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Neoliberalism, risk, and spatial governance in the developmental state: Japanese planning in the global economy

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Neoliberalism, Risk, and Spatial Governance in the Developmental State: Japanese Planning in the Global Economy

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Although neoliberalism seems diametrically opposed to the Developmental State ideology at first glance, actually-existing Developmental States in East Asia have vigorously applied neoliberal logic to their planning policy during the last two decades. This paper follows Japan's neoliberal planning strategy between 1980 and 2007, analyzing its rationale, practice, and impacts on society. The impacts of Japan's neoliberal reforms remind us that the market economy requires a significant amount of state supervision and regulatory controls to protect the public from the kind of risk it generates. Furthermore, Japan's experience also illustrates how the concept of "risk" is not neutral in policymaking.

Introduction

The free market economy is based on strong property rights and individual freedom (to make choices) under the rule of law. Neoliberal theory champions the free market as the best vehicle to distribute power, wealth, resources, and risk (Harvey 2005). Accordingly, neoliberalists claim that the role of the state, planning policy, or state interventions on land-use should be kept to a minimum. Neoliberalism originated in the United States and the United Kingdom, but then spread broadly, negatively impacting peripheral economies in the 1990s. Neoliberal interventions undermined the already weak planning regulations of late-developed countries, particularly the Asian developmental states (Douglass 2000; Marcotullio 2003). Yet these regimes continue to welcome the free-market revolution and still apply neoliberal principles to their planning systems. The questions therefore are: Why do Asian elites continue to pursue neoliberal planning policies, despite negative consequences in social, environmental, and even economic terms? Why do the citizens of even mature democracies such as Japan appear powerless against forms of neoliberal planning that are likely to deepen social risks?

This paper follows the emergence and expansion of neoliberal planning policy in Japan—which represents a quintessential Developmental State—from 1980 onwards. The paper begins by discussing the development of two state regimes, the Neoliberal State and the Developmental State, which became a major focus of intellectual inquiry in the late 20th century across the globe. The focus of discussion then shifts to the historical

origins of these two types of capitalist regimes, which developed out of contrastive conceptualizations of risk, and carve out different roles for the legislative system in the process of economic modernization. The ensuing narrative of Japan's planning reforms uncovers how neoliberal planning was engineered by global and national elites, what the impacts of neoliberal planning policy in Japan were in the past, and why the market economy itself did not generate a fair and equal society.

The paper argues that the neoliberalized Developmental State departs from the neoliberal paths evidenced in the United States and Europe due to differences in risk consciousness in planning regulations and in legislative principles. These differences led neoliberal planning reforms to produce specific outcomes in Japan: an increase in economic and environmental risks and the deterioration of safety standards. Finally, the paper explains why Japanese elite can still pursue neoliberal planning reforms amid the rising influence of civil organizations on planning policymaking and growing recognition of the disastrous impacts of the reforms on the environment and economy in the past. The paper concludes that Japan's colonial past of "catching up with the West" still affects the discourse of risk in this Developmental State.

Risk in the Market Economy

Although the Neoliberal State and the Developmental State appear diametrically opposed to each other in theory, the two state regimes have profound similarities in their beliefs. First, both regimes believe that continuous expansion of the market economy is unquestionably "good" for society. Whilst the Developmental State intervenes with the market to "guide" economic growth, the Neoliberal State gives incentives to individuals and firms to be active in the market. Second, both regimes are convinced that the market economy is self-regulating through competition, which naturally eliminates "bad" products and behaviors from the market. Whether by providing market players financial incentives such as tax relief (mostly in the Neoliberal State) or by imposing administrative guidance on domestic firms while restricting foreign access to the national market (in the Developmental State), both regimes discourage the tight regulation of businesses that would reduce risks to customers and employees. It is assumed that producers know that fair play increases their profits by helping them gain trust from both groups of actors. Third, if risk exists in the market, individuals (who have made choices) should bear the burden of any misfortune.

However, planning history demonstrates that these assumptions do not hold true in practice. The growth of capitalism has unveiled negative externalities of the market; it has caused environmental degradation and human misery in industrial cities (Engels 2001; Hall 2002). The invisible hand in the market has been shown to be a myth as asymmetric information between owners and users of land has produced persistent inequalities of power, wealth, and resources. Indeed, the genesis of modern planning in the West lies in identifying environmental and social risks in industrial society, and the attempt to conquer these evils caused by the laissez-faire economy (Benevolo 1967; Hall and Ward 1998).

The prototype of the Neoliberal State dates back to the laissez-faire doctrine of in the 18th and 19th centuries, which was instigated by British utopian thinkers and capitalists. This is also a period when the concept of [security and economic] risk emerged in print as different from danger or hazard to human survival, as it has existed throughout human life (Franklin 1998; Giddens 1999, Ch.2; Luhmann 1993, Ch.1). Risk is a thoroughly modern invention to calculate possible danger to human bodies as well as economic security in the future (ibid). The laissez-faire doctrine also suggests that risk can be controlled with appropriate knowledge and technology. English utopian thinkers claimed that the laissez-faire economy was, furthermore, the best system to distribute and manage economic risk among a population (Polanyi 1957). Most importantly, utopians firmly believed that risk belonged to the individuals or private institutions that made the decisions.

