The Intellectual Origins of Abenomics

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Abstract

Prime Minister Abe Shinzō’s Abenomics program, an ambitious, wide-reaching policy agenda intended to revive Japan’s long-stagnant economy, has been an important component of his legacy since returning to the premiership in 2012. While subject to much debate regarding its merits and demerits, Abenomics has changed Japan in important ways, not just by pushing up prices and spurring one of the longest economic booms in postwar history, but also by showing how institutional reforms have enabled an activist prime minister to create new policies. At the same time, Abenomics has had controversial distributional consequences, and the unfinished work of structural reform has highlighted the limits facing Japan’s supercharged executive. Whoever succeeds Abe will have to grapple with these issues.

This paper is the first section in a series called “Understanding Abenomics,” which will explore the intellectual and institutional drivers of Abenomics; what the Abe government has achieved in monetary, fiscal, and industrial and microeconomic policy; and the debates surrounding what Abenomics has achieved and what economic policy will look like after Abenomics.

This paper examines Abe’s personal beliefs about economic policy, arguing that while Abe has often been seen as having taken little interest in economics, his economic policy instincts are consistent with his broader commitment to conservative “National Greatness” politics, and draw upon a rich intellectual vein to make the case for state-led economic revival.
Introduction

Abe Shinzō's return to power in 2012 was animated by a sense of crisis. Whereas in 2006, he assumed the premiership as the young, confident, and popular heir to the popular, long-serving Koizumi Junichirō, in 2012 Abe emerged from five years in the political wilderness to warn that under the rule of the Democratic Party of Japan (DPJ), Japan had drifted into a profound existential crisis.

As Abe said in a press conference on 16 December 2012, the day after he led the Liberal Democratic Party (LDP) back into power for the first time in three years:

I think that Japan’s current situation is a critical situation, in the economy, and also in education, foreign and security policy, and the reconstruction of Tohoku. Our mission is to break through this crisis, to speed up reconstruction, and, in the economy, to break free of deflation, correct the strong yen, and grow our economy. We will create jobs. Such a mission is imposed on us.1

This feeling of urgency, that national circumstances required drastic changes and bold leadership, had also animated Abe's successful bid for the LDP's presidency in September 2012. At the urging of some of his closest political allies – and at the risk of splitting his faction, since faction leader Machimura Nobutaka was also running – he entered the race for the party leadership warning of the need to "take back Japan" at a time of national crisis. As an experienced prime minister, who knew both success and failure in office, Abe would be able to formulate and implement the policies necessary to save Japan from precipitous decline.2

The extent to which Abe's articulation of a national crisis focused on an economic crisis was especially striking. The first plank in his LDP leadership manifesto, for example, pledged an "all-out effort" to break free of deflation, boost growth, raise incomes, and create jobs. This is striking not because these policies were not urgently needed or because the DPJ administration had not mismanaged macroeconomic policymaking during its three-year tenure. Nor were these proposals necessarily out of the LDP mainstream: a September 2010 policy document issued by the LDP and four other opposition parties criticized the DPJ's stewardship of economic policy and called for a "Heisei New Deal," which in broad strokes resembled what would later become Abenomics.3

What is surprising is that it was Abe who emerged as an effective champion of a bold, experimental approach to economic policy that would cement his hold on power, achieve some significant political victories, and trigger Japan's longest boom in over a decade. As a man who, since his first election to the Diet in 1993, had made his name as an advocate of constitutional revision, of education reform, and of a hawkish foreign and defense policy, it seemed unlikely that his name would become a by-word for bold economic policymaking. Indeed, before becoming prime minister for the first time in 2006, he had acquired a reputation for being relatively indifferent to economic policy.4

