Industrial Associations as Ideational Platforms:

Why Japan Resisted American-Style

Shareholder Capitalism

Fumihito Gotoh

f.gotoh.1@warwick.ac.uk

+44 (0)1926 713697

Department of Politics and International Studies, University of Warwick,

Coventry, CV4 7AL, United Kingdom

Introduction

Japan's stakeholder capitalism, which emphasises employment stability (long-term or 'lifetime employment' for regular workers), has been in dire straits since the mid-1990s. Hatarakikata Kaikaku or 'labour reforms', which tackle three labour issues – excessively long working hours, significant wage and treatment disparities between regular and non-regular workers, and labour shortages – have been a major policy agenda for Japan's Abe administration since August 2016. The number of non-regular workers (low-waged, easily dischargeable labour) doubled from 9.7 million in 1994 to 20.4 million in 2017, while regular workers decreased from 38.1 million to 34.2 million. Consequently, according to the Comprehensive Survey of Living Conditions by the Ministry of Health, Labour and Welfare (MHLW), the average household income in Japan fell from ¥6.64 million in 1994 to ¥5.60 million in 2016, which epitomises the 'lost two decades'.

Many scholars (for instance, Imai 2011; Watanabe 2012; Shibata 2015) claim that deregulation or neoliberal reform of the Japanese labour market has caused these phenomena. Some scholars (Okada 2009; Hasegawa 2011) further argue that neoliberal reform has been driven by Nippon Keidanren (the Japan Business Federation, hereafter Keidanren), the largest industrial association (business lobbying group) in Japan. In contrast, other scholars (Keizer 2010; Yun 2015) claim that Keidanren has continuously supported the practice of lifetime employment but used a low-waged non-regular workforce in order to reduce personnel costs and protect existing regular workers. I share the latter perspective and contend that most scholars have failed to indicate that from the mid-1990s until the mid-2000s, neoliberal thought was promoted by Keizai Doyukai (the Japan Association of Corporate Executives, hereafter Doyukai), another major industrial association, but that Japanese society has resisted neoliberalism, an ideology that emphasises market efficiency and economic liberalisation. My research puzzle here is why Japan has resisted American neoliberal hegemony, which advances the convergence to American-style shareholder capitalism promoting higher international capital mobility and capital markets, and how the resistance has resulted in the rapid increase in the working poor. This article focuses on the conflict between Japanese-style stakeholder capitalism and American-style shareholder capitalism, which are based on different social norms, in the Japanese political economy since the 1990s.

The combination of liberal international trade and restricted international capital mobility during the Cold War was conducive for Japanese-style stakeholder capitalism based on the combination of the economic bureaucracy's administrative guidance (non-legally binding but highly influential recommendation), long-term focused corporate management, committed labour, patient capital and keiretsu (interlocking business relations), often described as 'convoy capitalism'. As Japan was a bulwark against communism, the United States provided Japan with extensive support, including accommodative trade policy, the dollar-yen exchange rate very favourable for Japanese exporters (US$1 = ¥360) and generous technology transfer. However, Japan's strategic importance for the United States was lessened, and the United States increasingly showed less tolerance towards the closed nature of the Japanese market in the 1980s. Since then, neoliberalism led by the United States has been an external pressure on Japan to change its form of capitalism. In the 1990s, Japanese-style stakeholder capitalism faced significant adversity, such as the enormous bad debt problem, the economic slump and the Ministry of Finance (MOF) wining and dining scandals.[1] An increasing number of market liberals in the parliament, bureaucracy, and business community tried to transform the Japanese economic system by introducing American-style financial and business practices under the Hashimoto (1996-8) and Koizumi (2001-6) administrations.

However, Japan has resisted neoliberalism, which legitimises shareholder primacy, and the influence of market liberals in Japan has weakened since 2006. Neoliberalism advocates free capital mobility between sectors, regions and countries, which suggests the restoration of dominance by narrowly defined capitalists, such as major shareholders (Harvey 2005). One salient example of Japan's resistance to market liberalization is the stalled financial disintermediation (i.e. the shift from a bank-cantered to market-based financial system) since the mid-2000s, despite the Japanese government's financial deregulation during the 1980s and 1990s. Ikeo (2003: 92-5) claims that a market-centred financial system is more efficient than a bank-centred financial system when the economy requires a drastic shift from low growth to high growth industries. However, the outstanding Japanese domestic corporate bonds moderately decreased from 62 trillion yen in 2000 to 60 trillion yen (11% of GDP) in 2016 – dwarfed by bank loans for companies (roughly 400 trillion yen) – when the US proportion of outstanding corporate bonds to GDP was 45%. Another example is the very low proportion of Japan's outstanding inward foreign direct investment (FDI) to GDP (3.8% at the end of 2016), which is much smaller than those of the United States, Britain, China, and South Korea at 35.2%, 55.7%, 24.5%, and 12.4%, respectively. In contrast, FDI in China has significantly contributed to its rapid economic growth. Due partly to US pressure, since the 1980s the Japanese government has campaigned to increase inward FDI, but the increase has been only incremental. Japan's slow industrial upgrading due to the constrained capital mobility, its intense international competition in the manufacturing sector with emerging economies, and the rapid appreciation of the yen (US$1 plummeting from ¥249 in June 1985 to ¥85 in June 1995) have resulted in a serious strain on its labour market.

I utilise the concept of systemic support, which has enabled Japanese society's anti-liberal, anti-free market norms to resist American-style shareholder capitalism, as a solution to the research puzzle (Gotoh and Sinclair 2017). Since the mid-1990s, there has been an ideational conflict among Japanese elites between the anti-free market and market liberalisation camps. I particularly focus on the ideational contestation between the two major industrial associations, the largest, conservative Keidanren and the neoliberal-oriented Doyukai, as key 'ideational platforms' of the respective camps. The anti-free market camp has endeavoured to preserve stakeholder capitalism, including job security of regular workers, whilst the market liberalisation camp has tried to enhance return on capital through neoliberal restructuring.

My research puzzle is associated with the convergence-diversity debate over whether coordinated market economies (CMEs), including Japan, which rely on mutual cooperation among economic actors connected by a dense network of institutions, would converge with liberal market economies (LMEs), including English-speaking countries, which rely on the market mechanism (Hall and Soskice 2001; Laurence 2001; Yamamura and Streeck 2003; Schoppa 2006; Rosenbluth and Thies 2010; Vogel 2018). LMEs (or American-style shareholder capitalism) have become the global norm since the 1980s, and CMEs' financial practices have gradually converged with those typical of LMEs. However, tensions have been intensified between liberal global norms and anti-liberal domestic social norms in the Japanese political economy since the 1990s. I contend that anti-liberal, anti-free market Japanese social norms have been more persistent than many scholars anticipated and have resisted convergence towards LMEs.

The findings of this paper have important implications for other constrained market economies in Asia, where the tension between liberal global norms and anti-liberal domestic social norms can be witnessed whilst they clarify the characteristics of American-style shareholder capitalism. This paper showcases the persistence of social norms, which characterize specific types of capitalism.

I first illustrate the significance of social norms and the role of industrial associations as key ideational platforms. Then, I discuss an ideational conflict between the two industrial associations, the similarity in the backlash to liberal global norms between pre-war and present-day Japan, and the robustness of the Japanese corporate system based on systemic support and in-group favouritism.

Social norms and industrial associations

Rational choice approaches are often effective in analysing cause-effect relations, but their weakness is that the criteria for rationality vary by country and social norms constitute the boundary of rationality. Constructivism, which emphasises the importance of ideas, norms, and identities and views rationality as a relative phenomenon, can make up for the above weakness of rational choice approaches. However, constructivism cannot fully answer the question of why certain ideas are generally accepted in a society and others are not (Bieler 2001: 94). Neo-Gramscian perspectives shed light on which actors utilise which ideas as weapons to achieve their goals – 'theory is always for someone and for some purpose' (Cox 1981: 128). Neo-Gramscian perspectives are effective for unveiling the links between Japanese social norms and major actors' interests. The formula is: global hegemony (American neoliberal hegemony) versus counter-hegemony (Japanese social norms) and latent social class conflicts (Cox, 1981). The continuity of a historic bloc is underpinned by not just dominant elites' coercion, but also subordinates' consent to social norms created and disseminated by dominant elites. Neo-Gramscian scholars claim that the power of capital stems from the relative mobility of capital and the relative immobility of labour (Gill and Law 1988). Capital mobility can be witnessed in capital market activities, mergers and acquisitions, corporate restructurings, and bankruptcies. Capital is often decoupled from the real economy to seek short-term profit in the United States.

