

# Japanese Welfare Politics after the 1990s: Continuities and Changes in Neo-liberal Era<sup>1</sup>

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## 1. Introduction

The purpose of this paper is to provide an overview of Japanese welfare politics after the 1990s. It is common practice to characterize Japanese welfare states in terms of “welfare regimes.” However, my intention is to outline how the politics of welfare and social security has developed rather than the welfare regimes or welfare states themselves.

The main sticking points between the party in power (Liberal Democratic Party of Japan, known as the LDP most of the time) and the opposition parties under “the 1955 Regime” (1955–1993) involved the so-called “high politics,” namely the Constitution, diplomacy, and national security. Thus, competition on social and economic policies was not thought to be important, except that the threat of Progressive Local Governments made the LDP embark on welfare policies in the 1970s (Shinkawa 2005). In contrast, from the 1990s onwards, with changes in both the socio-economic and the political conditions, we have witnessed competition between parties as regards social policies that have shaped the transformation of the welfare state.

This paper first tries to give an overview of the postwar system which provided social protection for Japanese citizens and then examines its decline after the 1990s. Welfare politics has developed since then around the theme of how to adapt to new situations and make the Japanese welfare state sustainable. Under increasingly globalized conditions, welfare politics has been affected by the neo-liberal mood. However, new problems have emerged that require fresh measures and these need a large amount of funding. This paper describes both the changes and the continuities of the Japanese welfare state and the political factors that ushered them in.

With the most aging population in the entire world and a stagnant economy, sources of revenue became an increasing problem. Thus, contrary to many studies on the welfare state that usually concentrate on the issue of spending, this paper focuses more on the revenue side of the welfare state and considers the consumption tax as one of the most important battlefields of Japanese welfare politics after the 1990s.

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## 2. The Postwar System

### An Economic Miracle and the Underdeveloped Welfare State

During the postwar era, Japan achieved a surprising level of economic growth that is often referred to as a “miracle.” After the devastation of the pre-war society, Japan successfully entered the ranks of the world’s most powerful economies. The great successes achieved by the Japanese economy became a theme for analysis in Western countries. Achieving such major successes without creating significant inequality was also applauded. Japan thus earned a reputation as an egalitarian society.

What sorts of policies are responsible for such results? Japan is considered to be a less-developed welfare state with limited government intervention. In order to analyze the transformation of Japanese welfare politics after the 1990s, when the conditions for the development of both the Japanese economy and the welfare state dwindled, this first section explains the structure and the mechanisms of the postwar Japanese system.

First of all, it is obvious that the Japanese government did not spend much on the welfare state. Social spending as a share of GDP was 3.5% in 1960 (as opposed to 15.4% in West Germany, 12.0% in France, 10.1% in Italy, 10.4% in Sweden, 9.7% in the UK, 9.6% in the Netherlands, and 6.2% in the US), and 4.9% in 1970 (when it was 18.4% in the Netherlands, 16.6% in West Germany, 16.1% in Sweden, 15.0% in France, 13.9% in Italy, 12.5% in the UK, and 8.9% in the US) (Ortiz-Ospina and Roser). It was common practice to see the Japanese welfare state as underdeveloped.

Pensions and health care became universal in Japan at an earlier stage compared to other countries in the world, however—Japan’s systems were twelfth and fourth in the world, respectively (Shinkawa 2005). When the level of economic development in the country at the time is taken into consideration, this fact is quite remarkable (Kasza 2006).

However, when considering unemployment benefits and income support for working families—e.g., family allowances and housing allowances—Japan lags far behind many European countries. The take-up rate of public assistance is extremely low (Tachibanaki and Urakawa 2006). Moreover, the low level of the redistribution function of the welfare state is striking (Ōsawa 2013).

Social services are also less developed in Japan. For example, childcare is basically considered as the family’s responsibility; public childcare is restricted to those children whose parents cannot take care of them.

Elderly care was another social service in which the levels of public funding are lower than those of other advanced countries. After the period of high economic growth had ended, the term “Japanese-style Welfare Society” appeared in the late 1970s and was used by those who thought that advanced European welfare states were fostering the “disease” of discouraging self-reliance and thus making people dependent on the state. The White Paper of the Ministry of Health and Welfare in 1978 boasted of the high rate of elderly people living with their children and called it the “hidden asset” of Japan’s welfare budget (Kōseishō 1978). The next year, the LDP’s pamphlet titled “Japanese-style Welfare Society” expressed an outright argument for the national elderly care system depended upon families (namely housewives) to serve as carers for the elderly. In this scenario, the enrollment of women in the labor market was a matter of concern (Jiyūminshutō

1979).

### The Welfare Regime and the Employment Regime

However, the less-developed welfare state mentioned above was supplemented by measures to protect or create employment. Thus, it can be said that the security of people's lives has been protected through an "employment regime," which supplements the "welfare regime" (Miyamoto 2008). During an era of high economic growth, the lives of industrial workers and their families were protected by corporations, while workers in less competitive parts of the economy were protected through regulations, subsidies, the creation of jobs in public works, and so forth. Margarita Estévez-Abe calls this system the "functional equivalent" to social welfare (Estévez-Abe 2008). Mari Miura (2012) says something similar when arguing that the social protection of Japanese citizens has been achieved by "welfare through work" (Miura 2012).

As the postwar economic miracle generated many jobs, the unemployment rate was quite low, and the living standard of ordinary people improved greatly. The unemployment rate remained below 3% until 1995 (Sōmushō, *Rōdōryoku Chōsa* [Labour Force Survey]).

The productivity of the Japanese agricultural industry, with its smaller than average farmland area, is well below international standards. The government bought rice as the most important agricultural product at a price that exceeds the international standard. Small local shops were protected by regulations such as the Large-Scale Retail Store Law, which was introduced in 1974. Public works generated employment in rural areas, especially during the economic depression. Therefore, the construction industry numbered 5.48 million workers in 1980, which increased modestly to 5.88 million in 1990. However, after the collapse of "the bubble economy" in the early 1990s, the workforce in the construction industry started to increase as the recession progressed, reaching a peak of 6.85 million in 1997 (Sōmushō, *Rōdōryoku Chōsa* [Labour Force Survey]).

The fact that the construction industry served as a high employment sector could be interpreted as a phenomenon that helped to reduce expenditure on unemployment allowances and public assistance (Takegawa 2007). In 1998, the budget for public works was 1.42 times larger than the previous year. The *doken kokka*, or "construction industry state," played quite an important role in the post-bubble economy of the 1990s.

