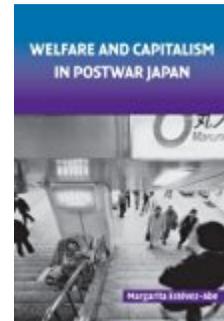


Margarita Estévez-Abe. *Welfare and Capitalism in Postwar Japan: Party, Bureaucracy, and Business*. Cambridge: Cambridge University Press, 2008. xv + 340 pp. \$80.00 (cloth), ISBN 978-0-521-85693-5; \$27.99 (paper), ISBN 978-0-521-72221-6.

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Balancing Liberty with Liberality: The Japanese Case

With its “puzzling” welfare state, Japan appears to be an outlier. In some ways, it resembles continental European states (i.e., state intervention in the market and generous health and pension schemes). And like the Scandinavian model, Japan is committed to full employment. Indeed, employment is a constitutional guarantee: “All people shall have the right ... to work” (Article 27). At the same time, the Japanese welfare state is small, social spending levels low, and benefits meager. Japan’s social spending programs are among the least redistributive in the advanced industrial world. Nevertheless, Japan has been able to achieve fairly egalitarian income distribution. This despite the fact that, in contrast to small welfare-state systems (e.g., the United States and the United Kingdom), Japanese capitalism is not robustly laissez-faire and is noted for being state guided.

Margarita Estévez-Abe attempts to explain the enigma of Japanese welfare. However, is the Japanese case really such an outlier? Perhaps some historical perspective will illuminate the issues. Since the late nineteenth and early twentieth centuries, in response to the rise of the market, national states have attempted to balance two very different definitions of “freedom.” On the one hand, negative economic freedoms (liberty) were about accumulating and trading property unfettered by officialdom. Inspired by classical notions of laissez-faire thinking, the individual was regarded as self-autonomous, self-sustaining, and independent from the collectivity. On the other hand, positive economic free-

doms (liberality) postulated protection from the vagaries of the market and envisioned the state as responsible for providing the individual some measure of security and well-being. Japan’s exceptionalism is not necessarily an issue if broader global perspective were adopted, in other words, the dynamic interplay between liberty and liberality.

Nevertheless, Japan’s apparent outlier status still requires serious attention, and in a carefully crafted argument richly supported by empirical evidence, Estévez-Abe investigates Japanese welfare capitalism. She points out that previous studies on welfare policies have ignored “functional equivalent programs” (e.g., public works, savings programs, subsidies to rural families, employment protections, market-restricting regulations, and state-managed competition) and that redistribution has transpired outside the “narrowly conceived welfare state.” When the aforementioned examples are considered, Japan has a much larger welfare system than scholars have appreciated.

Chapter 1 situates the Japanese welfare state in comparative, cross-national perspective and explains the book’s key concepts, such as “functional equivalents.” Functional equivalents vary according to two dimensions. First, such equivalents may be policies that promote private welfare provisions (such as market-based and employer-based welfare), policies that protect jobs and income by curtailing or regulating market com-

petition, or policies whereby the state directly creates jobs and training positions. Second, they vary based on whether the beneficiaries of functional equivalents are individual citizens or firms. Japan prefers the latter. Moreover, Japan favors functional equivalents that protect jobs by regulating competition.

To make her case, Estévez-Abe employs a species of an institutional approach that she terms “structural logic model.” She argues that Japan’s electoral system is configured in such a way that it delivers benefits to very specific groups, such as industrial sectors, occupational groups, or “even businesses and citizens in specific geographical areas” (p. 3). Japan’s multimember districts and single nontransferable votes have resulted in highly targeted forms of social protections. Indeed, the two largest items of social spending, pensions and health care, developed as occupationally based social insurance schemes (incidentally, these are relatively generous by international standards). The upshot is that different electoral strategies shape types of social protection and therefore distributive implications.