In contrast to English-speaking societies where capitalists are a ruling class, anti-free market elites ('administrators'), such as interventionist bureaucrats, conservative Liberal Democratic Party (LDP) politicians, and corporate executives who share similar characteristics to bureaucrats, are dominant in Japanese society (van Wolferen 1989; Noguchi 2010).[2] Immediately after WWII, Japan's major capitalists, such as landlords and executives of

Zaibatsu conglomerates and large firms, were eliminated by US occupation forces, which reinforced the power of administrators. Noguchi (2010) argues that anti-free market norms and institutions of the '1940 system' developed for total war have remained in Japanese society, and can be witnessed in the bureaucratic intervention, the bank-centred financial system, and the Japanese-style corporate system. Japanese-style stakeholder capitalism is based on a management-labour alliance against capitalists and interlocking business relations, supported by the confederation of administrators (Gotoh and Sinclair 2017). Capital mobility is constrained by administrators, and capital tends to be tied to specific organisations in Japan.

In order to supplement macroscopic neo-Gramscian perspectives, I use 'guardian and commercial morals', philosophical concepts identified by Jacobs (1992), which are characteristic precepts of the public and private sectors, respectively. While guardians, such as bureaucrats, soldiers and police officers, who could also be described as administrators, mainly protect the territory, the commercial camp includes capitalists and entrepreneurs (Jacobs 1992: 28-9). Guardian morals value loyalty, obedience, largesse (including support for subordinates) and exclusiveness to maintain stable long-term relationships among people, whereas commercial morals, which promote opportunistic short-term relationships, appraise fairness, efficiency, competition and openness (Jacobs 1992: 22-34). Although the distinction between collectivist and individualist societies is relative not dichotomous, collectivist societies, including Japan, have an orientation towards guardian morals, while individualist societies, such as English-speaking countries, are oriented towards commercial morals (Gotoh and Sinclair 2017).

Toshio Yamagishi, a social psychologist, argues that Japanese society's collectivist, parochial and risk-averse features were presumably shared by most societies during the pre-modern period, but that some societies, especially Anglophone countries, nurtured a liberal, individualist and more risk-taking culture through the expansion of commerce.[3] Yamagishi and

Yamagishi's survey (1994), which had 1136 Japanese and 501 American respondents, and subsequent empirical research (Cook *et al.* 2005; Gheorghiu *et al.* 2009) clearly demonstrate the weakness of general trust in Japanese society relative to the United States. Collectivist societies are dependent on long-term dense social ties, in which individuals are assured by mutual surveillance that others will comply with social norms (i.e., guardian morals), strong in-group favouritism produces security within group boundaries but destroys general trust between people outside of them (Yamagishi 2011: 1-6).

Weak general trust in collectivist societies needs to be compensated by 'systemic support', which originally meant government and bank support for financially strained financial institutions and companies in the credit markets. After WWII, when large Japanese firms and financial institutions faced a financial crisis, most (particularly major manufacturers) were bailed out by creditor banks and the government (Kurosawa 2001, Gotoh 2014).[4] The broadened definition of systemic support is dominant elites' support and protection of subordinates in exchange for the latter's loyalty and obedience, exemplified in Japan by broad-ranging domestic social relations, such as the main bank system,[5] lifetime employment, and long-term subcontracting between small and medium-sized enterprises (SMEs) and large firms (Gotoh and Sinclair 2017). Although systemic support can be witnessed in any country, in Japan it is much stronger and wider than in LMEs. Systemic support is closely linked with guardian morals.

In terms of the ideational conflict among Japanese elites, the anti-free market camp consists of interventionist bureaucrats, conservative politicians, Keidanren, legal elites, banks and local Japanese credit rating agencies, whilst the market liberalisation camp is comprised of reformist bureaucrats and politicians, neoclassical economists, Doyukai, non-Japanese firms and American credit rating agencies. These two major industrial associations are key ideational platforms of their respective camps, displaying different types of corporate governance in Japan.

In May 2002, Keidanren absorbed Nikkeiren (the Japan Federation of Employers' Associations), an industrial association specialised in management-labor relations. Many large Japanese firms are members of both Doyukai and Keidanren.[6] Doyukai's opinions and ideologies have changed drastically since its founding, partly because of its personal (rather than corporate) membership of business leaders, unlike Keidanren's corporate membership. Over the last seven decades, Doyukai has advanced pro-American positions and has been affected by US ideologies, starting with broad-ranging Marxist thought, including the New Dealers immediately after WWII, and neoliberalism since the 1980s (Okazaki *et al.* 1996).

Keidanren's predecessor was Juuyou Sangyo Tousei Dantai Kyogikai (the Important Industry Control Council), an umbrella organization of 'control associations' that assisted the government in controlling procurement from key industries, boosted collaboration between related key industries and promoted key industries to form cartels during WWII. Therefore, Keidanren naturally inherited anti-free market ideas. As the largest industrial association, Keidanren has been centred on wide-ranging manufacturing industries with a large number of employees, which has made it difficult to change its ideational stance. In particular, the investment goods sector, including industries producing plant, machinery, equipment, raw materials (metals, chemicals, etc.) and civil engineering goods, which rapidly developed in the wartime-controlled economy, has been politically vocal and significantly influenced economic policy and credit allocation by the government and financial institutions in Japan (Matsutani 2009: 111-3; Teranishi 2003: 202-8). Keidanren (including the export sector) asked the government for trade liberalisation, the lifting of small retail store protection, and the deregulation of temporary staffing at the expense of outgroup members (e.g., farmers, SMEs, and non-regular workers). Keidanren's underlying norms, however, which are reflected in the protection of regular workers and the opposition to free capital mobility, are anti-free market.

Growing influence of Doyukai

Doyukai's transformation from stakeholder capitalism to shareholder capitalism was made clear in the key-note address, entitled 'Determination to Restructure Japan: Setting Global Perspective, Market Functions and Creative Management as Parameters' (Okazaki *et al.* 1996), given by Doyukai's chairman (1991-5) Masaru Hayami (Chairman of Nissho Iwai), at its annual meeting in April 1993, after the bursting of the bubble economy (1991-3) and the LDP's money politics scandals, leading to its defeat in the July 1993 House of Representatives election. The malfunctioning of the 1940 system was a catalyst in making market liberals more influential within Doyukai, resulting in its ideational change. Hayami insisted that Japanese-style management, the effectiveness of which depended on a high economic growth environment and social uniformity, had reached a dead end and needed to be restructured. Hayami's proposal included deregulation in the retail, real estate, healthcare, food, financial, transportation, utilities, information and telecommunications industries, the development of new social infrastructure regarding R&D, and information and telecommunications and cultivation of a flexible labour market.

Jiro Ushio, Doyukai's chairman (1995-9) who followed after Hayami, pushed the association's neoliberal orientation one step further. Ushio had obtained a postgraduate degree in political science from the University of California, Berkeley in 1957 and founded Ushio Electric, a manufacturer of lamps and lighting systems, in 1964. Given its relatively small corporate size, Ushio Electric was not a major actor within Keidanren, whilst Ushio has long been recognised as a liberal leader of Doyukai. He was involved in the privatization of Japan National Railways, Nippon Telegraph and Telephone Corporation and Japan Tobacco under the Nakasone administration (1982-7) as well as the further deregulation of the telecommunications industry.

After the bubble economy ended, Doyukai nominated four market liberals to be its vice-chairmen: Yotaro Kobayashi (chairman of Fuji Xerox), Yoshihiko Miyauchi (chairman of Orix Corporation, the largest leasing company in Japan), Takeo Shiina (chairman of IBM Japan) and Yuzaburo Mogi (CEO of Kikkoman), all of whom had experienced American university education and were ideationally close to Hayami and Ushio.[7] These nominations made Doyukai clearly neoliberal-oriented, and coincided with an epochal political event, i.e., the fall of the LDP and the birth of the Hosokawa administration (1993-4). The LDP administration failed to address public concerns over corruption, and the LDP lost power following the 1993 general election, which also caused significant turmoil in terms of political parties splitting, forming and merging. Prime minister and leader of the reformist Japan New Party, Morihiro Hosokawa, formed a non-LDP coalition of eight parties, and his administration focused on deregulation and the election law amendment to prevent political corruption (Tiberghien 2007: 109; Rosenbluth and Thies 2010: 99-101). Because of the growing trade deficit in favour of Japan, the US government demanded Japan open its markets and change its economic structure from export-led to domestic demand-led through the Structural Impediments Initiative of 1989-90 and the US-Japan Comprehensive Economic Council of 1993.

