

Perspectives in Business Culture

Silvio Beretta
Axel Berkofsky
Fabio Rugge *Editors*

Italy and Japan: How Similar Are They?

A Comparative Analysis of Politics,
Economics, and International Relations

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Perspectives in Business Culture

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Foreword

What have the geographically and culturally so distant Italy and Japan in common as regards respective politics and political culture, economic structures and international relations? As it turns out and as the authors of this edited volume explain, quite a bit. The editors Silvio Beretta, Axel Berkofsky and Fabio Rugge have invited a group of well-known European, American and Japanese scholars to examine how and to what extent post war and present Italian and Japanese politics, economic and foreign and security policies are comparable and indeed similar.

Post war foreign policies and both countries' international relations in the post war world dominated by the East–West confrontation in particular come to mind when thinking of similarities between and parallel developments in Italy and Japan. Both Rome and Tokyo became staunch US allies after World War II and Washington's influence on domestic politics in both Italy and Japan was over the decades profound indeed. While Tokyo became Washington's 'unsinkable aircraft carrier' and ally supporting US security and military strategies to keep Communism from spreading in East and Southeast Asia, Italy was firmly embedded into the US-led Western alliance in Europe. After the end of the Cold War, both countries were charged with the task of readjusting their respective regional and global foreign and security policies. While Italy—above all through its NATO and EU memberships—found it easier to adapt itself to a world without a potential threat posed by the Soviet Union, Tokyo came close to having an 'identity crisis' after the end of the Cold War as Yuichi Hosoya explains in this book.

Italian and Japanese domestic politics and political cultures too are comparable and indeed similar as both countries were essentially ruled by one political party throughout the Cold War up until the early 1990s: by the Democrazia Cristiana (DC) in Italy and by the Liberal-Democratic Party (LDP) in Japan. This political setup came to an end in both countries in the early 1990s when Italy's DC and Japan's LDP were voted out of power. However, while the DC's collapse turned out to be permanent, the LDP returned to power in Japan after only 11 months out of power. Indeed, what looked like fundamental changes to Japanese political culture and structures turned out to be a partial readjustment with domestic politics returning back to 'normal' in less than one year. These days, both Italy and Japan, as we can read in this book, are burdened by high public debt, the consequences of

ageing societies and structural impediments continuing to stand in the way of sustainable and solid economic growth.

All of this and (much) more is analysed in this book and the scholars writing on Italian and Japanese politics and both countries' past and present economic and foreign policies make sure that this edited volume is a very good and indeed fascinating read.

Corrado Molteni

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Introduction

Silvio Beretta, Axel Berkofsky and Fabio Ruge

The literature comparing political, social and economic systems between countries has throughout history developed a vast range of approaches dealing with the question of affiliation with various types of regimes, which systems associated themselves with or were typically associated with.

Socialism versus capitalism and state versus market became the main points of reference and consequently the fundamental options to choose from when determining the quality and nature of a system (Djankov et al. 2003). The nature of systems, analysed in numerous disciplinary areas of research, in turn were defined by the nature of their institutions, norms and functioning in the reality of idealistic and/or ideological orientations, with which these structures were compatible.

When the distinction between socialism and capitalism was still relevant and empirically identifiable, some authors developed criteria for comparison. Accordingly, Grossman (1967) initially expands the range of alternative regimes comparing the case of the American citizen—whose points of reference are private actors—with the Russian citizen, whose points of reference are collective and non-private actors; he then goes on to compare the US citizen with the citizen of Yugoslavia, who is confronted with a mixed system of private and non-private and collective actors. Finally, he compares the American citizen with large parts of the global population, which lives in “self-sufficient” regimes without intermediaries. According to Grossman, the criteria necessary to compare alternative regimes are productive quantities, growth rates, economic stability, security, efficiency in all shapes and forms, social justice, economic freedom, sovereignty as well as immaterial factors.

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The diversity of outcomes resulting from the application of such criteria has thus fairly little to do with the radical character of ‘isms’: more often than not this resulted into a wide range of structures subject to comparison. The arguments developed by Eckstein in his edited volume of 1971 are similar (Eckstein 1971). Taking also into account the writings by Loucks and Weldon Hoot (1948), Eckstein re-introduces the concept of *fondness to compare* between economic systems in the same way political systems and forms of government have traditionally been subject to comparison.

When focusing on the mere description of institutions and not the in-depth analysis of them, Eckstein too points out the importance typically assigned to “isms” relevant for the comparison of economic systems. Consequently, the economic systems in capitalist, socialist, but also communist, fascist and various other forms of regimes become subject to comparison: the kind of comparison which—due to the fact that it lays emphasis on the “type” as opposed to “degree”—tends to compare the ‘isms’ with each other as opposed to stressing elements of continuity.

Like Grossman, also Eckstein distances himself from merely distinguishing between “isms” and also the approach of a ‘holistic’ comparison between systems, favouring instead an analytical approach, which focuses on the comparison between characteristics, institutions, outcomes and the functioning of systems subject to comparison. Centralism and de-centralisation of decisions, results in terms of productivity and efficiency beyond development and stability, modes of allocation of resources, consequences of technological progress, and the role of bureaucracies are elements relevant for the comparison between systems: from this approach, freed from political and ideological baggage, the systems subject to comparison emerge in the forms of ‘continuums’ as opposed to simplistic contrapositions.

It is along those lines that, starting from of the traditional triad of capitalism–socialism–communism, there emerged an analytical scheme, introduced and explained by Koopmans and Montias in the above-mentioned volume edited by Eckstein. In their contribution Koopmans and Montias propose to “avoid prior classification according to the grand “isms” and instead start from comparisons of organizational arrangements for specific economic functions” (Koopmans and Montias 1971, p 27).¹ A similar approach is applied e.g. by Donn (1978), who compares economic systems using three distinctive criteria: informative structure, decisionmaking structures and the system of incentives. The end of communism/socialism as alternative systems has obviously changed the terminology used for comparative work and studies, giving birth to a debate on ‘New Comparative Economics’ versus ‘Old Comparative Economics’. The fact that the emergence of the two approaches (‘old’ versus ‘new’) gave in turn birth to incongruent positions (Brada 2009) further reinforces the tendency to collocate the differences within the

¹ In the above-mentioned introduction Eckstein also introduces additional definitions of “economic systems” used by authors in the same edited volume, in particular by Koopmans and Montias (1971), Kuznets (1971) and Grossman (Eckstein 1971, pp 3–4).