The development of science and technology is also conventionally considered a factor that has led to increased risks in modern society, and environmental risk was the first type of risk revealed in the development of 19th century industrial cities. Concerns for public health and pollution caused by intense industrialization and urbanization were then followed by the Great Depression, which exposed flaws in the free market economic logic(Galbraith 1980; Polanyi 1957). Modern developments in law and regulation followed because of attempts to control risk in the market economy (Baldwin and Cane 1996). Simultaneously, tort law was developed from the late 19th century to the 20th century to punish those who cause risk or damage to other parties and to compensate victims, even when the accused does not have an intention to harm the injured parties. Complex regulation of financial markets rapidly expanded during the 20th century to control risks from the ever growing technology and the new financial products (Borio 2004).

While Beck and Giddens believe that the public's anxiety towards fast-growing technologies since the late 19th century have raised awareness of risk in the process towards modernization (Beck and Ritter 1992; Giddens 1998), other scholars state that risk is a highly political concept as well (Althaus 2003; Otway and Thomas 1982). Because the perception of risk is indeed a subjective matter, "demands on politics" will be made when particular risks become shared concerns in a society and then developed into the subject of policy inquiry (Luhmann 1993, Ch.8). Demands on political systems to manage certain risks generate public debate, social movements—even violent ones—and finally legal challenges to injustice. Certainly, modern planning and the formation of the welfare state in the West can be interpreted as a state response to increasing demands on politicians to solve public health problems and to stop urban violence (Benevolo 1967; Jones 1976).

Risk in the Developmental State

While neoliberal planning in the West emerged to manage the financial risks associated with the welfare state in the face of declining state income since the 1970s (Thornley 1991), the rise of neoliberal planning in the Developmental State came in response to foreign pressure to remove unnecessary regulation and administrative guidance to increase "efficiency" of the market mechanism in the Developmental State since

the 1980s (Stiglitz 2002, Harvey 2005). In fact, the conceptualization of risk in the Developmental State, was also initially associated with foreign pressure—the fear of losing sovereignty to the Great Powers of the West in the modern period (Castells 1992; Chatterjee 1993). This has significantly shaped the regional and urban planning cultures of the Developmental State since the late 19th century (Shibata 2008).

In the history of the Developmental State, industrialization has not been an object to be controlled to avoid risk, but rather, it was a national goal to—through state guidance—counter the threat of losing economic independence (Castells 1992; Johnson 1982). Planning has been the most effective strategy to materialize the national goal of economic development (Shibata 2007). Moreover, this perception of risk at the inception of the Developmental State has also influenced ideologies and the role of law in contemporary Asia. While Western states identified fatal flaws in the market economy and then started to control market risks through regulation, the role of legislation in Japan and other Developmental States has largely remained to encourage further economic development, not to regulate the market (Johnson 1982). More crucially, many aspects of public and private life in the Developmental State have not been sufficiently legalized (Hirowatari 2000) and have been left to "private order."

In the West, the law has played an important role in protecting citizens from arbitrary risk in the process of modernization. Not only has the law safeguarded property risk in the market, but modern legislation has also developed to remove social injustices, including intrusive state power over individuals. Enlightenment thinkers in the 18th century promoted this function of the law under the banner of liberalism. The idea of a "social contract" would ensure equality between the state and free individuals under the rule of law (Loughlin 2000). Later, the idea of social citizenship transformed the economic risk of individuals suffering from poverty into the social risks of the welfare state in the 20th century in Europe.

However, the Developmental State elites who directed national economic policy, considered this liberalism under the rule of law as a national "risk" for late-developed economies, given that the Developmental State had to achieve economic security under authoritarian rule in order to defy the Western imperialist order (Gluck 1985; Iokibe 1999; Peerenboom 2002; Pyle 1974). These elites feared that social contracts would raise the status of their subjects to that of an equal party with the state and thereby threaten the larger project. Thus, the Developmental State has continued to rely on private order—non-statutory power—to control its population and solve disputes and conflicts (Eisenstadt and Ben-Ari 1990; Goh 2002; Haley 1991; Peerenboom 2002). Therefore, citizenship rights in the Developmental State have remained unprotected by legislation.

In addition, Developmental State elites also immediately understood the importance of technology required to achieve economic independence. The discourse of technology here is not confined to a physical science. Rather, many acknowledge its application to public management techniques, such as economics and public finance (Helleiner and Pickel 2005; Johnson 1982), of which planning policy is just one. While Developmental State elites have dominated the acquisition and use of these technologies to achieve their goal of national

economic development, they also keenly felt the need of cooperation from the subjects. Thus, they continuously sought to use inspiring catchphrases such as 'civilization and enlightenment' and 'enrich the nation, strengthen the military' to mobilize the national population for further [economic] progress (Gluck 1985). In a contemporary context, Machimura argues that the discourse of global cities is an example of such propaganda deployed by the Japanese elites to promote the state-defined planning goals they sponsor (Machimura 1998; 2003). Public management and planning tools were mere methods to achieve the state-led economic development project. In this sense, neoliberal planning policy can be seen as just another "[management] technology" to fulfill the unfettered desire and anxiety of Developmental State elites not to lose out to global economic competition (Ong 2006).

While Japan did not change its government spending patterns drastically after entering its neoliberal period of state restructuring (Hill and Fujita 2000), economic bureaucrats and planners increasingly pursued neoliberal planning without thinking about any risks other than failing to be economically competitive. In this way, neoliberalism exacerbated the tendency of these actors to overlook environmental risks. Since environmental or third party rights under the rule of law are almost non-existent in the Developmental State, government responsibility in neglecting such risks cannot be challenged in court. (Peerenboom 2002; Shibata 2007). Developmental

Cardboard houses built by the homeless in a passage under an elevated motorway in Shibuya, Central Tokyo. The homeless presence in Japan has become increasingly visible in the last 15 years. Photo by Christopher Gladora, University of California, Los Angeles.