Ryutaro Hashimoto (prime minister 1996-8) was known as a conservative politician, but when he became prime minister, his LDP faced public criticism over its political scandals and the financial sector's bad debt problem. The LDP also had to compete against the New Frontier Party advocating neoliberal reform of the Japanese system and the New Party Sakigake proposing a departure from the bureaucracy-led system. Hashimoto set up the Administrative Reform Council under the Cabinet Office and chaired the council in order to tackle six major reforms in the areas of administration, fiscal structure, the financial system, social security, economic structure and education. Hashimoto had to appeal to the public by implementing major reforms in order to regain the LDP's lost ground (Toya 2006: 174-5). Core members (mainly manufacturers) of the industrial associations were generally supportive of financial deregulation because they believed that unlike the world leading Japanese manufacturing sector, the Japanese financial sector lagged behind global progress due to excessive government protection (Kawakita 2011: 139-40). At that time, few large Japanese companies fully understood the kind of impact financial deregulation would have (Shima 2006: 124-6).

The Deregulation Committee was established as part of Hashimoto's Administrative Reforms in 1996, and Miyauchi chaired the committee on Doyukai's recommendation. He believed strongly that bureaucratic authorization, control and regulation were nothing more than obstacles to corporate and economic development (Kawakita 2011: 151-3). Miyauchi's capitalist perspective was in stark contrast to that of most Japanese business executives, who were internally promoted administrators. The Deregulation Committee gradually expanded and was renamed the Council for Regulatory Reform under the Koizumi administration in 2001. Miyauchi maintained the chairmanship of the committee/council for an unusually long time, 1996-2006, thanks to his close relations with Prime Minister Koizumi, although he was criticized for his political position and ties, which were seen as contributing to Orix's expansion (Kawakita 2011: 151-2). During this period, the Council for Regulatory Reform included Doyukai members, potential beneficiaries of deregulation, from temporary staffing, financial services and property development industries, and scholars close to Doyukai.[8]

I argue that Doyukai's political influence was at its peak when Ushio served as one of the four private sector members on the Council on Economic and Fiscal Policy under the Koizumi administration from 2001 until 2006. Koizumi was not in the LDP mainstream, which advocated systemic support. He encountered public distrust of politics and the lengthy economic slump and made 'structural reform' his political slogan (Kamikawa 2010: 1-10). Prime Minister Koizumi rolled out extensive economic reforms, such as deregulation in the financial, telecommunication and retail sectors, a reduction in public work, and the October

2005 privatization of the postal savings system and the highway building authority. Whilst the average income of workers substantially declined from the late 1990s onwards, many regular workers in the private sector regarded public servants, bankers, farmers and small- and medium-sized retail store owners as vested interest groups. At first, many of these workers considered themselves to have nothing to do with vested interests and supported the neoliberal reform, but they subsequently realized that their jobs were also protected by the old employment practices and regulations and that further market liberalisation could place their jobs in jeopardy (Ikeo 2003: 8-11).

Koizumi made the Council on Economic and Fiscal Policy his most important policy-making arena. He chaired the council of 10 other members – five ministers, including the Minister of State for Economic and Fiscal Policy (Heizo Takenaka), the central bank governor and four private sector members, Ushio, Hiroshi Okuda (chairman of Toyota Motor and Keidanren's chairman 2002-6), and two neoclassical economists (Masaaki Homma and Hiroshi Yoshikawa). Takenaka learned supply-side economics (a variant of neoliberal economics) at Harvard University in the early 1980s, and in 1987, Homma invited him to become an associate professor of economics at Osaka University; Yoshikawa belonged to the same department. Takenaka was a linchpin of Koizumi's neoliberal restructuring, and his perspective was close to that of Ushio and Homma.

It is important to note that Ushio invited Takenaka onto the policy proposal taskforce in 2000, which consisted of business leaders and economists, and led to the Koizumi reform (Asahi Shimbun 2008). The taskforce included Miyauchi, Homma and Naohiro Yashiro (a neoliberal economist) and held meetings with key LDP politicians, such as Koizumi and Yoshiro Mori (prime minister 2000-1). Core members of Doyukai advanced neoliberal policy proposals, including fiscal consolidation, bad debt disposal, deregulation, tax reforms and privatization, to LDP politicians by utilizing neoliberal economists who were ambitious to expand their sphere of influence beyond the academic community as policy promoters. Although they were not publicly elected politicians, they could exert an unprecedented level of power into the political arena as private sector actors through both the Council on Economic and Fiscal Policy and the Council for Regulatory Reform during the Koizumi administration.

Stakeholder capitalism vs. shareholder capitalism

The ideational differences between Keidanren and Doyukai from the mid-1990s until the mid-2000s are remarkable and can be categorized as follows: 1) administrators vs. entrepreneurs/capitalists, 2) collectivist perspectives vs. individualist perspectives, 3) stakeholder capitalism vs. shareholder capitalism, 4) anti-free market vs. market liberalism, 5) supporters of guardian morals vs. commercial morals, and 6) proponents vs. opponents of systemic support. The first example of ideational contestation between Keidanren and Doyukai can be observed in the so-called 'Imai-Miyauchi controversy' in February 1994. This controversy, between Takashi Imai (president of Nippon Steel) and Miyauchi, took place in a Doyukai study group. Although Imai was one of Doyukai's vice chairmen, Nippon Steel was a key member of Keidanren and Imai's management philosophy was similar to that of most of Keidanren's core members (Kawakita 2011: 227-9). Asahi Shimbun (2009: 2-3) delineates the dispute as follows:

> Miyauchi asserted that, 'the most important thing for the company is the extent to which it can reward its shareholders. Corporate management does not have to consider how employment and the state should be'. Imai replied, 'if you really think so, you are a traitor to our country. We have not run our firms for that purpose'. Yoshikazu Hanawa, vice president of Nissan Motor, supported Imai and insisted

that, 'if lifetime employment is terminated, top management would have to take responsibility and resign first'. Then, Ushio backed up Miyauchi and contended that 'lifetime employment and seniority wage systems will no longer be sustainable given our inverted population pyramid and aging society'.

I argue that Imai's perspective demonstrates Keidanren's stakeholder capitalism stance, which considers the rights of all stakeholders, including employees, shareholders, creditors, clients and suppliers, whilst Miyauchi's reflects Doyukai's shareholder capitalism stance, claiming that job cuts are necessary to enhance shareholder value. Moreover, the backgrounds for anti-free market elites and market liberal elites were strikingly different. Both Imai and Hanawa were internally promoted administrators of manufacturing establishments at the centre of traditional elite networks binding bureaucracy, big business and the LDP, whereas Ushio, Miyauchi and Shiina were a corporate founder, a *de facto* founder and the head of a major American company's subsidiary, respectively. By contrast, just like Nippon Steel (currently Nippon Steel & Sumitomo Metal), Nissan pursued stakeholder capitalism before its alliance with Renault. Facing a financial crisis, Nissan shifted from stakeholder capitalism to shareholder capitalism when Renault acquired a 36.8% stake and Ghosn took over its helm in 1999. This is a rare example of drastic corporate governance transformation in Japan (Tiberghien 2007: 187-90; Garside 2012: 183).

Most executives of core Keidanren members, who are administrators, are fundamentally at odds with shareholder capitalism, which denounces systemic support. This is because unrestricted capitalist power jeopardizes not only the lifetime employment of regular workers, their subordinate allies, but also their own autonomy from capitalists, both of which are protected by systemic support. Administrators tend to prefer less demanding providers of both debt and equity capital, such as local financial institutions and members of the same corporate group (whose management can be viewed as administrators), to capitalists. On the other hand, capitalists and entrepreneurs, who are less constrained by social ties, such as core Doyukai members, are frustrated with the vested interests within Japanese society and the inefficiency (lower investment return) of stakeholder capitalism.