“remaining” empirically identifiable systems. As it turns out they are all “capitalist” and distinguish themselves from each other by the “degree” and “quality” of capitalism.

A final observation before presenting the contents of the chapters of this volume dealing with Italy and Japan in a comparative perspective will seek to illustrate how the economic systems of both Italy and Japan are *dissimilar*, regardless of the fact that they are both capitalist countries. Against this background it is worth mentioning that the economic system, in interaction and interdependence with other subsystems, constitute the *social* system, of which the economic system becomes an essential part (Holesovsky (1977) who also refers to Max Weber and Talcott Parsons). In fact, it is in Holesovsky’s writings where one finds an important reference to Japan as “laboratory” for interaction and integration between different cultural and economic systems. In that context he cites the near-absence of the practice within Japanese companies to remunerate managers based on the profits they generate. Doing so would, as Hagen (1970) argues, lead to the difficulty—prevalent in Japanese culture, not without repercussions for the economy, of causing “embarrassment” for the individual exposing his or her deficiencies causing damage to his or her public image. Individual faults and responsibilities, punishment and incentives, on the other hand, are part of Western culture. Another example pointing to the differences between Japanese and Western business practices can be found in Dore’s writings, cited in Holesovsky (1977, pp 444–445). Dore underlines that in the Japanese business world one finds practices and attitudes (regarding strikes, job security, discipline as well as the preparedness to follow orders) uncommon or indeed absent in other capitalist systems. Instead, they are Japan-specific practices and values typically attributed to the concept of Japanese *paternalism*, which is regulating family-centred relationships in Japanese society. Citing a metaphor from Dore “The stirring and spicing and baking process of industrialization may be the same in both cases, but if you start off with a different cultural dough you end up with a different social cake” (Dore 1973, p. 375), one can conclude that there are indeed different types of capitalism, as the interaction between economic and cultural systems produces a plurality of results (Esping-Andersen 1990; Dore 2000; Ebbinghaus and Manow 2001; on the issue of “convergence” between systems see Berger and Dore 1996; Gilpin 2001).

Taking into account Hagen and Dore’s research and conclusions, the editors of this volume have invited scholars from various scientific disciplines to analyse Italy and Japan’s politics, economy, and international relations in a comparative perspective. While both Italy and Japan are both ‘capitalist’ countries, their respective political, economic and foreign policy subsystems turn out to be different as some of the authors of this volume conclude. Different not only because they are geographically distant but also due to reasons related to ‘culture’.

Aware of the fact that demographics (supported by empirical evidence and data presented by two authors in this volume) have a profound impact on the future and prosperity of a society, we have commissioned three contributions to analyse demographics and the phenomenon of ageing societies in both Italy and Japan. Italy and Japan (together with Australia and Switzerland) are amongst the ‘oldest’

countries in the world and the continuing ageing of both societies will continue to have a profound impact on their respective economies and societies as Carla Ge Rondi and Masayuki Tadokoro explain in this volume. The drastic transformation of the population pyramid in Italy analysed by Carla Ge Rondi using the most recent available data paint a *grey* future for Italy. Japanese demographics, analysed by Masayuki Tadokoro, too are very unfavourable and earlier concerns about overpopulation in Japan was followed by what Tadokoro calls “declinist” pessimism. Vittorio Volpi emphasises that there is a direct connection between an ageing society and economic prosperity in a post-industrial and advanced society like Japan. Indeed, the ageing of Japan’s society, together with the absence of anything resembling sustainable economic growth, have over the last 20 years profoundly transformed Japanese society and its labour market. Sluggish economic growth partly eroded Japan’s decade-old long life employment system and created a generation of part-time employees without job security, social benefits and career prospects. While other research and analysis (Thang 2011) on Japan’s demographic trends reach less pessimistic conclusions, there is a near-consensus amongst experts that if demographic trends in Japan do not change drastically in the years ahead, Japan’s population (currently 125 million) will shrink to well under 100 million by 2050. Failed and still failing Japanese immigration policies are responsible for the fact that the number of foreign residents living in Japan is—compared with other industrialized countries—very low. Only roughly 2 % of Japan’s population is foreign, far too low for a rapidly ageing society like Japan. The language barrier, cultural barriers and arguably a latent mistrust towards non-Japanese citizens amongst the population continue to make sure that immigration into Japan is bound to remain low. There is a consensus amongst scholars (arguably most of them non-Japanese) that the Japanese people and its policy-makers need to overcome a near-obsession of wanting to remain a ‘homogeneous’ country with a ‘homogeneous’ population.

In the section of this volume dealing with politics some authors only analyse one country while others deal with both Italy and Japan. Axel Berkofsky explains how Japan’s post war constitution “imposed” by the United States onto Japan in 1947 came into being. He puts particular emphasis onto aspects such as Japan’s disarmament, the role and status of the Japanese Emperor as those issues led to controversies and disagreements within Japan as well as amongst US policymakers in Washington at the time. Guido Legnante, Flavio Chiapponi and Cristina Cremonesi analyse Italy’s post war party system, and the “stability” of that system (until the early 1990s), which remained “stable” even when profound socio-economic changes took place in Italy. The authors go on to analyse the stages leading from the “First Republic” to the “Second Republic” and wonder whether very recent changes in Italy’s political landscape (i.e. the changes after Italy’s February 2013 general elections) will soon give birth to a “Third Republic”. Paolo Segatti analyses the results of Italy’s February 2013 elections, which led to the upheaval of Italy’s bipolar political structure predominant since 1994. Giovanni Cordini analyses the origins, contents and structure of Italy’s post war constitution and identifies some similarities between Japan and Italy’s constitutional post war

legacies, determined by World War II defeat, the rise and fall of dictatorial regimes and the interaction with the victorious powers. Takeshi Ito and Masako Suginojara compare the phenomenon of “clientelism” in Italy and Japan, identifying similar but also different ways and instruments to gain electoral support and consensus. In Italy, the authors conclude, clientelism is more organised taking place within and supported by political parties, while it is more personalised in Japan. Daniela Giannetti, Bernard Grofman and Steven R. Reed analyse electoral reforms in both Italy and Japan in the 1990s, pointing out both similarities and differences. The differences, Giannetti and her co-authors conclude, can be explained with different post war histories and political cultures (Brosio and Ferrero 1995).²