State elites are, therefore, rarely punished for not taking environmental risks into account (Peerenboom 2002; Shibata 2007; Upham 1987). Social citizenship in the Developmental State is also fairly meager; it lacks the protection of the social contract seen in the Welfare State in Europe (Kamo 2000; Ong 2006).

It must be acknowledged that, in the Developmental States, social movements seeking better welfare provision and facilities, demands for citizen participation in planning processes, and legal challenges to states have partly mobilized environment, welfare, and planning policy (Douglass 2000; Garon and Mochizuki 1993; Ruellan, Krauss, and Flanagan 1980; Sorensen and Funck 2007). However, without strong enforcement of information disclosure, local autonomy, and the right to participate in policy-making, citizen participation is hardly able to have an effect on planning decisions, which are still implemented under ideologies of economic nationalism (Shibata 2007). Japan's recent history of neoliberal planning demonstrates how neoliberalism as a technology has caused devastating effects on its population without consideration of risk or the application of the rule of law to disputes in planning.

Pressure on an Economic Superpower in the Global Economy

In the 1980s, it became apparent that the production mode of the leading world economies was shifting from Fordism to post-Fordism. This shift promoted a globally flexible mode of production and consumption (Amin 1995; Jessop 1991). Despite the prolonged economic slump in Europe and the United States, the Japanese economy appeared to be relatively unaffected by the process of economic restructuring during this period. Discontent in the United States and Europe with the Japanese government about Japan's large current surplus in trade mounted during the 1980s (Johnson 1987; Nester 1993; Packard 1987). The Yen's relatively low value against other currencies also contributed to reinforcing trade imbalance between Japan and other advanced economies, in particular between Japan and the United States. As a result, the U.S. establishment—primarily Congress and industry lobbyists—started to believe that Japan's trade protectionism and low domestic demand were the main causes of trade imbalances between the two nations (Johnson 1987). Thus, both the United States and Europe urged Japan to increase its domestic demand and reduce its exports to them.

In order to resolve this "Japan problem," representatives of leading economies intervened in world financial markets and demanded that Japan must take decisive action in terms of market liberalization and deregulation. First, the G-5 nations (France, West Germany, Japan, the United States and the United Kingdom) agreed to devalue the U.S. Dollar against the Deutsche Mark and the Yen under the Plaza Accord in September 1985. The value of the Yen against the U.S. Dollar nearly doubled within two years. As a consequence, it became much easier for Japanese firms to raise capital in overseas markets. This resulted in reducing the role of Japanese banks, who had predominantly supplied cash for industries up until then.

Second, under intense pressure from the United States, the Japanese government published the Maekawa Report[1] (Japan. Kokusai Kyōchōno tameno Keizai Kōzō Chōsei Kenkyūkai 1986) in April 1986.

This report concluded that Japan had to implement "structural changes" in order to increase domestic demand and rely less on the export income (Ishi 2000; Noguchi 1994, 65-67). The United States further pressed Japan to implement specific deregulation measures through bilateral negotiations such as the U.S.-Japan Structural Impediment Initiative (SII) which started in 1989. These changes in the market environment and the pressure to increase domestic demand led the Japanese government to ease financial regulations and allow abundant low-interest loans into the market. These changes also affected planning policy development in the following years.

The Rise of Neoliberalism and Planning Policy

After a series of challenges from left parties failed in the 1960s, the Liberal Democratic Party (LDP) became hegemonic in the late 1970s. However, its successive administrations had to face accumulated debts (Ito 1996; Suzuki 1999). First, this was due to the LDP policy of expanding social welfare budgets to win votes against opposition parties in the previous period (Calder 1988; McCormack 2001; Suzuki 1999). Second, the state also implemented more public works projects to stimulate investment against a slowdown in the economy (Igarashi and Ogawa 1997; McCormack 2001). Third, the demographic structure changed due to an aging population (Ishi 2000, Ch.10). In the early 1980s, the budget deficit continued to expand so that pressures to reduce government expenditures became more compelling (Ishi 2000, Ch.6; Ito 1996). As a consequence, rinchō (the Provisional Administrative Reform Committee) undertook two consecutive administrative reforms until the mid-1980s. A variety of state expenditures, welfare expenditures in particular, were cut under this scheme. The most notable achievement of the reform was the privatization of Japan National Railway (JNR)[2] and the Nippon Telegraph and Telephone Public Corporation (NTT) (Ito 1996).

Another shift related to the rise of neoliberal policy in Japan during the 1980s is the emergence of the so-called minkatsu ('minkan katsuryoku no katsuyō': utilizing the ability of private enterprises) policy for economic development. The set of minkatsu policies undertaken by Prime Minister Nakasone (1982-1987) are often regarded as the equivalent to the smaller government, deregulation, privatization, and public-private partnership policies initiated under the Thatcher or Reagan regimes. But it must be understood that this policy applied only to selective and strategic practices, notably urban development (Iio 1993). Thus planning became central to the neoliberalization of the Japanese Developmental State: the core purpose of minkatsu policy was to promote market-led land development to stimulate the stagnated economy. Neoliberal planning selectively deregulated land-use controls and gave incentives to developers (Hayakawa and Hirayama 1991; Iio 1993; Oizumi 1994). Yet, it can also be argued that minkatsu policy did not differ fundamentally from planning policy in previous periods in which the Developmental State assisted land development.