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3 “We will mobilize all policies such as monetary policy, tax and fiscal policy, growth strategy – like a Heisei New Deal – to promote the elimination of the GDP gap by stimulating private demand while looking to the future economic structure.” [Author’s translation.] 「緊急経済危機対策について」Liberal Democratic Party, 8 September 2010. <https://www.jimin.jp/policy/policy_topics/pdf/seisaku-025.pdf>.
This paper will explain how, after nearly twenty years in politics, Abe was able to reinvent himself as an agent of sweeping economic policy change and go on to establish the strongest, most durable government Japan has had in more than a decade. Despite his reputation for having little interest or expertise in economic policymaking, Abe's economic instincts, which lie at the heart of Abenomics, draw upon a deep intellectual vein in Japan's modern history and Abe's personal history. His program of national economic revival therefore fits neatly within his broader worldview and amounts to more than a convenient tool for winning elections or convincing investors to "Buy Japan." While as of this writing – as Abe find himself mired in an influence-peddling scandal - it appears unlikely that Abe will go on to win a third term as LDP president and vie to break his great-uncle Satō Eisaku's record for longest-serving postwar prime minister, Abenomics has left an indelible mark on Japan's economy and whoever succeeds Abe will have to grapple with its legacy, for good and for ill.

On the Origins of Abenomics

A theory popular among some Japan watchers says that Abenomics is little more than a Potemkin Village used to trick voters during election campaigns. When elections come around, Abe trots out the economic slogans, touts the weakness of the yen and the strength of the stock market, and then, once the election is over, claims a broad mandate for governing that he uses to advance controversial agenda items, like the 2013 state secrecy bill, the reinterpretation of the constitution to allow the exercise of collective self-defense in 2014 followed by legislation in 2015 revising national security laws to incorporate the reinterpretation, and the 2017 anti-conspiracy bill. As Jeff Kingston writes of Abe's approach to the 2014 general election, "He framed the election as a referendum on Abenomics and remained silent about the nationalist issues that he really cares about, such as constitutional revision, collective self-defense, and revisionist history." In this view, Abe has repeatedly used a "bait-and-switch" maneuver to secure the support of voters, only to redirect his attention away from Abenomics once the campaign is over.

There may be something to this view. It is undeniable that Abe has spent substantial political capital on controversial policies having little to do with economic revitalization – and, as he signaled in May 2017, may be prepared to exhaust whatever clout he has remaining to amend the postwar constitution for the first time by 2020. When struggling in the polls, meanwhile, the prime minister has stressed that his government will henceforth focus only on the economy. For example, when he reshuffled his cabinet in August 2017 amidst plummeting approval ratings, Abe stressed, “The top priority task for the Cabinet is economic revitalization. The Abe Cabinet will continue to give top priority to the economy.”

While there is some value to viewing Abenomics as a political strategy useful for winning elections and ensuring that the Abe government continues to enjoy stable and strong public support, it is a mistake to view it as only a political strategy. Rather, Abenomics reflects a genuinely held commitment by Abe to revitalizing Japan’s economy. It is no less a part of Abe’s dream of bolstering Japan’s power and status than his plans for Japan’s foreign and security policies or his ambition to revise the country’s constitution.

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6 Robert Pekkanen, Steven Reed, and Ethan Scheiner, “Conclusion: Japan’s Bait-and-Switch Election 2014,” in ibid., 265.
Before we can examine the origins and evolution of Abenomics, however, it is important to clarify just what we mean by Abenomics. When publisher Jiyukokuminsha recognized “Abenomics” on its shortlist for the year’s top neologisms and buzzwords in 2013, it described it as standing for “the economic policies of the Abe Cabinet for the purpose of breaking away from deflation and economic stagnation.” But Abenomics has evolved and expanded since 2013 – from the “three arrows” in 2013 to “local Abenomics” in 2014 to the “new three arrows” in 2015 – suggesting that this straightforward conceptualization of Abenomics is outdated. Or, alternatively, Abenomics means little more than “economic policies articulated by Prime Minister Abe.”

It is tempting to accept this definition and, as a result, abandon the concept as lacking analytical value. However, I think that Abenomics has made significant impacts, and its evolving nature reveals much about how Abe views the world. Through Abenomics, we have acquired a fuller understanding of Abe as a politician. Not just a defense hawk or a proponent of constitutional revision or an advocate for the return of Japanese citizens abducted by North Korea, he also represents a politics of national renewal or national greatness. Indeed, in his economic policies, we see that national greatness is simply all that matters. As such, the bait-and-switch argument, particularly Kingston’s strong version, ignores substantial evidence suggesting that the Abe who returned to power in 2012 had truly come to recognize the danger posed by Japan’s long economic stagnation and the need for “Rooseveltian” policy experimentation. By no means does this suggest that Abe had abandoned his earlier interests in constitutional revision, nationalistic historical education, or remilitarization; rather, Abe joined a new belief in the urgency of economic revitalization to his long-standing beliefs on defense, security and national identity.