The section of this volume covering economics comprises three contributions. Dealing with Italy’s economy over the last 50 years from 1961 to 2010, i.e. the years from “economic miracle to decline”, Renata Targetti Lenti examines the stages of development, starting with the period of export-led growth of the 1950s and 1960s on to the 1970s, 1980s and 1990s during which competitiveness was largely secured by currency devaluation. When that instrument became less available, the weaknesses of Italy’s economic system—high levels of public debt, industrial decline insufficient investments into R&D and persistent dualisms between regions in Italy—became evident and were not countered and dealt with by structural reforms. Italy and Japan’s economies, Martin Schulz points out, do without doubt share some relevant characteristics: after having experienced rapid economic growth for over three decades, both countries entered into a long phase of economic regression, aggravated by ageing populations leading in turn to exploding public debt, to a loss of productivity and competitiveness of both countries’ productive systems. All of this—albeit to a different degree in Italy and Japan—led to persistently depressed economic growth over the last two decades. While small and medium-sized enterprises in Italy and Japan, analysed by Carlo Filippini in this volume, have an important role in both countries, only those in Japan profit from a favourable tax regime, a qualified and highly-skilled labour force, solid state support and are better positioned in Japan’s economic and industrial structure.

The concluding section of this volume deals with Italy and Japan’s international relations: four out of six chapters analyse both countries’ international relations from a comparative perspective. Marco Clementi analyses—with some references to the quality and nature of Japanese foreign and security policies—Italian foreign policy under the first Italian government led by Prime Minister Romano Prodi . He stresses the fact that Italy today finds itself actively involved in international politics, not least as it was—despite internal pressure and obstacles—able to make

² A “nomenclature”, Brosio and Ferrero argue, exists when: 1. An electoral law favours the governing party 2. The political system discriminates against ethnic-linguistic minorities and 3. There is a political agreement based on a *conventio ad excludendum*. While the Japanese nomenclature is the result of an electoral law favouring the governing party, the Italian one is the result of the above-mentioned *conventio ad excludendum*.

relevant contributions to international security during Prodi's first tenure as Prime Minister. Yuichi Hosoya (with some reference to the Italian case) elaborates on what he calls a "Japanese identity crisis" when re-defining and adjusting the country's domestic as well as foreign policy after the end of the Cold War. While the decade-old reign of Japan's Liberal-Democratic Party (LDP)—albeit temporarily interrupted in the 1990s—lasted even longer than the reign of Italy's Democrazia Cristiana, Japan's post war international relations were determined by the so-called 'Yoshida Doctrine' with the security alliance with the United States at its centre. That doctrine Hosoya explains, defined the "three basic principles" of Japanese foreign policy: 1. The centrality of the United Nations, 2. The relations in Asia, and 3. Japan's cooperation with the free world led by the United States. The end of the Cold War led to an increased Japanese involvement in international missions sanctioned by the United Nations, increased cooperation in the field of security with other Asian countries and to a redefinition of the bilateral security ties with the United States, considered a public good contributing to peace and stability in the Asia-Pacific. In Ilaria Poggiolini's analysis World War II defeat, the unconditional surrender accompanied by institutional continuity and the self-perception of being defeated are elements which render Japan and Italy comparable and have an influence on the role of both countries' involvement in the post war system of international relations. The complex negotiations on the admission of Italy (1955) and Japan (1956) to the United Nations during the years when numerous newly independent countries joined the UN are analysed by Marco Mugnaini. Both Italy and Japan have over decades been hosting US military bases on their respective territories. Matteo Dian analyses the motivations and objectives of US military presence in both countries and explains which international developments and events shaped and changed the quality of the presence of US military troops in Italy and Japan. In this context Dian elaborates on the level of acceptance US military bases enjoyed in both countries and concludes that, unlike in Italy, US military presence was constantly and intensively contested in Japan. Indeed, while the presence and burden of US military stationed on Japanese territory has almost always been an issue on top of the country's domestic policy agenda, this was not the case in Italy where protests against US military bases were rare and local. Donatello Osti reconstructs the decisive role the United States have had over the decades in shaping Japan and Italy's foreign and security policy as what he calls "medium powers" in their respective regions. The Gulf War of 1991, the Kosovo War of the mid-1990s and the conflicts in Afghanistan and Iraq of the early 2000s have demonstrated the central role both Italy and Japan had supporting US global military strategies. Japan's support of US policies dealing with a rising China, Osti explains, is bound to become more important in the years ahead. Indeed, China's rapid economic and military rise will make sure that Japan's role and involvement in US security and military strategies in East Asia will continue to be crucial for Washington's policymakers. The American 'pivot to Asia' announced by the Obama administration in 2012 is without doubt evidence that Washington will continue to count on Japan as loyal ally in East Asia, helping to contain Chinese hegemonic and territorial ambitions. China, for its part, considers

Washington's Asia pivot as the basis of a US containment strategy with Japan as America's close security alliance partner at the centre of that strategy. Hence, from a Chinese perspective Japan is inevitably part of a US-driven containment policy towards China. Japan, since December 2012 again ruled by the Liberal-Democratic Party (LDP),³ is furthermore and currently expanding its own defence ties in the region, amongst others with India and Australia.

While the in-depth analysis of Japanese and Italian demography, international relations, domestic politics and respective economies can naturally be found in the individual chapters, this introduction already allows for some broad and general conclusions as regards differences and similarities in Italy and Japan. Analogies co-exist with differences, which is inevitable when analysing two capitalist countries with distinctive social, political and economic systems.