The dualism of the modernized economic sector and the traditional sector, which had been regarded as a continuing problem in the Japanese economy for a long time, has been partly rectified on a political level. The well-known slogan, "Balanced development of national land" was at the heart of the national land planning policy in the postwar era. This policy established horizontal redistribution from developed urban areas to less-developed rural areas. These mechanisms of the "employment regime" brought about an egalitarian society mentioned above, as less-developed rural areas were bolstered by government intervention.

### The "Male-Breadwinner" Model and Familialism

Family structure and demography were also essential elements of the postwar system. The Japanese postwar economy was essentially a "male-breadwinner" model. Not only male workers

but also their families were covered by this system due to male breadwinners. Industrial workers in large companies and their families enjoyed various services and benefit programs provided by their corporations. For instance, although the supply of public housing is very scarce in Japan, corporations have played a role as providers of accommodation for their employees. The Fordist wage system provided a good enough salary for male workers to support their families, thereby making childcare the responsibility of families (or rather housewives).

Gender inequality in the Japanese labor market has been notorious, with a wide income gap between male and female workers, few women in managerial positions, a higher rate of casual workers among the female labor force, and other related issues. In the postwar era, the labor force participation rate of women in advanced countries, when drawn on a line graph, formed an M-shape, as it surged after finishing school, then dropped after childbearing, and then surged again in middle-age and decreased toward retirement. After many advanced countries departed from this M-shape employment curve of the female labor force, Japan stuck with it for longer. This means that most female workers stopped working after having their first child. It was perceived as beneficial for Japanese corporations for female workers to quit when they married or gave birth to their first child, as this allowed them to maintain lower overall labor costs, as the main wage system was based on seniority. Male-breadwinner-type families were expedient for the Japanese welfare state, as they ensure that domestic care is provided by housewives, thereby requiring a lower level of public services.

During the postwar era, Japan was a society in which almost the entire population was married. The lifetime unmarried rates of men and women were 1.3% and 1.9% in 1960, 1.7% and 3.3% in 1970, and 2.6% and 4.4% in 1980, respectively. This made Japanese families into useful caregiving units. Even the low divorce rate was interpreted as functional, as it prevented “the feminization of poverty” (Axinn 1990). As long as popular approval of this kind of lifestyle remained high and Japanese companies could afford to pay men high enough salaries as breadwinners, this system certainly worked.

“Welfare through work” and the familialist approach generated a welfare state that was elderly in character. The Japanese welfare budget is heavily lopsided in favor of the elderly. Japan is by far the country with the highest spending on the elderly (Lynch 2006). As stated above, little was spent on the working-age population owing to support from the employment regime. Therefore, the welfare regime has mainly targeted the retired generation (Miyamoto 2008). Moreover, as childrearing and education have been assumed to be the responsibility of families, little has been spent on children.

Finally, the special demographic conditions preferable for economic growth (demographic bonus) were also important. The ungenerous social spending mentioned earlier reflected not only the immaturity of the social security system but also Japan’s prevailing young population. During the high economic growth of the postwar era, Japan had a relatively low elderly population. The aged population (people over 65) was 7.1% in 1970 (compared to 13.7% in Sweden, 13.6% in West Germany, 12.9 % in France, 13.0% in the UK, and 9.8% in the US) and 9.1% in 1980 (compared to 16.3% in Sweden, 15.6% in West Germany, 14.0% in France, 14.9% in the UK, and 11.3% in the US).

### 3. Crisis in the Postwar System

The period after 1990 saw the conditions preferable for economic growth dwindle. Since the 1990s, the Japanese welfare state has faced certain difficulties. The most pressing difficulties involve both a rapidly aging population and a stagnant economy, as they threaten the sustainability of the welfare state. How to suppress the increasing costs of social security for a rapidly aging population is a crucial challenge in the age of neo-liberalism. This section describes the decline of the postwar system and how it affected people's lives.

#### The End of Economic Growth and the Enduring Slump

In the early 1990s, the economic bubble burst, and Japan entered a long economic slump. Some well-known corporations went bankrupt in the late 1990s. The number of bankruptcies, fewer than 10,000 in 1989 and 1990, increased to more than 19,000 in 2001. The unemployment rate had long been below 3% but exceeded that rate in 1995 and it remained over 3% until 2016. At its peak in 2002, it rose to 5.36%, and in 2009, it still remained as high as 5.09%. The active job-opening ratio was 1.40 in 1990 and 1991 but was less than 0.6 in 1998–2002 and 2009–2010. Finding a job, especially a regular one, became a difficult task. The annual number of suicides suddenly jumped from 24,000 in 1997 to 33,000 in 1998, and remained over 30,000 until 2011.

In a globalized economy and an increasingly competitive global market, many corporations tried to survive by cutting labor costs. A well-known report by the Japanese Federation of Employers' Association titled "Japanese-style Management in the New Era" (1995) recommended reducing the number of regular staff and replacing them with casual workers (Nihon Keieisha Dantai Renmei 1995). Dispatched workers who had long been prohibited by the Employment Security Law (1947) were partially legalized by the Worker Dispatching Law in 1985 for some professions with exceptionally high skilled jobs. Thereafter, the law was deregulated again and again, and dispatched workers were finally legalized in the manufacturing industry in 2004. In 1984, irregular workers consisted of 15.3% of the labor force. It increased to 20.3% in 1990, 26.0% in 2000, and 37.2% in 2017 (Sōmushō, *Rōdoryoku Chōsa* [Labour Force Survey]).

The shrinking regular workforce led to weakened labor unions, which in turn helped the further development of neo-liberal tendencies. In 2009, only 23% of trade unions accepted part-time workers as members (*Mainichi Shimbun*, 2009.7.18).

Deteriorating job quality with low remuneration and high job instability brought about by a strategy of cutting labor costs backfired on the corporate management system in the form of stagnated domestic consumption. Nevertheless, advocates of the "reform" attributed the low productivity of Japanese industries to the weaknesses of the reform.

In 1990, public works still supported the economy by creating more employment than ever. They provided a kind of safety net in economically stagnated areas.

