Review Section


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Margarita Estevez-Abe offers a reasonable argument—that Japan’s welfare state is shaped by politics—and takes it to provocative lengths in this important new work on Japan’s system of social protection.

Let me start with the reasonable argument, which begins with the best account I have read on how Japan’s welfare state compares to those of other industrialized nations. Most comparative studies of welfare states, especially those compiled by Europeanists, focus on welfare spending. By this measure, Japan’s welfare state looks extremely small, with welfare spending constituting a much smaller share of gross domestic product than any European state. Estevez-Abe insists that we look at the broader range of policies that cushion workers and citizens from market forces, including job protections, regulations that limit competition, financial system interventions, and public works spending. She calls these programs “functional equivalents” on the grounds that programs making it difficult to lay off workers and helping employers get through difficult times offer workers the same income security as ones that write them checks when they are laid off.

In a single chart-filled chapter (pp. 19–50), Estevez-Abe situates Japan’s welfare state in comparative context and shows that Japan’s system of social protection is only “small” in a few specific areas. It has large pension and health programs, and it also has some of the largest “functional equivalent” programs: massive public works, high levels of job protection, trade protection for farmers, and regulatory protection for large swaths of the economy. It is small only in its formal welfare programs for workers and families. Both unemployment insurance and family benefits are miserly, right down
there with the United States. This combination, she argues, makes Japan's welfare state distinct from the conventional welfare state models. It is neither "liberal" like Britain nor "conservative" like Germany nor "social democratic" like Sweden. It belongs in its own "fourth" world.1

In describing and situating the Japanese welfare state in this manner, Estevez-Abe is taking on much of the conventional wisdom on the subject. Many authors on the Japanese welfare state have emphasized its small size, ignoring the role of functional equivalents. Others, such as Gregory Kasza in his recent book, have taken the opposite position.2 Emphasizing the size of Japan's health and pension programs, he argues that Japan's welfare state has developed in the same way as European ones. By stressing both the small and large elements of the Japanese system of social protection, Estevez-Abe disagrees with both of these characterizations.

Her emphasis on functional equivalents also challenges the broader scholarship on welfare states, most of it focused on Europe, which insists that only government spending programs can count as welfare. Her account rightly insists on including job protection policies, credit policies, and the other functional equivalents she catalogues. By providing data on OECD nations in these new areas, Estevez-Abe makes an important contribution to the comparative work on this subject.

Estevez-Abe also makes a contribution through her analysis of why Japan's welfare state has taken on such a distinctive shape. Most accounts of policies in this issue area, in Japan and in other industrialized nations, emphasize the role played by socioeconomic forces. Everywhere, industrialization produces demands for social welfare as societies confront new social needs that were less urgent when most people lived in rural areas surrounded by family. The classic accounts explain the divergence between the various European models by pointing to differences in the power of labor unions and other aspects of the political economy: did labor or capital make a deal with farmers, do leading firms depend on highly skilled labor, and does a nation rely heavily on trade?

Estevez-Abe puts all of this aside and insists that the divergence is driven primarily by political structures, especially a nation's electoral system. If a nation has a Westminster system, with single-member districts (SMDs) and a parliamentary structure that produces one-party majorities with few veto points, it will tend to have universal welfare programs with low levels of social provision. This is because politicians needing to win SMDs will be


sensitive to the demands of unorganized "median" voters, who want the government to protect them from market forces but dislike high tax rates. Fearing a tax revolt but wanting to provide protection, governments in these systems will offer programs with broad but not generous coverage.

In contrast, she argues, governments with large district magnitude and coalition governments—the situation in many European continental countries—will have much more generous welfare programs. This is because coalitions protect parties from being blamed for raising taxes while increasing the number of parties involved in bargaining in ways that encourage deals that award benefits to workers.

The key to understanding why Japan developed such a distinctive system of social protection, Estevez-Abe argues, lies in its unusual electoral system. Japan had neither a Westminster system nor coalitions. Instead, it had single-party rule with medium-sized electoral districts based on personal (and not party) votes, a combination that encouraged politicians to use welfare policy to make particularistic deals with small groups of voters and encouraged the creation of party factions with veto power over policy. Under these rules, the best electoral strategy was not to create universal welfare programs but to offer protection through policies targeting specific groups of voters such as farmers, small business owners, and families of the war-bereaved. Japan ended up with a system heavily dependent on functional equivalents because, she argues, the electoral system drove politicians to run welfare policy in this way.

One of the best illustrations in the book of how this "structural logic" worked is the story of how the Liberal Democratic Party (LDP) organized pension policy in the 1950s. The Ministry of Health and Welfare (MHW) wanted to expand the existing Employee Pension System, but the LDP insisted on keeping this system funded at a minimum level. Instead, it offered more generous pensions to groups such as the families of the war-bereaved, using the Izokukai as the intermediary and offering increased pensions to these families in exchange for their vote-mobilization efforts. It offered similar deals to private school teachers and large corporate employees, contributing to the extreme fragmentation of the Japanese pension system.