Not unlike how in 2006 Abe made visits to Seoul and Beijing his first priority as prime minister, in economic policymaking since 2012 Abe has been relentlessly pragmatic, willing to advance policies not traditionally associated with conservatism in Japan – Womenomics, for example – in pursuit of national renewal. But it is not only pragmatism that defines Abe’s approach to economic policy: it is pragmatism on the part of the state. To the extent that Abe does have a consistent economic philosophy, it is statism. He believes that it is the duty of the Japanese state to guide the development of the Japanese economy and ensure the prosperity of the Japanese nation for decades to come. Abe’s neo-statism differs from earlier iterations of Japanese statism, largely because the context is different. The “indicative planning” of the postwar developmental state is largely gone; Japan is more open to the global economy; its firms are more mobile; its postwar economic model is fraying. Nevertheless, whether through his government’s growth strategies, his personal intervention in the wage-setting process, or his embrace of “reflationism,” Abe has consistently shown that he sees national economic revival as a paramount goal for the state.

In fact, he has repeatedly indicated that he is conscious of his status as the heir of a long tradition of state-guided development. Abe hails from Yamaguchi prefecture on the western tip of Honshu, which until 1871 – when Japan’s feudal domains were abolished and replaced by prefectures – was Chōshū domain, perhaps the leading protagonist from among the western domains that overthrew the Tokugawa shogunate and launched the Meiji Restoration in 1868. Chōshū provided
much of the intellectual and military firepower that toppled the shogunate and then provided many of the leaders who built the Meiji state.

The Meiji Restoration was a nationalist, economic revolution. Meiji elites did not just aspire to replace a failed regime. They wanted to build a strong state with an industrial economy and modern military that would resist predation by the western imperial powers and reassert Japan’s sovereignty by rolling back the privileges granted to foreign powers by the shogunate through the so-called “unequal treaties.” Guided by the slogan ふく国強兵 ふくoku kyōhei – “enrich the state, strengthen the military” – the Meiji elites recognized that without a strong economy, it would be impossible to defend Japan’s independence. The state would have to guide economic development because national survival was at stake. There would, however, be an important role for private enterprise. Indeed, the Meiji state planted the seeds of what later became known as zaibatsu through heavily discounted sales of public assets. But economic policy would be an essential pillar of national strategy, and the Meiji elites gradually developed the tools that would enable the state to guide Japan’s industrialization.10

Abe is conscious of this legacy, and references to Meiji leaders and Chōshū abound in his rhetoric. For example, in his 12 February 2015 policy speech to open the 189th session of the Diet – which Abe christened the “Diet for carrying out reforms,” by his reckoning, “the greatest reforms since the postwar period” – he referenced as a guiding spirit of that session the Iwakura Mission, a trip organized by the early Meiji government to learn from American and European governments.11 The mission included Yoshida Shoin, the Chōshū teacher and scholar who instructed many of the future Meiji elites.12 On other occasions, he has alluded to the economic policies of the Mori clan, which governed Chōshū, as demonstrating the importance of investing in future prosperity despite large budget deficits,13 and cited the example of Yoshida’s Shōka Sonjuku, the school where he instructed ambitious young men in western science and technology but also devotion to the domain and the emperor, as an example of the importance of investing in education. It is precisely because Abe mentions these references so casually – he does not explicitly explain why the Meiji Restoration is relevant – that we can see how Abe is trying to situate himself in a political tradition stretching back to the Restoration.