But when the neo-liberal prime minister Jun'ichirō Koizumi took office in 2001, the budget for public works started to decline. It did not recover under the government of Democratic Party of Japan (DPJ) (2009–2012) which was more liberal and positive in terms of intervening in the economy. The DPJ's influential slogan during the 2009 general election was "From Concrete to

People,” which meant a shift of government expenditure from public works (which uses a huge amount of concrete for the construction of roads, dams, bridges, and other public facilities) to social security and welfare. The overall number of construction industry workers, which had reached 6.85 million at its peak in 1997, dropped to 4.92 million in 2016. The Large-Scale Retail Store Law, which had protected small local shops, was abandoned in 2000. As this deregulation allowed large-scale shops to open in areas where they had been prohibited, small local shops were forced to engage in competition with strong new companies. Shopping streets lined with multiple shuttered shops emerged in some small- and medium-sized cities. The neo-liberal reform had a negative impact on the concept of “welfare through work.”

### **The Collapse of the Myth of the Egalitarian Society**

Meanwhile, the poverty rate increased from 12% in 1985 to 16.1% in 2012. The poverty line (half of the median income) has declined from 1.49 million yen in 1997, when the poverty rate was 14.6%, to 1.22 million yen in 2016. This means that those whose income fell short of the poverty line grew, although the poverty line lowered.

With an increased number of irregular workers and an exhausted rural economy, poverty and inequality attracted much attention in the 2000s. At the turn of the century, books by influential economists and sociologists stated that Japan was an “income gap society” or “inequality society” and these became bestsellers (Tachibanaki 1998; Satō 2000). In fact, the Japanese term for “income gap society,” *kakusa shakai*, was chosen as one of the top 10 buzz words of 2006. “Net-café refugee,” which refers to homeless people who take refuge in internet cafés, was chosen in 2007. A well-known scholar on poverty stated in 2010 that due to anti-poverty movements and the worldwide depression, poverty discourse in Japan had completely changed over the last three years. He said that both “poverty” and “public assistance” had become socially shared words (Aoki 2010).

A survey of 20 countries by the BBC and the *Yomiuri Shimbun* found that 72 percent of Japanese people considered their society to be unequal, the sixth-highest figure in the group. *Yomiuri* reported that only 16 percent of Japanese citizens still considered Japan to be an egalitarian society (*Yomiuri Shimbun*, 2009.9.22). The spread of poverty and a widening income gap attracted increasing popular attention and signified the end of the reputed postwar egalitarian society.

The influence of neo-liberal values generated greater tolerance for income inequality. For example, according to an opinion poll conducted by the government, those who think “less inequality of income and assets is important” dropped about 10 points between the 1980s and the 2000s (Naikakufu, *Kokumin Seikatsu Senkōdo Chōsa* [Survey on Preferences of Peoples’ Lives]). Government attitudes toward neo-liberalism became obvious during the period of the Koizumi Administration (2001–2006), whose policies openly sought to deregulate labor markets and cut budgets of employment policies such as public work programs.

Under the economic hardships, however, the pendulum of public opinion gradually swung away from neo-liberalism and back toward egalitarian values which we will examine in more detail later.



### The Collapse of the Familialist Scenario

Another challenge for the Japanese welfare state is changes in demography and family structure. The historically rapid rate of population aging necessitates measures to prepare for the coming super-aged society. Although Japan had been seen as a small welfare state, spending on social security increased as population aging progressed. Social expenditure in 2016 was 2.3 times larger than that of 1990. However, successive reductions in the costs of pensions and healthcare have been implemented since the 1980s. It could be said that the Japanese welfare state is still small when the level of population aging is taken into consideration (An, Lin and Shinkawa 2015). The average growth rate of social expenditure in the 1990s was 5.7%, whereas from 2010 to 2016 it was 1.9%.

Demographic transition made the strategy of using family as a tool for reducing public spending impracticable. Low fertility, an aging population, and fewer marriages have changed the structure of Japanese families to some extent. Single-person households are now the most prevalent household type. The lifetime unmarried rate of men and women in 2015 were 23.4% and 14.1% respectively. The number of elderly people living with their children, which the Japanese-style Welfare Society took for granted, has decreased. In 1986, in households with members over 65 years or more, elderly people living with their children numbered 64.3%. However, the figure dropped to 35.9% in 2019 (Kōseirōdōshō, *Kokumin Seikatsu Kiso Chōsa* [Basic Survey on people's lives] 2019). A new term, “rōrō kaigo,” or “elderly care by elderly family members” was coined. Contrary to the expectation of a familialist scenario, Japanese families are now quite fragile and unreliable. The government is now well aware that Japanese society cannot rely on “families” as they would have done decades ago. The introduction of insurance for elderly care in 2000 demonstrates the abandonment of the “Japanese-style Welfare Society.”

## 4. New Challenges and Attempts to Transform the Conventional Welfare State

In the face of the difficulties stated above, the Japanese welfare state was forced to make certain changes. This section describes the reforms initiated by the Japanese welfare state after the 1990s (and the difficulties in transforming the conventional model).

Not only Japan but other advanced societies have faced crises in the postwar system. The reorganization of the welfare state became a common topic among advanced countries after the 1990s. Oft-cited themes are new social risks and the social investment state. Some contrast workfare vs. activation, whereas others contrast workfare vs. basic income as alternatives for the new era.

However, one of the world's largest aging populations and its continuous expansion in the foreseeable future with stagnating revenue conditioned the courses of reorganization. As maintaining the sustainability of the welfare state is an absolute priority, measures such as repressing increases in social spending, discovering new financial resources, and activating potential labor forces have been considered as crucial.

However, under the climate of cost-cutting, the Japanese welfare state has also experienced some new developments since the 1990s. Low fertility suddenly emerged as a social problem in

1990. Although childrearing had long been deemed the responsibility of families, support for families with children was established as a new policy field against the background of the population crisis. Long-term care insurance for the elderly was introduced in 2000. Youths and adolescents also became the targets of social policies (Toivonen 2013).

Initiating new policies under fiscal constraints necessitates finding new revenue sources. Therefore, in addition to restricting government spending, financial resources for welfare need to be discovered. A consumption tax came to the fore as the main candidate. As the politics of the consumption tax will be discussed in the section 6, I will now explain the problem of the declining fertility rate and the issue of childcare as a new policy field. This theme is closely related to the common remedy during this era, namely the activation of women.

