

Leonard J. Schoppa

Race for the Exits: The Unraveling of Japan's System of Social Protection.

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American political scientist Leonard Schoppa is concerned about the current unraveling of Japan's social safety net. It is a practical moral issue on one hand but also a problem of analysis on the other. Under the system of convoy capitalism which flourished between the 1960s and the 1980s, Japan moved from being a country with a low level of social protection supported by the ruling regime to one with a remarkably high level. (Convoy capitalism is a common shorthand for the postwar practices in which, at the same time that Japanese businesses as a whole competed fiercely with the outside world, internally firms encountering serious difficulties would be rescued by stronger firms or banks with which they were networked, so that these weaker competitors would not collapse and take jobs with them even if the weaker firms were not competitive in fully open markets.) The difficulty is that the system which worked well twenty years ago is not working properly today, yet Japan has so far not been able to achieve adequate reform of the system.

What is going on? Schoppa focuses on two aspects of contemporary Japan: the competitive challenges faced by firms (especially in export sectors); and the interests of women, who increasingly feel blocked from choosing lives which include both meaningful careers and also child-raising. These two groups are not expressing the expected dissent in the standard political arena (party politics, legislation, organized regulation) that most theoreticians and analysts in Japanese economics and politics have supposed would be normative.

How then are these two affected groups expressing themselves? Schoppa thinks the answer comes from the theory of voice and exit proposed by Albert O. Hirschmann in his famous 1970 study *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Harvard). Hirschmann argued that members of an organization (a business, a nation or any other form of human grouping) have essentially two possible responses when they perceive that the organization is showing a decrease in quality or benefit to the member: they can exit (withdraw from the relationship); or, they can voice (attempt to repair or improve the relationship through communication of the complaint, grievance or proposal for change). Political oppression for example might lead to either emigration or protest. In a workplace, bad conditions might lead to either employees quitting or instead expressing their concerns in an effort to improve the situation. Hirschman's simple-seeming schema is actually complex and has enabled new understandings of linked economic and political action.

Exit and voice can both be used to gauge decline in an organization. However, voice is by nature more informative in that it also provides reasons, while exit by itself only provides the warning signs. And while exit has the potential to change organizational behavior, it is systemically less unfavorable. Most organizations are built to respond to either voice or exit, but not both (governments for example

are built for voice). Also organizational response to exit is crucially conditioned by the fact that the choice by “consumers” of an organization to exit the situation is usually only moderately costly to them – a key feature which Schoppa calls exit dynamics. Affordable, unrushed, gradual exiting by actors proceeds incrementally, and although it can be eventually fatal, it means that organizations have difficulty responding in a timely manner. Schoppa argues that firms and women have confounded effective government response to social welfare needs by choosing piecemeal exit behavior.

In the earlier convoy capitalist environment, Japan did manage to achieve a high level of social protection at low cost (to government budgets that is) because firms and women were willing and able to carry much of the load for “free.” The direct role of the state was severely limited; social welfare was only about 10% of government expenditure; and international comparisons pointed up the extreme level of reliance on firms and families. (Of course, for social actors who did not fit the mold – citizens outside of the paradigm of long-term male employee and full-time professional housewife – the low-government-expenditure welfare regime always had a harsh side even at the high point of the system. It systematically tried to force such outsiders when in trouble to resort only to the help of informal family networks – whether these were effectively available or not, and as well known, it depended upon the maintenance of the heavily predefined gender role of females as social caretakers.)

The convoy social welfare model which reaching its peak circa 1980 was quite successful in its own terms. However, its success was contingent on the carrying power of the two elements (firms and women) during the high-growth era. Unfortunately, fundamental change was already beginning by the 1980s – termed by the author a “race for the exits” – because of inexorable shifts to deregulation in the society which led to both greater competition and increased exit opportunities. Three exit trends became clear after the 1980s; the hollowing out of the domestic economy; some women’s declining fertility; and other women’s exodus from careers (i.e. fully employed participation in the economy) by choosing to be full-time housewives.

For firms, globalization altered the environment. International capital flows ended the earlier isolation and internal regulation; various forms of liberalization advanced, creating unprecedentedly volatility. Soon Japanese firms could not afford the special burden of the social costs which they had been carrying. At this point firms, instead of trying to reform the system on the inside, began “quietly and individually” (p. 79) to move parts of their operations overseas (e.g. China) where Japanese system constraints did not apply; and soon Japan was even a new global center of transnational corporations. (Schoppa emphasizes however that firms’ behavior was very complex and that exit is only one angle on it.)

About industrial hollowing out what has the government been doing? International firms have undertaken limited, gradual processes of exit, choosing thus not to fight with the old (LDP) regime. As Schoppa explains, somewhat surprisingly, many elements of the convoy capitalist system – banks, government

ministries – actively helped these actors exit to pursue DFI (direct foreign investment), not foreseeing all the ramifications. In any case the process has left a domestic political situation which has been resistant to reform (especially well-planned action), and despite various efforts, areas of reform failure to date include labor markets, retirement age standards, pensions, electricity costs, and public sector expenditures (post office reorganization, resolving the bad loans crisis).