What is more, targeted urban areas for minkatsu policy were selected not because they suffered from long under-investment, like U.S. or British inner cities in the 1980s. Rather, land-use in these areas was considered "ineffective" by business elites and the central

bureaucracy due to the presence of detached houses and small shops (Tochi Mondai Kondankai 1983).[3] Therefore, the Construction Ministry suggested new guidelines that revised Category I Exclusive Residential Zone areas (restricted to low-rise dwellings only) and other zoning areas to allow high- and medium-rise buildings. These new guidelines redressed the perceived excesses in municipal governments' voluntary development control agreements with developers (takuchi kaihatsu shidō yōkō) (Japan. Administrative Vice Minister of the Construction Ministry 1983). The Japanese government also urged that public land be sold for urban regeneration and to build "quality" high-rise housing, which—in Japan as elsewhere—often implies luxury housing (ibid).

The Maekawa Report also proposed these same deregulation measures and incentives to developers in order to boost "domestic demand." The Maekawa Report argued that these strategies were to control a rise in land prices and increase the number of high-rise housing units in the inner cities of metropolitan areas to enable closer office and housing locations, and thus strengthen the role of cities (Japan. Kokusai Kyōchōno tameno Keizai Kōzō Chōsei Kenkyūkai 1986). The set of urban policies during this period was called Urban Renaissance.

Minkatsu policy did not only address urban redevelopment, it also extended to rural areas. Whereas the Fourth Comprehensive National Development Plan (yonzensō) underlined the importance of Tokyo as a global financial center (Japan. National Land

Japanese traditional wooden houses (machiya) have rapidly disappeared due to the pressure caused by condominium and office building development across the nation. Photo courtesy of Dr. Ryōkichi Ebizuka, Hosei University.

Agency 1987), the government also proposed the Act on Development of Comprehensive Resort Areas (The Resort Act) in May 1987. This act intended to advance leisure industries in rural areas to improve "the quality of life" and enhance local economic development (Japan. Ministry of Land Infrastructure and Transport 2003a). Under this Act, many rural municipalities set up "third sector" organizations (dai san sector hōjin: a private-public partnership company) to "utilize private sector vitality" for developing leisure facilities such as golf/ski resorts, luxury hotels, and theme parks with central government subsidies. Based on this Act, 712 municipalities submitted basic plans for resort development projects, resulting in an overall planned area equivalent to 17.5 percent of Japan's total land mass (Japan. Ministry of Land Infrastructure and Transport 2003b, 4).

It is important to note that the reason why minkatsu policy heavily focused on spatial development proposals was also related to a series of strategies recommended by the committees of the Construction Ministry. These strategies had been formulated well before Nakasone's administration took power (Otake 1993; Tochi Mondai Kondankai 1983). In fact, the Construction Ministry's initiatives were the result of intense lobbying from the Japan Project-Industry Council (JAPIC), which was set up in 1979 by Japan's traditional big businesses in the steel and construction industries, trade companies, and banks (Hayakawa and Hirayama 1991; Igarashi and Ogawa 1993; Iio 1993; Oizumi 1994; Otake 1993). During the low-growth period of the late 1970s, these well-established industries had lost investment opportunities in the domestic market, which led them to seek potential development projects with and support from the government. The old vested interests seized opportunities when the United States strongly pressed Japan to increase domestic consumption and Japan itself was shifting towards a post-Fordist economy based on service provision.

The Bubble Economy and its Impacts

The Japanese bubble economy emerged as a consequence of the government's macro-economic mismanagement and private speculative investment in the late 1980s (Ishi 2000; Noguchi 1994; Oizumi 1994). A mixture of economic conditions and policy provisions with abundant cheap loans and incentives from government induced overheated speculation in land development. In 1990, land prices were 3.3 times higher than those in 1985 (Ishi 2000, 77). The boom started from the commercial areas of big cities and then spread to residential areas and smaller cities. As a result, Japan's total stock of property values in 1990 reached nearly four times the value of total property stock in the United States (Wood 1992, 8). Moreover, Japan's total property values consisted of roughly 20 percent of the world's wealth in 1991 (Dehesh and Pugh 1999, 147).

Other than financial and monetary policies, weak development controls, further deregulation, and the incentives of minkatsu policy facilitated this vast increase in land values. Policies promoting "effective land-use" in urban areas resulted in the demolition of detached houses and small shops to be replaced by large-scale office, retail, and residential developments. Profits generated by these conversions were extraordinary, as floor space possibly increased 20-30-fold, and land values skyrocketed. Real estate

The Asahi Beer Hall, known as Flamme d'Or, was designed by French designer Philippe Patrick Starck and completed in 1989 at the height of Japan's bubble economy. The building is located in Asakusa, Tokyo's traditional working class neighborhood, where densely built low-rise housing and shops have dominated the landscape. Photo by Alex Demisch, University of California, Los Angeles.

companies continued seeking potential development sites and bought up these areas for future speculation. Since these inner-city sites were in many cases non-vacant plots, some developers forced existing residents to move out, even hiring gangs (jiageya: land shark) to intimidate them (Hill 2003; Kaplan and Dubro 2003).

