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STATE ECONOMIC INTERVENTION AND STRUGGLE OVER THE STATE IN JAPAN

By

Kuniko Fujita

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Sociology

1982

ABSTRACT

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It is a main theme of this thesis that state economic intervention and the form that intervention takes in the process of capital accumulation in Japan are shaped and determined by crisis and the working class struggle in the period which covers the postwar era to the present time. Chapter One on the general means of production and the means of collective consumption provides a general relationship of the state to the economy in the capitalist mode of production. It is, if anything, more applicable to the present stage of state-regulated monopoly capitalism than any other previous stage, since the state has come to control both capital and labor through the provision of the general means of production and the means of collective consumption. Chapter Two on the Meiji state and Chapter Three on the early postwar period are provided to make clear the idea that the form of economic intervention changes according to the stages of capital accumulation. Those chapters also show that the present form of economic intervention is borne out of contradictions of the previous form of economic intervention.

State economic intervention in the main theme is divided into two phases. The first phase is described in Chapter Four on state economic planning, while the second phase is described in Chapter Five on the turning point of the postwar pattern of capital accumulation. The

shift from the first to the second phase takes place by economic crisis and working class struggles over the state.

Chapter Six enumerates the success and the limits of welfare programs at the local state's level. Tokyo Metropolitan Government exemplifies the local welfare state. The final chapter on the state in the world economic crisis in the 1980s demonstrates that the state is again facing a change in its form of economic intervention. State economic policies in the 1970s have been indeed attempts to restructure state apparatuses in order to be capable of responding to the new needs and conflicts arising from further internationalization of productive capital in the next decades.

Overall, it is argued in this thesis that a capitalist state guarantees the production and reproduction of capitalist social relations of production through its intervention in capital accumulation.

ACKNOWLEDGEMENTS

I would like to thank Professors James McKee (chairperson of my dissertation committee), Rick Hill and Kevin Kelly.

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PREFACE

The role of the state in capitalist society is primarily to guarantee the reproduction of capitalist social relations, and to create cohesion and stability in political and ideological relations despite the antagonisms produced within these by the class nature of society. Capital accumulation has been beset by crises that are intensified by the growing strength of the struggles of the working class. It has become increasingly impossible to confine the effect of these crises to economic reproduction, as the working class seeks to increase its exercise of political power to defend and advance its economic interests. Out of these conflicts within monopoly capitalism has developed the stage of state-regulated monopoly capitalism, which is the latest stage of capitalism in the post World War II period.

Fundamental to this stage is the state's increasing intervention in the economy in order to restructure productive capital that is oriented towards internationalization (or, the development of multinational corporations). Once the state ventures into economic intervention, it can act to moderate the crises and conflicts associated with capital accumulation. In doing so, it widens its responsibility for guaranteeing social reproduction, although it can never abolish the contradictions of capitalism.

The more intimate the link between the state and economic reproduction, the greater are the potential political and ideological conflicts produced by struggles over the economic issues. The struggles for jobs and better wages increasingly become struggles within and potentially against the state. They immediately raise such political issues as the questions of control of the state and its class nature. It is in overcoming this danger that a political transformation becomes a necessary aspect of state-regulated monopoly capitalism. This transformation takes the form of social democracy, which has the effect of integrating the struggles of the labor movement and popular democratic movements so that political parties based on working class support become part of the state apparatus. This gives the working class the illusion of political power. Thus, the question of control of the state which arises from economic struggles does not necessarily lead to a political struggle for real control. Instead, the integration of the working class struggle into social democratic institutions creates the material conditions for that struggle to be confined to limits compatible with capitalist social reproduction.

It is this growing social democracy and state economic intervention that have had the greatest effect on many writers who are developing contemporary theories of the capitalist state. Despite differing assumptions and methodologies, these writers tend to disassociate postwar capitalist societies from the laws of motion of capitalist development. To them, state economic intervention is seen as the political sector intervening in the economic sector, with the form and outcome depending solely on the balance of forces in the political class struggle. The writers develop theories of the capitalist state without reference to the economic imperatives and requirements of capital accumulation, or in isolation from its complex articulation with economic forces. Even when these writers refer to the economy, they focus exclusively on the sphere of circulation and distribution, and equate class struggle with distributional struggle within the state apparatus.*

It is in this context that the contesting notion of the state as an instrument for socialist transformation is intensely controversial. Those theorists who locate the state at the political level or in the sphere of distribution, tend to ignore the fundamental economic constraints on the effective exercise of state power. They visualise the state as a means of overcoming the basic contradictions of the capitalist system, and indeed, as a way of effecting a gradual, peaceful transition to socialism through the skillful manipulation of the existing state apparatus.

This is an argument of reformism based on distributional struggles in the context of bourgeois democracy. Even recent, more sophisticated arguments in this tradition cannot overcome limits of distributional struggles, as they have attempted to, by claiming that the working class will take new forms and have more immediate and direct political effects if social democracy is established. In these arguments, this transition will depend upon a successful working class political struggle and, in the case of employment, on workers' struggles for state intervention in maintaining jobs through such techniques as the nationalization of industry, import controls and aid to the industry concerned. The realization of these social democratic goals can occur, however, only through the continued promotion of capital accumulation, leaving the fundamental relations between capital and

*For this political struggle approach to the state, see footnote 27, p. 270.

labor untouched. They can never transcend the cause, nature and limitations of state economic intervention.

If we are concerned with the strategic position of the state in socialist transformation, it is necessary to go beyond distributional struggles in social democratic theories of the capitalist state. It is the aim of this thesis to examine state economic intervention on the basis of both economic factors and the political balance of forces in the framework of capitalist mode of production.

INTRODUCTION

It is a widely accepted view that Japanese capitalism is "state-led capitalism", or "state capitalism". This is true in the sense that the Japanese state has been consistently involved in capital accumulation since the Meiji era (beginning in 1868) when the state played an important role in the formation of Japanese capitalism. It is, however, controversial to regard the Japanese state in the postwar period as similar to the Meiji state. The state in both the Meiji era and postwar period is of course class state, but it, like everything referring to capitalist society, should not be understood in an absolute manner, but dialectically. The structure of the state is dynamic, being modified by the stages of capital accumulation. The form that state economic intervention takes in the process of capital accumulation changes corresponding to the stages of capital accumulation.

Generally speaking, the state in a Marxist analysis guarantees the production and reproduction of capitalist social relations of production through its economic, political, and ideological apparatuses. The Meiji state, which starts in the stage of world monopoly capitalism, secures capitalist social relations of production in all-embracing manner of economic, political, and ideological functions of the state in infantile stage of Japanese capitalism. Because of the lack of capital accumulation, the Meiji state's economic intervention takes the form of "nationalization of industries" which substitutes for the absence of monopoly capital. The state in the economy in this stage is understood to nurture monopoly capital and to promote capital accumulation, while creating general conditions for those purposes through political and ideological functions. To the working class, the state exists primarily as a repressive state since labor movements are repressed and democratic rights are limited.

The process of capital accumulation is beset by crises which, in turn, become conditions for renewed accumulation and the working class struggle is intensified. But it becomes increasingly difficult to confine the effects of crises and the growing strength of the working class struggles to the economy. The partial resolution of crises and the working class struggles under monopoly capitalism is to be found in the development of the economic role of the state. State's predominance in economic reproduction is the distinguishing feature of state-regulated monopoly capitalism in the postwar period. This state economic intervention not only affects particular sectors of capital but also capitalist society as a whole. The form that economic intervention takes is "the socialization of costs of capitalist production" corresponding to a higher level of the socialization of the relations of production, a new highly socialized mechanism for the control of production and a socialized form of appropriation of surplus value through taxation. By socializing the costs of capitalist production the state restructures productive capital and thus secures capitalist social relations of production. This economic intervention directly and indirectly affects the working class in its material life as economic struggles at the point of production are channelled into political struggles in the state apparatus through the establishment of bourgeois social democracy. Political and ideological functions of the state to control the working class are increasingly achieved through economic intervention. The state is no longer directly repressive but controls material life of the working class more tightly than ever before.

Thus, the Japanese state in the postwar period cannot be seen as the same as the Meiji state. Nor is state predominance in the economy in the stage of state regulated monopoly capitalism particular to Japanese capitalism. It is the product of the contradictions associated with the previous stage of monopoly capitalism.

CHAPTER I

THE GENERAL MEANS OF PRODUCTION AND THE MEANS OF COLLECTIVE CONSUMPTION

State economic intervention takes several forms, including nationalization, policies of aid and subsidy to particular industries, tax benefits, income policy, state loans, and state investment in the infrastructure. What is most characteristic of economic intervention by the Japanese state is an enormous amount of state investment in the infrastructure. State expenditures on the infrastructure are categorized as "general means of production" in this research. This category includes industrial water facilities, industrial parks, roads, highways, airports, harbors, subways, means of communication, research and development facilities, surveys and research for overseas investment in developing countries, and aid to international economic organizations, as well as loans, aid and subsidies to particular firms, and expenditures to nationalized industries.

"Means of collective consumption" refers to the state expenditures necessary to maintain the reproduction of labor power, such as housing, health, equivalents to medicare and social security, water, sewage treatment and disposal, libraries, theatre, daycare, and education. The means of collective consumption do not enter the production process. Consumed instead outside of the production process, they are regarded by marxist analysis as unproductive expenditures. Some of both the general means of production and the means of collective consumption have a dual nature and are difficult to categorize into either the general means of production or the means of collective consumption. In such a case, they are categorized into the general means of production. Education has, for instance, clearly such a dual nature, but as far as it is categorized into the means of collective consumption, it excludes higher education.

Other expenditures such as police, prisions, etc. are not considered in this paper since such expenditures primarily serve an ideological function.

1. <u>General means of production (i.e., general conditions of labor)</u>

In any mode of production there are means of production peculiar to the labor process of that mode. There also exist, besides means of production, general means of production. Natural resources such as water and the soil do not enter directly into the labor process, but are in a wider sense included among the general means of production.[1] Marx calls these means of production universal conditions of social production, which are distinct from particular means of production.

> In a wider sense we may include among the instruments of labor, in addition to these things that are used for directly transferring labor to it subjects, and which therefore, in one way or another, serve as conditions of activity, all such objects as are necessary for carrying on the labor process. These do not enter directly into the process, but without them it is either impossible for it to take place at all, or possible only to a partial extent. Once more we find the earth to be a universal instrument of this sort, for it furnishes alocus standi to the laborer and a field of employment for this activity. Among instruments that are the result of previous labor and also belong to this class, we find workshops, canals, roads and so forth.[2]

The magnitude and content of the general means of production are large and continue to change as the social productivity of labor increases and the social division of labor develops.

In the capitalist mode of production, canals, roads and similar items become general means of production distinct from those classified as the means of production, such as machines, tools and raw materials. Those in this second category enter directly into the production process. The development of capitalist production has required a revolution in the general conditions of the social process of production, particularly in the means of transportation and communication.

As Marx writes, a society whose economy is centered on small scale agriculture, with its subsidiary domestic industries and urban handicrafts, possesses utterly inadequate communication and transportation systems for the productive requirements of a manufacturing economy. Industrialization and the development of monopoly capital, characterized by an extended division of social labor, a concentration of the instruments of labor, and eventual extension into colonial markets, requires that a society's entire infrastructure be revolutionized.

Similarly, the communication and transportation systems handed down from a society's manufacturing period become unbearable hinderances on modern industry, with its feverish haste of production, its enormous scope, its constant flinging of capital and labor from one sphere of production into another, and its newly created connections with the markets of the world economy.[3]

Thus, self-expanding capitalist production quickly makes the existing means of communication and transportation obsolete and, as a result, requires that they be rapidly transformed. Historically, these revolutions in technologies for the communication and transportation systems have taken place about every ten years, and have caused economic crises in forcing the further expansion of capitalist production.

The widespread economic crisis of 1825 was primarily caused by the extensive investment of capital in the the construction of roads, canals and gas works which took place during the preceding decade, particularly in England where the crisis originated. The following crisis of 1836 to 1839 was similarly the result of heavy investment in the construction of the means of transportation. Eight years later another crisis was precipitated by the feverish building of railroads in England. (In the three year period of 1844 through 1847, the British Parliament gave railway concessions equal to the value of $15 billion.)

In 1857, the same result was caused by the abrupt opening of new markets for European industry in America and Australia after the discovery of gold, and by the extensive construction of railway lines, especially in France where the example of England was closely imitated. From 1852 to 1856 new railway lines worth 1250 million francs were erected in France.[4]

Monopoly capitalism transformed the general means of production as well as creating technological innovations in capitalist production. These advances paved the way for the penetration of capitalist production into new spheres, such as the creation of new markets in underdeveloping countries. These changes in turn made necessary the further expansion and revolutionalization of the general means of production beyond a nation's borders. In the latest stage of capitalism, the general means of production have become indispensable conditions for particular and private capitalist production. Without the general means of production, particular labor processes, private production and social production cannot be maintained nor completed. Internationalization of productive capital, the existence of multi-national corporations, and decentralization of production are thus highly dependent upon the maintenance of the general means of production.

It has been historically the bourgeois state that has provided, administered and controlled the general means of production so that private capital could utilize them socially and collectively for the basic conditions of production. In the latest stage of capitalism, the state has been heavily involved in the provision of such general means of production as highways, airports, railways, and other transportation facilities; industrial parts, industrial water, electric, gas, and related facilities; telephone, telegraphy and other communication facilities; urban development projects; and, buildings and facilities for higher education and research and development.

The postwar pattern of capital accumulation is, in fact, highly dependent upon the state's investment in the infrastructure (i.e., the general means of production). The question that may naturally be raised here is why the general means of production are not privately owned, but take a socialized form. In answering this question, it is important to look at the concept of fixed capital.

In the capitalist mode of production, the means of production and the means of subsistence become forms of capital. The means of production become productive capital. The two types of productive capital are the means of labor and the objects of labor, i.e., fixed capital and circulating capital. All means of labor, however, do not convert particular and private capitalist production. Without the general means of production, particular labor processes, private production and social production cannot be maintained nor completed. Internationalization of productive capital, the existence of multi-national corporations, and decentralization of production are thus highly dependent upon the maintenance of the general means of production.

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Marx writes that "capital is not the sum of the material and produced means of production. Capital is rather the means of production transformed into capital, which in themselves are no more capital than gold or silver in itself is money. It is the means of production monopolized by a certain section of society."[5]

Thus, one must examine what determines the transformation of the means of labor into fixed capital. First, "instruments of labor are fixed capital if the process of production is really a capitalist process of production and the means of production are therefore really capital and possess economic definiteness, the social character of capital."[6] Also, "instruments of labor are fixed capital only if they transfer value to the product in a particular way. If not, they remain instruments of labor without being fixed capital."[7] Also, since the capitalist production process is a value-creating process, instruments of labor are fixed capital if they are combined with labor power for production of surplus value.

Fixed capital is privatized and monopolized by capitalists. However, some of it is not privatized and becomes instead the general means of production, which are social, basic, and general conditions for all productive capital. Most general means of production have been through capitalist monopolization at one time or another in the past, but in present times the state tends to socialize the general means of production for social, political and economic reasons. Also, the state is sometimes forced to socialize these general means of production in crises.

2. <u>Characteristics of the general means of production</u>

What makes the general means of production difficult to be privatized? What causes them to take the socialized form? The answers can be drawn from characteristics of the general means of production, particularly in relation to their political characteristics in the economy and to the value producing process.

Immobility is one of the characteristics of the general means of production that helps to explain the way in which these means are socialized. To understand immobility, one must look at how the general means of production enter into the production process. This requires Marx's lengthy explanation.

> A part of the instruments of labor, which includes the general conditions of labor, is either localized as soon as it enters the process of production as an instrument of labor, i.e., is prepared for its productive function, such as for instance machinery, or is produced from the outset in its immovable, localized form, such as improvements of the soil, factory buildings, blast furnaces, canals, railways, etc. The constant attachment of the instrument of labor to the process of production in which it is to function is here also due to its physical mode of existence. On the other hand, an instrument of labor may physically change continuously from place to place, may move about, and nonetheless be constantly in the process of production; for instance, a locomotive, a ship, beasts of burden, etc. Neither does immobility in the one case bestow upon it the character of fixed capital, nor does mobility in the other case deprive it of this character. But the fact that some instruments of labor are localized, attached to the soil by their roots, assigns to this portion of fixed capital a peculiar role in the economy of the nations. They cannot be sent abroad, cannot circulate as commodities in the world market. Title to this fixed capital may change, it may be bought and sold, and to this extent may circulate ideally. These titles of ownership may even circulate in foreign markets,

> for instance in the form of stocks. But a change of persons owning this class of fixed capital does not alter the relation of the in immovable, materially fixed part of the national wealth to its movable part![8]

Marx uses the examples of furnaces, factory buildings and docks in discussing immobile general means of production. However, furnaces and factory buildings are only a small portion of present-day immobile general means of production. Ports, railways, industrial parks and sewage systems, dams and airports are other important general means of production that can be characterized by immobility.

The characteristic of immobility confers upon its objects an attractive quality--it increases their monetary value. This holds especially true for land. Again, Marx explains that

> one part of society exacts tributes from another for the permission to inhabit the earth, as landed property in general assigns the landlord the privilege of exploiting the terrestrial body, the bowels of the earth, the air, and thereby the maintenance and development of life. Not only the population increase and with it the growing demand for shelter, but also the development of fixed capital, which is either incorporated in land, or takes root in it and is based upon it, such as all industrial building, railways, warehouses, factory buildings, docks, etc., necessarily increase the building rent.[9]

Competition among industrial capital and conflicts between industrial capitalists and landowners increase land value and the building rent and thereby decrease surplus value for industrial capital. The result of this is crisis and bankruptcy for some industrial capitalists. However, in crisis situations, it is the state that has intervened by buying lands and building roads and railways. These have often been provided at little or no cost to industrial capital for collective use. Only the bourgeois state can maintain a level of control over different types of capital, creating favorable conditions for industrial capital. For industrial capital is a source of surplus value which is then distributed among different types of capital in the form of profit, interest and rent.

In the latest stage of capitalism, the state is dependent upon surplus value for revenue in the form of taxes. It is, therefore, structurally mandatory for the state to provide the general means of production to industrial capital and to secure capital accumulation. In some cases, socialized general means of production provided by the state are exclusively utilized by a particular private sector, i.e., monopoly capital. This is not primarily because of cooptation of the state by monopoly capital, but because monopoly capital has enormous capacity to produce surplus value on which the state is dependent.

The second characteristic of the general means of production is the particularity of transformation of their value into a commodity. Since the general means of production are objective conditions for production, their value is transformed into the value of a product only with productive capital. The general means of production do not expand their value independently nor do they transform their value into the product automatically. Take the example of the relationship between the road and vehicle transport. The value of the road is not transformed into the commodity without transport capital which hauls the material products. The value of the road can be seen as similar to the value of fixed capital like machinery in the production process, where the value of machinery is transformed into the product. The road itself does not produce or add value at all; it is only through use of the road that value is added.

In addition to its use by transport capital, a road is used by individual cars for leisure purposes, by a bus for sightseeing, and by trucks for moving household goods. In these cases, the road is a means of consumption. When the road is used as a means of consumption, the value of it is not transformed; the road is only consumed. This does not imply that the road is useless. Rather, it is useful as the means of collective consumption. In the case of a tourist bus or moving company's truck, the road is obviously a source of profit, but in servicing individual tourists, it becomes a means of consumption. Its value is not circulated socially as in the case of the commodity by transport capital.

The third characteristic of the general means of production refers to the nature of the means of circulation. According to Marx,

> in so far as circulation itself creates costs, itself requires surplus labor, it appears as itself included within the production process. In this respect circulation appears as a moment of the direct production process. When production is directly oriented towards use, and only the excess product is exchanged, the costs of circulation appear only for the excess product, not for the main product. The more production comes to rest on exchange value, hence on exchange, the more important do the physical conditions of exchange . . . the means of communication and transport . . . become for the cost of circulation.[10]

Today productive capital moves beyond geographical boundaries to encompass both national and international spheres. Wherever capital functions, harbors and airports are constructed, roads and highways are paved, and telephone and telegraph lines are erected. Without these means of communication and transportation, contemporary capitalism operates ineffectively. It is almost impossible, nevertheless, for private capital to undertake the creation of the means of commu-ication and transport, for "they need a large scale investment, take long term for construction, and can only bear fruit in the far future.[11]

At a less developed stage of capitalist production, undertaking the building of roads and canals required a long period of time, and hence a large long-term investment of capital. These projects were generally financed by the state, rather than being included as a capitalist expense.[12]

In the highest stage of capitalism (i.e., monopoly capitalism) the means of communication and transport "are not paid out of deductions from social revenue, the state's taxes--where revenue and not capital appears as the labor fund, and where the worker, although he is a free wage worker like any other, nonetheless stands economically in a different relation--but rather out of capital as capital."[13]

Historically speaking, it is true that the means of communication and transportation were built by private capital at the beginning of monopoly capitalism with the development of a credit system. However, their construction is again being undertaken by the state in the latest stage of capitalism, as building of the means of communication and transportation is not profitable. This will be examined in more detail later in this paper. To summarize briefly, the requirements of large-scale and long-term construction make the building of the means of communication and transport unfeasible for private capitalists, largely because the means of communication and transport share the same characteristics as those of the means of collective consumption.

A fourth characteristic is that the general means of production do not function by themselves. They require a minimum set of means. For instance, airports or harbors do not function without machines for loading and unloading cargoes, or roads and railways to transport goods to and from them. Roads and railways similarly do not function by themselves. They at least need to connect the town that supplies raw materials with the cities of production and marketing. Industrial locations, similarly, cannot function without gas, electric power, water, and sewage treatment facilities. Contemporary general means of production require complicated facilities attached to them. This is another reason why it is too costly for private capital to undertake them.

A fifth characteristic of the general means of production is that the general means of production includes the characteristics of both productive consumption and individual consumption. By contrast, the concept of the means of production only involves the characteristic of productive consumption. As Marx writes, "part of the means of production which bodily enters into the product, i.e., raw materials, thus assumes in part forms which enable it later to enter into individual consumption as articles of use."[14]

On the other hand, "the instruments of labor properly so called, the material vehicles of the fixed capital, are consumed only productively and cannot enter into the process, or the use-value, which they held to create but retain their independent form with reference to it until they are completely worn out." The means of transportation are an exception to this rule. The useful effect of a change in location which they produce during the performance of their productive function (in other words, during their stay in the sphere of production) passes simultaneously into the individual consumption of, for instance, the passenger. "He pays for their use in the same way in which he pays for the use of other articles of consumption."[15]

Not only such general means of production like transportation, but also such means as gas, electricity, energy, and water act as both productive and individual consumption. All these items classified as general means of production are the means of both productive consumption and individual consumption. The investment of the general means of production, therefore, involves, from the capitalist's point of view, an unproductive aspect.

Finally, a sixth characteristic of the general means of production is that they originally were both military and political in nature. Roads and railways were originally developed to meet military needs rather than economic needs. During the slavery mode of production, for instance, roads were named after kinds and empires. They were the means of political and military centralization. Similarly, in the twentieth century, railways such as Japan National Railway and Autburn Railway in Germany developed out of strong military purposes. Roads and railways in underdeveloping countries today are not only the means of economic control but also the means of political and military control. Thus, their political and military nature is another reason that the general means of production tend to take the socialized form.

In sum, it is concluded that because it is too risky and unprofitable for capitalists to undertake the general means of production, the state comes to provide them.

3. The division between the general means of production and the means of production

As has been shown, the general means of production are by and large provided by the state. However, in the latest stage of capitalism, the definition of the general means of production has been expanded. As capitalism develops, increasing social productivity makes part of the means of production obsolete. Marx states that:

> entirely new branches of production, creating new fields of labor, are also formed, as the direct result either of machinery or of the general individual changes brought about by it. But the place occupied by these branches in the general production is even in the most developed countries, far from important.[16]

Marx continued by listing industries that were formerly major industries but which became general means of production because of the opening up of new spheres of production. They were such industries as gas works, telegraphs, railways, and steam navigation. In this way, capital, as self-expanding capital, searches ceaselessly for new branches of production and makes secondary what it has previously produced.

In the latest stage of capitalism, the state takes over the industries that productive capital has left behind as obsolete, unproductive, inefficient and unprofitable. What is left in the hands of industrial capital is only the means of production in a pure form, i.e., surplus value producing machines and equipment. Leaving the costs of the general means of production on the shoulders of the state, industrial capital is compelled to accumulate through investments that revolutionize the production process with new machines and higher technology.

Thus, there is a division of the means of social production. The means of production which directly enter the value-creating process are privately owned, while the general means of production which are basic conditions for the private sector are socially or publicly owned. The division of the means of social production has developed to the highest point in the capitalist mode of production.

In pre-capitalist society a division existed between the private means of production and the public means of production, but there were no contradictions between them. Roads are one example of this.

> The road is built only because it is a necessary use value for the commune, because the commune requires it at any price. This is certainly a surplus labor which the individual must perform, whether in the form of forced labor or in the direct form of taxes, over and above the direct labor necessary for his subsistence. But to the extent that it is necessary for the commune, and for each individual as its member, what he performs is not surplus labor, but a part of his necessary labor, the labor necessary for him to reproduce the community, which is itself a general condition of his productive activity.[17]

Therefore, there is no contradiction between the private means of production and the public means of production, since the road is necessary for production and the reproduction of both the community and its member.

It is not clear when the means of social production first became divided between the private and public means of production. For instance, canals and roads were constructed by private capital as early as the end of the eighteenth century in such countries as England, Scotland, and Ireland.[18] Soon after, however, privatization of the means of transportation came to an end in the cities. While most means of transportation were taken over by the state, some of them remained in the profit-making sphere.

The theory of value can be observed in operation here. The general means of production such as roads, harbors and railways are not commodities to be exchanged as a whole. Since surplus value cannot be realized without exchange, capital investment into the general means of production remains unprofitable. For example, one road contains no more than a definite quantity of labor, and hence of value. The capitalist perhaps has forced a worker to work twelve months, and pays him for the value of only six months. This means that the part of the road's value which contains his surplus labor forms the capitalist's profit. As Marx writes, "the material form in which the product appears must absolutely not interfere in laying the foundations of the theory of value."[19] Exploitation by not paying the worker for his surplus labor is not the central question here. The major issue is: "can the capitalist realize the road, can he realize its value through exchange?" This question naturally arises with every product, but it takes a special form with the general conditions of production (the road, in this case)."[20] It may be the case that the surplus labor time created in building the road is not exchangeable. For the worker himself it is surplus labor. For the capitalist it is labor which, while it has a use value for him, has no exchange value. Hence, the entire distinction between necessary and surplus labor does not exist.[21]

Exchange value which presupposes a social division of labor is based on the idea that, instead of one individual doing different kinds of labor and employing her or his labor time in different forms, each individual's labor time is devoted exclusively to particular functions.[22] Where exchange value is the basis, the reciprocal necessity of an individual's labor is mediated through exchange and expressed through abstract labor. The concept of abstract labor can be seen in the fact that every act of particular objectified labor can be exchanged for the product and symbol of abstract labor--money. Thus, each act of particular objectified labor can be exchanged again for other particular labor. Abstract labor which presupposes a social division of labor can be realized only through an exchange in the form of money. Without an exchange in the form of money, value cannot be realized.

The capitalist cannot, therefore, gain surplus value in the form of profit by building roads, since surplus value cannot be realized without the exchange of the road as a commodity. If the capitalist gains profit from the road, it must come from sources other than the exchange value.

For the capitalist to undertake road building as a business, various conditions are required. The first requirement is the development of a joint-stock company which will be able to undertake such work. This might overcome the difficulties involved in financing, due to the slow turnover of the work and thus the slow realization of value. Secondly, since the realization of surplus value through exchange is difficult in road building, what the capitalist gains will be interest, but not necessarily profit. This requires the development of a credit system. Third, such a venture will not be undertaken unless there is a large enough volume of traffic--especially commercial vehicles--for the road to pay for itself. This means that the price demanded for use of the road must be worth the same amount of exchange value that they can pay. Finally a portion of idle wealth is needed to finance these articles of locomotion.[23]

All general conditions of production require the highest development of production founded on capital in order to be undertaken by private capital instead of by the state.[24] Thus, investment in the general means of production by private capital began with the development of a credit system in monopoly capitalism, as long-term financing is often required in reaching a higher development of production. An example of this is the feverish railway investment by capital which started in the middle of the nineteenth century.

As capital predominates throughout a country, or becomes social capital, the community is constituted itself in the form of capital. Private capital does not have to take the risk of building roads or railways. The state tends to take over part of the general conditions of production for private capital under the name of the public interest. Marx writes that

> a country, ie, the U.S., may feel the need for railways in connection with production; nevertheless the direct advantage arising from them for production may be too small for the investment to appear as anything but sunk capital. The capital shifts the burden onto the shoulders of the state; or where the state traditionally still takes up a position superior to capital, it still possesses the will to force the society of capitalists to put a part of their revenue, not of their capital, into such generally useful works, which appear at the same time as general conditions of production, and hence not as particular conditions for the capitalist or another--and, so long as capital does not adopt the form of joint-stock companies, it always looks out only for its particular conditions of realization, and shifts the communal conditions off onto the whole country as national requirements.[25]

The growing process of capitalist socialization always reaches a point where the continued production of capital becomes dependent upon the construction of a specific type of social organization. When capitalist production has reached into all parts of society--in other words, when all social production has become capitalist production--only then does a truly capitalist society arise. The social character of production has been extended to such a point that the entire society functions as a moment of production. The sociality of capitalist production then can lead to a particular form of the socialization of capital--the social organization of capitalist production. This is the culmination of a long historical process.

Capitalist production requires the generalization of simple mercantile production that only capital--as a specific fact--is able to historically realize. In the same way, the formation of a capitalist society requires the generalization of specifically capitalist production that only social capitalists historically have been able to accomplish. In other words, as Marx put it, a capitalist society is created from the totality of capitalists, as opposed to the individual capitalist (ie, the totality of the capitalists of any particular sphere of production). Hence, social capital is not just the total capital of a society. It is not the simple sum of individual capitals. Social capital consists of the whole process of the socialization of capitalist production. Thus, it is capital itself that becomes uncovered, at a certain level of its development, as social power.

4. <u>The socialized form of capital and the capitalization of the state</u>

As has been seen, the general means of production in a less developed stage of capitalism was provided through the state. In the stage of monopoly capitalism, private capital like joint-stock companies began to take over the construction of the general means of production. According to Marx, the formation of joint-stock companies resulted in an enormous expansion of the scale of production and of enterprises that had been impossible for individual capitalists. At the same time, enterprises that were formerly governmental became social. Capital has always been dependent upon a social mode of production and has presupposed a social concentration of the means of production and labor power. In this case, it is more directly endowed with a form of social capital that is distinct from private capital. Its realization depends upon social undertakings rather than private undertakings. Thus, this social capital represents the abolition of capital as private property within the framework of capitalism itself.[26]

Joint-stock companies represent a transition in the conversion of all functions in the reproduction of capital from private functions closely linked with capitalist property into social functions with associated producers.[27] The result of this development of stock companies is that private capital can undertake the building of the general means of production, especially with the establishment of a credit system. Marx writes:

> Since profit here assumes the pure form of interest, undertakings of this sort are still possible if they yield bare interest, and this is one of the causes, stemming from the fall of the general rate of profit, since such undertakings, in which the ratio of constant capital to the variable is so enormous, do not necessarily enter into the equalization of the general rate of profits.[28]

Thus, the state's enterprises have become partly reclaimed by social capital (i.e., joint-stock companies). Marx states that his (the capitalist's) business nowadays is to build whole rows of houses and entire sections of cities for the market, just as it is the business of individual capitalists to build railways as contractors.[29]

Joint-stock companies also undertake the construction of railways, canals, docks, large municipal buildings, iron shipbuilding, and the large-scale drainage of land.[30] The capitalist expects to gain from these undertakings surplus value in a pure form of interest. Development of the credit system makes possible the separation of public works from the state and their migration into the domain of works undertaken by capital itself. This indicates the degree to which the real community has constituted itself in the form of capital. When the general means of production is thus run by social capital (i.e., joint-stock companies), the highest stage of capitalist development has been reached.

> The highest development of capital exists when the general conditions of the process of social production are not paid out of deductions from the social revenue, the state's taxes--where revenue and not capital appears as the labor fund, and where the worker, although he is a free wage worker like any other, nevertheless stands economically in a different relation--but rather out of capital as capital. This shows the degree to which capital has subjugated all conditions of social production to itself, on one side; and, on the other side, hence, the extent to which social repoductive wealth has been capitalized, and all needs are satisfied through exchange form.[31]

In fact, monopoly capitalism begins with the undertakings of the general means of production by private capital (and even the means of collective consumption begin to be produced by capital for sale as commodities.) However, the undertakings of the general means of production by joint-stock companies do not last long. The general means of production tend to be socialized or nationalized by the state in times of crises due to its particular characteristics.

This process of socialization and nationalization escalated since the World War II crisis. Is this a contradiction of Marx's theory that indicates that the general means of production are provided by monopoly capital in the highest stage of capitalism? Indeed, it is not. During crises, which deepen contradictions between the appropriation and production of surplus value, capital is unable to make investments and thus the state again takes over the general means of production. Crises in monopoly capitalism accelerate this process of returning the undertakings of the general means of production to the state. In the latest stage of capitalism, the state controls the provision of the general means of production through its dominant role in controlling the credit system.

In the highest stage of capitalist development where "real community" is constituted as a form of capital through exchange values, the state is also capitalized.

5. The Means of Collective Consumption

The means of collective consumption particularly refer to the reproduction of labor power. The means of collective consumption are seen as Marx's concept of individual consumption which does not enter into productive consumption. Marx did not explore the idea of the means of collective consumption since they had not been fully developed during his time.[32] The discussion in Capital of the requirements for the reproduction of labor power is limited to an examination of wages.

In communal society where social labor is not abstract labor but immediately private labor, the general and communal means of production and the means of collective consumption are not separate. As we have seen earlier, a road is a means of production and reproduction of the individual self as well as the communal self. The road is necessary for private labor activity as well as communal, social labor activity. Thus, in communal society, productive consumption is a priori collective consumption and individual consumption.

Collective consumption began with the origin of humans. Humans consumed collectively as a species and started collective consumption as social beings with the establishment of a society. It can be said that collective consumption is part of the human mode of living.

Individual consumption is necessary for the reproduction of an individual life, while collective consumption is indispensable for reproduction of a society. Collective consumption, however presupposes the satisfaction of individual consumption. Individual needs have never been completely met in human history. Slaves in ancient Greek cities, serfs in the feudal mode, and the proletariat in urban areas have never been able to meet their needs adequately through individual consumption. The development of collective consumption was at least a potential solution to this problem.

With the emergence of cities, there developed a new mode of consumption among the poor and the working class. The city was a labor pool made up of the poor and the working class who had no means of production. Most of the working class in the city lived collectively in small areas and developed the means of subsistence collectively. (Wage is regarded as only part of the means of subsistence since it is far below what is needed to satisfy individual consumption.)

Collective housing, water, streets, arenas and parks have been provided as a collective means of subsistence by city governments. These collective means of consumption have been indispensable for the reproduction of not only the city itself but also of the working class in order to maintain the lives of the workers and their families. Building the means of collective consumption, like the general means of production, required large-scale works and investments.

Historically, it has been city governments rather than the nation that made such works possible through coerced labor. Construction of the means of collective consumption was a forced transformation of part of the city's surplus (or surplus product) into the means of collective consumption. The city was more responsive to the requirements for the reproduction of the working class than the state. When Marx says that the state is a product of the city, he is referring to the collective means of consumption that is provided by the city.

With the continuing development of capitalist production based on exchange, individual consumption has become satisfied through commodity consumption.

> All needs are satisfied through the exchange form; as well as the extent to which the socially posited needs of the individual, i.e., those which he consumes and feels not as a single individual in society, but communally with others--whose mode of consumption is social by the nature of the thing--are likewise not only consummed but also produced through exchange, individual exchange.[33]

Today individual consumption is clearly separated from collective consumption and tends to contradict it. The nature of collective consumption, nonetheless, remains the same as the general conditions for individual consumption. Water is one example of this.

Capitalism as commodity production constantly incorporates individual consumption into the reproduction of the production process through a particular mode of consumption in urban areas, and through the highest development of commodity production as the result of commodification of labor power. This has changed some aspects of collective consumption. As the concentration and monopolization of the means of production has occurred in urban areas, the resulting concentration of population has been a major source of profit for industrial capitalists. For the large-scale machinery, manufacturing required the cooperation and concentration of a large number of workers. The purpose of industrial capital has been to maximize profit through the utilization of a concentrated labor force. Collective consumption which is not productive consumption but still necessary for the reproduction of labor power has been totally uninteresting to capitalists.

Capitalist accumulation which tends to maximize the exploitation of labor power and minimize wages in the production process, operates for the reproduction of labor power outside the production process. Marx writes: "in line with its contradictory and antagonistic nature, the capitalist mode of production proceeds to count the prodigeous dissipation of the laborers' life and health, and the lowering of his living conditions, as an economy in the use of constant capital and thereby as a means of raising the rate of profit."[34]

Lack of the means of collective consumption for the working class manifests itself in the lack of safety conditions in the factory. "Such economy extends to overcrowding close, unsanitary premises with laborers, or as capitalists put it, to space savings; to crowding dangerous machinery into close quarters without using safety devices; to neglecting safety rules in production processes pernicious to health, or as in mining, bound up with danger, etc."[35]

From the capitalist point of view, this would be quite a useless and senseless waste.

> The capitalist mode of production is generally, despite all its niggardliness, altogether too prodigal with its human material, just as, conversely, thanks to its method of distribution of products through commerce and manner of competition, it is very prodigal with its material means, and loses for society what is gains for the individual capitalists."[36]

Thus, inadequacy of the means of collective consumption is a result of capital accumulation.

The mode of consumption that has been developed by the working class consists of two parts: private consumption and collection consumption. Collective consumption includes collective housing, water, parks, streets, the means of transportation and communication, hospitals, facilties and buildings for education, and daycare centers.

The range of collective consumption differs according to the stage of capitalist development and the country.

Generally speaking, collective consumption, which is distinct from individual consumption, is not seen as part of the reproduction of labor power from the capitalist point of view. Individual consumption refers to only wages or, the amount of labor socially necessary for the reproduction of that labor power and her or his family. Collective consumption, which is indispensable for the reproduction of labor power, is not included in the concept of wage. Without collective consumption, however, the health of workers would be destroyed. The productivity of labor would be lowered and the reproduction of labor power might not be at all possible. On the other hand, without individual consumption (wage), a worker cannot reproduce herself or himself, as collective consumption is far below what is needed to survive. Furthermore, collective consumption has never been intended as a replacement for individual consumption in the capitalist mode of production, because a worker is only compelled to sell labor power continuously and eternally because of the necessity of individual consumption. In this way, the wage labor system is reproduced.

The contradiction between individual consumption and collective consumption is thus inherent in the capitalist mode of production. In other words, the separation of labor from the objective conditions of labor is a contradiction between collective consumption and individual consumption, and thereby is also the real foundation and the starting point of capitalist society. "What at first was but a starting point becomes, by the peculiar result, constantly renewed and perpetuated of"[37] capitalist society.