There was also an indirect disagreement over job cuts between Okuda and Miyauchi, which they expressed in separate interviews for the October 1999 issue of Bungeishunju, a monthly magazine. Okuda asserted that if management discharged regular employees, they should commit hara-kiri (i.e., resign), while Miyauchi warned that protecting employment desperately would result in a Titanic-like disaster, and stressed that companies should prioritize profit over employment.

In the 1990s, Japanese firms with lifetime employment encountered a very heavy personnel cost burden due to the rapid appreciation of the yen against other major currencies. Furthermore, due to the enhanced international capital mobility, advanced industrial countries (including Japan) made massive investment in non-Japan Asia, which accelerated the development of the latter. Accordingly, Japanese firms encountered tougher competition with those of other lower-wage Asian countries. In 1995, Nikkeiren proposed a reorganization of the corporate employment system into three tracks: 1) a core group of long-term employees, 2) a group of specialists dealing with specific tasks, and 3) a group of part-time and fixed-term contract workers (Keizer 2010: 53). Takeo Naruse (2014), former executive director of Nikkeiren, comments that the main purpose of this reorganization was to reduce personnel costs as it was impossible for the industrial association to propose drastic pay cuts for regular workers, but that he could not expect the proportion of non-regular workers to entire labour to reach the current level (approximately 40%).

The second example of the contrasting stances between the two industrial associations was seen when the Temporary Staffing Services Act was revised in 1999. This revision lifted the restriction on temporary staffing for any industry except for specified businesses, such as manufacturing, medical, security and construction. Although both Keidanren and Doyukai had asked the government to deregulate temporary staffing services, their positions and goals differed. Keidanren's deregulation stance was cautious and reactive, and its primary objective for deregulation was to protect existing regular workers under lifetime employment by hiring cheap, easily dischargeable non-regular workers instead of hiring new regular workers. Keidanren and Nikkeiren sought 'to avoid challenging the lifetime employment system head-on but to expand the range of jobs that employers could fill with workers hired under much more flexible arrangements' (Schoppa 2006: 118). Thus, administrators are obligated to provide systemic support for regular workers but not for non-regular workers. In contrast to Keidanren's 'employment dualisation' strategy, Doyukai preferred the deregulation of not only non-regular employment but also regular employment.

In 2002, the Council on Economic and Fiscal Policy gave top priority to labour flexibility, while the Council for Regulatory Reform also considered Japan's rigid employment security in need of drastic deregulation (Yun 2015: 479-80). Both councils were led by core Doyukai members (Ushio and Miyauchi) and neoclassical economists at that time. The labour market deregulation was not driven mainly by Keidanren but by Doyukai. However, the twist was that Keidanren exploited non-regular workers in order to protect existing regular workers (Yun 2015: 485). Particularly, low-profit companies, which relied on systemic support, tried to survive by reducing personnel costs.

The third example of Keidanren's and Doyukai's contrasting stances was witnessed during the Koizumi administration. Ushio believed that structural reforms would result in higher economic growth (Asahi Shimbun 2009: 220-1) and the core members of Doyukai backed the administration. However, Keidanren and Nikkeiren held that the structural reforms implemented during the recession after the bursting of the dot-com bubble in 2001, were too painful for companies. Indeed, in August 2001, Nikkeiren requested an 'urgent employment support program' amounting to ¥1 trillion from the Koizumi administration, which was the first task of the Council on Economic and Fiscal Policy (Kikuchi 2005: 267-8). Keidanren also wanted the Koizumi administration to prioritize anti-deflationary measures to reinvigorate the economy, such as reforms in corporate tax and land-related tax, rebalancing between gift and inheritance taxes and manoeuvres to boost stock prices over a rapid clean-up of bad debts (Schoppa 2006: 147). Both Keidanren and Nikkeiren asked the government for systemic support rather than neoliberal restructuring. Furthermore, as Vogel (2006: 56) claims, Keidanren's support for deregulation was 'more reluctant than proactive, more formalistic than substantive, and more selective than comprehensive'.

Yotaro Kobayashi, Doyukai's chairman (1999-2003), emphasized at the association's 2001 annual meeting that Japan's political leaders must deliver the following message to the nation despite its unpopularity with the people: although the final disposal of non-performing loans and corporate restructuring would make the recession temporarily unavoidable, the nation would be able to recover to steady positive economic growth after these structural reforms (Doyukai 2001). In addition, Doyukai was proactive in introducing mark-to-market accounting (under which an asset or liability is valued based on the current market price) and impairment accounting (under which the difference in fixed assets between the fair value and the book value is written down) to improve the transparency of financial statements: Keidanren resisted the change. In April 2003, Kakutaro Kitashiro, chairman of Doyukai (2003-7) and Japan IBM, commented that although some politicians had tried to postpone or suspend the introduction of mark-to-market and impairment accounting because of the share price slump at the end of March, such manipulation would not change the actual corporate performance (Doyukai 2003).

In contrast, Mitsuo Horiuchi (the LDP's chairman, General Council) and Tetsuya Katada (vice-chairman of Keidanren) had discussed the postponement of the introduction of impairment accounting, which would realize latent losses held by many firms (Asahi Shimbun 2003).

From the late 1990s to the early 2000s, Japanese society's loss of confidence in the economic and business spheres was intertwined with its awe of the United States, which created the sense that Japan should follow American standards (Ito 2007: 155-6). This atmosphere peaked during the Koizumi administration, the first half of which witnessed several major bankruptcies, which indicated weakening systemic support. The financial deregulation, the heightened recognition of credit risk and the weakened credit extension by the banking sector accelerated the rapid expansion of new debt business, including bad debt trading, securitization (asset-backed securities) and credit derivatives in Japan, which were developed in the United States during the 1980s and 1990s, and sharply expanded the Japan operations of both the American credit rating agencies and investment banks, taking advantage of their expertise (Shima 2006).

Keidanren's influence has relatively weakened since the 1990s, but its loss of status should not be exaggerated. During the Koizumi administration, Keidanren was defensive in contrast to the rising Doyukai, but worked to maintain Japanese-style stakeholder capitalism and waited for an opportunity to strike back. In June 2006, just before the end of the Koizumi administration, Keidanren published a proposal entitled 'A Suitable Corporate Governance System for Japan', which stresses three points (Keidanren 2006a). Firstly, companies should conduct management with an emphasis on corporate social responsibility, taking into consideration value creation for diversified stakeholders, such as shareholders, employees, clients and local communities, which will consequently enhance shareholder value. Secondly, corporate management is based on an individual society's idiosyncratic culture, tradition, norms and business customs, and suitable corporate governance varies by company according to the individual corporate philosophy, vision, culture, history, strategy and industry. Lastly, importing overseas corporate governance methods uniformly to Japan should be avoided because it would cause companies and other relevant parties an excessive burden in terms of business confusion and higher costs. This proposal also reflects Keidanren's determination to maintain Japanese-style stakeholder capitalism, primarily based on an alliance between administrators and regular workers through the exchange of systemic support for obedience, leading to an anti-neoliberal position.

Déjà vu? Backlash towards liberal global norms

In Japanese politics and economics, there has been a so-called 'continuity-discontinuity debate over pre-war/wartime and post-war Japan' (Muramatsu 1981: 7-11; Noguchi 2010: 13-9). The discontinuity camp, mainly neoclassical economists, claims that Japan transformed from a controlled economy during wartime (1936-45) to a liberal economy in the post-war period. In contrast, the continuity camp, including Noguchi (2010), emphasizes the continuity of anti-free market characteristics of the Japanese economic and corporate systems between the wartime and post-war periods. I share the continuity camp's perspective. Japan's liberal economic system from 1868 until the early 1930s was heavily influenced by the liberal world order of *Pax Britannica*. However, anti-liberal norms (exemplified by Confucianism) had been used by ruling elites to dominate subordinates in Japanese society since the feudal period. A dramatic increase in class conflicts (e.g., labour and agrarian disputes) in Japan from WWI (1914-8) until the mid-1930s reflected the tension between liberal global norms and anti-liberal Japanese social norms, promoting government intervention into the economy and ultimately leading to a controlled economy (Teranishi 2003: 143-7).

