

TITLE: The Relationship Between Democracy and Economic Development: The Case of Japan (1960–2000)

ABSTRACT

This paper examines the indirect and non-linear relationship between economic development and democracy in Japan over four decades, from 1960 to 2000. The central research question assesses the extent to which Japan's rapid economic trajectory influenced the form and stability of its political system, hypothesizing that economic drivers were the dominant force, while democratization remained a secondary, institutionally separate outcome.

The analysis divides this period into two economic phases:

Phase I (1960–1993): This phase corresponds to the peak of Japan's "economic miracle," during which exceptional growth was effectively leveraged by the ruling Liberal Democratic Party (LDP). Economic success served as the primary basis for the LDP's political legitimacy, enabling it to establish a stable, though constrained, "dominant-party democracy." The political system was characterized by state-centric power and effective bureaucratic control over civil society, all underpinned by sustained economic prosperity.

Phase II (1993–2000): This phase marks a critical transition as the nation entered the "Lost Decade" of economic stagnation. The downturn coincided with the end of LDP's single-party rule, introducing political instability and the rise of coalition governments. While this era brought greater political pluralism and institutional reforms, political fragmentation ultimately struggled to maintain economic efficiency.

The study concludes that Japan's economic development preceded, rather than directly caused, the full institutionalization of democracy. Economic success provided a stable environment for political consolidation, but the shift toward a more pluralistic, though less economically efficient, democracy occurred later, demonstrating the separation between a nation's economic strength and its political structure.

Keywords: Economic Development, Japan, Democracy, Economic Miracle, Liberal Democratic Party (LDP), Dominant-Party Democracy, Economic Stagnation, Non-linear Relationship, Political Legitimacy

TABLE OF CONTENT

I. THEORETICAL FRAMEWORK	3
1.1. Literature Review	3
3 perspectives	3
The Complex Relationship Between Economic Development and Democracy	4
1.2. Framework	6
The Correlation of Economic Development and Democracy	6
Main indicators of Democratic assessment	7
1. Legitimacy and Performance	7
2. Social Structure and Socioeconomic Development	8
3. Civil Society	8
4. Political Institutions	9
5. Other indicators	10
1.3. Research Questions and Hypotheses	11
II. FIRST ANALYZED PHASE: JAPAN (1960-1993)	11
2.1. Japan during 1960-1973	11
2.1.1. Japan's post-war economic miracle	11
2.1.2. Democratic Indicators	13
2.1.2.1. The promise of "the welfare state"	13
2.1.2.2. Civil society at a standstill	14
2.1.2.3. The dominance of a party in Japan's political system	14
2.2. Japan during 1974-1990	16
2.2.1. Slight changes in the economic growth	16
2.2.2. Democratic Indicators	16
2.2.2.1. An improvement in civil society	16
2.2.2.2. The failure of the welfare promise	18
2.3. Summary	19
III. SECOND ANALYZED PHASE: COALITION GOVERNMENT (1993-2000)	20
3.1. Overall economy review	20
3.2. Democratic indicators	21
3.2.1. An era of plural political institution	21
3.2.1.1. The establishment of coalition government	21
3.2.1.2. Political realignment perspective	21
3.2.1.3. Electoral system reform	24
3.2.2. Legitimacy and performance	25
3.2.2.1. Low voting turnout rates	25
3.2.2.2. Fragmented politics effect on Japan's economy	26

3.2.3. Interest-group biased civil society	28
3.2.4. Social welfare policy	30
3.3. Summary	32
IV. DEMOCRATIC ASSESSMENT	32
V. CONCLUSION	34
Overall phase evaluation	34
The correlation of Economic development and Democracy in Japan (1960-2000)	34
REFERENCES	36

I. THEORETICAL FRAMEWORK

1.1. Literature Review

3 perspectives

Modernization, Dependency Theory, and Institutionalization are three pivotal frameworks for understanding economic development.

Modernization states that societies must dismantle traditional structures to embrace modern practices, fostering economic growth through innovation. In this theory, breaking down (backward) traditions, things that hinder development, and building new (modern) ones equals a leap to develop forward (Valenzuela and Arturo Valenzuela 1978). It also emphasizes that societal transformation is essential for economic development. The key spirit of Modernisation is that it is optimistic about the ability to develop the economy based only on economic transformation and cultural westernization. However, limitations still persist; one of its main limitations is that poor countries require robust legal frameworks and institutional support to modernize effectively. Furthermore, it overlooks the fact that not all successful economies have followed a Western model, as seen in the cases of Japan and South Korea, which have developed under different cultural paradigms.

Dependency Theory, in contrast, critiques the notion that underdevelopment is solely a result of internal factors. It argues that the historical and ongoing relationships of underdeveloped nations with developed nations significantly contribute to the economic struggles of those countries. This theory highlights how underdeveloped nations often find themselves in a cycle of dependency, exporting raw materials while importing goods and commodities at inflated prices (Kentor 1999). Scholars like Cardoso and Faletto (1979) emphasize that multinational corporations (MNCs) exacerbate this issue by influencing local policies in ways that better benefit their interests rather than the common good. As a result, dependency theorists advocate for a national development strategy that prioritizes self-sufficiency and reduces reliance on foreign powers (Rapley 2002).

Lastly, the Institutionalization theory focuses on societal or external factors to the role of institutions in shaping economic outcomes. Douglas North (1991) argues that institutions create incentive structures crucial for economic performance by reducing transaction costs and fostering cooperation. This perspective suggests that although political institutions impact economic growth, the relationship between specific regime types and economic performance remains ambiguous, though democracy can be reached through institutionalization (Huntington, 1968).

In summary, each theory contributes valuable insights into the complex nature of development, highlighting the interplay between culture, history, and institutional frameworks in shaping a nation's path toward prosperity.

The Complex Relationship Between Economic Development and Democracy

Liang-chih Evans Chen outlines **four** types of the relationship between economic development and democracy. Which include: Democracy leads to Development, Development leads to Democracy, No causal relationship, The causal relationship is nonlinear and indirect.

The first relationship emphasizes the argument posited by Daniel Lipset (1959) that economic growth tends to precede democratic governance. Scholars like Gabriel Almond, Robert Dahl, Peter Burger, Daniel Lerner, and Karl Deutsch statistically underscore the correlation between economic conditions and democratic governance. “The more well-to-do a nation, the greater the chance that it will sustain democracy” (Lipset 1959, p.75). They assert that even poorer nations can maintain democratic structures as long as they experience economic growth, regardless of their GNP levels (Przeworski and Limongi, 1997). This theory seems convincing as many wealthy nations operate under democratic institutions, yet it fails to account for cases like Singapore and China, indicating that the pathway from economic development to democracy may not be that straightforward.

The second relationship is highlighted in Huntington's work, particularly in “Political Order in Changing Societies” (1968). He argues that political decay often accompanies totalitarian or authoritarian regimes when they fail to keep pace with economic growth.

Conversely, Bruce Bueno de Mesquita and George Downs (2005) argue that economic development does not lead to democracy, making the third relationship. Authoritarian regimes have demonstrated the capacity for economic growth without progressing toward democratization. When economic development increases educational access, it can lead to the formation of opposition groups demanding democracy, prompting the ruling elite to suppress dissent. This disengagement further illustrates a diminishing relationship between economic conditions and democratic governance. However, it also opens up a way we can pay more attention to elite impact rather than just democratic governance in general.

On the other hand, scholars Joseph Siegle, Michael Weinstein, and Morton Halperin in *Why Democracies Excel* (2004) argue for a perspective that positions democracy as a precursor to development. They contend that development is a dependent variable, with democracy serving as an independent variable that promotes security, stability, prosperity, and peace. Institutional effectiveness significantly shapes both economic and social outcomes, with democracies consistently outperforming their authoritarian counterparts.

For the final relationship, scholars like Przeworski and Limongi (1993) have explored these dynamics, leading to debates about whether democratic regimes inherently produce better economic results than authoritarian ones. Przeworski introduces a critical argument, positing that there is no inherent relationship between democracy and economic performance.

In general, as economies develop, the growing wealth among the populace and the expansion of the middle class (Pion Berlin 2001) lead to greater public interest in participation in policy-making, suggesting that nations with a strong economic performance are more likely to sustain stable democracies.

So not democracy in general but it's the political stability that emerges as a significant factor influencing economic conditions, with Przeworski and his colleagues suggesting that regime type may not materially impact economic outcomes as long as stability is present.

1.2. Framework

The Correlation of Economic Development and Democracy

In the study *Democracy and Development: Political Institutions and Well-being in the World 1950-1990* (Przeworski, Alvarez, Cheibub, and Limongi 2000) after surveying the relationships between development and democracy across 135 countries from 1950 to 1990, the authors has concluded that the type of political regime does not significantly impact economic growth or national income. However, they find that political instability generally hampers economic development.

From this, Chen has proposed a framework for which we believe that can further help clear our point on the relationship of democracy and economic development in Japan case. Chen argues “in the process of democratization, development declines in the early stage but increases in the later” (Chen 2007, p. 28).

That the quality of the relationship is non-linear and indirect, it requires a stage of transition inside the society in order to finally achieve desired economic and democratic outcomes. In Chen’s work, the relationship between political change and economic development is complex, particularly in the context of political instability and its effects on economic growth. Initially, political instability can pose a threat and cause a decline in economic performance, low foreign direct investment (FDI) and employment rates are expected, leading to economic decay. This phenomenon aligns with the idea that the initial stage of democratization often requires a period of instability, which can negatively impact economic performance. As political conditions stabilize and institutions are strengthened, characterized by fair elections and accountability, the economy begins to recover. This transition phase is crucial, as it fosters an environment conducive to investment and economic growth ultimately.

Moreover, as political stability is restored, the economy can experience a resurgence in growth metrics. The interplay between democracy and economic indicators like capital turnover illustrates that while initial instability may lead to decreased economy, subsequent stabilization and institutionalization of democratic processes can result in increased economy. This cyclical relationship highlights the importance of political reform in achieving sustainable economic growth.

However, it is essential to recognize that political stability alone does not guarantee economic success; the quality of governance and institutional frameworks plays a pivotal role. Effective institutions that promote transparency, rule of law, and accountability are vital for attracting FDI and fostering a competitive business environment. As evidenced by various studies, political instability adversely affects economic growth by creating uncertainty that deters investment and disrupts long-term planning. Therefore, for countries undergoing transitions towards democracy, establishing stable and effective institutions is paramount for

reversing initial declines in economic performance and ensuring sustained growth in the long run.

Figure 8: Path toward Development from Democracy and their Correlation-- the Perspective of Economic Change Process

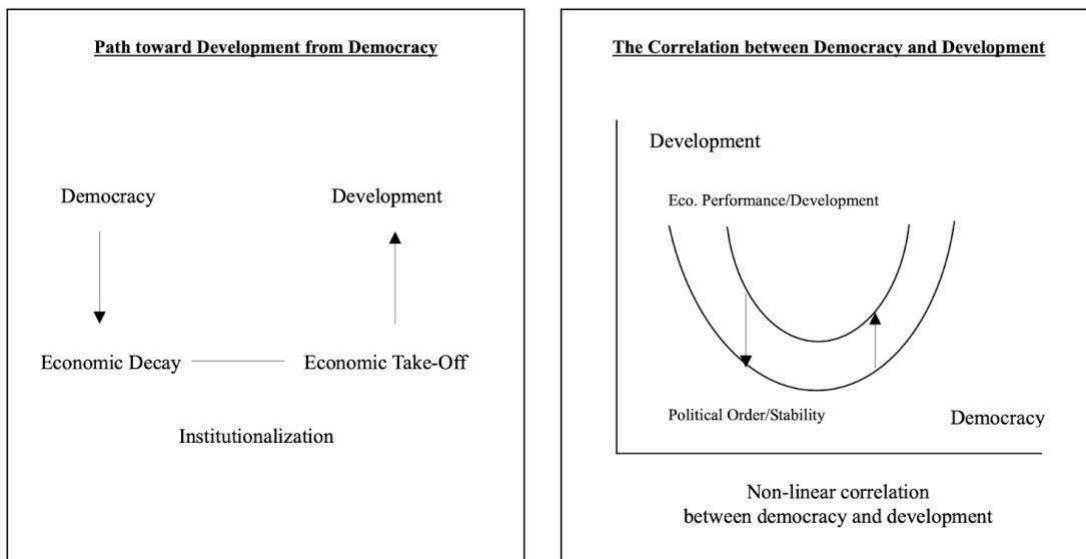


Figure 1: Path toward Development from Democracy and their Correlation- the Perspective of Economic Change Process. Adapted from “Development First , Democracy Later ? Or Democracy First , Development Later ? The Controversy over Development and Democracy” (Source: Chen, 2007, p. 30)

Whilst economic development can be measured with various numeral index, the evaluation can not be processed quantitatively. The study of democracy and democratization has been significantly shaped by the contributions of scholars such as Larry Diamond, Juan Linz, Seymour Lipset, and Dankwart Rustow (1995). Their research identifies a range of factors that influence democratic consolidation and the overall health of democratic systems.

