Spring 2016


Instructors:
Takeo Hoshi
Phillip Lipscy

Tue, Thu 1:30 PM - 2:50 PM
Location: Littlefield 104
Office Hours by appointment:
Hoshi (Encina E314), Lipscy (Encina W411)

This course introduces the students to the economy, politics, and international relations of contemporary Japan. The course puts a particular emphasis on several emerging issues in Japan including innovation and economic dynamism, Japan’s contributions to international peace and cooperation, and Japan’s response to international economic and geopolitical challenges. There are no prerequisites for this course.

Each class session will be split roughly evenly between lectures and discussion. Following several introductory lectures, we invite several guest instructors, each of whom is an expert on at least one of the issues that Japan faces today, to give lectures and lead discussion. The guest instructors will also be available outside classroom for further discussion during their stays at Stanford.

In addition to the class, you are encouraged to attend Japan-related events on campus such as panel discussions and seminars organized by the Japan Program at the Shorenstein Asia Pacific Research Center (http://aparc.fsi.stanford.edu/japan). Many of those will be held in Encina Hall. We also encourage you to keep up to date with current events related to Japan. The Japan Times is geared towards ex-pats in Japan. NHK World is the English-language version of the Japanese public broadcast channel. The major national newspapers of Japan, in order of circulation, are the Yomiuri, Asahi, Mainichi, Nikkei, and Sankei, and many have English-language versions or articles.

Textbooks:

There are no textbooks but each session specifies some required readings that are supposed to be done before the class.

Grading:

The grade for this course will be determined by:
(1) Essays on contemporary Japan ---- 80%. Students enrolling for 5 units will complete four essays, 20% each. Each essay should be 1000-1250 words, or about 5 pages. Suggested topics will be provided by the instructors. Students may also enroll in the course for 4 or 3 units. Students enrolling for 4 units are required to complete three essays, and students enrolling for 3 units are required to complete two essays. The essays in combination will still account for 80% of the student’s grade, and each essay will be weighted equally.

(2) Class participation ---- 20%. Attendance and active participation in class discussion is essential.

Students with Documented Disabilities:

Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty. For students who have disabilities that don't typically change appreciably over time, the letter from the OAE will be for the entire academic year; other letters will be for the current quarter only. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk (phone: 723-1066, URL: http://oae.stanford.edu).

Essay Deadlines:

April 26, May 10, May 24, June 6

Schedule:

The schedule for the class is as follows.

1. March 29: Macroeconomic Overview of Japan (Takeo Hoshi)

We will review the conditions of the Japanese economy in recent years with special attention to the macroeconomic policies.

Required Reading:


Recommended Readings:


2. March 31: Silicon Valley and Japan (Kenji Kushida)

Japan's current political economy is in many ways the opposite of Silicon Valley in terms of the firm structures, industries, and the regulations shaping innovation and competition. This class session will reveal the underlying historical trajectory of political economic bargains in Japan that shaped its development, and how Japan interacted with the historical development of Silicon Valley and the US, leading to the current structural differences.

Required Readings:


3. April 5: Aging and Public Finance (Karen Eggleston)

Required Readings:

Naohiro Ogawa, Andrew Mason, Amonthep Chawla, Rikiya Matsukura, “Japan’s Unprecedented Aging and Changing Intergenerational Transfers,” pp. 131-160 in The Economic Consequences of Demographic Change in East Asia, NBER-EASE Volume 19 by Takatoshi Ito and Andrew Rose, editors, University of Chicago Press 2010; Chapter URL: http://www.nber.org/chapters/c8160


4. April 7: Japan and the World: Overview (Takeo Hoshi and Phillip Lipscy)

We will provide a basic overview of Japan’s contemporary place in the world, focusing on security issues, cooperation, and international economic challenges.

Required Readings:


Shinzo Abe. “Toward an Alliance of Hope.” Address to a Joint Meeting of the U.S. Congress. Wednesday, April 29, 2015.


5. April 12: Overview of Japanese Politics (Phillip Lipscy)
In this session, we will examine the basic structure and recent history of the Japanese political system. What is the role of politicians, bureaucrats, and private actors in Japanese politics? How did the Japanese political system evolve over the past two decades? What led to the rise and fall of the Democratic Party of Japan (DPJ), and the return of Liberal Democratic Party (LDP) government?

