SYNCRETISM:
The Politics of Economic Restructuring and System Reform in Japan

EDITED BY
Kenji E. Kushida, Kay Shimizu, and Jean C. Oi
This chapter provides an overview of Japan’s political economy since the 1990s as a backdrop for the rest of the volume. The information focuses on the question of what has changed and what has remained the same in core aspects of Japan’s political economy. This chapter’s distinctive contribution, the figures that plot each prime minister’s administration as the horizontal axis for various indicators, provide a visual timeline useful for mapping the political dynamics onto the economic trends.

We begin by examining the political shifts during the last two decades, including the makeup of the National Diet seats and the approval ratings of the Prime Minister’s Cabinet, before turning to the economic indicators—economic growth patterns, employment, national accounts, non-performing loans, public works spending, and various measures of internationalization.

National Diet Seats: The Transition from the Liberal Democratic Party (LDP) to the Democratic Party of Japan (DPJ)

Japan’s party politics have experienced a combination of both major change and continuity. One of the most dramatic shifts was the rapid rise of the DPJ during the 2000s as a viable opposition party to the LDP, culminating in the DPJ taking power in the 2009 Lower House elections. However, one could argue that the resilience of Japan’s traditional party politics reared its head when the DPJ was voted out of power in a landslide in December 2012, with the LDP again assuming power; in retrospect, the LDP’s almost continuous rule from 1955 to 2009 had not ended, but was punctuated by just three years out of power.
**Figure 2.1** Party strength in Japan’s House of Representatives (Lower House), 1986–2012

*Source:* National Diet.

*Note:* Brackets indicate majority party or coalition after election.

**Figure 2.2** Party strength in Japan’s House of Councillors (Upper House), 1986–2013

*Source:* National Diet.

*Note:* Brackets indicate majority party or coalition after election.
Figures 2.1 and 2.2, which show the percentages of seats held by each party (multiple parties or coalitions controlling the house are indicated by brackets), provide a visual representation of the new levels of electoral volatility—a significant change from previous stability. The figures clearly capture the remarkable boost that the LDP received under Koizumi Junichirō in the 2005 Lower House elections, the DPJ’s rapid rise, and its dramatic fall.¹

Recent scholarship has pointed to a shift in Japan’s electoral logic stemming from the 1994 change in the Lower House electoral rules, which transformed Japan’s multi-member district (MMD) system into a combination of a single-member district (SMD) and proportional representation (PR).² Scholars have argued that the new electoral system has increased electoral volatility by weakening incumbency advantages, contributing to more frequent power turnovers among the parties.³

Approval Ratings of the Prime Minister’s Cabinet

A striking feature of Japanese politics in recent years is its succession of short-lived prime ministers. Although the LDP stayed in power almost continuously since 1955, in the twenty-odd years since 1990, Japan went through fifteen prime ministers (as of mid-2013). Since 2006, when Koizumi Junichirō stepped down, prime ministers have rotated on an almost annual basis.

Public opinion polls of the Prime Minister’s Cabinet reveal the volatility in public opinion—a pattern of anticipation and disappointment with each new administration. At the most basic level, we see a pattern of approval ratings for each prime minister’s administration falling below the disapproval ratings, followed by a new prime minister. This pattern offers some hints about the linkages between political leadership and reform. For example, the bursts of reform in Japan during the 1990s and 2000s, particularly under Prime Ministers Hashimoto Ryūtarō and Koizumi Junichirō,


² For example, see Frances McCall Rosenbluth and Michael F. Thies, Japan Transformed: Political Change and Economic Restructuring (Princeton: Princeton University Press, 2010); Reed, McElwain, and Shimizu, eds., Political Change in Japan.

occurred in the context of high public approval ratings. The three peaks of popularity occurred when the first non-LDP prime minister, Hosokawa Morihiro, came to power pledging reform, when Koizumi became prime minister promising to reform the fundamental politics of the LDP, and when the DPJ ascended to power, again on a platform of reform.