According to their research, ten crucial factors impact democracy are legitimacy and performance, political leadership, political culture, social structure and socioeconomic development, civil society, state and society relations, political institutions, ethnic and regional conflict, military influence, and international factors. Therefore, each of these elements plays a vital role in shaping the democratic landscape of a nation as we believe assessing democracy requires an understanding of various indicators beyond mere electoral participation or institutional frameworks.

Main indicators of Democratic assessment

Four factors we strongly believe can greatly help with analyzing the case of Japan from 1960 to 2000 and gaining a comprehensive understanding of democratic health are voting rates (reflect public engagement with democratic processes); social welfare policies and the distribution of parliamentary seats among parties and civil welfare. We pay more attention to

four factors that stand out as particularly vital: *legitimacy and performance, social structure and socioeconomic development, civil society, and political institutions*.

In the process of applying for the case of Japan, we also consider the indicators “State and Society” for better evaluation and tell the difference between the two main phases in the timeline. This indicator is detailed as a section under the Civil Society indicator.

1. Legitimacy and Performance

Legitimacy is foundational to the stability of any democratic regime. It refers to the widespread belief among both elites and the general populace that the country’s governance is functioning under the democratic system. When citizens feel that their needs are met through effective governance, their belief in the legitimacy of the system strengthens. The performance of a regime—particularly in terms of economic management and political effectiveness—directly influences its legitimacy. This sense of legitimacy empowers the government to demand compliance from its citizens, including the enforcement of laws and the collection of taxes.

Historical examples, such as the collapse of democratic regimes in Chile and Uruguay during the 1980s, illustrate that legitimacy cannot be taken for granted; it must be actively maintained through innovation, reform, and most importantly, responsiveness to societal needs. To promote a healthy democratic environment, there must be alternatives to existing power structures, fostering an atmosphere where opposing values can compete vigorously. Therefore, it is essential for democratic governments to balance both legitimacy and performance. In the case of Japan, in order to achieve an actual representative democracy, the index of voting turnout rate and other indexes of voting trends among citizens will best represent this element.

The competition among applicants for power can lead to greater accountability. Moreover, stability when elite groups engage in open dialogue and debate would be more likely to persist, this leads to democratic reforms that are better aligned with public interests and less susceptible to corruption.

2. Social Structure and Socioeconomic Development

The relationship between social structure, socio-economic development, and democracy is intricate but essential. As socioeconomic conditions improve, evidenced by increased economic security and universal education, societal inequality typically decreases, fostering a sense of fairness among citizens and reducing feelings of exploitation or exclusion that may lead to political extremism. A growing middle class is particularly a sign of a well-functioning society, as it tends to be more supportive and a booster of democratic values. Domestic elites educated in Western ideals can also create pressures for democratization. However, at certain developmental stages, shifting class alliances may favor authoritarianism over democracy. It is shown in the case of Japan from 1960 to 1993, while peasant rights movements may promote democratization, corporate interests might align with established political parties like the Liberal Democratic Party (LDP), hindering democratic progress.

Second, socioeconomic inequality also poses a significant threat to democratic consolidation. Strong income disparities can lead to social conflict, making it essential for governments to implement effective wealth redistribution policies (Seligson and Passe-Simth, 2003). Additionally, population dynamics play a crucial role; democracies often manage population growth more effectively than dictatorships by prioritizing public debate and women's rights, which contribute positively to family planning efforts. Sustainable population growth is vital for maintaining political stability and minimizing conflict, necessitating national efforts to improve healthcare and education for women and marginalized communities.

As David Brown and Wendy Hunter also argue that "...democratic regimes are associated with higher rates of social expenditures when faced with important economic constraints." (Brown and Hunter 1999, p. 789), the best index for this indicator would be the state's social expenditures especially for welfare or citizens' property rights (Leblang, 1996).

3. Civil Society

Civil society represents a sphere of organized social life that operates independently from state control. It encompasses voluntary associations that advocate for public interests without seeking control over state resources. A strong civil society is essential for fostering democracy by limiting state power. Intellectuals like de Tocqueville and Hegel argue that civil society acts as a check against authoritarianism by promoting civic engagement, ensuring government accountability and holding officials accountable. Even in contexts where civil society movements struggle or fail to establish institutional democracy—as seen in Nigeria or Kenya—they continue to raise awareness about democratic issues.

Civil society organizations (CSOs) enhance democracy by monitoring state actions, promoting political participation through diverse trade unions, and instilling norms of tolerance among citizens. By providing additional channels for expressing interests beyond traditional party politics, civil society amplifies voices from marginalized groups, empowers citizens, encourages active citizen participation in public affairs, and strengthens governance by fostering respect for state institutions.

The **State and Society** indicator represents a balance between state and society, indicating that the power should be divided equally in reality among these two. Therefore, the state's direct ownership and control over the economy should be limited to foster a balanced relationship between competitive factors. The purpose is to avoid inflation, invest in human capital, and minimize price distortions, corruption, rent-seeking behavior, and prevent a lack of political competition.. The state should not govern every aspect of society; while some level of intervention is necessary, it should be limited. This approach encourages a more dynamic and competitive political landscape, ultimately benefiting both governance and economic performance.

Therefore, the best calculator for those indicators is the establishment and impact of government social welfare policies. Moreover, we believe that other insights, such as the number of endorsed CSOs, that can explain societal livelihood throughout the research period should also be taken into consideration when evaluating the democratization of Japan.

4. Political Institutions

Political institutions form the structural foundation upon which democracies operate. Key components include party systems, electoral frameworks, constitutional structures, legislatures, and courts—all of which must work cohesively to protect citizens' rights.

- Parties and Party System

The strength and representativeness of political parties are more important than their sheer number within a democracy. A healthy party system allows multiple parties to agree on policy priorities while maintaining internal cohesion without excessive fragmentation.

- Electoral System

The electoral system determines how representatives are chosen and how power is distributed among competing interests within society. It is critical that electoral laws empower diverse voices while ensuring fair representation across various demographics.

- Constitutional Structure

A robust constitutional framework establishes clear guidelines governing state authority while safeguarding individual rights against potential abuses of power.

- Legislature and Courts

An effective executive branch must possess autonomy while being held accountable for its actions through legislative oversight mechanisms designed to detect corruption or inefficiencies within government operations.

We believe the distribution of power among parties in the government can be taken to evaluate this indicator. Therefore insight such as the number of parliamentary seats, the impact of interest groups or parties will be carefully surveyed.

5. Other indicators

Other indicators, such as Political leadership, political culture, the military, and international factors while critically influence the stability and effectiveness of democratic systems, are considered less critical for the purposes of this analysis.

First, Political leadership plays quite a pivotal role in determining whether a democracy thrives or falters. Effective leaders are defined as ruling party or leaders that can navigate challenging circumstances by innovating institutions and promoting economic growth, commit to democratic principles, reject violence and unconstitutional methods to maintain power as well as commit to policies that foster trust in the system. Historical examples from Latin America, such as Brazil, illustrate that competent leadership can address societal issues wisely, demonstrating adaptability and vision. The presence of opposition parties and independent security agencies is also vital for monitoring government actions and ensuring accountability.

Second, Political culture includes the beliefs and values that shape societal attitudes toward democracy. A strong democratic culture is characterized by trust in the democratic processes, open minded tolerance for opposing views, and a willingness to compromise among political adversaries. However, contradictions within a nation's political culture can undermine democratic practices, as seen in tensions between the desire for security and the need for political freedom.

Lastly, military and International factors. The role of the military is quite significant; civilian control over the armed forces is crucial for consolidating democracy. Any military intervention in politics can erode democratic institutions, highlighting the importance of reducing personal or group privileges regarding military authority. International factors including colonial legacies or global democratic trends can shape domestic political landscapes (Green and Luehrmann, 2003). As nations navigate their unique paths toward democratization, recognizing these influences will be crucial in fostering resilient democracies capable of meeting their citizens' needs while adapting to an ever-changing global landscape. Countries may inherit democratic values from colonial powers or experience pressures from Western nations advocating for democratic reforms.

In conclusion, the interplay between these 4 critical factors - legitimacy and performance; social structure and socioeconomic development; civil society; and political institutions - shapes the resilience of democracies in Japan from 1960 to 2000. However, these elements also collectively shape the trajectory of democratic governance in any given country. Understanding the multifaceted nature of democracy necessitates consideration of various interconnected factors identified by scholars like Diamond, Rustow, Linz, and Lipset.

1.3. Research Questions and Hypotheses

This research will delve into the economic and political landscape of Japan between 1960 and 2000. Specifically, we will assess the evolution of Japan's economic and financial systems, as well as carefully evaluate the nature and development of its democratization. By analyzing these factors, we aim to answer the following *research question*: Is there a causal link between democracy and economic growth in Japan over the past 40 years? Our *research hypothesis* is that economic factors were the primary determinant of Japan's economic development, and that its democratic system operated with its own unique characteristics.

I. FIRST ANALYZED PHASE: JAPAN (1960-1993)

Dubbed the country's "golden age", "the transformative era" or "the period of miraculous growth", Japan between the 1960s and 1990s was characterized by rapid economic growth, social welfare policies, and a political landscape dominated by the Liberal Democratic Party (LDP). To further analyze the relationship between Japan's rapid economic growth and its democracy, this study can be divided into two distinct periods: 1960-1973 and 1974-1993, due to the economic differences between these two periods that shaped variations in Japan's democratic processes.

2.1. Japan during 1960-1973

2.1.1. *Japan's post-war economic miracle*

Amidst these marked 13 years, Japan witnessed what has been termed an "economic miracle", with an average annual growth rate exceeding 11.6% in real terms. Interestingly, this staggering surge in the Japanese economy was mainly facilitated by the Ministry of International Trade and Industry (MITI), with its main aim to implement a shift from labor-intensive to capital-intensive industries (Pempel, 1998). Realizing the significance of higher value-added sectors in Japan's competitive edge in the global market, MITI decided to put an emphasis on heavy industry including automotive manufacturing, and electronics, focus on technology, and implement an export-driven policy across the nation.

MITI's economic policies are widely regarded as highly successful, reaping significant benefits for the Land of the Rising Sun. First, Japan became the world's second-largest economy in 1968 and achieved an exceptionally high GDP per capita of \$11,017, ranking 13th globally in 1973 (Ito, 1996). Additionally, during this 13-year period, GDP growth consistently exceeded 7% for most years, a rate considered extremely high for an economy of its size. Among OECD nations, Japan's average GDP growth rate for these 13 years (9.6%) was nearly twice as high as that of the organization (4.9%) and almost three times higher than that of the United States (3.9%).