Required Reading:

Explore some of the basic features of Japanese government at the website of the Consulate-General of Japan in San Francisco: [http://www.sf.us.emb-japan.go.jp/en/e_m08_01_08.htm](http://www.sf.us.emb-japan.go.jp/en/e_m08_01_08.htm)


6. April 14: Evolution of Japanese Political Structure and Implications for the Abe Government (Harukata Takenaka)

In this session, we will examine how prime minister’s power has enhanced and policy formulation process has changed in these two decades as a result of two institutional reforms carried out in 1994 and 2001. We put this transformation in comparative perspective and analyze Prime Minister Abe’s leadership in particular vis-à-vis the LDP backbenchers.

Required Readings:


7. April 19: Politics of Tax Reform (Harukata Takenaka)
To understand changes in Japanese politics and policy formulation process, we take politics of tax reform as the first case study. We cover three issues in this class. We start from reviewing the history of the introduction of consumption tax into the Japanese tax system. Second, we examine how the DPJ governments designed tax reform to raise the consumption tax, demonstrating the effect of the rise of the two-party system on tax policies. Lastly, we show how prime minister’s leadership has increased while the LDP politicians’ influences have diminished in formulating tax policies under the Abe administration.

*Required Readings:*


8. April 21: TPP and Agricultural Reform (Harukata Takenaka)

To further grasp transformation of Japanese political system and policy devising practice, we pick up recent agricultural reforms as well as policies in TPP negotiations as the second case study. We go over three issues in this class. We first give an overview of traditional agricultural policies aimed at protecting inefficient agricultural production, in particular, rice production. Then, we show how the LDP governments have initiated reforms in agricultural policies, which were changed under the DPJ governments. Third, we show how prime minister’s leadership has increased in the field of agriculture by examining the agricultural policies and the TPP policies designed under the Abe administration.

*Required Readings:*

Congressional Research Service. 2015. *The Trans-Pacific Partnership (TPP)*, pp. 1-16. See also how the US and Japan have agreed to lower tariffs on the American agricultural products in “Read more about the overall US benefits” Read more about the overall U.S. benefits in “the Trans-Pacific Partnership” on the USTR webpage on TPP https://ustr.gov/tpp/#what-is-tpp.


Recommended Readings:


9. April 26: How did Japan Catch-Up to the West? (Kyoji Fukao)

This class discusses the historical origins of the core characteristics of the Japanese economy such as tight customer-supplier relationships and the lifetime employment system. The class also provides an overview of Japan’s catch-up process on the West, using long-run economic statistics on Japan. Some of these core characteristics of the Japanese economy would become obstacles to economic growth after the 1990s as the globalization and the aging of Japanese population progress.

Required Readings:


10. April 28: Structural Causes of Japan’s Lost Decades (Kyoji Fukao)

This class examines causes of Japan’s economic stagnation from a long-term and structural perspective and investigates whether it will be possible to remove those factors that caused stagnation. Taking a long-term perspective that compares the two decades from the early 1990s onward with the preceding two decades and, at the same time, taking advantage of databases such as the JIP Database and the EU KLEMS Database, we will compare Japan’s performance with that of the United States and other advanced economies.
**Required Readings:**


**11. May 3: Japan’s Emergence as an Innovating Economy (Lee Branstetter)**

Starting in the 1970s and continuing through the early 1990s, Japanese firms quickly emerged as global technology leaders across a range of industries, including highly knowledge-intensive sectors, such as information technology, that had formerly been overwhelmingly dominated by American multinationals. The speed and extent of this emergence surprised economists, industrialists, and policymakers, and it spawned an active debate on both sides of the Pacific concerning the role Japanese government intervention might have played in Japan’s seemingly unstoppable rise. As this debate unfolded, leading American policymakers challenged America’s traditional commitment to open trade and investment rules, and a rising “new generation” of economists challenged the traditional economic models upon which those commitments were based.

This class will review the degree to which Japan was seen as presenting a “technological challenge” to the industrial West. It will also review the claims made about the impact and importance of Japanese industrial policy in light of existing empirical evidence, and it will explore the other factors that drove the innovative success of Japanese firms during this period.

**Required Readings:**


**Recommended Readings:**


Clyde Prestowitz, Trading Places: How We Allowed Japan to Take the Lead, selected chapters.


In the second decade of the 21st century, the Japanese economy remains an important source of new innovation, and Japanese firms remain important technology leaders across a range of
industries. Nevertheless, Japan does not appear to be the world-conquering innovation superpower that many believed it to be in the 1980s, and, in some sectors, such as semiconductors and information technology, the rapid retreat of Japanese firms from their former positions of global prominence has been almost as surprising as their sudden rise in earlier decades. What happened to Japan’s innovation system in the 1990s and 2000s? What policy lessons can be learned from these more recent shifts? What does Japan’s experience suggest about the future prospects for innovation-driven growth in other advanced East Asian nations like South Korea and Taiwan? Are there lessons for less-developed Asian nations, such as China?