The separation of labor from the objective conditions of labor (i.e., the labor process, means of production, and its product) takes another form in the contrast between individual consumption and productive consumption. Distinctions between them can be made.

> Labor uses up its material factors, its subject and its instruments, consumes them, and is therefore a process of consumption. Such productive consumption is distinguished from individual consumption by this, that the latter uses up products, as means whereby alone, labor power of the living individual, is enabled to act. The product, therefore, of individual consumption is the consumer itself, the result of productive consumption is a product distinct from the consumer.[38]

The distinction continues further:

> The laborer consumes in a two-fold way. While producing he consumes by his labor the means of production, and converts them into products with a higher value than that of the capital advanced. This is his productive consumption. It is at the same time consumption of his labor power by capitalists who bought it. On the other hand, the laborer turns the money paid to him for his labor power into means of subsistence: this is his individual consumption. The laborer's productive consumption, and his individual consumption, are totally distinct. In the former, he acts as the motive power of capital, and he belongs to the capitalist. In the latter, he belongs to himself, and performs his necessary vital functions outside the process of production. The result of the one, is that the capitalist lives; of the other, that the laborer lives.[39]

Individual consumption to fuel the reproductive process of labor power must also be socially viewed as the condition for the reproduction of capital. This is because labor power is a commodity to be purchased as variable capital, and functions as productive capital in the production process. The maintenance and reproduction of the working class is a necessary condition for the reproduction of capital.

Indeed, "the individual consumption of the laborer is productive to the capitalist and the state since it is the production of the power that creates their wealth."[40] But the capitalist may safely leave its fulfillment to the laborers' instincts of self-preservation and of propagation. The capitalists' goal is to reduce the laborers' individual consumption as far as possible to what is strictly necessary.[41]

From a social point of view, therefore, the working class, even when not directly engaged in the labor process, is just as much an appendage of capital as the ordinary instrument of labor. Even its individual consumption is, within certain limits, a mere factor in the process of production.[42]

Thus, when individual consumption is individual reproduction of labor power, the means of collective consumption for labor power are general conditions for the reproduction of labor power--i.e., reproduction of the working class. Under capitalism, collective consumption is a general condition for the reproduction of labor power which is a commodity as much so as productive capital in the labor process. The original meaning of collective consumption as a general condition for a social being or communal living or feeling species totally disappears and is replaced by rationalized measurement from the capitalist point of view. In other words, by the socialized form of the reproductive function of labor power for capital.

Although it is not easy to classify the means of collective consumption into different groups, it is still possible to look at them from several general broad categories. The first category is the minimum necessary for the reproduction of labor power, such as gas, electricity, water, sewage plants, and housing. These means of collective consumption have been socialized (or quasi-socialized by capital) and consumed collectively as the result of a particular mode of living of the working class in the urban areas and thereby are the result of class struggle. In an earlier stage of capitalism, these means of consumption were possessed by a capitalist class and tended to be provided in the form of commodities. The individual worker had to buy them from capitalists for high prices. With monopoly capitalism these means began to take the socialized form by the state as a consequence of working class struggle. For example, the type of housing provided has begun to evolve from independent houses and apartments to public housing. Furthermore, a "new town" project in the latest stage of capitalism shows a further socialization in providing housing for the working class.

A second category in the means of collective consumption includes those means provided for the maintenance of workers' health and security. Hospitals, health care centers, facilities for medicare and medication fall into this category. These means of collective consumption prevent labor power from losing its power because of ill health.

Social security is also categorized in this group since it maintains a reserve army labor by providing minimal subsistence. Thus, elderly and idle workers can be drawn into the labor force in times of economic expansion. The social security system (like any other public program for the unemployed in crises) is also used as a mechanism of keeping down social upheavel. Similar programs include public works like the New Deal policies in the U.S., or occupational training for unemployed youth.

A third category is education in general, which provides labor power with a minimal understanding of capitalist society. Education is a basic condition aimed at fostering labor power's capacity to adapt itself to the changes caused by the constant revolutionizing of the production process. Education may also function to connect instruments of labor to labor power, but education itself does not directly increase productivity. It only creates possible conditions for increasing productivity. It is, therefore, easily used by capital in order to increase productivity--a situation that has occurred in higher education under monopoly capitalism. However, education in general still remains a basic condition for bourgeois society as a whole. It no longer can be utilized or monopolized by any one sector of capital.

There have always been contradictions between a particular capital's interests and capital's interests as a whole. One example is the regulation of factories and of working hours. This is also true of education. "The Factory Act", made law in the nineteenth century in England, prohibited the use of child labor and regulated children's education, but individual capitalists continued to use child labor.[43] Education was seen as wasteful by individual capitalists.

There are several reasons why individual capital does not provide general education. Education requires a long period of time and does not bear fruit in the short run like the general means of production. It does not gain profit spontaneously. In the earlier stage of capitalism, the skills necessary for production were provided in the factory by individual capitalists. Child labor was used as unskilled labor. The use of child labor was a source of profit since the capitalists exploited children for much lower wages than those paid to adult workers. Compulsory education took children out of the factories, and thus meant the loss of a source of profit to the individual capitalists.

Thus, it was competition among individual capitalists that prevented capital from providing education. Accordingly, it was the state that guaranteed general education, doing so for both the child's benefit and for capital as a whole. This is true of any other means of collective consumption and general means of production. Because of competition, individual capitalists have been unable to guarantee the general conditions of production and have forced the state to socialize them.

A fourth category is the means of collective consumption for communication and transportation--for example, streets, subways, and telephone systems. These means are necessary for individual consumption. Today, increasing the separation of work and home and of home and the places of consumption (for shopping or leisure) has made the provision of transportation and communication systems even more vital to the economy.

A final category is the means of collective consumption for culture and leisure, sure as concert halls, libraries, theatres, parks, forests, athletic buildings, and arenas. These means of collective consumption increase as the value of labor power increases.

6. <u>Characteristics of the means of collective consumption</u>

The reasons why the means of collective consumption tend to be socialized can be explained by making clear some of their characteristics as has been done in explaining the general means of production. The two types of means have similar characteristics.

That first characteristic is immobility. In other words, the means of collective consumption are fixed to a locality, and cannot be shipped, exported or sold as commodities. For instance, schools, water, and sewage are built locally and cannot be moved from place to place. They must be locally consumed.

Second, they require large-scale investment, due to a lengthy period required for construction.

Third, they cannot exist solely by themselves. Most require a set of related means and facilities. One example of this is a public housing project. Such projects need streets, schools, water and sewage facilities, shopping centers, and hospitals. Recent "new town" projects in Japan and England are good examples.

Fourth, investment in the means of collective consumption is not profitable since these are more often used by low income groups than by higher income groups.

Fifth, part of the means of collective consumption is inseparable from the general means of collective consumption. For instance, industrial water and water for domestic uses often come from the same source.

Sixth, the means of collective consumption have political and ideological characteristics. Education and health care are particularly used for ideological purposes.

These six characteristics make clear the conditions on which the means of collective consumption are socialized by the state or local governments.

Socialization of the means of collective consumption does not mean that the state is benevolently working for the well-being of the working class. The state has never implemented welfare programs for the poor and working class independent of or in a way opposed to capital. As has been illustrated by the Factory Acts, only the state has been able to maintain bourgeois society in the face of pressures from the competitive individual interests of capital. Thus, it has moderated the effects of capitalism by preventing a maximum exploitation of workers by industry. The establishment of the modern bourgeois state is based on its responsibility for the provision of collective consumption to the working class. The state controls general conditions for the reproduction of the working class, and, hence, conditions for the reproduction of the capitalist mode of production as a whole.

In the latest stage of capitalism, socialization of the means of collective consumption has gotten larger as class struggles have grown increasingly more militant both within and outside the state apparatus. It is true that the so-called welfare state has increased provision of the means of collective consumption since World War II. However, from the working class' point of view, it is an increase in terms of quantity, not quality. The quantitative increase of the means of collective consumption is still far from satisfying the working class' needs. Britain's health program illustrates this point. It has been proven that health problems have increased, despite completely socialized forms of health care. Quantitative increases create further contradications and reveal the true nature of the welfare state in the capitalist mode of production. State provision of the means of collective consumption remains at a minimum despite the quantitative increases of modern times. Minimal provision of collective consumption is inherent in the capitalist mode of production and stunts the reproduction of the working class.

7. <u>Mode of state provision of general conditions for reproduction of capitalist mode of production: Maximum provision of general means of production and minimum provision of means of collective consumption</u>

The capitalist state governs a capitalist society not only through ideological and political functions that control and moderate conflicts among and between factions, strata and classes, and that repress the working class' dissent and thwart the efforts of "enemies" from outside. It also governs through an economic function that regulates and controls the bourgeois economy as national economy.

The state, doing all these functions, is responsive to the requirements for the reproduction of bourgeois communal society. The state guarantees and secures the reproduction of bourgeois society by controlling and providing both the general means of production and the means of collective consumption. By creating favorable conditions through the provision of the general means of production to productive capital, the state makes certain that value is constantly produced. In taking responsibility for the needs of the reserve army of labor through the provision of the means of collective consumption, the state creates conditions which allow private capital to fire and lay off workers in times of economic crises, and to hire workers for further expansions of production in times of growth. All these responsibilities assigned to the state are performed in the name of the national economy, since bourgeois economy has constituted bourgeois communal society.

This paper has discussed so far, from a reproductive point of view, the general means of production and the means of collective consumption as separate entities. However, in the latest stage of capitalism in which the state provides both, these means are often constructed and administered in a mixed and complicated form. A good example is the construction of a road. The state (or local unit of government emphasizes that building the road is necessary for both means. Even in the case of construction of an industrial port, which most obviously capital's need, the state performs this under the name of provision of both means. In this example, the ideological characteristic of both means is most obvious.

The objects targeted for public investment in the state's economic policies are often an integrated and combined form of both means. In both the stages of monopoly capitalism and of state-regulated monopoly capitalism (where state economic intervention is particularly related to monopoly capital), the state takes advantage of this integration of both means in order to obscure the particular provision of the general means of production to monopoly capital. It does so by emphasizing the other side of integrated policy, in short, the means of collective consumption.

The economic activities of the state have expanded as the state has increased its responsibilities in providing and maintaining the collective and social conditions of reproduction. Although the state's involvement in the general means of production is a postwar pattern of capital accumulation in all capitalist countries, the degree of emphasis placed on the general means of production differs from country to country. This emphasis is determined by the political and economic structures and historical background of a country.

Historically viewed, Japan and the U.S. have tended to place a relatively heavy emphasis on the general means of production, while Britain and other Western European countries have made the means of collective consumption a relatively higher priority. However, at present the reverse seems to be the case. The means of collective consumption have been drastically cut in Britain, Italy and other European countries since the 1974-76 economic crisis. These countries are attempting to increase their provision of the general means of production.

Generally speaking, there is a tendency throughout capitalist countries to give priority to the provision of the general means of production over all other public expenditures. This tendency is seen clearly in crises. Where both means are provided through public financing, the state gives priority to capital by cutting the means of collective consumption, as the state cannot allow productive capital to go bankrupt in crises.[44]

State expenditures can be seen as operating according to the law of value. That is, the state attempts to maximize the provision of the general means of production to capital, while minimizing the provision of the means of collective consumption to labor power. Thus, the cost of the reproduction of labor power tends to be minimized.

In addition, there exists a discriminatory practice in the manner in which public charges are set (i.e., fees and fares). For example, in the case of national railways, the fare for products is much cheaper than the fare for passengers.

In the provision of the means of collective consumption by national and local units of government, social services are commodified and sold to the working class for a relatively higher price. In this way, the state tends to capitalize the provision of social services, as they are unproductive expenditures.

This is a double exploitation of the working class, since the means of collective consumption are provided from taxes levied on the working class. The state, nonetheless, often levies a second charge on that part of the working class which benefits directly from the service. The state runs social services as a private enterprise would in order to increase the revenues, but not for the generation of profit.

Thus, it is apparent that socialization of the means of collective consumption is no more than the penetration of the law of capital accumulation into state expenditures.

The way in which state expenditures are allocated causes to polarize the population. The polarity is actually wage labor, whose needs are minimized, opposite capitalists, whose needs are maximized. This polarity is usually obscured, however, by the state's budgetary processes, which present the sum allocated for the provision of social services as fixed and immutable. In doing so, the state forces factions of the working class to compete against each other for monies already limited by the needs of capital.

In summary, the state constantly secures, maintains and reproduces the class relations of production in the capitalist mode of production through the allocation of state expenditures. For the working class, these expenditures which have socialized the means of collective consumption have meant only that the burdens placed on their shoulders have weighed more heavily. Thus, these expenditures actually represent the socialization of the costs of private production through the provision of the general means of production.

Chapter I

General Means of Production and Means of Collective Consumption

Footnotes

1. Marx calls the general means of production instruments of labor or means of labor or general conditions of production. What is meant by "general means of production" includes all these above which are not subject to only productive consumption under particular capital's monopolization.

2. Karl Marx, Capital 1, International Publishers, New York, 1975, p. 180.

3. Ibid, p. 384.

4. Rosa Luxemburg, Reform or Revolution, Pathfinder Press, New York, 1970, pp. 17-18.

5. Karl Marx, Capital 3, International Publishers, New York, 1976, pp. 814-815.

6. Karl Marx, Capital 2, International Publishers, New York, 1973, pp. 225-226.

7. Ibid.

8. Ibid, Capital 2, pp. 162-163.

9. Ibid, Capital 3, pp. 773-774.

10. Ibid, Grundrisse, Vintage Books, N.Y., 1973, p. 524.

11. Ibid, Capital 1, p. 445.

12. Ibid, Capital 2, p. 233.

13. Ibid, Grundrisse, p. 532.

14. Ibid, Capital 1, p. 159.

15. Ibid.

16. Ibid, Capital 1, p. 445.

17. Ibid, Grundrisse, p. 526.

18. F. Engels, "The English Working Class"
    "The Conditions of the Working Class in England (N.Y.: Macmillan, 1958).

19. Karl Marx, Grundrisse, p. 526.

20. Ibid.

21. Karl Marx, Grundrisse, p. 533.

22. Ibid, p. 527.

23. Ibid, p. 529.

24. Ibid, pp. 530-531.

25. Ibid, p. 531.

26. Karl Marx, Capital 3, p. 436.

27. Ibid, p. 437.

28. Ibid.

29. Karl Marx, Capital 2, p. 233.

30. Ibid, p. 477

31. Karl Marx, Grundrisse, pp. 331-332.

32. Marx distinguished between productive consumption and individual consumption in Chapter Ten, and simple reproduction in Capital 2. Collective consumption as used here covers Marx's concept of individual consumption, which does not directly enter into the productione process.

33. Karl Marx, Grundrisse, p. 532.

34. Ibid, Capital 3, p. 86.

35. Ibid, pp. 86-87.

36. Ibid.

37. Ibid, Capital 1, p. 570.

38. Ibid, p. 183.

39. Ibid, p. 571.

40. Ibid, p. 573.

41. Ibid, p. 572.

42. Ibid, p. 573.

43. Ibid, pp. 480-503.

44. Crises are defined by Marx as a violent interruption in the circuits of capital and conditions for renewed accumulation. For the cause of crises, see Chps. 13, 14, and 15, in Capital 3. For further discussion of the concept of crisis see Chp. 7.

CHAPTER II

THE MEIJI STATE: A HISTORICAL PARTICULARITY OF JAPANESE CAPITALISM

Japanese capitalism emerged out of the incomplete bourgeois revolution of the Meiji Restoration in the middle of the nineteenth century and immediately had to confront established world imperialistic powers. These historical conditions determined and shaped the role of the Japanese state in the formation of capitalism.

Japan in the latter half of the Tokugawa feudal era already had a developed commodity economy as well as money and credit systems. An extensive network of roads and seaways and an advanced urban life facilitated the increased production of commercial agricultural products and the circulation of commodities.[1] Petty commodity production developed quite extensively by the beginning of the nineteenth century.[2] These petty commodity producers were, however, gradually absorbed by larger merchants who controlled manufacturing. Yet the manufacturing type of production did not become as prevalent as could have been expected by the time of the Meiji Restoration (1868). Capital accumulation was still in a primitive stage. Then, the bourgeoisie was not yet strong enough to lead the bourgeois revolution.[3]

It was the lower part of the warrior class who took over control of the revolution and the power of the state in the background of massive peasants' revolts,[4] which were caused by a catastrophic domestic inflation between 1853 and 1869. Under foreign pressure, this lower samurai class strove to avoid the fate of a colony such as India and China in the imperialist era.[5]

With a lack of capital accumulation, the Meiji state had to accelerate and complete primitive capital accumulation in a short period. This process was dependent upon the separation of peasants from the land for its success. A series of land reforms were attempted to create mobility of labor power and at the same time to create a source of state revenue from land taxes.[6]

The first step in strengthening state power in the era of world imperialism was through the monopolization of industries. State monopoly over industry was only possible through the maintenance of strong state control at the level of politics, the military and ideology. Given the immaturity of the bourgeois class, the Meiji state was unable to establish political centralization without making compromises with the semi-feudalistic powers which controlled the military forces. The compromise lent military power to the state, but it also meant the maintenance of semi-feudal relations in the countryside and thus injured capitalist development as a whole. In addition, it intensified uneven development between industry and agriculture and within industries, and produced militant labor movements in the cities and peasants' revolts and disputes in the countryside.[7] An ongoing democratic movement for liberty that had been present during the Meiji bourgeois revolution, served to further deepen the political turmoil in Meiji era.

With such circumstances existing at home, it was inevitable that the bourgeoisie would expand markets overseas in order to maintain the capitalist relations of production.[8] Overseas expansion was an attempt to resolve internal economic contradictions. It also simultaneously could be used to divert class struggles resulting from uneven and exploitative capitalist development at home.[9]

As absolute and bureaucratic power within the state apparatus increased with colonial expansion, the bourgeoisie became more dependent upon it for the expansion of markets. The more that contradictions were exposed between bourgeoisie and semi-feudal powers at home, the more that alliances were made between them against class struggles by the increasingly impoverished working class and peasants. Thus, mutual dependence between semi-feudalistic power and the bourgeoisie strengthened the Meiji state in the era of world imperialism.

This phenomenon may be explained by what Lenin called "imperialism without capital."[10] That is, Japanese overseas expansion preceded attainment of the stage of finance capital. The lack of capital accumulation was compensated for by alsolute and semi-feudal power. The coexistence of absolute, bureaucratic force and bourgeois force within the state changes the meaning of "state-sponsored capitalism" or "state capitalism," in which the state is solely interested in promotion of capitalist production. For industrialization and external market expansion are not confined to bourgeois interests, but also semi-feudal interests, in order to maintain absolute power of the state.

Diffusion of the semi-feudal force in the state power was not accomplished gradually, but instead required revolutionary events, in short, several wars till the emergence of monopoly finance capital after World War I. Lenin's concept of imperialism, was then created.

The Meiji state's compromise with semi-feudal power meant to the working class and peasants that basic political freedoms were granted, but economic repression and exploitation continued.[11] The compromise also meant a betrayal of the peasants who supported the lower class warriors' hegemony in the revolution and contributed to the destruction of feudal forces (i.e., the Tokugawa) through the massive revolts they instigated against their feudal lords. Without being absorbed into the state, the peasant revolts, which were the source of energy for social change at the end of the feudal era, were transformed into democratic movements for gaining remaining liberties at the beginning of the Meiji era and to socialist and labor movements at the end of the nineteenth century.[12]

The Meiji state was not totally repressive as an semi-absolute state.[13] The Meiji state, even in the primitive stage of capital accumulation, was responsible for the maintenance of capitalist social relations and thereby had a relative autonomy from both the bourgeois and semi-feudal classes. For instance, the Meiji state attempted to legislate a "Factory Law" in 1882 in anticipation of revolts due to worsening working conditions and low wages.[14]

However, the Factory Law was not passed, because of strong opposition from capitalists to whom the Meiji state owed expenses from the Restoration and the civil wars that succeeded the Restoration.[15] It was only in 1911 that the law was finally passed by the Diet with the support from progressive capitalists and in the context of a strong labor movement.[16] (See Table 1)

The failure of the "Factory Law" legislation was partly attributed to the composition of the proletariat in the Meiji era. The backbone

Table 1

The Number of Strikes and Labor Disputes

Year	Number	Person
1898	43	6,293
1899	15	4,284
1900	11	2,316
1901	18	1,948
1902	8	1,846
1903	9	1,359
1904	6	879
1905	19	5,013
1906	13	2,037
1907	57	9,855
1908	13	822
1909	11	310
1910	10	2,937
1911	22	2,100
1912	49	5,736
1913	47	5,242
1914	50	7,904
1915	64	7,852
1916	108	8,413
1917	398	57,309
1918	417	66,457
1919	497	63,137
1920	282	36,371
1921	246	58,225
1922	250	41,503
1923	270	36,259
1924	333	54,526
1925	293	40,742
1926	495	67,234
1927	383	46,672
1928	393	43,337
1929	571	77,281
1930	900	79,791
1931	984	63,305
1932	870	53,338

Source: M. Kajinishi, K. Oshima, T. Kato, and T. Ouchi, Development of Japanese Capitalism, Volume I., Tokyo, Tokyo University Press, 1953, p. 93, p. 214, p. 216.

M. Kajinishi, Capitalist Development in Japan, Tokyo, Uhikaku, 1969, p. 343.

of industry was women laborers who were daughters of peasants. Fully 54.4 percent of the labor force was occupied by women. This was particularly true in the textile industry, where eighty percent of the workers were women earning low wages.[17]

How does state monopoly in the Meiji era differ from state monopoly in the later period of state-regulated monopoly capitalism? Monopolization in state-regulated monopoly capitalism presupposes the development of monopoly capital which controls the huge concentration of the means of production. In the Meiji era, state monopoly substituted for the absence of monopoly capital. State monopolies in the fields of railways, postal services, telephone and telegraph facilities, and iron and steel production were intended to nurture the formation of monopoly capital. The Meiji state established basic industries and then sold them within a decade to a primitive form of "zaibatsu,"* such as Kawasaki, Sumitomo and Mitsui.[18]

State monopoly within the absolute Meiji state apparatus was, at the same time, a means of political centralization for strengthening state power. State monopoly in the Meiji era was state monopoly without bourgeois monopoly, and tried to strengthen the state at the level of politics and the military. By contrast, state monopoly in the World War II era presupposed a highly developed bourgeois monopoly, and the state's interventions in the crises of capitalist production.[19]

The form that state monopoly took in the Meiji era may be called Bismarkian nationalization.[20] Bismarkian state monopoly consists of a reactionary and undermodernized administrative power which, to survive, must strengthen the economic foundation of semi-feudalistic forces. It transforms itself to a state monopoly that is based on the power

*zaibatsu refers to financial oligarchy.

of the bourgeois by creating conditions suitable for a bourgeois monopoly.

Conflicts emerged between semi-feudal forces and the bourgeoisie within the Bismarkian form of state monopoly as occurred over the control of Japan's railways. The bourgeoisie demanded the transformation of nationalized railways into privately run businesses, while semi-feudal forces wanted to maintain nationalized railways in order to augment their political power. There was, however, always the possibility of compromise between them, as in making the railways semi-public or semi-private, for example.[22]

Such compromises seemed to be the rule during the period of 1881 to 1906. Although the Meiji state adopted a national railway policy at first, tight fiscal constraints made it difficult to continue, and the policy was modified. Then the Nippon Railway Company was established in 1881. After this, both the state and private capital developed railways, but the development by the latter was more rapid.[23] A capitalist cycle of production followed, on a world scale. The first boom in the railway industry occurred between 1886 and 1889. The second began before the Sino-Japanese War (1894-95).

During the first boom, the big private railway companies of Sanyo Railway Company, Kansai Railway Company, Kyushu Railway Company, and Hokkaido and Tohoku Railway Company were established.[24] The total length of private tracks laid exceeded that of the national railways in 1890. Two-thirds of the total kilometers of track was owned by the private sector.[25]

However, an effect of the Sino-Japanese war was the enlargement of the Japanese army and navy, the establishment of an iron foundry, the building and improvement of railways, the extension of the telephone system and the expansion of eduction. A north-and-south railway in Formosa was planned by the state as an expansion for the means of defense. Furthermore, after the Russo-Japanese War (1904-5), in 1906 the state bought up private railways in order to nationally integrate them. In the same year (1906), Southern Manchurian Railway in China was planned.[26]

Although nationalization of the railways was the result of private capital being unable to pay the high interest rates which occurred in the years succeeding the war, it was the result of strengthened semi-feudal forces in the state apparatus. Nationalization of the railways was, therefore, used by the semi-feudalistic, bureaucratic forces for strengthening "national power."[27]

The state subsidies to industries also reflected contradictory forces in the Meiji state. In the earlier decade of the Meiji period, subsidies were provided to strengthen the infant shipping company, the Mitsubishi Company. It has been formed with the beginnings of Japanese capitalism. These subsidies were meant to develop shipping power for military transport and to defend Mitsubishi from the monopolistic competition of stronger foreign companies.[28] The state subsidies took the form of compensation for operating losses and purchases of new ships and repairs, and greatly contributed to the further militaristic expansion of Japanese imperialism to neighboring countries.[29]

There appeared another debate on nationalization around the turn of the century. The conflict centered around urban public corporations, or the socialization of electric, gas and water facilities and urban transport. This harbinger of contemporary term of "state monopoly" appeared in the decade beginning in 1910.[30] Public ownership of these basic services was an idea backed by social reformists and humanists in the midst of intense competition over the monopolization of these industries. "Municipal socialism" tried instead to establish public ownership, backed by a mass movement that demanded social reforms such as actions taken against monopolies and the rationalization of urban life.[31]

This ideology forced large cities to establish public ownership of some services, such as mass transit. Thus, public ownership came into being in the larger cities, but soon accumulated debts during fiscal crises of local governments, due to the central state's military expenditure priority policies. Social reformists were then forced to choose between either giving up the publicly owned services to the control of monopoly capital or running public corporations in the form of private capital in order to "make ends meet". The result was that basic services remained in municipal ownership in the semi-private form, with the exception of electricity, which went under control of monopoly capital. Aside from nationalization, other characteristics of "state monopoly" can be seen in the Meiji state, such as large subsidies, loans and tax benefits to particular capital.

The Meiji state embraced these contradictory but closely compensatory forces until the formation of finance capital on a firm basis after World War I. Though their formative stage could be seen from 1893 to 1907, it was not until the period of World War I and thereafter that major finance groups were established, such as Mitsui trust (1911), Mitsubishi trust (1917), Sumitomo trust (1921) and Yasuda trust (1912).[32] For example, Mitsui controlled 130 companies in 1928, while it had not more than eleven affiliates just before World War I. Mitsubishi controlled 119 companies in 1928.[33] (See Table 2)

Table 2

The Number of Companies Controlled By
Big Zaibatsu in 1928

Zaibatsu	Controlled Companies	Related Companies	Total
Mitsui	97	33	130
Mitsubishi	65	54	119
Sumitomo	30	35	65
Yasuda	46	43	89
Asano	45	30	75
Okura	53	57	110
Kawasaki	36	16	52
Furukawa	20	15	35

Source: Kamekichi Takahashi, Nihon Zaibatsu no kaibo (An analytical study on zaibatsu combines in Japan)(Tokyo, 1947), p. 52, p. 107, p. 162, p. 191, p. 239, p. 264, p. 317, p. 378.

It was not until the Sino-Japanese War (1894-95) that this form of finance capital began to increase, as joint-stock companies in mining and manufacturing were established.[34] Through various kinds of protection, the Meiji state encouraged the formation of joint-stock companies by some established business groups, such as Mitsui, Mitsubishi and Yasuda, who gained from the transfer of factories from the Meiji state at a far cheap price.[35] These groups organized powerful financial arms of their own, i.e., "organ banks." These organ banks supplied the groups with necessary capital.[36]

A centralized banking system was also characteristic of the attempts of the state monopoly to help finance capital in overcoming capital scarcity in the formative stage of Japanese capitalism. The Meiji state established national banks in 1872. One hundred and fifty-three national banks were set up in a very short time (1876-79) and made funds available to banks in the private sector.[37] It should be noted, however, that the development of banking in the earlier part of the Meiji era was not affected by a unilateral encouragement on the part of the state nor by the combined efforts of the state and certain former "daimyo" or noted merchants. That is, it was not initiated from above, but it appears rather to have been the result of endeavors arising spontaneously from the bourgeoisie.

Old merchants like Sumitomo, Mitsui, Konoiko and Yasuda, who developed during the feudal era, were in need of an institutional banking system provided by the Meiji state. The Meiji state's control of financial machinery then seemed to enable these bourgeoisie to carry on the rapid accumulation of capital in the initial stages and allowed the ablest among them to obtain control, in later years, of manufacturing industries as well.[38]

Those small zaibatsu that did not have their own powerful financial arms usually ranked as second class and sometimes remained under the influence of larger zaibatsu through financial connections. Minor zaibatsu of lesser size who owned banks, insurance companies, trading companies and mining companies (such as Furukawa, Fujita, Kawasaki, and Okura) were forced out of business during the economic panics of 1920 and 1927.[39]

Even big zaibatsu were overextended in loans throughout their formative stage from 1893 to 1902. They supplied funds in large quantities to their constituent companies and divisions, and were forced to borrow money from the Bank of Japan and other financial institutions.

New zaibatsu also emerged. Nissan, Nitchitsu, Nisso, Mori and Riken were founded in the 1910's. Except for Nissan, many of the new zaibatsu had to establish themselves by relying upon outside funds in their rapid expansion.[40] As seen in the reorganization of the Nisso by the Nihon Industrial Bank, the new zaibatsu exposed their weakness in excessive expansions as soon as financial control by the state was strengthened through various regulations such as the special fund adjustment law.[41]

The Meiji state's particular role in the formation of Japanese capitalism can be observed in the development of special accounts.[42] State expenditures in Japan can be divided into two broad categories--general accounts and special accounts. This latter division was established in 1890. The adoption of special accounts is rooted in one of the more distinctive features of Japanese capitalist development.

In the period immediately following the Restoration (1868), the Meiji state became a leading entrepreneur, engaging in iron manufacturing, shipbuilding, railways, mining, operating silk mills and other activities. To avoid financial confusion, the state had to systematize the collection of revenues and disposal of expenditures and, above all, to divorce its industrial and entrepreneural activities from its more routine functions.

Thus, after 1876, expenditures for the state industries of coinage and paper money production, shipbuilding, mining, railways, telecommunications, silk-reeling, spinning, cement manufacturing, glass production and stock-raising, began to be separated from general expenditures. Eventually, these separations matured into a "special account" which was legislated in 1889 and adopted in its final form in 1890.

Special accounts, which were attached to the Ministry of Finance, clearly occupied the largest share of state expenditures. Included were special accounts for state industries, state operating funds and territorial administration. National Railways became the largest item among the special accounts after the nationalization of the railways in 1906. A distinction between the general and the special accounts, in the matter of revenues, lay in the fact that the general accounts were operated out of tax revenues while the special accounts were comprised of various sources such as taxes, transfers from general accounts, state bonds, postal services and profits from the sale of its own products (i.e., state enterprises like tobacco production).

From its inception, the expansionist nature of Japanese capitalism constantly engaged Japan in imperialistic wars until World War II. These wars were the source of capital accumulation.[43] The greatest share of state expenditures during this period went to defense and war-related expenses. The major wars and military incidents which took place since the Meiji Restoration were as follows.

1894-95 Sino-Japanese War

1900 Boxer Rebellion

1904-05 Russo-Japanese War

1914-20 World War I and the Siberial Expedition

1937-41 China Incident

1941-45 World War II

Japanese capitalism used state support after the Russo-Japanese War to form monopolies and to accelerate capital accumulation, while the working class was meanwhile increasingly impoverished by war after war.[44] Although Japanese capitalists gained enormous wealth from these colonies, their continuance depended upon state expenditures.[45] The maintenance of colonies and military expenses caused the state serious fiscal crisis by the time of World War I. The state then had to rely on foreign debt.[46] The state's foreign debt was soon replaced by debt from Japanese finance capital. This gave finance capital an impetus to control the state for its own interest.[47] The state was under control of finance capital. This, however, did not last long, as finance capital was greatly weakened by the crisis of 1927.[48] Monopoly over activities of finance capital was transferred again from private finance capital back to the state. The credit system was also again given into the control of the state.[49] World War II accelerated this transformation, and the stage of capitalism after the war further increased state control over the economy as a whole.

Chapter II

The Meiji State

Footnotes

1. M. Takahashi, Modern Japanese Economy Since the Meiji Restoration (Tokyo, Tokyo University Press, 1967), p. 45.

   T. G. Tsukahira, Feudal Control in Tokugawa Japan: The Sankin-Kotai System, (Cambridge, USA, 1966).

   C. D. Sheldon, The Rise of the Merchant Class in Tokugawa Japan: 1600-1868 (N.Y.: Russel and Russel, 1973).

   E. S. Crawcour, "Changes in Japanese Commerce in the Tokugawa Period", J. Hall and M. Jensen, ed., Studies in the Institutional History of Early Modern Japan (Princeton, N.J., Princeton University Press, 1968), pp. 189-202.

2. M. Kajinishi, History of Japanese Capitalist Development (Tokyo, Yuhikaku, 1969), p. 59.

3. There are controversies about the Meiji Restoration and Meiji Revolution. As represented by Toyama Shigeki, Marxist historian, the Japanese Marxists tend to take the position of the Meiji Restoration by emphasizing feudal remnants and by arguing there was no bourgeois revolution in the nineteenth century.

   The moderate Marxists argue, on the other hand, that the Meiji Restoration was a bourgeois revolution which qualifies for the term "Meiji Revolution".

   The position taken in my research is, without regard to controversies, that the Meiji Restoration was a bourgeois revolution in the sense that feudal mode of production ended and the Meiji State embraced capitalist social relations which were under way of development.

   The dominant trend in Western studies on the Meiji Restoration has been the modernization approach. See "Introduction" by J. W. Dower in Jon Holliday's A Political History of Japanese Capitalism concerning modernization approach.

4. M. Kajinishi, op. cit., p. 82. Frost, The Bakumatsu Currency Crisis (Cambridge, Mass.: Harvard University Press, 1970).

5. E. H. Norman, Japan's Emergence as a Modern State (N.Y.: International Secretariat, Institute of Pacific Relations, 1940)

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6. J. I. Nakamura, Agricultural Production and the Economic Development of Japan 1873-1922 (Princeton, Princeton University Press, 1966).

7. Y. Hirano, The Structure of Japanese Capitalist Society (Tokyo, Iwanami Publishers, 1934), pp. 104-123.

   M. Kajinishi, K. Ohshima, T. Kato, and T. Ohuchi, ed., Development of Japanese Capitalism, Vol. I, (Tokyo, Tokyo University Press, 1953).

8. Ibid.

9. J. W. Dower, "Introduction," In A Political History of Japanese Capitalism, J. Holliday, (N.Y. Monthly Review Press, 1975).

10. V. I. Lenin, Imperialism and the Split in Socialism (Moscow, Foreign Language Publishers House, 1954).

11. M. Kajinishi, History of Japanese Capitalist Development, op. cit., p. 169.

12. Social Democratic Party and Japan Communist Party were established in 1901. Japan Socialist Party was established in 1906.

13. M. Kajinishi, History of Japanese Capitalist Development, op. cit., pp. 101-171.

14. M. Kajinishi, K. Ohshima, T. Kato, and T. Ohuchi, ed., Development of Japanese Capitalism, Vol. I, op. cit., pp. 203-228.

15. Ibid.

16. Ibid.

17. G. Yokoyama, Lower Class in Japan, (Tokyo, Kyobunkan, 1899), p. 196.

   __________, Women Laborers (Tokyo, Iwanami, 1901), p. 106.

   Y. Hirano, The Structure of Japanese Capitalist Society (Tokyo, Iwanami Publishers, 1934), pp. 92-103.

18. K. Shibagaki, "The Early History of the Zaibatsu," Developing Economics, Vol. 4, No. 4., December 1966.

19. The concept of "state monopoly" in state-regulated monopoly capitalism is elaborated by B. Fine and L. Harris in Rereading Capital, pp. 120-145.

20. F. Engels, Anti-Duhing (Peking, Foreign Language Press, 1976), pp. 359-362.

    According to Engels, "But the modern state is only the organization with which bourgeois society provides itself in order to maintain the general external conditions of the capitalist mode of production against encroachments either by the workers or by individual capitalist."....
    "The modern state, whatever its form, is an essentially capitalist machine, the state of capitalists, the ideal aggregate capitalists" (p. 360).

If the absolute state is the form of a capitalist state, Engels' conception of the capitalist state is not quite correct in the sense that the absolute state intervenes in capitalist accumulation directly but not through the provision of the general external conditions of the capitalist mode of production. Engels is also not correct in saying that the state is an ideal aggregate capitalists. As Marx writes in "Factory Laws in England," the state guarantees the maintenance of the capitalist mode of production at the expense of some capitalists' interests. The state is not, therefore, ideal aggregate capitalists.

Contrast to my position that the absolute state is the form of the capitalist state, Perry Anderson takes the position that "the Meiji State was not in any categorical sense an Absolutism." For, to him, "initially an emergency dictatorship of the new ruling bloc, it soon proved itself a peremptory capitalist state, whole mettle was within a few decades to be fittingly tested in action against a genuine Absolutism." Lineages of Absolutist State, (London, NLB, 1974), p. 461.

21. J. Ikegami, State Monopoly Capitalism in Japan (Tokyo, Kaihoshinsho, 1969).

22. Ibid.

23. M. Noda, "Corporate Finance of Railroad Companies in Meiji Japan," in Marketing and Banking in Meiji Era (Tokyo, 1974).

24. Ibid., p. 88.

25. Ibid.

26. G. Ono, Expenditures of the Sino-Japanese War (N.Y.: Oxford University Press, 1922), p. 94.

27. Ibid.

28. H. Higuchi, The Planned Economy and the Japanese Zaibatsu (Tokyo, 1937).

29. K. Asakura, History of the Japanese Financial System in the Earlier Part of the Meiji Period, (Tokyo, Iwanami Bookstore, 1961).

30. S. Katayama, Urban Socialism (Tokyo, 1904).

I. Abe, Urban Monopoly Enterprises (Tokyo, 1912).

31. Ibid.

32. M. Toyozaki, Basic Structure of Machine Industry in Japan, (Tokyo, 1941).

33. Ibid.

34. K. Asakura, History of the Japanese Financial System in the Earlier Part of the Meiji Period, op. cit.

35. M. Kajinishi, Businessmen with Political Affiliation (Seisho) (Tokyo, Tokyo University Press, 1963), pp. 90-91.

E. H. Norman, The Establishment of Modern State in Japan (N.Y.: Institute of Pacific Relations, 1939).

36. The First Bank (Daiichi Ginko), The History of the First Bank, Vol. I, (Tokyo, 1958), p. 334.

37. Ibid.

38. K. Asakura, op. cit.

39. H. Masaki, op. cit.

40. Ibid., pp. 49-51.

41. H. Higuchi, The Planned Economy and the Japanese Zaibatsu (Tokyo, 1937), p. 141.

42. H. Rosovsky, Capital Formation in Japan: 1868-1940 (N.Y.: Free Press of Glencoe, 1961).

43. These wars were indeed a lever of a leap in capital accumulation. Light industries were established after Sino-Japanese war, heavy industries were established after Russo-Japanese war, and finance capital was established after World War I.