The restricted international capital mobility under the Bretton Woods system fitted well with Japanese society's anti-liberal, anti-free market norms. The restrictive world financial order (i.e. the constraint of capitalist power) contributed to the continuity of the 1940 system and the dominance of anti-free market elites in Japan, despite Japanese growth. However, since American neoliberal hegemony increased international capital mobility after the collapse of the Bretton Woods System and the end of the Cold War, the tension between liberal global norms and anti-liberal Japanese social norms have intensified. Although the power of anti-free market elites was challenged by market liberals from the mid-1990s to the mid-2000s, an anti-neoliberal backlash started in 2006, which demonstrates the persistence of anti-liberal, anti-free market Japanese social norms.

The Koizumi administration, lacking a strong foundation within the LDP, had to rely on their popularity among voters, so they provided systemic support, such as the bailout of Resona Bank, the establishment of a government-sponsored corporate restructuring fund, and quantitative monetary easing in order to mitigate the social pain associated with structural reforms. This was the limitation of the neoliberal-oriented administration in Japan, which encountered very strong pressure from anti-free market social norms. At first, the public supported Koizumi because they believed that bureaucrats and industry groups wasted public money, causing a deteriorating budget deficit when the recession continued, and companies proceeded with restructuring (Kamikawa 2010: 311). Subsequently, the Koizumi administration encountered problems advancing reforms when criticism intensified over the structural reforms impact on widening income inequality (Kamikawa 2010: 311). However, importantly, both anti-free market elites and subordinates, such as regular workers and SME owners, feared rising capitalist power, and ultimately prevented it. Excessive cash stemming from quantitative monetary easing and financial deregulation contributed to speculative money games by aggressive investment funds and ambitious entrepreneurs in the Japanese financial market during 2004-6. According to Yoshio Shima, anti-free market elites and workers with steadily declining wages were disgusted with funds and entrepreneurs making large profits.[9] Conservative corporate establishments despised entrepreneurs, particularly those in the information technology and non-banking sectors, as upstarts. Keidanren refused membership to major consumer credit companies until November 2002, when their business became much larger than a decade previously due to the financial deregulation (Mainichi Shimbun 2002).

The strong anti-neoliberal sentiment was eloquently illustrated in heavy media criticism of the Livedoor and Murakami Fund incidents in 2006. Japanese prosecutors arrested Takafumi Horie, a young, audacious advocate of shareholder capitalism and the CEO of Livedoor (a rapidly booming information technology and financial group) in January 2006 on suspicion of securities law violations. Five months later, the Tokyo Stock Exchange delisted Livedoor due to false statements in its annual securities reports, while public prosecutors arrested Yoshiaki Murakami, a former reformist bureaucrat and the founder of the so-called Murakami Fund, a shareholder activist fund, for insider trading of Livedoor shares. Horie and Murakami were both unashamedly neoliberal elites and shared a close relationship. Livedoor rapidly expanded its market capitalization (which reached ¥930 billion in January 2004) through stock splits and serial acquisitions. The Murakami Fund purchased stakes of listed Japanese companies, and its total investment amount exceeded ¥440 billion as of the end of March 2006.

Japanese prosecutors accused Horie of window-dressing Livedoor's consolidated sales by including ¥5.3 billion of profits from the sale of its own shares held by the investment partnerships in which Livedoor invested. Compared with the continued listing of establishments, such as Olympus and Toshiba, which conducted much larger accounting frauds, the delisting of Livedoor might seem harsh. The relentless media criticism of both Horie and Murakami as immoral money worshipers and greedy neoliberals reinforced Japanese society's hatred and fear of shareholder capitalism. Motonari Otsuru, the new head of the special investigative squad of the Tokyo District Public Prosecutors' Office, who would later be in charge of the Livedoor case, made the following statement at his inaugural press conference in April 2005, which reflected the public's disgust with Horie: 'by all means, we would like to prosecute wrongdoing resented by hard working people, unemployed people due to job cuts, and business people who comply with laws although they recognise that they could make large profits if they breach laws' (Suda 2006: 37). The judge on the Murakami Fund case at the Tokyo District Court made the following comment, which astonished even Yasuhito Omori (2007: 182), head of the Financial Markets Division of the Financial Services Agency (FSA): 'Murakami's extreme pursuit of profit above all else by buying low and selling high is appalling'. The two court cases suggest that legal elites in Japan shared anti-free market norms with other conservative elites. Severely punishing both Horie and Murakami could be regarded as a clear warning to other capitalists and entrepreneurs.

These incidents enfeebled the power of market liberals, especially Doyukai because of Horie's relationships with some members of the Koizumi administration, whereas Murakami had close ties with core members of Doyukai, such as Miyauchi and Ushio. In particular, Orix was a major sponsor of the Murakami Fund. The Koizumi administration encountered growing criticism over the structural reforms that had widened income inequality by generating large numbers of low-waged non-regular workers. Miyauchi stepped down from the chairmanship of the Council for Regulatory Reform, in step with Koizumi's resignation from the premiership in September 2006. According to the 2005 survey (with 1,320 respondents) on Japanese corporate governance by the University of Tokyo, 69.1% of respondents thought employee benefits should be prioritized over those of shareholders, while only 18.8% thought the other way around (Takahashi 2007).

From the summer of 2007, the global financial crisis further accelerated the anti-neoliberal trend and strong demand for systemic support in Japan. The sharp contraction of the Japanese securitization market on which many major non-banks depended, and the rising social criticism of non-banks' harsh collection measures (threats and violence to borrowers and their guarantors) resulting in the revised Money Lending Law, forced numerous non-banks to either go bankrupt or be placed under bank umbrellas. These trends in the second half of the 2000s can be viewed as a *de facto* reversal of the financial liberalisation that contributed to the booming of the non-banks during the late 1990s and the first half of the 2000s. Furthermore, the global financial crisis gave Japanese anti-free market elites a great opportunity to denounce American-style shareholder capitalism. Takafumi Sato (2010: 70), former head of the FSA, points out that scepticism regarding the policy goal of strengthening the competitiveness of the Japanese capital market grew in 2009 due to the financial fiascos in the United States and Britain. Japanese society can no longer fully rely on the old regime, but their social norms mean that they cannot accept American-style market liberalism as an alternative. Importantly, systemic support has hindered the Japanese economy from shifting low growth to high growth industries.

The extent of neoliberal restructuring in Japan and its negative social and economic impacts, such as growing economic inequality, deteriorated rural economies and weakened international competitiveness of Japanese manufacturers, were often exaggerated by left-wing media and commentators. As well as the market liberalisation camp, the anti-free market camp also contributed to the social and economic problems, and the latter frequently made neoliberalism the scapegoat for these problems. Anti-free market elites, including Keidanren, manoeuvred shrewdly in that they avoided direct confrontation with the Koizumi administration when it was popular, and they made the market liberalisation camp look solely responsible for the social and economic problems. The slow collapse of Japan's convoy capitalism was due mainly to the accumulated irresponsibility of anti-free market administrators, while these administrators, advocates of systemic support, have had to gradually reduce the number of regular workers and rapidly expand the number of non-regular workers.

The Japanese economy has paid a heavy cost for not conforming to liberal global norms. Japanese manufacturers have coped with deteriorating international cost competitiveness due to the rapid appreciation of the yen by relocating production to other Asian countries and reducing the domestic workforce and wage. The mature industries in Japan have had to reduce their average wage due to the intense competition with those in emerging economies. On the other hand, Japan has failed to nurture many domestic entrepreneurs and to attract global talent and capital, resulting in the slow industrial upgrading, which offers only a limited number of high earning jobs. These factors have decreased the average household income in Japan, and the protection of existing regular workers has contributed to the rapid increase in the number of the working poor. Furthermore, the weak domestic demand and the diminished future economic prospects have increasingly made the Japanese corporate sector prioritise overseas investment over domestic investment. The proportion of Japan's outstanding outward FDI to GDP has sharply risen, from 5.3% in 1996 to 30.7% (which is much higher than that of China at 12.3%) in 2017. The 'hollowing-out' is a major problem for the Japanese economy (Schoppa 2006), although not associated with industrial upgrading due to the small amount of inward FDI unlike the US case (Hatch 2010: 199). Many large manufacturers belonging to Keidanren have faced great difficulty in retaining their domestic operations and employment (Hatch 2010: 200).