Table 1
Economic Performance in Japan and OECD Area, 1960-2004

	Real-GDP growth rate	Inflation (CPI)	Unemployment rate
1960-1973			
Japan	9.6	6.2	1.3
US	3.9	3.2	4.8
Germany	4.3	3.4	0.8
G7 average	4.8	3.9	3.1
OECD average	4.9	4.1	3.2
1973-1979			
Japan	3.6	9.9	1.9
US	2.5	8.5	6.7
Germany	2.4	4.7	3.4
G7 average	2.7	9.8	4.9
OECD average	2.8	10.8	5.0
1979-1989			
Japan	4.0	2.5	2.5
US	2.5	5.5	7.2
Germany	1.8	2.9	6.8
G7 average	2.7	5.6	6.9
OECD average	2.6	8.9	7.2

Figure 2: Economic Performance in Japan and OECD Area 1960-1973 (Source: “OECD Economic Outlook, Volume 2004 Issue 1,” 2004)

Generally, Japan's economic transformation strategy exemplifies the principles of the developmental state, aiming to achieve macroeconomic success by fostering internationally competitive firms in high-value-added industries (Pempel, 1998). Firstly, the country transitioned itself from a labor-intensive economy dependent on agriculture and small industries to a capital-intensive one specializing in manufacturing. Moreover, following this transformation was a series of substantial infrastructure investments, including modernized ports, road and rail networks, enhanced industrial water supplies, and expanded electricity generation. Human resource development was also prioritized through education, healthcare improvements, and workplace training programs (Takahashi, 2004).

To implement this strategy of the developmental state, the Japanese government had imposed a range of financial policies. According to Pemple (1998), the two most notable ones were the “window guidance”, which was incorporated to direct bank loans toward key industries, and monetary policies favored strategic sectors. For example, the government offered financial incentives (low-interest loans and tax benefits) and The Foreign Exchange Control Law (FECL) allocated scarce resources to industrial goals. The Ministry of International Trade and Industry (MITI) also played a pivotal role, offering tax relief, access to foreign technology, and administrative guidance to support industrial development.

2.1.2. Democratic Indicators

2.1.2.1. The promise of “the welfare state”

The thirteen-year period also highlighted Japan’s efforts to establish a welfare state. As a new member of the OECD, since the early 1960s, Japan has adopted welfare policies designed to strengthen its international standing while addressing domestic inequalities. These measures included healthcare, education, pensions, unemployment subsidies, and other governmental expenses. Particularly, Japan’s welfare spending during this 13-year period was considered substantial and consistently increasing, rising from approximately 10% of GDP in 1960 to 13% by 1973. Some noticeable welfare endeavors of the Japanese government could be noted in the establishment of the Disability Benefit Act in 1960, the National Health Insurance and the National Pension in 1961, as well as the Maternity and Child Welfare Scheme in 1964. Such efforts signaled a government commitment to improving the lives of disadvantaged groups and establishing stronger relations with these populations. (Peng, 2005) However, health sector expenditures were relatively low compared to other areas, reflecting the priorities of a developmental state during this period. The focus was primarily on addressing unemployment by bolstering occupation-based systems, implementing job training initiatives, and investing in education to cultivate a highly skilled workforce for the emerging economy. These policies benefited the labor market, as evidenced by Japan's remarkably low unemployment rate of 1.3%—a figure unmatched by most OECD countries during the same period. This rate was four times lower than that of the United States (4.8%) and second only to West Germany (0.8%) (Tajika & Yuri, 2002).

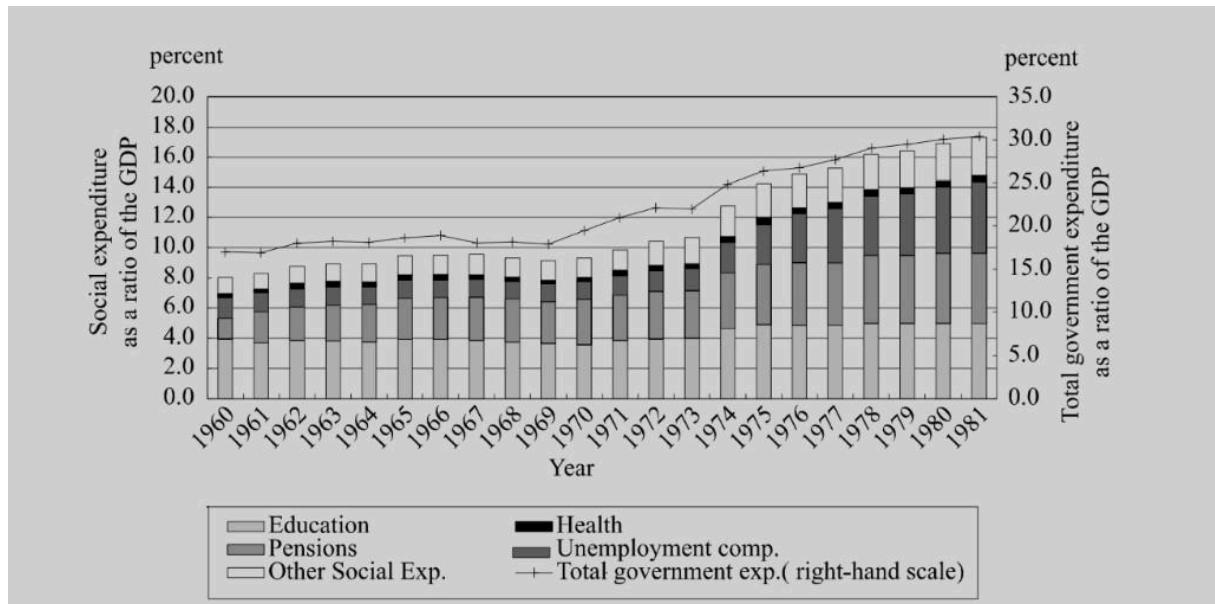


Figure 3: Social expenditure as a percentage of GDP: OECD Data (Source: Tajika and Yuri, 2002)

2.1.2.2. Civil society at a standstill

Despite the country’s advancement in the economy and its welfare aspect, Japan still observed constraints regarding the role of civil society in this period. Though seen as a connection between the state and society, civil society organizations (CSOs) were largely

excluded from Japan's "iron triangle" (state, enterprise, and bureaucracy). Moreover, most CSOs were, at the time, required to undergo severe, rigorous, legal requirements of having a minimum capital threshold of 300 million yen. This legal barrier impeded many CSOs from being established and the overall process of enhancing Japanese civil society. In addition, even if several CSOs managed to pass the harsh governmental screening and were established legitimately, the majority of them were short-lived and strictly controlled by the authorities. Another notable point worth discussing is Japan's limited protest culture, which significantly determines a country's democratic character. This stood in stark contrast to countries like the United States, particularly during politically charged periods such as the Vietnam War and the US-Japan Security Treaty. Furthermore, these 13 years also marked a period when the Japanese government exerted control over the working class while the elite class dramatically benefitted from the aforementioned government's focus on heavy industries.

2.1.2.3. The dominance of a party in Japan's political system

Japan's politics was, in this era, heavily dominated by the Liberal Democratic Party (LDP), which relied on a dual-pronged approach of clientelism and personalism to secure votes. Regarding clientelism, this method was exemplified by "pork-barrel" spending, whereby the LDP funneled resources into local projects and industries to secure the support of organized interest groups such as business associations, labor unions, and, most notably, farmers. With the political nature of farmers, who are highly organized, influential, and unified under the agricultural cooperative organization, Nokyo¹, it was understandable why the LDP targeted farmers as its main "clients" (Kaewthep, 1989).

For instance, the LDP placed special emphasis on rural areas, which accounted for 60% of its votes between 1963 and 1967, compared to roughly 35% in urban clusters. The LDP also strengthened its rural base by limiting agricultural imports in response to farmer lobbying, as demonstrated by the high rate of agricultural import restriction from 1971 to 1974. Yet this dynamic started to change in 1975 in the light of the US pushing for agricultural trade liberalization. Such clientelism-based approaches led to the success of the LDP in gaining the rural votes (towns and villages) from 1960 to the 1990s (always winning more than 60% of votes in these areas).

¹ Considered a huge cooperative network with more than 10,000 local cooperatives and roughly five million members, the Nokyo system is organized into federated structures at the provincial and national levels, enabling unified coordination and representation. The scope of Nokyo's activities is not limited to merely the agricultural sector, but also a diverse array of social, cultural, and consumer services (George, 1981; Kaewthep, 1989).

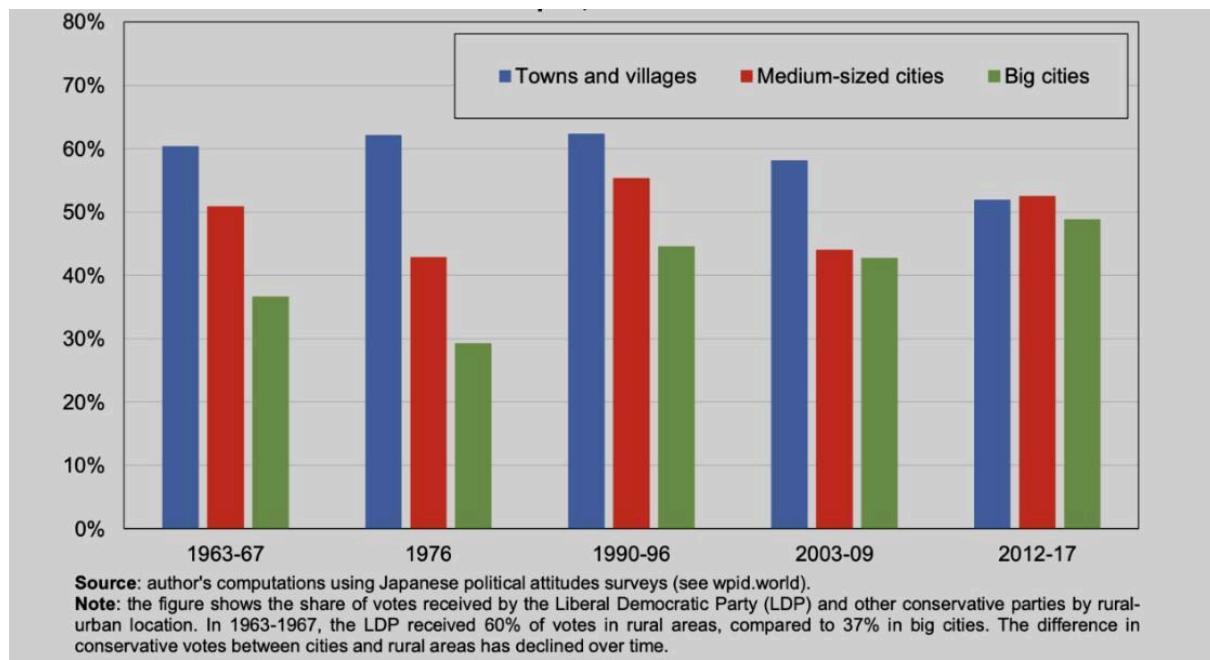


Figure 4: The conservative vote by education in Japan, 1953-2017 (Source: Gethin, 2021)

Concerning the second approach - personalism, this worked by allowing LDP candidates to establish localized support networks, independent of the party's central apparatus. Given Japan's multi-seat electoral districts system, candidates from the same party often compete against one another, leading to the presence of multiple seats from LDP in one particular district. For the voters themselves, there was no clear choice between the parties, nor an opportunity to vote for the alternatives available. This reduced the competition of other parties, while intensifying one within the parties themselves. Henceforth, by cultivating personal relationships with community leaders and business owners in local regions, the LDP was able to ensure the resilience of individual candidates, even in the face of party scandals.