44. H. Tateshina, "History of Local Government", I. Sakisaka and Y. Fukuda, ed., Reform of Local Government and Public Workers (Tokyo, Ariesu Publishers, 1978), pp. 31-33.

45. K. Emi, Government Fiscal Activity and Economic Growth in Japan: 1868-1960 (Tokyo, Kinokuniya Bookstore, 1963).

46. W. W. Lockwood, ed., The State and Economic Enterprise in Japan (Princeton, N.J., Princeton University Press, 1965).

47. M. Kajinishi, K. Ohshima, T. Kato, and T. Ohuchi, ed., Development of Japanese Capitalism, Vol. II, (Tokyo, Tokyo University Press, 1953).

48. J. Ikegami, State Monopoly Capitalism in Japan, op. cit.

49. Ibid.

CHAPTER III

THE EARLY POSTWAR PERIOD

The state economic intervention in the early postwar period had two purposes: the rescue of monopoly capital (which was on the brink of bankruptcy) and the maintenance of political order. Accomplishment of these goals required various forms of ideology through which state economic intervention was justified to the working class. Ideology was used for both political purposes and for economic purposes, but often served both in a united form.

For example, under the banner of "a recovery of national economy," national funds were provided to private sector for the restructuring of productive capital through the introduction of new technology and machines. These inevitably led to increased levels of mechanization and reduced requirements for labor power. High levels of unemployment in these rationalized industries weakened the Japanese working class's struggles and enabled the state to impose further political restrictions upon the labor force.[1] Thus, the state accomplished both economic and political purposes through the advancement of an ideology which stressed the importance of the national economy.

Also, by expanding social security programs, the state created conditions under which monopoly capital could hire and fire labor power at any time. The state carried out these economic purposes through an ideology of "full-employment policy" and "rationalization of national economy."[2]

Economic intervention took place during crises when working class struggles were intensified. As these struggles increasingly challenged the state's policies that gave priority to the needs of monopoly capital, the state increased the repression of the working class through price and wage controls, resource allocation control, and other techniques which affected the reproduction of labor power. All was done under the name of "protecting the national interest." Maintaining political order at home in this way presupposed and existed concurrently with the state's repression of national independence movements in developing countries. These would also interfere with economic expansion. Consequently, there was increasingly militarization employed in the repression of class struggle at home and abroad.

Economic intervention by the Japanese state in the postwar era thus started with the purpose of reconstructing monopoly capital, while repressing class struggles at home and liberation movements occurring in southeast Asia.

1. <u>The reconstruction of monopoly capital</u>

The American occupation of Japan initially broke up the zaibatsu (monopolies) to weaken the country's competitive power. Anti-monopoly laws were passed in 1947.[3] In 1948, 325 corporations were designated as monopolies and were scheduled to be broken into smaller firms on the basis of this legislation.[4] General Headquarter of the American Occupation, however, quickly changed its policy of decentralization when the Chinese revolution succeeded in 1949, and instead attempted to hasten Japan's economic recovery by strengthening its monopolies. These were to be used as a tool for building economic and military strength against "communism."[5]

The anti-monopoly law as thus greatly relaxed and only eighteen corporations were split up. Among the largest of these were Nippon Steel, which was broken up into Yawata Steel and Fuji Steel, and Mitsui Mining, which was separated into Mitsui Coal Mining and Mitsui Metal Mining.[6] The electric power industry which was under strong state control was divided into nine regional supply companies.[7]

Even before 1949, the GHQ policy of anti-monopoly took ambivalent forms in practice. For example, in the spring of 1948, the Johnson Committee, which represented American monopoly capital, urged that the decentralization program should not be allowed to impede Japan's economic recovery and that business reorganization be kept to the minimum necessary to ensure reasonable competition.[8]

This ambivalence is not surprising, as Japan's economic recovery benefited U.S. capital immensely. As will be discussed later in this paper, Japanese monopoly capital reorganized itself by depending upon U.S. capital in introducing new technology and machinery.

Thus, the real function served by the anti-monopoly law may have been ideological. It was never intended as a vehicle for achieving a radical restructuring of Japanese industry, just as anti-trust laws in the U.S. have never been enforced in the manner appropriate for their defined scope. Both have served instead primarily as political and economic forms of ideology. In Japan, this anti-monopoly law both defused increasing working class struggles by maintaining an appearance of liberal change, and was selectively enforced in dissolving the landlord class that was a pillar of old-style Japanese state power.

Beginning with the initial entry of Standard Oil in 1949, U.S. capital soon controlled key industries in Japan such as electric power, coal, oil, iron and steel, chemicals and food.[9] The Japanese state's endorsement of this introduction of foreign capital was assured, given the already interconnected activities of monopolies in Japan and the U.S. The import subsidies for machines were granted by the state.[10] Foreign capital investment in basic industries occupied as large a share of industry as the state's financial aid and subsidies.[11]

The development of the basic energy industries such as coal, electric power, and oil was totally under the control of U.S. capital. The electric power industry, previously heavily reliant upon hydraulic power and coal, was forced to convert to a dependence upon oil controlled by the U.S.[12] Conversion to U.S.-controlled oil sealed the fate of the already declining coal industry. Thus, basic energy industries in Japan developed while in a subordinate relationship to U.S. capital. This subordinate form of development was seen in all kinds of industries, as the supply of raw materials and food was highly dependent upon U.S. sources. The state's policy of abandonment of Japanese agriculture and coal mining can also be explained partly by this factor.[13] Indeed, Japan became an ideal market for U.S. surplus product.

The Japan-U.S. security pact further reinforced this subordinate relationship, as Japan came to be also dependent upon American military power for support in Japan's expansion of its markets into southeast Asia.[14] Japan's loan of $402,000,000 from the U.S.-controlled World Bank for the development of its electric power industry in 1953 and for its iron and steel industries in 1955 furthered a subordinate relationship between Japanese capital and U.S. capital.[15] Japan's participation in the International Monetary Fund also provided the U.S. with a firmer basis for the control of Japan's economy, as IMF and World Bank loans were usually made contingent upon the maintenance of local conditions that were favorable to international capitalist order.

In addition to Japan's policies that encouraged the introduction of foreign capital (particularly U.S. capital), the central state employed a wide-ranging and comprehensive set of economic control policies which aimed at the recovery of Japanese monopoly capital. Wage-price controls, intensive financial aid programs for corporations, various tax reduction programs, expansion of credits from the Bank of Japan, and the state's support of the rationalization in industry were all designed to build a foundation that could support capital accumulation in the monopoly sector.[16]

Wage control was a policy to freeze wages, in short, to maintain low wages. The Katayama government, based on a coalition of socialist and liberal democratic parties, gave crucial assistance to monopoly capital by fixing a flat base monthly wage in manufacturing (1,800 yen).[17] This horribly low wage policy essentially sacrificed the working class to rescue oligopolistic capital. Labor movements, which were increasingly militant in pressing for wage increases after the stagnant years of World War II, were intensified by this low wage policy, and led in causing the decline of the Katayama government.[18] (See Table 3)

The state also endorsed monopoly-determined prices under price controls in stabilizing prices of goods such as steel, coal, gas, electric power, fertilizer and soda.[19] Monopoly prices were held below cost, and the state provided price-difference subsidies to make up the resulting deficits. The fiscal burden imposed by the price-

Table 3

Labor Conflicts During the World War II

	Conflicts		Strikes	
	Numbers	Persons Involved	Numbers	Persons Involved
1939	1,120	128,294	358	72,835
1940	32	55,006	271	32,949
1941	330	14,874	158	8,562
1942	259	13,752	166	9,029
1943	417	14,791	279	9,418
1944	297	10,026	216	6,627

Source: Inoue and Usami, The Structure of Japanese Capitalism in Crises, (Tokyo, Kaihoshinsho, 1969).

Labor Disputes and Strikes After the World War II

	Number	Persons
1946	1,448	3,684,395
1947	1,854	12,162,184
1948	2,472	13,833,031
1949	2,427	7,794,378

Source: M. Kajinishi, K. Oshima, et al ed., Development of Japanese Capitalism, Vol. II, (Tokyo: Tokyo University Press, 1953) p. 536, p. 541, and p. 544

difference subsidies was enormous. The total amount expended for price-adjustment subsidies in 1948 was 114.1 billion yen, or 24 percent of general accounts. The amount rose in 1949 to 198.8 billion yen, or 27 percent of the general accounts.[20]

Price-adjustment subsidies were higher for the monopoly sector of the economy than for any other sector. For example, the period of 1947 through 1950. Out of that amount, 34.6 billion yen, or 68 percent, went to just six monopoly firms.[21]

Along with price-adjustment subsidies, the state's other financial aids to monopolies also rapidly increased during the period of 1946 through 1949.[22] The state's financial agencies through which aid was provided to private capital, were thus under an acute financial crisis and had to meet the demands placed on them through the red national bonds issued by the Bank of Japan. This intensified inflation, which further deepened the fiscal and monetary crisis at the same time.[23]

In order to decrease the issue of public bonds and credits and to maintain a level of stability in the value of money, the state was forced to transform its own administrative apparatus from being wasteful and inefficient into a more rationalized and efficient form. That is, scientific management was brought into the state apparatus and applied to the creation of more efficient ways of operating the state's financial institutions as well as the public corporations and nationalized industries.[24] When the state was pushed to commit itself to rearmament under the San Francisco Treaty in 1951, the state ended aid in the form of subsidies to monopoly capital and reorganized its monetary and fiscal system so as to operate in a more rationalized and efficient manner.

The Reconstruction Bank was established by the Japanese state in 1947 for the purpose of supplying funds for building plants and equipment to key industries, particularly coal, steel, shipbuilding, textiles, electrical power industries, and public corporations such as Japan National Railway Company and Telephone and Telegram Company. It was disbanded in 1952, and all of its assets and liabilities were transferred to the Development Bank of Japan.[25] This transfer was part of the reorganization of Japan's fiscal and monetary system which ended the provision of loans and funds to private capital directly from state financial institutions. Instead, the state reorganized the public and private finance systems in a way in which private capital could receive loans and funds necessary for investments from its affiliated banks, namely city banks, which were under the control of the Bank of Japan.[26] The state's control over finance capital greatly influenced the industrial structure in Japan. Small and medium-sized firms were forced under the "umbrella" of monopoly capital as subcontractors.

The Japan Development Bank was established in 1951 and The Japan Long-Term Credit Bank in 1952, both for the purpose of promoting further capital accumulation in the monopoly sector. Both banks supplied monopolies with low interest loans for plants and equipment.[27] The Japan Export-Import Bank which was also established in 1951, supported the promotion of exports by financing exporting monopolies. Though these banks served important state functions, the use of public finance for specific industrial functions was not systematized until the enactment of the Fiscal Investments and Loans programme and Special Account for Industrial Investments of 1953.[28] The Fiscal Investments and Loans Programme has been playing an important role in allocating budgetary funds in the form of loans and other investments to monopoly capital, since its establishment.

The policy of rationalization of industries was another method used by the state to promote capital accumulation for the recovery of monopolies. The first rationalization plan was begun in the iron and steel industry in 1951, followed by plans used in the textile industry in 1952 and 1953, and in the chemical industry in 1956.[29] The state funds used in the first rationalization plan in the iron and steel industry accounted for forty percent of the total funds allocated for rationalization and were provided through state-affiliated financial institutions such as the Japan Development Bank.[30] The Bank of Japan, serving as the central control over the state's credit system, expended in credit loans 28.8 billion yen in 1952 and over 103 billion yen in 1953.[31]

The state's rationalization plan was not only designed to help monopolies build a base for capital accumulation, but was also designed to help dissipate the militant labor movements that became widespread during World War II and the early years of the postwar era.

The state rationalization plan was first demonstrated in nationally-owned industries, such as Japan National Railway, Telephone and Telegraph, and the cigarette industry. The Japan National Railway corporation began with the lay-off of 45,000 workers and deprived their workers also of the right to strike. JNRC laid off one million workers in 1949.[32] Rationalization of both the public and private sectors was strengthened with the end of the Korean war. The policy was instrumental in preventing the Japanese working class from becoming part of the waves of revolution occurring in Asia. The repression of Japanese labor movements through such techniques as rationalization and a red purge was a precondition for the San Francisco Treaty. This treaty was the beginning of Japan's rearmament.

A tax reform implemented in accordance with the recommendation of the Shoup Mission in 1949 and 1950 also created conditions favorable to the recovery of monopolies.[33] Though this reform adopted a progressive corporate tax system, it also placed particular emphasis on special tax measures for the promotion of plant and equipment investments and exports.

In 1951 a separate tax on interest and dividend income was instituted, and 1952 saw the abolition of the tax on the reserves of non-family business companies as well as the establishment of both a retirement fund withholding tax and a drought reserves fund for electric power companies.[34] All were de facto tax reductions and exemptions. Moreover, the Enterprise Rationalization Promotion Law, enacted in 1952, established a special depreciation system for important machinery with specific machines designated and authorized for high rates of depreciation. This law played a big role in accelerating plant and equipment investment since it enabled companies to reduce their tax burden by making such investments.[35]

In 1953, other measures were also implemented which gave broadly favorable tax treatment to corporations. These included the exemption of income from the transfer of securities, tax reductions on export income, a system of reserves against export losses, a tax exemption system on key products, and the expansion of a bankruptcy fund.[36]

The use of Japan's fiscal and monetary system in these ways was only another form of state commitment to capital accumulation under circumstances in which the central state's direct provision of loans and funds to monopoly capital had led to increasing inflation and growing working class struggles. These new uses of the monetary and fiscal system have been more fully used with economic planning since 1955. Thus, the Japanese state's manner of providing the general means of production in the postwar era was greatly influenced by the state's inability to provide loans and funds directly to monopoly capital with the rise of political democracy (i.e., social democracy). The state still does provide loans and funds directly to monopoly capital, but such financing is no longer a dominant or highly visible form of state intervention in capital accumulation. More dominant, instead, is the provision of the general means of production through fiscal policies which include tax benefits and subsidies.

This new form of state intervention has, however, caused further contradictions and fiscal crises in the state apparatus. *Fiscal crisis is, after all, nothing but the peculiar expression of the postwar pattern of capital accumulation. With the world-wide recession of the 1970's, fiscal crisis has become a barrier the state has had to overcome to make further commitments to supporting capital accumulation. Thus, the state is again undergoing a forced transformation in the form of economic intervention which it utilizes in the 1980s.

*Fiscal crisis is defined as "state expenditures exceed state revenues."

Chapter III

The Early Postwar Period

Footnotes

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CHAPTER IV

THE STATE'S ECONOMIC PLANNING

The state's predominant role in the maintenance and reproduction of the Japanese economy after World War II was the result and the product of contradictions of class struggles and economic crisis of monopoly capitalism.[1] It was the state that intervened in restructuring productive monopoly capital in the crisis, moderating increasingly intensive class struggles between capital and labor, and alleviating conflicts among capitalist factions.[2] As a result, the state has come to possess the power to control the reproduction of the capitalist economy as a whole by providing the general means of production to capital and the means of collective consumption to labor.

Due to its unique position of absorbing increasing contradictions and conflicts between and within classes, factions and strata,[3] state expenditures have tended to expand. Also, it is only the state that can expand expenditures as a dominant agent of control over the nation's credit system.[4] However, the state has been under the pressures of revenue deficits, i.e., "fiscal crisis." In an attempt to alleviate this deepening deficit, the central state has tended to shift its financial burdens onto the regional and local states through a centralized fiscal system.

The local state, which is subject to national policy under a centralized administrative structure, is forced to either increase its expenditures on the general means of production or the means of collective consumption, regardless of its own public policies. The local state, in most cases, tends to increase the general means of production at the expense of the means of collective consumption for its own local citizens. However, the local state historically has been more responsive to its own people's needs and welfare than has been the central state.[5] Local demands for the provision of the means of collective consumption weigh particularly heavily on city governments, where social costs have escalated as the result of the postwar pattern of capital accumulation. This pattern has included rapid urbanization with the accompanying concentration of population and industries, followed by a decentralization of production which has resulted in a larger pool of reserve army.[6]

Thus, local states are unable to cut expenditures on the means of collective consumption, while being forced to increase their expenditures on the general means of production at the same time. The result is a fiscal crisis for these local states. This fiscal crisis of local states have resulted from the nation's economic policies that have shifted overwhelming financial responsibilities onto these local governments.[7]

Rationalization and efficiency policies in public finance have led to public support for works in a variety of fields and have resulted in the concentration of public investment in building the general means of production needed by monopoly capital. These policies were made concrete in Japan in the series of economic projects implemented since 1955. The "five-year plan for economic self-support"[8] of 1955 was the starting point for these state projects. It was followed in 1957 by the "new long-term economic plan," which served as a policy for structuring industry.[9]

It was during the Korean war that the Japanese economy was brought to prewar levels due to a corresponding boom in the defense industries. The Japanese state responded by attempting to produce high capital accumulation in the leading industries through several new plans: the "national income-doubling plan" of 1960,[10] the "medium-term economic plan" of 1965,[11] the "economic and social development plan" of 1967,[12] the "new economic and social development plan" of 1970,[13] and the "basic economic and social plan" of 1973.[14] All of these plans were based on efficiency and rationalization policies that were to produce high capital accumulation in monopoly sector.

Meanwhile, living conditions of the working class were deteriorating rapidly under rising inflation and minimal provision of social services. Thus, this period in Japanese history illustrates that these state economic plans have been guided by a "law of state expenditures," which states that the general means of production will be maximized while the means of collective consumption will be minimized.

The state's economic plans are originally implemented and maintained through public bodies like the Economic Planning Agency.[15] They have greatly influenced the formation and accumulation of capital in the Japanese private sector. Although the Japanese state is relatively autonomous from the interests of any particular sector of capital, it is undeniable that the economic planning has been subject to monopoly capital's interests as a whole. Private capital has participated in and shaped the state's economic policies through a number of organizations, such as the Federation of Economic Association (made up exclusively of members of big capital),[16] the Committee for Economic Development (with small and medium capitalists that have proven more aggressive than big capitalists in areas such as new management techniques and economic planning),[17] the Japan Federation of Employers' Association (which has played the main "down-to-earth" anti-proletarian role),[18] the Japan Chamber of Commerce and Industry (whose focus has been trade and marketing),[19] and, finally, the Council on Industrial Policy.[20] These groups are not formally part of Japan's Economic Planning Agency, but their interests are certainly respected and amply considered in the state's economic planning.

The Council on Industrial Policy (or, Sanken), the last of the organizations listed above, was set up as a completely new body in 1966, with a tightly restricted membership intended to coordinate capital ventures and to assist strategic mergers in the age of "liberalization." In this way, it has promoted the "internationalization" of capital.

Also, Sanken has had an enormous influence on the Japanese state's economic planning, as it claims as members the key leaders of both the Federation of Economic Association and the Committee for Economic Development.[21] Thus, it truly represents the voice of big capital. (See Table 4)

The class nature of the state's economic plans stems from the contradictions inherent in their goal of producing high capital accumulation at the expense of meeting the needs of the working class. In order to obscure this class nature, it is absolutely essential that the state attempts to legitimize the plans to the working class. That is, it must foster the illusion that the plan also serves the interests

Table 4

Members of the Council on Industrial Policy
(1971)

Masao Anzai, President	Showa Denko (electric and electronic industry)
Toshio Doko, President	Toshiba Electric
Chujiro Fujino, President	Mitsubishi Trading
Norishige Hasegawa, President	Sumitomo Chemical
Hiroki Imasato, President	Nippon Seiko Bearings
Yoshihiro Inayama, President	Japan Steel (Yawata Steel)
Yoshizane Iwasa, President	Fuji Bank
Tatsuji Kawamata, President	Nissan Motors
Kazutake Kikawada, President	Tokyo Electric Power
Shigeo Kitano, Board Chairperson	Central commercial and industrial trust
Koji Kobayashi, President	Nippon Electric
Fumihiko Kono, Board Chairperson	Mitsubishi heavy industries
Tatsuzo Mizukami, Board Chairperson	Mitsui Trading
Moriatsu Minate, President	Nikko Securities
Shigeo Nagano, Board Chairperson	Japan Steel (Fuji Steel)
Sohei Nakayama, Board Chairperson	Nippon Kogyo Bank
Minoru Segawa, Board Chairperson	Nomura Securities
Wataru Tajitsu, President	Mitsubishi Bank
Toyosaburo Taniguchi, Board Chairperson	Toyobo (Spinning)
Shigeki Tashire, Board Chairperson	Toyo Rayon

Source: Pacific Imperialism Notebook, Vol. 3, No. 1, (December 1971 - January 1972), p. 11

of the working class.

The Japanese state has done this by setting yearly goals for the working class, such as the rate of GNP to be achieved. Giving them "hopes" (doubling their income in years ahead, for instance), the state then forces them to accept wage controls and minimal provisions for the means of collective consumption. Inside the plants, the workers are forced to accept low wages, labor intensification and prolongation of the working hours under the slogan of productivity increases and rationalization of industry.

In the milieu of increasingly intensive class struggle on a world scale, the state economic plans have been effective in dissipating Japanese class struggle under the banner of "economic growth for the people." Accordingly, the plans always emphasize the rate of economic growth and the rate of increase per capita that will be the result of the plans, encouraging the illusion that the people's standards of living will be significantly improved with the accomplishment of the goals of the plans. In this way, the plans divert the people's concerns from their dissatisfaction with poverty, low wages, discrimination, and shortages of the means of collective consumption. Instead, the working class' attention is focused on "rationalized mathematical figures." (See Table 5)

Japan's economic planning has had, broadly speaking, two phases. The first phase was aimed at high capital accumulation in the heavy industries, such as iron and steel, shipbuilding and machinery. This phase covered the period of 1955 to 1970. The second one has been characterized by the development of science and high technology, such as semiconductors, electronics and computers. This latter phase began

Table 5

Planned Projections and Actual Rates of Real Economic Growth, 1955-1973

Fiscal Year	Actual rate of growth	A 1955 Plan	B 1957 Plan	C 1960 Plan	D 1965 Plan	E 1967 Plan	F 1970 Plan	G 1973 Plan
1955	11.4	4.5						
1956	6.8	4.8						
1957	8.3	4.9	6.5					
1958	5.8	5.2	6.5					
1959	11.7	5.2	6.5					
1960	13.2		6.5					
1961	14.4		6.5	9.0				
1962	5.7			9.0				
1963	12.9			9.0				
1964	10.9			7.2				
1965	5.4			7.2	8.1			
1966	11.8			7.2	8.1			
1967	13.4			7.2	8.1	8.2		
1968	13.6			7.2	8.1	8.2		
1969	12.4			7.2	8.1	8.2		
1970	9.3			7.2		8.2	10.6	
1971	6.6					8.2	10.6	
1972	11.0						10.6	
1973	6.1						10.6	9.4

Source: H. Kamamura, Choices for the Japanese Economy, The Royal Institute of International Affairs, London, 1980, p. 57.

at the end of the 1960's. In the first phase, state expenditures were concentrated on the general means of production in the form of such items as roads, harbors and industrial water facilities. Research and development funding has been a priority for the state in the second phase.

Economic planning began in Japan with the Five Year Economic Self-Support Plan of 1955. The plan did not specify particular industries which should be promoted through intensive state investments. Generally, speaking, there was not an emphasis on any one component of public investment till 1957. The New Long-term Economic Plan of 1957 changed a pattern of public investment drastically, by giving priority to expenditures in heavy industries such as heavy chemicals and steel and iron.[22] According to this plan:

> It is necessary to develop basic conditions for production. As we have experienced in the past, barriers in the basic conditions may injure development of economy as the scale of economy expands. These conditions should be prepared according to a long-term plan.[23]

Table 6

Japan's Economic Development Plans

A. Five year plan for economic self-support, 1955-1959

B. New long-term economic plan, 1957-1961

C. National income doubling plan, 1961-1970

D. Medium-term economic plan, 1964-1968

E. Economic and social development plan, 1967-1971

F. New economic and social development plan, 1970-1975

G. Basic economic and social plan, 1973-1977

To develop the basic conditions for production, the state began to provide the general means of production to leading industries. Industrial water, industrial locations, roads and railways were designed to be built through public investment and state loans and subsidies.

The urgent need for public investment in these basic conditions led the state to isolate the control of public investment within the upper echelon of the state apparatus. This move was motivated by the desire to avoid the pressures from working class parties in the Diet[24] that might force the state to invest more in the means of collective consumption and less in the general means of production. Thus, public investment has been separated from general accounts in the state's budget since 1957. It has been treated instead as adminstrative investments under special accounts, and has not been included in the annual budget in the Diet.[25]

The national policy to use public investments in promoting capital accumulation in the private sector was more completely implemented with the National Income-Doubling plan of the 1960's . With the conversion of energy from coal to oil in the 1950's, productivity rapidly increased in the iron and steel, metal, electrical and heavy chemical industries. However, public investment to the general means of production that was projected in previous plans was far below the actual demands for it. Expansion of such public investment was acutely needed by industry.

The National Income-Doubling plan was devoted to the provision of the general means of production, promising to double the GNP per capita by 1970 by aiming at high economic growth. The core of the plan was the intent of strengthening "social capital."

> The basic task to be carried out in achieving the high rate of economic growth envisioned in this plan must be to put forth all possible efforts to expand social capital, one of the biggest industrial bases. From this standpoint, it is essential to improve transportation facilities such as roads, harbors, railways, airports, communications facilities, such as telegraph and telephone, and other conditions for industrial development such as land and water supplies.[26]

In attempting the accomplishment of such an overwhelmingly large imperative, the state has had difficulty in carrying out its projects in the efficient all-embracing manner previously achieved. The plan was to give "effect to unreasonable allocation and execution of the projects untrammeled by sectionalism or clash of interests among the government agencies concerned."[27] On the contrary, conflicts arose and hampered the progress of the state's projects. Many of these conflicts were due to the almost total neglect of primary industries like fishery and agriculture, and small and medium businesses. Public expenditures have been heavily concentrated on the general means of production during the ten years of the plan, to the detriment of these other forms of industry. The result however, has been the achievement of high rates of capital accumulation within the monopoly capital sector of the economy, due to the state's high levels of investment in the infrastructure. In fact, the state's investments have been at a much higher level than that of any other nation state. (See Table 7)

The state's investments in the general means of production created favorable conditions for private capital to concentrate on investments in equipment. The revolutionalization in the production process by constant introduction of new technology was the key factor in creating high capital accumulation between 1955 and 1970. The common characteristic of the long upswings (1955-57, 1958-61, and 1966-70)[28]

Table 7

International Comparison of Fixed Capital Formation
By the State

(Unit = %)

Country	The State	Public Corporations	Total
Japan	5.7	3.8	9.5
Sweden	3.7	4.8	8.5
France	2.3	4.6	6.9
U.K.	1.8	4.9	6.7
Canada	4.1	2.3	6.4
U.S.	1.8	0.4	2.9

Source: Economic Planning Agency, Medium Report on Income Doubling Plan, 1964, p. 47.

was buoyant fixed capital investment; downswings were similarly related to declining investment (1954, 1958, 1962, 1965, 1971 and 1975).[29]

During this period a contributing factor in the acceleration of the rate of increase in labor productivity was the increase in the capital-labor ratio, or capital intensity per worker. Table 8 indicates that the annual rate of increase in the labor force was only one to two percent, while private capital stock grew over the sixties by over ten percent. That increase in capital stock was inevitably accompanied by changes in the industrial structure and by a rapid pace of technological innovation. It should be noted, however, that high capital accumulation was not achieved without expenses that were borne by the working class.

Table 8

Factors of High Capital Accumulation

	1955-60	1960-65	1965-70
Rate of economic growth	9.1	9.7	13.1
Rate of increase in labor force	1.5	1.2	2.1
Rate of increase in private capital stock	7.9	11.2	12.9
Rate of increase in labor productivity	7.5	8.4	10.8
Rate of increase in capital and equipment	6.5	9.8	10.8

Source: Japan Statistical Yearbook, 1960, 1965, 1970, 1975.

Low-Wage System--The Core of the Japanese Pattern of Capital Accumulation in the Postwar Era

Japanese capitalism in its beginnings accomplished rapid capital accumulation in a short period of time by repressing wages in a compromise with semi-feudalistic forces. This allowed Japan to compete in world markets with other imperialistic powers. In the same way, Japanese capitalism in the postwar period had to undertake rapid economic recovery due to the economic crisis and also under the pressure of the American Occupation.

In both very different historical situations, the Japanese state's primary concern was to avoid the same fate as India and China in the middle of the nineteenth century and, in the postwar era, to remove the U.S. Occupation from Japan as quickly as possible.[30] Only the recovery of Japan's monopoly capital would achieve the latter concern.

These historical conditions that existed during Japan's economic recovery led to two basic policies. The first one involved the repression of democratic movements, whose aim was to throw out the Bismarkian style of old state (i.e., the combined powers of monopoly capital and landlords). The rise of the working class' standard of living and the expansion of political freedom were limited by the deprivation of various democratic rights of the working class. Increasingly intensifying labor movements were repressed by a series of anti-strike laws originated by MacArther.[31] The state took further steps in the repression of labor with wage-price controls. The deprivation of the rights of workers in striking and wage controls both served to open the path to a recovery of monopoly capital. At the same time, these were the beginning of a now infamous Japanese pattern in structuring work that included a wage system and the formation of company unions. The low-wage system was maintained under both U.S. and Japanese capitalism until 1970.

Why low wages when the organic composition of capital is relatively high? The answer remains unclear. A popular understanding of low wages is that low wages in Japan are due to labor-intensive methods of production, while high wages in the U.S. are due to capital-intensive production methods.[32] Bourgeois economists claim that the low productivity of labor in Japan is to blame.[33] This popular understanding is far from true. The cause of low wages can be attributed to a subordinate relationship that exists between Japanese capital and U.S. capital.

If Japan and the U.S. are perceived as countries competing in world markets on an equal basis in the postwar era, then laws of "national differences of wages"[34] in Capital can be applied. However, that was not the case. According to national differences of wages, "in proportion as capitalist production is developed in a country, in the same proportion do the national intensity and productivity of labor there above the international level."[35] Therefore, the intensity and productivity of labor in the U.S. are higher than those in Japan. It can be further said that:

> the different quantities of commodities of the same kind produced in different countries in the same working-time, have, therefore, unequal international values, which are expressed in different prices, i.e., in sums of money varying according to international values. The relative value of money will, therefore, be less in the nation with more developed capitalist modes of production than in the nation with less developed.[36]

Take the example of wages in iron and steel industries in both Japan and the U.S. In 1964 the average wage of workers in the four Japanese companies of Yawata, Fuji, Kokan and Kawasaki was 6,300,000 yen,[37] while the average wage in the five American companies of U.S. Steel, Bethlehem, Republic, Armco and National Steel was 78,000,000 yen.[38] It is apparent that the intensity and productivity of labor in the U.S. are higher than those in Japan.

According to Marx's law of wages, the relative value of money in the U.S. is smaller than that in Japan; this is due to the intensity and productivity of labor. As a result, it follows that wages, the equivalent of labor power expressed in money, will be higher in the U.S. than in Japan. This is, however, only an expression of the equivalent of labor power in money. This does not take into account the international competition of commodities.

With regard to international competition, the ratio of value of labor power to value of commodities must be examined. It is apparent that the ratio of the value of labor power to the value of commodities is smaller in the country with high intensity and productivity of labor. Thus, high productivity is advantageous in international competition.

> Even apart from these relative differences of the value of money in different countries, it will be found frequently, that the daily or weekly wage in the first nation is higher than in the second, while the relative price of labor, i.e., the price of labor compared both with surplus value and with the value of the product, stands higher in the second than in the first.[39]

Comparing the hourly wage in Japan with that in the U.S. reveals that in 1963 it was 36.8 cents in Japan and 246 cents in the U.S.[40] This illustrates perfectly Marx's theories concerning hourly wages. However, the relative value of price, i.e., the price of labor, compared with the value of the product in Japan, was not higher, contrary to Marx's conclusions.

An examination of the ratio of the sum of wages to the sum of values of products reveals further information. This ratio has ranged from thirty to forty-four percent in the U.S., where the intensity and productivity of labor is higher and from twelve to seventeen percent in Japan, where the intensity and productivity of labor is lower.[41] It follows, therefore, that it is erroneous to attribute the cause of low wages in Japan to differences in the intensity and productivity of labor between Japan and the U.S.

The particularity of the process of capital accumulation in Japan must be considered. It was often found both in the prewar and the post-war periods that the organic composition of capital was higher by international standards, compared with the technical composition of capital. The proportion of value of labor power in the value of the product is smaller despite low productivity, and the value composition of capital is higher despite a low technical composition of capital.

These findings tell us the poor working conditions that have existed in Japan. That is, they illustrate a relatively large amount of plant equipment and a relatively great number of workers working longer hours for lower pay. As the value composition of capital in such situations increases, the tendency of the rate of surplus value to fall is accelerated despite intense exploitation of labor power. A counteracting tendency is the constant expansion of production through the introduction of new equipment in order to postpone a falling rate of profit. These equipment investments require new technology, importation of raw materials and a source of funding. All these requirements were controlled by U.S. capital till about 1970.

Dependence upon foreign technology plagued 73 percent of all industries in Japan in 1964, claiming two billion yen of capital.[42] For example, coal and petroleum product industries paid 93 percent of sales revenues for foreign technology, iron and steel paid 61 percent, and chemical industries 59 percent. The cost of the introduction of foreign technology occupied more than half of all sales revenues in 1964.[43]

This trend has also been true of raw materials.[44] The ratio of raw materials to the sales level is higher than in any other advanced capitalist countries. The ratio is 51 percent in West Germany, as compared to 65.6 percent in Japan in heavy chemical industries in 1964.[45] (See Table 9)

Funds for the introduction of technology and the import of raw materials have been provided primarily by U.S. capital as well. In the iron and steel industries, equipment investment rose more than 740 billion yen between 1956 and 1970. Of these 740 billion yen, 543 were derived from foreign capital, particularly from the World Bank.[46] Beginning with Yawata Steel's first borrowing of 5.3 million dollars in 1955, six Japanese steel companies have borrowed a total of 158 million dollars from the World Bank.[47] Loans from the Washington Export and Import Bank, city banks, insurance companies in the U.S. and other sources mounted to 1,132 billion yen by the end of 1964.[48] These enormous amounts of loans from U.S. capital explain low capital stock in private sectors. In 1966, capital accumulation in Japanese private sectors was only 26.8%, while in the U.S. and West Germany 69.2% and 40.6% respectively.[49]

Table 9

Comparison of Sales Amounts in Japan and West Germany
(1964)

	Sales	Raw Materials	Wages	Depreciation	Loans	Others	Profit
Japan (1 billion yen)	23,926	15,756	1,883	915	915	3,587	870
The Ratio	100	65.6	7.9	3.8	3.3	15.0	3.6
West Germany (100 million mark)	1,479	755	306	99	23	197	99
The Ratio	100	51.0	20.7	6.7	1.6	13.6	6.7

Source: The Bank of Japan, Bureau of Statistics, International and Comparative Statistics Around the Japanese Economy, (Tokyo, 1965), pp. 139-140.

As a result of high capital accumulation throughout the 1960s as well as an increase of overseas investment and devaluation of dollars, the labor situation changed drastically. From 1960 to 1965, manufacturing wages increased at an average rate of about 10 percent per annum. Then, in the second half of the decade, the increase rose and exceeded that of labor productivity. This trend continued in the early 1970s, and finally in 1973, the increase exceeded 20 percent.[50]

Heavy Chemical Industries

Concentration and centralization of production occurred on an unprecedented scale in the 1960s. (See Table 10). Fixed capital showed especially strong growth among the basic major industrial

Table 10

The Number of Bankrupt Enterprises in the 1960s

Year	Number
1960	1,172
1961	1,102
1962	1,779
1963	1,738
1964	4,212
1965	6,141
1966	6,187
1967	7,456

The debt more than 1,000,000 yen

Source: J. Ikegami, State Monopoly Capitalism in Japan (Tokyo, Kaihoshinsho, 1969), p. 173.

sectors as the development of heavy chemical industries accelerated. Socialization of production was further promoted in creating savings and the rationalization of accumulation of fixed capital. The combination of productive branches that was created included the following. The expansion of the scale of productive branches was accomplished by combining vertically various productive branches within an enterprise. Horizontal combination with productive branches in related enterprises was also done, as well as the integration of both vertical and horizontal combinations. This latter integrated combination was implemented through using a combined method that provided raw materials and energy resources through pipes to steel, oil and refined energy industries.[51]

Heavy chemical industries have always depended upon the general means of production, such as industrial locations, industrial water facilities and transportation means. Production units accompanying the socialization of production have been gigantic and have thus enabled capitalists to maximize the scale of the social means of production (i.e., to utilize "economies of scale"). For instance, a steel plant which produces 200 million tons of steel products a year needs 330,000 m^2 of industrial land and 400,000 m^3 per day of industrial water.[52]

Accordingly, industrial complexes (i.e., Kombinate) which from the core of Japanese industry, have been built contiguous to the major cities located in the coastal belt along the Pacific. Starting with Yokkaichi in the vicinity of Nagova, huge complexes for the processing and manufacturing of petroleum, power and steel were successively constructed in Yokohama, Chiba, and Kashima and, to the west, in Sakai, Kobe, Fukuyama, and Mizushima.[53] All of these cities are seaboard districts with port facilities able to accomodate the mammoth tankers used in importing crude oil from the Middle East. These industrial complexes can simultaneously refine oil, generate electricity, and manufacture steel and petrochemical products. The most recent technology has been adopted, as these large plants are highly automated and can be operated by relatively few workers.[54]

With these increases in the scale of production, the circulation costs have also become large. In order to economize on circulation costs, productive capital tends to monopolize the entire process of circulation. For instance, oil-refining companies take control of the entire process from production to circulation: from mining, transport of the crude oil in tankers, and refining to storing the product in other tankers, transporting it to the market, and distributing it through retail gas stations and other outlets.[55]

Coordinating all these activities through a single corporation also necessitated the development of communication and administrative controls over the whole process. Headquarters of monopoly capital, which tend to be concentrated in the large urban areas, have developed communications systems that connect this centralized administration with plants and factories located in both the local cities of a country and in other parts of the world. Knowledge-information industries such as telephone and telegraph systems, teletype and computers have been crucial in developing such controls.

Thus, in monopoly capitalism, even the general means of production such as the means of transport, the means of storage and the means of communication tend to be monopolized by monopoly capital and transformed into fixed capital, despite the fact that they are indirect means of production (i.e., these are not entered into productive consumption directly.)[56] Control over both the processes of production and of circulation by monopoly capital has transformed the general means of production into particular, individualistic means of production.[57] Industrial water facilities, industrial locations, railways and ports were once provided as the general means of production for capital as a whole, but now many of these means are privatized by monopoly capital.[58] Such monopolization has also made it difficult, and sometimes impossible, for small and medium businesses to compete against large corporations, especially in certain industries well suited to monopoly capital, such as steel and automobile manufacturing.