In addition to traditional public works such as road construction, the government promoted leisure and tourism-oriented development for the realization of Seikatsu Taikoku (Making Japan a great place to live)[4]. This effort responded to trade frictions and the rise of a post-Fordist economy, both of which pressed the Japanese government to boost domestic demand by increasing leisure time and facilities (Buntrock

2002, 128-147; Japan. Economic Planning Agency 1995; McCormack 2001). During this period, the government budget was also lavishly spent on the construction of concert halls and cultural centers designed by leading architects (Buntrock 2002). While, according to the yearbook of Japan Architect, 1,257 public culture centers already existed all over Japan in 1997, three new magnificent public halls opened in Tokyo in the same year, at a cost of $1.36 billion, $620 million, and $165 million respectively (Buntrock 2002, 137). As a consequence, in the 1990s public works constituted 40 to 70 percent of total construction investment in Japan (Buntrock 2002, 131). The designated resort development areas also suffered from the destruction of nature and landscape (McCormack 2001, Ch.2; Ohno, Sasaki, and Nakayama 1991). Employing the Resort Act provisions, 111 golf courses and 95 ski resorts were built (Japan. Ministry of Land Infrastructure and Transport 2003b, 5). In 1990, 18 golf courses were planned within the limits of national and quasi-national parks (Ohno, Sasaki, and Nakayama 1991, 14).

The Collapse of the Speculative Market

By 1989, it had become obvious that Japan's economy was overheated (Okina, Shirakawa, and Shiratsuka 2000). The following economic depression caused by the overinvestment that had taken place during the bubble era lasted for more than a decade (Maswood 2002; Yoshikawa 2002). Furthermore, the crisis of Japan's financial sector exposed the limitations of Japan's state-protected financial market, as well as a lack of "a checks and balances system for corporate behaviors from outsiders" (Kaplan and Dubro 2003; Suzuki 2006; Wood 1992).

The bursting of the Japanese economic bubble also revealed serious defects in the nation's Developmental State ideology applied to planning policy (Igarashi and Ogawa 1993; Iio 1993; Oizumi 1994). After numerous real estate developers and housing loan companies went bankrupt (Cargill, Hutchison, and Ito 1997; Dehesh and Pugh 1999), many development projects were halted abruptly so that vacant lots were left across the whole of Japan, and remained untouched for years. This abandonment pattern applies particularly to the minkatsu-sponsored resort development projects in rural areas. In January 2002, only 23.8 percent of the original resort development plans from 1987 had been completed or were under construction (Japan. Ministry of Land Infrastructure and Transport 2003b, 4).

Furthermore, while the third sector (public-private) companies planned and implemented the majority of urban and resort development projects during the bubble era, quite a number of these companies also went bankrupt (Asahi Shimbun 1999, 17). By the end of March 2004, 36.8 percent of these companies still in operation were in debt (Japan. Ministry of Internal Affairs and Communications 2005, 13). In fact, the financial problems of the third sector were far worse than their balance sheets, since they continued to receive funds from the government to supplement losses (Fukasawa 2005; Japan. Ministry of Internal Affairs and Communications 2005, 23-25). The financial crisis in the public sector, together with the prolonged depression created a growing sense of despair among the Japanese population. Since minkatsu policy efforts were very much concentrated on land development, the collapse of the bubble economy not only hit the nation's financial sector, but also the foundations of citizens' everyday life.

A New Chapter in Japanese Civil Society

The Great Hanshin-Awaji Earthquake in 1995 drew an end to Japan's first Urban Renaissance and the minkatsu initiatives proposed by Prime Minister Nakasone Yasuhiro. The earthquake hit the Kobe area, claiming 6,434 lives (Japan. Fire and Disaster Management Agency 2000). Nearly 400,000 building units were damaged (Japan. Fire and Disaster Management Agency 1996). The profiles of its casualties also illuminated previously unnoticed problems in Japanese planning policy such as the increasing social inequality and geographical segregation. A majority of the casualties were members of the most vulnerable populations. They were disproportionately poor, elderly, women, and minorities living in low-quality housing in the inner city of Kobe, which stood in stark contrast to newly-built affluent suburbs (Hirayama 2000; Osaki and Minowa 2001). Hence, the disaster exposed defects in Japanese scientific and management technologies, as well as the myth of the country's egalitarian and affluent society constructed during the post-war years.

This revelation also initiated a new chapter in state-civil society relations that needs to be considered in the analysis of neoliberal planning. The chaos and delayed rescue operations after the earthquake raised questions about the efficiency and accountability of government (Hasegawa 2004; Shaw and Goda 2004; Sorensen and Funck 2007). The year 1995 is generally considered to mark a new beginning of Japan's civil society as the population at large came to recognize the power of the voluntary sector (ibid).

However, some question the extent to which civil society in Japan can be autonomous from state influence (Estévez-Abe 2003; Evans 2002; Garon 2003). Weak individualism and a strong authoritarian culture have shaped significant characteristics of its civil society (Garon 1997; Pekkanen 2006). During the pre-war period, state authority had intensely mobilized civil society for nation-building, in particular the nation-wide propaganda promoting thrift and self-help in order to restrict state welfare spending (Garon 1997; Pekkanen 2003). Moreover, Japanese civil society came to actively cooperate with the totalitarian regime during its Fifteen-Year War (1931-1945) period (Garon 1994; Maruyama 1963). In the same manner, the media and intellectuals cited "globalization" to move Japan towards a post-Fordist economy in the late-1980s. Their arguments also convinced Japanese people to spend more on leisure, luxury goods, stock and properties as well as to accept more land development across Japan. Considering this history, one may question the degree to which an autonomous civil society may stand as a countervailing force to neoliberal planning.