We can also see Abe’s determination to present himself as an heir to the Meiji legacy of pragmatism in the service of national greatness even when he does not overtly reference Meiji thinkers and statesmen. Abe often speaks of having a personal mission to reshape Japan fundamentally for decades to come, usually framed as necessary in order to ensure Japan’s survival amidst dramatic changes at home and abroad. For example, during his first premiership, in his speech to open the 2007 ordinary session of the Diet, Abe said:

Now the time has come to boldly review these post-war regimes all the way back to their origins, and set sail on a new course. In order to realize “a beautiful country, Japan,” my mission is none other than to draw a new vision of a nation which can withstand the raging waves for the next fifty to 100 years to come.14

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11 The quote cited by Abe to describe the Iwakura mission is revealing: “Japan may be a small country, but if all the people’s hearts are united as one and national power is fully engaged, it will not be at all difficult to become a country active in the world.”
His references to building a “beautiful country” or a “new country,” to “leaving behind the postwar regime,” to “great reforms” of existing institutions, to overcoming serious crises – these all harken back to the Meiji example. Like the Meiji rulers, Abe has throughout his career looked at the institutions that have governed Japan for decades and viewed them as woefully inadequate for addressing the challenges of the times. He sees historic shifts in the Asian security environment – a rising China, a nuclear-armed North Korea, a distracted United States – and a society paralyzed by aging, slow growth, and an overly cautious, timid leadership class as two sides of a single broader crisis for Japan. Abe’s tendency to see Japan’s vulnerability to crises at home and abroad is strongly suggestive of a slogan popular during the last days of the Tokugawa shogunate, naiyu gaikan (commonly translated as “troubles at home and dangers from abroad”), a resemblance that has not gone unremarked by commentators. Finally, his belief in a personal mission to change Japan undoubtedly led him to see the DPJ’s failures as necessitating not just a change of government but dramatic, regime-breaking change under a strong leader. This calling, to be the agent of fundamental change in how Japan is governed and how it acts in the world, is the defining characteristic of Abe as a politician.

In his pursuit of state-led economic growth as part of a broader program of national revival, Abe has a more personal example to draw upon than the Meiji elites: his maternal grandfather, Kishi Nobusuke. Abe’s relationship with his grandfather has been thoroughly examined both by Japanese and non-Japanese media, but this relationship is almost always framed in terms of the Kishi inheritance regarding a commitment to constitutional revision, strong national defense, the U.S.-Japan security alliance, and, more nefariously, defense of Imperial Japan’s crimes due to Kishi’s service in the Tojo Cabinet and stint in Sugamo Prison as a class-A war criminal during the U.S. occupation. There is little doubt that this family legacy has strongly shaped Abe’s priorities as a politician: as Abe’s mother (and Kishi’s daughter) Abe Yōko said, “I am often asked, ‘Is Shinzo similar to his father Shintaro or his grandfather Mr. Kishi?’ From my point of view, it seems in policy, he resembles the grandfather, in personality the father.” But it is likely that his grandfather also shaped Abe’s statist tendencies.

Kishi was born to a poor family in Yamaguchi prefecture during the Meiji era and grew up in the shadow of the Meiji elites who hailed from the prefecture. Drawn to national service from a young age – starting with dreams of service first in the Chōshū-dominated army and later the navy before turning to civilian pursuits – Kishi, like the Meiji generation, came of age in an era marked by foreign and domestic upheaval. He arrived in Tokyo to attend Tokyo Imperial University in 1917, precisely as Japan grappled with a series of shocks that marked the transition to more prominence as a great power; greater maturity as an industrial economy, and more political, economic, and social contestation. During this period, known as the Taishō period for the emperor who succeeded the Meiji emperor in 1912, Japan faced strikes, riots, and recession following the end of World War I; the difficult transition from rule by Meiji oligarchs to party-led cabinets; the Russian Revolution and the birth of Soviet Communism; and the decline of the European empires in Asia and the birth pangs of post-Impperial China.

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Against this backdrop, Kishi undertook a course of study that would lead him to the elite bureaucratic track after graduation, and during these years Kishi flirted with radical thought, including the Japanese indigenous version of National Socialism articulated by Kita Ikki, who would later inspire the February 1936 uprising by radical military officers. 17 “I was simply overwhelmed by the revolutionary spirit of Ikki Kita,” Kishi later said. 18 Among Kita’s ideas was the confiscation and radical redistribution of wealth, but combined with respect for private property below certain limits as “necessary to stimulate economic activity and creative genius.” 19 While Kishi denied any attraction to Marxism as a student and after the war was outspoken in his anti-communism, his biographer Hara Yoshihisa suggests that between his attraction to the first Soviet five-year plan as a Ministry of Commerce and Industry (MCI) bureaucrat, his close cooperation with Socialist politicians in the early postwar period, and his willingness to borrow ideas from the Japan Socialist Party (most notably when he served as prime minister and instituted reforms of the social security system – more on this shortly), he may also have been attracted to socialism as a student radical. 20