"Industrial location" no longer fits well into the category of the general means of production anyway, since a particular site becomes equipped with facilities suited to specific industries. Such facilities increase the land's value, but also limit its usefulness. Industrial land is now the object of sale and investment for short periods of time like depreciated fixed capital. It has a turnover rate determined by the period of time in which it remains useful. Furthermore, industrial locations, or even entire regions or industrial cities, tend to be replaced by other areas due to technological innovations. For instance, coal-mining cities like Kita kyushu and Omura experienced declines in their local economies because of the energy conversion from coal to oil.[59] Today's industrial cities that are dependent upon the heavy chemical industries may decline with the possible growth of nuclear power plants. This process was already beginning in the 1970's. The cities serving as centers of shipbuilding and chemical industries are declining, and experiencing high rates of unemployment.[60]

<u>Minimum and Maximum operation of state expenditures</u>

As Table 11 shows, the general means of production always occupies a large proportion of public investment as compared to the means of collective consumption. In fact, there is a tendency for the general means of production to continually expand at the expense of housing, welfare programs and other means of collective consumption. The total amount of public investment during the period shown was 16 trillion and 130 billion yen comparatively.[61] The ratio of public investment to private equipment investment was expected to expand from one to three in 1960 to one to two in 1970.

According to Table 11, public investments in the industrial base totalled 43 percent (with an emphasis on roads, which occupied 30.4 percent of this 43 percent), while investments in the means of collective consumption equalled 14.1 percent. The proportion of the means of collective consumption funded in the National Income Doubling plan was definitely regressive compared with the previous years of 1953 to 1957. The ratio of the provision of the general means of production to the means of collective consumption was two to one (see Table 12). This ratio decreased to three to one with the implementation of this plan. The regressive amount of collective consumption provided clearly demonstrated that the improvement of living conditions for the working class was not a concern implemented in the plan. The plan stated that:

> . . . it is necessary to expand bases for living, such as housing and facilities for living environments and alleviate the concentration of population into the large cities. In view of the conspicuous backwardness in these fields, utmost efforts must be made as an integral part of the policy to improve and expand social facilities, such as housing, sewerage, and water supply, hospitals, and welfare and education facilities.[62]

Table 11

National Income Doubling Plan
(FY 1961-1970)

(Unit = 100 millions of yen)

	Investment in the Plan	
	Amount	Percent
I. General Means of Production		
Roads	49,000	30.4
Harbors	5,300	3.3
Forest and Fishery	10,000	6.2
Industrial location adjustment	5,000	3.1
Subtotal	59,300	43.0
II. Means of Collective Consumption		
Housing	13,000	8.1
Health	5,700	3.5
Welfare	4,000	2.5
Education	11,000	6.8
Subtotal	33,700	20.9
III. Land Conservation		
Forest and river conservation	11,200	6.9
Disaster restoration	5,300	3.3
Subtotal	16,500	10.2
IV. Others*	63,800	32.7
Total (I., II., III., & IV.)	161,300	100.0

*Others refer to seashore conservation, government office repairs, etc.

Source: Economic Planning Agency, National Income Doubling Plan, (FY 1961-1970), 1960, p. 46.

Table 12

Public Investment
(1953-1957)

(Unit = %)

	1953	1954	1955	1956	1957
I. General Means of Production					
Roads	12.2	12.8	14.5	17.2	20.1
Harbors	2.6	2.2	2.2	2.4	2.5
Agr., For., and Fis.	10.1	9.8	10.0	10.1	9.4
Subtotal	24.9	24.8	26.7	29.7	32.0
II. Means of Collective Consumption					
Housing	5.6	6.1	7.4	7.4	7.3
Health	0.6	1.3	1.2	1.4	2.0
Education	--	--	14.1	11.6	8.6
Welfare	5.8	5.1	5.2	4.4	3.8
Subtotal	12.1	12.5	27.9	24.7	21.8
III. Land Conservation					
Forest and river conservation	10.1	10.9	11.1	9.5	8.8
Amendment for natural disasters	19.6	16.5	14.3	11.6	8.6
Subtotal	29.7	27.5	25.4	21.1	17.4
IV. Others*	33.3	35.3	34.1	36.1	37.4
Total (I., II., III., & IV.)	100.0	100.0	100.0	100.0	100.0

*Others refer to seashore conservation, government office repairs, etc.

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, 1954-1959.

Repression of collective consumption, particulary housing, had already appeared in actual expenditures in 1961. Table 13 shows that expenditures on housing were repressed even lower than in the original budget, while expenditures on the general means of production exceeded the original amount.

Table 13

The Rate of Progress in National Income Doubling Plan
1961-1962

(Unit = 100 million yen)

	Actual Record (A)	Plan (B)	Progress (A/B)
Public Investment	23,498	21,554	109.0
Road	5,910	5,521	107.0
Harbor	822	645	127.0
Housing	1,249	1,333	93.7
Construction of Water	1,658	1,730	95.8
National Railway	3,492	2,756	126.7
Telephone and Telegraph	3,655	3,653	100.1

Source: Economic Council, Medium Report on Income Doubling Plan 1964, Tokyo, p. 384.

The capitalist economy under the Income Doubling Plan achieved an even higher rate of capital accumulation than planned for a short period of time. Private capital equipment investment went far beyond the plan's expectations and reached 29.3 percent (Table 14). Apparently, the state can regulate and control the capitalist economy through the use of economic planning to some extent, but the state cannot regulate it completely without regard for the laws of motion of capital. Self-expansion still remains a characteristic of capital. High accumulation in the private sector meant that the state had to increase its own expenditures to maintain the pace of expansion set by the private sector. This was true despite the fact that the plan was intended to serve only as a catalyst for the economy. Thus, the state was forced to expand the provision of the general means of production from 12.4 to 16.1 percent at the expense of the provision of the means of collective consumption. The plan intensified and made more apparent the contradictions in the capitalist state. That is, it could not maintain the same levels of provision of both the general means of production and the means of collective consumption, attempting to strike some delicate balance in expenditures between the two. Instead, the rule of capitalism that the general means of production will be forever maximized and the means of collective consumption will be forever minimized was in operation. Thus high capital accumulation in both the private sector and the state sector was accomplished at the expense of individual consumption, depressing its level from 57.3 percent to 42.9 percent. (See Table 14)

The purpose of the National Income Doubling Plan was to strengthen the competitive power of Japanese monopoly capital with the latest technology, and to complete the structural changes occurring in Japanese industry in the era of trade liberalization. (Japan was under pressure from the International Monetary Fund to open its markets to foreign capital and goods.)[63] This economic plan also built a foundation of material conditions needed for a new stage of Japanese imperialism[64] in Southeast Asia.

Table 14

National Income Doubling Plan and Its Actual Record

%		The Plan 1960-1970	Actual Record 1960-1961
			1.3
%	Others	1.3	
100	Stock	2.8	
	Individual housing	4.8	4.4
90	Private capital equipment investment	12.9	29.3
80			
70	State capital expenditure	12.4	16.1
60	State consumption expenditure	8.5	8.7
50			
40			
30	Individual consumption	57.3	42.9
20			
10			
0			

Source: Economic Council, Medium Report on Income Doubling Plan Tokyo, 1964, p. 6.

Regional Economic Development Plan

The regional economic development plan in Japan has had three stages. The first regional plan was designed for capital accumulation in the electric power industry in the 1950's.[65] The second stage of the plan was organized around the heavy chemical industries to promote capital accumulation within them. This plan was characterized as "points development" in the 1900s. The last stage has been devoted to capital accumulation in knowledge-intensive industries on a national level in the 1970s.[66]

The region selected as most appropriate for development was the Pacific Coastal Belt. Specifically, the "belt areas" along the Pacific Coast and Inland Sea, connecting Tokyo, Nagoya, Osaka, and northern Kyushu, were considered the most promising for new industrial development.[67] (See Table 15)

Unprecedented amounts of public funds were invested in the economies of large metropolitan areas and neighboring regions in the "belt areas." There are several reasons why these enormous state investments were made. First, the regional economic plan focused on the already-existing large metropolitan areas, and had the effect of escalating already high land values in that region.[68] Competition among private capitalists caused land values to increase still further. The state intervened by buying prohibitively expensive land and providing it to private capital for industrial locations.[69] This vicious cycle of speculation had much to do with the tremendous costs of development borne by the state.

Another factor in increasing state expenditures was that the targeted heavy chemical industry required a vast scale of provision of the general means of production, such as industrial water, harbors,

Table 15

Industries in Pacific Coastal Belt

Industry	Total Production	Production in Coastal Belt	%
Foodstuff	1,829	661	36.1
Textile	1,705	603	35.4
Lumber & wood product	521	419	80.4
Pulp, paper & allied products	595	363	61.0
Chemical	1,458	1,042	71.5
Oil & coal	371	345	93.0
Rubber	233	132	56.7
Ceramic, stone & clay	520	220	42.3
Iron & steel	1,651	1,650	99.9
Non-ferrous metal	668	519	77.7
Machinery	1,205	55	4.6
Electric	1,292	231	17.9
Transport equipment	1,325	919	69.4
Total	13,374	7,161	53.5

Source: Iwai, ed., Seminar: Urban Problem, Vol. 4 (Tokyo, Yuhikaku, 1965), p. 224.

roads and industrial sewerage. This industry also consumed enormous amounts of energy, two and three times as high as that of any other industry.[70] Furthermore, due to the long period needed to construct these general means of production and the risks inherent in the business cycles, private capital was unable to contruct the basic requirements of the heavy chemical industry. It was only the state that could afford to buy the expensive land and construct the general means of production under such limitations.

There were also disputes that arose over the acquistion of water rights among different interest groups.[71] These occurred because the source used in supplying water for the needs of industry was often also used for the generation of electric power, for meeting the needs of local cities, and for irrigation in agriculture.[72] The state was forced to either mediate these disputes or to create new sources for the provision of water to industries.

Finally, meeting the requirements for the means of circulation of products and raw materials was seen as urgent. In response, harbors and airports were constructed with public funds, and the National Railways were expanded.[73]

It is true that public investment was designed to promote capital accumulation as a whole, but it became increasingly clear that some of the general means of production were privatized as particular conditions for the reproduction of monopoly capital, especially through the regional economic plan.[74] Competition for industrial locations became intense among local and national capitalists. Monopoly capital tended, as the result of competition, to monopolize the general means of production in the region. The relationship between the state and monopoly capital was further consolidated in this way.

A corollary was that the regional economic plan implemented monopoly capital's interests in a deliberate manner. That is, the plan focused on the needs of monopoly capital, as in the example of water rights, often to the detriment of other sectors of society.

There were two capitalist organizations involved in the regional economic plan. The research committee for regional economic problems within the Economic Planning Agency worked on basic laws of regional development with members of universities, business and banking institutions. The Japan center for area development research, which was financed by leading business firms, also worked with the plans to assist research activities in the field of regional science and planning.[75]

Thus, the regional economic plan implemented Japan's fiscal policies in meeting the demands for the general means of production from monopoly capital and in allowing these capitalists a monopoly over the region.

The systematized use of public investment in the development of the general means of production greatly influenced capital accumulation in Japan. As Table 16 shows, the total fixed capital formation in the postwar era continued to increase at the same unusually high rate as in the prewar era. Domestic capital formation reached seventy to eighty percent of private consumption in the 1950's. Private fixed capital formation was particularly high between 1960 and 1964.[76]

The cause of high capital formation in the private sector was high levels of investment in equipment. It was made possible because the state implemented several policies which promoted private equipment

Table 16

Gross Fixed Investment Ratios
1953 to 1972

Country	Total Fixed Capital Formation
Japan	31.8
France	23.0
Germany	25.1
Italy	20.2
U.K.	17.3
U.S.	17.3

Source: Economic Planning Agency, National Income Statistics (Japanese Government)(Tokyo, 1953-1972).

OECD, National Account of OECD

investment, such as the issue of credit from the Bank of Japan, low interest loans that were available from the Japan Development Bank, the reduction of taxes on real estate acquistion and corporation revenues, and the tax exemptions for the depreciation of fixed capital.[77]

The regional economic development plan was originally created to solve increasing conflicts that were emerging from the uneven and combined development of capitalist production. It, therefore, initially aimed at the decentralization of industries that were concentrated in overcrowded metropolitan areas. Specific strategies were proposed for dispersing factories away from existing industrial concentrations to new centers in the coastal belt areas and other more remote areas.[78] The plan argued that while private capital should be permitted a free choice of location, its decisions should be guided by publicly determined priorities, and should be made with due regard for the need to strengthen Japan's competitive position.[79]

It took almost two months for the Japanese Cabinet to adopt the Income Doubling Plan after the proposed draft was submitted to the Prime Minister. One of the main reasons for the delay was the controversy within the government parties over the provisions of regional development.[80] Some contended that the document failed to give adequate consideration to the need for improving the conditions that existed in Japan's underdeveloped areas.[81]

In the final plan, thirteen new industrial areas were selected, including Hokkaido, Shikoku, and Kyushu, all of which are relatively remote from metropolitan sections. The final decision reflected a degree of political compromise.[82] Although the state laid down guidelines for the development of new industrial centers, detailed planning was left to local states. This placed an enormous burden on local states' finances, particularly in the areas remote from metropolitan sections of the country.[83]

Although the Japanese central state encouraged private capital equipment investment through various policies, the state was also successful in making private capital dependent upon its financial institutions through a monetary system which controlled private finance capital. Corporations were dependent upon their affiliated city banks for equipment investment, while city banks were highly dependent upon the Bank of Japan. The state's centralized monetary system began to emerge before World War II as the state gained more control over the national credit system, but it was not until the postwar period that the state was able to control the monetary system entirely.

In the early postwar period, private finance capital was unable to finance its vast investment needs.[84] In seeking funds, industrial capital had to look to the city banks backed by the Bank of Japan or directly to the state's central financial institutions. Rapid economic growth then perpetuated the dependence on external financing. Though in most corporations both profits and depreciation funds were usually, large, the financial requirements of very rapid investment growth regularly outstripped the availability of internal funds. The gap was filled by loans from the city banks. Thus, corporations were forced to rely on banks to satisfy their needs for funds. However, city banks were not in a position to turn down such requests, as they were frequently linked to the companies needing loans through the framework of one of the giant conglomerates.[85]

To satisfy their clients' demands for funds, the city banks were in turn closely dependent upon credits from the Bank of Japan. This dependence on central bank loans stemmed primarily from an almost total lack of alternative sources of large sums of money. Money supplied from the foreign sector never played a large role in Japan except in the early postwar period. This was the result of the fact that Japan's balance of payments for surplus items was small throughout most of the period and was usually concentrated in slack periods of relatively abundant liquidity.[86]

The postwar policy of balanced budgets, pursued until the mid-1960's, also limited the creation of money through the central state's operations. By the same token, this policy prevented the accumulation of a large postwar public debt and severely restricted the scope of central bank purchases and sales of securities.

Not only was the bank of Japan the most important source of money for private equipment investment, but its funds were obtained through loans to financial institutions rather than through the mechanism of open market operations. Similarly, the financing of long-term investment through the capital market was replaced by direct bank advances. "Over-loan" was the form which was used in Japan to describe this system.[87] The term "overloan" has been used to mean three things: the high dependence of corporations on bank loans, the banks' high dependence on the Bank of Japan's loans and, given strong demand by the corporations and a controlled supply by the Bank of Japan, the tendency of the large city banks to grant loans in excess of deposits.[88]

<u>Toward the end of high capital accumulation</u>

The state's economic plan which was based on a high growth policy, began to reveal and deepen its internal contradictions in the latter half of the 1960's as the world crisis in capitalism appeared concurrently. The world crisis appeared in such forms as the disruption of the International Monetary Fund, the pound denomination and the dollar crisis. Influences on Japan's economy included this background of world crisis, as well as the expected renewal of the Japan-U.S. security treaty in 1970 and the intensification of international competition under the slogan of "liberalization of capital" in the 1970's. These factors were primary in forcing the state to form a new national plan that would create conditions for strengthening monopoly capital's international competitive power. It also developed a new regional economic plan which was to promote capital accumulation within Japanese monopolies.

Before the state set in motion such new plans, problems resulting from the previous economic plan had to be resolved. Those problems included inflation, the fiscal crisis of local states, uneven development, urban density and rural exodus, and urban problems such as unemployment.

In confronting these political and social crises, the state was forced to implement a specific welfare policy in the new plan. This welfare policy's intent was to absorb the rebellious energy of widespread "residents' movements." Also, the state planned to solve the fiscal crisis of local states in the coming years by increasing defense expenditures and oversea aids, and by further expanding the general means of production.

These moves were expected to strengthen monopoly capital. Moreover, the regional economic development plan in the 1960's ended with the reversal of the plan that called for decentralization of populations and industries in metropolitan areas. The economic and social development plan of 1967 was thus aimed at tackling all of these problems.

The economic and social development plan covered the period of 1967 through 1971. The plan had three focal policies, which were price stability, improving economic efficiency, and promoting social development.[89]

Price stability was to be created through structural changes within industries, or, by the rise of productivity in such fields as agriculture and small- and medium-scale enterprises and services. This rise in productivity was to be created through the modernization of those sectors.

In securing greater international competitiveness, the state attempted to bring down the prices of its exports through improved economic efficiency. By the use of this strategy, the state planned to abolish such economic restrictions as cartels and import controls.[90]

A corollary to attempting to lower exports' prices (and thus to increase total exports) was the attempt to increase imports and to use them more effectively, primarily in increasing Japan's productive capacity.

Finally, social development was to be promoted with the objective of increasing the effective use of the labor force. This meant that:

> it is planned to raise labor productivity and increase labor mobility through the effective use of the labor force encouraged by modernization of the wage and employment systems, reduction, retraining, and substitution of middle-aged older labor and of women for a fresh labor force.[91]

All these countermeasures to price increases that have been presented here had only a small probability of success in slowing the rate of price increases. The state's inflationary policies have been the major cause of inflation, and these policies were not targeted for change in the economic and social development plan.

The Japanese state's fiscal policies which have increasingly relied upon credit and bond issues, have operated fairly well in periods of economic expansion. However, they have generated trends of severe inflation in periods of recession and economic decline. It is therefore not surprising that inflation has become acute in Japan, particularly since the dollar crisis and the oil crisis of the seventies. In this period, the rate of capital accumulation sharply dropped and was unable to catch up with the rate of increase in the issuing of national bonds and credits.

These inflationary policies of the state were not addressed in the plan. Rather, adjustment funds were to be continuously met by the issuing of bonds at national and local levels and by credits from the Bank of Japan.[92] It follows that price increases were to be absorbed by the working class in the form of escalating costs for the maintenance of a given standard of living. These costs have, of course, always fallen most heavily on the poor and the working class.

The state's price stability policy also functioned to keep wages low, as the state implicitly encouraged the expansion of the reserve army of labor. It did this through its modernization efforts in low productivity sectors, and its rationalization policies in the monopoly and public sectors. These policies had the effect of reducing the labor requirements in many industries, and thus greatly increased unemployment, thereby weakening the bargaining power of workers who needed wage increases to keep pace with inflation.

The state's modernization efforts were related to the goal of improving economic efficiency. The state encouraged the restructuring of industry through the mechanization of small and medium-sized enterprises and agriculture, mergers of enterprises with the accompanying rationalization of equipment often made possible with the increase in available capital, and intensification of technological development for the improvement in competitiveness for large-scale enterprises on the international level.[93]

The state recommended the restructuring of industry particularly in industries like automobile manufacturing, petrochemical production and electronics. This was to be accomplished through the improvement of industrial organization and investments concentrated on new equipment.[94] Preferential treatment in tax payments was provided to these industries in order to accelerate the processes of mergers, joint investment and equipment renovation.[95]

It has been the role of the Ministry of International and Trade of Industries to control and carry out the restructuring of productive capital in textiles, iron and steel, shipbuilding, auto manufacturing, electronics, and other electrical industries. Thus, it was the MITI that encouraged the merger of Nissan and Prince that occurred in 1968, the merger of Yawata and Fuji in 1968,[96] and that cut interest subsidies in the shipbuilding industry to promote mergers in that field.[97] MITI in this way has been an instrument in implementing the Japanese state's policies. The purpose of these policies, again, was the concentration of capital into monopolies to strengthen Japan's competitive power under "liberalization" of capital.

The social development program's objective was to enhance the national welfare by means of the development of regional communities, the improvement of living environments, the formation of sound family and modernization of consumption patterns, and the improvement of the social security programs. As these programs were all related directly to community life in each region, local governments as well as the central state were expected to play a large role and assume great responsibilities in pursuing these measures.

This social development program gave an impression of great changes. It appeared as though the emphasis on the provision of the general means of production had been drastically altered so as to give more importance to the means of collective consumption. Industrially--based production was no longer in the spotlight of national economic policies. As the Table 17 shows, however, the state did not shift its emphasis in its expenditures from the general means of production. In the period of 1961 through 1965, the total amount of actual state expenditures was 13,438 billion yen, while the total amount between 1967 and 1971 rose to 27,500 billion yen. In this latter period, the means of collective consumption occupied only 17.5 percent of the budget, while the general means of production took the larger share of 53.0 percent.

Within the general means of production, expenditures were concentrated on the means of transportation and communication. Investments in railways and telecommunications systems were intended to promote capital accumulation in the iron and steel industries and the electronics industry. Overall, the plan gave a much greater priority to monopoly capital's needs than to the welfare programs that would benefit the working class. In Japan's provision of welfare, the principle of "the beneficiary bears burden" was introduced for the purpose of shifting the economic burden of welfare onto the local states and residents. The central state defended the principle by saying that "in order to construct safe, healthy, pleasant, and efficient modern cities, it will be necessary to impose a reasonable burden on people and businesses."[98] In controlling and limiting expenditures on welfare programs, the state claimed that it was important to make the most efficient use of the nation's economic resources.[99]

Accordingly, it consolidated and streamlined its subsides to various programs, and also scrutinized the results of other disbursements under a strict review process. Such a review was designed to eliminate the use of funds resulting from "inertia," to create greater efficiency and to curtail expenses. In this way, the state was justifying the shift of part of the expense of welfare to the shoulders of beneficiaries in order to lighten the burden on the state. The principle of "the beneficiaries bear burdens" was desirable to the state, as some of the costs of services rendered was charged to beneficiaries' accounts. In this manner, the state attempted to reduce the expenditures in the national budget which were allocated to the means of collective consumption.

This simplification and streamlining of the Japanese state apparatuses shifted burden of the welfare programs from central to local units of government.[100] In addition, local administrative units of government were expected to undergo administrative reforms deemed necessary in the process of shifting the responsibility for these programs to rest more totally upon the local units. The central

Table 17

Social and Economic Development Plan in 1967

(In billions of yen)

	Planned Investment (FY 1967-1971)		Actual Investment (FY 1961-1965)	
I. General Means of Production				
Roads	6,150	22.4	2,560	19.0
Ports and harbors	840	3.0	329	2.4
National Railways	3,380	12.3	1,595	11.9
Telecommunication	2,660	9.7	1,305	9.7
Agr., For., and Fis.	1,550	5.6	681	5.1
Subtotal		53.0		48.1
II. Means of Collective Consumption				
Housing	1,710	6.2	494	3.7
Environmental sanitation	1,270	4.6	430	3.2
Welfare	520	1.9	262	1.9
Education	1,310	4.8	847	6.3
Subtotal		17.5		15.1
III. Others				
Land conservation	1,810	6.6	765	5.7
Adjustment fund	500	1.8	--	--
Others*	5,800	21.1	4,170	31.1
Subtotal		29.5		36.8
Total (I., II., and III.)	27,500	100.0	13,438	100.0

*Others refer to disaster relief; government buildings; vocational training facilities; labor welfare facilities; school equipment; social education facilities; social sports facilities; formation of land for industrial use; industrial water supply system; municipal electricity systems; gas systems; municipal transportation systems (excluding underground railways); postal facilities; Electrical Resource Development Corp.; facilities of government-affilitated organizations, (excluding Japanese National Railways and the Nippon Telegraph and Telephone Public Corporation); statemanaged forestry projects (except state owned forest afforestation); parking areas in urban plans; traffic safety facilities (portion of the public safety commission); maritime safety facilities; counter measures for preventing landslides; etc.

Table 17 (cont'd.)

It is clear that some items, such as industrial water supply system, electricity, gas, etc. are categorized into the general means of production, while some items, such as school equipment, social education facilities, etc. are categorized into the means of collective consumption. 53% in the general means of production and 17.5% in the means of collective consumption will be, therefore, higher in actual investment.

Source: Economic Planning Agency, Economic and Social Development Plan, 1967-1971, March 1967.

state also restricted increases in the number of personnel employed locally, and streamlined the system of compensation for public workers.

> At present, local authorities wield great influences in the total amount of public finance, so that a significant part of fiscal activity is carried out with the daily lives of local inhabitants, the matters of whether local authorities' public finance is operating appropriately wields significant effect upon the national economy and the people's livelihood. It is therefore desirable that local authorities make an effort to keep their finance in sound conditions and in harmony with the national economy, and carry out exhaustive streamlining of its operation.[101]

The reorganizing of local states was thus nothing but a means of crushing increasing challenges to the central state's authority by local states whose priority in distributing expenditures was the means of collective consumption.[102] The state's welfare program restructured the grassroots-based welfare programs that had been provided by local governments and streamlined local taxation policies to gain more control over them.

From the central state's point of view, the public finance which supported the welfare programs must have originated elsewhere. For the state claimed that:

> Enhancing the level of national welfare will create areas that public finance will have to take charge in the economy. So far as the enhancement of national welfare is concerned, the government will have a claim to raise the ratio of taxes and charges to national income provided there is a rise in income level.[103]

It is important to understand that the fiscal system was reorganized in this plan to serve needs of monopolies more systematically. Although the fiscal and monetary system was used for capital accumulation in the past and hence was fully characteristic of state-regulated monopoly capitalism, it has come to be used as well to centralize local states on the political level. Political centralization of local states was necessary in carrying out the state's economic policies. (That is, providing the general means of production in a more efficient way in developing the internationalization of productive capital in the 1970's). This centralization was begun as early as 1969 with the introduction of a broad regional administrative system in the regional economic development plan.

Another aspect of the reorganization was the proposal stating that "to execute the projects promptly and generally, prudent consideration should be taken to development, financing from private funds."[104] The state planned to solve urban problems like housing by injecting private capital into these public projects. The principal of "the beneficiary bears burden" and the introduction of private developers into urban development programs were both made concrete in the regional economic development plan.[105]

Thus, the basic policies in the economic plan of 1967 were replaced by policies of the plans of 1970 and 1973. The primary factor causing these changes was the new Japan-U.S. security treaty implemented in the New Economic and Social Development Plan. Under the new security treaty, monopolies were to be further strengthened in developing conditions conducive for the liberalization of capital, the expansion of free trade, and the extension of the Japanese regional economic development plan to Southeast Asia in the name of overseas aid and economic cooperation.[106]

Other policies such as price stability and welfare programs were supposedly based on the same principles as in the previous plans. In fact, the burden imposed on the working class was increased through raises in charges, fares and fees (Table 18). The emphasis in policy on providing the general means of production was stressed openly again, and was implemented in the New Comprehensive National Development Plan of 1969.[107] This was the name of the regional economic plan that has covered the period of twenty years extending from 1965 to 1985. Its intent has been to remold the national lands, to aid in the process of capital accumulation by monopolies and to strengthen the central state's power to control the nation as a whole through new information networks and a broad regional administrative system.

The New Comprehensive National Development Plan was begun as a large-scale development project with estimated costs ranging from about thirty trillion yen to fifty trillion yen. There have been three priorities: the construction of new transportation networks as the framework of the new national land development, promotion of industrial development, and the construction of natural and living environments.

The requirements for meeting these priorities have included building a national network of super-express railways to crisscross Japan, constructing a network of automobile roads to connect all four of Japan's main islands with long tunnels and bridges, and constructing international airports capable of coping with Japan's expanding volume of air traffic and with the increasing numbers of super-sonic and jumbo aircraft, as well as expanding the existing ports for oceangoing vessels and building new international trade ports intended to meet the expansion in Japan's overseas trade. Additionally, it has been necessary to formulate a national transportation plan based on extensive research on the socio-economic costs of transporting different foods over

Table 18

Government Revenue and Expenditure in
Economic and Social Development Plan in 1967

(In billions of yen)

	1965	1971
Taxes and charges	5,222	10,960
Social insurance contribution	1,146	3,090
Income from property and enterpreneurship	95	50
Total current revenue	6,463	14,000
Current purchase of goods and services	3,086	5,850
Current transfers to households	1,383	3,550
Total current expenditure	1,958	4,540
Current surplus	1,958	4,540
Gross capital formation	3,332	7,080

Source: Economic Planning Agency, Economic and Social Development Plan in 1967-1971, 1967, p. 149.

varying distances either by rail, truck, ship, or plane.

Other aspects of the plan have included the creation of a basic communications network linking the nation with computers and the expansion of the information networks with picture phones, data communication, and other features of the information-utilizing new communication techniques. In short, the whole nation has been the object of development, with cities serving as nerve centers of the new national networks as well as centers of international politics, economics and finance. Thus, huge industrial parks and other industrial projects, large circulation areas, tourist areas, agriculture, forestry and fishery areas have been constructed according to the specific strengths and needs characteristic of each region.

Focal development areas in the earlier regional economic plan were twenty-one cities located on the Pacific Coastal Belt. By contrast, presently there are about four to five hundred medium-sized cities throughout Japan identified as targets for development. The scope of these projects has expanded from a regional to a national emphasis. Knowledge-intensive industries have replaced the heavy chemical industries as the key industries emphasized by local areas in building the regional economies. The previously uneffective policies that attempted the decentralization of industry have been abandoned from the beginning in the new plan. The central state has instead encouraged local states to promote industries which are suitable to the area. The basic imbalance in development which exists between Japan's large cities and the outlaying areas is to be reduced through the strengthening of the national networks of information, transportation and telecommunications.

Key industries singled out for development in the 1970's have been knowledge-intensive industries.[108] The construction of information and telecommunication networks have been designed to accelerate the capital accumulation of monopolies in the electronics and electrical industries.

Thus, the industrial structure of Japan is to be reorganized on the basis of research-intensive industries that utilize technology and ideas. These include computers, aircrafts, the electrical industries, automobiles, industrial robots, and marine development. Also stressed are sophisticated-assembly industries (such as communications equipment, business machines, anti-pollution devices and educational equipment), the fashion and household industries (i.e., clothing, furniture, and household utensils), and industries based on the production and marketing of knowledge and information (such as information-processing services, video industries, and systems engineering). In addition, other general manufacturing industries have become more knowledge-intensive through process sophistication and product improvement.

There are three objectives stressed in the plan. Economically, the plan's intent is to accelerate the capital accumulation required by monopolies. This is to be accomplished by strengthening the general means of production, particularly the means of circulation.

Financially, the goal is to economize on fiscal funds through the introduction of private capital into the public sector, or, the establishment of "the third sector."[109] This third sector has three characteristics: public investments comprised of funds from both the private and public sectors, full use of the principle "the beneficiary bears the burden," and a broad regional administrative system. This third sector also represents the state's opening of a new field of investment to the private sector, an important occurrence for certain industries that have been stagnant since the end of the sixties.

Politically, the state intends to accomplish the establishment of the state's power in a more centralized form through the broad regional administrative system and the construction of the new national information network.

With these multiple levels of politics, economics and finance, the state has begun to create favorable conditions for the accumulation of capital in the monopoly sector, and thus conditions necessary for the expansion of overseas direct investment.

Introduction of the third sector

The New Comprehensive National Development plan states that building a new Japan through industrial relocation and infrastructure improvement will be made possible with the "pump-priming" function of public finance and far-sighted, priority-oriented fiscal investment.[110] The state also has invited the private sector to contribute its energy and resources in sharing the task of remolding the Japanese archipelogo.

In order to utilize the private sector in Japan, the plan states that: "those public operations that are profitable can be transferred either to the private sector or a third sector of cooperation between the private and public sectors."[111] Also,

> more private capital can be channeled into public works by making active use of the interest-supplement system. . This would clearly impose less of a financial burden on the government than direct fiscal investment. Depending upon the degree of public benefit and profitability of operation, the remaining areas can be tackled either by joint efforts of private and public sectors. The need is to combine private and public efforts in various new patterns of cooperation.[112]

Local states under the new national economic plan have become subject to being controlled by monopoly capital's interests. The new relationship between local states and private capital emerged under Japan's promotion of public investment works by private capital. This third sector has been firmly established in local areas, particularly in the fields of urban development, industrial parks and distribution centers. Urban development corporations have been established as links between big cities and private developers affiliated with monopolies.[113] These corporations have begun to undertake urban development projects such as large-scale development of building lots. The Tohoku-Hokkaido Development Corporation for industrial parks and the Iwate Development Corporation with Mitsui, Mitsubishi, and Sumitomo group developers for distribution centers are pilot corporations in the third sector.[114] Thus, local states have become subordinate to monopoly capital, just as they served heavy chemical industries in the sixties by offering industrial water facilities, industrial parks and tax-reduction benefits.

Local states have acquired the funds needed to construct the means of collective consumption under the goal of improving the living environments in the development plan. The state subsidies, which, in the sixties, were only provided for the construction of the general means of production, have been applied also to the means of collective consumption. Local bonds and the rate of borrowing from private financial institutions have been expanded. This undertaking of the provision of the means of collective consumption has been labeled as independent public investments by local states.

However, the state has begun to use transferred local taxes as subsidies.[115] The original intent of transferred taxes to local states was to compensate for regional differences in tax revenues, without regard to public investment works. Now, transferred local taxes have been redefined as public investment works. By using transferred local taxes in this manner, the central state has reduced subsidies to the means of collective consumption substantially and has strengthened control over local states' finances, while deepening the uneven development between urban and rural areas.[116]

Now that transferred local taxes are used by the central government to reduce subsidies to the means of collective consumption, it is inevitable that local states increase charges and fares to compensate for the reduction of overall revenues. Thus, an increase in larger projects for the means of collective consumption reduces subsidies to local services, and increases the "principle of beneficiary bears burden." Furthermore, the focus of the "improving the living environment" program has been the construction of regional, town and village roads, which form new subnetworks of transportation and thus serve in the role of the general means of production.

In summary, the widespread expansion in local areas of "the beneficiary bears the burden" charges has been due to the need to increase local taxes in these areas for the construction of urban facilities and for services such as sanitation, roads, daycare centers and schools. Fees were also increased for water, transport and hospital services.

<u>Aim of broad regional administration system</u>

The purpose of the broad regional administrative system was to strengthen the base of the central state's power. Nucleus cities, as the centers of broad regional areas, were to be equipped with the urban functions of the means of collective consumption and the general means of production. In this way cities, towns and villages located near these nucleus cities could share those urban facilities.[117] Thus, the state planned to economize by avoiding the costly duplication of goods, services and facilities that would occur if these were constructed for each individual city and town.

This broad administrative system facilitated the expansion of capital by greatly weakening the barriers created by regional boundaries. At the same time, it crushed increasing resistance to state control from local welfare states by ending a direct relationship between local states and their residents. All these signified the restructuring of the system of domination within the state apparatus, so that the state could assist in the restructuring of productive capital domestically and the internationalization of productive capital on a world scale.

State-regulated monopoly capitalism is a contemporary form of monopoly capitalism which has come to be fully operative since World War II. Its dominant characteristics lie in the control and regulation of the national economy through fiscal policy and a centralized monetary system. Despite these powers, the state cannot abolish economic crisis; these are due to contradictions inherent in capitalism.

State-regulated monopoly capitalism can be seen as a product of the previous state of monopoly capitalism. Also, it is impossible to conceive of state-regulated monopoly capitalism as a phenomena that is characteristic of any one capitalist country. State-regulated monopoly capitalism needs instead to be analyzed in a global context. Successive waves of liberation movements in Africa, Southeast Asia, and Latin America, the establishment of the Republic of China, the cold war and the U.S.' military defeats in Korea, Cuba and Vietnam are all symptoms of a general crisis of capitalism. As a result, the role of the state in the economy has grown in every capitalist country against this background of deepening general crisis.

The Japanese state has historically played a major role in capital accumulation. The form and nature of state economic intervention, however, have changed in accordance with the degree of maturity of capitalist development. Thus, the character of the Japanese state in the stage of state-regulated monopoly capitalism should not be confused with earlier forms of the state. For example, state monopoly in the Meiji era was based on the absence of monopoly capital.

There are, no doubt, similarities between the beginnings of Japanese capitalism and the early postwar period, especially the lack of capital accumulation that plagued both periods. However, Japan in the early postwar period had already become a highly developed capitalist society, an important characteristic in a period when the world was being polarized into two "camps," capitalist and communist. Japanese state monopoly at this stage meant that the state rescued monopoly capital through control over price-wage, credit and monetary systems, while state monopoly in the Meiji era was characterized by the state's monopolization of industries in an attempt to nurture monopoly capital.

Chapter IV

The State's Economic Plannings

Footnotes

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9. ________________, *New Long Range Economic Plan: 1957-1961*, December 1957.

10. ________________, *National Income Doubling Plan: 1961-1970*, December 1960.

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15. Economic Council, an organ body of Economic Planning Agency, consists of representatives of capitalist class, bourgeois ideologues such as university professors, and labor unions. Members of Economic Council for National Income Doubling Plan in 1960 are:

    Ichiro Nakayama, Professor, Hitotsubashi University
    Tadashi Adachi, President, Japan Chamber of Commerce and Industry
    Tsutomu Taniguchi, Vice President, The Bank of Japan
    Ichiro Ishikawa, Member, Atomic Energy Commission of Japan
    Hisako Ujiiye, Professor, Japan Women's University
    Schunichi Uchida, Honorable Professor, Tokyo University of Technology
    Shiro Ohtagaki, President, Kansai Electric Power Company, Ltd.
    Teiichi Kawakita, President, Industrial Bank of Japan, Ltd.
    Chikara Kurata, President, Hitachi Manufacturing Company, Ltd.
    Arakazu Ojima, President, Yawata Iron and Steel Company, Ltd.
    Sukemasu Komamura, Adviser Japan Export Trade Promotion Agency
    Michisuke Sugi, President, Osaka Chamber of Commerce and Industry
    Kiyohiko Sho, President, Mitsubishi Shoji Kaisha, Ltd.
    Kamekichi Takahashi, Director, Takahashi Economic Research Institute
    Seiichi Tohata, President, Asia Economic Research Institute
    Yasusaburo Hara, President, The Bank of Japan
    Toshio Obama, Adviser, Economic Planning Agency

16. C. Yanage, Big Business in Japanese Politics, op. cit., pp. 42-52.

17. Ibid.

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19. Ibid.

20. Hidetoshi Kato, Japan Interpreter, Vol. 7, No. 1, Winter 1971, p. 13.

21. Pacific Imperialism Notebook, "Who's Who in the Zaibatsu," Vol. 3, No. 1, December 1971-January 1972, pp. 11-16.

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24. J. Ikegami, State Monopoly Capitalism in Japan, op. cit.

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33. This claim is particularly represented by Hitotsubashi School of Economics affiliated with Keynesian economics in Japan.

34. Karl Marx, Capital 1, pp. 559-563.

35. Ibid.

36. Ibid.

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38. Ibid.

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40. Secretariat of Labor Statistics, Ministry of Labor, Labor Statistics, (Tokyo, 1965), p. 216.

41. As the sum of wages includes wages of unproductive labor such as executives, the ratio is not accurate but approximation.

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43. ________________, Report on Survey of Technological Movement, (Tokyo, 1961), p. 10.

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48. Ibid.

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62. Ibid.

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104. Ibid.