Required Readings:


13. May 10: Explaining Japan’s Unproductive Two Decades (Kyoji Fukao)

Following the burst of the “bubble economy” in the early 1990s, productivity growth in Japan declined notably and has remained at a relatively low level for more than 20 years. This class examines why Japan’s productivity growth has been slow for such a long time and how it can be accelerated in the future. The class also investigates why information and communication technology (ICT) investment in Japan has stagnated since the 1990s.

Required Readings:


Fukao, Kyoji, Kenta Ikeuchi, YoungGak Kim, and Hyeog Ug Kwon (forthcoming) “Why Was Japan Left Behind in the ICT Revolution?” Telecommunication Policy.

14. May 12: Lessons from Japan's Secular Stagnation (Kyoji Fukao)

Japan’s experience of the lost decades provides important lessons for other developed economies that seem to have entered “secular stagnation.” Lessons from Japan’s experience are also useful for Asian economics such as China and South Korea, which have high saving rates and declining working age populations.

Required Readings:


15. May 17: The Cold War Origins of Japan’s International Relations (Adam Liff)

This class analyzes the impact of domestic and international political developments and security/economic alignments during the 1945-1960 period. Contemporary Japanese foreign policy/US-Japan/China-Japan/Korea-Japan/Russia-Japan relations continue to be significantly shaped by these developments more than a half-century later.

Required Readings:

The Allied Occupation, the Korean War, and the San Francisco Peace Treaty


Cold War Overview: Foreign Policy Institutions under the “1955 System,” the 1960 U.S.-Japan Treaty Revision, and the “Yoshida Doctrine”


Michael J. Green, Chapter 2 “Domestic Institutions and Foreign Policy” in Japan’s Reluctant Realism (Palgrave, 2001): Read pages 35-41 closely; skim the rest quickly.


16. May 19: Coping with the End of Cold War (Adam Liff)

This class examines domestic and international developments in the 1980s and 1990s (esp. the end of Cold War) and the domestic political debates they elicited about what role Japan should
play in the post-Cold War world as it concerns the US-Japan relationship (security and economic affairs), ODA, and international institutions. The class also touches on the debates about regionalism, human security, and an East Asian Community. We discuss how structural changes set in motion the political debates that in turn paved the way for a gradual reorientation of Japanese foreign policy/US-Japan Relations that continues to this day.

**Required Readings:**


See also: March 14, 1991 (Unclassified) cable by U.S. Ambassador to Japan Michael Armacost to the State Department. 7pp


17. May 24: Contemporary Security Challenges to Japan (Adam Liff)

After examining more deeply the substance of the foreign policy evolution noted during the end of the previous class, this class evaluates how effectively Japan has responded to several specific regional issues, especially the challenges and opportunities presented by China's rise, the threat of North Korea, and the motley assortment of political, economic, and security challenges presented by festering regional territorial disputes.

Required Readings:

*Overview*

Ron Huisken, “The security outlook in the Asia Pacific: uncertain”, PacNet #69, October 14, 2015 2pp

Short Backgrounders on Regional Territorial Disputes


Russia-Japan: “Kuril islands dispute between Russia and Japan,” BBC News, April 29, 2013. 2pp


South China Sea: “Everything You Need to Know about the South China Sea Conflict - in under Five Minutes.” Reuters, June 10, 2015. 3pp

U.S. Strategy

Hillary Clinton,1 “America’s Pacific Century.” Foreign Policy, 189, November 2011, pp 56-63.


China


Korean Peninsula

Sheila A. Smith, “North Korea in Japan’s Strategic Thinking,” Asan Forum October 7, 2013. 16pp

1 Secretary Clinton was President Obama’s first Secretary of State (2009-2012) and is a candidate for U.S. president in 2016.

Russia

Yomiuri Shimbun “Japan’s Future with Russia” 3-part article series, Jan 2016. 10pp


This class evaluates the extent to which the Abe administration has truly transformed Japan's politics and foreign policy and discusses the implications of current and future domestic and international challenges (economics, demographics, China's slowdown, etc.). The class ends with a debate about what this all means for the future trajectory of Japan's politics, foreign policy, and the US-Japan alliance.

Required Readings:

Prime Minister Shinzo Abe, “Japan is Back” Speech at the Center for Strategic and International Studies, February 22, 2013. 6pp


Into the Future...


19. May 31: Wrap-up Discussion (Takeo Hoshi and Phillip Lipsy)