### **Low Fertility as a New Theme and Employment for All**

The flipside of the aging population is that fewer children are being born at an appropriate replacement rate. Low fertility suddenly appeared as a serious social problem in June 1990, when the total fertility rate (TFR) of the previous year was publicly announced. Unlike population aging, which had been recognized as problematic for decades, low fertility is completely new to ordinary people. This historically low TFR of 1.57 announced in 1990 produced a kind of panic known as the “1.57 shock.” In order to maintain the current population level, a TFR of 2.07 is necessary.

Since then, the Japanese welfare state has added a new menu of *shōshika taisaku*, or “measures for the low fertility problem.” A new word, *shōshika* (“declining birth rate”) was even coined in the 1990s. Low fertility, which had emerged as a new policy field, has brought in a series of policies since then. When the public noticed that the number of newborn babies was decreasing in 1990, some politicians and executives of major corporations attributed it to women’s “excessive” participation in the labor force or enrollment in higher education.

However, this misunderstanding was soon corrected. Rather than lamenting women’s participation in the labor force, the necessity to provide support for families with small children so they could handle both jobs and raising children (*ryoritsu-shien*) soon became obvious.

A parental leave law was introduced in 1992. Meeting the demands for nursery schools has been recognized as one of the most important policies affecting families with small children. Prime Minister Jun’ichirō Koizumi launched a new policy named “Operation for Zero Waiting Children” in 2001. *Waiting children* here means those who are on the waiting list for nursery schools. Although almost all administrations since then have tackled this problem over the last two decades, the waiting list is still long in many urban areas. Despite the increased capacity of nursery schools each year, the number of waiting children has often increased as well. New supply generates new demands at the moment.

This population crisis added a new direction to policy discourse. As the labor supply of mothers is expected to increase, contemporary fathers are encouraged to participate in childrearing. As childcare had long been deemed to be the responsibility of mothers, this new idea would not have emerged outside the context of the low fertility problem.

Despite the varieties of new measures for children, the TFR kept decreasing to its lowest point,



1.26, in 2005. Thereafter, it increased slightly. However, the number of newborn babies is continuously decreasing as women in the biggest cohort (the second-wave baby boomers born in the early to mid-1970s) are now in their forties. Although the TFR of 1.43 in 2017 was higher than that of 2007 (1.34), the number of newborn babies decreased from 1.09 million in 2007 to a low of 950,000 in the same ten years.

Therefore, the government was forced to shift its emphasis from increasing the fertility rate to activating the potential labor force (Horie 2009). Promising candidates were housewives, the elderly, and immigrants. Even the very conservative Prime Minister, Shinzō Abe, made the activation of women the first priority of his administration's strategy for economic growth, even though he had heavily criticized gender equality policies before being elected prime minister. He even introduced an immigrant labor force in spite of his political beliefs as a nationalist (although he does not call it an immigration policy). It is quite obvious that meeting the demands of the labor market is indispensable for economic growth. Therefore, conservative politicians switched their stance by blurring the inconsistencies with past attitudes. Abe not only kept denying that his new policies were related to "immigration", but he also tried to activate women by avoiding the use of words such as "gender equality" (Horie 2016).

#### **Failure to Transform the Conventional Model**

However, as this activation strategy contradicts the male-breadwinner type welfare state, this new direction demands its transformation. Some governmental council committees have proposed converting taxation or pension systems that are based on households and favorable to single-earner families with a housewife to those based on individuals. However, politicians are hesitant to get rid of the male-breadwinner model.

In the campaign pledge of the 2009 Lower House election, the DPJ proposed the abolition of the married spouses' tax deduction and suggested using the savings for the new child allowance. This deduction had long been criticized for being favorable to single-earner couples. Although the DPJ was more inclined toward a "gender equality society" than the LDP, they were afraid of being punished by housewives at the coming election and could not decide to abolish the deduction (Horie 2012a).

LDP's Abe Administration, in contrast, stuck with the male-breadwinner model and promised to protect the married spouses' tax deduction until the electoral pledge of the Upper House election in 2013. However, as Abe's strategy for economic growth includes the activation of women in the workforce as its centerpiece, his administration also had to take tax reform into consideration. Abe's intention was to increase the labor supply rather than to fulfill gender equality. Some governmental committees proposed abolishing the tax deduction for spouses during the Abe era. Finally, Abe instructed a reexamination of this system in 2014. Nonetheless, faced with opposition from inside his party, Abe did not take the initiative of the tax reform. As for the pension system being favorable to male-breadwinner types of households, the situation was quite similar (Horie 2016). Thus, activating women has not yet accompanied the transformation of the old system.

## 5. Welfare Politics in the Age of Neo-liberalism

This section examines how politics developed in relation to the welfare reforms mentioned above. During the Cold War era, the different parties were divided by policies relating to national security and the Constitution. Economic and social policies seldom became central issues in elections (Ōtake 1999). However, the situation has changed in the past two decades. Social security and the consumption tax that funds it have increasingly been debated during recent electoral campaigns.

We have experienced the phenomenal boom of the “reform” that aimed to dismantle the conventional postwar system from around the late 1990s. However, as people became aware of the downsides of the “reform,” widespread criticism has emerged, and public opinion has shifted more toward an expectation of welfare. We have seen some competition between parties on welfare-related issues from 2000 onward. The consumption tax, as the main financial resource for welfare, has emerged as one of the most important issues in recent elections. I would like to present a line of reasoning that the main battlefield in welfare politics today is the debate over the consumption tax. In order to provide a better understanding of this, the complex nature of the attitudes of the electorate toward welfare also needs to be examined.

### The Age of Structural Reform

From the early 1990s onward, as noted in section two, the Japanese economy has been suffering from a protracted slump. Average household income peaked in 1997, and wages and salaries have since been stuck at the levels of 20 years ago. It is often highlighted that what brought about these “lost two decades” is the inability of Japanese society to transform the “postwar system.” Since the 1990s, neo-liberal reform (*kaikaku*) has been frequently advocated as a remedy, and difficulties have been interpreted as insufficient achievements of the “reform.”

This era is often characterized by neo-liberalism. The word “deregulation” was chosen as one of the top ten buzz words of 1993. In 1995, the LDP’s new platform put forward the appeal of a “small government.” In 1996, the Ryūtarō Hashimoto Administration (1996–1998) issued the statement of the Six Reforms (Administration, Fiscal Structure, Social Security Structure, Economic Structure, Financial System, and Education) that exemplified neo-liberal goals.