105. Regional Development Plan here refers to New Comprehensive National Development Plan.

106. Economic and Social Development Plan, 1967.

107. New Comprehensive National Development Plan is the same as A New Japan: A Plan for Remolding the Japanese Archipolago published by the former prime minister, Kakuei Tanaka.

108. New Comprehensive National Development Plan.

109. Ibid.

110. K. Tanaka, Building A New Japan: A Plan for Remolding the Japanese Archipelago, (Tokyo, Simul Press, Inc., 1973).

111. Ibid.

112. Ibid.

113. Ibid,, R. Kitagawa, "Reform Local Government and Urban Policy," Seminar: Urban Problem in Contemporary Japan, Vol. 1, Contemporary Capitalism and Urban Problem, (Tokyo, Chobunsha, 1973), pp. 459-497.

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115. K. Ohmachi, "Local Fiscal Crisis and Fiscal Reform," The Reform of Local Government and Local Public Workers, (Tokyo Ariesushobo, 1978), pp. 67-87.

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CHAPTER V

TURNING POINT OF THE POSTWAR PATTERN OF CAPITAL ACCUMULATION AND CLASS STRUGGLE OVER THE STATE

Contradictions in the postwar pattern of capital accumulation came to the forefront in the midst of a period of high capital accumulation and finally exploded into political and social crisis in the later half of the 1960s and the 1970s.

High capital accumulation in the postwar period under the U.S.-Japan Security Treaty was accomplished in the following economic structure in Japan.[1] First, the organic composition of capital was relatively high despite a low technical composition of capita. This can be explained by the constant investment in equipments and plants in the private sector. Investment in equipment reached one-fifth of the gross national product and acted to repress private consumption as Table 19 shows. The source of funds for equipment investment was relatively high level of savings which were allocated to the private sector in the form of loans, investments, and subsidies. (See Table 19)

Second, high capital accumulation occurred, especially in the heavy chemical industries. Japan changed its industrial structure in the postwar era, turning from light to heavy industry. These changes raised the rate of capital accumulation. The proportion of export in heavy chemical products increased enormously from 9.4 percent in 1930 to 79.4 percent in 1973.[2]

Table 19

Gross National Expenditure

Year	Private Consumption /GNP	State Expenditure /GNP	Capital Formation Total /GNP	State	Private Sectors	Stock
1930	80.9	12.4	11.2	3.7	5.3	2.2
1935	64.6	15.7	18.8	3.1	11.3	4.4
1940	47.1	23.7	28.2	3.3	19.1	5.8
1946	62.8	10.3	30.9	8.3	15.1	7.5
1950	62.1	11.3	24.7	5.9	10.9	7.9
1955	62.2	10.8	25.3	7.1	11.2	7.0
1960	53.4	9.3	40.1	9.4	24.4	6.3
1961	50.9	9.0	45.2	10.4	27.1	7.7
1962	52.0	9.4	41.1	12.7	25.1	3.3
1963	49.4	9.1	42.6	12.6	23.4	6.6
1964	48.0	9.0	42.2	13.2	24.5	4.5
1965	56.6	9.3	32.9	9.2	21.1	2.1
1966	55.0	9.0	35.0	9.3	22.2	3.5
1967	53.3	8.6	38.2	8.9	24.3	5.0
1968	52.0	8.3	38.6	8.6	25.4	4.6
1969	50.8	8.2	39.7	8.1	27.5	4.1
1970	52.5	7.4	38.9	8.0	27.5	3.4
1971	53.8	7.9	35.7	8.9	25.3	1.5
1972	54.2	8.1	35.4	9.5	24.5	1.4
1973	53.5	8.2	38.2	9.6	27.0	1.6
1974	54.5	9.0	37.4	8.9	25.8	2.7
1975	57.5	10.0	32.6	9.0	23.2	0.4
1976	57.9	9.8	31.6	8.7	22.2	0.7
1977	58.0	9.8	30.6	9.1	20.9	0.6

Source: National Income Division, Economic Research Institute, Economic Planning Agency.

A third feature of Japan's economic structure was the concentration of production, circulation and administration of capital that took place around large cities. Urbanization rapidly developed around the already overcrowded urban areas such as Tokyo, Osaka and Nagoya. The monopoly sector benefited tremendously from the economic concentration in these big cities, as the urban population concentration provided an abundant source of labor power and centralized markets for consumption.[3] Urban populations rose from approximately 37.4 million in 1960 to nearly 48.3 million a decade later. Tokyo, Osaka and Nagoya alone accounted for 47 percent of the total population in 1970.[4] These cities also generated 56 percent of all income, 63 percent of manufacturing products, and 87 percent of corporate headquarters in Japan.[5]

Fourth, mass production accelerated the development of the means of circulation, due to highly organized technologies for production processes. A national transportation network was created with new super-express railways, highways, and airlines throughout Japan. Super-express container ships, giant tankers, and jetplanes were developed for export and import purposes. All these means of transportation developed rapidly in less than ten years with the state's support.[6]

Finally, the state developed special economic policies that benefited private capital. These took the form of loans, tax reductions and exemptions, protection for exports and imports, and other subsidies. The state's industrial policy was particularly focused on monopoly-capital industries, such as heavy chemical industries, iron and steel and ship building. These industries received assistance under the regional economic development plan.[7]

As has been stated earlier, this economic structure began to be challenged by growing working class struggles. The primary target of these struggles was the state, as social costs resulting from the support of high capital accumulation revealed the class nature of the state's economic intervention policies.

Monetary and fiscal system

This paper has already shown that the Japanese pattern of capital accumulation has been heavily reliant upon public investments in the general means of production (as well as upon special tax reductions and government loans and subsidies with low interest). The expansion of these public investments continued throughout the period of high capital accumulation until the first half of the 1970's when Japan experienced its first negative growth period since World War II.[8]

Japan's ability to expand its public investments without relying on public bonds has stemmed mainly from its monetary and fiscal system. The state in the postwar era empowered the Bank of Japan to function as a dominant agency of the credit system with control over city banks.[9] City banks could in turn make loans and other funds available to the private sector for investment in equipment and productive facilities.[10] The state was thus able to avoid the system of direct lending and subsidizing to the private sector that had led the state to a fiscal crisis in the early postwar era.[11]

The source of public investments was a natural increase in state revenues. Income taxes rapidly rose as the economy grew during the period of high capital accumulation. This increase in revenues was a form of compulsory national savings out of an increasing national incomes.[12] As Table 20 shows, the savings ratio during this period

Table 20

Gross Saving Ratio
1953-1972

Country	Total	Households	Corporations	Government
Japan	36.9	15.8	13.5	7.8
France	25.0	10.2	10.4	4.3
Germany	27.1	9.6	11.2	6.3
Italy (1961-72)	23.4	12.6	9.7	1.1
U.K	18.3	5.0	8.8	4.3
U.S.A.	18.0	8.0	7.7	2.4

Source: OECD, National Account of OECD, 1953-1975.

in Japan was higher than than in any other capitalist country. Such savings were used for public investments to the general means of production and subsidies and loans to the private sector with low interest rates.[13] The natural increase of revenue from income taxes, including revenues of local governments, amounted to 7,740,400 million yen during the period of 1957 to 1969.[14]

The separation of public investments from general accounts made it easier for the central state to concentrate its investments on the private sector. Public investments were controlled under a system of administrative investments and loans that was set up in 1953. This system prevented parties based on working class support from affecting the decision-making process that allocated public investments.

Public investments occupied 33 percent of general accounts in 1953 and rose to 44 percent by 1975.[15] Postal savings and social security funds from the working class were the primary source of public bonds in the period prior to the war. In the postwar era, the Ministry of Finance began to control these savings and funds in determining the uses of public investments. The state deliberately separated the administration of investments and loans from the general accounts by designating it as part of the secondary budget.[16]

These administratively-controlled investments and loans were substituted for the issue of public bonds in giving financial support to monopoly capital. In fact, it was primarily due to these administrative investments and loans (which utilized private savings) that high capital accumulation was maintained in Japan until the mid-1970's without the severe inflation that would be the result of an expansion of the issuing of public bonds.[17]

Another policy which supported the expansion of public investments was a "dual structure" tax system. Although Japan's total tax burden was distributed between local governments and the central state by a ratio of seven to three, these tax revenues were collected by a ratio of three to seven (by local states and the central state, respectively).[18] A centralized tax system enabled the central state to easily shift onto the shoulders of the local states the burden which came from the expansion of public expenditures.

Sixty-eight percent of the total national revenue was spent through local states. Specifically, 79.2 percent of public investments were expended by local states and 61.5 percent of public works were financed by local states.[19] These public works were controlled by the central state through subsidies and restrictions on the local issuing of public bonds. (Local governments have thus had very limited powers of self-governing.)[20] Also, since public investments in the means of collective consumption have not been subsidized by the central state, local states have had to finance these goods and services on their own.

This structure of local finance thus was easily subject to fiscal crisis. Local states have accumulated growing debts since the mid-sixties, due to the shifting by the central state of debts and fiscal deficits onto these local governments. The relationship between the central state and local governments has resembled that between monopolies and their own subcontractors and subsidiaries. Big corporations seldom go bankrupt, but instead have been able to shift deficits onto their subsidiaries, letting them battle the possibilities of bankruptcy on their own.

A final support for the expansion of public investments was a policy of "meeting the ends" in national and public corporations. In the prewar these corporations were linked to the state's general accounts, a system which allowed the profits from these corporations to be used for financing part of the general accounts, while deficits were made up for by the general accounts.[21] However, these corporations have tended to be in debt, so their structure was altered. In the postwar era, they have been run as semi-private corporations, and were required to "meet the ends" (i.e., expenses). Thus, expenditures on public corporations were separated from the general accounts so that their debts would not affect the general accounts. In order to finance their services, public corporations had to raise charges and fees, and lay off public workers.

All these policies that supported the expansion of public expenditures ended with the oil crisis of 1973 and the following economic stagflation. The state lost its source of naturally increasing revenues, as the revenues were dependent upon expanding levels of income tax. These taxes fluctuated greatly with periods of economic expansion and contraction.[21] Japan did not experience severe forms of economic crisis until 1973. However, the fiscal crisis resulting from the oil crisis caused a turning point in Japanese capitalism. The contraction of revenues derived from income tax meant the loss of the source of expansion of public investments, and thus the loss of the foundation upon which rapid capital accumulation in Japan had been raised.

One result was that the system of administrative investments and loans became contradictory. Since the source of funds for public investments was Japan's postal savings and social security funds, public investments needed to be run profitably for the providers.

If public investments were used for unprofitable public investments such as the means of collective consumption, there would not be any profit to the providers. The use of postal savings and social security funds for the means of collective consumption was, however, increasingly demanded from not only the providers in the working class, but also from other factions and groups within the state apparatus such as the Ministries of welfare and postal services. These groups protested the existing monopoly of the use of these funds by the Ministry of Finance (i.e., the treasury).[22]

When the means of collective consumption, such as housing or anti-pollution projects, was provided under the system of administrative investments and loans, a result was that public housing projects became more oriented toward the middle class than the lower income classes. Also, anti-pollution projects became more a form of subsidies to the private sector than oriented toward victim relief.[23]

In response to such a contradictory nature in the state's welfare programs, local reform governments attempted to maximize the provision of the means of collective consumption.[24] A large share of local expenditures was spent for social services. Thus, expenditures on the means of collective consumption such as welfare, education, health care and urban planning replaced the financing of the general means of production such as roads and industrial locations. Since the resources of local governments were limited, these local units experienced a deepening fiscal crisis in the second half of the 1970's.

The policy of running public corporations "to meet the ends" had already started to expose the contradictions within this management technique in the mid-1960's. The rapid progress of motorization in

Japan was causing grave damage to public transit systems such as the national railways, buses, tramcars and subways. The national railway was literally bankrupt in 1975, running in the red by three trillion yen and owing long-term bonds worth seven trillion yen.[25] The main reason was the replacement of cargo transport by railway with truck transport. Urban mass transit systems were also in the red, as well as other public corporations such as hospitals, industrial water, and public water supply systems. Public fares and charges were raised, public workers were laid off, wages and bonuses were frozen, and yet none of these strategies were enough to pull these public corporations out of debt. As a result, the central state was forced to subsidize these public corporations by the mid-1970's, causing a decline in the use of the management policy of "meeting the ends" in running public corporations.[26]

Class struggle over the state

Japan's high capital accumulation in the postwar era created enormous social problems such as pollution, population density in urban areas, population scarcity in rural areas, water and housing shortages in urban areas, uneven development, shortages of natural resources, the destruction of living and natural environments, high levels of unemployment, the destruction of Japan's fishery industry due to the pollution of ocean waters and chronic inflation. All of these social costs resulted from the Japanese pattern of capital accumulation and began to threaten the standard of living of the Japanese. These social costs are no more than a contemporary form of poverty. This form of social poverty was already being created created in the early 1960's.[27]

An early example occurred when crude oil leaked from a cracked oil tank at the Mizushima Refinery of the Mitsubishi Petroleum Company and resulted in the pollution of the Inland Sea. This oil spill caused direct damages amounting to more than ten billion yen to the fishing industry.[28] The contamination of the sea water and the resulting derangement caused to the ecological cycle in the Inland Sea will continue to be problems for many years.

Up until the 1960's, the problems related to industrial pollution were typified by damages inflicted upon the residents of a particular neighborhood by a specific industry located there. For example, in 1959 the faculty of the medical school of Kumamoto University publicized the fact that Minamata disease was caused by the discharge of methyl mercury from the Chisso Minamata Plant.[29] Also, the disease called Itai Itai was attributed to cadmium wastes emitted from the Kamioka Mine of the Mitsui Metallurgical Company, Ltd.[30] In 1961 it was announced by the medical school faculty of Mie University that Yokkaichi Kombinate, a heavy chemical industry.[31]

Despite all these facts that attributed the rise of certain diseases to the wastes of particular heavy chemical companies, no legal responsibility for damages was assigned to the corporations throughout the 1960's. As a result, no anti-pollution policies were developed. By the time the second Minamata disease was ascribed to the Rase plant of the Showa Denko Company, Ltd. in 1964, chemical pollution had already spread over the entire region extending from Kashima to Mizushima.[32]

Pollution has also plagued urban areas in general since the mid-sixties. Numerous cases can be cited: the contamination of the air by the toxic oxidized nitrogen (NOx) contained in the exhaust fumes of automobiles, the photochemical smog caused mainly by the hydrocarbons also in auto exhaust, and the so-called acid rain and red tides attributed to the general pollution of the atmosphere and seawater.[33] This new phase of the pollution problem which disrupts the overall living environment does not always inflict immediate damage on human bodies. Rather, by disrupting the ecological cycle in urban areas, it cannot but lead to the long-range deterioration of the health and well-being of all living things.

In addition to the pollution problem in urban areas, there have been other urban problems related to acute shortages in the means of collective consumption. Shortages of water and housing, inadequate sanitation systems, and traffic jams became increasingly visible in metropolitan areas in the sixties. For example, the shortage of water became severe in Tokyo in 1964 when urban remolding was in progress for the 1964 Olympic Games.[34] The Tokyo metropolitan government and the central state regarded it as a temporary phenomena. The counter measures employed were therefore structured as only temporary cures, not as permanent solutions.[35] Such problems were in fact structurally caused by the state's economic policies, and were not to go away.

All of these social costs generated various forms of class struggle which focused on the state, local governments and private capital (particularly monopoly capital). These struggles had large impacts on Japan's political system.

The political climate in the local governments of Japan was basically conservative and was called "grass-root conservativism."[36] Local political leaders controlled and monopolized local governments.

The structure of local bodies made it difficult to organize residents and to democratize local politics. Discontent and complaints from residents were often channeled through local leaders who petitioned the central state. However, the dramatic increase in contemporary forms of poverty like pollution made the old form of local political structure bankrupt. The problem of anti-pollution was beyond the individual capacities of local leaders.[37] If nothing could be done about the problems of pollution immediately, local leaders themselves would also become victims. In this case, the demands for the construction of the means of collective consumption could not be handled on an individualized basis.

When local governmental units attempted to create new forms of urban policy in dealing with problems like pollution, local leaders were forced to choose in taking either a directly active role in policy making or an indirectly sympathetic attitude toward the residents' movements forming against the state's economic policies. The residents' movements in Mishima and Numazu demonstrated a new pattern of citizens' movements in the postwar period. The leaders of the movement came from local organizations such as medical and pharmacist associations, youth and women's groups, and farmers and fishers associations. All of these previously formed the basis of support for the Liberal Democratic Party (the dominant and conservative party in Japan).[38]

This movement of residents soon became national in focus. The anti-Kombinate expansion movements in the city of Sakai in 1970 and 1971 involved even the leaders of the chamber of commerce. Thus, grass-roots conservatism in local governments was destroyed as residents took actions to demand more direct participation in local states' decision-making. This new social movement was one of the forces which caused the central state to modify its priorities in providing the general means of production for the monopoly sector.

This struggle over the state's programs took two paths, if divided broadly. One was a social reformist trend that aimed at improving living conditions through the establishment of local reformist governments. These new local governments were actually created in metropolitan areas, and were based on a coalition made up primarily of socialist and communist parties. The other strategy was to change the central state's policies through use of the judicial system.[39]

The Minobe reformist Tokyo metropolitan government formed in 1967 greatly affected Japanes politics as a whole. The Tokyo government announced anti-pollution protection laws in 1969. According to the laws, residents in Tokyo had the right to lead a comfortable life without the threat of pollution, and the governor and Tokyo metropolitan government had the duty to enforce laws maintaining that right. Corporations were regulated to take maximum efforts in preventing pollution.[40]

The laws set an important precedent in declaring that environmental rights were part of the innate human rights of Tokyoians and that these environmental rights took priority over any economic policies. Laws in Japan, particularly basic anti-pollution laws, had been previously based on the balancing of the goals of environmental conservation with those of economic development.[41] This meant that corporations were required to take only those measures against pollution which did not "unduly" interfere with the generation of profits or with given technological limits. In addition, pollution was not seen as a violation of the environment, but was measured instead in terms of the immediate consequences (i.e., the incidence of disease). Tokyo's anti-pollution laws were a means of regulating violations of the environment before the effects such as disease occurred. The laws, thus, placed the burdens of pollution prevention upon businesses, rather than requiring damages to be proven before actions could be taken. The central state, therefore, attacked Tokyo's anti-pollution laws as a violation of national law. By the time this dispute arose between the state and the local Tokyo government, public opinion had been greatly influenced. It was felt that local governments had both the right and the obligation to protect the lives of their residents.[42] In this way, the dispute ended in the central state's defeat.

The anti-pollution policies enacted by the Tokyo metropolitan government were followed by similar policies which were enacted by other local states, both reformist and conservative. The anti-pollution pact of Yokohama and the administrative environment plan in Osaka were representative of this trend.

Welfare policies enacted by local reformist governments also countered the central state's welfare policy. The principle that the state's welfare policy was based upon stated that there could be no support for welfare with economic growth. Expanding the size of a "pie" of GNP was considered to be the only manner in which welfare could also be expanded. The state's welfare policy also explicitly considered welfare as limited to anti-poverty policies or relief policies.[43] However, contemporary forms of poverty have not been limited to the poor or to the low-income working class. Severe shortages in the means of collective consumption have been a source of hardship for the working class in the latest stage of capitalism.[44]

In response, local reform governments have begun to develop welfare policies which encompass not only the poor, but also all residents as a whole. For instance, welfare for the aged and daycare centers have been provided without regard to income levels. The new form of welfare policv instituted by local reform governments has been defined as the civil minimum necessary for the residents and thus has directly countered the central state's definition of the national minimum.[45] This conflict has generated widespread popular debates about the civil minimum among intellectuals, citizens and local officials.[46] In the development of these policies, the new local reform governments have also opened local politics to direct participation by residents. This participation has been a vital source of support for local policies, as was demonstrated in Tokyo's conflicts with the national government over its pollution policies. Programs for the provision of public facilities and for urban planning have also been developed with the participation of local residents.[47]

These reformist movements did not progress uniformly all over Japan. Where local governments were still controlled by old political leaders or strong corporations, residents were finally forced to take pollution issues to the courts after the exhaustion of all other political solutions. As the national political climate was already firmly anti-pollution, the strategy of using the courts to intervene in pollution problems brought a series of successes.[48] Though all these court decisions were limited to monetary compensation for the social costs of pollution, they served to make clear that the responsibility for the pollution rested with specific corporations. As a result, the Polluter Pay Principle (PPP) was enacted.[49]

Thus, the series of court decisions affected Japan's policies and its legislation. In particular, the Yokkaichi pollution court decision affected the course of Japan's economic planning and regional economic development policies.[50] The court decision accused corporations of responsibility for "errors in industrial location"; i.e., corporations built plants without examining geography, weather, and other factors for possible anti-pollution strategies despite their knowledge of the results. At the same time, the court decision accused the central state and local governments of inducement policies which offered these industrial locations as part of regional economic plans.[51]

As environmental destruction became an acute social problem in the 1970's, the target of residents' movements was turned from corporations to the central state. The focus of pollution court cases was also moving from diseases caused by pollution to another kind of pollution which was caused by direct public investments, such as the construction of the Osaka airport, the Tokaido super-express railway, the Hanshin Highway, and the Narita international airport. For example, the trunk network constructed by funds provided in the National Development Plan of 1969 caused enormous noise pollution.[52]

The state responded to such anti-pollution movements by enacting laws:

> Action will be pushed in the implementation of measures aimed at determining the sources of noise, the prevention of noise measures and land utilization in order to deal with the noise caused by the Shinkanson super-express trains so as to achieve the environmental quality standards laid down in "Guidelines for measures against noise caused by the Shinkanson railways," approved by the cabinet on March 5, 1976.[53]

However, these laws were unable to absorb the struggles over the central state's policies that were generated by the coalitions of local reform governments and their residents. Their struggles in the seventies often led to the cancellation of public works.[54]

<u>Environmental policy and its limits</u>

The year of 1970 began with debates over environment problems. The dispute over Tokyo's anti-pollution laws between the Tokyo metropolitan government and the central state was resolved toward the end of 1970 by a total modification of Japan's anti-pollution laws. The anti-pollution laws which had stressed the maintainance of harmony between economic growth and environments, were discarded or modified to prioritize environment safety. This modification was no doubt the result of the anti-pollution movements generated by the direct actions of residents throughout Japan.

In the context of a growing concern with environment pollution on a world-wide scale, Japan's domestic environmental policies became a vitally important issue, and expenditures on anti-pollution technologies rapidly increased, particularly with local governments.[55]

Capital also found a new field for investment in anti-pollution devices and facilities for their manufacture. The share of total equipment investments expended on anti-pollution devices was 8.3 percent in 1972.[56] The anti-pollution device industries rapidly became a billion dollar industry and was told profitable industry of the future. Despite public and private expenditures on anti-pollution, pollution problems were not alleviated. Rather, the number of victims of pollution increased.[57]

Pollution can be seen as a social cost firmly rooted in the nature of the capitalist mode of production. Thus, the problem cannot be solved solely on the level of administrative and fiscal reforms.

The central state's environmental policy itself is basically inadequate in preventing pollution.[58] The state's environment policy is not based on the principle of cause-result relations. This is not particular to the Japanese state, but rather is common to all capitalist states. The state is not willing to face the enormous costs involved in seeking cause-result relationships in pollution. The state can at best, under environment policies, provide private captial with subsidies for anti-pollution technologies, and pay damages to the most visible of pollution's victims.

Environment policy, therefore, has nurtured anti-pollution industries rather than regulating and restricting the expansion of industries, and thereby reducing the number of victims of pollution.[59] After four large anti-pollution court decisions in 1973, the Japanese state created laws which compensate pollution victims as part of the social security system.[60] Under this law, the state has taken the entire responsibility for industrial pollution and compensates the victims of private capital's environmental crimes. As a result, the court decisions, which were highly meaningful in reaffirming the source of pollution as private corporations, were left intact but rendered impotent.[61]

Since the early seventies, the form of anti-pollution movements has been changed from actions directed towards the corporations responsible to the state itself. Judicial strategies have also become less and less prevalent. Petitioning the state for compensation has become the most often used form of action. Thus, the compensation law has succeeded in greatly weakening the environmental movements by defining and limiting their focus, and has converted and absorbed this social and political crisis into the state apparatus.[63] In this way, Japan's environment policy represents failure in its very successes.

As Japan's fiscal crisis deepened in the latter half of the 1970's, the welfare programs of local reform states became the target of criticisms. Local reform states countered the criticism by blaming the central state for its public finance system and fiscal policies. Public finance reform became an election slogan in the second half of the seventies and the beginning of the eighties in both the reform and conservative parties.[62] Public finance reform, however, will not bring about a better welfare policy that will meet residents' needs. The lack of the means of collective consumption cannot be solved by public finance reform alone, because this lack is firmly rooted in the capitalist social relations of production, as social costs created in the process of capital accumulation.

The penetration of the laws of value into the pattern of state expenditures reproduces capitalist social relations by maximizing the general means of production and minimizing the means of collective consumption. This lack of the means of collective consumption compels the working class to sell their labor power in order to maintain a standard of living. The failure of the state provide the means of collective consumption thus succeeds in reproducing wage labor and maintaining capitalist social relations.

Furthermore, the lack of the means of collective consumption often serves to confine women to households or to part-time jobs, as domestic labor has been socially defined as women's responsibility. This burden is made the heavier when socialized forms of child-raising such as day-care centers are not available. The lack of the means of collective consumption thus also reproduces sexism, and maintains the reserve army of labor by designating women as marginal to the economy and capable of being pulled in and out of the labor force as low-paid, part-time, temporary workers.

The means of collective consumption have always been inadequately provided for the aged, those with disabilities, the unemployed and children. State provisions for these people have always been subject to large cutbacks in funding during economic crises. A socialist policy of adequately providing the means of collective consumption to the poor and the working class cannot be implemented until capitalist social relations which dictate the minimization of these means has been radically restructured.

In the latest stage of capitalism, the national minimum of the means of collective consumption for urban residents has been increasing. This minimum has included more than the renewal or modification of old forms of the means of collective consumption such as collective housing, water, sewage facilities, parks, transportation systems, gas and electric power, telephone and telegraph systems, and general education. It has also entailed the provision of new types of collective consumption such as regional central heating systems, highways and subways, parking facilities, higher education, daycare centers, hospitals and health centers, green belts, theaters and recreation centers.

It is only at the stage of monopoly capitalism that the working class has begun to demand forms of social consumption as necessary, due to the social costs imposed by capital accumulation and the increasing proletarianization of the entire population. Class struggles for the improvement of the life environment have been as important as class struggles focused at the point of production. These means of collective consumption were originally provided through local governments, but are increasingly the responsibility of the central state due to the centralization of public finance. The target of class conflict has thus inevitably shifted to the central state and its economic policies.

Welfare policy and its contradiction

The Japanese state, confronting widespread social and political crises in the seventies, was forced to change its policies that gave priority to investments in the general means of production, and instead place more emphasis on the means of collective consumption. The allocation of the state's expenditures was shifted from capital accumulation to the reproduction of labor power. Japan's industrial structure was also transformed from an emphasis on heavy chemical industries to knowledge-intensive industries, as it became apparent that the former were destroying the environment and consuming tremendous amounts of resources. Metropolitanization also reached the ultimate point of creating difficulties in providing sufficient conditions for industrial development. Shortages in labor power also appeared in the early seventies, and the life-time employment system peculiar to Japanese capitalism became a controversial issue.

The minor changes in the movement of public investment from the general means of production to the means of collective consumption partially demonstrates the influence of residents' movements. The state's new focus on welfare policy has not meant the state has drastically changed its priorities. Expenditures on the general means of production remain as high as ever. Investments to nationalized industries such as the National Railways and Japan's Telephone and

Telegraph have shown increases. The relative increase in the means of collective consumption has been balanced by a constant decrease in land conservation. There has been, however, a slight increase in the total means of collective consumption, particularly in housing, land adjustment, sewage, and protection of the environment.

The percentage of total expenditures devoted to the general means of production decreased from 47.6 percent to 41.7 percent between the latter half of the 1960's and the beginning of the 1970's, while the means of collective consumption increased from 33.4 percent to 42.7 percent in the same period. (See Table 21)

When public investment is examined by a comparison between regions (See Table 22), the emphasis on the general means of production can be shown to have increased primarily in rural areas, while expenditures on the means of collective consumption has greatly increased in metropolitan areas. The slight increase in the means of collectvie consumption at the national level can thus be attributed to increases in the means of collective consumption in metropolitan areas.

Such differences by region correspond to the regional economic development and welfare policies outlined under the Economic and Social Development Plan of 1967, the New Economic and Social Development Plan and the Basic Economic and Social Plan of 1973. Regional economic development was not limited to the Pacific Coastal Belt in these plans, but encompassed nationwide areas. As a result, rural areas outside the coastal belt began to invest public funds in the general means of production for the purpose of inducing industries to relocate.[63] Also, metropolitan areas reorganized their administrative functions under these plans. These policies increased the means of collective

Table 21

Administrative Investments*
(1966-1973)

(In millions of yen)

	1966 Amount	1966 Percent	1967 Amount	1967 Percent
I. General Means of Production				
Roads	876,222	27.9	1,001,144	28.4
Harbors	81,947	2.6	96,902	2.7
Airports	7,272	0.2	9,487	0.3
Other means of transportation	68,954	2.2	108,493	3.1
Gas and electric	17,115	0.5	15,636	0.4
Harbor equipment	57,417	1.8	83,540	2.4
Industrial water	31,798	1.0	29,157	0.8
Agriculture, forestry & fishery	286,354	9.1	334,716	9.5
Subtotal	1,427,079	45.5	1,679,075	47.6
II. Means of Collective Consumption				
Urban planning	75,461	2.4	81,634	2.3
Housing	247,254	7.9	262,079	7.4
Land building	69,931	2.2	76,150	2.2
Environment sanitation	48,908	1.6	47,040	1.3
Water	160,468	5.1	168,120	4.8
Sewerage	93,150	3.0	109,308	3.1
Welfare and Health	83,806	2.7	91,293	2.6

Table 21 (cont'd.)

(In millions of yen)

		1966 Amount	1966 Percent	1967 Amount	1967 Percent
	Education	288,898	9.2	324,080	9.2
	Others**	19,857	0.7	19,443	0.6
	Subtotal	1,087,733	34.7	1,179,147	33.4
III.	Forest and river conservation	208,552	6.6	237,730	6.7
	Seashore conservation	22,708	0.7	21,368	0.6
	Disaster Relief	171,622	5.5	166,591	4.7
	Unemployment relief	2,124	0.1	2,488	0.1
	Other	69,389	2.2	75,407	2.1
	Subtotal	474,395	15.1	503,584	14.3
IV.	Government building repairs	54,179	1.7	51,309	1.5
	Public profit enterprise	4,510	0.1	7.844	0.2
	Others	90,910	2.9	105,925	3.0
	Subtotal	147,599	4.8	165,078	4.7
	Total	3,138,806	100.0	3,526,884	100.0

Table 21 (cont'd.)

(In millions of yen)

		1968 Amount	1968 Percent	1969 Amount	1969 Percent
I.	General Means of Production				
	Roads	1,081,098	26.3	1,254,098	25.9
	Harbors	117,501	2.9	131,732	2.7
	Airports	10,346	0.3	12,123	0.3
	Other means of transportation	133,764	3.3	136,886	2.8
	Gas and electric	14,609	0.4	11,046	0.2
	Harbor equipment	114,555	2.8	133,081	2.7
	Industrial water	31,872	0.8	32,441	0.7
	Agriculture, forestry & fishery	391,026	9.5	462,249	9.5
	Subtotal	1,894,683	46.2	2,173,656	44.8
II.	Means of Collective Consumption				
	Urban planning	98,499	2.4	106,422	2.2
	Housing	353,887	8.6	466,210	9.6
	Land building	94,163	2.3	143,573	3.0
	Environment sanitation	56,222	1.4	68,193	1.4
	Water	202,270	4.9	211,966	4.4
	Sewerage	142,081	3.5	165,773	3.4
	Welfare and Health	118,347	2.9	135,168	2.8

Table 21 (cont'd.)

(In millions of yen)

		1968 Amount	1968 Percent	1969 Amount	1969 Percent
	Education	356,012	8.7	474,313	9.8
	Others**	27,235	0.6	35,715	0.8
	Subtotal	1,448,716	35.3	1,807,333	37.3
III.	Forest and river conservation	293,534	7.2	335,538	6.9
	Seashore conservation	23,461	0.6	27,405	0.6
	Disaster Relief	161,644	3.9	152,632	3.1
	Unemployment relief	--	--	--	--
	Other	78,507	1.9	93,690	1.9
	Subtotal	557,146	13.6	609,265	12.6
IV.	Government building repairs	60,529	1.5	78,006	1.6
	Public profit enterprise	7,159	0.2	14,165	0.3
	Others	136,024	3.3	164,621	3.4
	Subtotal	203,712	5.0	256,792	5.3
	Total	4,104,257	100.0	4,847,046	100.0

Table 21 (cont'd.)

(In millions of yen)

		1970 Amount	1970 Percent	1971 Amount	1971 Percent
I.	General Means of Production				
	Roads	1,508,187	25.5	2,011,653	26.4
	Harbors	160,169	2.7	201,390	2.6
	Airports	37,374	0.6	72,099	0.9
	Other means of transportation	143,574	2.4	159,020	2.1
	Gas and electric	10,581	0.2	13,123	0.2
	Harbor equipment	133,021	2.3	156,278	2.1
	Industrial water	42,091	0.7	50,343	0.7
	Agriculture, forestry & fishery	547,125	9.3	703,459	9.2
	Subtotal	2,582,113	43.7	3,367,365	44.2
II.	Means of Collective Consumption				
	Urban planning	140,901	2.4	177,757	2.3
	Housing	600,344	10.2	677,476	8.9
	Land building	184,652	3.1	240,070	3.2
	Environment sanitation	91,827	1.6	140,310	1.8
	Water	251,751	4.3	350,730	4.6
	Sewerage	244,442	3.8	371,355	4.9
	Welfare and Health	189,313	3.2	228,006	3.0

Table 21 (cont'd.)

(In millions of yen)

		1970 Amount	1970 Percent	1971 Amount	1971 Percent
	Education	642,968	10.9	816,450	10.7
	Others**	49,554	0.8	43,308	0.6
	Subtotal	2,375,752	40.2	3,044,462	39.9
III.	Forest and river conservation	395,169	6.7	517,886	6.8
	Seashore conservation	32,232	0.5	40,458	0.5
	Disaster Relief	156,912	2.7	193,792	2.5
	Unemployment relief	--	--	--	--
	Other	53,530	0.9	56,016	0.7
	Subtotal	637,843	10.8	808,152	10.6
Iv.	Government building repairs	105,113	1.8	141,620	1.9
	Public profit enterprise	13,261	0.2	15,544	0.2
	Others	197,049	3.3	243,968	3.2
	Subtotal	315,423	5.3	401,132	5.3
	Total	5,911,131	100.0	7,621,111	100.0

Table 21 (cont'd.)

(In millions of yen)

		1972		1973	
		Amount	Percent	Amount	Percent
I.	General Means of Production				
	Roads	2,426,656	26.0	2,811,318	26.3
	Harbors	255,998	2.8	249,244	2.3
	Airports	81,927	0.9	49,798	0.5
	Other means of transportation	167,181	1.8	183,771	1.7
	Gas and electric	15,875	0.2	20,038	0.2
	Harbor equipment	207,345	2.2	124,408	1.2
	Industrial water	48,710	0.5	63,045	0.6
	Agriculture, forestry & fishery	882,640	9.5	956,719	9.0
	Subtotal	4,086,332	43.8	4,458,341	41.7
II.	Means of Collective Consumption				
	Urban planning	249,107	2.7	317,332	3.0
	Housing	689,945	7.4	920,930	8.6
	Land building	254,587	2.7	388,330	3.6
	Environment sanitation	198,848	2.1	250,017	2.3
	Water	453,779	4.9	584,332	5.5
	Sewerage	504,613	5.4	546,520	5.1
	Welfare and Health	266,779	2.9	349,802	3.3

Table 21 (cont'd.)

(In millions of yen)

		1972 Amount	1972 Percent	1973 Amount	1973 Percent
	Education	925,607	9.9	1,144,969	10.7
	Others**	53,482	0.6	57,692	0.5
	Subtotal	3,596,747	38.6	4,559,924	42.7
III.	Forest and river conservation	693,352	7.4	681,384	6.4
	Seashore	51,481	0.6	45,890	0.4
	Disaster Relief	379,666	4.1	311,086	2.9
	Unemployment relief	--	--	--	--
	Other	50,291	0.5	60,107	0.6
	Subtotal	1,174,790	12.6	1,098,467	10.3
IV.	Government building repairs	143,386	1.5	185,605	1.7
	Public profit enterprise	17,904	0.2	21,220	0.2
	Others	302,606	3.2	368,862	3.5
	Subtotal	462,896	5.0	575,687	5.4
	Total	9,320,765	100.0	10,692,419	100.0

Table 21 (cont'd.)

		1964-1966	1967-1969	1970-1972
V.	National railways	8,997	11,378	13,354
	Telephone and Telegraph	10,298	15,996	25,160
	Electric power	851	643	890
	Subways	1,163	3,394	4,262
	Total	21,309	31,411	43,666

*Data on investments of central government and public corporations are obtained from each Ministry concerned, and those of local government, from the Survey on Local Finance, Administrative investments refer to those of general accounts, ordinary accounts and non-enterprise accounts of central and local governments, those of public corporations such as Japan Highway, Tokyo Expressway, Aichi Irrigation, Forestry Development, Machine Development and Housing, and of Atomic Energy Research Institute, and of local semi-public enterprises.

**Others refer to municipal market, sightseeing facilities, etc.

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, 1964-1975.

Table 22

Administrative Investment By Selected Regions
1968-1972

(Unit = 100 million yen)

	Metropolitan Areas (Tokyo, Osaka, and Nagoya)		Local Areas (Aomori, Shimane, and Kagoshima)	
I. General Means of Production				
Roads	1,798,022	23.0	262,549	24.5
Harbors	159,776	2.1	42,214	3.9
Airports	26,025	0.3	15,172	1.4
Other means of transport	592,862	7.7	4,704	0.4
Electric and gas	132	--	1,963	0.2
Harbor equipment	191,385	2.5	9,831	0.9
Industrial water	31,934	0.4	2,084	0.2
Agriculture, fishery, and forestry	140,538	1.8	196,583	18.4
Total	2,940,674	38.1	535,100	50.4
II. Means of Collective Consumption				
Urban planning	316,286	4.1	11,096	1.0
Housing	1,130,422	14.6	27,954	2.6
Land adjustment	160,463	2.1	25,336	2.4
Environment	167,155	2.2	10,380	1.0
Water	433,254	5.6	26,461	2.5
Sewerage	701,239	9.1	14,058	1.3
Welfare	242,379	3.1	29,934	2.8
Education	849,951	11.0	114,345	10.7
Others	34,556	0.5	6,627	0.6
Total	4,035,705	52.2	266,191	24.9
III. Others*	752,909	9.7	269,104	25.1
Total	7,729,288	100.0	1,070,395	100.0

*Others refer to forest and river conservation, seashore conservation, disaster restoration, government office repairs, etc.

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, 1968-1975.

consumption, to some degree, but the increase was the result of the establishment of local reform states in metropolitan areas.