For women, there were more open labor markets in the 1980s plus rising expectations about freer life choices and new opportunities. However, when blocked from having both career and marriage, an increasing number of women sought exit by postponing or opting out of marriage. The understanding that this choice is directly expressed in the declining fertility rate has achieved consensus even in Japanese government studies.

Despite improvements by government since the 1990s in child rearing leave, childcare services, tax breaks, and so on, Japan still does not have an environment that encourages women effectively (i.e. in serious numbers) to combine full time careers and child rearing. Policy reaction to long-term fertility decline has been slow, in part because of left vs. right ideological conflict. Even the Japanese women's movement is split between the professional housewives and career women, neither side committed to reforms aimed at promoting a combination of the roles. Meanwhile the typical form of younger women's exit – simply staying out of marriage – also means disengagement from the conventional politics of voice.

Schoppa argues that a couple of exceptions – instances of successful reform – prove the general rule about exit dynamics: these include long term health care insurance (because reform was motivated by a dynamics of no-exit for the caregivers concerned, mostly women) and the big bang financial market reforms of 1996 (because reform was motivated by a dynamics of rapid exit).

In his closing chapter Schoppa questions whether Japan can develop a replacement system of social protection. So far, despite elements of a shift, it has not seen a “new system that synergistically provides both production and protection.” (p. 200) The author anticipates a continued resistance to creative capitalist destruction in the persistent convoy-oriented economy, and continuing pressure for women to serve as unpaid caregivers. Yet in particular the conservative approach to women, by causing low fertility, is metaphorically like “selling the seed grain,” i.e. destroying chances for the population of kids needed for the future economy and society.

It seems paradoxical that in Japan, with its long historical record of self-revival and self-reinvention, something in the powers of response seems to have gone wrong now. Schoppa suggests that one reason is the sheer success of the postwar economy – it has made so many individuals so rich that they can often achieve adequate private responses to problems rather than being compelled to take them up in the political (public, communal) arena. He concludes with the fear that eventually, ample exit will indeed produce a policy response in Japan, but at that point it will be too late to organize anything more than an Anglo-American “insecurity and inequality model” of social non-protection. Alternatively, the

emergence of a strong no-exit dynamics created by severe economic crisis may simply force people into the politics of voice. But what Japan really needs is the most difficult to obtain of all: imaginative leadership.

Readers might be wondering what a review of a book about economics and political science, about convoy capitalism and welfare politics, is doing in *Japanese Religions*. A sympathetic first guess about the relevancy might be, what special creative ideas if any do Japanese Buddhist institutions currently have about the mess, about the connections among government, social welfare and reform in Japan? That is a valid line of investigation (although Japanese Buddhist institutions do not have a particularly strong record of distinctive welfare thought in either past or present...), but it is not the reason for this review.

Rather, Schoppa's use of the voice-exit paradigm – which is fundamentally concerned with explaining how people react under situations of organizational pressure and change – suggests a line of analytical research about the future also of religious institutions in Japan, especially established Buddhism. The issue is how such institutions suffer losses when faced with dynamic but creeping socio-historical processes which make their services gradually less useful for members and bring the leaderships out of touch. Most typically in the Buddhist case, the cost of exit from Buddhist participation (principally, the psychological abandonment of family ancestral tradition) is too low to deter eventual departure of younger generations, but not high enough (e.g. some kind of coerced heavy membership fees) to cause rebellion and reform.

It is clear that the markets for established Buddhist institutions are under stress for many reasons in Japan, as noted in a recent book by Stephen G. Covell (*Japanese Temple Buddhism: Worldliness in a Religion of Renunciation* (Hawai'i, 2005) (reviewed in the July 2006 (31/2) issue of *Japanese Religions*). In the postwar period the old *danka* membership system has become unstable, especially in rural areas, because of a variety of continuing social and legal transformations: postwar land reforms which took away temple properties and income; newly idealized images of Buddhism; urbanization and rural depopulation; changing family structures; legal changes which weakened lay members' participation in the temple; competition in death services from secular, non-Buddhist funeral industries; and the weakening of the traditional sense of affiliation to religious organizations. To this list might be added loss of legitimation under modern nationalism, modern rationalist thought styles, and postwar consumerism.

However, Schoppa's work suggests that institutional factors are also at play in the awkward and ineffective institutional responses by established Buddhist groups, which are encouraged by the exit dynamics of "middle level exit difficulty." Japanese institutions in this respect are like organizations anywhere. One might even ask somewhat irreverently whether established temple Buddhism more like a government (voice-oriented) or more like a car company (exit-response oriented because purely market-driven) – or neither?

In the case of Japanese firms and women, Schoppa argues that the Japanese are so far refusing to engage the real, necessary debate about exit (p. 11). There is

need for far more of the empirical research exemplified by Covell, but a common impression is that many Japanese Buddhist institutions are refusing the debate too. As memberships dribble away, and members' changing needs are unrecognized, religious leaders can comfort themselves with the thought that old ways are still the best, that nothing is fundamentally wrong, that younger members will see the rationale for the temples when they become elders, and so on. As an American Zen priest said to me recently in an interview, most of Japanese Zen does not feel there is any crisis... .

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