Figure 2.3 shows the approval and disapproval ratings of each Prime Minister’s Cabinet from 1989 to 2000. After the bubble burst and a series of scandals plagued the elite bureaucracies and politicians, Prime Minister Miyazawa Kiichi’s approval rating fell to the 10 percent level whereas his disapproval rating shot up to almost 80 percent. In the summer of 1993, when former LDP secretary general Ozawa Ichirō fled the long-ruling LDP and forged a coalition government of former opposition parties, the LDP lost its majority in the House of Representatives (Lower House). Hosokawa Morihiro of the Nihon Shintō (Japan New Party) led an eight-party coalition to become the first non-LDP prime minister since 1955.

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4 See Kushida and Shimizu, chapter 3; Schaede, chapter 4; and Noble, chapter 5, all in this volume.
The general public had high hopes for the Hosokawa administration, giving it an initial rate of support of almost 80 percent. These ratings dropped, however, when bold reforms were blocked by disagreements within the eight-party ruling coalition. Allegations of misuse of public funds accelerated the end of Hosokawa’s term as prime minister and he was replaced by Hata Tsutomu, head of the Shinseitō (Japan Renewal Party) that he formed with Ozawa. Hata enjoyed average approval and disapproval ratings, but even before the next election, the ruling coalition fell apart. Ozawa was largely blamed for driving the Japan Socialist Party (JSP)—the LDP’s longtime rival and well-established primary opposition party—into an improbable alliance with its historical nemesis, the LDP. The LDP thus came back into the coalition, and JSP leader Murayama Tomiichi became prime minister. Murayama’s approval ratings fell immediately upon taking office as he abandoned the JSP’s historical policy positions that had differentiated it from the LDP, such as its opposition to Japan’s alliance with the United States. His administration was also blamed for mishandling the Great Hanshin earthquake that struck the western city of Kobe and the surrounding areas in 1995.\(^5\)

After this period of post-bubble political volatility, LDP leader Hashimoto Ryūtarō came to power in January 1996 with a reform platform. He passed numerous major reform bills, such as the financial “Big Bang,” commercial code revisions, and a reorganization of the government bureaucracies that included splitting apart the powerful Ministry of Finance.\(^6\) High approval ratings, however, eroded rapidly and his disapproval ratings skyrocketed after he pushed through an ill-timed consumption tax hike. Enacted just as the 1997 Asian Financial Crisis hit, the tax hike was widely blamed for the economic recession that followed. The LDP’s poor performance in the Upper House elections of 1998 forced Hashimoto to resign, and he was succeeded by Obuchi Keizō.

Obuchi’s ratings took an unusual turn, as he started out being highly unpopular, but over time he experienced a dramatic upsurge in popularity. His quiet consensus-building style and his reforms were appreciated by the public as the economy began to recover.

Figure 2.4 shows the Prime Minister’s Cabinet approval ratings from 2000 to 2009. The Mori Yoshirō administration that followed the Obuchi cabinet, in a dramatic reversal, was extremely unpopular—and it only worsened over time. Mori came to power through a series of backroom deals

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6 See the various chapters in this volume for the details and effects of these reforms.
after Obuchi’s untimely passing in April 2000. The general public was skeptical of his leadership from the beginning, and his term as prime minister began with a high disapproval rating. As the global high-tech bubble burst in 2000, the GDP and stock market growth of the Obuchi years was reversed, further worsening Mori’s approval ratings. Also, as a traditional LDP-style backroom deal-maker, Mori did not exude charisma or leadership in media appearances, and the press seized upon his many verbal gaffes. He earned the dubious distinction of setting records for the highest disapproval and lowest approval ratings in Japan’s postwar era—his approval ratings declining to single digits.

Following Mori’s extreme unpopularity, Koizumi Junichirō is widely regarded as having saved the LDP with unprecedented popularity by promising to undertake deep economic reforms and fundamentally reform the party itself—his slogan was “reform with no sanctuaries.” Photogenic and with a staccato speech that made good sound bites for the media, Koizumi’s initial approval ratings were unparalleled. The public thoroughly approved of Koizumi’s promise to reform the old-style LDP politics, his maverick reputation, his hard-line stance against anyone who opposed his reforms, and his unprecedented media savvy. Although his approval ratings dropped

![Figure 2.4 Prime Ministers’ Cabinet approval ratings, 2000–2009](image)

*Source: TV Asahi.*
during the course of his tenure, they still hovered around 50 percent for most of his time in office.