Kishi’s thinking evolved once he entered the MCI, but he retained from his student days a strong belief in the need for decisive leadership to pursue the policies needed for national strength and for the state to play a preeminent role guiding economic development. Historian Janis Mimura notes that Kishi and the other so-called “reform bureaucrats” were attracted to the German concept of the “national economy,” which she defines as “replacing unrestricted competition with cooperation in order to promote the welfare of the whole and national interests.” 21 She notes that the definition of “national interest” can and did change – from industrial rationalization and economic recovery during the early years of the Great Depression to “total war mobilization” during the mid- to late-1930s – but the overarching vision of Kishi and his fellow bureaucrats seeking change was to use the state to articulate national goals and shape economic activity according to these goals. The same flexibility regarding national goals enabled Kishi and his fellow technocrats to build the “postwar managerial state,” whereby they “[established] a new institutional framework for technological advance and economic growth and [promoted] a new generation of planners and technically minded bureaucrats.” 22 As economist Yukio Noguchi argues, not only did many of the prewar and wartime planners emerge after the war to lay the groundwork for reconstruction and high-speed growth, “one finds that a number of wartime systems and mechanisms still form the basic structure of the present Japan’s economy.” 23

As Kishi rebuilt his career after his release from Sugamo Prison, he articulated a comprehensive and coherent nationalist program, in which Japan had to upgrade the U.S.-Japan alliance to a more equal relationship, replace the U.S.-authored “peace” constitution with a constitution of its own making, develop its own diplomatic relationships in Asia, and rebuild its economy as the foundation of all national power. Kishi’s premiership (1957-1960) is often regarded as preoccupied with “high politics” like the security treaty and the constitution, but as historian Hasegawa Hayato has argued, it is a mistake to view Kishi only through the “high politics” lens. He was pursuing a coherent program of national revival that included

19 Ibid., 94.
20 Hara Yoshihisa, Kishi Nobusuke (Tokyo: Iwanami Shoten, 1995). Chapters 2 and 3 address his student years and early bureaucratic career.
22 Ibid., 198.
both political and diplomatic measures to reassert Japan’s sovereignty and
economic policies to build the material basis for national independence.²⁴

Kishi believed that during the 1950s Japan became too dependent on the
U.S. for its growth – symbolized by the boom spurred by the Korean War – and that
it was necessary to develop new sources for sustainable growth. His
developmentalist program – which laid the foundation for the subsequent “income
doubling plan” pursued by the Ikeda government (1960-1964) – recognized the
need for investment in new technology that would boost productivity, which would
in turn raise wages and boost consumption. Japan would also need to develop new
markets so it could export surplus production, which meant working with the
United States to deepen the bilateral trade relationship (it is not an accident that the
1960 U.S.-Japan mutual security treaty included a clause on economic cooperation)
and rebuilding relationships with Southeast Asian countries and Australia.
Increasing national wealth would be the foundation for shared prosperity based on
redistribution, and Kishi made building a welfare state a fundamental goal for his
government from the moment he took power. Underlying much of his thinking was
hostility to laissez-faire capitalism and a strong belief in the need for state planning
to curb the abuses and excesses of the market.

There is little doubt that Abe is sensitive to this inheritance. He does not
often speak of it, particularly compared with his reminiscences about the 1960
treaty battles and his grandfather’s beliefs about constitutional revision. But Abe’s
economic views parallel Kishi’s in terms of the importance of shared prosperity and
sustainable growth as the foundation for national autonomy.

He has on several occasions as prime minister spoken explicitly on this
aspect of his grandfather’s legacy. For example, at a New Year’s party in January
2017, he noted that 2017 was the sixtieth anniversary of the birth of the Kishi
cabinet, which, he said, “became the first year of the social security system.” Earlier,
in a September 2014 speech, he gave a fuller account of his grandfather’s economic
legacy. Addressing the belief that Kishi was focused mainly on “high politics,” Abe
said:

My grandfather, Kishi Nobusuke, is remembered by many people as
the prime minister who carried out the 1960 U.S.-Japan security
treaty revision, but in practice he was a Ministry of Commerce and
Industry economic bureaucrat. Naturally, his field of expertise was
economics.