2.2. Japan during 1974-1990

2.2.1. Slight changes in the economic growth

In slender contrast to the preceding 13 years, the subsequent 16-year period (1974–1990) was characterized by several slight economic challenges, shifts in the political landscape, and the gradual evolution of civil society. Regarding economic growth, the continuous “economic miracle” of Japan was resort to be temporarily halted due to the 1973 oil crisis. For instance, in 1974, Japan experienced a negative GDP growth rate of -2%, reaching the lowest level since the 1960s. This event underscored Japan's vulnerability to external shocks. Yet, the Japanese government successfully revitalized the economy following the oil crisis and achieved stable economic growth. Although this growth, ranging from 2% to 6% until 1990, was not as considerable as it was during the 1960s. This period also signified a transition in the Japanese economy towards a greater emphasis on knowledge-intensive industries.

This 16-year period marked the final chapter of the party of the “economic miracle” before enduring the hardships of the 1990s bubble burst. It all began in the year 1985 when The Plaza Accord was signed, causing the yen to quickly appreciate in value relative to the US dollar. This deal put a lot of pressure on Japan's export-driven economy even though it aimed to correct trade imbalances between the US and Japan. An economic bubble was created as a result of speculative activity in the bond, real estate, and yen markets, as well as decreased competition for domestic businesses in global marketplaces. When the bubble burst in the 1990s, an era of rapid economic growth ended, ushering in a prolonged period of stagnation that Japan continues to grapple with today.

2.2.2. Democratic Indicators

2.2.2.1. An improvement in civil society

The role of civil society in this period became more prominent and visible compared to the previous era, as private labor unions started to gain influence. Due to the economic instability from the oil crisis, inflation and unemployment became pressing concerns. As a result, strikes were then spread out across the nation in protest of wage demands and against government policies and economic management. The Spring Offensive of 1974 was a noticeable example of this trend as private labor unions successfully achieved a nominal wage increase of 32.9%. However, this victory was dampened by a drop in corporate profits, an increase in unemployment, and inflation. Employees then were compelled to choose between pay raises and financial security. (Hayashi, 2020)

In response to increasing pressures from the working class, the government sought to concede the private labor unions. Nevertheless, in fact, it still effectively kept a large amount of power and refused to cede state authority in order to actually act in the best interests of the populace. The government consequently incorporated elite worker groups into its structure in the 1970s.

Another conspicuous point regarding the role of civil society during the 16-year period was the LDP's shift in the aforementioned clientelism, as the LDP decided to place a greater emphasis on the well-being of the working class, rather than solely on rural regions. This change was best illustrated in 1971 with the launch of the Workers' Asset Growth Support Program by the Ministry of Labor. This policy change was sparked by a number of factors. First, a strategic shift towards the working class could be attributed to the party's waning urban power. Moreover, with the staggering rate of urbanization during the 1970s and 1980s, its traditional base of rural people started to decline sharply. Thirdly, the Tokyo Court of Appeals ruled in 1973 that the electoral system was unconstitutional because of accusations that it unfairly favored rural interests. These three reasons clearly led to a better role of civil society in the second studied period, compared to the first thirteen years.

This period also marked the significant shift of Japan's export-oriented industries. Leading Japanese corporations, particularly those at the forefront of their sectors, were actively involved in shaping policies to maximize their benefits. Notable initiatives included the revision of the Employment Insurance Law (1974), the introduction of Measures to Halt Layoffs in Structurally Depressed Industries (1977), and the establishment of Employment Stabilization Funds (1977). However, as mentioned earlier, pay raises were incompatible with financial security, so those union leaders must opt for wage restraint to enhance competitive advantage in the international market, especially under the context of a booming economy like

South Korea. (Kume, 1988) Therefore, the state still maintained the ultimate control though integrating them into the power system.

2.2.2.2. Legitimacy and performance

The LDP's vote-pulling strategies have helped preserve its position on the podium consistently for 30 years. During this period, the number of seats (out of the total 465) allocated in the House of Representatives still reflected the overwhelming presence of the LDP (table 1).

Year	Distributions of seats in the House of Representatives
1969	300
1972	271
1976	249
1979	257
1980	284
1983	266
1986	309

Table 1: The distributions of seats in the House of Representatives from 1969-1986 (Source: Inter-Parliamentary Union, 2014)

Although there were signs of decline over the years, the possibility of other parties overturning this position was impossible. This is partly rooted in Japan's political culture back then, where most people did not want to change the current system even though Japan's turnout of 60-70% can still be seen as a strong indicator of a healthy democracy. Instead of throwing the incumbent government for its laggard performance, they gravitated towards more traditional cultural values that supported the current system. At the time, other options appeared unfeasible, as the LDP's rival, the Japan Socialist Party, advocated for a socialist state and rejected both the free-market economy and liberal democracy. (Pempel, 1991). This system support attitudes, along with the political culture of Japan, hindered the efficiency of checks and balances during the first 30 years covered in this essay. The emergence of the "iron triangle" became a mechanism for bribery between the state and business, which ultimately led to structural corruption within the government. This, in turn, eroded public trust, weakened party support, and reduced political participation in the years that followed. (Hirata, 2004)

2.2.2.2. The failure of the welfare promise

Regardless of the promise of a robust welfare state championed by Prime Minister Kakuei Tanaka in the early 1970s, this period was marked by numerous challenges that cast a shadow over that hopeful vision. Initially, the expenditure on social security (figure 5) relatively leveled off, rising only from 12.41 percent to 13.45 percent of gross national income from 1974 to 1990 (NIPSSR, 1998). Additionally, the Gini coefficient also underwent a slight growth (from 0.314 in 1981 to 0.364 in 1990), indicating a gradual shift to a more “unequal” Japanese society (Ministry of Health and Welfare, 1999). Moreover, in the 1980s, the LDP government even implemented additional welfare cuts, leading to a worsening welfare situation. (Peng, 2005)

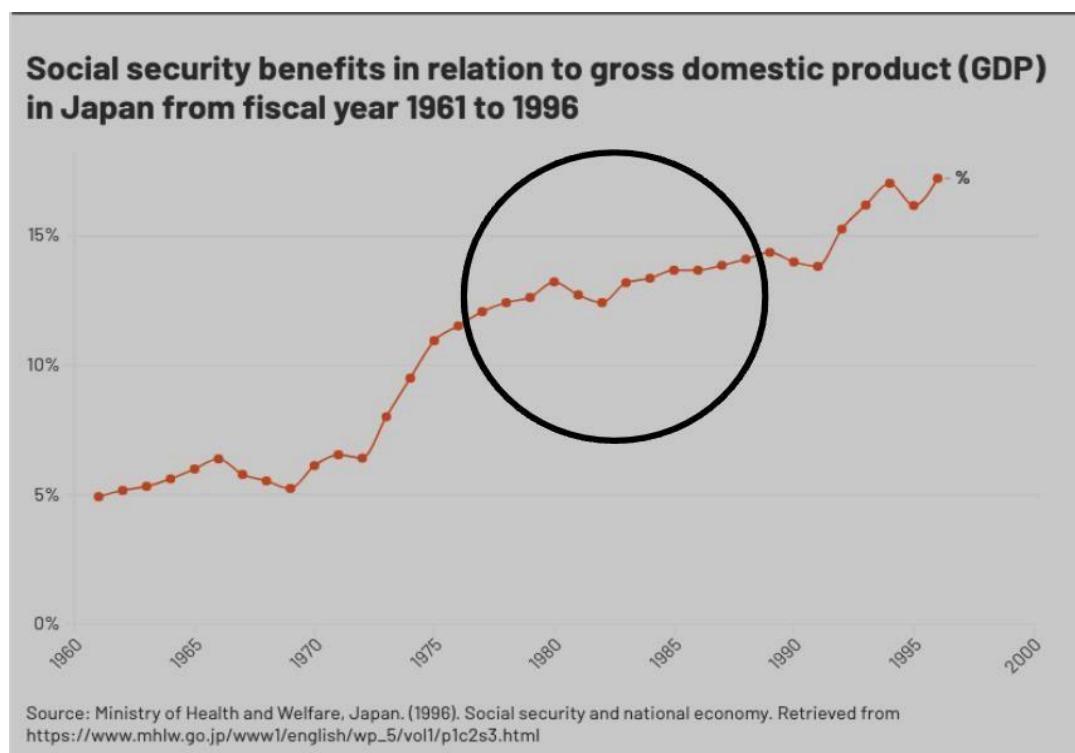


Figure 5: Social security benefits in relation to gross domestic product (GDP) in Japan from fiscal year 1961 to 1996 (Source: Ministry of Health and Welfare Japan, 1996)

2.3. Summary

This thirty-year period from the 1960s to the 1990s marked a period of high state power concentration, where the government mostly prioritized industrialization to achieve the “economic miracle”, yet somewhat ignored civil society. Regarding its democratic process, the Japanese political system during this studied era was deemed as a “dominant-party democracy” by various scholars. This was attributed to the country’s lack of political pluralism, with LDP dominating the political system for 30 years yet maintaining “a veneer of democracy” enshrined in the 1947 Constitution. Considering the promised path towards becoming a welfare state, though this outwardly aligned with democratic ideals, welfare policies were indeed instrumentalized as tools for societal stabilization rather than comprehensive democratic reform, and there were plenty of restrictions from the authorities about particular welfare aspects.

To sum up, the miraculous economic progress in this era not only did not result in democracy but also was used as an efficient tool to legitimize LDP's political control. Overall, it can be estimated that though not yielding a full democracy, this so-called dominant-party democracy was considered appropriate for Japanese society at the time.

II. SECOND ANALYZED PHASE: COALITION GOVERNMENT (1993-2000)

3.1. Overall economy review

The 1990s in Japan are often referred to as the "Lost Decade," a term originating from events linked to the Plaza Accord, an agreement Japan signed with the United States. The accord required Japan to allow the yen to appreciate in value, facilitating the U.S. dollar's devaluation. However, as an export-dependent country, the yen's appreciation posed a serious threat to Japan's economy. To counteract this, Japan adopted monetary easing policies, including significant interest rate reductions. These measures eventually led to the formation of real estate and stock market bubbles in the late 1980s (International Monetary Fund, 2011).

As the yen appreciated, Japan's GDP, when calculated in dollars, grew significantly, giving the impression that Japan had become far wealthier. This newfound wealth encouraged Japanese consumers to spend more and invest heavily in assets worldwide. These factors fueled the creation of a massive asset price bubble within Japan. However, when this bubble burst, it triggered an economic stagnation that has persisted in varying forms from 1993 to the present day.

During the mid-1980s, Japan experienced the height of the asset price and stock market bubbles, with GDP not yet deeply affected, as the bubbles had not burst. However, from 1991 to 1993, these bubbles began to collapse, marking the start of Japan's economic downturn. Between 1994 and 1996, the economy showed signs of recovery, with positive GDP growth returning in 1994. However, in 1997 and 1998, GDP growth turned negative again. Although the GDP figures from these years were not the lowest Japan had seen since World War II, the economic recession during this period was considered the most severe of Japan's postwar history.