Against this background the so-called "syndrome of ageing", dealt with by Volpi but also (in a more positive light) by Thang (2011, pp 183–185) must be mentioned, not least as concerns about a rapidly ageing society resulted in Japan in the adoption of the Elderly Employment Stabilization Law in 2006. As regards the analysis of international relations, comparing the 'medium powers' Italy and Japan's relations and interactions with the US is probably relevant only within limits. This is due to the fact that Japan is—above all against the background of a militarily rising China—strategically more important to the US than Italy is. As regards domestic politics, the obvious analogies between the two countries (dictatorial regimes, the decade-long rule of one political party and political clientelism) must be analysed together with the differences between Italian and Japanese politics as Takeshi Ito and Masako Suginojara and Daniela Giannetti with her co-authors Bernard Grofman and Steven R. Reed do in this volume. When speaking of political clientelism within a dominant party, the collapse of Italy's DC in the early 1990s has led to the dissolution of the network of the party's clients, and was aggravated by economic crisis and stagnation, as well as by the reduction of available resources. The evolution of the Liberal-Democratic Party (LDP) in Japan has been somewhat different. The LDP has been voted out of power in the early 1990s not because it has lost the support of its electorate but because an influential inner-party faction split from the party and supported a non-confidence vote against the LDP. When the LDP was voted out of power Japan's general elections in 1993 after a non-confidence motion submitted by the opposition, it remained by far the largest party but lost its absolute majority in the Lower House. Throughout the 11 months that followed, Japan was ruled by a fragile coalition government, which included eight relatively small parties and excluded the LDP. Less than one year later, however, the LDP (unlike the DC in Italy) returned to power and continued to rule in Japan uninterrupted until 2009. While the DC in Italy disintegrated for good in the early 1990s, Japan's LDP survived the country's political 'mini-revolution' and returned to governing power. Japan's second 'political earthquake' took place in 2009 when the LDP for the first

³ The party stayed out of power for 3 years after the general elections in September 2009.

time actually lost general elections. The 2009 defeat was crushing as the LDP lost almost 60 % of its seats in the Lower House and had to make way for the Democratic Party of Japan (DPJ), which would govern the country until December 2012. Other authors (Leheny 2011) point to the re-emergence of nationalistic impulses in Japanese politics over recent years. These are directed not only against China but also against the United States. Indeed, as Berkofsky argues in this volume, the LDP's return to power in 2012 under the nationalist and revisionist Prime Minister Shinzo Abe led to a re-emergence of the nationalist and revisionist elites' efforts to revise the country's war-renouncing Article 9 of Japan's constitution in order to regain—as the country's nationalist elites and the Prime Minister Abe himself puts it—“full sovereignty”. Article 9 has been a thorn in the thumb of Japan's nationalist and ultra-conservative elites for decades and even if political and technical obstacles continue to stand in the way of constitutional revision any time soon, revisionist groups and forces in Japan have gained ground and influence, also because the country's Prime Minister is clearly ‘one of them’.

As regards the state of both countries' economies, Martin Schulz analyzes parallel developments in Italy and Japan such as the accumulation of enormously public debt and low economic growth. Schulz argues that neither Italy nor Japan seem to be aware of the fact that in mature economies “debt crisis” are in reality “growth crisis”, which cannot be resolved through policies protecting the wealth and vested interests of an ageing population at the expense of the younger generations. In Italy, the loss of monetary sovereignty (analysed by Renata Targetti Lenti in this volume) has resulted in the strategy of “dumping” the baggage of protectionist policies onto public debt and fiscal pressure (both of which are still increasing in Italy), while in Japan the same protectionist policies led to an increasing public debt and depressed economic growth. Only very recently, Martin Schulz points out, has Japan resumed monetary policies—in essence massive quantitative easing—to re-launch economic growth. Indeed, quantitative easing adopted by the Bank of Japan (BOJ)—one ‘arrow’ of Prime Minister Abe's so-called ‘three arrows’ strategy to revive Japan's economy (the other two ‘arrows’ being a sharp increase of public spending and structural reforms)—has over the last 18 months led to a return to seemingly solid economic growth. However, it remains yet to be seen whether Japan's government will in the months ahead be able to adopt the announced structural reforms, the precondition for sustainable as opposed to only temporary economic growth created by massive quantitative easing.

Like politics⁴ also the economies of Italy and Japan are analysed in a comparative perspective by a number of authors (Boltho et al. 2011). When comparing economic and industrial structures it is typically pointed out that Japan's big multinational companies and conglomerates have been the main engine of Japan's export industry, while in Italy small and medium-sized enterprises were over decades the backbone of Italy's industry. Furthermore, it is pointed out that

⁴ For an excellent analysis on the similarities of domestic and foreign politics in Italy and Japan see also Richard Samuels' book “Machiavelli's Children” published in 2003 (Samuels 2003).

Japanese exports of goods have largely been of capital-intensive nature, while Italy's exports have largely been of labour-intensive nature, profiting from Italy's comparative advantages in line with the country's industrial structure (Boltho 2011). Finally, the comparative literature points to the persistence of a "family-centred capitalism" in Italy, with families as opposed to "outsiders" or shareholders controlling companies, in contrast with the "managerial capitalism" in Japan (Barca et al. 2011). Boltho (2013, pp 129–130) reaches a fundamentally different conclusion when comparing the economies of Italy, Germany and Japan arguing that "More important are three...differences: (1) administrative inefficiencies, (2) the continuing underdevelopment of the *Mezzogiorno*, and (3) the near-permanent state of conflict in industrial relations...Behind these differences lies a further one with much older roots: the comparative incapacity of the Italian state to efficiently run a modern economy".

These differences, however, have their origins also in dissimilarities dating back to the post war reconstruction period as Boltho (2013, p. 111) is pointing out. He argues that "The reconstruction period may...have opened an institutional gap between Italy on the one hand and Germany and Japan on the other. The latter two countries, whether of their own volition or under American pressure, adopted some fairly radical reforms that paved the way for a subsequent degree of consensus that had not existed before the war. Italy's reforms were less far-reaching and the country reverted to the non-consensual pre-Fascist liberal order. Had Italian reformers been more audacious, or had the United States been more influential or assertive, subsequent developments in the country might well have been more favorable".

The chapters of this volume together with the cited literature allow us to conclude that while Italy and Japan are within certain limits comparable, they must be analysed using different standards and references when attempting to predict the future of both countries' politics and economies. The chapters dealing with Tokyo and Rome's foreign policies and international relations suggest that the same conclusion can be drawn when comparing both countries' positions and positioning in international politics and security.

