Japan, Keidanren, etc.); decline of corporatism?

**Week 7: Investors and Financial Markets** (Hiwatari)

**Readings**

* Cargill and Sakamoto, Chapter 3.
* Patricia L. Maclachlan, “Two Steps Forward, One Step Back: Japanese Postal Privatization as a Window on Political and Policymaking Change,” in
* Ethan Schiner and Michio Muramatsu. “The Slow Government Response to Japan’s Banking Crisis,” in Reed *et al*. eds., Chapter 10.

**Key Words**: Bank-centered Finance and Market-centered Finance; Financial Repression, Public Financial Institutions, and the “Convoy” System; The “Big Bang” of Financial Markets; Systemic Banking Crisis, Resolution, and Fiscal Policy; Japan’s Banking Crisis and the “Lost Decade;” The Global Financial Crisis of 2008-09 and its Aftermath.

**Week 8: Workers and the Labor Market** (Noble)

**Readings**

* Cargill and Sakamoto: 40-46, 246-255.

**Key words**: Lifetime (permanent/long-term) employment vs. temporary and part-time (irregular) employment; company welfare; income [and wealth] inequality

**Week 9: Beyond Market Competition: Aging Society and Social Welfare** (Noble)

**Readings**

Lijphart: 274-291

Rosenbluth and Thies: 140-148; 174-182

Cargill and Sakamoto: 256-279

**Key words**: governance indicators; women’s participation; consultation and participation; welfare state measurement; fertility rate; labor market gender discrimination and fertility; long-term care insurance; neo-liberalism, Japanese style; age-dependency rate; labor-force participation rate; residual welfare regime; unemployment (net) replacement rates; social security insurance contribution rate

**Week 10: Steering of the Market: Fiscal and Monetary Policy** (Noble)

**Readings**

Lijphart: 255-268

Cargill and Sakamoto: 123-147; 172-200

**Key words**: decisive vs. steady policymaking; relationship (customer)-based finance vs. market-based financing; moral hazard; central bank independence; QEP (quantitative easing policy); liquidity trap; BOJ balance sheet trap; fiscal investment and loan program (FILP aka “second budget”); Keynesian deficit spending; crowding out; redistribution of wealth (Japanese-style); bubble economy; emergency spending packages; fiscal austerity/fiscal consolidation

**III. Governments in the Global Political Economy**

**Week 11: Governments and International Finance** (Hiwatari)

**Readings**

* Cargill and Sakamoto, Chapters 4 and 5.

**Key Words**: The Mundell-Fleming Theorem; Capital Liberalization and Exchange Rate Policy; “Nixon Shock”; Exchange Rate Adjustment (The G7 Plaza Accord of the 1985); The Bubble Economy and the “High-Yen” Problem; The Asian Financial Crisis of 1997-98 and its Aftermath; G20 and the Global Financial Crisis of 2008-09 Revisited.

**Week 12: Governments and International Trade and Investment** (Noble)

**Readings**

* Cargill and Sakamoto: 1-15

**Key words**: Dodge Line; mercantilist trade policy; 1955 system; oil shock and wild inflation (1974-75); second oil shock (1979-80); keiretsu; Plaza Accord (1985); bursting of bubble economy; lost decade(s).

**Week 13: Economic Interdependence and Power Politics** (Hiwatari)

**Key Words**: The International Political Theories of Cooperation and Competition; China’s Rapid Economic Growth and East Asian Economic Interdependence; Political and Economic Reforms of ASEAN Countries and Regional Economic Cooperation/Institutionalization; The Persistence of Cold War Security Arrangements, The North Korea Issue, and Territorial Disputes; ASEAN Countries and Regional Security Cooperation/Economic Interdependence and Political Rivalry—Insulated or Intertwined?

**-In Class Final Exam-**