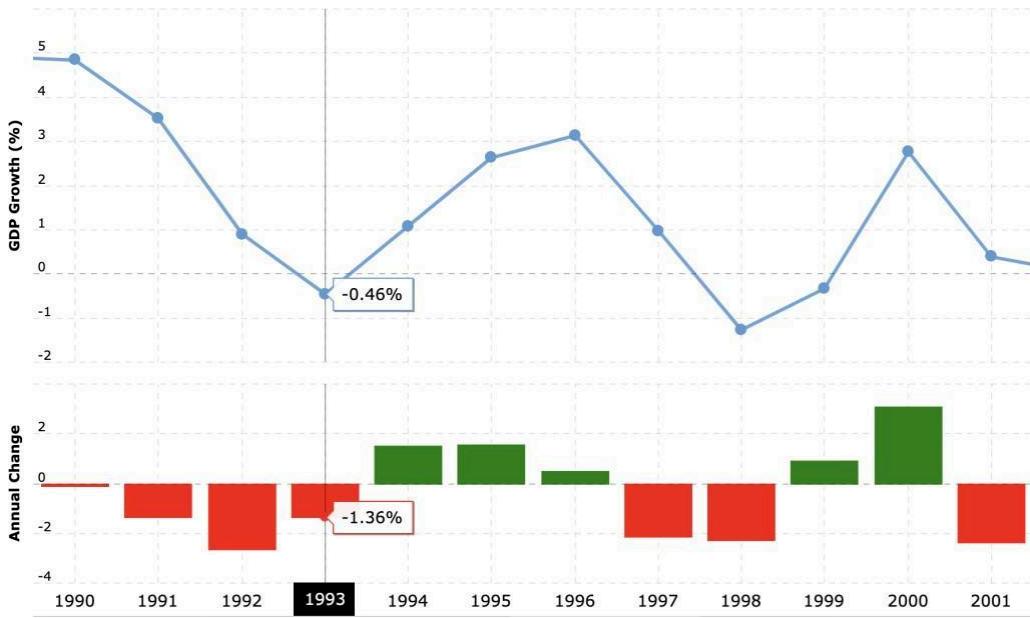


Figure 6: Japan's GDP growth from 1990 to 2001 (Source: Macrotrends)

The primary cause of this renewed recession in the late 1990s was a series of policy missteps, which resulted from a fragmented government (this will be discussed later). For example: observing positive GDP growth in the mid-1990s, the Ministry of Finance decided to reduce the fiscal deficit by cutting public spending, particularly in government investments, and increasing taxes in the 1997 fiscal year. These measures were ill-timed, as they coincided with a fragile recovery, leading to an economic downturn in March 1997. This recession was further exacerbated by the Asian Financial Crisis, which compounded the negative impact on Japan's economy.

3.2. Democratic indicators

3.2.1. An era of plural political institution

3.2.1.1. The establishment of coalition government

On August 9, with the inauguration of a cabinet led by Hosokawa Morihiro, leader of the Japan New Party (JNP), Japanese politics underwent a significant transformation. A seven-party coalition government was formed, creating a period of political pluralism in Japan. The 1993 coalition establishment was driven by a consensus among conservative, centrist, and leftist opposition groups, united by the goal of ending the LDP's political dominance. The coalition was composed of both left (the JSP, SDF, DSP), right (JRP, JNP, NPS) and religious politics (Komeito). The change symbolized the beginning of a new political era characterized by a shift away from the long-standing one-party dominance of the LDP. After a postwar record of 39 years of continuous rule, Japan's Liberal Democratic Party (LDP) has finally been unseated.

3.2.1.2. Political realignment perspective

Regarding Japan's election results, Hideo Otake stated that it represented a restructuring of the political marketplace mainly among politicians rather than a significant voter realignment on the part of the general electorate. In his work Pillars of Contention in

Japanese politics, he posits two concepts: political restructuring (seikai saihen), a realignment among politicians, and partisan realignment (seitou saihen), a significant in voter alignment. According to him, a partisan realignment has yet to be seen in Japan, but rather a political realignment (Park, 2001). This can be explained as follows:

First, the mechanism of Japan's Lower House before the 1994 reform allowed The LDP to form a winning coalition with any one of the four parties: the SDPJ, the JRP, the Komei, and the JNP (and because the LDP has established a dominant position with the majority of seats). In contrast, parties other than the LDP may form a winning coalition if the coalition has enough member parties that can outweigh the number of LDP seats. As a result, through negotiations, the coalition led by Prime Minister Hosokawa of the Japanese New Party was formed. This government was formed as an equilibrium outcome in the context of parties engaging in a "negotiation game", where none of the participating parties could unilaterally alter their decisions to achieve a better outcome. This coalition was successfully formed also due to the reason that its member: the JRP, JNP and NPS were the parties that split from the LDP due to their internal conflicts, contributing to LDP's loss of seats. As can see from below, LDP lost its majority (223 seats accounted for 44%, below 50%).

Round no 1: Distribution of seats

Political Group	Total	Gain/Loss
Liberal Democratic Party (LDP)	223	-52
Social Democratic Party of Japan (SDPJ)	70	-66
Shinseito	55	+55
Komeito	51	+6
Japan New Party (JNP)	35	+35
Japan Democratic Socialist Party (DSP)	15	+1
Japanese Communist Party (JCP)	15	-1
Sakigake	13	+13
United Socialist Democratic Party	4	=
Independents	30	+9

Figure 7: The seat distribution of Japan's House of Representatives after the 1993 election (Source: Historical Archive)

Second, the realignment between parties can also be reflected by the government's power distribution. Hosokawa's government was regarded as the beginning of "a period of changing multi-party coalitions and alliances" (Izuru, 2013). Without a secure majority in the Diet, the prime minister had to rely on coalition partners to pass legislation and govern effectively, which required consulting and negotiating policy decisions, limited the prime minister's autonomy, and ensuring that the coalition's diverse interests were accommodated in policymaking.

Portfolio		Minister
Prime Minister	JNP	Morihiro Hosokawa
Chief Cabinet Secretary	NPS	Masayoshi Takemura
Deputy Prime Minister Minister of Foreign Affairs	JRP	Tsutomu Hata
Minister of Justice	Independent	Akira Mikazuki
Minister of Finance	JRP	Hirohisa Fujii
Minister of Education	Independent	Ryōko Akamatsu
Minister of Health and Welfare	DSP	Keigo Ōuchi
Minister of Labour	Komeito	Chikara Sakaguchi
Minister of International Trade and Industry	JRP	Hiroshi Kumagai
Minister of Home Affairs Director of the National Public Safety Commission	JSP	Kanju Sato
Minister of Posts and Telecommunications	Komeito	Takenori Kanzaki
Director of the Economic Planning Agency	JSP	Manae Kubota

Table 2: Cabinet of Morihiro Hosokawa from August 9, 1993, to April 28, 1994 (Source: Research Group generalize, 2024)

In an attempt to sustain the fragile coalition government comprising eight different political parties, Prime Minister Hosokawa introduced a new decision-making mechanism: the Council of Representatives of the Coalition Parties (Yoto Daihyosha Kaigi). This council included the secretary-generals of each coalition party, allowing them to convene and deliberate on major political issues collaboratively. Prime Minister Morihiro Hosokawa explained the situation of his government: "Under the coalition government with eight different political parties, the centralization of policy-making was the only choice. It was impossible to have issue-specific committees."² Hosokawa's decision to implement this system was influenced by his criticism of Japan's rigid bureaucracy, particularly the "vertical administration" or sectionalism that hindered effective governance. Beyond addressing

² Hosokawa Morihiro, interview by author, November 15, 1996

bureaucratic rigidity, the mechanism was a practical solution to the challenges posed by the diverse coalition.

The successor government, under Prime Minister Murayama (1994 - 1996) - cabinet that was formed by a grand coalition of SPJ, LDP (rejoined) and NPS - witnessed the relatively similar power distribution. An 18 different issue-specific project teams were formed for major policy issues in which the three government parties could exchange their views and find agreeable solutions. Prime Minister Murayama also established a policy coordination committee to enhance collaboration among the coalition parties. This committee included the policy chairmen from the LDP (Kato Koichi), JSP (Sekiyama Nobuyuki), and Sakigake (Kan Naoto), who discussed general policy issues. Below it were 19 subcommittees organized by specific fields, similar to the LDP's traditional *bukai* (issue-specific committees). To prevent the LDP from dominating policy decisions in the coalition government, a proportional representation system was established, allocating representation among the LDP, the Japan Socialist Party (JSP), and the New Party Sakigake at a 3:2:1 ratio (Shinoda, 1998).

<i>Project Team</i>	<i>LDP</i>	<i>JSP</i>	<i>Sakigake</i>
Welfare	9	7	3
Administrative Reform	6	4	2
Tax Reform	10	7	3
Economic Policy	8	5	3
50th Anniversary of WWII	6	4	2
Decentralization of Government Power	5	3	2
Human Rights and Discrimination	3	3	2
New Ainu Act	3	3	2
NPO (non-profit organizations)	6	3	2
Insurance Market Access to Labor Union	6	3	2
Hanshin Earthquake	12	12	6
Disaster Relief	5	4	3
Minamata Disease	5	3	1
Information Disclosure in Special Corps.	5	2	2
Religious Corporation	5	3	2
Finance and Security	6	6	2
Forest and Greenery	4	3	1
Housing Loan Companies	10	7	3

Figure 8: The composition of Project Teams under the Murayama Government (Source: Shinoda, 1998, p.38)

3.2.1.3. Electoral system reform

The first coalition government under the leadership of Prime Minister Hosokawa of JNP, aside from the change in the political distribution, is also marked by the reform of the electoral system.

The previous single non-transferable vote (SNTV) system of multi-member districts (MMD) transferred to a mixed electoral system combining single-member districts (SMD) with plurality voting and a party list system with proportional representation (PR). The reform

replaced Japan's old electoral system, where 511 seats in the lower house were elected from 129 multimember districts with 2 to 6 candidates per district, with a new system featuring a 500-seat lower house.

300 seats would be elected from single-member districts, while 200 seats would be filled through proportional representation across 11 regional districts, providing broader representation for smaller parties. Each voter is given two separate ballots: one to vote for a candidate in their single-member district and another to choose a political party or party list within their regional bloc. The votes in these two categories are independent and cannot be transferred between them. Such radical changes in the electoral system could create new patterns in the behavior of political parties, individual candidates, and voters (Tabusa, 1997).

The introduction of 200 seats filled by proportional representation allowed voters to cast their ballots for a party rather than a specific individual and encouraged a more party-centered approach to elections. At the same time, the shift from multimember to single-member districts for 300 seats only allowed parties to field one candidate, simplifying voter choices and encouraging decisions based on party affiliation rather than individual candidates.

3.2.2. Legitimacy and performance

3.2.2.1. Low voting turnout rates

The newly established electoral system is the result of a struggle between Japanese political parties to reform an old system that previously favored the dominance of the LDP, aiming to increase representation for smaller parties that had little influence or were newly formed.

However, the new electoral system posed challenges and controversies, particularly due to the "dual candidacy provision" that this system created. The new system allowed candidates who lost in Single Member Districts (SMD) to secure seats through the Proportional Representation (PR) system, meaning that if they lose in the SMD race, they can still be save in the PR round. This led to inconsistencies and voter dissatisfaction.

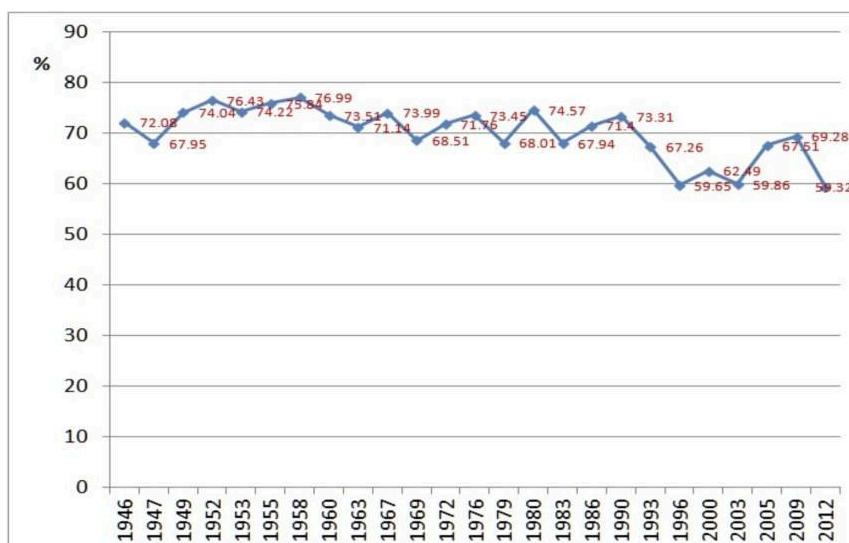


Figure 9: Voting rate at the House of Representatives general elections in Japan from 1946 to 2024
(Source: Statista)

For instance, an SDP candidate in Tokyo who won only 20% of the winner's total votes was rescued through PR, while an LDP candidate in another district, with 98% of the winner's vote count, was not. Similar situations occurred in Hiroshima, where two losing candidates in SMD races were rescued through PR, effectively converting the district into a multi-member one and undermining the integrity of the SMD principle (Fukui & Fukai, 1997).