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Part I
Society and Demography

Italy's Population: A Portrait

Carla Ge Rondi

Abstract Italy is demographically one of the oldest countries in the world. There are 20.4 % of over 65-year-olds in the total population, as there are in Germany, and this is second only to Japan with its 22.7 %. This ageing has occurred because longer life has pushed up the age pyramid and reduced the birth rate. Consequently, fertility has narrowed the base of the said pyramid. The total fertility level in Italy in the 1950s of the twentieth century was about 2.3 children per woman. It rose to a maximum of 2.7 in 1964–1965 and went down to mere replacement level in 1976. It fell below that level from 1977 onwards. The unabated decreasing tendency reduced the level to 1.2 in the 1990s, to then later rise again to 1.4 children per woman. This chapter examines the factors causing reduced fertility and considers changes in the family patterns and in reproductive behaviour. The analysis of the improvements in survival will then seek to explain why Italy has become one of the four countries in the world with the highest longevity (life expectancy is 81.37 years). As a result of that, this chapter concludes, Italian society will in the future become even older.

1 Demographic Ageing

According to the UN estimates of 2012,¹ Italy is one of the demographically oldest countries in the world. There are 20.4 % of over 65-year-olds in the total population, as there are in Germany, and this is second only to Japan with its 22.7 %. It must be emphasised, however, that there are relatively more really ‘old folks’ (80-year-olds and upwards) among Italian oldies: 28.8 % against 28 % in Japan

¹ <http://esa.un.org/unpd/wpp/index.htm>

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and 25 % in Germany (5.9 % against 5.1 % of total population). Italy comes second again after Japan in its reduced presence of young people (under 25-year-olds)—only 24 % of the population's total. Hence, in Italy the ratio of old to under 25s is 8.5 to 10—approaching parity, parity that is largely exceeded if we consider only the youngest (under 15-year-olds): 14.5 to 10. Furthermore, there are 37 over 65-year-olds for every 100 of working age (25–64-year-olds) resulting in the fact that the index of dependence (young people under 25 and older ones over 65) rises to 80 %. ‘Young’ is used for those under 25, instead of the usual 0–14 bracket, in order to take a more realistic account of the real age of starting work in this country, and also to include most of the generations born after the decline in total fertility (otherwise known as the average number of children per woman) below the mere replacement level of 2.1 children, datable from 1977.²

Comparing the population pyramid of 1951, when only 8 % of the population was at least 65 years old, with that of 2011 (Fig. 1), it becomes very evident that the process of ageing among the Italian population has substantively intensified. Population total has passed from 47.5 to 59.4 million, an annual growth rate of 3.7 per thousand as against an increase in the older population of 20 per thousand (five times more). It is particularly noteworthy that the solid pyramid base of 1951 turned into a solid vertical in 2011. We should also note that the older generations are those born before the Second World War—those who were consequently over ten years old in 1951. It is also very evident that there is a throttling back of 33–37-year-olds, due to the reduced birth rate during the First World War, just as the 2011 pyramid shows an age bulge corresponding to the mid-1960s baby boom. In old age this will transform into an even greater strengthening of the pyramid's vertical, as will be discussed further below.

When dealing with demographic ageing Golini (2007) affirmed that “it is known that ageing is the positive result of two victories that humanity has sought to achieve for centuries: the victory over unwanted births and that over premature death”. Indeed, it is inevitable that the process of demographic transition, the passage from high birthrates and mortality to low levels of both, will generate rapid or less rapid ageing according to the experience of individual countries. At the census of 1961, on the eve of the phenomenon known as the baby boom, children under 15 were one quarter of the population, while the 65-year-olds and over constituted less than one tenth. Thirty years later, in 1991, the weight of these two component parts was about equal, at around 15 %. Hence the reduction in importance weight of young people, during that period, was more significant than the increase of old people. However, in the subsequent twenty years, the young people's presence has remained at about 14 %, whereas that of old folks has increased rapidly to up to 20 %. The fight Golini defined as “over unwanted births” resulted in victory during the 1980s, just as the fight was won “over premature death”. It should be added, however, that if premature death has been beaten—that is death in infancy—the battle for prolonging life is yet far from won. This thus increases the verticality of the population pyramid, whilst the victory over unwanted births is turning into a defeat: reduced reproduction at too low levels is continually narrowing the pyramid's base and, in the long or medium term, can lead to a decline in population. A closer look at the dynamics of fertility and survival, however, becomes necessary.

² The UN itself also calculates a dependence index it considers the lowest age of adulthood: 25.

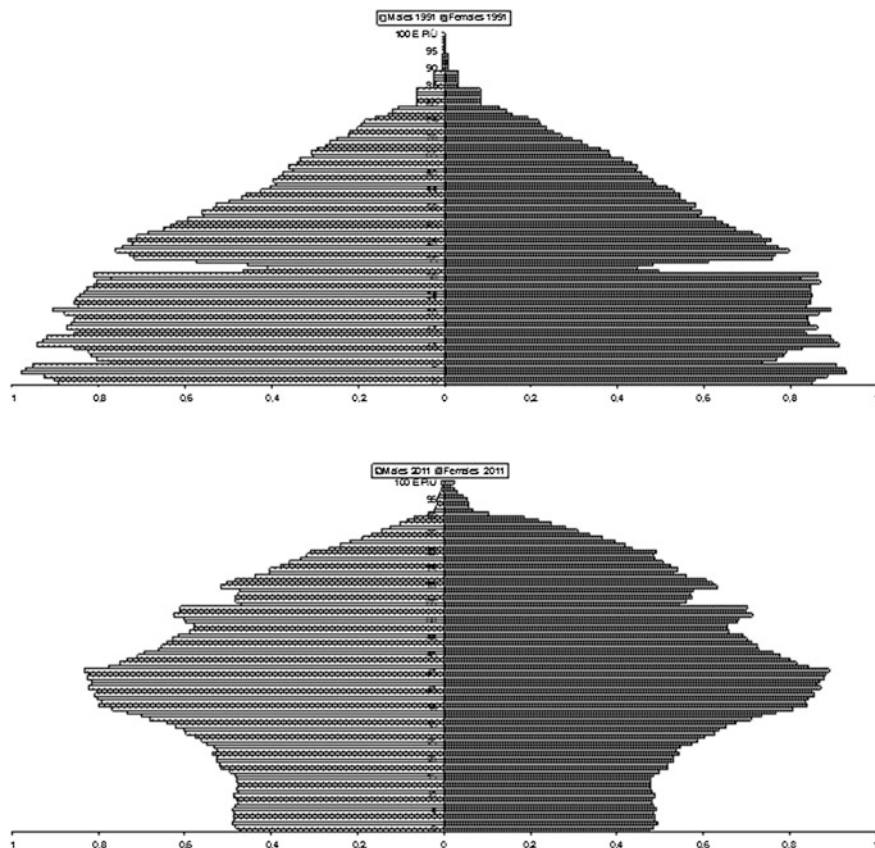


Fig. 1 Population pyramids (1951 and 2011). *Source* ISTAT, Censimenti della popolazione. Anni 1951 e 2011