While the basic story described so far is credible and well supported by the evidence Estevez-Abe provides, many readers will find the way she credits every twist and turn in welfare policy in every country to this "structural logic" annoying. These are what I consider the "provocative lengths" to which Estevez-Abe takes her argument.

In chapter 2, she uses the logic to explain the divergence in welfare policy across the world. In her view, the theories attributing this divergence to socioeconomic factors are wrong. Instead, differences are explained by electoral systems and government type. Key evidence comes from the ways
the Italian and Finnish systems of social protection resemble Japan's. All of these systems have electoral systems that encourage politicians to seek personal votes.

Japanologists, however, are more likely to focus on the chapters that insist that all shifts in Japan's welfare policy over the postwar period can be attributed to "structural logic." As noted above, the core features of the system took shape under the rules that remained constant from 1950 to 1989. Few are likely to argue with chapter 5 where she describes the very fragmented system that emerged in the 1950s and links this to the LDP's electoral strategy.

More controversial is Estevez-Abe's insistence that her logic is the best explanation for changes that took place in the 1960s and 1970s. The conventional wisdom identifies an important shift around 1970 that led the LDP to embrace free health care for the aged, child allowances, more generous protection of small stores, and more generous Employee Pension and National Pension benefits, and links this to a "crisis" in which the LDP suddenly started catering to voters in urban areas. 3 Japan was urbanizing, the progressive parties were winning votes in urban areas, and the LDP needed to reach out to new socioeconomic constituencies it had ignored up to that point. Estevez-Abe instead credits the change to the fact that the progressive parties were winning mayoral elections. Mayors are elected in single-member districts, so the LDP needed to offer Westminster-type welfare policies in order to compete. The LDP thus adopted expanded welfare policies in a "trickling up" process growing out of the local level.

While victories of progressive mayors were an important part of the story during this period, I found the way she attributes the shift entirely to the electoral system used at this level to be an exaggeration. Mayors were elected according to these rules in the 1950s too. The LDP shifted because new arrivals in urban areas were demanding more welfare services and only secondarily because of how mayors were chosen.

I had similar problems with Estevez-Abe's attribution of recent changes in Japan's system to changes in structural logic. The key to her argument is the way she breaks recent political history in Japan into three distinct periods: 1989–93, 1993–96, and 1996–2007. In 1989 the LDP lost control of the Upper House, forcing it to rely on moderate parties in that chamber to pass legislation, a situation she categorizes as "partial minority government" (p. 225). In 1993–96, no party had a majority in the Lower House either, so Japan suddenly had coalition government. In both of these perio-

ods, she argues, Japan came to resemble more closely the continental type of government with coalitions making it easier for governments to raise taxes and facilitating deals that benefit workers, yielding welfare policies that resemble welfare programs in places such as Sweden. The LDP sought to address voter anger at the adoption of the value-added tax (VAT) in 1989 by offering much more generous benefits to the elderly through the Gold Plan. It then increased the VAT in 1996, protected by the party’s coalition deal with the socialists, and used this revenue to fund broad-based welfare programs for the elderly and working mothers.

This brief interlude of near-social-democracy was interrupted, she argues, by the adoption of new electoral rules for the Lower House with a heavy emphasis on single-member districts. Because the rules were first used in 1996, she dates the shift to that year. With these new rules causing Japanese government to resemble the Westminster model, she sees welfare policy too moving steadily toward this model: more universalistic but poorly funded. She supports this argument by pointing to the ways in which recent prime ministers have steadfastly dismantled the functional equivalent elements of Japan’s system: labor markets have been deregulated, she claims, public works spending has been reduced, and “agricultural policy . . . ceased to be a form of social policy” (p. 274). Instead, she argues, the LDP expanded programs like child allowances that offer low-but-universal benefits for the median voter.

I have written on many of these policies over the same time period and disagree with the way she characterizes many of these policy changes. I agree that new welfare programs for the elderly are important, but I do not find the programs for mothers and children to be very path breaking. Increases in child allowances were funded by taking away a tax benefit that went to most wage earners, so the net benefit to the median voter was minimal. Many functional equivalents remain alive and well. Agricultural policy is still quite protectionist, and the LDP doled out massive quantities of loans to small businesses in the late 1990s when the “structural logic” was supposed to discourage that sort of thing. Many readers are likely to quibble with details like this and see more of a role for socio-economic forces in explaining recent change as well as continuity, but the strength of the book is that it offers a clear and coherent argument and arrays an impressive quantity of evidence to support it. All of us who work on Japanese politics will need to take it into account in our teaching and research.