These outcomes contributed to voter frustration and confusion, as reflected in a post-election Asahi poll: 53% criticized the SMD system, 54% condemned the PR system, and 70% opposed the dual candidacy provision, with only 14% supporting it (Fukui & Fukai, 1997). Such inconsistencies eroded public trust in the new electoral system and were likely to contribute to declining voter turnout, as mentioned below .

1996 marked the first election under the new electoral system, however, the election results announced a low voting rate. The figure illustrates voter turnout rates in Japanese postwar general elections. It highlights a noticeable drop in turnout between the 1993 and 1996 elections, decreasing by 7.61% (from 67.26% to 59.65%), suggesting a significant decline in electoral participation during that period.

3.2.2.2. Fragmented politics effect on Japan's economy

In 1993, many parties were able to participate in Japan's government apparatus, but the essence of these party alliances was primarily to counter the dominance of the LDP in the House of Representatives rather than having any cohesive connection in terms of policy direction or ideology. This led to political and economic fragmentation during this period, which was reflected in the instability of economic policies at the time.

During the globalization wave of the 1990s, tensions between distinct economic groups grew increasingly pronounced:

- Internationally competitive large corporations: These enterprises played a pivotal role in Japan's national economy, exerting influence through organizations such as the Federation of Economic Organizations (Keidanren).
- Domestically oriented small and medium-sized enterprises (SMEs): Although these businesses lacked global competitiveness, they represented a significant portion of employment, supported by entities like the Japan Federation of Small Business (Nissh). They are regarded as the national organ of the local chambers of commerce and industry (Hiwatari, 2002.).

These groups often formed alliances to amplify their collective influence, lobbying the government to enact policies favorable to their respective interests.

During the 1990s, political instability and shifting coalitions in Japan created significant obstacles to addressing chronic financial issues. Prime Ministers like Murayama and Hashimoto failed to prioritize the financial crisis when it first emerged, distracted by the instability and unpredictability of coalition politics. This environment left top government leaders with little capacity to focus on specialized financial challenges. Additionally,

disagreements among Japanese policymakers and economists regarding the appropriate solutions further complicated decision-making (Otake, 1999).

To maintain coalition stability, the coalition administrations were compelled to adopt a conciliatory approach to policymaking. On one hand, they needed to satisfy the core interest groups their parties represented; on the other, they had to accommodate the demands of coalition partners' constituencies. This resulted in frequent policy reversals to reconcile divergent economic priorities. During the 1990s, Japan faced economic contraction in the second quarters of both 1992 and 1993, prompting fiscal responses to counter the recessions. The Miyazawa LDP government implemented a stimulus package in August 1992, marking the final fiscal intervention of the last single-party LDP administration. After the LDP's nearly four decades of dominance ended in August 1993, the coalition government led by Prime Minister Hosokawa pledged structural reforms to revitalize the economy. However, it ultimately abandoned its reformist agenda and adopted a stimulus package closely resembling the one enacted by the preceding LDP government (Hiwatari, 2002.), reflecting the challenges of achieving substantive economic change amid political fragmentation.

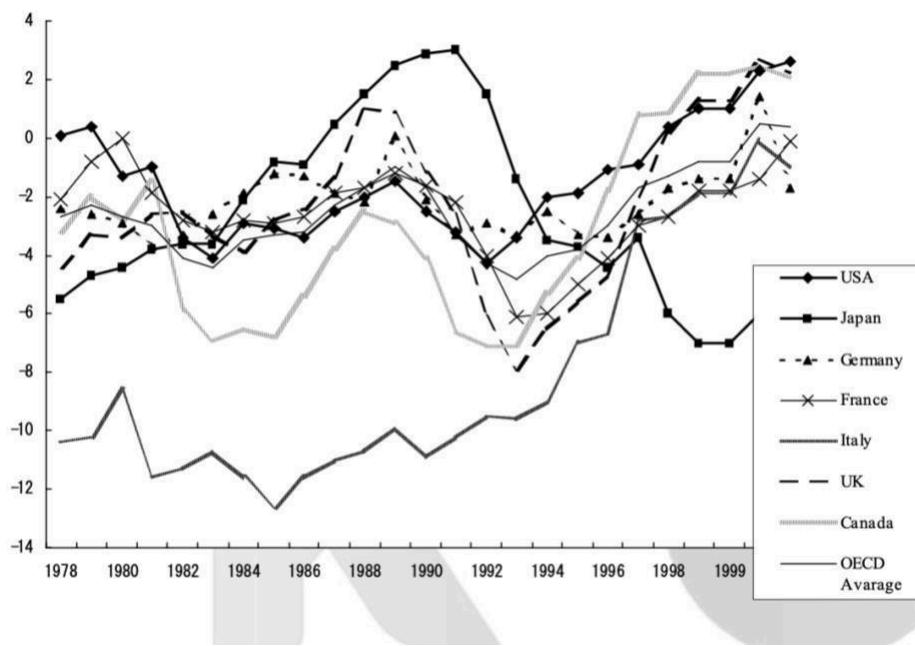


Figure 10: General Government Fiscal Balance (as percentage of GDP) (Source: Hiwatari, 2002.)

The repeated reverse fiscal policy has led to Japan's increase of public debt. Japan was also the only country among the G7 that increased its public debt in the 1990s (see Figure). Such vacillation exemplified what came to be known as "irresolute politics" (Otake, 1999) — a political environment characterized by inconsistency, hesitancy, and a reliance on short-term solutions to preserve immediate stability. The instability inherent in coalition politics was further demonstrated by the eventual disintegration of these alliances, whose primary objective was to unseat the LDP rather than pursue cohesive policymaking.

3.2.3. Interest-group biased civil society

The Hanshin-Awaji Earthquake of 1995 marked a significant turning point in Japan's civil society, with the strong development of volunteer activities and nonprofit organizations in Japan. The Japanese government's slow and inadequate response³ to the Earthquake led to a massive grassroots mobilization, with over 1.3 million individuals stepping in to provide essential aid such as food, medicine, and supplies. This crisis is regarded as "a watershed event for the development of a civil society in Japan" (Japan Center for International Exchange, 1996), leading to the growth of existing organizations and the creation of many new ones. Over time, many NPOs that initially focused on earthquake relief expanded their efforts to include international aid, development, education, and environmental protection, marking a significant broadening of civil society's role in Japan. During this time, the terms "volunteer" and "civil society" becoming widely recognized and used.

Following this, the enactment of the NPO Law in 1998 further emphasized the role of civil society, as the media began to describe it as a society where citizens from all walks of life collaborate and assist one another for the common good. Notably, Japan interprets the concept of "civil society" differently from Western perspectives, where it is often understood as a collection of various associations organized by citizens. Reflecting the growing importance of this idea, both the ruling and opposition parties submitted draft laws to the National Diet to encourage and promote civil society activities.

Despite the strong development, civil society in Japan has distinct characteristics that lagged behind Western nations during the 1990s. Civil society organizations in Japan are distributed across four main sectors: the profit sector (PS), the non-profit sector (NPS), the citizen sector (CS), and others. The PS encompasses trade associations and economic organizations with close ties to industries such as forestry, fisheries, and labor unions. The NPS includes organizations involved in professional fields like law, accounting, education, medicine, research, welfare, and administration. The CS comprises organizations that allow citizens to participate in various activities related to politics, religion, sports, or hobbies. The "other" category is a mixed group, including organizations that do not fit into any of the above sectors or voluntarily choose to be listed in this category (see Figure)

The two figures indicates that:

- The profit sector (PS) accounts for a significant proportion (35.4%), indicating that civil society in the country remains primarily focused on activities related to economic development .
- The non-profit sector (NPS) also holds a substantial share in Japan (36.7%). However, this proportion is still lower than in some other nations, such as the United States and South Korea.

³ The Japanese government's rigid bureaucracy hindered rescue efforts during the Kobe earthquake by enforcing strict regulations, such as quarantining foreign rescue dogs, rejecting uncertified mobile phones for rescue work, and delaying Self-Defense Forces deployment due to perceived local antimilitary sentiments (Pempel, 1998). Additionally, out of 57 international offers of assistance, only 15 were accepted, reflecting the inefficiency of the government's response (Ministry of Foreign Affairs, 1995a).

- The citizen sector (CS) has a notably low percentage in Japan, at only 15.5%, the lowest among the surveyed countries, except for China. This underscores the lack of citizen participation in independent political and social activities.
- When compared to other countries, the United States and South Korea exhibit a more balanced distribution across sectors, with higher proportions of non-profit and citizen organizations. This reflects a more independent, dynamic, and diverse civil society in these nations. For instance, in the U.S., the non-profit sector accounts for 41.4%, and the citizen sector represents 22.9%, significantly higher than in Japan.
- Economic organizations make up a significant portion of Japan's civil society structure, accounting for 27.7%. Economic and industrial associations in Japan have established close relationships with government administrative bodies. These associations frequently collaborate with government agencies to ensure that policies and regulations align with the needs and objectives of their respective industries.

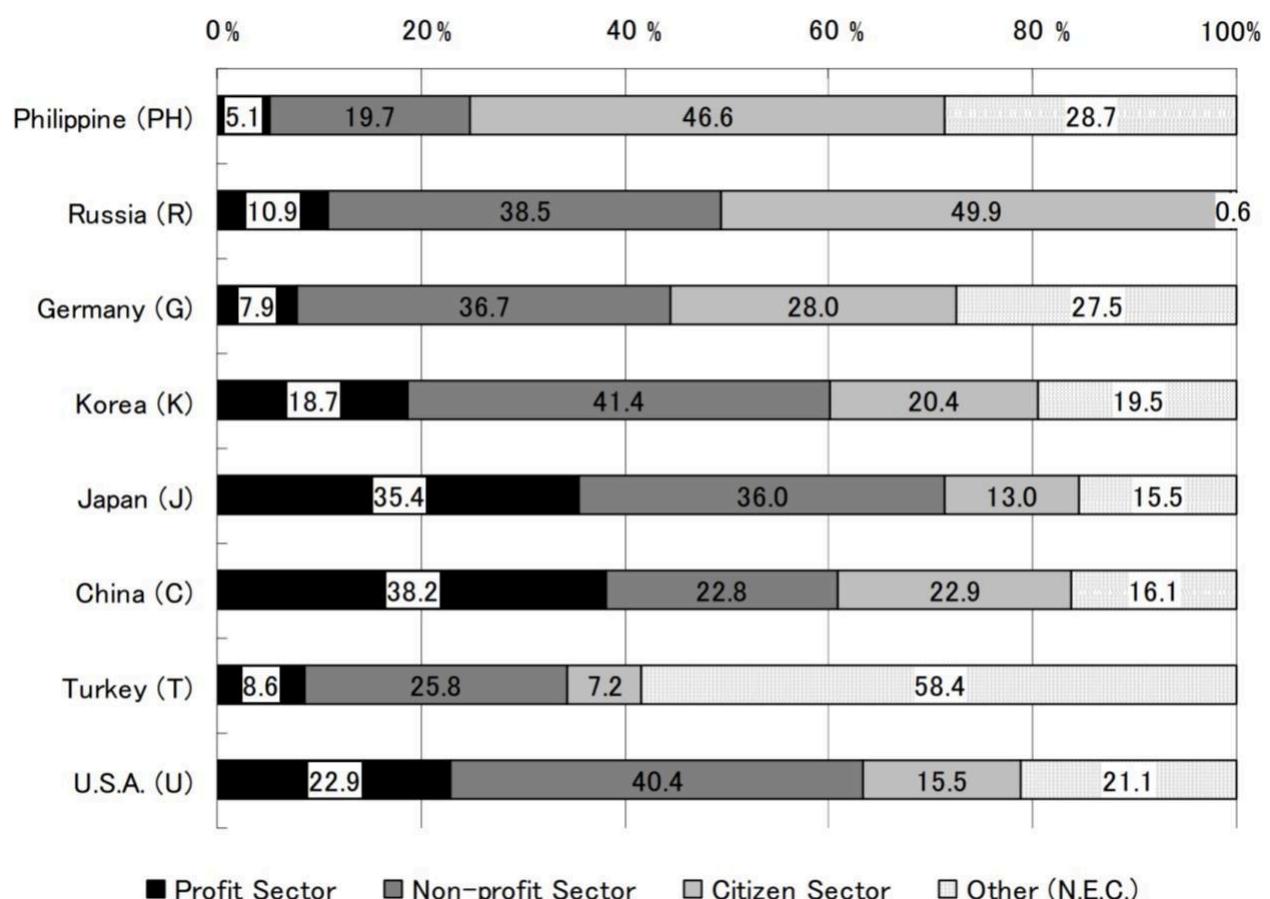


Figure 11: The proportion of sectors in countries (Tsujinaka et al., 2007)