Chapter 2 formats the structural model of welfare politics. The structural logic approach postulates four types of welfare capitalism: universalistic pro-market welfare states, fragmented generous welfare states, market-conforming generous universalistic welfare states, and fragmented statist welfare states. Beginning with chapter 3, the model is applied to Japanese postimperial history. Chapter 4 treats the early postwar period when politicians attempted to attract support from organized groups through favorable policies, while the next chapter describes how welfare programs expanded through the 1960s and into the early 1970s. Chapter 6 is devoted to explaining how Japan’s welfare system was implicated in Japan’s state-coordinated capitalism. During the late 1970s and the 1980s, weaknesses in Japan’s welfare system emerged. This is the topic of chapter 7. The period from 1989 to the present is the focus of chapters 8 and 9. This period witnessed changing policies in response to the increasing importance of middle-class wage earners and new power arrangements. In the conclusion, Estévez-Abe summarizes her arguments and suggests two scenarios: Japan’s welfare state will come to resemble the United Kingdom’s; or a coalition government (or what in effect is the same thing, divided government) will make necessary reforms, such as tax increases, more palpable among the public.

Such an ambitious work opens itself up to crucial questions. For example, in regard to functional equiva-

lents, where should the lines be drawn between state and society? Are charity, voluntary organizations, or donations (or at the risk of sounding flippant, even long-term imprisonment) functional equivalents of welfare? While arguably not central components of a state’s welfare system, such institutions and their concomitant practices are certainly configured by officialdom (via tax benefits, definitions of charitable organizations, etc). Also, one suspects that Estévez-Abe attributes too much credit to electoral politics. Rather than laws passed by elected politicians, what part does the interpretation of regulations and their real-world application by unelected civil servants play (i.e., paralegal “administrative guidance”)? What role do socially defined familial and gender roles have in the shaping of welfare regimes?

Let us return to liberty and liberality. Modern industrialized economies have bifurcated the individual into natural (“real”) and artificial (“legal”) persons, that is, corporations. Both are afforded property rights. Rather than relying on European-style social spending, the Japanese have opted to implement policies of liberality by giving breaks to corporations (a collectivized version of the individual, if you will). In other words, the preference in Japan has been to favor direct benefits to legal persons, thereby distributing indirect support to individuals. This tendency manifests itself via work-mediated benefits: the Japanese political economic elites are not pro-labor (thus the oft-heard description “corporatism-without-labor”), but they are pro-worker, or to be even more accurate, pro-work. Indeed, Japan’s Constitution states that “All people shall have ... the obligation to work” (Article 27). A preference for negative economic freedoms (liberty) is also apparent in how individuals are expected to participate in state-controlled savings programs. Ideologically, frugality and work-based protections (one might say such protections are intended to bolster a strong work ethic) are, for lack of a better term, “conservative.”

One wonders to what degree electoral politics can alter such a deeply held conservatism, especially if it is used to legitimate belief in Japan’s postwar economic miracle. The impressive achievement of postimperial Japan was not so much its production of wealth; rather, the real marvel was how the elite cultivated the perception that a middle-class lifestyle was obtainable by most, thereby stabilizing Japanese sociopolitical life. This accomplishment was in no small way due to encouraging a type of circuitous liberality through the accumulation of private property (i.e., the liberty of persons, whether natural or corporate). Moreover, Japan’s brand of conservatism is

especially strong since it has been shaped by the ideological impulse that Japan's economy is geo-economically vulnerable. One wonders to what degree electoral politics can change such sentiments.

With its cross-national comparisons and contrasts, this book is a valuable contribution to welfare and political economic studies. Its strength is that it illustrates how many working parts interrelate: welfare policies, electoral politics, political parties, interest groups, the bureaucracy, political institutions, spending, equality, and

distribution. Moreover, Estévez-Abe's critique of other welfare studies (many of which suffer from a "social democratic bias," or the notion that welfare should be designed to promote social rights) is to be commended. Another positive feature is the book's multipronged approach. Documents, records, interviews, and historical developments are all utilized. Estévez-Abe persuasively demonstrates that, once the machinery of the appropriate political economic institutions is understood, Japan's ostensible outlier status becomes less mysterious. Her book should be on the shelf of all Japanologists.

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