Koizumi’s successors, however, were a different story. Each started with high approval ratings only to see them drop precipitously as they progressively reverted to the traditional LDP politicking that Koizumi had rejected; Abe readmitted LDP members expelled by Koizumi, Fukuda appointed his cabinet according to traditional factional lines, and Asō campaigned to fix the “damage created by the Koizumi reforms.” After the global financial crisis of 2007–8, which led to a precipitous drop in exports and a serious recession in Japan, Asō’s popularity dropped sharply, although he never quite reached Mori’s record lows. This was when the LDP was voted out of power in the DPJ landslide victory.

The DPJ’s time in power was characterized by initial high expectations followed by deep public disappointment and disillusionment (see figure 2.5). The first DPJ prime minister, Hatoyama Yukio, came to power with high approval ratings, even approaching those of Hosokawa’s first non-LDP government. However, these ratings quickly dropped as the DPJ seemed to have difficulty implementing policy and as Ozawa’s campaign financing scandals gained media scrutiny. Ozawa had headed the DPJ until the financial scandals caused him to

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**Figure 2.5** Prime Ministers’ Cabinet approval ratings, 2009–mid-2012

*Source: TV Asahi.*
step down just before the Lower House elections. When Hatoyama, close to Ozawa, became party leader and then prime minister after the DPJ victory, it became clear that the DPJ had become a two-headed monster. Ozawa himself, who had long called for strengthening Cabinet leadership and held much of the power within the party, was actually not in the Cabinet. This uncomfortable power structure, combined with a sense of policy paralysis and Ozawa’s old-school politicking and behind-the-scenes leadership that undermined the DPJ’s mantra of being anti-LDP, greatly weakened the DPJ’s approval ratings. A financial contribution scandal involving Hatoyama—largely in the form of vast transfers of wealth from his mother, but also from several donors using the names of those who were found to be deceased—further drove down the approval ratings of his cabinet, and he was replaced by Kan Naoto.

Kan also enjoyed high initial approval ratings, especially as the economy recovered. However, after peaking in September 2010, his popularity began to slide as he became victim to intra-party struggles, resulting in a loss for the DPJ in the 2010 Upper House elections. After the March 11, 2011 Great East Japan Earthquake, the DPJ was criticized for the government’s inadequate response to the crisis. In particular, with regard to the Fukushima nuclear accident, Kan’s personal involvement in the recovery effort was attacked in the press, even further lowering his approval ratings. Attacked from within his party as well as by the opposition LDP, which was rapidly gaining experience as an effective opposition party by undermining the credibility of the DPJ, Kan resigned and was replaced by Noda Yoshihiko.

The approval ratings of Noda’s Cabinet followed the familiar pattern of beginning high before sliding, as Noda pushed through an agreement for an unpopular consumption tax hike and seemed to rush to restart several nuclear power plants even before a new nuclear regulator was established.

7 Some observers have pointed to the odd timing and seemingly one-sided media coverage that focused on Ozawa’s financial scandals involving a construction company that also implicated several LDP leaders. Martin Fackler, “Hontou no koto” wo tsutae nai nihon no shinbun [The Japanese newspapers do not report the “truth”] (Tokyo: Futaba Shinsho, 2012).

8 The authors wish to thank Steven Vogel for this characterization.


Weekly peaceful demonstrations, which began in early 2012, in front of the Prime Minister’s Office against restarting the nuclear power plants grew to an estimated 10,000 to 20,000 participants by the end of June.

By the end of 2012, the DPJ had few active supporters and lost power to the LDP in the December 2012 Lower House elections. The LDP won, but with a similar number of votes as when it lost in 2009. Voters punished the DPJ, voting for third-party newcomers such as Osaka mayor Hashimoto Tōru and long-time Tokyo mayor Ishihara Shintarō’s Nippon Ishin-no-Kai (Japan Restoration Party).