While Japan's machi-zukuri (literally town-making, but it means community planning) initiatives contributed to the progress of democratic planning (Sorensen and Funck 2007), there are significant limitations to how democratic they are in practice. Japanese citizens may now participate in planning policy-making processes, but public hearings and consultations are still not a statutory obligation for planning administrations. Moreover, neighborhoods (third party residents) or stakeholders have only been given a legal entitlement to challenge planning decisions when they are likely to lose economic benefits or face evident danger such as landslides from the development (Shibata 2007). Even though Japan has one of the most progressive constitutions in the

Japan's ad-hoc development controls exacerbated by neoliberal planning. Condominiums, traditional houses, newly designed detached houses, and farmland coexist in Nerima Ward in Tokyo. Photo courtesy of Dr. André Sorensen, University of Toronto.

world—as promulgated during the U.S. occupation period—the Constitution has rarely had authority to protect the rights of those who were exposed to serious health risk by development (ibid). Therefore, it is not surprising that civil organizations appeared to be powerless against neoliberal deregulation and urban regeneration projects that the successive prime ministers proposed since 1980. The very limited rights of citizens to challenge planning decisions certainly have made neoliberal planning reforms much easier to implement, and harder to resist.

Koizumi's "Urban Renaissance"

In November 1997, Prime Minister Hashimoto Ryūtarō (1996-1998) instructed the construction and agriculture ministers and land and economic planning agencies to ease land-use regulations. In city areas, the goal was to promote high-rise buildings. But the policy also promoted land development in suburban areas and national forests, increasing the number of second homes and weekend villas. The overall intention was to bolster the weakening economy (The Japan Times Online 1997). In his speech before

Parliament on November 28, 1998, the next Prime Minister Obuchi Keizō (1998-2000) also proposed to give incentives (fiscal policy and taxation) for housing construction. Obuchi aimed to increase the share of housing investment from 4 percent to 6 percent in GDP, and hence create "a self-sustaining economic recovery" (Ishida 2000; Obuchi 1998).

However, it was Prime Minister Koizumi Junichirō (2001-2006) who forcefully advanced neoliberal urban revitalization projects, again under the name Urban Renaissance. The initiative came from The Emergency Economic Plan approved by ministers for economic planning on April 6, 2001. The plan promoted the following: (1) 21st century urban regeneration projects, (2) the securitization of real estate properties and transaction of the property market and, (3) The Private Finance Initiative (PFI)[5] in the redevelopment of vacant plots previously used for public housing for civil servants (Japan. Urban Renaissance Headquarters 2001). In 2002, The Urban Renaissance Special Act was enacted, Prime Minister Koizumi became the leader of the Urban Renaissance Headquarters, and other cabinet ministers became key members. In December 2001, The Headquarters designated 286 candidate urban revitalization projects and earmarked 15 billion Yen (approximately US$150 million) for the 2002 fiscal budget to promote development in cities (Kyodo News International 2002). By 2007, 23 areas were designated for urban regeneration projects by the state.

Furthermore, since June 2002 (the Headquarters made the decision in August 2001), local governments can request the Urban Renaissance Headquarters to designate their cities as a special urban revitalization area and then receive government funding (Minkan Toshi Kaihatsu Tōshi Sokushin no tameno Kinkyū Sochi). Using this new emergency regeneration package, a developer can shorten the time needed for the standard planning process from 30 months to six by omitting standard planning procedures such as public hearings (Japan. Urban Renaissance Headquarters 2007a). Between July 2002 and February 2007, the state selected a total of 65 areas containing 6,612 hectares (16,339 acres) (Japan. Urban Renaissance Headquarters 2007a).

The Urban Renaissance initiatives were extended further to smaller cities and towns all over Japan in April 2002. Proclaimed from Wakkanai (the most northern city in Japan) to Ishigakijima (the most southern island in Japan), the Headquarters also introduced the Nationwide Urban Renaissance Emergency Package (Zenkoku Toshi Saisei no tameno Kinkyū Sochi) to support local towns' renovation projects. From 2003 to 2007, the Support for Local Innovation and Challenge scheme (Chiiki no Chie to Challenge ni taisuru Shien) supplied funds to 805 projects. The Town-Making Subsidy scheme (Machi-Zukuri Kōfukin) also gave additional funding to 1,353 areas (Japan. Urban Renaissance Headquarters 2007b). All those promotional measures of "effective utilization of land" were implemented with large tax exemptions for land and housing development; front-loaded tax cuts totaled 1.8 trillion Yen (US$18 billion) for land transaction tax in the 2003 fiscal year (Koizumi 2003). Koizumi boosted his reform initiatives based on the idea that "all that can be done by the private sector should be left in its hands, and all that can be done in the regional communities should be left in their hands" in his policy speech before Parliament in February 2002 (Koizumi 2002).

A newly built condominium tower overshadows a low-rise dwelling neighborhood in Tokyo. Photo courtesy of Dr. Ryōkichi Ebizuka, Hosei University.

Another new condominium tower near the University of Tokyo significantly taller than the surrounding buildings in Central Tokyo. Photo courtesy of Dr. André Sorensen, University of Toronto.