2 Fertility

The level of fertility in Italy during the 1950s was about 2.3 children per woman. It rose to a maximum of 2.7 in 1964–1965 and then went down to mere replacement level in 1976. It fell below that from 1977 onwards. The unabated decreasing tendency reduced the level to 1.2 in the 1990s, when Italy had the world's lowest fertility rate.³ At the turn of the century there was a modest resurgence so that today the fertility trend indicator amounts to about 1.4 children per woman. We should underline that the drop in fertility could have been caused by delaying childbearing and that the rise may in turn be attributable to a

³ The absolutely lowest point was in 1995: 1.19. A figure lower than 1.3 is recognised as 'lowest-low fertility'.

Table 1 Main indicators of Fertility. Italy 2010

Births outside marriage (% total live births)	23.6
Total fertility rate	1.40
Mean age of mothers at childbirth	31.3
Total fertility rate of Italian women	1.29
Mean age of Italian mothers at childbirth	31.8
Total fertility rate of foreign women	2.13
Mean age of foreign mothers at childbirth	28.9

Source ISTAT, Natalità e fecondità della popolazione residente. Anni 2009 e 2010, Rome, September (2011)

subsequent recovery: “The (slight) increase in fertility between 2000 and 2009 may be partly due to a catching-up process, following the postponement of the decision to have children. When women began giving birth later in life, the total fertility rate first decreases, then recovers” (EUROSTAT 2010). As can be seen in Table 1 for 2010, the average age for maternity is 31.2, about a year and a half more than in 1995 (when it was 29.8). For Italian citizen mothers, this figure goes up to 31.8 years of age (ISTAT 2011). Thus Italian fertility is not only low, but indeed has been stuck for at least a quarter of a century around 1.2–1.4 children per woman.

However, “all enquiries into fertility, even the most recent ones, highlight that the number of children desired is clearly higher than the quantity produced and tends to hover round generation replacement levels”, Sabbadini writes (Sabbadini 2005). What are the reasons for the differences in desire and realisation? According to Tanturri (2010) “it may be concluded that both working women and those who do not have jobs end up by producing few children. The latter category has plenty of available time to spend with their children but does not have the economic means to maintain children. The former have adequate means for bringing up children but lack time, rendering it very difficult to consolidate work and child-care. In both cases, failed policies play a role. In the first case, policies are lacking to maintain the living standards of a single-income family; in the second case, the conciliation services offered by the state or available in the market place are inadequate.” The same writer also specifies that “keeping up with work outside the home is another reason why Italian women do not want more than one child, and this is particularly adduced by first-time mothers... But at the same time, we must not forget, again for single-child parents, concern for the responsibility of caring and not being able to count on the constant help of parents and/or friends to look after the children”. It is worth quoting a report on conciliating motherhood with living time (Sabbadini 2005), written some years ago at the request of the Equal Opportunities Ministry, where we read that “ISTAT surveys prove there is an unfavourable social climate for paternity and maternity in our country. This is the result of Italy’s late involvement in the subject of conciliation between maternity and living time. To remove this social climate continual long-term intervention in support of motherhood and fatherhood is required. The division of roles within the family is still rigid.

Table 2 Households by type

(a) Households	Year 1998		Years 2009–2010	
	Thousand	% Households	Thousand	% Households
Non-family households	4,116	20.7	7,443	30.4
of which One-person households	3,832	19.3	7,001	28.6
of which One-person not widowed	2,204		4,157	
One-family households	15,510	78.0	16,731	68.4
Two or more-family households	247	1.2	290	1.2
Total households	19,873	100.0	24,464	100.0
One-person not widowed (% one person)		57.5		59.4

(b) Nuclear families	Year 1998		Years 2009–2010	
	Thousand	% Families	Thousand	% Families
Couples	14,048	89.2	14,617	85.9
Cohabiting couples	340	2.2	881	5.2
Married couples	13,708	87.0	13,736	80.7
Single Parents	1,461	9.3	2,115	12.4
Total nuclear families	15,757	100.0	17,021	100.0
Married couples (% nuclear families)			69.0	56.1
Cohabiting couples (% couples)		2.4		6.0

Source Personal elaboration of data gathered by ISTAT, *Come cambiano le forme familiari. Anno (2009)*. www.istat.it/it/files/2011/09/forme-familiari2009.pdf

Although men collaborate more than in the past at home, their contributions to family tasks is still very limited compared with that of women. This creates a notable overburdening for women in general and working women in particular; the social services network, especially for early infancy, is deficient, less than what working women need. It is also costly”.

But let us return to the recovery of fertility we have observed in recent years and see how small a role the growing presence of immigrant women plays in it. Their fertility is admittedly much higher than that of Italian women (2.2 against 1.3) but their importance is still not such as to significantly modify the indicator value (ISTAT 2011). It should be added that births to at least one foreign parent are about 19 % of the total and the births where both parents are not Italian count for only about 14 %.

Leaving aside that this entirely insufficient rise in fertility is still very far from replacement level, it should be noted that in this short period of the twenty-first century, Italy is showing a family model decisively different from what could be observed until the end of the twentieth century. First of all we should note that an increasing number of births are taking place outside of marriage (Table 1): the percentage of births for non-married parents was 24 % in 2010, whereas it was only 8 % in 1995. There is also an increase in cohabitation: in 2009 unmarried couples were 6 % of the total number of couples, as against 2 % in 1998 (Table 2). And finally there is a growth in the number of broken marriages too: the ISTAT