There were some objective conditions that made possible the shift in emphasis of public investments, in addition to the effects wrought by direct and indirect political class struggles over the state. The first of these objective conditions was that Japan's heavy chemical industries became stagnant in the latter half of the sixties. The resulting idle capital, which needed new fields of investment, began to be invested in urban development. Urban-based capital combined with finance capital, and a group of large corporations made investments in such projects as housing subdivisions and the construction of shopping centers.[64]

Japan's urban policies, which were previously nonexistent, were first spelled out explicitly in 1968, and set into motion with the New Economic and Social Development Plan of 1970. According to the central state's urban policies, urban development would be generated by the private sector due to the existing shortage of public funds.[65] Special tax reductions and subsidies were given to the private sector's urban development projects. An intensive loan program for construction companies was established and administered through the Bank of Japan.[66] This urban policy accelerated the building of highrise apartments in the latter half of the sixties and the seventies, as well as of condominiums in the latter half of the seventies. This building was concentrated in the centers of major metropolitan areas, where land values were extremely high and the means of collective consumption were already established. In addition, enormously large areas in the suburbs of major cities were purchased for the development of "new town" projects and the construction of shopping centers.[67]

Small and medium-sized capitalists were unable to undertake these large-scale housing projects, due to various restrictions which local governments had imposed on private capital. For instance, private capitalists were required to include such means of collective consumption as schools and hospitals in théir proposals for housing projects, as local governments were unable to provide them.[68]

When means of collective consumption such as shopping centers were constructed by private capital for public housing projects, private capitalists often also constructed their own housing projects in neighboring areas.[69] These privately controlled housing units were thus able to take advantage of already constructed means of collective consumption, an advantage which added value to the private capitalists' properties. Private sector in railways also built large-scale housing projects (i.e., "new town" projects) near these railways, and expanded several terminals into shopping centers.[70]

Housing projects appeared initially in large metropolitan areas but soon were constructed by more localized private capitalists in smaller cities. After the economic crises of 1971 and 1973, surplus capital in both metropolitan and rural areas was increasingly turned to land and housing investments.

The emphasis placed by the Japanese state on the means of collective consumption in the seventies was intended to do more than provide new fields of investment for idle capital. It also was intended to counter the social and political crises that were a result of working class struggles over the state's economic policies. Confronted with these intense political conflicts, Japan's bourgeois economists, leading capitalists, and state bureaucrats responded by deciding to utilize the means of collective consumption as investment expenditures, not merely as consumption expenditures.[72]

With the increasing labor shortages at the beginning of the seventies, the reproduction of labor power was seen as vital to capital, particularly in the areas of education and medicine.[73] Education and medicare programs were thereafter regarded as investment expenditures and, like housing, became a new field for capital investment.[74] Thus, the intent of the state's welfare programs was not the provision of the means of collective consumption out of public expenditures, but the introduction of the private sector into the public sector for the purpose of commodifying social needs so that the resulting goods and services could be sold to the working class. The central state's provision of the means of collective consumption was minimized in this way, though its subsidies to the private sector were maintained. These subsidies helped the private sector to capitalize the means of collective consumption.

In cases in which the state does provide the means of collective consumption, these have been run as much as possible like private businesses. Efficiency and rationalization have been highly valued, since such expenditures are a "wasteful" burden to the state. This concept of welfare as a program which could be run to meet expenses with fees and charges, originated in the latter half of the sixties (as discussed earlier) and was made concrete in the Basic Economic and Social Plan of 1973.[74] Public fares for water, electric and gas services were rapidly increased; social service recipients were charged for the services they received; public schools became costly; and public workers were laid off due to the rationalization of the public sector which brought the introduction of labor-saving computers.[75]

The state's manner of providing the means of collective consumption in the seventies intensified contradictions that were already deeply embedded in Japan's welfare policies. A quantitative increase in the provision of these means has not alleviated contemporary forms of poverty which were caused by high capital accumulation.

Public housing is a striking example of this paradox. Increases in the number of units of public housing constructed have not solved the problem of shortages in housing for the working class.[76] According to housing statistics for 1973, the number of housing units in Japan reached 31,060,000 and thus exceeded the total number of households (29,650,000). This trend had already appeared in 1968.[77] In 1968, the number of vacant houses in Japan rose to 1,720,000 (or 5.5 percent of the total housing stock), and in 1973 this number approached ten percent.[78]

There also appeared an increase in vacancies for highrise apartments. However, the demand for low-cost housing was as great as ever (37 percent in 1968 and 35 percent in 1973). Also, it was 42 percent and 35 percent in the Tokyo and Osaka metropolitan areas, respectively.[79]

This contradiction is rooted in the nature of the state's provision of the means of collective consumption. An increase in the number of housing units cannot meet the shortage of housing, when the problem is that the population cannot afford the units provided. The state will need to transform its public housing policy from quantitative to qualitative measures in order to alleviate such problems as housing shortages.

It should also be noted that an increase in public expenditures on housing does not always mean an increase in the number of houses constructed. A large share of these housing expenditures is spent on buying expensively priced land. Such prices are especially high in metropolitan areas. Osaka's local government, for instance, had to cut housing projects drastically due to abnormally inflated land values.[80]

It was not until the economic plan of 1976 that the Japanese government realized that the nation would never enjoy the same high rate of capital accumulation as in the sixties. In this plan the state was keenly aware of restructuring the state appartus to adapt to political, economic and social changes. These changes included: the slow rate of capital accumulation after the negative growth of 1974, and therefore a decline in tax revenues; the increase of unemployment (2.2 percent in 1976);[81] increasing demands for increases in the provision of the means of collective consumption; the establishment of a national league made up of more than a hundred socialist and communist cities;[82] and the aging of the population.

Under these circumstances the state's welfare program revealed its class nature, caught between demands for the provision of increased levels of social services and for assistance in restructuring productive capital. The central state responded in several ways. The increasing unemployment rate was disguised by a focus on the problems of Japan's aging society. The provision of social security was maximized for the elderly rather than the unemployed. Also, housing became more oriented toward the formation of urban capital than toward meeting existing needs.

> For major urban areas, planned development of large scale new town by public agency and of superior residential site by private agency will be promoted through public agencies. . . For this purpose, consideration of related public facilities will be given top priority and financial support measures and other forms of aid will be bolstered for the undertakings of private housing developers and landowners.[83]

The control of expenses in public goods and services was also emphasized. This could be particularly accomplished in urban areas by the introduction of charges and fees. Such a system of charges has been widely used in transportation and communications and extended to water utilization, higher education, housing and waste disposal.[84]

Other fiscal policies included tax increases, the restriction of public bond issues to construction needs, and the rationalization of public administration and finances. The result of these policies was drastic cutbacks in welfare programs under the economic plan of 1976. (See Table 23)

In the economic plan of 1979 the central state seemed more sensitive to the needs of capital in the deepening economic crisis. The government began to place even more of its burdens onto households and local states under the banner of building a new welfare society.

> It will also be necessary to enunciate priorities in the implementation of programs in the quest for a new welfare society which will provide appropriate public welfare on the basis of self-help efforts of individuals, and family and social security.[85]

This Japanese type of welfare was designed to give more priority to the "creative vitality" of productive capital.

> . . . a free economy and society and where an efficient government guarantees appropriate public welfare according to properties, while regarding the new national society mentioned above as a background, and setting solidarity of families, neighborhoods and regional communities and self-help efforts of individuals as its bases.[86]

Table 23

Economic Plan For the Second Half of the 1970s
(1976-1980)

(In billions of yen at 1975 prices)

	Amount	Percent
I. General Means of Production		
Roads	19,500	19.5
Railways	8,000	8.0
Ports and Harbors	2,900	2.9
Aviation	800	0.8
Telecommunication	7,300	7.3
Agr., Fis., and For.	6,990	7.0
Subtotal		45.5
II. Means of Collective Consumption		
Environmental sanitation	13,640	13.6
Public housing	6,500	6.5
Welfare	2,150	2.2
Education	6,550	6.6
Subtotal		28.9
III. Others		
Land conservation	6,900	6.9
Others*	16,770	16.8
Adjustments	2,000	2.0
Subtotal		25.7
Total	10,000	100.0

*Others refer to disaster relief; government buildings; vocational training facilities; labor welfare facilities; school equipment; social education facilities; social sports facilities; formation of land for industrial use; industrial water supply system; municipal electricity systems; gas systems; manicipal transportation systems (excluding underground railways); postal facilities; Electrical Resource Development Corp.; facilities of government-affilitated organizations, (excluding Japanese National Railways and the Nippon Telegraph and Telephone Public Corporation); statemanaged forestry projects (except state owned forest afforestation); parking areas in urban plans; traffic safety facilities (portion of the public safety commission); maritime safety facilities; counter measures for preventing landslides; etc.

Source: Economic Planning Agency, Government of Japan, Economic Plan for the Second Half of the 1970s, (1976-1980), May 1976, p. 44 and p. 131.

The anti-pollution program was similarly redesigned with the same logic. The development of pollution industries such as pollution prevention techniques, non-polluting production techniques, monitoring techniques, environmental management and evaluation systems were encouraged by the state.[87] In order to implement the policies of this anti-pollution program, investment by both the private and public sectors was required. The "polluter-pays" principle was restricted to preventative measures. However, the state's continued financial assistance to the program guaranteed investments by the private sector in technological developments related to pollution control.

Although it has been shown that welfare policies have been conceived as a countering force against political crises, the provision of the means of collective consumption is also necessary for the reproduction of labor power. Throughout the seventies, increases in expenditures on these means of collective consumption were provided from debt expenditures by local reform governments. These governments attempted to maximize the means of collective consumption. The source of local revenues was, however, limited, as the issue of local bonds was regulated by the central state, and the amount of transfers from the state to local governments was decreasing annually. As a result, local reform states experienced serious fiscal crises and began seeking alternative revenue sources, demanding the reform of the centralized tax system.

Despite a decade of struggle by local reform governments, the policy of maximizing the means of collective consumption was doomed to fail under capitalist social relations of production. At the end of the seventies, many of the local reform governments were replaced by moderate liberal parties that internalized the conflicts and issues that the reform governments had raised. The end of the decade brought further efficiency and rationalization strategies that were implemented in the administration of state-provided means of collective consumption. Nevertheless, demands for the means of collective consumption cannot be long neglected by the state, as struggle over the state increases as a result of declining welfare programs in local states. The state is in the position of being more responsible than ever for the reproduction of labor power.

Chapter V

Turning Point of the Postwar Pattern of Capital Accumulation and Class Struggle Over the State

Footnotes

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2. Ministry of International Trade and Industry, Secretariat of Statistics.

3. U. Nishiyama, "The Era of Urbanization and Destruction of Human Environment," Y. Shima, K. Nishikawa, et al., ed., Urban Problem in Contemporary Japan: Contemporary Capitalism and Urban Problem, Vol. 1, (Tokyo, Chobunsha, 1973), pp. 1-43.

4. Ibid.

5. T. Shibata, "Urbanization in Japan," Bulletin of Concerned Asian Scholars, Vol. 11, No. 1, 1979.

6. See the state's economic plans since 1955.

7. Regional Economic Development Plans particularly refer to "points development plan" in the 1960s and "comprehensive national development plan" in the 1970s.

8. Economic Affairs Bureau, Ministry of Foreign Affairs, Statistical Survey of Japan's Economy, (Tokyo Economic and Foreign Affairs Research Association, 1980).

9. J. Ikegami, Theory of Finance in Contemporary Capitalism, (Tokyo, Yuhikaku, 1974).

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11. J. Ikegami, Theory of Finance in Comtemporary Capitalism, op. cit.

12. K. Miyamoto, "Japanese Capitalism and Fiscal Policy," Finance in Contemporary Japan, Vol. 2, (Tokyo, Yuhikaku, 1972).

13. A. Boltho, Japan: An Economic Survey (1953-1973), (Oxford, Oxford University Press, 1975).

14. Only 18% out of 7,740,400 million yen were turned out as tax reduction. (K. Miyamoto, Theory of Social Capital, p. 336).

15. K. Miyamoto, Theory of Social Capital, (Tokyo, Yuhikaku, 1976), p. 337.

16. Ibid.

17. This is not to say that inflation is inevitably caused by the expansion of state credit which takes the form of the expansion of the money supply. In contrast to the Keynesian theory of inflation that claims that inflation is simply explained by an ever-expansion of state credit, particularly in the form of money, it is argued that there are systematic forces leading to an over-expansion of the credit system relative to the pace of competitive accumulation, and that this can give rise to stagflation, as opposed to deflation, the more the state intervenes in the credit system, as it must do, with the development of state regulated monopoly capitalism.

    Concerning inflation theory, see J. Harvey, "Inflation Theory," Marxism Today, January 1977, B. Fine, Economic Theory and Ideology, (N.Y.: Holmes and Meier Publishers, Inc., 1981), pp. 67-93.

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24. It was inevitable for local states to respond to needs for the means of collective consumption in the absence of state's welfare program on a substantial level.

    A. Endo and K. Miyamoto, ed., Urban Problem and Residents Movement (Tokyo, Iwanami, 1973).

    K. Miyamoto, Public Pollution and Residents Movement, (Tokyo, Institute of Local Autonomy, 1970).

25. Ministry of Home Affairs, White Paper on Local Finance, 1977.

26. Ibid., pp.

27. K. Endo, "Social Cost and Local Finance," Economic Critics, (Keizaihyoron), October, 1975.

28. T. Shibata, "Urbanization in Japan," op. cit.

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32. T. Kobayashi, "Pollution Compensation and A Battle in Minamata," in Public Pollution and Residents Movements, pp. 238-287.

33. Tokyo Metropolitan Government, An Administrative Perspective of Tokyo, 1976, pp. 130-154.

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35. Ibid.

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37. J. Ui, Contemporary Society and Pollution, (Tokyo, Keisoshobo, 1972).

38. Prefecture of Okayama, History of Mizushima, 1972.

K. Miyamoto, Regional Development, (Tokyo, Iwanami Shinsho, 1973), pp. 45-52.

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CHAPTER VI

TOKYO METROPOLITAN GOVERNMENT AS LOCAL WELFARE STATE

The concentration of population and industries in Tokyo during the postwar period of high capital accumulation was remarkable. Japan's population increased by 21,7000,000 between 1955 and 1975, while Tokyo's population increased by 11,600,000 in the same period.[1] The population of Tokyo rapidly increased until 1960, but the rate of increase was then stagnant throughout the sixties, and began to decline at the beginning of the seventies. In this latter period of decline, as Tokyo's growth in population fell, the population in Tokyo's neighboring prefectures rapidly increased. (See Table 24)

As industries began to be concentrated in Tokyo, the total number of employees similarly increased by 3,420,000 (or 94.7 percent) from 1955 to 1970, while employees in Japan as a whole increased by only 13,880,000 (or 35.4 percent) during the same period. Reflecting the central state's economic policies that emphasized development in large metropolitan areas, employees in light and heavy industries increased by 38.4 percent in the period of 1955 to 1960 for Japan as a whole, while Tokyo had a 58.4 percent increase in the same period. The rate of increase in industries was not sustained past 1965 and thereafter began to decline (see Table 25).

The sudden decline of industries in the Tokyo metropolitan area was due mainly to shortages of industrial locations and the extreme

Table 24

Rate of Population Increase in
Tokyo and Neighboring Prefectures

(Unit = 1,000)

Year	1955	1960	1965	1970	1975
Population in Three Prefectures	7,387	8,180	10,147	12,705	15,368
Population in Toyko	8,039	9,684	10,869	11,408	11,674
Rate of Growth Three Prefectures	9.1	10.7	24.1	25.2	21.0
Tokyo	28.1	20.5	12.2	5.0	2.3
National	7.3	4.6	5.2	6.5	7.0

Source: Low Growth Society and Metropolitan Government Policy, Tokyo Metropolitan Government, Tokyo, 1979, pp. 3 and 4.

Table 25

The Number of Employees in Light and Heavy Industries

(Unit = 1,000)

	1955	1960	1965	1970	1975
Tokyo	1,362	2,157 (58.4)	2,545 (18.0)	2,581 (1.4)	2,405 (-6.8)
National	9,220	12,764 (38.4)	15,395 (20.6)	17,829 (15.8)	18,698 (1.5)

( ) Indicates percentage of increase

Source: The same as below

The Number of Employees in Service Industries

(Unit = 1,000)

	1955	1960	1965	1970	1975
Tokyo	2,115	2,742 (29.6)	3,561 (29.9)	4,095 (15.0)	4,581 (11.9)
National	13,928	16,682 (19.8)	20,465 (22.7)	24,294 (18.7)	27,522 (13.3)

Source: Tokyo Metropolitan Government, Low Growth Society and Tokyo Metropolitan Government Policy, Tokyo, 1979, p. 7.

rise in land values, and later also to new regulations on industrial locations imposed by the Tokyo Metropolitan Government. The rapid expansion of heavy chemical industries nearly exhausted the supply of land in the Tokyo metropolitan areas. As a result, land values soared, rising by 42.5 percent in the 1950's. This inflation was particularly true of the values of land suited for industrial locations. These values rose by 53.2 percent even at the national level. Land values in Tokyo, being much higher than the national level, increased by 64 percent in 1969.[2]

In contrast to the decline experienced by light and heavy industries, service industries have increased since 1955. Though decentralization of production occurred rapidly for ten years, the headquarters of many big Japanese corporations are still concentrated in Tokyo (142 out of 234 large corporations in 1976 were located there).[3]

In the postwar period, many local governments fell increasingly into debt. In fact, most governmental bodies of prefectures, cities, towns and villages were in fiscal crisis by 1955 (36 prefectures and 1,522 cities, towns and villages).[4] This was by and large the result of 1955's self-support economic plan which implemented fiscal restriction policies for local governments.[5] By contrast, larger cities were relatively wealthy because of their economic expansion. Tokyo was, in fact, solidly in "black ink."

When 1950's tax reform brought the powers of expansion of local taxes to Tokyo, the central state cut transferred local taxes to Tokyo and imposed restrictions on the issue of local public bonds. Furthermore, funds for compulsory education were drastically cut since Tokyo was regarded as one of Japan's "wealthy bodies."[6] (See Table 26)

Table 26

Gross National Expenditure and
Tokyo Metropolitan Gross Expenditure

Year	Tokyo (In billions of yen)	National (In billions of yen)	Index Tokyo	Index National	Ratio of Tokyo to National %
1955	3,073.0	17,268.0	100	100	17.1
1960	5,250.2	26,183.2	171	152	20.1
1965	7,988.7	41,591.3	260	241	19.2
1970	13,372.5	72,138.6	435	418	18.5
1974	16,223.5	90,276.4	528	523	18.0
1975	16,668.8	93.388.8	542	541	17.8
1976	17,283.1	98,691.1	562	572	17.5

Source: Economic Research Institute, Economic Planning Agency, National Income Statistics Annual Report, 1956, 1960, 1970, and 1977.

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Fiscal crises in local government bodies began to gradually disappear as the national economy expanded in the late fifties.[7] Debt in local finance began, however, to appear again in the middle of the high capital accumulation period and reached its peak in 1964. Although these debts gradually decreased again until 1970, Tokyo and Osaka were unable to get rid of their debts and are still financing these deficits.[8]

A new characteristic of fiscal crisis in the sixties was that large cities, up to then thought of as "wealthy bodies," were also exposed to debt. Six other big cities besides Tokyo were also in debt in 1964, namely Nagoya, Kobe, Kyoto, Yokohama, Osaka, and Kitakyushue.[9] What made big cities prone to debt in the middle of the period of high capital accumulation was that expenditures on the general means of production exceeded increases in tax revenue. For example, in Osaka investment expenditures increased four times over while general revenue increased only three times during the period of 1958 through 1965.[10] Local taxes increased only 2.4 times. Thus, these large cities' finances were greatly strained by the expansion of investment expenditures necessitated by the increasing demands generated by the rapid concentration of population and industries.

Metropolitanization and urbanization, which occurred concurrently with industrialization and economic growth, were totally beyond the scope of the central state's economic planning. No share of state expenditures was allocated toward alleviating urban problems.[11] It is true that the Japanese state provided cities with subsidies and permitted the issue of local public bonds, but subsidies and the issue of local bonds were limited to the construction of the general means of production.[12] (See Table 27)

Thus, the increasing demands from local citizens for the means of collective consumption such as water, housing and urban mass transit were put aside for Japan's priority policy of industrial expansion. However, big cities had to provide their residents with the means of collective consumption, faced with the rapidly deteriorating living conditions of the working class.

Overall, fiscal crisis in the middle of high capital accumulation resulted from flaws in the central state's economic planning. These involved not only big cities, but also other local governmental bodies on a national scale. Industry inducements given by local states were at their peak at the beginning of the sixties. Local governments also lobbied the central state to be appointed as new industrial cities when the state announced its programs that were to decentralize industries from big cities and to build new industrial centers.[13] Local states expected to increase revenues through taxation by promoting the expansion of industry, and thereby the local economy.

Thus, local states invested enormous expenditures on such inducements as industrial water facilties, industrial locations and improved roads. But before these investments paid off for local states in the ways expected, social costs such as industrial pollution, environment disruption and other urban problems became increasingly apparent. With growing challenges from local residents, local states were forced to respond by dealing with these problems. These social costs placed greater demands on the already overburdened budgets of local states, and their fiscal crises became intensified and chronic.[14]

Table 27

State Subsidies to Tokyo Metropolitan Government in 1971

	Expenditure A	Special Source B	A-B C	State Subsidies D	D/C %
Roads	66,493	6,780	59,713	36,182	60.6
Public housing	61,023	1,000	60,023	12,910	21.5
Sanitation	7,711	0	7,711	0	0.0
Water	21,192	112	21,080	17	0.1
Sewerage	75,273	6,180	69,093	12,608	18.3
Welfare	3,163	0	3,163	154	4.9
Subway	33,824	0	33,824	6,427	19.0

Source: Tokyo Metropolitan Government, Budget of 1971, 1971.

Tokyo's finance system is not like that of other cities. The tax system in Tokyo and prefectures is dynamic and reflects economic expansion. Thus, taxation in Tokyo increased during the period of economic expansion between 1955 and 1970. As a result, the expansion of investment expenditures that paralleled similar expansions by other local governments, was in Tokyo financed by this natural increase in taxation.

The fiscal crisis in Tokyo which actually began in 1962 was due instead to the Olympic games.[15] Investment expenditures on roads and highways rapidly rose, partially financed by the central state's subsidies and the issue of bonds. The gap between these rapidly expanding investment expenditures and tax revenues was widened, causing fiscal crisis. Expenditures on roads rose fifteen times in 1962 compared with those in 1955, and surpassed expenditures on education and welfare, which had previously occupied large shares of Tokyo's public investments.

Despite enormous expenditures on roads, the rapid development of motorization outstripped the pace of construction of roads and highways, and hence caused a large increase in traffic accidents. Tokyo had to spend increasing amounts on roads. In addition, motorization drove urban public transit systems such as tram-cars, subways and buses into decline, causing them to be abolished or run with mounting debts. Tokyo has maintained such public transit in spite of deficits, due to the demands for mass transit received from residents.

Water shortages became a serious problem at the beginning of the seventies. Tokyo was forced to explore new sources for water to deal with the problem. Housing shortages were also exacerbated with the rapidly increasing land values. Even in the construction of roads, seventy to eighty percent of the construction costs was spent in buying land.[16] State subsidies assisted with this cost of purchasing land with high value, but only in the case of building roads. Housing projects, on the other hand, were Tokyo's responsibility, and received no subsidies from the central state.[17] Increases in land values made the construction of housing projects very difficult. Nonetheless, Tokyo also attempted to meet local demands for housing.

The Tokyo metropolitan government, as well as other local governments, was prone to fiscal crisis. It was solely responsible for meeting the needs of its own residents through provision of the means of collective consumption, while at the same time providing the general means of production.

The central state's control of local finances also exacerbated the fiscal crises of local states. For instance, Tokyo lost 20.8 percent of its tax revenues between 1962 and 1963 when the central state restricted consumption taxes on tobacco.[18] Though the loss of tax revenues has also been due to industries relocating out of Tokyo, the overall decline of taxation has greatly deepened Tokyo's fiscal crisis.

<u>Fiscal crisis today</u>

The contemporary fiscal crisis in Tokyo as well as in other local states, has been primarily caused by economic stagflation or low economic growth. This began with the dollar crisis of 1971 and the oil crisis of 1973.[19] In the years following the oil crisis, the number of indebted local governmental bodies increased, and the total debt amounts of local governments also increased. The total amount of debt was 69 billion yen in 1974, but jumped to 203.3 billion yen in 1976. A total of 27 prefectures and 242 cities, towns and villages were financing debts.[20]

It is apparent that Tokyo was hit quite hard by the crisis of 1973, as well as other big cities and prefectures which were dependent upon taxes from corporations as their major source of revenue. As Table 28 shows, corporate taxes which occupied the largest share of revenue generated, were in decline in 1975 and continuously decreasing in the following years. It is unlikely that corporate taxes will increase significantly again in the future. It is even more unlikely that corporations will make investments in equipment and plants as vigorously as they did in the period of high capital accumulation. Table 29 shows that the rate of private capital equipment investment has been declining drastically since 1970. Consequently, increases in corporate taxes cannot be expected since these presuppose increases in equipment capital investment.

The economic crisis at the beginning of the 1970's also caused the end of high economic growth for the Japanese economy. In fact, 1974 was the first year of negative growth since World War II. The end of economic growth resulted in the demise of industrial cities and corporate cities that were heavily dependent upon the heavy chemical industries. The local economy in those cities stagnated more severely than the national economy as whole. The urban unemployment rate rose tremendously. These cities were unable to get out of economic stagnation when the national economy picked up slightly in the latter half of the seventies.[21] As an example, Yokkaichi was one of the wealthiest cities of the 1960's as the center of the heavy chemical industrial complex. The city's finances have since declined, as its corporations have been unable to make significant new equipment investments since 1973.[22]

Table 28

Two Major Taxes in Tokyo Metropolitan Government

(Unit = million yen)

	Residents Tax			Enterprise Tax		
	Individuals	Corporations	Total	Individuals	Corporations	Total
1971	66,838	100,592	167,430	12,110	214,179	226,289
I	10.5	15.8	26.3	1.9	33.7	35.6
II	26.9	2.2	10.8	21.7	0.2	1.2
1972	81,295	121,457	202,752	10,668	255,760	266,428
I	10.9	16.2	27.1	1.4	34.2	35.6
II	21.6	20.7	21.1	-11.9	19.4	17.7
1973	96,490	165,693	262,183	10,702	352,189	362,891
I	9.9	17.9	26.9	1.1	36.2	37.3
II	18.7	36.4	29.3	0.3	37.7	36.2
1974	124,523	223,865	348,388	8,432	410,207	418,639
I	10.7	19.1	29.8	0.7	35.1	35.8
II	29.1	35.1	32.9	-21.2	16.5	15.4
1975	129,157	200,954	330,111	7,622	356,548	364,170
I	11.2	17.4	28.6	0.7	30.9	31.6
II	3.7	-10.2	- 5.2	- 9.6	-13.1	-13.0
1976	150,398	268,802	419,200	7,446	391,795	399,241
I	11.1	19.9	31.0	0.6	29.0	29.6
II	16.4	33.8	27.0	- 2.3	9.9	9.6
1977	162,036	320,115	482,151	7,821	482,370	490,191
I	10.4	20.6	31.0	0.5	31.0	31.5
II	7.7	19.1	15.0	5.0	23.1	22.8
1978	186,007	328,646	514,653	8,748	496,202	504,950
I	11.2	19.8	31.0	0.5	29.9	30.4
II	14.8	2.7	6.7	11.9	2.9	3.0

I = Ratio of item to total revenue
II = Ratio of increase

Source: Tokyo Metropolitan Government, Budget of 1976, 1976, pp. 50-51
Budget of 1978, 1978, pp. 98-99.

Table 29

Private Capital Equipment Investment

(Unit = percent)

	1955-60	1960-65	1965-70	1970-75
Tokyo	26.6	10.7	20.1	9.6
National	27.0	9.6	23.7	7.6

Source: Tokyo Metropolitan Government, Low Growth Society and Tokyo Metropolitan Government, 1978.

The economic crisis in 1973 drove the central state into fiscal crisis and caused the largest issue of national bonds for 1975 budget since World War II (see Table 30). The shortage of revenues in the crisis was much more intense at the national level than in local states. The ratio of bonds to the central state's total revenues was 24.6 percent in 1975, and soon rose to 32 percent in 1978.[23] This far exceeded the local governments' issuing of bonds. In 1975, Tokyo and Osaka issued local bonds at the volume of seventeen percent and nineteen percent of total revenues, respectively.[24]

Shortages of revenue in the central state resulted from the same causes as those of the decline in taxes in Tokyo and prefectures. Since surplus value contracted in the crisis, Japan lost expected increases in income taxes, while Tokyo and big cities lost increases in corporate taxes. Thus, fiscal crisis was experienced throughout Japan, as surplus value contracted on a national scale.

The contemporary fiscal crisis is thus structurally different from the previous fiscal crisis caused by the central state's economic growth priority policy.

Table 30

National Bonds in General Account Revenue

(In 100 millions of yen)

Year	Revenue in General Account A	National Bonds B	B/A %
1965	37,731	1,972	5.2
1966	45,521	6,656	14.6
1967	52,994	7,094	13.4
1968	60,599	4,621	7.6
1969	71,093	4,126	5.8
1970	84,592	3,472	4.1
1971	99,709	11,871	11.9
1972	127,939	19,500	15.2
1973	167,620	17,662	10.5
1974	203,791	21,600	10.6
1975	208,372	54,800	26.3
1976	242,960	72,750	29.3

Source: Ministry of Finance, Fiscal Statistics

Insurgent movements challenging the central state's economic growth priority policy in the sixties culminated in the establishment of local welfare states in the latter half of the sixties and the beginning of the seventies. These movements peaked with the formation in 1975 of 120 reformist cities.[25] These reformist local states formed a welfare-priority policy under the slogan of "civil minimum" which clearly countered the "national minimum" established by the Japanese state.[26] The emphasis in public investments was reversed to the means of collective consumption, such as anti-pollution projects of various kinds, social services like health and medicare, libraries and parks.

The Tokyo welfare state was established in 1967 with the strong support of Tokyo's residents and with a coalition of socialist and communist parties. Heeding the urgent needs of its residents, Tokyo's government established a policy of maximal provision of the means of collective consumption, and experienced a transition in moving from functioning as an extreme capitalist city to being an extreme welfare city. All this was accomplished in a short period of time running from 1967 to 1978. Table 31 supports this observation.

The weight of the welfare policy in Tokyo was turned particularly toward the elderly, children and the disabled. Expenditures on welfare increased eleven times in 1977 over those of 1965. Expenditures on the elderly were expanded from 8.2 percent in 1965 to 27 percent in 1977, including free medicare for the elderly, nursing homes (the provision of which was increased seven times in the same period), and free rides on public transport.[27]

Between 1965 and 1977, expenditures on children and the disabled increased from 16.8 to 19.7 and 5.0 to 13.8, respectively.[28] The

Table 31

General Account in Budget for 1978

(Unit = 1 million yen)

		Amount	Ratio %
I.	General Means of Production		
	Industrial economy	90,006	3.0
	Public works	182,110	6.0
	Harbor	44,183	1.5
	Total		10.5%
II.	Means of Collective Consumption		
	Welfare	205,693	6.8
	Urban planning	80,877	2.7
	Anti-pollution	10,031	0.3
	Labor	24,050	0.8
	Housing	148,965	4.9
	Health	47,980	1.6
	Sanitation	125,210	4.1
	Education	500,188	16.4
	Total		37.6%
III.	Others		
	General Service Administration	81,632	2.7
	Police	256,170	8.4
	Fire Protection	95,125	3.1
	Metropolitan bonds	562,151	18.5
	Others	579,738	19.2
	Total		51.9%
	Total (I., II., and III.)	3,034,100	100.0%

Source: Tokyo Metropolitan Government, Budget of Tokyo for 1978, p. 63.

Table 32

Budget for Total Expenditures in 1978

(Unit = 1,000 yen)

	Amount	Ratio %
General account	3,034,100,000	65.6
Special account	466,336,950	10.1
Public corporation	1,125,586,700	24.3
Total	4,626,023,650	100.0

Source: Budget of Tokyo for 1978, Tokyo Metropolitan Government, 1978, p. 60.

Table 33

Source of Revenue

(Unit = 1,000 yen)

	Budget	Ratio %
Metropolitan tax (Residents tax and Enterprise tax)	1,660,123,432	54.7
Transferred local tax	2,338,803	0.1
Provisional grant	13,294	0.0
Special grant	5,419,000	0.2
Fees and fares	6,462,373	0.2
Utilities and Charges	65,729,070	2.2
National disbursement	286,425,908	9.4
Contribution	85,312	0.0
Income from property	65,765,872	2.2
Balance carried	379,795,751	12.5
Others	211,691,185	7.0
Metropolitan bonds	350,250,000	11.5
Total	3,034,100,000	100.0

Source: Tokyo Metropolitan Government, Budget of Tokyo for 1978, Tokyo, April, 1978, p. 62.

number of daycare centers almost tripled, and rehabilitation centers also increased dramatically.[29]

Tokyo embraced all kinds of welfare policies, but housing still lagged far behind projected levels. Abnormally high land values were still maintained throughout the seventies.[30] With the economic crisis and the New Economic and Social Development Plan occurring at the beginning of the seventies, the surplus capital of monopolies was used to buy up the land needed for housing. The city of Tokyo found it more and more difficult to carry out its public housing projects within Tokyo. It was the Tama "new town" project that made possible for Tokyo the construction of public housing under the difficulties encountered with shortages of building lots and the aggravating urban sprawl in the Tokyo Capital region.[31]

The Tama new town is located thirty to forty kilometers away from the center of the capital in the middle southern part of Tokyo. It covers a total area of about 3,020 hectares, and its population is expected to reach about 410,000. "The Tama new town aimed at developing a large scale residential town equipped with educational, commercial, cultural and other urban facilities on a Tama hilly land."[32] The new town was designed to constitute the nucleus of the Tama Linked Cities, that is, "a new pole of double-pole structured cities which Tokyo Metropolitan Government was aiming at, with the object of realizing its plan to modify the existing single point concentrated city structure into a multi-core city structure."[33]

City planning with citizen participation

Tokyo set up a determination procedure for the city's plans, in order to ensure citizen participation.

> A door has been opened for citizen participating in city planning. The city plans are primarily projected for citizens and have a great influence over interests of citizens. Therefore, in order to fully reflect opinions of citizens in the city plans and to promote the plans which are acceptable to citizens, public hearing or an explanatory meeting is held to listen to the public opinions in city planning. When a city plan is proposed, it is announced and put on exhibit to public reading for two weeks. During this period citizens concerned or the interested parties can submit a written opinion.[34]

The original draft for citizen participation was based on residents' requests and proposals.

Tokyo started to overcome its fiscal crisis when the deficit in expenditures versus revenues reached forty billion yen with the dollar crisis of 1971. A study group to create new sources of taxation was established in 1972, and published a series of recommendations on tax reform.[35] The first such report, issued in 1973, was entitled "The Scheme for Tokyo's New Revenue Sources and recommended to rectify to an equal tax system through an increase in business taxes (i.e., value-added taxes) and also in corporate taxes (i.e., taxes on fixed capital). Business excess taxes were enacted in 1974 and the business establishment tax in 1975, after a year of severe disputes and conflicts centered around the state and Tokyo. These new taxes were imposed upon large corporations with more than a hundred million yen of annual income. Such taxation was soon to spread to other big cities and local governments.[36]

Expansion of tax resources did not of course sole the deepening fiscal crisis of Tokyo. Accordingly, a second strategy soon followed which established more radical types of tax reform. Tokyo declared "finance war" on the central state, intending to break with the centralized local tax and finance system in 1974. Since Tokyo and other local states were subject to unequal access to local taxes, a heavy tax burden fell onto Tokyo Metropolitan residents.

Tokyo residents paid the highest taxes in the nation, 130,000 yen in local tax and 330,000 yen to the central state, for a total tax burden of 460,000 yen in 1977. The amount redistributed from the national government was the equivalent of 160,000 yen.[37] This redistributed amount was below the national average.[38] Such unequal redistribution occurred because the central state did not provide transferred local taxes and disbursement from the treasury. At the national level, local states were expected to spend seventy percent of the total local tax revenue after the central state redistributed local taxes through the local finance system. Tokyo is excluded from the redistribution process of local taxes. Also, the state loans whose interest rate is over one percent lower than that of city banks have not been given to Tokyo and other local states as Table 34 shows. Local states have tended to depend on city banks with higher interest rates, another condition which has added to the financial problems of local states have experienced.

Limit of local welfare state

Tokyo's welfare policy presupposed and was supported by natural increases in taxation that resulted from economic expansion. It operated under the difficult circumstance of having limited autonomous power as a local state under a centralized tax system. Tokyo managed to provide welfare programs during the period of high capital accumulation, when its local revenues were expanding. When crises occurred, however, capital investment dropped and thereby surplus value (as the

Table 34

Treasury Investments and Loans

(In 100 millions of yen)

	1960	1965	1970	1975	1976
Japan Development Bank	430	1,033	2,390	4,460	5,170
Export-Import Bank of Japan	350	919	2,390	4,460	5,170
Overseas economic cooperation funds	--	10	310	945	978
Hokkaido and Tohoku Development Corporation					
Total	830 (18.2)	2,095 (17.9)	5,615 (19.1)	11,431 (12.9)	13,668 (14.0)
Small Business Finance Cor.	315	743	2,063	5,730	6,680
People's Finance Corporation	290	868	2,364	6,217	7,991
Agri., Forest., & Fish., Finance Corporation	258	773	1,519	3,285	4,100
Total	863 (18.2)	2,384 (20.3)	5,946 (20.2)	15,232 (17.2)	18,771 (19.2)
Japan National Railways	370	675	2,700	8,816	8,036
Japan Railway Construction Co.	--	40	263	1,302	1,367
Japan Telephone & Telegraph Public Company	25	--	--	380	--
Japan Highway Public Co.	66	319	1,771	5,439	5,861
Tokyo Expressway Co.	30	102	277	621	710
Hanshin Expressway Co.	--	84	169	458	540
Total	491 (10.8)	1,220 (10.4)	5,180 (17.6)	17,016 (19.2)	16,514 (16.9)
Housing Loan Co.	310	810	2,348	9,307	12,250
Dwelling & Development Co.	84	404	1,464	6,519	8,332
Pension Welfare Service Co.	--	370	680	1,189	2,114
Total	394 (8.6)	1,584 (13.5)	4,492 (15.3)	17,638 (20.0)	22,686 (23.1)
Local Governments	1,215 (26.6)	3,075 (26.2)	5,386 (18.3)	17,100 (19.3)	14,200 (14.5)

Table 34 (cont'd.)

	1960	1965	1970	1975	1976
Others	878 (16.9)	1,379 (11.7)	2,751 (9.5)	9,989 (11.3)	11,970 (12.2)
Total	4,566 (100.0)	11,739 (100.0)	29,370 (100.0)	88.406 (100.0)	97,809 (100.0)

Source: Financial Bureau, Ministry of Finance source of tax revenues] contracted. Thus, tax reforms which Tokyo struggled for during this period had only a limited effect.