The reform discourse diagnosed a persistent lack of efficiency in the conventional system owing to the protection of vested interests and that stimulating competition by opening the door to new entries could make the entire system more efficient. However, after the financial crash in 1997, Hashimoto’s successor, Keizō Obuchi (1998–2000), embarked on a massive spending policy to boost the economy. Public works expanded in order to support the exhausted rural economy. As the fiscal deficit increased, Obuchi ridiculed himself as “the Debt King of the World.”

Jun’ichirō Koizumi, who was elected prime minister in 2001 and had a long tenure to 2006, was a typically neo-liberal politician. His mantra was “What can be done by the private sector should be done by the private sector.” He called those who were against his neo-liberal “Structural Reform” *Teiko Seiryoku*, or the “resistance force.” Just before Koizumi took power, the ruling LDP was fairly unpopular due to long-standing corruption, collusion with industry, and wasteful use of

the state budget to maintain power. “Welfare through work” was seen as its important policy as it created jobs politically by cutting efficiency. Koizumi’s widely applauded slogan, “Destroy the LDP” was actually designed to transform the socio-economic structure that was the integral basis of the LDP’s historically long one-party dominant regime. *Teiko Seiryoku* was actually the conventional support base of the LDP.

In Japan, Prime Minister Yasuhiro Nakasone (1982–1987), a contemporary of Margaret Thatcher and Ronald Reagan, is often mentioned as a representative neo-liberal politician. Nakasone was an advocate of *minkatsu*, “private sector energy,” and implemented the privatization of the Japanese National Railway, the Nippon Telegraph and Telephone Public Corporation, and the Japan Tobacco and Salt Public Corporation. However, it could be said that the truly neo-liberal reformer in Japanese politics was Koizumi, rather than Nakasone, as Nakasone did not undertake a structural reform of the Japanese employment regime. One of the important aims of his privatization policy was to weaken the trade union of the national railway workers, which provided a strong support base for the Japan Socialist Party. In contrast, the cornerstone of Koizumi’s Structural Reform was to privatize the National Postal Service. The organization of postmasters and their families has been one of the most influential support bases of the LDP. Koizumi’s intention was to capture the growing independent voters with no party affiliation through fighting the LDP’s support base. Privatizing the postal services is symbolic of the conversion from the postwar system with its prominent “welfare through work” mechanism as the less productive rural economy was abandoned.

There are many reasons why this “reform” was introduced and widely accepted. First, in an increasingly globalized economy, the conventional employment regime was becoming more and more expensive. “Welfare through work,” as a functional equivalent, was particularly vulnerable to globalization, as it sacrificed efficiency and competitiveness (Miyamoto 2008).

Second, the electoral reform of the 1990s had changed politicians’ incentives. Under the new system, the main pillar of which was the single-member constituency system, candidates had reason to appeal to a wider electorate than under the former multi-member constituency system. As targeting a small part of a district does not promise an electoral win under the new system, candidates need to propose more general policies (Tatebayashi 2004).

One survey on election campaign pledges reveals that the significance of “local regions” *chiiki* as targets of election promises decreased in the 2000s compared to the 1990s. In terms of the policy fields referred to in campaign pledges, policies related to the Ministry of Land, Infrastructure, Transport and Tourism also decreased (Shinada 2011). Therefore, politicians’ attitudes are shifting toward appealing to the general public from particular sectors of a district.

Although Construction and Agriculture had long been the most popular committees of the Diet among MPs of the LDP, after the Lower House election in 2005, the committee on Health, Labor, and Welfare was the most sought-after committee among newly elected MPs (*Asahi Shimbun*, 2005.11.22).

When the financial deficit emerged as a public concern in the 1970s, the expanding cost of social security, not public works, tended to be blamed as the root cause of fiscal rigidity (Shinkawa 2005).

In contrast, public works became quite unpopular in the 2000s. One survey conducted in 2006 reveals that about 80% of respondents had a negative perception of public work (Kokudokōtsūshō, *Intānetto o Katsuyō shita Kōkyōjigyō nikansuru Kokumin ishikichōsa* [Internet Survey on People's Opinion on Public Works] 2006). According to another survey, which was conducted in 2005, 63.7% of respondents agreed with increasing government spending on social security, whereas only 15.2% agreed on increasing spending on public works (Tachibanaki 2007). It is not surprising that politicians' behavior would reflect the preference of the electorate. The process of "From Concrete to People" had already started before the DPJ took power.

In order to counter Koizumi's highly popular reforms, the opposition DPJ also demonstrated a pro-reform attitude. Just after Koizumi's inauguration as prime minister in 2001, Yukio Hatoyama, the DPJ leader, praised Koizumi's reforms in a stand against Teikō Seiryoku and called out to Koizumi for "Reform Competition." In 2005, when Koizumi dissolved the Lower House in order to ask the electorates' opinion regarding his idea to privatize the National Postal Services, the DPJ's manifesto for the general election promised a thorough downsizing of the postal bank (*yūcho*) and postal insurance (*kampo*) operated by public postal agencies. Other than that, the main "promises" contained in the DPJ's manifesto included reducing the national budget by 10 trillion yen over three years by, for example, reducing 80 MPs from the Lower House, abolishing pensions for MPs, and reducing labor costs for government officials by 20%. However, as "reform" is more closely related to Koizumi among the electorate, it is a bad idea for the DPJ to compete with the LDP in terms of "reform." The LDP won a landslide victory in the general election of 2005 which has been remembered as a "Postal Election" since then.

### **From Structural Reform to the People's Livelihood**

The downsides of Koizumi's reforms soon become evident. As we have seen, the rural economy was exhausted owing to deregulation and subsidy reform. As public interest in poverty and inequality came to the fore, the political climate started to change. The theme of party competition changed from neo-liberal "reform" to restoring people's lives through both the welfare regime and the employment regime.

Ichirō Ozawa, the leader of the DPJ, invoked the slogan "People's Livelihood First" in 2007 and insisted on redistribution, not only through the social security system but also through the employment regime for rural areas and less-developed sectors of the economy. The latter was, of course, made up of the LDP's conventional measures. This signified an apparent rupture from competition on neo-liberal "reform."