**Economic Growth Patterns: Not Simply “Two Lost Decades”**

Japan’s economy since the bubble burst in 1990, both within and outside Japan, tends to be described as “the lost decades,” “stagnation,” as well as by more colorful terms such as “moribund growth.” This needs a corrective. Compared to the 1980s, growth rates in the 1990s and 2000s were far lower. Yet it was certainly not “two decades of recession” or “stagnation,” since during the period there were actually only two pronounced recessions of limited duration. These recessions coincided with or immediately followed broader international crises: the 1997–98 Asian Financial Crisis and the global financial crisis of 2007–8 (see figure 2.6). A stream of more recent scholarship about Japan’s transformation in the post-bubble years has moved beyond the last decades as “lost,” but this point still needs to be emphasized, particularly in much of the press coverage.

Figure 2.6 shows a pattern of recovery punctuated by abrupt drops into brief periods of recession. Note the first recovery was after the low point in 1993 that ended in 1997, and the second was from about 2002 to 2007. The listing of prime ministers along the horizontal axis provides context to Prime Minister Mori Yoshirō’s extremely low public support (the sharp decline in economic growth) and Koizumi’s high support (sustained growth). Japan’s sharp recession after the 2007–8 global financial crisis—announced after the fact, as these economic indicators are—fueled the sharp drop in support for the Aso administration to the point that the LDP lost control of the government in a landslide election.

A look at the Nikkei Stock Index across time provides further context. Figure 2.7 shows the magnitude of the bubble, as the Nikkei peaked at about 40,000 yen, dropped precipitously, and then hovered between 15,000 and 20,000 yen.


13 In particular, in chapter 4 in this volume, Schaede points to the deep, irreversible changes to Japan’s economic structure during the 1990s and 2000s.
Figure 2.6 Japan’s GDP growth, prime ministers, and Prime Ministers’ Cabinet approval ratings, 1980–2012

yen for much of the 1990s. The figures also show the continued decline during the Mori administration and the first years of the Koizumi administration as the index value dropped by almost one-half. Thereafter, it almost doubled, from just less than 8,000 yen to about 17,000 yen. This partly explains the optimistic mood that took hold among all sorts of investors during the Koizumi administration. Enthusiasts, including many households that regained confidence after being burned by the bursting of the bubble, reentered the stock markets, with some making substantial gains. Images of a “second lost decade” too often overlook the details of this time—after all, the stock market doubled during the period, and it was only the global financial crisis that sent it plunging again.

Employment: The Rise of Non-Regular Employees

Japan’s changing employment structure has been one of the key transformations in Japan’s political economy since 1990. The typical narrative is that unemployment rose and temporary or non-regular labor increasingly replaced Japan’s vaunted lifetime employment. However, figure 2.8 reveals that the number of employed people in Japan actually increased throughout the 1990s and 2000s, although the growth rate was slow.\textsuperscript{14} We also see that although the number of “regular” employees dropped, the rise of non-regular

\textsuperscript{14} It should be noted that the self-employed are not included in these data.
Changes in regular vs. non-regular employment, 1980–2010

Source: Ministry of Internal Affairs and Communications, Statistics Bureau.
employees (including temporary and part-time employees) certainly did not become a majority in the workforce.

The Koizumi years stand out as exceptional for the modest levels of employment growth and falling unemployment. Political campaigns waged by Koizumi’s successors—Asō Tarō, in particular—tended to blame the Koizumi reforms for the rise in income inequality. However, the growth of non-regular employment began well before Koizumi came to power and unemployment actually dropped during his tenure.

The shifting composition of the labor market is also illustrated by the rapid growth of a new industry that barely existed under the traditional postwar Japanese model: temporary labor, or “dispatch worker” agencies. Dispatch worker agencies serve the needs of large companies that need short-term employees, either white collar or blue collar, whom they can deploy flexibly. This industry doubled in size between 1992 and 2000, but then grew exponentially beginning in 2004, when the revisions to the Labor Law and the Worker Dispatch Law took effect, enabling a more flexible deployment of temporary workers (see figure 2.9).  