In order to continue to provide welfare to Tokyo's residents, the Tokyo welfare state had to stabilize its source of taxes, that is, stabilize productive capital through its provision of the general means of production. Tokyo under the capitalist mode of production is, like the central state, structured to intervene and support in the capital accumulation process, as the Tokyo government is dependent upon the success of the process for its revenues. But Tokyo, unlike the central state, has become increasingly responsible for the provision of the means of collective consumption as well. These two functions of the local state operate antagonistically with each other. This conflict becomes most visible during economic crises. Regardless of whether or not the local state is attempting to give priority to the provision of welfare programs, the law of maximization of the general means of production and minimization of collective consumption becomes operable during economic crises.

Confronting the structural decline of its source of taxes, Tokyo chose various strategies in avoiding "bankruptcy" and resisting the central state's direct control over Tokyo. Increases of charges and fees for public facilities were inevitable. The rationalization of the local state and the accompanying layoff of public workers and the freezing of wages became increasingly difficult to avoid. However, the Tokyo welfare state was almost totally unable politically to take these measures, because public workers had for thirteen years been "co-partners" with governor Minobe, as one of his strongest groups of constituents.

The last resort left the Tokyo reformist state was to get permission to issue a greater number of public bonds. The central state's proposal was the granting of such permission as a trade-off for the rationalization of the Tokyo government.[39] Thus, Minobe announced the layoff of 2,700 public workers at the end of 1978.[40] This announcement was followed by a series of strikes in the subways and other metropolitan transportation facilities.[41] In the ensuring conflict, Minobe was forced to cancel the layoffs and to increase wages which has been frozen up to that point.[42] The increase in wages was in turn a betrayal of the general residents of Tokyo, to whom the Tokyo reformist state had been appealing to accept increases in public fees, charges and utilities. The compromise had been that public workers would share the burden through the wage freezes. Tokyo finally succeeded in gaining issuance of bonds without a layoff of public workers, but meanwhile confronted severe resistance from public workers and Tokyoites.

These were the consequences of Tokyo's struggle to gain autonomous power from the central state, rather than the subsidies and loans used by the state to maintain control over local governments. Other large cities whoe fiscal crisis was worsening in the latter half of the 1970's were actually bankrupt and were taken under the direct control of the state through loans and subsidies.[43]

Local welfare states thus are structurally limited under the capitalist mode of production. Tokyo is an extreme example of local welfare states, in its attempts to maximize collective consumption, as most cities that made welfare policies a priority in the same period remained in the middle of the two extremes. The Japanese central state eventually responded by following the welfare policy that big cities exercised, i.e., a "balanced middle road."

The state's temporary welfare policy in the setting of the deep recession of 1976 was soon abandoned. The welfare policy which was implemented in the New Economic and Social Development Plan in 1973 had to be modified to further rationalization and efficiency. State policies were redirected to emphasizing the general means of production in an ever-expanding scale.

State investment expenditures have in fact increased more rapidly in the latter half of the 1970's under the policy of "economic recovery" or "stimulating the economy" than in the period of high capital accumulation. Characteristic of state investment in the era of stagflation and low economic growth has been an intensive use of a combination of private and public investment, i.e., the "third sector." This combination was primarily used by the city of Osaka and later was made more widespread in Japan's 1973 economic plan.[44] Using the third sector also underlined the central state's urban policy of encouraging urban development by private developers.

When unemployment rates reached 2.2 percent in 1976, the highest official rate since World War II, the state encouraged local governments to use this combined form of public investment. For instance, the Hyogo prefecture held a consulting meeting with Kawasaki heavy industry, shipbuilding, and the steel and iron industries in 1979.[45] The third sector was particularly seen in local cities where shipbuilding and heavy chemical industries were stagnant or almost bankrupt during the crisis.[46]

The central state began to strengthen its controls over the local governments during the economic crisis. However, the political climate and the crisis situation did not allow the state to push its level of control back to what it had been in the mid-sixties. In crisis, the state was unable to operate the law of state expenditures as it wished. One constraint was that an expansion of investment expenditures would not bring the economy back to its previous levels. Rather, it might worsen the stagflation. Demands for the state to provide the means of collective consumption would then escalate since living conditions grow worse under inflation, and local welfare states are rendered unable to increase services provided due to contracting revenues.

The year 1980 started with the decline of reformist local states, which were then governed by political officials from the central state.[47] However, residents who had struggled for direct participatory democracy under these local reformist governments and had in some cases exercised these rights for more than a decade, would not easily surrender to the "administrative participation" policy. Centralist-oriented mayors and governors used administrative "participation" for increases in efficiency. They, conscious of the impossibility and contradictions of their tasks of administration, attempt to look to the requirements of participatory democracy, such as consultation, information dissemination to the public, and obtaining understanding, consensus and compliance with their plans. These steps take an increasingly bureaucratized form.

What the Tokyo welfare state experienced was that welfare policy under a capitalist mode of production would sooner or later confront the drying-out of the source of taxes, particularly during a crisis. These policies could not be maintained, as the source of surplus value could not be stabilized. In cases where welfare policies continue to be maintained uder crisis situations, the emergence of rationalization and efficiency policies in social services are unavoidable.

The costs of a welfare state increase levels of taxation, or the costs are shifted directly to residents in the form of increased fees, fares, and utilities. These charges diminish residents' real incomes and divide them into rich people who can afford to pay high public charges and the poor who cannot and thus often do without.

As Britain's welfare state demonstrates, as welfare system loses or changes its initial meaning and implications under the long-term effects of economic stagnation. Welfare expenditures are unprofitable in nature, and thus have to be converted into profitable enterprises or to be run in a rationalized and efficient manner. Thus, bureaucratic forms of social services are established. If welfare is made profitable, as in the case of the U.S., it must be undertaken by private capital and provided as a commodity. The welfare policy of the Japanese state is based, like the U.S., on commodified forms of welfare in such fields as education, health and medicare.

Chapter VI

Tokyo Metropolitan Government as Local Welfare State

Footnotes

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   K. Yoshioka, "Fiscal Policy of the City of Osaka," pp. 106-160.

   Y. Shima, K. Nishikawa, et al., ed., Urban Problem in Contemporary Japan: Urban Problem and Fiscal Policy of Local Government, (Tokyo, Chobunsha, 1970).

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CHAPTER VII

THE STATE IN THE WORLD ECONOMIC CRISIS IN THE 1980'S

As has been seen earlier, the post-World War II pattern of capital accumulation in Japan has been characterized by the central state's economic intervention policies and the internationalization of productive capital (i.e., the development of multi-national corporations). The state has promoted capital accumulation by assisting in the restructuring of productive capital through the provision of the general means of production. One result has been the reorganization of productive capital on a world scale.

The postwar pattern of capital accumulation has, however, reached the limits of the old pattern of capital accumulation and must be replaced with a new pattern. The current economic crisis started with the 1973 oil crisis and is the manifestation of the increasing incompatibility of the internationalization of capital with state economic intervention policies. Not that these tendencies are necessarily incompatible, for the state adopts policies to promote the internationalization of capital. Rather, it is the growing class resistance to these developments that eventually undermines the expansion. For, because the state intervenes to internationalize capital, that internationalization becomes restricted by the state's more fundamental role of guaranteeing social reproduction.

Because the state internationalizes capital, social reproduction within the nation becomes restricted by the needs of international economic reproduction. As capital is accumulated and class struggle intensifies, it is these conflicts between the needs of social and economic reproduction that come to the fore in the current crisis.[1]

More specifically, workers' struggles become directed through the state against the effects of international capital accumulation. They are oriented towards employment, welfare or income policies. These struggles create an increasing tension between the fundamental need for economic reproduction in the form of capital accumulation and restructuring, and the need for social reproduction and the moderation of economic as well as political and ideological struggles.

Such conflicts are more pronounced the more that capital is internationalized, since the working class' struggles to defend its economic interests increasingly obstruct the internationalization of capital. Further, these struggles cannot be simply resolved by a transfer of capital abroad, because they involve the state in the question of the stability of capitalist society as well as of the Japanese economy. In short, the development of state-regulated monopoly capitalism has not abolished the cycles of production associated with capital accumulation, but has instead given them a new form of existence.

The state through its economic policies may temper the rhythm and intensity of recessions and the social conflicts to which they give rise. But it does so at the expense of transforming economic struggles so that they have immediate political implications, the result being that the free development of capital's international expansion founders on the working class' economic and political resistance.

In the current economic crisis, the state is in the process of reorganizing its form so as to respond to new needs generated from capital's restructuring and internationalization. Not only is the state reorganizing itself,[2] but also it is attempting to reorganize the whole system of class domination which sustains the continuity of capital accumulation. The entire process of the state's reorganization involves a new attack on the working class by creating and exploiting new types of workers.[3]

Marx's theory of crisis is, far from being outdated, the essential basis for understanding the current economic crisis. Marx sees crises necessary in the sense that they are momentary and forcible solutions of the existing contradictions[4] and defines them as the violent interruption of the circuit of capital so that a part of capital ceases to function as capital.

> "The periodical depreciation of existing capital--one of the means immanent in capitalist production to check the fall of the rate of profit and hasten accumulation of capital-value through formation of new capital--disturbs the given conditions, within the process of circulation and reproduction of capital takes place, and is therefore accompanied by sudden stoppage and crises in the production process."[5]

Capitalist production seeks, however, continuously to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale. The real barrier of capitalist production is, however, capital itself. It is that capital and its self-expansion appear as the starting and the closing point, the motive and the purpose of production; that production is only production for capital and not vice versa. The capitalist mode is, for this reason, a historical means of developing the material forces of production and creating an appropriate world market and is, at the same time, a continual conflict between this historical task and its own corresponding social relations.[7] Thus, crises, the dominant phase of the cycle, are forcible changes in the progress of capitalist accumulation, not only in the pace of accumulation but also in its internal structure.

Crises are seen as resolving the contradictions in two separate ways. Crises, on the one hand, remove the contradiction between production and circulation and distribution. On the other hand, crises are seen as resolving internal contradictions between the law of the tendency of the rate of profit to fall and the counteracting influences. In fact two formulations are complementary rather than separate, for the law of TRPF concerns the effect of accumulation within the sphere of production whereas the counteracting influences concern the effects within all three spheres. These two formulations of the contradictions which crises have to solve are the elements on which Marx's theory is constructed: the particular structural relationship while effects of accumulation (the law of TRPF and the counteracting influences) are seen as the dynamic force which explains the development of these contradictions over time.[8] We will therefore, see first the law of TRPF and the counteracting influences as an inevitable aspect of capitalist accumulation.

The law of TRPF, which appears as the positive aspect of accumulation, is seen as growth, while the counteracting influences are seen as barrier.[9] The law of TRPF and the counteracting influences are seen as dialectical, the opposite of co-existence, antagonistic in harmony. According to Marx, the progressive tendency of the general rate of profit to fall is just an expression peculiar to the capitalist mode of production of the progressive development of the social productivity of labor.[10] That is, this mode of production produces a progressive relative decrease of the variable capital as compared to the constant capital, and consequently a continuously rising result of this is that the rate of surplus value, at the same, or even a rising, degree of labor exploitation, is represented by a continuously falling general rate of profit.[11]

The relative decrease of the variable and the increase of constant capital are only another expression for greater productivity of labor; smaller ratio of living labor.[12] The law that a fall in the rate of profit due to the development of productiveness is accompanied by an increase in the mass of profit, also expresses itself in the fact that a fall in the price of commodities produced by a capitalist is accompanied by a relative increase of the masses of profit contained in them and realized by their sale. Hence every single commodity contains a smaller sum of labor materialized in the means of production and of labor newly added during production. This causes the price of the individual commodity to fall.[13] Thus, the law of TRPF is seen as the positive aspect of capital, that is, growth, which is located in the sphere of production abstracting from circulation and distribution. On the other hand, the counteracting influences as factors to weaken temporarily the tendency of TRPF are seen as barriers to overcome. Marx enumerated the counteracting influences in Chapter 14 of Capital 3: increasing intensity of exploitation (i.e., the prolongation of the working-day), depression of wages below the value of labor power, foreign trade, relative over-population, the increase of stock capital and the cheapening of the elements of constant capital. These are counteracting tendencies, which effecting a rise in the rate of surplus value, and also tend to decrease the mass of surplus value and hence the rate of profit produced by a certain capital. Both the rise in the rate of surplus value and the fall in the rate of profit are but specific forms through which growing productivity of labor is expressed under capitalism.[14] Thus, the counteracting influences as barrier has momentarily a negative aspect of capital, but they are barriers by which capital expands on a much wider scale. They are chiefly concerned with the distributional effects which can only be understood in terms of articulation of production, circulation, and distribution (except cheapening the elements of constant capital). The law of TRPF in its broad definition is in fact the law of TRPF and its counteracting influences. The point to be made here is simply that the law of TRPF is not simply an emperical tendency of falls in the rate of profit; it is the movement in observable phenomena.[15] It characterizes accumulation as a process involving a rising organic composition of capital as the circuit of capital expands. This law is fundamental to the ensemble of the laws of motion of capitalism; with the counteracting influences which develop coterminously, the tendency of the rate of profit to fall is fundamental to the concept of crisis.

As we have seen, the law of TRPF consists of three chapters: the law as such (Chapter 13); the counteracting influences (Chapter 14); exposition of the internal contradictions of the law (Chapter 15). In the third of these chapters, Marx is concerned with the effects on the surface of society of the law of TRPF, the counteracting influences and the contradictions between these. These effects take the form of over-production, speculation, crisis, surplus-capital, alongside surplus population.[16] These are not simple effects of the law of TRPF or of the counteracting influences but of these existing in a complex contradictory unity. The effects must be the effects of the complex contradictions between the law of TRPF and the counteracting influences. One such effect is crisis which is necessary at times to temporarily resolve the contradictions,[17] another may in fact be actual fall in the rate of profit. But if the latter effect occurs it cannot be understood as a simple manifestation of the law. It is a manifestation of the complex internal contradictions of the law of TRPF and the counteracting influences. What has to be articulated here is that crisis as one of the internal contradictions involves an analysis of three spheres of production, circulation and distribution since the counteracting influences take place in all spheres while the law of TRPF occurs in the sphere of production alone.

Thus, Marx's theory of crisis is defined as any conjuncture of the law of TRPF and the counteracting influences which causes capitalist accumulation to be interrupted. It is the idea that such conjunctures necessarily develop, but they may take several different forms. More significantly, the decline in the value of elements of constant capital--or, more generally, the formation of the value composition of capital-- involves upheavals. For changes in the value composition involves not only the changes in production, techniques which underlie the organic composition (TRPF) but also changes in exchange relations. Such changes in values mean when money capital comes to be thrown back into the circuit (M'-C) the capitalist finds that the old relations have been transformed (the relative values of C(lp,mp) have altered as have those for (C'-M').[18] Therefore the reproduction of capital requires not the reproduction of the old circuit but a leap into a radically new circuit. It requires, that is, a break in the existing circuits, a crisis. In this way crisis lays the foundations for renewed accumulation. Crisis stimulates and establish the conditions for the restructuring of productive capital, so that capital's concentration and centralization and its internationalization are stimulated. These forces are more fundamental than the distributional phenomena of unemployment pushing down the levels of wages.

Marx makes clear that the most fundamental force generated in crisis is the scrapping of old techniques and the adoption of more productive ones.[19]

General forms of economic class struggle between the proletariat and bourgeoisie are also related to the cycle and crises of accumulation, although the particular relationship is specific to each form of struggle. Of these, the most important is struggle over production itself. The antagonisms which determine the cycle are those located within the sphere of production, which are understood on the basis of values (the law of TRPF and the counteracting tendencies). There is class struggle on the basis of this antagonism between capital and labor (struggle over the introduction of new techniques, speed of the production line, etc.) but crisis is not produced by a simple balance of forces in this struggle. It is not analysable simply as the result of the working class preventing the introduction of new techniques, nor simply as the result of capitalists' victory in introducing new techniques.[20] In addition, there is class struggle over market exchange relations, determined by the cycle which results from capitalist production. This struggle concerns market wages primarily, and it cannot be taken as determinant.

The cycle and crises are therefore the products of the capital/ labor antagonism which manifests itselt in production and in exchange and in distribution. Developments at each of these levels involve contradictions. Crises occur when these contradictions exist in particular relation to each other when there is over-determination of contradictions. Thus, crises are not produced by exchange contradictions (market wages or profits), or by production contradictions (the law of TRPF) but by these in a particular relation to each other. It should be noted that struggle between capital and labor must be understood as struggle determined by the antagonistic relations of capital and labor. This struggle is not the actions of class organized as such and conscious of themselves as classes. The essence of Marx's analysis is that crises occur through the antagonism of labor and capital (which, although borne by humans, are themselves non-human forces) and that they occur whether or not capitalists and labourers as classes consciously struggle over accumulation.

Different explanations of crisis lie in their failure to locate crises in three spheres of production, exchange and distribution. Fundamentalists locate the source of crises in the law of TRPF, which they analyze only within the sphere of production in terms of capital in general.[21] Crises are seen as the major counteracting influences to the tendency of TRPF, Marx, however, considers crises as the resolutions of the contradictions of the law of TRPF and the counteracting influences rather than a counteracting influence itself. Their error lies in misunderstandings about the nature of the law of TRPF. Fundamentalists see the law of TRPF as an actual fall corresponding to the increase in the organic composition of capital.[22]

Neo-Ricardians argue that crises result from falls in the rate of profit.[23] The cause of falling at the rate of profit is seen as the result of a rise in wages at the expense of profits and this itself is the result of workers' strength in class struggle.[24] To neo-Ricardians, the subjective actions of the working class in the sphere of exchange (wage-rate) have a determining role to play in capitalism's development.[25] Crises are, therefore, accidental rather than the necessary concomitant of the complex contradictions between forces and relations of production. Their error lies in locating crises in the sphere of exchange only.

Underconsumptionists argue that crises result from a deficiency in the effective demand for commodities for one reason or another.[26] This is clearly similar to Keynes' theory. But Marx sees underconsumption as the form of crisis but not as the cause of crises. Underconsumptionists confuse the form with the cause of crises.

Reorganization of the state apparatus

It should be clear in the eighties that it is quite incorrect to locate the state primarily in the political sphere relatively autonomous from the laws of motion of capital.[27] Now more than ever before, the state is heavily involved in this process, but in a more contradictory manner. Contradictory policies may resolve or temper the current crisis of capitalist production by absorbing or repressing the current working class struggles. However, in the long run they create further contradictions that produce a new form of working class struggle.

For instance, policies aimed at the rationalization of industry and full employment are not new in Japanese capitalism, but their contradictory nature has become more and more apparent in the current crisis as the rate of unemployment increases. The restructuring of industry from resource--consuming industries such as heavy chemical industries to knowledge-intensive industries as part of Japan's rationalization policy has been promoted by the state in the context of the oil crisis and the challenges made by the working class against the state's economic policies. In the economic plan of 1976, this knowledge-intensive orientation has been substantially implemented.

> A shift in the industrial structure is to be promoted toward resource-saving, energy-saving, and technology-intensive industries. In line with this, efforts are to be made for the improvement of export structure and for the development of those industries which are in the vanguard technologically.[28]

To facilitate the restructuring of industry, state loans, subsidies, and tax benefits were given to the private sector.[29] A large volume of state bonds were also expected to be issued over the medium and long-term phases of the plan.[30] The result was to be a smooth, efficient supply and distribution of funds for industry that would be fostered with low-interest rates.[31]

The Iranian Revolution in 1979 further escalated this process of reorganizing industry toward a knowledge-intensive orientation, as it strongly emphasized the vulnerability of the Japanese economy to world events while Japan remained heavily reliant upon oil imports.

> In order to encourage a shift to a knowledge-intensive orientation in the industrial structure, a variety of technological development will be actively implemented, and the development of knowledge-intensive industries

> like electronic machines, general machines, and systems industries will be promoted . . . In particular, the technological development that forms the basis of technologically advanced industries such as computer-related industries and aircraft manufacturing will be promoted and steady development encouraged.[32]

The state's knowledge-intensive orientation policy forced most of Japanese industries to automate their production processes by the eighties. The state particularly encouraged industries to increase their investments in robotics through policies that included tax write-offs and subsidized low interest loans.[33]

Robots have been proving increasingly cost-effective, as wages are rising much faster than robotic costs. For instance, playback robots, or systems that continuously repeat a specific set of motions, in 1976 cost 4.2 times the average annual wage; in 1981 they cost only 2.2 times the annual wage.[34] "The use of robots to increase productivity, cut labor costs, and improve quality is spreading to an ever wider range of industries."[35] With state subsidies to encourage the development of new technologies and with the almost boundless domestic demand, fully 150 companies in Japan have jumped into robot production, or five times the number in the U.S.[36]

This economic policy, spurred by the 1973 oil crisis and the energy conservation moves that crisis spawned, is endemic among industries. The number of manufacturing workers has correspondingly declined nationally from 14.4 million in 1973 to 13.7 million at the end of 1980.[37] As an example, during the past decade Brother Industries Ltd. put $35 million into the electronic automation of its assembly lines. That investment enabled the Nagoya-based maker of sewing machines and typewriters to cut its payroll by 35 percent, to 4,700 employees, while nearly doubling sales to an estimated $543 million for 1981.[38]

Also, Hitachi, Ltd. has marshalled five hundred of its key technological experts in a project to fashion a so-called "intelligence robot" that would undertake assembly tasks. The robot automation plan envisages reducing those employed in assembly work by seventy percent and also raising producive capacity by the same percentage.[39]

With these polices encouraging robotics and other forms of automation, Japan will be unable to avoid unemployment problems as it moves into the eighties. Two crucial factors in maintaining industrial growth and social stability, according to the 1979 economic plan, will be the development of state policy alternatives for creating new jobs and the training and retraining of Japanese workers.[40]

So far the state has done little to create new jobs or to retrain workers. Rather, the state has encouraged the private sector to create new fields of employment with subsidization.[41]

> Fostering an expansion of employment opportunity creating to the shifts to a knowledge-intensive industrial structure and to a service economy while maintaining an appropriate level of economic growth will imply the development of sectors that are comparatively effective in the maintenance and expansion of employment.[42]

New fields of employment are, however, likely to be automated, as other industries have been, and are unlikely to absorb much of the reserve army of labor. Despite the state's attempt to reduce unemployment rates since the oil crisis when it reached 2.2 percent, the same unemployment rate remains today.[43]

With the state's massive commitment to high technology, there will be no slow-down in the move toward automation.

> Hereafter it will be necessary for Japan to build up and strengthen her independent technological development capacity, centered on the private sector, in order to maintain and strengthen international competitiveness for the future, while fulfilling her role as an advanced industrial nation in the world community.[44]

Fully three percent of Japan's GNP has been turned toward expenditures in Research and Development (R & D) for increased levels of automation.[45] The state has even sponsored a world conference for technological development.[46] Despite the state's past emphasis on welfare-oriented technologies such as environmental protection, industry safety and medical treatment, the effect of these technologies does not alter the overall reduction of the labor force.

Furthermore, according to MITI's long-range guidelines for Japan's technologies of the next two decades, micro technology, information technologies and composite technologies will be emphasized.[47] The aim of these techologies is partly to develope a sophisticated and artificial brain "performing close-to-human thinking and decision-making functions with a capacity to substitute for the five senses of man." This will also lead in the future to the reduction of both production workers and workers in the middle strata or managerial class.

In the current stage of capitalism, Research and Development expenditures are a crucial part of the general means of production that the state has to furnish on behalf of capitalists as a whole. Without the socialization of the costs of R & D, capitalist production would no longer be capable of creating surplus value.

Thus, the state's economic policies which encourage the creation of a reserve army of unemployed, have increasingly become contradictory in also outlining a full employment policy. Although a full employment policy is only an ideological justification for the class nature of the state's economic intervention policies, the employment problem will become increasingly a target of working class struggles over the state as the unemployment rate increases further in the eighties.

A knowledge-intensive orientation creates not only unemployment problems but also undermines important conditions which supported the postwar capital accumulation in Japan. Such policies as lifetime employment systems, seniority-based pay raises and company unionism, which are known as forms of "industrial harmony," have become increasingly problematic. All were established to ensure a stable supply of loyal employees in the postwar period. However, the deterioration of the system, already exacerbated by the rapid aging of the Japanese population, now appears inevitable with the impact of knowledge-intensive industries.

In the postwar period, state policies were much more focused on the problem of maintaining and consolidating the subjection of the working class than ever before. Corporatism gained much importance in this process, varying greatly from the labor relations offered in earlier periods, when, for example, the government granted unions certain legal rights. The role of the state in reproducing social relations took a new form with "corporatism."[48]

This development had powerful effects on the evolution of the state. The appearance of strong working-class parties in the same period lent a further urgency and scale to the integrative role of the state. For the working class, the illusion of formal equality as a seller of the commodity of labor power was not increasingly reinforced by the illusion of formal equality as a citizen or voter-concealing the fundamentally unequal access to political power that is a consequence of the massive inequality of economic power between classes in bourgeois society.[49] The capitalists could thus derive considerable advantage from the integration of working-class parties into bourgeois parliamentary democracy, so long as economic and social crises were not yet immediately threatening their position as the dominant class.

Thus, the state has deployed a huge machinery of ideological manipulation for the purpose of integrating the worker into capitalist society as a consumer, social partner and citizen (and ipso facto supporter of the existing social order). It has constantly sought to divert any rebellion into reforms containable within the system, and to undermine working-class solidarity in factories and in the economy. Methods of accomplishing these aims have included the introduction of new methods for calculating and paying wages, the promotion of tensions between different groups of workers, the fabrication of a variety of participatory and consultative boards and the proclamation of income policies or social contracts.

Corporatism has involved new forms of intervention, particularly of representation. One aspect has been that class conflict is expressed less through the old channels of geographically defined constituencies, and more through functionally defined constituencies (as conflict between pressure groups). It is often implied that corporatism involves a suppression or withering of class conflict, but in fact what has been involved is a displacement of the expression of class conflict. What was formerly expressed as conflict between trade unions and employers is now fragmented, being expressed partly in the same form, but increasingly as conflict between representatives and represented, or union leaders and members.

The end result of this displacement has been that conflict, instead of being more easily controlled, has in fact become less easy to control. Hence, the instability of the corporatist strategy. As Table 35 shows, labor disputes and strikes have increased in the seventies rather than showing a decline.

Despite the confidence of union leaders who attempt to maintain industrial harmony through "loving robots and hating strikes,"[50] the growth of knowledge-intensive industries has further undermined the smooth functioning of corporatist-based relations between management, union leaders and union members. This Japanese reward system supported three decades of industrial harmony in the monopoly sector through companies' provision of the means of collective consumption. Fringe benefits included goods such as housing allowances, commuters' tickets and company contributions towards health and welfare programs. The disruption of the reward system has led the working class to make more demands on the central state for the provision of the means of collective consumption, and to take part in growing numbers of labor disputes and strikes.

These disputes and strikes have been the result of radical changes occurring in the labor process. Such changes have included: massive automation, simplifying and dividing jobs into parts to decrease the level of skill required, redundancies and manning

Table 35

The Number of Labor Disputes

	Total			Manufacturing		
Year	Disputes	Workers Involved	Days Last	Disputes	Workers Involved	Days Last
1965	1,542	1,682,342	5,669	939	1,092,526	3,406
1969	1,783	1,411,898	3,634	975	804,199	2,175
1970	2,260	1,720,135	3,915	1,313	1,126,850	2,643
1971	2,527	1,896,252	6,029	1,519	1,242,777	4,114
1972	2,498	1,543,557	5,147	1,520	921,380	2,737
1973	3,326	2,236,119	4,604	1,727	1,165,575	2,465
1974	5,211	3,621,049	9,663	2,718	1,822,265	5,431
1975	3,391	2,732,184	8,016	1,907	1,300,481	1,426
1976	2,720	1,356,025	3,254	1,555	622,755	1,426
1977	1,712	691,908	1,518	920	278,135	691

Source: Secretariat of Labor Statistics, Ministry of Labor, Labor Statistics, 1975, 1979, and 1980.

agreements, work speed-ups, increasing the mobility of labor, longer hours, casualization, restructuring the form of wages, increased use of job evaluations, and tougher disciplinary measures. These changes have been initiated through a very long and extremely complex struggle that has embraced many elements, such as repeated attempts to restructure the relations between trade unions and the state, changes in state expenditures and taxation, the complex interplay of political parties, plans to introduce worker directors, and, within trade unions themselves, massive propaganda campaigns on such topics as productivity and inflation.

Corporatism has had a number of consequences for the Japanese state and its forms of organization--primarily a blurring of the distinction between the state and groups outside the state, and a proliferation of state and quasi-state apparatuses. The state currently is attempting to reorganize these structures.

The purpose of this restructuring is of course to develop and impose upon the state apparatus forms of behaviors and operation which will enhance the accumulation of capital and support the property and income upon which this accumulation depends. That is, the restructuring of the state has been aimed at creating the conditions in which capital can continue its existence and acccumulation. This statement should not be interpreted narrowly as implying simply that the state has redistributed value created in the process of production away from wages for the working class in favor of profits for capital, although this has certainly been an important aspect of the restructuring. The state has also reorganized a whole set of class relations and social relations so as to promote new patterns of capital accumulation, economically as well as politically and ideologically.

At the same time as it has promoted this reorganization, the state has also pursued compensatory policies intended to mitigate or contain the social effects of the restructuring and to maintain the social relations of exploitation which are being restructured, i.e., social policies, regional policies, and maintaining law and order. These are maintained always in a manner that fragments and atomizes the dominated class.

Japan's economic plans since the latter half of the 1970's reveal the ongoing reorganizing process that has been intent upon accomodating new needs of capital in the current crisis. The state's provision of the general means of production has been concentrated on the transport and telecommunication networks which promote and facilitate the production and circulation of capital, while stimulating iron and steel, auto, aircraft, and knowledge-intensive industries. (See Table 36)

The state's provision of telecommunication services has been particularly aimed at capital accumulation in the computer and electronics industries of fostering international competitive power. The state, as owner of Nippon Telegraph and Telephone Public Corporation (NTT), is in an ideal position to promote capital accumulation in the monopoly sector of the electronics and computer industries. NTT has done this through various measures such as expenditures on R & D, computerization of the state apparatuses (including state agencies), and contracts with foreign capital on behalf of Japan's private sector. In fact, NTT is at the very forefront of the trend toward using foreign capital to help Japan's private sector.

Table 36

New Economic and Social Seven-Year Plan
(1979-1985 Cumulative)

(In billions of yen)

		Amount at FY 1978 Prices	Percent
I.	General Means of Production		
	Roads	46,000	19.2
	Railways	17,750	7.4
	Ports and Harbors	6,850	2.9
	Airports	2,750	1.1
	Telecommunication	13,000	5.4
	Agr., For., and Fis.	18,150	7.6
	Subtotal		43.6
II.	Means of Collective Consumption		
	Environmental sanitation	33,580	14.0
	Public housing	13,500	5.6
	Health and Wealth	5,420	2.3
	Education	20,800	8.7
	Subtotal		30.6
III.	Others		
	Land Conservation	17,800	7.4
	Others*	39,600	16.5
	Adjustments	4,800	2.0
	Subtotal		25.9
	Total (I., II., and III.)	240,000	100.0

*Others refer to disaster relief; government buildings; vocational training facilities; labor welfare facilities; school equipment; social education facilities; social sports facilities; formation of land for industrial use; industrial water supply system; municipal electricity systems; gas systems; manicipal transportation systems (excluding underground railways); postal facilities; Electrical Resource Development Corp.; facilities of government-affilitated organizations, (excluding Japanese National Railways and the Nippon Telegraphy and Telephone Public Corporation); statemanaged forestry projects (except state owned forest afforestation); parking areas in urban plans; traffic safety facilities (portion of the public safety commission); maritime safety facilities; counter measures for preventing landslides; etc.

Table 36 (cont'd.)

Source: Economic Planning Agency, Government of Japan, New Economic and Social Seven-Year Plan, August 1979, p. 67, p. 68.

> The international trend toward a converging of telecommunications and data processing has produced a climate for NTT, which is trying to lay a foundation for an information society in Japan, and IBM, long known as the world leader in computer technology, to become natural partners.[51]

Recent agreements on patent pacts between NTT and IBM benefit Japanese computer manufacturers such as Hitachi and Fujitsu. At present, when NTT orders a piece of equipment from a domestic manufacturer that includes technology covered by an IBM patent, the Japanese producer must pay a royalty fee to IBM. Under a new agreement, "the domestic manufacturers will no longer have to pay license fees to IBM."[52]

As knowledge-intensive industries require more internationalization in their operations, the restructuring at home focuses directly on the internationalization processes. Internationalization presupposes the shortening of the turn-over time of fixed capital, the acceleration of technological innovation, and an enormous increase in the cost of major projects of capital accumulation due to the third technological revolution (with its corresponding increase in the risks of any delay or failure in the valorization of the enormous volumes of capital needed for them).

The state intervenes in the process of internationalizing these industries. This requires expanding state expenditures, though the sources of state revenues are limited. The sources of state revenue have actually been decreasing in the current economic crisis. Taxes

Table 37

Administrative Investment
(FY 1979)

(In millions of yen)

	Amount	Percent
I. General Means of Production		
Roads[1]	5,029,768	19.3
Harbors	581,397	2.2
Airports	126,170	0.5
Railways	1,533,310	5.9
Other means of transport[2]	293,781	1.1
Industrial water	82,936	0.3
Agr., For., and Fis.	2,662,768	10.2
Subtotal	10,335,747	39.5
II. Means of Collective Consumption		
Urban planning	658,366	2.5
Housing	1,625,476	6.2
Land Building	376,354	1.4
Environment Sanitation	521,318	2.0
Water	1,066,916	4.1
Sewerage	1,623,593	6.2
Health and Welfare[3]	827,497	3.2
Education	2,971,234	11.4
Others[4]	72,870	0.3
Subtotal	9,743,624	37.3
III. Land Conservation	2,118,743	8.1
IV. Others[5]	3,895,269	15.1
Total (I., II., III., and IV.)	26,110,383	100.0

[1] Roads include toll roads, parking lots, and streets.
[2] Other transportation includes subways, ships, vehicles, etc.
[3] Health and welfare include hospitals, national health insurances and public university hospitals.
[4] Others are municipal markets, sightseeing facilities, etc.
[5] Others refer to disaster measures, unemployment relief, gov't. office repairs, gas and electric (0.1%) Japan Railway Corporation, Telephone and Telegraph Public Corporation, etc.

Table 37 (cont'd.)

Source: Regional Development Division, Minister's Secretaritat, Mininstry of Home Affairs, Administrative Investment December 1981, pp. 99-209.

on the working class and capitalists, borrowing, and the creation of money are insufficient sources of additional funds for the financing of the expansion. Each form of fundraising has undesirable consequences or meets resistance in one way or another, so that the only option is to place restrictions on the growth of state expenditures.

The fundamental role of cuts in state expenditures is redistributional only in the sense that, as a reduction in unproductive expenditures (which are not equivalent to workers' consumption), they permit the accumulation which is necessary in transforming the forces of production. The cuts lead to an increase in the rate and mass of surplus value not by redistribution from workers to capitalists (although they do redistribute use values, if not value itself), but by facilitating a transformation of production.[53]

Parts of the surplus value released by the cuts in unproductive expenditures are accumulated as capital under the state's control in accordance with its significant intervention in the restructuring of capital. Thus, public expenditure cuts stimulate and facilitate accumulation through releasing surplus value from unproductive uses.

The cuts in state expenditures involve both the shifting of resources from one sector to another (from social services to aid for industry) and changes within each sector that tie expenditures more closely to the needs of accumulation (as in education). The very term "cut" is misleading, as the reduction of state expenditures is only a particular historical form of its restructuring, and restructuring of state expenditures can occur without any quantitative changes.[54]

Cuts in state expenditures bit hard into social services that directly affected the living conditions of the working class. A significant portion of the cuts were implemented through the withdrawal of subsidies, and led to important rises in charges and fees for gas, electricity and water, education, public housing, and mass urban transit. The cuts did not go unchallenged. A national campaign was mounted, organized by the major public sector unions.[55]

The struggle against the cuts continues into the eighties. However, reductions in the quantitative level of public expenditures are only the most visible manifestation of a much wider process of reorganization or restructuring of state activities and apparatuses. Cutting the means of collective consumption, increasing taxes, charges and fees, and commodifying social needs by introducing the private sector into the area of housing, are all attempts at reorganizing and reproducing class relations.

Reorganization takes place at many levels. There may be a shift in the goals of a particular state expenditure program; there may be changes in the criteria by which decisions are made and funds allocated; there may be changes in the internal management and control of the particular state apparatus, or the spawning of new state apparatuses. This shows the inadequacy of any approach which focuses only on the overall quantitative level of the cuts, neglecting the specific nature of the measures introduced in each sector.

More generally there has been an attempt to change the public's attitude towards state expenditures as such and to change its expectations of the extent to which the state will provide certain services and benefits. Indeed, the cut in the means of collective consumtion was accompanied by a massive campaign mounted by the state against local welfare states. Campaign against high public wages and wasteful and inefficient welfare expenditures were justifications made by the central state for cutting welfare programs.[56] The state attempted to instead impose the welfare burden on private households. This shift was formulated in the economic policy of 1979[57] as we have already seen.

The 1979 plan included several strategies. The first of these was the rationalization of public service charges and fees. In the case of the supply of the minimum public facilities and services required by the people, these welfare programs may, while being examined for their efficiency, be added to the cost-based determination.

A second focal point was the rationalization of existing administrative fiscal policies.

> The role of central government administration will be reassessed in keeping with economic and social change, and simplification and greater efficiency will be promoted in all aspects including organization, personnel numbers, its work, and programs . . .[58]

Thus, the expansion of state apparatuses such as bureaus and departments has been severely restricted. Consolidation and streamlining are being promoted, while personnel cuts continue to be made. Government programs of all kinds, notably public corporations and the industrial civil services are being rationalized.

A third target was the streamlining of public finance. "The central government, for its part, will restrain measures that would being about in expansion in the administrative organizations of local public bodies or increasing in the number of local public servants."[59]

Other policies being implemented include the use of the private sector in social services and the creation of a broad administrative system.

As Table 38 shows, the tax burden to the working class has increased and reached in 1980 the heaviest level in the past sixteen years. Accompanying this has been the lowest growth in the past 22 years in the income of the average salaried person, while the provision of social services has declined.

As has been shown, the means of collective consumption have been primarily provided by local welfare states in the sixties and seventies, particularly by big cities in metropolitan areas. These local governments have had to repress the general means of production at the same time. The central state's reorganization of its apparatuses has been, however, a dramatic challenge to the hegemony of local welfare states and their welfare programs. (See Tables 39 and 40). The decline in the means of collective consumption in metropolitan areas has also been partly because of the use of the private sector in providing the means of collective consumption.

In contrast to metropolitan areas, the general means of production have been increasing in local areas. This reflects the state's regional economic policies of the seventies in which the whole of Japan became the object of capital's investment and consumption.