Therefore, at the time grandfather assumed the premiership, my
father, Abe Shintaro, his secretary, strongly advised, “Let’s try to
make a prosperous economy.” However, grandfather answered,
“Certainly economic policy is important. However, at the same
time, security is fundamental for the nation, and we have to
accomplish it, because no one other than politicians can strive to do
it.

Naturally, my grandfather did not do “only security.” For example,
it was a great achievement of the Kishi administration to create,
through the public pension and insurance systems, a Japanese
social security system that everyone should be proud of. There is

²⁴ Hasegawa, Hayato, “Kishi Naikaku-ki no Naisei / Gaikō ronsen no rekishi-teki sai-kentō: “fukushi
kokka,” “keizai gaikō” toiu shiten kara [A Historic Reexamination of Domestic Affairs and Diplomatic
Alignments during the Kishi Cabinet: From the perspective of “the welfare state” and “economic
diplomacy” (Ph.D. dissertation, Hitotsubashi University, 2015).
no doubt that the subsequent high-speed growth was born on such a foundation.\textsuperscript{25}

Even without sharing his grandfather’s economic acumen, there is a case to be made that Abe’s economic policy instincts are at least partly derived from his grandfather’s commitment to a strong role for the state in guiding development and ensuring that prosperity is broadly shared. The idea is not that Abe has made a close study for Kishi’s economic thought, but rather that to the extent that Kishi has had an outsized influence on his grandson’s priorities, worldview, and basic political instincts, we should include economic policy as part of that influence.\textsuperscript{26}

In the few instances when Abe has discussed economics in a more abstract fashion, we can see these statist instincts at work. In his 2006 book \textit{Utsukushii kuni e}, Abe says very little about economic policy, particularly about deflation and economic stagnation or structural reform, which was central to his predecessor and patron Koizumi’s governing agenda. But he does devote an entire chapter to Japan’s demographic challenges and its social security system, in which he not only notes the role played by his grandfather’s cabinet in building Japan’s safety net, but also provides a revealing description of Kishi’s politics. Comparing Kishi with his grandfather’s friend, lawyer, and Socialist Party lawmaker Miwa Jyuso, Abe writes: “Miwa gave counsel and was active as a lawyer and as a politician in order to save the needy people before his eyes. However, in the case of my grandfather, he tried to restructure the state that brought forth that poverty.”\textsuperscript{27} In the same chapter, Abe draws a distinction between the “night watchman state” – he uses U.S. conservative activist Grover Norquist’s ambition to make government small enough to “drown in a bathtub” to characterize this type – and a “super high welfare state” like Sweden, and situates Japan and his own views as somewhere in between. Abe makes clear that he has little interest in “small government” and views the state as having a positive and essential role to play in national life.

This became even clearer when he returned to power in 2012. Before his December 2012 electoral victory, Abe published an essay in \textit{Bungei Shunju}. A kind of personal manifesto, this essay was subsequently appended to \textit{Utsukushii kuni e [Towards a beautiful country]}, which was reissued with the new title, \textit{Atarashii kuni e [Towards a new country]}. Central to the 2012 essay – which, unlike the 2006 book, was predominantly focused on macroeconomic issues – is Abe’s articulation of what he calls \textit{Mizuho no kuni} capitalism. Referring to an old name for Japan that means “land of abundant rice,” Abe sketches a picture of a traditional rice-producing society “based on self-reliance and self-help,” but in which “if unfortunately someone falls ill, everyone in the village will help.” He writes:

This kind of ancient Japanese social security is incorporated in a Japanese person’s DNA. I think that in the \textit{Mizuho no kuni}, there is capitalism suitable for the \textit{Mizuho no kuni}. However, while emphasizing free competition and an open economy, it is not the kind of capitalism driven by greed that dominates the world from Wall Street, but rather it is a form of market-based economy suitable for the \textit{Mizuho no kuni} in the \textit{Mizuho no kuni} that respects moral values and knows true wealth.\textsuperscript{28}

\textsuperscript{25}Abe Shinzō, Speech at the Naigai jōsei Chōsakai, 19 September 2014. \url{http://www.kantei.go.jp/jp/96_abe/statement/2014/0919naigai.html}. Author’s translation.