(2009) estimates that in 1995 for every 1,000 registered marriages there were 158 separations and 80 divorces; in 2009 the figures went up to 297 separations and 181 divorces. The amount of increase is striking, although it should be noted that the figures for the relationship may be somewhat misleading because of the difference in trend of weddings and separations or divorces, the former decreasing and the latter increasing. If marriage break-up frequency could be estimated for the marriage cohorts, we would probably get lower relationship figures. The ISTAT (2009) also underlined that “to interpret the data correctly, it must be considered that the separations registered in any given calendar year relate to different lengths of marriage, resulting from the behaviour of couples wedded in different years (marriage cohorts). They should consequently be considered in relation to the initial total of each marriage cohort. To understand how the tendency to dissolve a union relates to the length of marriage, we must analyse back from the break-up year to the start of the union and consider how many marriages lasted for different lengths for marriage cohorts. For those celebrated in 1972, 963.8 out of every 1,000 marriages lasted more than 10 years; for those which began in 2000, 877.5 per 1,000 lasted that long. In other words, separations have more than tripled in that period, passing from 36.2 per thousand in 1972 to 122.5 per thousand in 2000”. There has also been a significant increase in the average age for first marriages. In the 1970s and early 1980s it was consistently around 27 for men and about 24 for women. In 2009 the age was 33 years for men and 30 years for women. Daughters therefore are getting married on average about six years later than their mothers. We therefore can conclude that due to such changes, three quarters of children are being born within a conjugal relationship and that the reproductive life of Italian women (usually between 15 and 49 years of age) has been reduced by a good six years in the course of three decades. In the 1970s, over one third of children (36 %) were born to mothers under 25 and less than 9 % to mothers between the ages of 35 and 39; in the first decade of this century, over a fifth of births were given by women aged between 35 and 39 years old. In short, in a country where almost all marriages were celebrated according to the rites of the Catholic Church and where marriages also have civilian validity, it is becoming increasingly more common that couples choose to be contracted in marriage solely in the Municipal Registry Office. In recent years this choice has been made by one third of all couples. This may certainly partly depend on the increase in second and subsequent marriages: now about an eighth of the total compared with just over 6 % in the 1970s.

We pointed out above that cohabitation outside of marriage has increased. The married couple, however, still remains the dominant family model but much less so than in the past (in 1998 they were 69 % of families, today they are 56 %). In fact, the typology identified as the nuclear family (couples with or without children and parents with children) has decreased in face of a considerable increase in singles, who have risen by nearly 90 %. It is therefore interesting to analyse the characteristics of this one-eighth of the Italian population living alone. From a profile drawn up a few years ago (Ge Rondi 2006a) it emerges that four out of ten are at least 70-year-olds, six out of ten are women, almost half of them (46.5 %)

widowed, and more than one third (37.2 %) are single or unmarried. There are more women of advanced age living alone than there are elderly men (57 % as against 21 %) also because the 'isolated' status is predominantly conditioned by widowhood. In fact, bachelors count for only 53 % of men and not more than 28 % of women living alone are unmarried. In short, those who live alone, therefore, are normally no longer young (the mean age is 66 and the modal 73) and are women.

"Typical of our Mediterranean situation is... an aspect whose size is unknown in other occidental countries: the increasingly massive, lengthy presence of adult children within the family" (De Sandre et al. 1997, 24–25). Even in 2007 the children still living with their families were 60 % of those non-married between the ages of 18 and 34. "Between 1983 and 2009 the amount of young people between 25 and 29 staying on in the family doubled (from 34.5 to 59.2 %) and those between 30 and 34 tripled (from 11.8 to 28.9 %)" (Ferrara et al. 2011). It should be noted, however, that these figures are considerably reduced if we consider that a number of unmarried children actually live on their own, far from the parental home, for a good part of the week, for reasons of study or work (Ge Rondi 2006a): when taking into account only of those offspring who habitually continue living with their parents, the figure falls to under 40 %.

An enquiry of the reasons for this prolonged living with the family reveals that "nowadays economic reasons are the primary ones indicated by 18–34-year-olds, followed by the need to continue their studies. Only third in the list do young people declare it is their personal wish to stay in the family ("I'm fine like that, I can still have my freedom"). In 2003, however, the 'choice' of living with their parents and yet having a large measure of autonomy was one of the most common reasons given in a relational context that was not limited as in the past to strictly hierarchical father-children relationships (Ferrara et al. 2011).

3 Survival

According to UN figures covering the period from 2005 to 2010,⁴ the population of Italy is the fourth longest-lived in the world, preceded by Japan, Switzerland and Australia. Life expectancy at birth (both sexes taken together) is 81.37 years (in the classification of life expectancy among males Italy comes sixth with 78.58 years and among females it comes fourth with 83.98).

In the mid-twentieth century Italy was nineteenth with an average life span of 66.32 years. Italians have therefore gained a total of 15 more years of life in a period of just over half a century. The drastic reduction in infant mortality from 60 per thousand to 4 per thousand is an important indicator explaining why Italians live longer. Having once overcome premature deaths, the biggest gain comes from gradually increasing age of longevity. The probability of reaching one's 65th

⁴ <http://esa.un.org/unpd/wpp/index.htm>. Hong Kong and the Channel Islands were omitted in drawing up the classification.

Table 3 Lengthening of life in Italy

Life expectancy			
	e_0	e_{65}	e_{80}
1950–1953	65.5	13.2	5.3
1970–1972	71.9	14.9	6.4
1992	77.0	17.0	7.3
2008	81.4	19.7	8.8
Survival ratios			
		$P_{0.65}$	$P_{0.80}$
1950–1953		68.6	27.5
1970–1972		77.1	38.0
1992		84.4	51.4
2008		90.0	64.8

Source ISTAT, Tavole di mortalità, anni vari

birthday, for a newborn baby subject to the mortality rate of the 1950s was less than 69 %; for a newborn subject to today's mortality rate, the chances are 90 % (Table 3). Put differently, 30 out of a 100 children would back then not have reached the age usually considered 'old'; today, that number decreased to only 10 in every hundred. The probability calculated for a newborn to reach 80 years of age has risen from 27.5 to 65 % (56.3 % for men and 73.9 % for women). In other words, the chances have multiplied two and a half times.

There is still an increasing difference in survival rates between the sexes: in the 1950s, a woman's life expectancy at birth was 3.5 years more than a man's (67.24 and 63.71 respectively); in 2008 the difference in favour of the woman rose to 5 years (84.07 and 78.81). In the 1950s, 80-year-old men could hope to live another 4.99 years and women additional 5.48 years; now the figures are 7.86 and 9.72 respectively. At 65 an Italian woman still has (on average) 21.55 years of life left and a man has 17.92 years in front of him. The probability of reaching the expected age is 54 % for women and slightly over 50 % for men. In other words, more than half of 65-year-olds could reach 86 years of age and more than half of their contemporaries could reach 83.