Expenditures, Savings, and Deflation: Buying More, Getting More, and Saving Less

The cognitive dissonance that struck most who visited Japan during the “lost decades” was that Japan had seemed to become wealthier, particularly in the urban areas. Despite media articles portraying Japan facing “anemic” growth or a “moribund” economy, one did not feel on the surface that there was a prolonged recession, particularly in the urban areas, where prominent downtown real estate was redeveloped into shiny high-rise buildings. Household consumption expenditures, adjusted for inflation, dropped after its peak of 1992 (see figure 2.10). However, the full impact of decreasing consumption levels was ameliorated by the falling nominal prices as Japan experienced bouts of deflation between 1998 and 2002, as seen in figure 2.11.

The other side of rising consumption, however, was a marked decrease in household savings rates; people were consuming more, but saving less, breaking the postwar image of Japan as a country of high savers. Figure 2.12 shows the drop in household savings as a percentage of household income.

**Figure 2.9** Sales growth in the dispatch worker industry, 1992–2010  

**Figure 2.10** Japan’s average monthly consumption expenditures per household, 1980–2012  
*Source:* Ministry of Internal Affairs and Communications, Statistics Bureau.  
*Note:* Adjusted to 2005 price levels using Consumer Price Index (CPI).
FIGURE 2.11 Japan’s price levels: consumer price index, 1980–2010

*Source:* Ministry of Internal Affairs and Communications, Statistics Bureau.

FIGURE 2.12 Japan’s household savings rates, 1980–2012 (percentage of household income)

*Source:* OECD Economic Outlook, based on Ministry of Finance data.
Non-Performing Loans: A Crisis Diffused

A major looming crisis in Japan during the late 1990s was the sharp increase in non-performing loans (NPLs) held by the banking sector, particularly following the 1997 Asian Financial Crisis. Analyses often pointed to the rising NPLs as outgrowths of systemic flaws in Japan’s political economy. However, as Gregory Noble notes in chapter 5 in this volume, arguably the most notable achievement of the Koizumi administration was to decrease the burden of non-performing loans held by banks (along with overcoming Japan’s deflationary spiral). Figure 2.13 clearly shows the decrease in NPL levels during the Koizumi administration.

Notably, the NPL decreases occurred primarily in city banks rather than regional banks. This supports Kushida and Shimizu’s contention in chapter 3 in this volume about syncretic outcomes in Japan’s financial sector, with the coexistence of new, traditional, and hybrid features. The regional banks remained in their traditional form, even retaining their NPL

![Figure 2.13](image_url)

**Figure 2.13** Non-performing loans in Japan’s banking sector and ratio of NPLs in total loan portfolios, 1999–2011

*Source: Financial Services Agency.*

burdens,\textsuperscript{17} while city banks embraced hybrid structures as they merged and branched out into new activities such as securities and insurance.

**Public Works Spending**

Public works spending, a staple of the clientelistic politics characterizing the LDP’s traditional “pork-barrel” exchange of local votes for infrastructure projects, declined after the late 1990s. Figure 2.14 shows the amount of public works spending in the government annual budget. Note that the sharpest decrease came under the first Koizumi budget, and this trend was continued by his successors until Aso. Aso increased public works spending as part of a stimulus package after the global financial crisis. Also note that the lowest expenditures were under the DPJ governments—although the latest budget is likely to reflect spending to rebuild the areas devastated by the earthquake and tsunami in the Tohoku region. As a sign of the resilience of local public works spending, however, the new LDP administration has pledged massive spending, including for public works, to stimulate the economy.

**Japan’s Continuing Internationalization: Investment Flows**

Since the early 1990s, Japan’s economy has become far more enmeshed in the global economy. Figure 4.4 in chapter 4 shows how the percentage of foreign ownership on Japan’s Tokyo Stock Exchange grew from around 4 percent in 1990 to just over 25 percent in 2010. Foreign direct investment flows are shown in figure 2.15 below. The figure shows how inward foreign direct investments rose in the late 1990s before dipping in the mid-2000s, then rising in about 2008 before dipping again. Outward flows rose rapidly, spiking just before the global financial crisis hit Japan’s economy in 2007–8.