The Democratic Party of Japan (DPJ) government (2009-12) tried to improve the working conditions of non-regular workers, but in vain. During the reign of the DPJ, Keidanren advocated the flexible use of non-regular workers as a source of cost reduction (Yun 2015:

488). According to the MHLW, the respective average wages for non-regular workers aged 30-34, 40-44 and 50-54 were 24%, 37% and 48% lower than those of regular peers. The significant wage disparities are not based on work performance comparison, but rather, are decided by the hierarchical status of non-regular workers, who are subordinate to regular ones. Japanese enterprise unions do not organize non-regular employees working in the same workplace because of the special status enjoyed by regular employees (Suzuki 2010: 394). According to the MHLW (2017), non-regular workers are ineligible for membership at over 60% of all the Japanese labour unions, and only 12% of the unions discussed 'equal pay for equal work' (correction to wage disparities between regular and non-regular workers). These points indicate that the Japanese labour market is still dominated by guardian morals emphasizing loyalty, obedience and exclusiveness.

Persistent systemic support and in-group favouritism

Both systemic support and in-group favouritism, which sustain a management-labour alliance, are key components of guardian morals and indispensable to the corporate system at the centre of Japanese society. This is one major reason why systemic support has persisted, even when the power of the economic bureaucracy and the banking industry weakened from the mid-1990s to the early 2000s. The robustness of the Japanese-style corporate system can be explained partly by superiors and subordinates (for instance, management and regular workers, banks and corporate borrowers, and large firms and subcontractors) mutually abandoning their alternative options to long-term commitment. Should capitalists become dominant in Japanese corporate society, they would cut off long-term social ties and networks, such as the management-labour alliance and keiretsu, resulting in the loss of management's autonomous power within their firms and stable employment.

The prolonged economic stagnation, the financial deregulation, the financial crisis and the introduction of American-style financial and business practices (including corporate restructuring, mark-to-market accounting, financial disintermediation, and outside director and executive officer systems) have changed some elements of Japanese corporate governance, but these changes should not be exaggerated (Omura and Masuko 2003). An increasing number of large firms have faced difficulties in sustaining lifetime employment and seniority-based wages, and the number of non-regular workers has dramatically increased. Since the 1990s, banks and companies have been forced to unwind a large portion of cross-shareholdings due to the financial crisis, corporate restructuring and the introduction of both mark-to-market accounting and the restriction on shareholdings by banks, resulting in higher foreign ownership ratios of Japanese shares. However, despite the unwinding of mutual shareholdings, long-term keiretsu transactions and subcontracting are still ubiquitous in Japan. The outstanding Japanese corporate bonds increased during the 1990s but has moderately decreased since the early 2000s because of many Japanese corporate borrowers' preference for loans from banks in long-term relationships over bonds held by 'faceless' investors, according to Tsuyoshi Oyama.[10] This exemplifies the persistence of systemic support in Japan.

Also, importantly, the core of Japanese corporate governance, in-group favouritism, has remained almost intact due to the persistence of systemic support. Noguchi (2010: 222-7) claims that almost all management at large Japanese firms, except for those that have gone bankrupt or faced a financial crisis, including Nissan Motor and Japan Airlines, are internally promoted, and that the Japanese-style company places top priority on the survival of its employee community-like organization and considers profit maximization a sin. Given the growing influence of overseas shareholders, listed Japanese firms have had to introduce American-style corporate governance practices in order to enhance or maintain their share prices and tap the capital market when necessary. However, most corporate executives of these firms do not want overseas shareholders to interfere in management issues and wish to preserve their autonomy (Matsumoto 2010: 10-2; Nishiyama 1992: 246-7). Consequently, many of these firms have demonstrated mock or cosmetic convergence to American-style corporate governance, for instance, through their nominal introduction of outside board members and the executive officer system (Omura and Masuko 2003).

Higher bankruptcy risk and shareholders' demand for higher returns would change Japanese-style corporate governance based on the management-labour alliance. Although these factors would enhance the bargaining power of capitalists vis-à-vis management, persistent systemic support has prevented capitalist domination. In this respect, Japanese banks, which have provided systemic support for financially strained companies, do not belong to the capitalist camp. Choosing either stakeholder or shareholder capitalism is not simply a matter of right or wrong but rather a philosophical and normative question. Most importantly, their ultimate fault line is either to continue or to restrict strong systemic support. Industrial and corporate metabolism in Japan is much slower than in the United States due to less frequent major bankruptcies, resulting in the underperformance of the Japanese equity market (Fujita 2015).

The low proportion of Japan's outstanding inward FDI to GDP is due mainly to a relatively small number of foreign firms' acquisitions of Japanese firms. Daiichi-Kangin Research Institute (1996) pointed out four main reasons.[14] Firstly, Japanese corporate executives are reluctant to sell companies like goods because they have strong attachment to their companies and a sense of responsibility to their employees. Secondly, Japanese society has a negative view of the selling of companies, leading potentially to the loss of corporate and/or management credibility. Thirdly, corporate executives are concerned that selling a company will deprive them of their management positions, and their suppliers, client companies and core banks may oppose the sale. Lastly, Japanese companies are concerned about acquisition, particularly by foreign companies, due to fears of drastic personnel cuts and having to communicate in foreign languages. These reasons suggest that guardian morals, such as strong in-group favouritism and exchange of systemic support for obedience and loyalty, in Japanese society are major obstacles to foreign firms' takeover of Japanese firms.

From 2001 until 2008, the US government sought market liberalisation in Japan, including the lifting of the ban on a 'triangular merger' (in which the acquirer establishes a wholly-owned subsidiary, which in turn merges with the selling entity), through the US-Japan Regulatory Reform and Competition Policy Initiative. In January 2003, the pro-American Koizumi administration announced the plan to double the outstanding inward FDI into Japan in five years. Keidanren indicated support for this plan in October 2005 probably because access to the US market was critically important for Japanese exporters. However, the largest industrial association insisted that the government should restrict foreign firms' M&As of Japanese firms likely resulting in the impairment of the latter's corporate value or shareholder rights, and the damage to national interests, such as technology outflow (Keidanren 2006b). Despite Keidanren's opposition, the Japanese government lifted the ban on triangular mergers in 2007, but outstanding inward FDI into Japan has increased only modestly since then. This suggests anti-free market Japanese social norms to exclude outsiders rather than government regulation have resisted market liberalisation.

Despite the pressure from neoliberalism, the systemic support for regular employees in Japan remains. On 29 June 2018, Japan's Diet passed labour reform bills to establish mandatory caps on overtime hours to penalize violators but remove work hour limits and overtime payments for highly-paid professional workers. However, equal pay for equal work was not sufficiently discussed in the Diet. The Abe administration is aiming to raise the average minimum hourly wage in Japan from the current ¥848 to ¥1000 gradually (The Nikkei 2018). Keidanren indicates a cautious stance towards the minimum wage hike by commenting that

SMEs' ability to pay higher wages needs to be considered (NHK 2017). Given that large Japanese firms utilise SMEs as subcontractors, higher wages at the latter will affect the former's cost. In contrast, Doyukai advocates equal pay for equal work and substantial wage hikes, which will cause the exit of less productive companies from the market (Doyukai 2017).

Conclusion

Okimoto (1989: 31-2) focuses on the trade-off between efficiency and security. CMEs, including Japan, tend to prioritize security over market efficiency, which strongly affects their corporate governance. By contrast, corporate governance in LMEs is inclined to prioritize market efficiency over security. Security is associated with the orientation for guardian morals, while market efficiency is linked with that for commercial morals. Administrators are acutely aware that their authority requires the consent (loyalty and obedience) of their subordinates, and that once they leave their organizations they will lose their power. In this respect, Japanese companies are similar to territories and castles during the pre-modern period: company preservation is a top priority for administrators (guardians).

Keidanren and Doyukai are key ideational platforms of their respective, anti-free market and market liberalisation camps, which represent different types of corporate governance in Japan. Keidanren has disseminated anti-liberal, anti-free market norms centred on systemic support to Japanese society and shared such norms with other anti-free market elites. A management-labour alliance against capitalists and interlocking business relations are the cornerstones of Japanese-style stakeholder capitalism. From the early 1990s until the mid-2000s, Doyukai promoted American-style shareholder capitalism in Japanese society based on liberal global norms. However, the anti-neoliberal backlash driven by both the anti-free market camp and subordinates, which started in 2006, has weakened the influence of the market liberalisation camp. The large differentials in wages and treatment between regular and non-regular workers is evidence of Japanese society's resistance to market liberalisation.