\textsuperscript{26}Kyodo News journalist Kalizaki Meiji has also argued that Abe’s economic thinking is inspired by Kishi. \textit{Kensho Abe-izuma} (Tokyo: Iwanami Shoten, 2015). Chs. 1 and 3 are especially clear on this point.


This short passage is highly revealing, suggesting that Abe sees intervention by the state as a modern version of the “ancient Japanese social security” implied by the term *Mizuho no kuni*. The notion of all members of society caring for each other is strongly reminiscent of Kishi’s own attitudes towards the social safety net, who as an economic planner sought to curb “destructive” competitive practices and rejected “the liberal mentality of profit for profit’s sake.” Abe makes a similar argument in *Utsukushii kuni e*, when, in a description of the “low city” Tokyo neighborhood of the early 1960s depicted in the award-winning film *ALWAYS: San-chome no yuhi*, he says, “Everyone is poor, but the people in the neighborhood are depicted as living with dreams of acquiring wealth amidst warm connections with each other.”

An example of what scholar Aoki Kumiko calls the “ideologization” of the Showa-30s (1955-1965), this reference uses Japan’s high-speed growth period, when annual national income increases averaged roughly ten percent to argue for shared national prosperity and growth that preserves rather than erodes traditional collective values. Perhaps, just as the Tokyo Olympics of 1964 came to represent the peak of the high-growth period, so too could the 2020 Tokyo Olympics serve as the symbolic high water mark in the age of Abenomics.

After returning to the premiership Abe has repeatedly returned to the *Mizuho no kuni* concept. Perhaps his most revealing recitation of this vision came during the inaugural meeting of his government’s tripartite (government-business-labor) council for “realizing an economic virtuous cycle,” the setting for Abe’s unprecedentedly direct involvement in the wage-setting process (more on this in a subsequent section). In that meeting, he said:

I often say that Japan’s market economy is a *Mizuho no kuni* market economy. Market principles are, of course, important principles, but not everything can be solved by leaving things to the market. We must cooperate from the standpoint of society’s various problems and tasks and advancing society. Because if you leave it to the market you cannot necessarily ensure a happy and prosperous life for all the people living in that country, so of course we make this kind of institution – which for Japan is a new kind of institution.

The point is not that Japan’s economy is state-dominated. Abe is not the only actor who matters in the Japanese political system, notwithstanding the expanded powers of the prime minister’s office, and Abe’s personal beliefs about economic policy are not the only factor influencing its government’s priorities and policies. In every policy area, Abe has had to confront other stakeholders and veto players, whether in the bureaucracy, the LDP’s backbenches, or the private sector. “Reciprocal consent,” political scientist Richard Samuels’s term for the process by which the Japanese state and private sectors have had to secure the other’s support for initiatives, remains a useful guide to how the country makes economic policy. Indeed, the tripartite wage-setting process mentioned previously is a perfect example of the limitations of Abe’s statist instincts: despite Abe’s cajoling, both business associations and labor unions have resented the prime minister’s

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29 Mimura, op. cit., 37.
involvement in what has historically been their exclusive domain, and wage increases have failed to live up to Abe’s hopes.\(^3\)

Nevertheless, when looking at Abenomics, it is important to recognize that Abe’s instincts mean that he believes fundamentally that the state has a critical role to play guiding economic policy. Although the program has at times included “deregulation” as one of its approaches, Abenomics is not a neo-liberal program of unshackling the animal spirits of the free market. The expectation is that the state will determine the goals and priorities for national economic development and will identify the appropriate means for achieving them, which could at times mean liberalizing markets, but has often meant deploying state power.

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As useful as it is to see the deep origins of Abe’s economic thinking – and to note that a commitment to state-led national economic development has likely been part of Abe’s worldview since well before Abenomics – this alone does not account for the specific forms that Abenomics has taken since December 2012. As important as Abe’s instincts are, he has needed expert guidance to translate his preferences into policy proposals, if not policy itself.