Risk in Neoliberal Planning

One of the major problems for neoliberal planning in Japan is that the Japanese market has never been a transparent, fair, and efficient system as Koizumi and others claim. Throughout Japan's post-war history, sōkaiya (gangster-racketeers) have been present in the corporate world. They extort money from a company by suppressing the company's scandals or simply threatening to disrupt a shareholders' meeting (Milhaupt and West 2004, Ch. 5). However, it was during the bubble economy period that keizai yakuza (economic gangsters) deeply penetrated the mainstream economy, particularly urban regeneration, golf course development, and finance/security industries (Hill 2003; Kaplan and Dubro 2003). Koike Ryūichi, one of the most high-profile economic gangsters, was convicted in 1997 for securing a US$120 million low-interest loan from a top bank and receiving US$8 million from four big security companies by extortion (Milhaupt and West 2004, Ch. 5). More recently in March 2006, a lawmaker from the opposition party was verbally threatened by gangsters who demanded the Member of Parliament (MP) not ask a question in Parliament about a land deal of the Urban Renaissance Agency in Tokyo (The Japan Times Online 2006). The MP also received a threatening letter containing a bullet at his office in May 2006 (The Japan Times Online 2006). In addition, some link gangsters with the bad loans that remained unpaid long after the end of Japan's economic bubble (Watts 2002). Obviously, the lenders fear both scandals and retaliation from gangsters, so this fear made it difficult for banks to collect these debts (ibid).

Indeed these scandals suggest that, rather than deregulation and corporate tax incentives, what the Japanese market needs is increased transparency and the enforcement of regulations to protect affected parties. These problems—the lack of transparency in policy decision-making and unethical organizational behaviors—particularly apply to both the private and public sector organizations, which are affiliated to planning development. Japanese finance, construction, and real estate industries have long been known for their links with criminal underworld in an attempt to make deals with government officials as well as to settle disputes among stakeholders, including intimidation of uncooperative parties (Hill 2003; Kaplan and Dubro 2003; Milhaupt and West 2004).

Neoliberal planning in the Developmental State also created, according to Douglas (2001) mass unemployment, new urban poverty, moth-eaten landscapes, decline in public expenditure for education, environmental management and welfare (Douglass 2001; Kamo 2000; Marcotullio 2003). These impacts are serious enough to wipe out the decades of efforts from civil society and local government actions, which have been taking place in Japan and throughout Asia to improve environmental and welfare management by demanding national government and businesses to be more accountable to citizens (Douglass 2001; Ruellan, Krauss, and Flanagan 1980). The spectacular collapse of Asia's property market and its prolonged negative impacts on the environment, communities, and economies also demonstrate that there is a substantial danger which has not been counted as a risk in the Developmental State. Countermeasures to these risks are the transparency of market transactions, financial regulations, development controls, and the protection of citizenship rights, which have all fairly developed in the Neoliberal State in the West over the last hundred years (Stiglitz 2002).

Moreover, the absolute market dangers of Japanese planning policy came to light shockingly in 2005. Recently built condominium complexes and hotels were found to have earthquake resistance levels that were less than half of the state standard (Pulvers 2006). An architect had fabricated building safety data, and defects were ignored by the two state-designated private survey companies to ensure building safety standards (Pulvers 2006). Building [plan] confirmation[6] used to be local governments' responsibility up to 1998, but then the state decided to delegate this task to private entities following neoliberal principles.

Prior to this disclosure, Japanese citizens had long since recognized the risk of environmental degradation (e.g., pollution) and natural disasters. Nevertheless, considering ongoing deregulation of land-use since the 1980s, Japanese policymakers treated these risks as "specific" to some localities or certain groups who were simply "unfortunate." However, almost for the first time, Japanese citizens came to see the negligence of planners, and realize that the violation of laws by professionals for the sake of profit could harm anyone. The incident also revealed that Japan did not have an effective monitoring and inspection system to enforce compliance with laws and to punish those who violated planning regulations (Shimizu 2006). The crimes committed by professionals instigated a public outcry. Japanese citizens also lost faith in the efficiency and fairness of the market.

Responding to these offences, the Ministry and Land, Infrastructure and Transport (MLIT) tightened building regulations in June 2007. After revising the building code, housing starts fell by 23.4 percent in July, 43.3 percent in August, and 44 percent in September 2007 (Kyodo News 2007). The housing slump sparked criticism towards the government policy from business lobbyists such as Sakurai Masamitsu, head of the Japan Association of Corporate Executives (Keizai Dōyūkai) (Asahi.com 2007). The MLIT later promised to relax the regulation (Fujioka 2007). Economic and Fiscal Policy Minister, Ōta Hiroko commented about the housing market on November 2, 2007 as follows:

> There is concern that a decline in housing investment will become a factor pushing down gross domestic product. I'm more focused on the downside risks to the economy. (as cited in Ujikane and Otsuma 2007)

Although both Japanese policymakers and the public have now come to accept that there are a number of dangers and risks in the market that the state has responsibility to protect citizens from, the discourse on risk has again shifted towards the risk of "threatening growth" in Japan.

Conclusion

There is a paradox when the theory of neoliberalism is applied to the Developmental State. The Developmental State possesses few regulations to protect its citizens from risks in the market economy. Instead, the Developmental State is used to having excessive government interventions to protect the domestic market from foreign competition. While Neoliberalism helped some successful firms of the Developmental State to become more globally competitive,

the same ideology further undermined the weak regulations of the Developmental State that were intended to protect its citizens from environmental and economic risks in the free market economy.

While neoliberalism appears to represent an opposing view to the Developmental State ideology, neoliberalism appeals to Developmental State elites as their focus on market expansionism matches their longstanding policies of economic nationalism. Moreover, history shows that the free market economy favors people who have significantly greater resources than the majority (Polanyi 1957). Therefore, it is attractive to those who are already in power. However, the market economy is only fair where all participants have exactly the same amount of information, expertise about transactions, as well as power and resources. In reality, such utopia is hardly ever likely to exist and the state has had to intervene to protect people from the risks associated with not possessing perfect information (Borio 2004; Power 1999). The birth of modern planning can be seen as originating from the mediation between the laissez-faire economy and the environmental and social risks that it produced, at least in Western Europe and the United States (Benevolo 1967; Hall 2002; Thane 1996).