In 2007, Koizumi's successor, Shinzō Abe (the first term, 2006–2007) lost the Upper House election, and the LDP lost the majority. An analysis of the LDP's report mentioned "the revolt of the rural areas" as the cause of the defeat where the LDP had once been strong. According to that report, those areas could not withstand the difficulties caused by the Structural Reform. It also highlighted the weakening support base of the party, namely "friendly" organizations (*Jiyūminshutō* 2007). The Structural Reform certainly dismantled the social order on which the LDP's long-standing rule had been based. Notice that this was a natural outcome of what Koizumi

had intended.

In the survey on the executives of 47 LDP prefectural branches in 2009, only six agreed that the LDP should continue to pursue Koizumi's Structural Reform in the coming general election, whereas 26 chose a "conversion from it," and the remaining 15 provided either other answers or no answer (*Asahi Shimbun*, 2009.2.19).

In the 2009 general election, the DPJ publicized a manifesto focusing on "Politics for Life." It promoted a monthly child allowance of ¥26,000 without an income limit, free high school tuition, allowances for job seekers, and other such policies. While maintaining the position of "reform," the DPJ sought to emphasize redistribution.

The well-known slogan, "From Concrete to People" is literally a manifestation of this new orientation, namely in that it switches resources from public works to social security and welfare. The DPJ aimed to use this slogan to appeal to independent voters living in urban areas by differentiating themselves from the LDP, which was notorious for its collusion with industry. Therefore, we could say that the DPJ continued the hostility to the old employment regime symbolized by public works after Koizumi's neo-liberal reforms.

However, considering the damage to the rural economy which had been buttressed by the employment regime under the LDP's rule, these new measures were far from satisfactory. Nevertheless, the DPJ did not offer an alternative employment regime (Miura and Miyamoto 2014). Thus, the DPJ's administration failed to establish a stable foundation and lasted for only three years.

### **Social Security and Welfare as Election Issues**

Contrary to the politics of "the 1955 Regime" up to 1993, we have witnessed that social security and welfare have frequently been issues in elections in the last two decades or so. The Upper House election of 2004, when the DPJ proposed a new pension system, is often mentioned as the first time the Japanese social security program became an election issue. As we have seen, the DPJ tried to appeal to the electorate in 2009 during the Lower House election by converting the old employment regime ("concrete") to the new welfare regime. In 2017, Seiji Maehara, the leader of the Minshintō (the successor of the DPJ), announced a new policy called "All for All." The main idea was to raise the consumption tax in order to improve education and social security services. Although the consumption tax has often been criticized as being regressive, it is proof of the fact that its contribution derives from "all."

Prime Minister Shinzō Abe copied Maehara's proposal and dissolved the Lower House, saying that both the threat of missiles from North Korea and the declining birth rate and rapid population aging were "perils to the nation." Therefore, the consumption tax needed to be raised to be used for education and public childcare and make the social security system work for all generations, not just for elderly people. Abe took advantage of Maehara's proposal and successfully erased the differences between the policies of both parties.

Thus, welfare and social security emerged as election issues for party competition. According to the content analysis of candidates' promises during campaigns in the general elections of the

2000s, candidates most often referred to policy fields relating to the Ministry of Health and Welfare: 14.5% (2000), 14.4% (2003), 16.4% (2005), and 21.6% (2009). In particular, these references increased about five points in the 2009 election (Shinada 2011).

### The Electorate's Opinion of Welfare

To understand the background, it is essential to briefly examine the electorate's attitude to welfare. According to public opinion polls, support for welfare and social security has increased over time (Naikakufu, *Kokumin Seikatsu nikansuru Yoronchōsa* [Public Opinion Poll on People's Livelihood]). Analyses of opinion polls conducted since the 1950s (unfortunately, the wording of questionnaires and alternatives have not remained the same throughout) reveal that there has been a steady increase in the number of Japanese citizens who mention social security and welfare as an expectation of the government. In the early 21<sup>st</sup> century, public opinion is more in favor of welfare than it has been at any other time (Horie 2017).

The reasons are easy to identify. First, poverty and inequality among nations have spread and people have become more aware of the issues during this century. Second, as the population has increasingly aged, the number of elderly people who are prone to benefit from the welfare state has increased. Third, the safety net system known as "welfare through work" was badly damaged earlier this century. The collapse of the "functional equivalent" to social welfare has necessitated social welfare itself. Finally, Japanese society cannot rely on families as it did in the past. The demise of the conventional Japanese welfare state based on work and family has enhanced public expectations of the welfare state (Horie 2017).

As stated earlier, this period is often characterized by neo-liberalism, which was quite popular during Koizumi's Structural Reform. However, according to opinion polls, support for neo-liberal reforms does not contradict support for welfare. Rather, the electorate favored both at the same time. For example, support for welfare has coexisted along with the distrust of public administration (Yamaguchi and Miyamoto 2008).

Although the child allowance was often seen as the main policy of the DPJ's 2009 election campaign, it was not so popular among the electorate (Horie 2012a). Therefore, the DPJ soon had to tone down its support for the measure when the LDP fiercely criticized it as *baramaki*, or "electoral pork-barrel" policies. In comparison, one of the most popular policies of the DPJ administration was *Jigyō-shiwake*, a public ceremony arranged around an assortment of governmental activities aiming to discover and eliminate the wasteful activities of the government and the public sector.

On the other hand, people's opinions of taxation are not as harsh as many politicians imagine. It is widely assumed that "public opinion" is selfish and short-sighted, and thus always in favor of more welfare but less taxes. Contrary to this common understanding, the Japanese electorate became more and more tolerant of raises in the consumption tax between the 1990s and the 2000s if the money was used for welfare and social security (Horie 2012b).

According to another opinion poll, which was conducted over a long period of time, the largest number of people almost always chose "national finance" as the "field going in the wrong



direction.” Around 32–33% of respondents chose “national finance” in 2006 and 2007, but thereafter, it increased steeply and reached 55.7% in 2011 and 54.9% in 2012 (Naikakufu, *Shakai Ishiki nikansuru Yoronchōsa* [Public Opinion Poll on Social Consciousness]). That was the background to the argument regarding the rise in consumption tax. Stagnant revenue and growing expenditure drawn on a line graph are sometimes called an “alligator’s mouth.” It is quite well-known, even among ordinary citizens, that Japanese public finance is in a serious state. According to an announcement by the International Monetary Fund (IMF) in 2020, Japan’s outstanding government debt has been as high as 266% of GDP, which is by far the largest among advanced countries. The second highest among the G7 countries, after Japan, is Italy whose government debt is 161% of GDP (*Nihon Keizai Shimbun*, 2020.12.25).