**Sources of Stability: Japan’s Export Dependence, Foreign Assets, and National Debt Held by Domestic Entities**

The previous sections provided a brief overview of several major substantial changes in Japan’s political economy since the 1980s. Yet, as we point out through our framing of syncretism, many aspects of Japan’s political economy remained surprisingly stable. This section reveals a few sources of that stability based on economic indicators that we believe have not received adequate attention.

First, the image that Japan’s economy is still heavily dependent on exports is misleading. In fact, as a percentage of GDP, Japan’s export dependence was only 15 percent in 2010, compared to over 50 percent in Korea and 27 percent in China (see figure 2.16).

\textsuperscript{17} For details, see Kay Shimizu, “Private Money as Public Funds,” Ph.D. diss., Stanford University, 2009.
Figure 2.14: Japan's public works spending, 1980–2010

Source: Ministry of Finance.
FIGURE 2.15 Japan’s inward and outward foreign direct investment flows, 1980–2010

Source: UNCTAD

Note: 2012 exchange rates.

FIGURE 2.16 Exports as a percentage of GDP, G-20 countries, 2010

The effects of a stronger yen, which hit its first peak in 1996 and approached similar levels in 2012, are not necessarily disadvantageous to the economy to the degree that many (relatively uninformed) observers suggest.

Second, Japan’s manufacturing portion of the economy consisted of only 19.4 percent of its economy in 2010, a decrease from 27 percent in 1980, 26 percent in 1990, and 21 percent in 2000. See figure 2.17 for a comparison among the G-20 countries. With few natural resources and shrinking agriculture, the majority of Japan’s economy consists of services. This trend has increased as manufacturing operations have been increasingly taken abroad due to the pressures and opportunities created by a strong yen (see figure 2.18).

Combined with the low export dependence noted above, Japan’s economy is strongly supported by internal demand.

Third, it should be pointed out that Japan is the world’s largest creditor nation. Figure 2.19 shows the net international investment positions of the G8 countries, as well as China, Taiwan, and Switzerland.

Finally, as mentioned briefly at the beginning of this chapter, Japan’s record-high national debt is unlikely to create an immediate crisis. JGBs (Japanese Government Bonds) are held overwhelmingly by domestic entities, as seen in figure 2.20. Moreover, most of the domestic JGB holders are highly unlikely to suddenly jettison their JGB holdings, since banks are essentially rescued by government-orchestrated mergers, and insurers and pension funds are mandated to hold a significant proportion of safe assets, which include JGBs. (See figure 2.21.) In any case, a massive sell-off would
Figure 2.18 Yen–dollar exchange rate and overseas manufacturing production, 1980–2010


Figure 2.19 Net international investment positions, G8 countries, and China, Taiwan, and Switzerland, 2011

Figure 2.20 Japanese government debt as a percentage of GDP, percentage held domestically vs. overseas, 1993–2010


Figure 2.21 Japanese government bond holders, 2010 (shares)

raise interest rates, thereby creating vast new demand for JGB holdings.\(^{18}\) Thus, the Japanese national debt situation is surprisingly stable for at least the short-to-medium term.\(^ {19}\)

**Conclusion**

In sum, Japan’s political economy since 1990 has been characterized by significant transformations, but also important continuities. The argument put forth in the introduction to this volume, that Japan’s pattern of change has been syncretic with the coexistence of new, traditional, and hybrid elements, is supported by many of the figures introduced in this overview. Although electoral volatility increased with the rise of the DPJ, the LDP retained its position as a viable political party, and has since reclaimed power. The promise of reform has been popular, but the public was deeply disappointed by the post-Koizumi LDP leadership, as well as by the DPJ leadership that promised but failed to deliver the reforms it had promised.