It should be noted that risk arbitration through planning has progressed through legalization of risk in the market of advanced democracies (Cullingworth 1993; McAuslan 1980). Although their economies are mature, Japan and other Developmental States have not followed the same path of legalization as the liberal West (Hirowatari 2000; Shklar 1987). Japan has discouraged the expansion of legally binding rules. A formal contract or legal agreement might give all parties equal rights, and thus the authority or the economic elites would likely lose their advantage over their subjects (Upham 1987; Young 1984). Instead, the authority and the elites favor exercising the power derived from their social status and maintaining their influence on policy-making (Eisenstadt and Ben-Ari 1990; Haley 1992).

Moreover, Japanese planners were unlikely to be held liable for the consequences of underestimating risk in development as they mostly relied on ad-hoc arrangements with private parties. This includes voluntary planning agreements and administrative guidance for planning controls, rather than formal law and regulation (Shibata 2007; Upham 1987; Young 1984). The adversities caused by neoliberal reforms in Japan reflects its immaturity of the rule of law—the country had a weak regulatory framework, the absence of a checks and balances system towards the market, and a lack of legal protections against market failures. The immaturity of the rule of law can also be seen as the reason why the Developmental States throughout Asia and Latin America were harder hit by the financial crisis—particularly in the property market—than advanced democracies who also promoted neoliberal planning (Milhaupt and West 2004; Oizumi 1994; Stiglitz 2002). In the latter, market risks had been more or less mediated through regulation and the legal system. The concept of "planning culture" consists of discourses on planning, planners' views of society, and regulatory governance (Sanyal, 2005). This concept also helps to explain why the flaws in neoliberal planning are more pernicious in the "periphery" than the "core" of neoliberal states such as the United States and the United Kingdom (Larner 2003: 510).

Japan's planning development in the global economy strongly suggests that neoliberalism can hardly bring justice and prosperity to society. An application of neoliberal principles to the state governance requires complete transparency and fair competition among participants under the rule of law. Neoliberalism only works to a limited extent, as far as the state protects its citizens from arbitrary risk in the market economy. However, Japanese planning is less likely to take collective risk into account for planning decisions since both policymakers and planners have long conflated "risk" with the waning of economy power (Castells 2000; Johnson 1995; Shibata 2007) more than any other significant risk to safety standards, the environment (e.g., pollution and natural disaster), social security, and even the sustainability of the economy in favor of an increase in economic output. Finally, the brief history of neoliberal planning development in Japan illustrates how the risk concept is subjective (Althaus 2003; Luhmann 1993; Otway and Thomas 1982). Focusing on neoliberal planning also sheds lights on who has dictated the risk discourse on planning in that country.

The impacts of Japan's neoliberal reforms on society show why the regulations of the market economy, the transparency of policy information, and consultation with stakeholders should be enhanced to reduce risk to citizens and communities as well as the environment and the sustainability of the economy in the Developmental State. To materialize this, there should be more pressures from civil society as well as international organizations to improve the legal framework of late-developed economies regulating both public administrations and the market economy. More research on the socio-legal aspects of planning of the Developmental State should also be encouraged. Finally, there is a need to overhaul planning education in late developed economies to educate planners about professional ethics, accountability and risk in policymaking.

Usage for Japanese Names

Japanese names are given in the text in their normal Japanese order, surname first. However, all names in references appear in first name-surname sequence.

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Lead Photograph

A newly built condominium in Kagrazaka, Central Tokyo. Local residents opposed the development plan but failed to negotiate significant changes to the height and size of the building. Photo courtesy of Dr. Andre Sorensen

Notes

[1] Prime Minister Nakasone asked an advisory group to address issues concerning the structural changes of the Japanese economy in response to the US pressure. The report was named after the former governor of the Bank of Japan, Maekawa Haruo.

[2] As the JNR had one of the strongest labor unions in Japan, the privatization in effect further weakened the position of the left in policy-making.

[3] The committee was chaired by the National Land Agency. The report was first published on 20th April 1983.

[4] The word originates from 'Seikatsu Taikoku Gokanen Keikaku ('The Five-Year Plan for Making Japan a Great Place to Live'), issued in June 1992 by the Economic Council under the cabinet of Miyazawa Kiichi.

[5] The PFI scheme was first developed in the UK as a form of public private partnerships (PPP). Japan has actively used this scheme since the enactment of the PFI Act (1999) in order to promote the construction, maintenance and management of public facilities undertaken by private companies. While The HM Treasury in the UK declares that PFI is only used where it can meet the requirements of 'efficiency, equity and accountability', the Cabinet Office in Japan defines that 'PFI will be used when the public service projects can benefit the higher efficiency and effectiveness of private capitals and skills than the public sector'. See further details available from the homepage of the HM Treasury, the UK. http://www.hm-treasury.gov.uk/documents/public_private_partnerships/ppp_index.cfm; and The homepage of Private Finance Initiative Promotion Office. The Cabinet Office in Japan. http://www8.cao.go.jp/pfi/e/home.html.

[6] Building (-plan) confirmation is on-site inspection based on the regulation of Building Standard Act of Japan. The procedure is separated from development permission.

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