Some politicians are well aware of the shifting opinions among the electorate. Citing the opinion poll conducted by the LDP in 2001, Tarō Asō repeatedly stated that the electorate has accepted a consumption tax of 10% as long as it is used for social security. However, the electorate’s opinion is not so constant. Rather, opinion on consumption tax fluctuates quite quickly. For example, at the time of the Upper House election in 2010, approval for a tax raise dropped by 14 points in a month. It is thought to be caused by the appeal of the Minna-no-tō (Our Party), a new anti-tax party, who thinks that raising tax is not necessary at all (Horie 2012b). The next section explains how the political parties have tried to raise consumption tax.

## 6. Consumption Tax as a Financial Resource

### Politics on Consumption Tax

Political parties are now facing fiscal constraints and people’s preference for welfare at the same time. Japan’s rapidly aging population necessitates an annual increase in spending on social security of 1 trillion yen (“natural increase”). As such, the consumption tax has come to the forefront of the political scene.

As the possibility of a change in government became realistic in the 2000s and electoral manifestos have become quite popular since the Lower House election in 2003, politicians and political parties have been required to mention financial resources when proposing new policies. Electoral manifestos were newly introduced to the Japanese political scene and were understood as something different from previous election pledges, which were usually simply wishful thinking, as manifestos are expected to contain sources of revenue and time limits for policies. Proposing new policies without referring to financial resources (including limiting some of the existing programs) would be criticized as “*baramaki*.” A total of 689 articles of *Asahi Shimbun* contained “*baramaki*” in the 1990s. However, it increased to 1488 in the 2000s, and then dropped to 864 in 2010s in spite of the LDP’s ardent criticism of the DPJ’s administration and its “from Concrete to People” policies.

Small leftist parties, such as the Japanese Communist Party and the Social Democratic Party, have consistently opposed raising the consumption tax owing to its regressive nature. They are in favor of taxing large-scale corporations and higher-income earners more. However, these arguments are increasingly marginalized in the mainstream policy debate. Rather than taxing

large-scale corporations, mainstream policy-makers have attempted to *reduce* the corporate tax. As other sources of revenue are virtually excluded, options for raising financial resources have been restricted to either raising the consumption tax or not raising it.

In 2011, Rengō, the Japanese Trade Union Confederation, which had been against consumption tax since its establishment in the 1980s, finally agreed to support a raise in order to sustain the welfare state. According to the survey of candidates for the 2014 general election, the average positions of all the parties, except for the JCP, the SDP, and Kōfuku Jitsugen-tō (which would achieve no seats), were closer to “agree” than to “disagree” on raising the consumption tax above 10% in the long run (*Asahi Shimbun*, 2014.12.3).

A survey conducted on both economists and ordinary people reveals that economists tend to have more belief than ordinary people that the consumption tax is necessary and is preferable to a higher tax rate (Umeda, Kawamoto, and Horie 2018). Also, major Tokyo newspapers unanimously agreed to the “Three-Party Agreement” between the DPJ, the LDP, and Kōmeitō (a junior partner of the LDP in the coalition government since 1999) in 2012 to raise the consumption tax to preserve social security. It could be said that a consensus on raising the consumption tax has taken root among policy insiders. However, this is not the case for ordinary citizens. That is why apparent approval in opinion polls to raise the consumption tax shrank so easily when anti-tax parties like Minna-no-tō proclaimed that raising tax is not necessary (Horie 2012b).

### **Brief History of Consumption Tax Politics**

Introducing or raising the consumption tax has been a difficult task for past administrations. In 1979, Prime Minister Masayoshi Ōhira (1978–1980) tried to introduce a consumption tax and lost the general election. The administration of his successor, Zenkō Suzuki (1980–1982), was dominated by the idea of “fiscal reconstruction without tax increases.”

Yasuhiro Nakasone won a landslide victory in a simultaneous election of both the Upper and Lower Houses in 1986 by denying the introduction of the consumption tax. However, when he submitted the consumption tax bill to the Diet, thus violating his electoral promises, the LDP lost subsequent local and supplementary elections, and Nakasone finally abandoned the bill. Prime Minister Noboru Takeshita (1987–1989) managed to succeed in introducing a 3% consumption tax in 1989. However, after he was forced to resign after the Recruit bribery scandal, the LDP suffered a terrible defeat in the Upper House election in 1989 and lost the majority of one House for the first time in history. This episode is remembered as a traumatic experience for the party.

The Morihiro Hosokawa Administration of the non-LDP coalition (1993–1994) proposed a consumption tax raise to 7% for the purpose of funding welfare programs in 1994. Faced with fierce opposition, Hosokawa withdrew his proposal immediately after the announcement. Finally, Prime Minister Tomiichi Murayama’s administration (a coalition government by the LDP, the Socialist Party of Japan, and the New Party Sakigake, 1994–1996) decided to raise the consumption tax to 5%. Ironically, Murayama was the leader of the Socialist Party, which had been the party most fiercely opposed to the consumption tax (when it was actually raised in 1997, the prime minister was Ryūtarō Hashimoto of the LDP).

Koizumi was quite popular and held the office of prime minister for more than five years. However, he declared that he would not raise the consumption tax during his term in office due to his neo-liberal creed.

In 2007, the opposition leader Ichirō Ozawa of the DPJ proposed forming a grand coalition with Prime Minister Yasuo Fukuda of the LDP, who was suffering from losing the majority in the Upper House. It is reported that Ozawa's intention to form the grand coalition was to raise the consumption tax. He told Fukuda that it was an undesirable situation that the party that proposed a consumption tax raise would lose the election. Therefore, he proposed to cooperate with the LDP in raising taxes (*Asahi Shimbun*, 2010.9.29; *Nihon Keizai Shimbun*, 2011.10.6, evening). However, Ozawa's idea was turned down by his party colleagues, and the grand coalition was not established.

At the Upper House election in 2010, when the opposition LDP's manifesto mentioned raising the consumption tax to 10%, Prime Minister Naoto Kan of the DPJ tried to take advantage of it. As Kan had previously served as Minister of Finance when the sovereign debt crisis in Greece had erupted, he had learned a lesson about the risk of having a gigantic national debt. Therefore, he thought that raising the consumption tax was inevitable, as the amount of Japan's national deficit as a share of GDP was larger than that of Greece.