Table 38

Administrative Investment and Tax Burden Per Capita

(In 10 millions of yen)

	National Income A	Total Taxes B	Tax Burden A/B	Administrative Investment Per Capita C	C/A	C/B
1958	96,161	17,347	18.0	6,872	7.1	39.1
1959	110,233	19,833	18.0	8,156	7.4	41.1
1960	132,691	25,457	19.2	9,955	7.5	39.1
1961	157,551	31,342	19.9	13,099	8.3	41.8
1962	177,298	34,474	19.4	16,891	9.5	49.0
1963	206,271	39,446	19.1	19,050	9.2	48.3
1964	233,904	45,588	19.5	22,681	9.7	49.8
1965	262,228	48,291	18.4	26,766	10.2	55.4
1966	309,970	54,316	17.5	31,388	10.1	57.8
1967	371,067	65,463	17.6	35,269	9.5	53.9
1968	433,232	79,039	18.2	41,043	9.5	51.9
1969	515,677	95,456	18.5	48,470	9.4	50.8
1970	608,325	115,261	18.9	59,111	9.7	51.3
1971	655,522	126,796	19.3	76,212	11.6	60.1
1972	768,805	154,050	20.0	93,208	12.1	60.5
1973	946,636	205,391	21.7	106,924	11.3	52.1
1974	1,117,688	239,919	21.5	142,043	12.7	59.2
1975	1,240,386	226,616	18.3	165,137	13.3	72.9
1976	1,376,498	263,704	19.2	175,980	12.7	66.7
1977	1,522,872	294,467	19.3	208,684	13.7	70.9
1978	1,661,453	354,655	21.3	243,725	14.6	68.7
1979	1,774,000	389,917	22.0	261,104	14.7	67.0

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, Dec., 1981, p. 43.

Table 39

Investment in Collective Means of Consumption
By Regions

(In millions of yen)

Year	Metropolitan Areas Amount	Metropolitan Areas Percent	Local Areas Amount	Local Areas Percent
1965	743,393	70.6	308,997	29.4
1966	883,678	71.4	353,969	28.6
1967	956,461	70.6	399,249	29.4
1968	1,188,753	71.2	480,742	28.8
1969	1,481,089	71.8	582,492	28.2
1970	1,893,785	71.0	774,637	29.0
1971	2,427,382	70.8	1,001,144	29.2
1972	2,833,191	69.3	1,257,328	31.3
1973	3,426,059	68.7	1,561,508	31.3
1974	4,382,154	68.5	2,014,949	31.5
1975	4,741,266	68.7	2,164,829	31.3
1976	4,964,322	66.7	2,483,189	33.3
1977	5,462,064	63.8	3,093,269	36.2
1978	6,384,682	61.7	3,961,261	38.3
1979	6,804,799	61.2	4,318,232	38.8

Metropolitan Areas consist of Tokyo, Nagoya, and Oska Metropolitan areas.
Local Areas consist of Hokkaido, Tohoku, Hokuriku, Chugoku, Shikoku, Kyushu, and Okinawa.

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, December 1981, pp. 82-83.

Table 40

Investment in the General Means of Production
By Regions

(In millions of yen)

Year	Metropolitan Areas Amount	Metropolitan Areas Percent	Local Areas Amount	Local Areas Percent
1965	422,675	60.2	278,638	39.7
1966	511,150	62.7	303,803	37.3
1967	604,623	63.8	343,453	36.2
1968	619,125	61.1	393,981	38.9
1969	648,738	57.5	479,166	42.5
1970	738,691	54.6	615,266	45.4
1971	939,920	52.3	858,921	47.7
1972	1,145,780	52.2	1,047,230	47.8
1973	1,185,320	49.4	1,215,490	50.6
1974	1,183,660	48.4	1,262,073	51.6
1975	1,154,394	46.4	1,333,740	53.6
1976	1,124,222	44.7	1,390,769	55.3
1977	1,396,033	44.5	1,740,619	55.5
1978	1,590,078	43.2	2,073,438	56.8
1979	1,745,666	43.9	2,227,503	56.1

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, December 1981, pp. 84-85.

Table 41

Subjects of Burden in Selective Investments in 1979

(Per cent)

	The State	Regional States (Perfectures)	Local States (Cities, Towns)
Reads	36.1	32.8	31.2
Harbors	31.7	44.3	24.1
Airports	80.3	14.2	5.5
Housing	45.7	21.7	32.6
Urban Planning	2.3	22.5	75.2
Environment Sanitation	0.2	8.2	91.6
Health and Welfare	17.9	25.7	56.4
Education	7.2	18.7	74.1

Source: Regional Development Division, Minister's Secretariat, Ministry of Home Affairs, Administrative Investment, December 1981, p. 15.

The cuts in social services are thus not simply an attack on the living standards of the working class. They are part of a whole process of reorganization which has not only attacked the working class but has also involved the reclaiming by the central state of control over local welfare states. Social services, for example, are not simply provided for the "good" of the working class. Cuts in these services are a method of crushing the coalition between local welfare states and their residents. Cutting back on social services thus means streamlining local states and gaining a more centralized state at the same time as expenditures are conserved.

However, it is likely to lead to new struggles between the working class and the central state over the means of collective consumption, since local governments are now unable to meet their residents' needs. These cutbacks will no doubt produce the emergence of new social problems that could provide a new basis for the development of working class opposition.

A reduction in the overall level of expenditures does not necessarily mean that the state is playing a less active role in controlling people's lives. What the money is spent on may have been altered to make the state's economic intervention all the more effective for capital's needs. As well as involving a quantitative reduction in the living standards of the working class, the cuts are also part of a whole process of qualitatively reorganizing the manner in which the state intervenes in people's lives.

The state is a capitalist state because it is inextricably entangled in the reproduction of capitalist social relations. The reproduction of capital is not simply a question of granting material benefits to industry, but of reproducing certain patterns of social relations which conceal and perpetuate class domination.

Thus, the result of the widespread changes of the eighties is likely to be that the working class will struggle directly through political means for the extension of social reforms and for surplus value to be devoted to their needs rather than to the restructuring and internationalization of capital. Struggles focused on economic strategies such as union participation will not be sufficient in challenging the restructuring of the state.

The state in the world economy--or, the international state apparatus

The current recession, like all those that have preceded it, has the function for capital of laying the foundation for a renewed accumulation by restructuring existing capital. Now, however, this restructuring has the peculiar symptoms of being oriented towards the internationalization of productive capital stimulated by state economic intervention. In addition, the state's economic interventions have the effect of moderating the social implications of the economic conflicts generated by the recession (often implemented through the state's economic policies), whether these concern struggles over employment, or the levels of real wages and welfare services that are cut to redistribute profits to capital. In some instances the growing strength of class struggle and its expression politically has not only precipitated recession but has also led to profound changes in social organization.

The significance of and stimulus to state economic intervention cannot be understood in isolation from developments in the world economy. State economic intervention and the internationalization of capital together serve as a focus for understanding the post-war boom as well as the crises that have followed it on a world scale. For if the post-war period is contrasted with the war period and earlier periods, one can see that state economic intervention has been severely limited until recent decades.

The internationalization of capital has, of course, existed since the very beginnings of capitalism, with its tendency to create a world market. But up until the second World War, the imperialist powers still had the world divided into spheres of influences for the export of finance and commodities.[60] After the second world war, and the associated emergence of the dominance of American capitalism, new conditions for the international expansion of capitalism were created. Interpenetration of capitals between the more advanced economies displaced in importance the intensive exploitation of empires.[61] This has been reflected in the changing patterns of trade and investment in the world economy.

However, more is involved than a simple quantitative shift in the orientation of trade and investment. In particular, a new form of internationalizing capital has emerged, one that has only been possible with the breakdown of the classic division of the world into economic empires.[62] It involves the internationalization of the process of production itself. By this is meant the organization of production within a single firm across national boundaries so that, for example, parts may be manufactured in one or more countries but be assembled in another country and finally sold on the world market.[63]

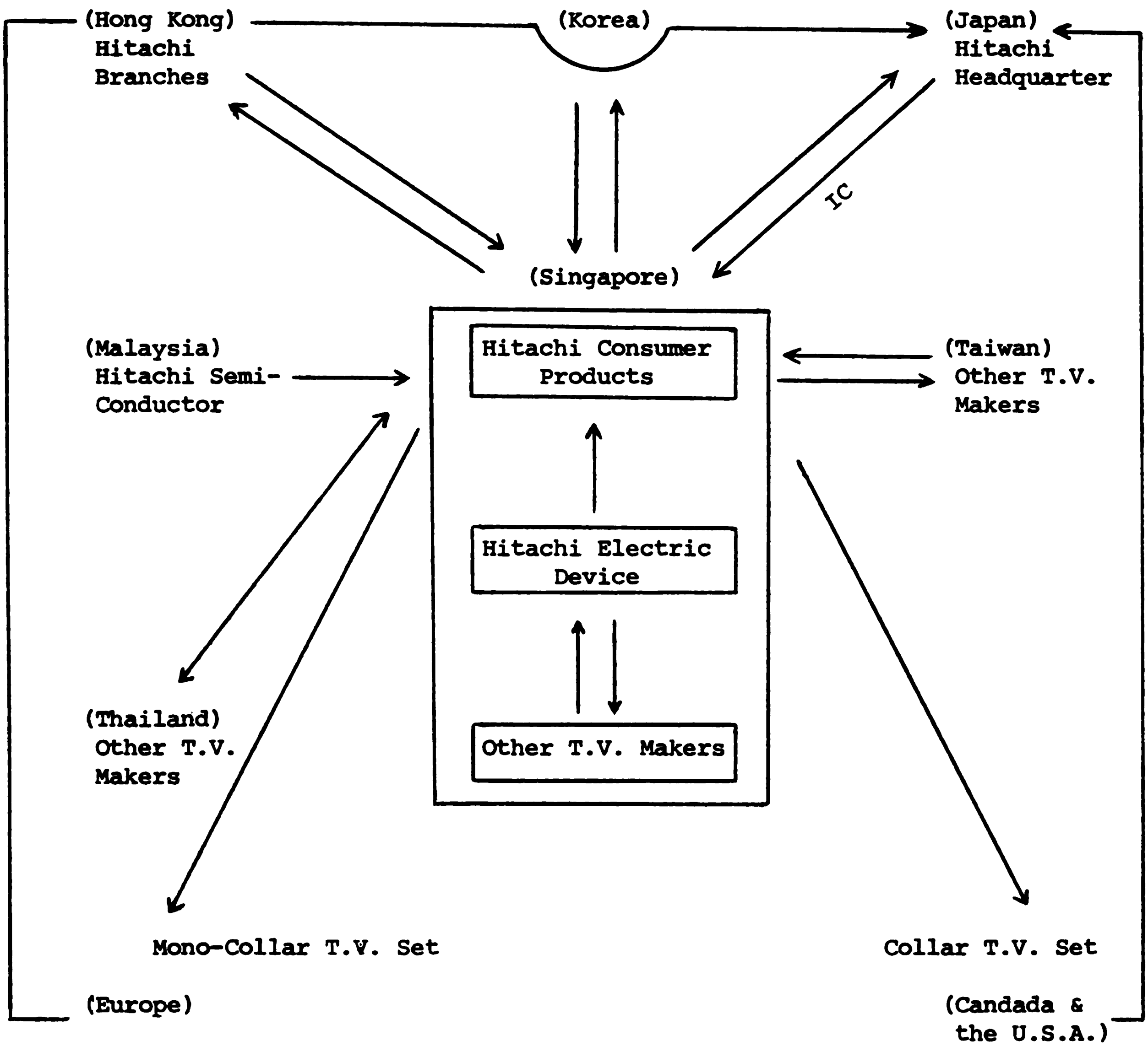
As an example, the Hitachi corporation has a branch in Singapore which assembles television sets.[64] As Table 42 shows, parts of the television are gathered from other branches of the Hitachi corporation or U.S. and European television manufacturers in neighboring countries like Hong Kong, Korea, Taiwan, Thailand and Malaysia. Only one pare of the television, the IC, is sent from the headquarters of the Hitachi Corporation in Japan. Products made in Japan are thus not produced in Japan. This is true of nearly any product, including cars and computers. Indeed, there were one thousand Japanese corporations which maintained production on a world scale in 1979.[65]

The world motor vehicle industry gives a more outstanding illustration of the need for the internationalization of capital. It contains a far more pronounced level of the creation of subsidiaries that only perform a part of vehicle manufacture. This typically involves the assembly of components produced abroad and integrates the international division of labor within the firm with the market. This centralization promotes the internationalization of commodity capital and productive capital (by the division of labor within the firm), for this spreads the enormous costs of fixed capital that are involved.

The intra-firm internationalization of productive capital that is needed in the current crisis serves as the means of centralization and concentration of capital. This strategy is being attempted by the American motor companies currently experiencing a severe slump. Their failure to renew and expand fixed capital adequately in recent years may be compensated for by a strategy to integrate European production in the next economic upswing by an increase of intra-firm trade in components by subsidiaries.[66]

Table 42

The Internationalization of Production of T.V. Set in Hitachi Corporation



Source: The Japan Economy, January 23, 1979.

The relative success of Japanese car companies can be explained by their constant investment in fixed capital. Nissan has announced, for instance, that that corporation will spend one trillion yen over the next three years on expanding their existing facilities and building new plants both at home and abroad. The company's overseas advance, including tie-ups and production operations now in effect and under planning, has spread to Spain, Italy, West Germany, Mexico, Australia, and the U.S.[67]

Thus, the factories of multinational corporations increasingly straddle national boundaries. However, the internationalization of production does not expand at the expense of the internationalization of other forms of capital.[68] The figures on international liquidity illustrate the increasing role of international finance, as well as increasing state intervention into credit relations (as reflected by the expansion of paper money), and also the growth of supranational economic organizations.[69]

It is increasingly apparent in the latter half of the 1970's that the role of the state in crisis is the restructuring of productive capital and the encouragement of its internationalization. Due to increasing competition with U.S. and European capital, the Japanese state has become more active in promoting competition and mediating conflicts emerging out of international competition. It was the oil crisis that pushed the Japanese state to transform its economism priority into a multi-sides international cooperative form. As a result of the decline of the U.S. hegemony that had contributed to the postwar capital accumulation process in Japan through its military force and its control of the International Monetary Fund and the GATT, the Japanese state now has to play the same role as international economic organizations.

> With these structural changes in the global economy, the terms of trade between the resource possessing nations and the resource consuming nations were also greatly altered. For Japan, high dependence upon overseas sources of raw materials has meant a sharp deterioration in the terms of trade. Japan is no longer able to manage its economy as it did in the 1960's premised upon abundant cheap imports of raw materials, energy resources and food stuffs. Indeed, it is imperative that Japan, aware of its resource limitations, manages its economy maintaining harmony with the world economy.[70]

The state's transformation into cooperative and comprehensive forms in the world economy has been inevitable and necessary for capital accumulation by Japanese capital. To meet this end, the state has subordinated the needs for social reproduction to the needs for economic reproduction on a world scale. The state has deliberately mobilized an ideological campaign to carry out this end.

> To this end, there must be full recognition of the fact that domestic frictions and burdens may at times be unavoidable. Without a basic stance of this kind, Japan's economy cannot be expected to achieve a safe and smooth long-term development within the international economy and society.[71]

There are three particular factors that have driven the Japanese state to take multi-sides forms. First, the lack of raw materials, particularly oil, has greatly influenced its policies. Japan depends upon oil from abroad for most of its primary energy needs, and thus is an extremely insecure position with regard to its supply of national resources and energy. Domestic difficulties in locating supply facilities, caused mainly by the pollution problem and the huge sums of money required for such facilities, are becoming harder to overcome. Japan needs to stablize the supply of its natural resources and energy.

"The basis for this will be international cooperation including establishment of a dialogue with the resource-possessing countries, and cooperation with other resource-consuming countries through such organizations as the IEA.[72]

A second influence has been international trade. The state has sought international harmony through its economic policies, in the absence of stabilization of the international monetary and trade system. When the seventies began, the world economic system, with the IMF and the GATT as its axes, had faced a number of difficulties. Because of this, it was necessary for Japan to contribute to the realization of steady, harmonious growth in world trade and to continue to engage actively in international cooperation for the purpose of promoting the stable development of the international monetary and financial order. Multilateral trade negotiations (or, the Tokyo Rounds)[73] were attempted to fill the absence of a strong international economic organization. "Based on the free-trade system, formation of a cooperation system for the realization of stable expansion of world trade is to be promoted with the avoidance of protectionism."

The currents of structural change in the world economy that gradually became apparent in the turbulent seventies have fostered predictions that the world of the eighties will become "increasingly polycentric." The Japanese state has also said that international cooperation in the form of "mutual assistance" will become an even more "essential condition for the stable development of the world economy than before."[74]

From the viewpoint of the state, the development of world trade through the realization of a rational international division of labor will contribute also to the development of Japan's economy and the improvement of its national life. It will be necessary to promote this restructuring by measures to foster sophistication of the industrial structure while firmly establishing stable growth patterns centering upon an expansion of domestic demand. In so doing, it is possible that the restructuring of trade will also have an effect on Japan's industries and regional economies, industrial adjustment policies and future exports. It may raise the proportion of high value-added merchandise with high technological content and sophisticated functions. With particular reference to plants, efforts will be made to build up overall competitiveness by improvements in quality, enhancement of consulting capabilities and the improvement of effective after-sales service networks. Also, export financing and insurance will be promoted with full consideration given to the importance of international harmony.

A third factor has been the internationalization of productive capital. For the stabilization of overseas investment, ODA (or, Official Development Assistance) has been expanded on a comprehensive scale, to carry on such functions as training technological experts, exchanging scientific research and fostering cultural and social cooperation. Approximately 0.7 percent of Japan's GNP is turned to this purpose. ASEAN, UNDP, ODA and WFP are all organizations that have been used for gathering information on potential investments and on the political climate in a developing nation that is being considered for such investments.[75] The comprehensive form of aid was the consequence of increasing challenges toward Japanese multinational corporations from Southeast Asian nations and their residents.

> As Japan's investment activities have in recent years caused friction with the developing countries, care must be taken to maintain cooperation and harmony with the economy and society of the host country in conducting overseas business activities. Excessive concentration of investments in a few limited areas is to be avoided, and care is to be taken to maintain stability in its investment activities.[76]

In order to assist Japan's multinational corporations' activities geared toward the maximization of profits, the state thus has increasingly built up cultural, economic and other cooperative ties with other nations.

For large scale projects requested from developing countries, the state particularly protects the private sector at various levels of financing, training technical personnel and obtaining guarantees from the "host" country. The state also provides support for large-scale projects through such means as expansion of the preparation of surveys, the expansion of export financing, when necessary from the viewpoint of existing economic cooperation.

For instance, six companies, Mitsubishi Corporation, Mitsui and Co., Mrarubeni Coporation, Sumitomo Corporation, Nissho Imai Corporation and Tokyo Menk Kaisha Ltd., jointly received a refining plant order from Indonesia totaling more than one hundred billion yen in contract value. When this contract was awarded, the state made available for financing their plant exports, supplier's credits totaling some five hundred million yen from the Export-Import Bank of Japan.[77]

As Japanese products have streamed into the U.S. and European markets, these foreign markets have pressed for protectionism of their domestic industries, in the context of massive levels of unemployment. (See Table 43) Joint-production with foreign capital has increasingly been a major strategy used in countering protectionism in promoting the internationalization of productive capital at the beginning of the eighties.

For example, tie-up production agreements have been made between Bendex Corporation and Fujitsu Fanuc, Japan's leading machine tool numerical control system maker. This agreement was made concerning Fujitsu's industrial robot.[78] In 1981 Honda and BL tied up capital for Honda's 1,500 cc car Ballade at the latter's Cowley plant.[79] Britain's Rolls-Royce, Ltd. and three Japanese enterprises have set up a joint-venture company, Rolls-Royce, and Japanese Aero-Engines Ltd.[80] Isuzu and General Motors plan to launch a truck assembly venture in Venezuela. Kawasaki Heavy Industries Ltd. also reached a long-term agreement with a West German industrial plant maker, Deutshe Babcock and Wilcox AG, for an extensive business tie-up in the manufacture of large boilers for electric power generation.[81] The cooperation was set up between the Japan Machinery Exporters Association and des Ensembliers Industrials Francais des Societes Detudes et de Consails Exportatrices.[82]

For increasing the activities of multinational corporations, the state has come to play the role of an international economic apparatus, in addition to using existing world economic organizations such as OECD.

Joint production is not a phenomena occurring only between advanced countries. The same strategy is increasingly used for overseas investments in developing countries. The Japanese state has particularly promoted the "risk-sharing method" with capital of other advanced countries.[83] This method appeared with Mitsui and Company's Iranian petrochemical venture. In order to minimize the inherent risks in every overseas project, the state encourages the private sector to involve U.S. and European capitals in their overseas operations.

Table 43

Post-war Unemployment Rates in Seven Countries

	Average 1950-1959	1960-1969	1970-1980	1970-80 Lowest Rate	(Year)	Peak Rate	(Year)	1981
U.S.	4.3	4.6	6.1	4.7	(1973)	8.3	(1975)	8
Japan	2.0	1.3	1.7	1.1	(1970)	2.2	(1978)	2
Germany	5.0	0.8	2.6	0.6	(1970)	4.1	(1975)	4
France	1.8	1.5	4.0	2.4	(1970)	6.6	(1980)	7½
U.K.	1.2	2.0	4.6	2.5	(1973)	7.4	(1980)	10
Italy	7.4	5.1	6.4	5.3	(1974)	7.8	(1980)	8½
Canada	4.1	5.1	6.7	5.3	(1974)	8.3	(1978)	8
Total of above countries	3.7	2.9	4.4	3.1	(1970)	5.8	(1980)	6½

Source: The OECD Observer, No. 108, January, 1981.

Chapter VII

The State in the World Economic Crisis in the 1980s

Footnotes

1. Ben Fine, Economic Theory and Ideology, (N.Y., Holms and Meier Publishers, Inc., 1981), pp. 56-67.

2. CSE State Apparatus and Expenditure Group, Struggle Over the State, (London, CSE Books, 1979).

3. Kevin McDonnell, "Ideology, Crisis and the Cuts," Capital and Class, Spring 1978.

4. K. Marx, Capital 3, op. cit., p. 249.

5. Ibid.

6. Ibid., p. 245.

7. Ibid., p. 250.

8. B. Fine and L. Harris, Rereading Capital, op. cit., pp. 80-81.

9. D. Lebowitz, "Marx's Falling Rate of Profit: A Dialectical View," Socialist Review 38, 1978.

10. K. Marx, Capital 3, p. 213.

11. Ibid., pp. 212-213.

12. Ibid., p. 216.

13. Ibid., p. 226.

14. Ibid., p. 240.

15. B. Fine and L. Harris, "Controversial Issues in Marxist Economic Theory," Socialist Register 1976, (London, Merlin Press).

16. K. Marx, Capital 3, p. 242.

17. Ibid., p. 249.

18. B. Fine and L. Harris, Rereading Capital, op. cit., p. 83.

19. Ibid., p. 84.

20. Ibid., pp. 87-88.

21. D. Yaffe, "The Marxian Theory of Crisis: Capital and the State," Economy and Society, Vol. 2, 1973.

D. Yaffe and P. Bullock, "Inflation, Crisis, and the Post-War Boom," Revolutionary Communism 3/4 (November), 1975.

22. E. Mandel, Late Capitalism, (London, NL Books, 1975).

A. Gamble and P. Walton, Capitalism in Crisis, (London, Macmillian, 1976).

Rowthorn, "Late Capitalism: A Review Article," NLR 98, 1976.

23. It is ironical that neo-Ricardians see the source of crisis in the laws of TRPF since they usually reject the law of TRPF, see I. Steedman, "Positive Profit and Negative Surplus Value," Economic Journal, Vol. 86, 1975.

I. Steedman, Marx After Sraffe, (London, NL Books, 1977).

24. For neo-Ricardian crisis theory of profit squeeze, see;

A. Glyn and R. Sutcliff, British Capitalism, Workers and the Profit Squeeze, (London, Harmondsworth, Penquin Books, 1972.

25. I. Gough, "State Expenditure in Advanced Capitalism," NLR 92, 1975.

J. O'Connor, "The Fiscal Crisis of the State Revisited: A Look At Economic Crisis and Reagan's Budget Policy," Kapitalistate 9, 1981.

O'Connor is not neo-Ricardian in strict sense, but his concept of crisis makes the same claim as neo-Ricardians do. His argument is that "the falling rate of profit is not rooted in overproduction of capital (as traditional Marxism maintains) but rather underproduction. The underproduction of capital; emerges when the combined demands of both organized and unorganized sectors of the working classes in a dramatic growth in the average individual consumption basket (or the average amount of wage goods workers can acquire with their real wages)....." pp. 41-42.

26. R. Luxemburg, The Accumulation of Capital, (London, Routhledge and Kegan Paul, 1963).

M. Bleaney, Underconsumption Theories, (London, Lawrence and Wishart, 1976).

Baran and Sweezy, Monopoly Capital, (N.Y., Monthly Review Press, 1964).

J. M. Keynes, The General Theory of Employment, Interest and Money, (London, Macmillian, 1936).

M. Kalecki, "Political Aspects of Full Employment," Political Quarterly, Vol. XIV, 1943.

R. Boddy and J. Crotty, "Class Conflict, Keynesian Policy and the Business Cycle," Monthly Review, October 1974.

27. For theories which claim that the state is relatively autonomous from the laws of motion of capital and that state intervention in the economy is result or outcome of political class struggles or the balance of class forces within the state apparatus, see;

I. Gough, "State Expenditure in Advanced Capitalism," New Left Review, 92, 1975.

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J. O'Connor, The Fiscal Crisis of the State, (N.Y., St. Martin's Press, 1973.

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J. Habermas, Legitimation Crisis, (Boston, Beacon Press, 1973).

28. Economic Planning Agency, Economic Plan for the Latter Half of the 1970s: 1976-1980, (Tokyo, May 1976).

29. Ibid., pp. 70-71.

30. Ibid.

31. Ibid.

32. Economic Planning Agency, New Economic and Social Seven-Year Plan: 1979-1985, (Tokyo, August 1979), p. 94.

33. Ibid.

34. Business Week, December, 1981, p. 108.

35. Ibid.

36. Ibid.

37. Secretariat of Labor Statistics, Ministry of Labor, Labor Statistics, 1973, 1981.

38. Business Week, December 14, 1981.

39. Japan Economic Journal, March 10, 1981.

40. New Economic and Social Seven-Year Plan, op. cit.

41. Ibid.

42. Ibid.

43. Official statistics indicates only 2.2%, but it is expected that unemployment rate is much higher than 2.2%. For instance, unemployment rate among women workers is 36.5% in 1978. (The Japan Economy, January 23, 1979).

44. New Economic and Social Seven-Year Plan, p. 99.

45. Ibid.

46. Business Week, December 14, 1981, pp. 94-96.

47. Japan Economic Journal, October 17, 1981.

48. L. Panitch, "The Development of Corporatism in Liberal Democracies," Comparative Political Studies, 10, 1977.

49. Ernest Mandel, Late Capitalism, (London, NLB, 1972), pp. 481-482.

50. The Times (London), November 13, 1981.

51. New York Times, November, 19, 1981.

52. Ibid.

53. B. Fine and L. Harris, "State Expenditure in Advanced Capitalism: A Critique," New Left Review, 98, 1976.

    ____________________, "The British Economy: May 1975-January 1976," Bulletin of the Conference of Socialist Economics, October 1976.

For theories that claim that the cuts lead to an increase in the rate and mass of surplus value by redistribution from workers to capitalist, see I. Gough, "State Expenditure in Advanced Capitalism," NLR, 92, 1975.

Difference between these theories is based on methodological differences. For methodological differences, see B. Fine and "Controversial issues in Marxist Economic Theory," B. Fine and L. Harris, Socialist Register, 1976.

54. K. McDonnell, "Ideology, Crisis and the Cut," Class & Capital, 1978.

55. Particularly large metropolitan public workers unions such as Tokyo.

56. S. Sakata, "Public Workers' Struggle," The Reform of Local Government and Local Public Workers, Ibid, pp. 251-264.

57. New Economic and Social Seven-Year Plan, op. cit.

58. New Economic and Social Seven-Year Plan, p. 111.

59. Ibid.

60. Lenin's concept of imperialism, that is, the internationalization of finance and commodities, is no longer applicable to the stage of capitalism in post-war period.

61. For differences of investment between advanced and developing countries, see, K. Kojima, "Direct Foreign Investment Between Advanced Industrialized Countries," Hitotsubashi Journal of Economics, Vol. 18, No. 1, June 1977.

"Direct Foreign Investment to Developing Countries: The Issue of Over-Presence," Hitotsubashi Journal of Economics, Vol. 19, No. 1-2, December 1978.

62. For the internationalization of productive capital, international state apparatuses such as the IMF and EEC play an important role.

63. International merger movement is particularly observed in auto industry, R. Jenkins, "Internationalization of Capital in the Motor Industry," Bulletin of the Conference of Socialist Economists, October 1976.

64. Of the 355 corporate investments in Southeast Asia only 244 were electronics investments in 1973. K. Yoshihara, "Electronics Investment," Japanese Investment in Southeast Asia, op. cit.

65. The Japan Economy, January 23, 1979.

66. B. Fine and L. Harris, "The British Economy: May 1975-January 1976," Bulletin of the Conference of Socialist Economists.

67. Japan Economic Journal, March 14, 1981.

68. Murray, Warren and Rowthorn claim that the internationalization weakens the capitalist national state.

R. Murray, "The Internationalization of Capital and the Nation State," NLR, 67, 1971; B. Warren, "The Internationalization of Capital and the Nation State: A Comment," NLR, 68, 1971; B. Rowthorn, "Imperialism in the Seventies-Unity or Rivalry?," NLR, 69, 1971.

69. B. Fine, "World Economic Crisis and Inflation," Economic Theory and Ideology, (N.Y., Holmes and Meier Publishers, 1981).

70. Economic Plan for the Second Half of the 1970s, p. 2.

71. Ibid.

72. Economic Plan for the Second Half of the 1970s, p. 60.

73. Ibid., p. 54.

74. New Economic and Social Seven-Year Plan, op. cit.

75. ASEAN--Association of South East Asian Nations
ODA--Organization of Development Aid
WFP--World Food Programs
UNDP--United Nation Development Program

76. Economic Plan for the Second Half of the 1970s, p. 56.

77. Japan Economic Journal, March 10, 1981.

78. Japan Economic Journal, October 17, 1981.

79. Japan Economic Journal, March 17, 1981.

80. Japan Economic Journal, March 24, 1981.

81. Japan Economic Journal, October 13, 1981.

82. Japan Economic Journal, October 20, 1981.

83. Japan Economic Journal, March 17, 1981.

CHAPTER VIII

CONCLUSION

There are two theoretical articulations that have been attempted in this thesis. The first articulation is that the form state economic intervention takes is shaped and determined by crises and class struggles associated with capital accumulation. Accordingly, state economic intervention changes in its form corresponding to the stages of capital accumulation. The second articulation is the state's predominance in the economy that characterizes the latest stage of state-regulated monopoly capitalism, although the state guarantees and secures the production and reproduction of capitalist social relations of production through all-embracing forms of economic, political and ideological function. These two theoretical articulations have been attempted throughout a case study of the Japanese state.

The Meiji state, which is the beginning of the Japanese state, secured capitalist social relations of production in all embracing manners of economic, political and ideological functions of the state in immature stage of Japanese capitalism. Because of the lack of capital accumulation, the Meiji state's economic intervention took the form of "nationalization of industries" which substituted for the absence of monopoly capital. The state's role in the economy is understood to nurture the formation of monopoly capital and to promote capital accumulation, while creating general conditions for these purposes through political and ideological functions.

The process of capital accumulation is beset by crises and the working-class struggle is intensified. But it becomes increasingly difficult to confine the effects of crises and the growing strength of the working class struggles under monopoly capitalism. The partial resolution of crises and the working class struggles under monopoly capitalism is to be found in the further development of the economic role of the Japanese state. The form that economic intervention takes is "the socialization of costs of capitalist production" corresponding to a higher level of the socialization of the relations of production, a new highly socialized mechanism for the control of production and a socialized form of appropriation of surplus value through taxation. By socializing the costs of capitalist production, the state stimulates and encourages to restructure productive capital and thus secures social relations of production.

The Japanese Case

Japan's postwar crisis was precipitated by a nearly bankrupt national economy. The state under GHQ undertook a recovery policy characterized by the full use of its power to control the monetary fiscal and credit systems. Meanwhile, it repressed increasingly militant labor movements through such tactics as wage-price controls, a red-purge, and denial of the right to strike by public workers. A series of state economic plans were projected for the restructuring of productive capital in the monopoly sector. Heavy chemical, iron and steel, shipbuilding, machinery, and electrical industries were singled out for intensive investment by the state. These resource-consuming industries were not only promoted by the state and Japanese corporate interests, but also by U.S. capital. U.S. corporate interests converted Japan from a coal-based economy to one with a heavy reliance on foreign American-controlled oil. In the process, Japan became very dependent upon U.S. capital, and remained so until 1970. Thus, U.S. capital aided in the recovery of Japan's monopoly sector, but did so by placing Japanese capital firmly in a subordinate and dependent relationship.

The regional economic development plan that Japan instituted in the same period made concrete the state's economic policy for the restructuring of the heavy chemical industries. After the restructuring, in the latter half of the 1960's, they were able to expand their operations overseas.

The regional economic plan involved intensive political struggles among classes, fractions, and groups. Local states were not excepted from this struggle. These local units of government, already in debt from the postwar crisis, competed against each other in lobbying the Japanese state to appoint their cities for industrial relocations. Industrial water facilities, industrial parks, roads and harbors were constructed by local governments with national subsidies to meet the needs of heavy chemical industries.

The expansion of major industries in the fifties and sixties created population concerntrations in the major cities, and caused several urban problems such as housing shortages. Local states, which were primarily responsible for the provision of metropolitan services, were unable to meet the demands placed upon them as a result of the rapid pace of urbanization. The national government did not help in subsidizing the construction of the means of collective consumption. These problems intensified in the mid-sixties, as heavy chemical industries began to destroy natural environments. A number of social movements ranging from anti-pollution to anti-Vietnam-war movements swept the country. One of the results of such political awareness was the establishment of local welfare programs in many cities. The alliance of local state governments and their residents produced a welfare policy and challenged the nation's economic priorities. Thus, the contradictions inherent in state economic intervention became more visible.

Facing a political and social crisis, the state was forced to alter its priorities. From emphasizing the general means of production, it moved toward meeting the people's collective consumption needs. In fact, since 1967 a series of economic plans have included welfare programs. However, not only the political and social crises caused the state to provide such welfare programs.

Economic stagnation in the heavy chemical industries began plaguing Japan in the mid-sixties. A crisis of world capitalism, including the defeat of the U.S. in the Vietnam war, the disruption of the International Monetary Fund (IMP), the dollar crisis, and the oil crisis, also occurred. In such crises, surplus capital was unable to find profitable investment markets. One avenue taken was the buying up of housing lots. In this manner, the world and Japanese economic crises had a major impact upon local needs. It became vital in creating new investment opportunities that the state implement a welfare program, particularly in housing. In doing so, the state also opened up a new field of investment to surplus capital.

As economic stagnation deepened in the 1970's, the contradictions of the state-run welfare program became apparent. When the fiscal crisis resulting from the state's economic policy was worsened by the 1973 world economic crisis, the central and local states lost their major source of revenue, as capital investment was sharply curtailed by the oil crisis.

The state began to introduce private capital into the welfare program, and originated the principle of "the beneficiary bears burden," i.e., "high welfare and high charges." Economic policy in 1967 seemed to emphasize the welfare program, but that does not mean that the state's economic policy has radically shifted its priorities from production to welfare. State expenditures on the general means of production have instead increased more than ever. In the political, social and economic crises of the sixties and seventies, the state has singled out technology-intensive industries for major investments. The regional economic development plan of 1969 aimed at the restructuring of the electronics and related industries to promote Japan's international competitive power. The regional economic development plan was extended from the Pacific coastal belt to nationwide; this regional plan was to remold the Japanese archipelago by creating new national networks for transportation, telecommunications and information. The state's expenditures in these areas targeted for development were stated as a top priority.

Most characteristic of the second phase is the fact that the Japanese state is using more comprehensive and cooperative forms of economic intervention, due to the requirements of increasing international competition, the rise of social democracy, and the fiscal crisis. However, the comprehensive and cooperative form is deceptive. The state is in the process of restructuring its apparatuses in order to be capable of responding to the new needs arising from the internationalization of productive capital.

The state in the world economic crisis in the 1980s demonstrates that the state is again facing a change in its form of economic intervention.

The State in Capitalism

The absence of the study of the state in Marxism may be derived from the fact that the dominant conception of the Second International which was dominated by economic determinism (as well as Stalinism).[1] Since the Marxism in the Second International was the science of the deterministic laws of development of the economic structure, there was no need to consider problems of politics and ideology, for economic determinism collapsed all such considerations into reflections of development of the economic base.[2] Thereby a specific study of the state (as well as ideology) is superfluous and redundant.[3]

In reaction to the mechanistic determinism of the Marxism, epistomological questions of science, knowledge, ideology and theory were raised by, first, an Hegelian Marxism associated with Gramsci, Korsch, and Lukacs during the revolutionary upsurge of the post-Russian Revolution years and second, a structuralist Marxism primarily represented by Althusser and his school under the impact of 1959's Soviet invasion of Hungary.[5] While both positions asserted that the answer to the above questions had to be sought in the dialectical method of Marxism, their answers yielded rather different perspectives on the relation of base to superstructure.

While there has been spirited debate among Marxists of various contemporary perspectives on the relation of the state to capital, these efforts have not yet produced a satisfactory theory. Many such efforts lack empirical specificity, and then is yet a paucity of studies of specific nation states in relation to capital. This thesis is an effort to provide one such empirical analysis.

It is not an aim of this thesis to construct the theory of the capitalist state but to deal with a partial phase of the state, a relationship of the state to capital. The concept of the relation between the state and capital has been primarily attempted around state expenditures which function in both the economic and the social reproduction of capital and labor. Class struggles are then confined to fundamental antagonistic relations between capital and labor. This limitation in the study leads to several problems for further research. Struggles between and among classes, fractions, and groups are neglected in this thesis. Concrete political struggles within the state apparatus are also conspiquously absent. These need detailed empirical analysis. Furthermore, relations between nation states, the nature of the international state apparatuses such as IMF, EEC, etc., the effects of multinational corporations on the state all need a development not possible here and need to be tackled in rigorous scholarly study. For a theoretical construction of the capitalist state as a whole, there is needed not only more empirical research, but also developments in methods of research and in conceptualization.

Chapter VIII

Conclusion

Footnotes

1. N. Poulantzas, "The Problem of the Capitalist State," R. Blackburn, ed., Ideology in Social Science, (N.Y., Pantheon Books, 1972), pp. 238-239.

2. S. Mohn, "Ideology, Knowledge and Neoclassical Economics: Some Elements of a Marxist Account," F. Green and P. Nore, ed., Issue in Political Economy, (London, Macmillian, 1979), pp. 254-255.

3. For the study of the state in this tradition of economism, see;

   P. Boccara, et. al., Traite d' Economie Marxiste: Le Capitalisme Monopoliste de l'Etat, (Paris, Editions Sociales, 1971).

   V. Cheprakov, ed., State Monopoly Capitalism, (Moscow, Progress, 1969).

   Communist Party of Great Britain, The British Road to Socialism: Draft, (London, CPGB, 1977).

4. The key text are:

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5. L. Althusser, For Marx, (London, Allen Lane, 1969).

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