Type of org.	Japan ¹⁾	Korea	USA	Germany	Turkey ²⁾	Russia ²⁾	Philippines
Forestry/fishery	5.9 (17.8)	4.6	1.3	0.5	0.4	1.3	1.1
Economic	27.7 (25.7)	9.3	13.9	5.5	1.0	5.2	4.0
Labour	5.9 (7.5)	4.6	3.6	1.1	3.0	8.4	1.0
Education	5.8 (3.6)	7.2	13.8	10.2	11.7	27.3	5.6
Administration	5.5 (5.4)	4.6	1.9	-	0.5	23.8	1.7
Welfare	5.8 (7.6)	16.3	12.8	15.1	26.9	25.2	7.3
Professional	6.6 (5.5)	12.2	14.0	10.2	10.3	10.0	5.4
Political	1.4 (2.1)	2.2	3.9	4.0	1.0	2.4	1.0
Citizen	4.3 (4.5)	10.0	2.0	-	3.6	12.7	-
Religion	0.5 (0.9)	11.1	5.3	-	3.9	0.7	15.1
Other ³⁾	30.6 (19.4)	18.0	27.6	53.5	49.1	-	57.3
N	1,819 (15,462)	460	1,431	817	841	711	999

Figure 12: Types of organizations (in capital cities in 7 countries, %) (Tsujinaka et al., 2007)

3.2.4. Social welfare policy

During the 1990s in Japan, social welfare spending increased more rapidly than in any other public sector, reflecting the government's growing focus on addressing these social needs. Significant reforms in social care were introduced during this period, aiming to improve the quality and accessibility of services for vulnerable groups.

The emergence of welfare policy can be explained firstly by the political crisis and realignment that occurred during the 1990s. The end of the long-standing dominance of the conservative LDP led to increased political competition between parties to gain voter support, creating a greater demand for policy innovation. Together with the rapid demographic ageing, de-familialization, changes in gender relations, multiple financial scandals and corruption happened in the late 1980s, they have created an atmosphere where more progressive social care policy bills could be more easily passed in Parliament and within administrative agencies.

The second factor enhancing inclusiveness in welfare and democratic policymaking in the 1990s was "policy feedback" (Peng, 2005). Early in the decade, the LDP introduced the community welfare policy (chi'iki fukushi), aiming to engage societal groups more actively in social welfare provision. It is worth noticing that the initial motivation behind the chi'iki fukushi policy was conservative. The LDP government aimed to strengthen the capacity of communities and the voluntary sector in social welfare, with the goal of shifting the responsibility for delivering social services from the public sector to private entities and non-governmental organizations (NGOs). This approach was intended to reduce the government's direct involvement while promoting a decentralized model of welfare provision (Peng, 2005).

However, the success of this conservative policy inadvertently empowered social and political mobilization, particularly among grassroots women's and elderly people's groups. By fostering community and NGO involvement in welfare delivery, the policy created a platform for these groups to advocate for expanded welfare provisions, ultimately driving further development of the welfare state.

As can be seen from the figure, the Japanese government in the 1990s prioritizes spending on "old age" due to its rapidly aging population, one of the highest among OECD countries, which increases the demand for pensions and healthcare services. However, the lack of spending for others such as unemployment, labor has worsened the economy that was already damaged by the economy bubble and financial crisis.

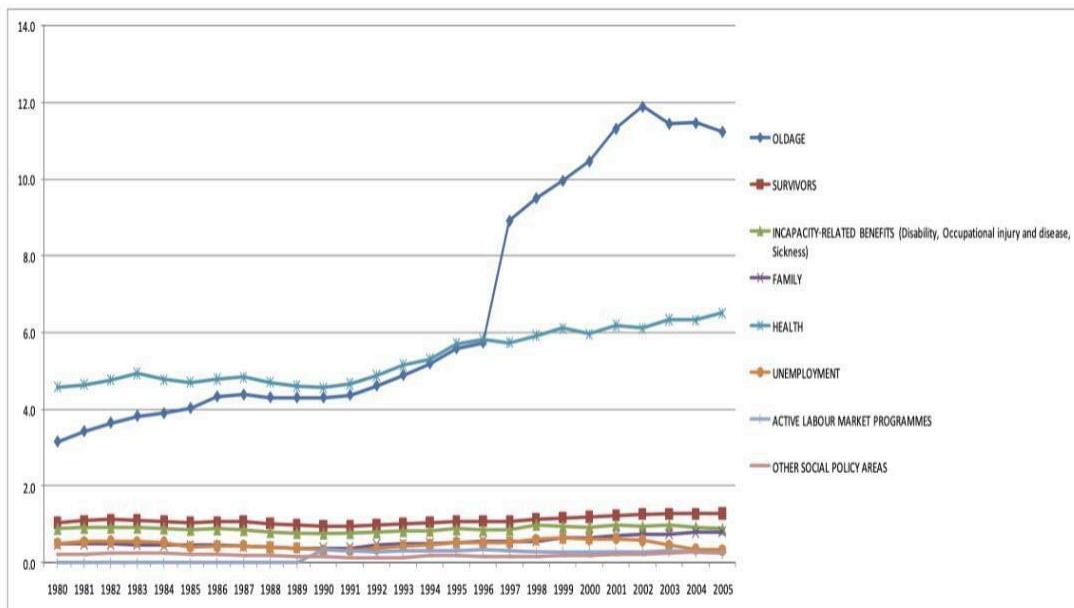


Figure 13: Changes of social expenditure by categories in Japan (Source: Hirono & Woo, 2010)

3.3. Summary

The period from 1993 to 2000 marked a pivotal transformation in Japanese politics, as the seeds of democracy that had emerged in the earlier phase became more pronounced. This was particularly evident after the coalition government was established in 1993, ending 38 years of uninterrupted rule by the LDP. While the coalition increased political pluralism and enhanced the representation of various parties in Japan's democratic system, it also introduced significant fragmentation. These coalition governments often catered to competing interest groups and demonstrated inefficiency in addressing the economic and political crises facing Japan at the time. A clear example of this was the rapid dissolution of the 1993 coalition government under Prime Minister Hosokawa, which was soon replaced by new coalitions, often dominated by the LDP's return to power with a majority of parliamentary seats.

Key indicators of democracy that we chose to analyse, such as the growth of civil society, the expansion of social welfare, and institutional reforms, saw innovation and rapid development during this period. However, these efforts fell short of being truly effective. Civil society, despite its growth, remained limited in its ability to represent the voices of the broader population, instead serving as a platform for the interests of specific groups.

IV. DEMOCRATIC ASSESSMENT

Apart from the five main indicators, we also take into consideration the impact of the other 2 indicators that seem critical in the process of evaluating Democracy, which are Political Leadership and Political Culture, to highlight the difference in two phases.

Evaluation of Phase 1:

1. Legitimacy and Performance: Partially; though parliamentary seats are competitive, LDP dominated on vote
2. Civil Society: No; bureaucratic control was heavy in the 1970s. Although there were more citizen movements, they did not challenge state power or foster a protest culture.
3. State and Society: The balance of power favored the state with significant control remaining.
4. Political Institutions: No; there was institutional pluralism but elections were unfair.
5. Social Structure and Socioeconomic Development: Yes but limited (welfare state in the 1980s); media criticism was strong yet still controlled.
6. Political Leadership: Yes; although dominant the LDP maintained good political and especially economic performance.
7. Political Culture: Partially; interest groups did not represent the majority but showed signs of increasing political engagement.

Evaluation of Phase 2:

1. Legitimacy and Performance: No; voting rates declined.
2. Civil Society: Partially; increased unions and civil rights associations emerged but also more interest groups.
3. State and Society: Yes; there were alternatives for power distribution with reduced state control.
4. Political Institutions: Yes; greater pluralism emerged with improved representation despite fragmentation affecting economic performance.
5. Social Structure and Socioeconomic Development: Significant improvements compared to earlier phases with increased life expectancy and a strong focus on education.
6. Political Leadership: No; despite the multi-party system, leadership has failed to resolve ongoing crises.
7. Political Culture: Partially; there was greater openness and increased political participation but still limitations

DEMOCRACY ASSESSMENT	PHASE 1: 1960-1993	PHASE 2: 1993-2000
legitimacy and performance	PARTIALLY	NO
civil society	NO	PARTIALLY
state and society	NO	YES
political institutions	NO	YES
social structure and socioeconomic development	PARTIALLY	YES
Political leader	YES	NO
Political culture	PARTIALLY	PARTIALLY

Table 3: Japan Democratic Assessment (1960-2000)

Created by Research Group 3, 2024

V. CONCLUSION

Overall phase evaluation

A regime that relies solely on past achievements without addressing current challenges risks losing legitimacy, especially during times of economic hardship. Conversely, regimes with low legitimacy struggle to operate effectively, even if they achieve certain economic successes (McClelland, 2003). Both challenges and achievements have characterized Japan over the past 40 years.

In Phase 1, this phase includes more than 30 years of Japan development, leading to significant fluctuations in both economy and democracy. Overall, democracy was limited during this period due to insufficient indicators. Many factors are challenging to measure, as the average citizen had little desire to overthrow an effective government. In phase 2, democracy existed but did not lead to economic efficiency. It was characterized by partial democracy and competition for group interests rather than for the common goods or public welfare. The democratization process in this phase was top-down, initially influenced by pressure from the United States and the need to integrate into the Western liberal system.

Therefore this phase follows the indirect and non linear relationship that has been detailed above in the framework section, which means initial economic development is often followed by a decline in political stability, leading to political decay. During this stagnation, democracy remains static until institutionalization occurs. Throughout this process, the economy continued to grow, indicating an indirect and nonlinear relationship between democracy and the economy.

The correlation of Economic development and Democracy in Japan (1960-2000)

Non-democratic regimes typically follow a similar curve: economic growth and political stability create an environment conducive to democratic development. A second model proposed by Chen suggests that democracy can rise despite political instability. In this model, initial economic downturns lead to political instability before transitioning into a phase of stabilization where both democracy and the economy recover together.

Our research focuses on the first half of Chen's proposed model. The blue line shows the change of both economic development and democracy over the period shown, implying a reciprocal and non-linear relationship. We observe that democracy consistently rises while the economy grows for the first 30 years before declining for the next decade. Economic decline leads to political instability, evident through party alliance conflicts.