I argue that the ideational conflict between the market liberalisation and anti-free market camps has been a moral dispute between liberal global norms and Japanese social norms. Making short-term profit in financial markets and severing long-term social ties (i.e. prioritizing individual goals over those of collectives) still tend to be regarded as morally wrong in Japan. Global norms are influential but not necessarily compatible with social norms in many countries. Persistent Japanese social norms, which prioritize security over efficiency, have resisted liberal global norms to maintain the dominance of administrators who provide support for subordinates in exchange for obedience despite a heavy economic toll. The resistance to liberal global norms can also be found in other Asian countries where industrial associations, such as the Federation of Korean Industries, All-China Federation of Industry and Commerce, the Chinese National Association of Industry and Commerce, Taiwan, and the Federation of Malaysian Manufacturers, play an important role. For instance, the Federation of Korean Industries, similar to Keidanren, was strongly opposed to the Korean government's reduction of policy loans with very low interest rates and government guarantees mainly to export industries in the 1980s (Thurbon 2016: 78). When varieties of capitalism are discussed, it is worthwhile to pay more attention to the political influence and ideational aspects of industrial associations.

Notes

1. MOF officials provided preferential treatment and confidential information for financial institutions in exchange for the benefit of wining and dining. This resulted in the arrest of

five MOF officials and the resignation of the finance minister and MOF administrative vice-minister and weakened the power of the MOF.

2. The term ‘administrators’ was used originally by van Wolferen.
3. Interview with Toshio Yamagishi, emeritus professor of social psychology at Hokkaido University, on November 20, 2015.
4. Examples of major corporate bailouts from 2000 onwards include Daiei (a retail chain), Sojitz (a general trading house), Mitsubishi Motors, Isuzu Motors, Orient Corporation (a non-bank), Sanyo Electric (an electronics manufacturer), Olympus (an optical equipment manufacturer), Tokyo Electric Power, Sharp (an electronics manufacturer), and Toshiba (an electronics manufacturer).
5. Under the main bank system, the bank having the closest relationship and usually the largest credit exposure with the corporate borrower is made responsible for monitoring the company as a main bank.
6. While Doyukai comprises approximately 1,400 top executives of some 950 corporations, Keidanren consists of about 1,350-member companies.
7. Kobayashi, Miyauchi, Shiina and Mogi obtained an MBA from the Wharton School of the University of Pennsylvania in 1958, an MBA from the University of Washington in 1960, a BS in mechanical engineering from Bucknell University in 1953 and an MBA from Columbia University in 1961.
8. For instance, from April 2001 to March 2003, the council included Tatsuo Hatta (professor of spatial information science at the University of Tokyo, who proposed the liberalisation of the electric power industry), Naohiro Yashiro (a neoliberal economist), Atsushi Seike (professor of economics at Keio University), Minoru Mori (CEO of Mori Building, a Doyukai member), Eiko Kono (Chairman and CEO of Recruit Corporation, a Doyukai member), Reiko Okutani (a Doyukai member, CEO of The R Co., Ltd. whose second

largest shareholder was Orix), Akinori Yonezawa (professor of computer science at the University of Tokyo, Okutani's husband) and Rie Murayama (managing director of Goldman Sachs Japan).

9. Interview with Yoshio Shima, professor of management at Tamagawa University, on November 20, 2015.
10. Interview with Tsuyoshi Oyama, Partner, Centre for Risk Management Strategy, Deloitte Touche Tohmatsu, on October 1, 2014.

Acknowledgements

I am grateful to the two anonymous reviewers whose comments helped improve this paper. Earlier versions of the paper were presented at the 59th annual convention of the International Studies Association, San Francisco, 4-7 April 2018, and the 30th Society for Advancement of Socio-Economics, Kyoto, 22-25 June 2018.

Declaration statement

No potential conflict of interest was reported by the author.

Notes on contributor

Fumihito Gotoh is teaching and research fellow in the Department of Politics and International Relations at the University of Warwick. He focuses on East Asian politics and political economy, comparative capitalisms, and the politics of finance. His article 'Social Norms Strike Back: Why American Financial Practices Failed in Japan' co-authored with Timothy J. Sinclair was published in the Review of International Political Economy in 2017. Previously, he was a senior credit analyst in Tokyo for the Industrial Bank of Japan, Merrill Lynch and UBS.

References

Asahi Shimbun. (2003) 17 February issue.

Asahi Shimbun. (2008) 30 May issue.

Asahi Shimbun. (2009) *Ushinawareta 20 Nen* [The Lost Two Decades], Tokyo: Iwanami Shoten.

Bieler, A. (2001) 'Questioning Cognitivism and Constructivism in IR Theory: Reflections on the Material Structure of Ideas', *Politics*, 21 (2): 93-100.

Bungeishunju. (1999) October issue.

Cook, K., *et al.* (2005) 'Trust Building at Risk Taking: A Cross-Societal Experiment', *Social Psychology Quarterly* 68 (2): 121-42.

Cox, R. W. (1981) 'Social Forces, States and World Orders: Beyond International Relations Theory', *Millennium: Journal of International Studies* 10 (2): 126-55.

Daiichi-Kangin Research Institute. (1996) 'Tainai Chokusetsu-Toshi Sokushin no tameno Wagakuni M&A Kankyo-Seibi ni Kansuru Chosa' [Research for Improving an Environment Conducive to M&A that will Promote Inward Foreign Direct Investment], Paper Published by the Cabinet Office, the Government of Japan.

Doyukai. (2001) Press release dated 26 April.

Doyukai. (2003) Press release dated 18 April.

Doyukai. (2017) Press release dated 22 February.

Fujita, T. (2015) *Nippon Kigyo no tameno Kohporeto Gabanansu Koza* [Corporate Governance Lectures for Japanese companies], Tokyo: Toyo Keizai.

Garside, W. R. (2012) *Japan's Great Stagnation: Forging Ahead, Falling Behind*, Cheltenham: Edward Elgar.

Gheorghiu, M. *et al.* (2009) 'Beyond the United States and Japan: Testing Yamagishi's Emancipation Theory of Trust across 31 Nations', *Social Psychology Quarterly* 72 (4): 365-83.

Gill, S. and Law, D. 1988. *The Global Political Economy: Perspectives, Problems and Policies*, London: Harvester Wheatsheaf.

Gotoh, F. (2014) *Nippon Kurejitto Shijo no Tokucho to Toshi-bunseki* [The Features of the Japanese Credit Market and Investment Analysis], Tokyo: Chuokeizai-sha.

Gotoh, F. and Sinclair, T. J. (2017) 'Social Norms Strike Back: Why American Financial Practices Failed in Japan', *Review of International Political Economy* 24 (6): 1030-1051.

Hall, P. A. and Soskice, D. (eds) (2001) *Varieties of Capitalism: Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press.

Harvey, D. (2005) *A Brief History of Neoliberalism*, Oxford: Oxford University Press.

Hasegawa, H. (2011) 'Adjusting the Boundaries between Keidanren and Labour Union in Japan: A Critical Reappraisal', in G. D. Hook (ed) *Decoding Boundaries in Contemporary Japan: The Koizumi Administration and Beyond*, Abingdon: Routledge, pp. 182-205.

Hatch, W. F. (2010) *Asia's Flying Geese: How Regionalization Shapes Japan*, Ithaca, NY: Cornell University Press.

Ikeo, K. (2003) *Ginko ha Naze Kawarenainoka: Nippon Keizai no Airo* [Why Japanese Banks Cannot Change: The Japanese Economy's Bottleneck], Tokyo: Chuokoron-shinsha.

Imai, J. (2011) *Transformations of Japanese Employment Relations: Reform without Labour*, Basingstoke: Palgrave Macmillan.

Ito, O. (2007) *Nippon no Keizai: Rekishi, Genjo, Ronten* [The Japanese Economy: History, Current Situations and Issues], Tokyo: Chuokoron-shinsha.

Jacobs, J. (1992) *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics*, New York: Random House.

Kamikawa, R. (2010) *Koizumi Kaikaku no Seijigaku: Koizumi Junichiro ha Hontouni Tsuyoi Shusho dattanoka* [The Politics of the Koizumi Reform: Was Junichiro Koizumi Really a Strong Prime Minister?], Tokyo: Toyo Keizai.

Kawakita. T. (2011) *Zaikai no Shotai* [The Truth of the Industrial Associations], Tokyo: Kodansha.