Kan's announcement on the consumption tax raise was seen as too abrupt and was disapproved of by the electorate. The DPJ was defeated in the election and lost the majority of the Upper House. A survey conducted of the executives of the prefectural branches of the DPJ showed that 25 out of 47 considered "Kan's announcement on raising consumption tax to 10%" as the primary cause for the defeat in the election (*Asahi Shimbun*, 2010.7.20).

Kan's successor, Yoshihiko Noda, had also been Minister of Finance, and he ardently sought to raise the consumption tax as well. However, this goal sparked a serious dispute within the DPJ that ultimately resulted in the party splitting. In 2012, Noda successfully made an agreement with the opposition LDP and the Kōmeitō to raise the consumption tax to 8% in April 2014 and to 10% in October 2015. However, the DPJ lost power in the general election in 2012. The party split caused by the disputes over the consumption tax made the defeat even more disastrous.

This "Three-Party Agreement" aimed to avoid punishment from the electorate concentrating on the initiators of the tax raise. Sharing responsibility with rival parties is a blame avoidance technique that was expected to be successful. However, after raising the consumption tax to 8%, as scheduled in 2014, Shinzō Abe of the LDP, who returned to office after the election of December 2012, twice postponed the second scheduled tax raise to 10%. It turned out that "the Three-Party Agreement" was quite fragile and could easily be broken when the party in power betrayed it. Abe was supported by economists of the Reflation School who insisted on issuing more currency and advocated that government debt is not such a serious problem. Therefore, he did not seem to be interested in the reconstruction of public finance. Reference by newspapers to both "fiscal deficit" and "fiscal reconstruction" have dropped sharply since the start of Abe's Administration (Horie 2018). On the other hand, we could say that the DPJ administration took the financial crisis more seriously and had to stick to the consumption tax contrary to the public image that the DPJ

tended to favor lax finances.

The attitudes of candidates in the LDP, the DPJ, and Kōmeitō toward increasing the consumption tax rate changed between the Lower House election in 2012 and the Upper House election in 2013. “Agree” dropped from 83% to 72% among the LDP, 87% to 57% among the DPJ, and 91% to 60% among the Kōmeitō, respectively (*Asahi Shimbun*, 2013.7.19).

Meanwhile, newly emerging anti-tax parties such as Minna-no-tō or Nihon-ishin-no-kai (Japan Restoration Party) made rapid progress and threatened the existing major parties. The former obtained 10 seats in the Upper House election in 2010, and the latter obtained 54 seats in the Lower House election in 2012.

However, when Maehara of Minshintō announced his new policy of raising the consumption tax for education and social security, especially for the younger generation in 2017, Abe made his party’s policy similar to that of Maehara’s. Abe finally accomplished “the Three-Party Agreement” on the third occasion and raised the consumption tax to 10 % in 2019. Thanks to Maehara’s initiatives, Abe avoided the electorate’s punishment for raising the consumption tax. On top of that, he even received applause from some of those who were anxious about financial collapse as the only prime minister who raised consumption tax twice, in spite of his reluctance to do so.

#### **Avoiding Punishment by Sharing Risks with Rivals or Avoiding Tax Raises Completely**

Thus far, this chapter has shown four attempts to avoid electoral punishment by sharing risks with rival parties. Let me briefly sum them up.

Ozawa proposed to Fukuda to form the grand coalition of the LDP and the DPJ in order to raise the consumption tax. Kan proposed to raise the consumption tax to 10% to the same level as the LDP had publicized. Noda made an agreement with the LDP and Kōmeitō to raise the tax. Finally, Abe pledged a similar policy to Maehara’s and announced a raise in the tax for education and social security. The strategy of sharing risks so as not to be punished by the electorate is now quite commonplace.

However, the two longest office-holders in this century are Koizumi, who refused to raise the consumption tax, and Abe who broke “the Three-Party Agreement” twice. Therefore, it would be a disincentive for future prime ministers to raise the consumption tax. One executive of the Ministry of Health, Labor and Welfare pointed out that “Politicians have seen that postponement of the consumption tax increase would help to lengthen administrations. How would it affect [the attitudes of future administrations]?” (*Asahi Shimbun*, 2019.4.27).

As stated earlier, the fiscal crisis and the huge amount of national debt have become less-frequently discussed since the Abe Administration’s reflational economic policy named “Abenomics” enjoyed popularity. Having raised the consumption tax to 10%, it is improbable that it will be raised again in the near future. During the crisis of the pandemic in 2020, even the idea of lowering it temporarily has been widely discussed.

## **6. Conclusion**

This paper has focused on the transformation of Japanese welfare politics after the collapse of the

“postwar system.”

It is now a long time since the heyday of the Japanese economy and various endeavors to restore the economy have been carried out since then. During the long period of the economic slump, we have also witnessed an aging population and a decreasing number of newborn babies. Under these difficult conditions, parties and politicians have been forced to find new financial resources for social policies. The consumption tax has been one of the most important issues of welfare politics during the last two decades.

The reform of the election system in the 1990s, along with the end of the Cold War, brought changes in the party system and party competition in Japanese politics. During the period of the Koizumi Administration, both the LDP and the opposition tried to appeal to the electorate through an attitude of “reform,” namely to combat bureaucracy and vested interests (Teikō Seiryoku) and to eliminate the government’s wasteful spending. However, it has become more and more evident since the 2000s, especially after the Lehman Shock in 2008, that cutbacks labeled as “reforms” is not a remedy.

As people became more aware of the increase in irregular workers and damage to the rural economy, expectations of government were revived. As the necessity to find more financial resources became obvious, the consumption tax became one of the most promising candidates and has been one of the most central themes of welfare politics since 2000. As advocating tax rises threatens the survival of politicians and political parties, it is often proposed cautiously in a way that will avoid punishment. Risk-sharing with rival parties has been a frequently used strategy.

However, the DPJ government, especially the Kan and Noda Administrations, stuck to raising the consumption tax and the party split, which happened as a result, caused the disastrous defeat in the general election of 2012. Rather than increasing the consumption tax, the Abe Administration (the second term, 2012–2020) favored encouraging the potential labor force to become more active in the labor market.

We are now facing completely new situations caused by the Covid-19 pandemic since 2020. The financial resources to sustain people’s lives will inevitably increase more than before, however, the strategy of encouraging as many people as possible into the labor force will be largely restricted. How welfare politics will develop in this new era is yet to be seen.

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