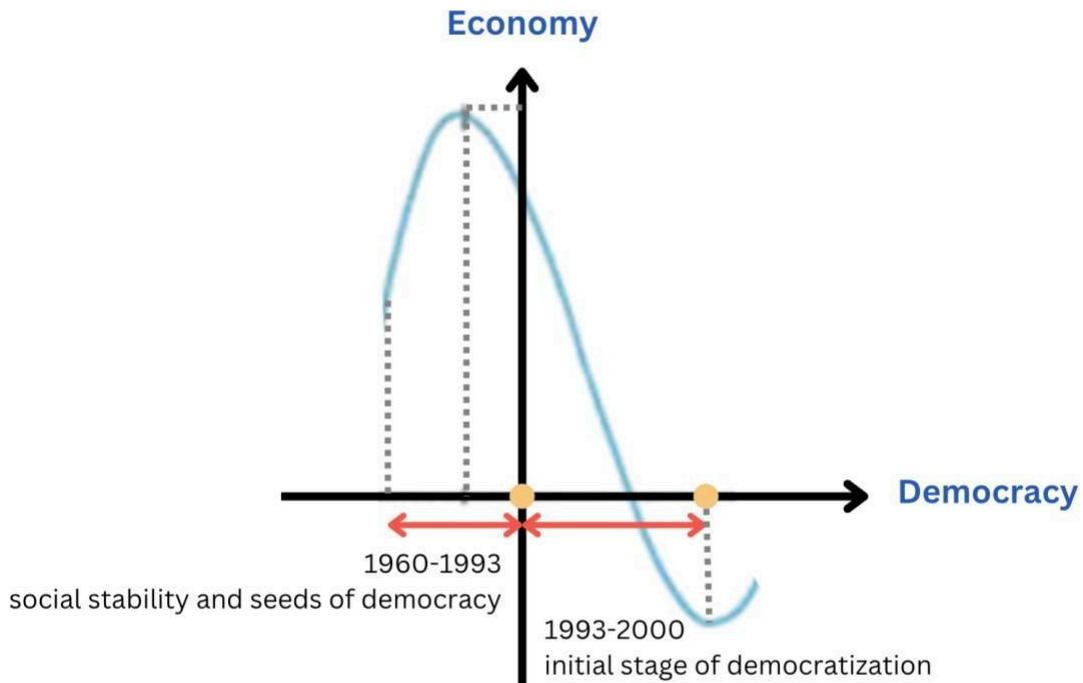


Figure 14: Correlation of Economic Development and Democritization in Japan (1960-2000). Created by Research Group, 2024

From 1960 to 1993, with the Japanese 'Economic Miracle' (1960-1974), despite lacking quite a lot of democratic characteristics, democratization still showed signs of increase. The welfare state made significant strides in the 1980s, leading to notable democratic growth and critical media scrutiny of bureaucratic structures. By 1990, educational reforms emerged following Nakasone's administration (1982-1987), enhancing executive and judicial functions. From 1975 onward, societal changes have been evident, female labor force participation increased while birth rates declined slightly, and divorce rates rose. The Japan's Lost Decade (*ushinawareta jūnen*), a period marked by economic stagnation and deflation, took place during Phase 2, from 1990 to 2000. However the democritization shows signs of immense increase. Before 1990, seeds of democracy began to sprout; by 1993, these seeds blossomed into a clearer

multi-party system. After 2000, following economic stagnation, both Japan's economy and democracy began to rise again.

In conclusion, notwithstanding certain limitations and constraints, we have addressed our research question and confirmed our hypotheses.

REFERENCES

- About NPO Law.* (n.d.). Japan NPO Center. Retrieved December 5, 2024, from <https://www.jnpoc.ne.jp/en/nonprofits-in-japan/about-npo-law/>
- Fukui, H., & Fukai, S. N. (1997). Japan in 1996: Between Hope and Uncertainty. *Asian Survey*, 37(1), 20–28. JSTOR. <https://doi.org/10.2307/2645770>
- Harada, J. (n.d.). *The “typical” Japanese employment system and women in the late 1990s How were female employees were excluded from the system?*.
- Hirata, K. (2002). Civil Society and NGOs in Japan. In K. Hirata, *Civil Society in Japan* (pp. 8–49). Palgrave Macmillan US. https://doi.org/10.1057/9780230109162_2
- Hirono, S., & Woo, H. I. (n.d.). *Comparative study of social expenditure in Japan and Korea.*
- Hiwatari, N. (n.d.). *Irresolute Parties? :The Fiscal Stimulus-Structural Reform Policy Dilemma and the Politics of Sectoral Coalitions in Japan.*
- International Monetary Fund (with International Monetary Fund). (2011). *World Economic Outlook, April 2011: Tensions from the Two-Speed Recovery: Unemployment, Commodities, and Capital Flows.* International Monetary Fund. <https://doi.org/10.5089/9781616350598.081>
- Izuru, M. (2013, August 7). *The Role of the Kantei in Making Policy.* Nippon.Com. <https://www.nippon.com/en/features/c00408/the-role-of-the-kantei-in-making-policy.html>
- JAPAN: parliamentary elections Shugiin, 1993.* (n.d.). Retrieved December 3, 2024, from http://archive.ipu.org/parline-e/reports/arc/2161_93.htm
- Japanese Political Realignment in Perspective.* (n.d.). <https://doi.org/10.1177/1354068898004002003>
- Kato, J., & Laver, M. (1998). Theories of Government Formation and the 1996 General Election in Japan. *Party Politics*, 4(2), 229–252. <https://doi.org/10.1177/1354068898004002005>
- Kohno, M. (1997). *Voter Turnout and Strategic Ticket-Splitting under Japan’s New Electoral Rules.*
- Metraux, D. A. (1999). Japan’s Search for Political Stability: The LDP-New Komeito Alliance. *Asian Survey*, 39(6), 926–939. <https://doi.org/10.2307/3021146>
- Moni, M. H. (n.d.). *PARTY FACTION AND COALITION DYNAMICS IN JAPAN.*

- Noble, G. W. (2010). The Decline of Particularism in Japanese Politics. *Journal of East Asian Studies*, 10(2), 239–273.
- Otake, H. (1999). Developments in the Japanese Political Economy since the mid-1980s: The Second Attempt at Neoliberal Reform and its Aftermath. *Government and Opposition*, 34(3), 372–396. <https://doi.org/10.1111/j.1477-7053.1999.tb00487.x>
- Park, C. H. (2001). *Factional dynamics in Japan's LDP since political reform: Continuity and change*. 41, 428–461.
- Park, C. H. (2004). Political Dynamics of Regime Transformation in Japan in the 1990s. *Japanese Journal of Political Science*, 5(2), 311–322.
<https://doi.org/10.1017/S1468109904001537>
- Pempel, T. J. (1998). *Regime Shift: Comparative Dynamics of the Japanese Political Economy*. Cornell University Press. <https://doi.org/10.7591/9781501707360>
- Peng, I. (2005). The New Politics of the Welfare State in a Developmental Context: Explaining the 1990s Social Care Expansion in Japan. In H. Kwon (Ed.), *Transforming the Developmental Welfare State in East Asia* (pp. 73–97). Palgrave Macmillan UK. https://doi.org/10.1057/9780230523661_4
- Saito, J. (n.d.). *Local Government Reform and the Demise of the LDP*.
- Shinoda, T. (1998). Japan's Decision Making under the Coalition Governments. *Asian Survey*, 38(7), 703–723. JSTOR. <https://doi.org/10.2307/2645757>
- Tabusa, K. (1997). The 1996 General Election in Japan. *The Australian Quarterly*, 69(1), 21–29. <https://doi.org/10.2307/20634762>
- Tang, S. O., Fiona. (2005). *Japan: Regime change in the “lost decade”* [Master of Philosophy, Lingnan University]. https://doi.org/10.14793/pol_etd.7
- OECD Economic Outlook, Volume 2004 Issue 1. (2004). In *OECD economic outlook*. https://doi.org/10.1787/eco_outlook-v2004-1-en
- Kaewthep, D. (1989). The state and Agricultural Cooperatives in Japan. *Japanese Studies Journal*, 6(3), 70–96. <https://www.tci-thaijo.org/index.php/japanese/article/download/52419/43478>
- Takahashi, H. (2004). The capital-intensity reversal in the postwar Japanese economy: Why did Japan grow so fast during 1955-1975? *MPRA Paper*.
<https://ideas.repec.org/p/prap/prapra/24861.html>
- George, A. D. (1981). The Japanese Farm Lobby and Agricultural Policy-Making. *Pacific Affairs*, 54(3), 409. <https://doi.org/10.2307/2756787>

- Gethin, A. (2021). Political Cleavages and the representation of social inequalities in Japan, 1953–2017. In *Harvard University Press eBooks* (pp. 353–374).
<https://doi.org/10.2307/j.ctv209xnf.14>
- Hayashi, M. (2020). Democracy against Labor Movement: Japan's Anti-Labor developmental state and aftermaths. *Critical Sociology*, 47(1), 37–58.
<https://doi.org/10.1177/0896920520921216>
- Hirata, K. (2004). Civil society and Japan's dysfunctional democracy. *Journal of Developing Societies*, 20(1–2), 107–124.
<https://doi.org/10.1177/0169796x04048306>
- Kume, I. (1988). Changing relations among the government, labor, and business in Japan after the oil crisis. *International Organization*, 42(4), 659–687.
<https://doi.org/10.1017/s0020818300034019>
- Pempel, T. J. (1998). *Regime Shift: Comparative Dynamics of the Japanese Political Economy*. Cornell University Press.
- Peng, I. (2005). The new politics of the welfare State in a developmental context: Explaining the 1990s social care expansion in Japan. In *Palgrave Macmillan UK eBooks* (pp. 73–97). https://doi.org/10.1057/9780230523661_4
- Tajika, E., & Yuri, Y. (2002). Social expenditure and economic growth : sharing growth in a Japanese way. *The World Bank*, 1.
<https://documents.worldbank.org/curated/en/2002/01/6100157/social-expenditure-economic-growth-sharing-growth-japanese-way>
- Chen, L. (2007). Development First , Democracy Later ? Or Democracy First , Development Later ? The Controversy over Development and Democracy.
- Przeworski, Adam, Michael E. Alvarez, Jose Antonio Cheibub, and Fernando Limongi. 2000. Democracy and Development: Political Institutions and Well-being in the World 1950-1990. New York: Cambridge University Press.
- Przeworski, Adam. and Fernando Limongi. 1993. "Political Regimes and Economic, Growth," The journal of Economic Perspective 7(1): 51-69.
- Przeworski, Adam. and Fernando Limongi. 1997. "Modernization: Theories and Facts," World Politics 49(2): 155-183.
- Lipset, Semour M. 1959. "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," American Political Science Review 53(1): 69-105.
- Leblang, David. 1996. "Property Rights, Democracy and Economic Growth," Political Research Quarterly 49(1): 5-26

- Huntington, Samuel P. 1968. *Political Order in Changing Societies*. New Haven: Yale University Press.
- Diamond, Larry, Juan J. Linz, and Seymour Martin Lipset. 1995. "Introduction: What Makes for Democracy?" In *Politics in Developing Countries: Comparing Experiences with Democracy*, edited by Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, Boulder: Lynne Rienner Publishers.
- Siegle, Joseph T., Michael M. Weinstein, and Morton H. Halperin. 2004. "Why Democracies Excel," Foreign Affairs 83(5): 57-71.
- Rustow, Dankwart A. 1970. "Transitions to Democracy: Toward a Dynamic Model," *Comparative Politics* 2(3): 337-363.
- Rostow, W.W. 2003. "The Five Stages of Growth." in *Development and Underdevelopment: The Political Economy of Global Inequality*, 3rd ed., Mitchell A. Seligson and John T. Passe-Smith, eds. Boulder: Lynne Rienner Publishers