Keidanren. (2006a) Press release dated 20 June.

Keidanren. (2006b) Press release dated 12 December.

Keizer, A. (2010) *Changes in Japanese Employment Practices: Beyond the Japanese Model*. Abingdon: Routledge.

Kikuchi, N. (2005) *Zaikai toha Nanika?* [What is the Japanese Business Community, 'Zaikai'?], Tokyo: Heibonsha.

Kurosawa, Y. (2001) '"Kakuzuke" no Shiso: Risuku nonai Shakai to Risuku Shakai' [Ideologies of 'Credit Ratings': Riskless and Risk Societies], in S. Nakano (ed) *Kinyu Gurobarizumu* [Financial Globalism], Tokyo: University of Tokyo Press, pp. 89-110.

Laurence, H. (2001) *Money Rules: The New Politics of Finance in Britain and Japan*, Ithaca, NY: Cornell University Press.

Mainichi Shimbun. (2002) 12 November issue.

Matsumoto, K. (2010) *The Rise of the Japanese Corporate System*, Abingdon: Routledge.

Matsutani, A. (2009) '*Jinko Gensho Keizai' no Atarashii Koshiki: 'Chizimu Sekai' no Hasso to Shisutemu* [Shirinking Population Economics: Lessons from Japan], Tokyo: Nikkei Publishing.

Ministry of Health, Labour and Welfare (MHLW). (1995-2017) *Kokumin Seikatsu Kiso Chosa no Gaiyo* [Summary of the Comprehensive Survey of Living Conditions].

Ministry of Health, Labour and Welfare (MHLW). (2017) *Heisei 29 Nen Roshikan no Koushou to ni kansuru Jittai Chisa no Gaikyo* [Summary of the Survey of Management-Labour Negotiations in 2017].

Ministry of Health, Labour and Welfare (MHLW). (2018) '"Hiseiki Koyo" no Genjo to Kadai' [The Current Status and Issues of 'Non-regular Employment']; Accessed at https://www.mhlw.go.jp/content/000179034.pdf, 20 June 2018.

Muramatsu, M. (1981) *Sengo Nippon no Kanryuo-sei* [The Bureaucracy of Post-war Japan], Tokyo: Toyo Keizai.

Naruse, T. (2014) 'Koyo Pohtoforio Teigen to Korekarano Koyo Mondai' [Employment Portfolio Proposal and Future Employment Issues], *Rengo Soken Report* No. 295: 5-8.

NHK. (2016) 'Jitsugen Dekirunoka? 'Saitei Chingin 1000 Yen' [Feasible? Minimum Wage of ¥1000]; Accessed at http://www.nhk.or.jp/kaisetsu-blog/100/248504.html, 20 May 2018.

The Nikkei. (2018) 20 June issue.

Nishiyama, T. (1992) *Nippon Kigyo-ron: Kabushiki Gaisha Seido no Haiki to Atarashii Kigyo Keitai no Koso* [A Study on the Japanese Company: An Idea on the Disposal of the Joint-stock Company Form and the Establishment of a New Corporate Form]. Tokyo: Bunshindo.

Noguchi, Y. (2010) *1940 Nen Taisei: Saraba 'Senji Keizai' Zohoban* [The 1940 System: Farewell to 'Wartime Economy' – Enlarged Edition]. Tokyo: Toyo Keizai.

Okada, T. (2009) 'Kozo Kaikaku niyoru Chiiki no Suitai to Atarashii Fukushi Kokka no Chiiki Dukuri' [Rural Decline by the Structural Reform and Rural Development by the New Welfare State], in O. Watanabe *et. al.* (eds) *Shin-jiyushugi ka Shin-fukushi-kokka ka: Minshu-to Seiken-ka no Nippon no Yukue* [Neo-liberalism or the New Welfare State?: Japan's Direction under the Democratic Party of Japan Government], Tokyo: Junposha. pp. 233-314.

Okazaki, T., *et al*. (1996) *Sengo Nippon Keizai to Keizai Doyukai* [Post-war Japanese Economy and Keizai Doyukai], Tokyo: Iwanami Shoten.

Okimoto, D. (1989) *Between MITI and the Market: Japanese Industrial Policy for High Technology*, Stanford, California: Stanford University Press.

Omura, K., and Masuko, M. (2003) *Nippon Kigyo no Gabanansu Kaikaku: Naze Kabunushi Jushi no Keiei ga Jitsugen Shinainoka* [Japanese Corporate Governance Reform: Why Shareholder-oriented Management Has Not Been Realized], Tokyo: Nikkei Publishing.

Omori, Y. (2007) *Kinyu Shisutemu wo Kangaeru: Hitotsu no Gyosei-genba kara* [Considering the Financial System: From One Administrative Division], Tokyo: Kinzai Institute for Financial Affairs.

Rosenbluth, F. M. and Thies. M. F. (2010) *Japan Transformed: Political Change and Economic Restructuring*, Princeton. New Jersey: Princeton University Press.

Sato, T. (2010) *Kinyu Gyosei no Zahyojiku: Heiji to Yuji wo Koete* [Criteria of Financial Administration: Beyond Peacetime and Contingency], Tokyo: Toyo Keizai.

Schoppa, L. J. (2006) *Race for Exits: The Unraveling of Japan's System of Social Protection*, Ithaca, NY: Cornell University Press.

Shibata, S. (2015) 'Resisting Japan's Neoliberal Model of Capitalism: Intensification and Change in Contemporary Patterns of Class Struggle', *British Journal of Industrial Relations* 54 (3): 496-521.

Shima, Y. (2006) *Nippon no Kurejitto Shijo: Sono Tanjo, Hatten to Kadai* [The Japanese Credit Market: Japan's Credit Crisis and Development of Credit Products], Tokyo: Sigma Base Capital.

Suda, S. (2006) *Maneh Gehmu Hokai: Raibudoa Murakami Fando Jiken no Shinso* [The Collapse of Money Game: Truth of the Livedoor and Murakami Fund Cases], Tokyo: Shinchosha.

Suzuki, H. (2010) 'Employment Relations in Japan: Recent Changes under Global Competition and Recession', *Journal of Industrial Relations* 52 (3): 387-401.

Takahashi, K. (2007) 'Kabunushi-jushi no Keiei wo Shiji-shiteirunoha Dareka' [Who Supports Shareholder-oriented Management], *The Japanese Journal of Labour Studies* No. 565: 61-72.

Teranishi, J. (2003) *Nippon no Keizai Shisutemu* [The Japanese Economic System], Tokyo: Iwanami Shoten.

Thurbon, E. (2016) *Developmental Mindset: The Revival of Financial Activism in South Korea*, Ithaca, NY: Cornell University Press.

Tiberghien, Y. (2007) *Entrepreneurial States: Reforming Corporate Governance in France, Japan and Korea*. Ithaca, NY: Cornell University Press.

Toya, T. (2006) *The Political Economy of the Japanese Financial Big Bang*, Oxford: Oxford University Press.

van Wolferen, K. (1989) *The Enigma of Japanese Power: People and Politics in a Stateless Nation*, New York: Vintage Books.

Vogel, S. (2006) *Japan Remodeled: How Government and Industry Are Reforming Japanese Capitalism?*, Ithaca, NY: Cornell University Press.

Vogel, S. (2018) *Marketcraft: How Governments Make Markets Work*, Oxford: Oxford University Press.

Watanabe, H. R. (2012) 'Why and How Did Japan Finally Change Its Way? The Politics of Japanese Labour-Market Deregulation since the 1990s', *Japan Forum* 24 (1): 23-50.

Yamagishi, T. (2011) *Trust: The Evolutionary Game of Mind and Society*, New York: Springer.

Yamagishi, T., and Yamagishi, M. (1994) 'Trust and Commitment in the United States and Japan', *Motivation and Emotion* 18 (2): 129-66.

Yamamura, K. and Streeck, W. (2003) 'Introduction: Convergence or Diversity? Stability and Change in German and Japanese Capitalism', in K. Yamamura and W. Streeck (eds) *The End of Diversity?: Prospects for German and Japanese Capitalism,* Ithaca, NY: Cornell University Press, pp. 1-50.

Yun, J. (2015) 'The Setback in Political Entrepreneurship and Employment Dualization in Japan, 1998-2012', *British Journal of Industrial Relations* 54 (3): 473-95.