The economy, far from being “two decades of stagnation,” actually followed a pattern of growth punctuated by sharp declines. The approval ratings of the Prime Minister’s Cabinet were somewhat correlated to economic performance. Total employment actually increased since the 1980s, but much of the increase was due to rising non-regular employment, though it was far from displacing the levels of regular employment. Consumption rose during the 1990s and 2000s, explaining some of the cognitive dissonance of Japan’s seemingly wealthier urban areas, particularly given the generally flat price levels with some deflationary periods that increased purchasing power. However, household savings did decrease during this period.

Japan’s NPL crisis of the late 1990s was largely solved under the Koizumi administration as major city banks wrote off their bad loans. NPLs in regional banks, however, remained at relatively unchanged levels until the 2007–8 financial crisis. Public works spending decreased, and Japan became increasingly enmeshed in the global economy, with rising inward and outward foreign direct investment flows.

\(^{18}\) For an extended version of this argument, see Masahiro Yamaguchi, *Naze Nihonkeizai wa sekai saikyo to iwareru no ka* [Why the Japanese economy is considered the world’s strongest] (Tokyo: Toho Shuppan, 2012).

\(^{19}\) In the medium to long term, however, prominent economists have argued that such stability is unlikely to continue. Takeo Hoshi and Takatoshi Ito write, “If and when the JGB rates rapidly rise, the Japanese financial institutions that hold a large amount of JGBs will sustain losses and the economy will suffer from fiscal austerity, financial instability, and inflation,” in “Defying Gravity: How Long Will Japanese Bond Prices Remain High?” NBER Working Paper, No. 18287, August 2012, accessed June 11, 2013, http://www.nber.org/papers/w18287.
There are several aspects of Japan’s economy that provide sources of stability. Contrary to many popular images of the Japanese economy, Japan is relatively less export-dependent than many other advanced industrial countries as well as its neighbors such as China and South Korea. It is also less manufacturing-dependent than many assume, and the strong yen from the late 1990s has accelerated offshore production considerably. Japan has one of the largest net positive investment positions, and its large national debt is held overwhelmingly by domestic lenders, many of which are large financial institutions that depend on the government for continued protection.

As Japan continues to evolve over the coming decades, many of the themes raised in this overview, and in this volume, on the extensive transformations coexisting with the traditional sources of core stability are likely to remain. We contend that syncretism will be the likely pattern of change for the foreseeable future.

References


Yamaguchi, Masahiro. *Naze Nihonkeizai wa sekai saikyo to iwareru no ka* [Why the Japanese economy is considered the world’s strongest]. Tokyo: Toho Shuppan, 2012.
Japan’s first decade of the twenty-first century is often called the “second lost decade,” following the post-bubble “lost decade” of the 1990s, characterized by policy paralysis and overall lackluster economic growth.

For those studying Japan more closely, however, the same decades reveal nothing short of a broad transformation in numerous core tenets of Japan’s postwar political economy. How can we best capture this transformation?

Each chapter in this volume examines a different aspect of Japan’s political economy within a longer historical trajectory, from multiple angles, to depict a flexible but resilient system. They include: a comprehensive overview of the political economy; Japan’s financial system; corporate reorganization; the politics of reform; small and medium enterprises and the labor market; compensation systems; and foreign multinational corporations. The editors characterize Japan’s process of change as synergetism—practices foreign, domestic, old, and new were selectively adopted, mixed, and matched, along the way creating a new and unique hybrid system.

Kenji E. Kushida is the Takahashi Research Associate in Japanese Studies at the Walter H. Shorenstein Asia-Pacific Research Center. His research focuses on Japan’s political economy, the comparative political economy of information technology, corporate political strategies, and institutional aspects of the Fukushima nuclear disaster.

Kay Shimizu is assistant professor of political science at Columbia University. Her work focuses on the political economies of Japan and China, the comparative political economy of system change, central-local relations, and the politics of demographic shift.

Jean C. Oi is the William Haas Professor in Chinese Politics in the Department of Political Science at Stanford University. A senior fellow of the Freeman Spogli Institute for International Studies, she directs the Stanford China Program at the Walter H. Shorenstein Asia-Pacific Research Center and is the Lee Shau Kee Director of the newly established Stanford Center at Peking University.