A recent essay (Caselli and Egidi 2011) points out that as well as longer survival rates, "the quality of life in the extra years is clearly improving". Nevertheless, Caselli and Egidi write, "the woman's better performance in terms of survival hides a disadvantage regarding health. This emerges regardless of which measurement indicator is used, and it concerns all old people, especially the oldest. Disability is one of the main problems reducing quality of life for old people: 76 % of women can hope to reach 60 years of age with complete autonomy, as compared with 78 % of men. In addition it is the women who suffer the most severe disabilities: at that same age 3 % are already seriously limited in their personal autonomy and depend on someone else to perform the basic life functions, and another 17 % complain of partial limitations as regards health and autonomy. For

men these proportions are respectively 1 and 11.11 %. For those between 60 and 79 years of age these differentials increase and only 57 % of the 18 average years of a woman's extra life at this age range can be lived in complete autonomy (as against 67 % of a man's average 17 years). Among the over 80 s health differentials between the sexes are at their greatest, also as a result of the increased ageing of the female population over this age: only 15 % of the average 10 extra years lived by women are spent in complete autonomy, as against 24 % of the man's extra average 8 years".

"Women grow old alone, men grow old in a couple" is the title of an article on old people's living conditions (people of 75 and over) in nine countries of the European Union (Delbès et al. 2006): Italy, where the proportion of over seventy-five-year-olds in institutions is lower than elsewhere (2 % of men and 4 % of women), is no exception. Almost 7 in ten men living with their families still have their wives, but less than a third of women still have husbands, while about half of them live alone and about one in ten live with their unmarried offspring. Then again, it is evident that widowhood is a condition typical for the female population, since, as we have seen, men enjoy shorter life expectancy. However, men usually tend either to marry women younger than themselves or to enter into another union more easily if widowed or divorced.

Are the increasing numbers of old men and women living alone isolated from their families? Drawing attention to those who have children, it emerged (Ge Rondi 2006b) that almost 40 % of those with children live in the same block and 77 % live in the same municipality. When there are two offsprings, 45 % live in the same municipality as their parents and in 84 % of cases the old people live with at least one of the children. The probability rises even further, obviously, that one of the offspring will live in the same municipality as the mother or father, if there are more than two children. Hence, Italian children are leaving home late and even after they do so, they still live near to their parents. It has been emphasised on this subject (Tomassini and Lamura 2011) how "the closeness of parents living near children is the result of a family strategy that is applied when the offspring gets married. In fact, parental economic help when their offspring buys a house plays a fundamental part in generations subsequently living near each other" and "choosing a residence for the children...is provided to facilitate other types of intergenerational transfer, like contacts with or help for grandchildren or old folks in difficulty".

4 Conclusions

As mentioned above, Italy is one of the oldest countries in the world. In the future, since ageing begets further ageing, reducing the flow of new generations, Italian society is bound to become even older. Those who will become old in the next decade have obviously already been born, so their number will depend solely on

the conditions for their survival. The UN predicts⁵ that by 2050 life expectancy at birth will rise by 4 years, both for men and for women; the population of 65-year-olds and over is expected to exceed 19 million and those over 80 years old are estimated to reach 7.7 million (presently there are 12.3 million and 3.5 million respectively). The most likely hypothesis is that they will weigh on the total population with an average variation of 32 and 13 % respectively. As a consequence of this considerable increase of individuals of senile age, especially those of 'great age' who will double in quantity, there will be a diminution of young people under 25 years of age (from 14.6 million now to 14.0 million). They will be born after 2025 and will decrease in number, although the average number of children per woman should go up to 1.7 and reach 1.88 in 2050.

Italy's demographic future, it seems, looks pretty grey.

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⁵ ONU, World Population Prospects: The 2012 Revision. <http://esa.un.org/unpd/wpp/index.htm>.

Changed Discourses on Demography in Japan

Masayuki Tadokoro

Abstract Japan is the precursor as a country with aging and declining population. While the Japan's demographic profile is widely viewed as a source of fatalistic declinism about its future, it was, for long, overpopulation that obsessed the Japanese people. This chapter tries to elucidate the dynamism as well as lags behind the shift of the attitudes by tracing Japanese discourses on demography.

1 Introduction

Since the 1990s, Japan's future image has been dominated by declinist discourses. One of the main factors often referred to as a reason for the presumed decline of Japan is its demographic trends, namely an shoshikoreika or aging population combined with the diminishing number of children. Contrasting views, however, have been put forward regarding political implications of population profiles of a nation. On one hand, there is a mercantilist view, which sees populations as a source of national power. Morgenthau, for example, argues in his book on international politics:

Without a large population it is impossible to establish and keep going the industrial plant necessary for the successful conduct of modern war; to put into the field the large number of combat groups to fight on land, on the sea, and in the air; and, finally, to fill the cadres

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of the troops, considerably more numerous than the combat troops, which must supply the latter with food, means of transportation and communication, ammunition, and weapons. It is for this reason that imperialistic countries stimulate population growth with all kinds of incentives, as did Nazi Germany and Fascist Italy, and then use that growth as an ideological pretext for imperialistic expansion (Morgenthau 1978, pp. 130–131).

This type of view has been widely accepted by students of a strain of international politics that focuses on competitive relations among states. In particular, in an age when there was little reliable economic data, such as GDP, the size of population was a convenient yardstick to measure relative power between nations. The fear of depopulation, therefore, actually was an issue vividly discussed in some countries in the context of national power. For example, in France, following defeat in the Franco-Prussian War in 1871 the low level of population growth alarmed many French publicists as it was regarded as indicating declining national power. “In France alarmist prophecy and warning became the order of the day, and French writers predicated almost with one voice that France’s slow demographic growth relative to that of Germany, Russia, and England would give these countries a cumulative military and political preponderance over France” (Spengler 1979, pp. 121–122).

It is obviously no longer appropriate to measure national power by the total number of soldiers, and accordingly the total size of population is no longer commonly accepted as a valid measure of power. However, even today the total size of productivity is often still linked to the total size of population. If the most important factor of production can be assumed to be labour, particularly intellectual labour, then population size can be regarded as the most decisive element in determining national economic power. The Japanese scholar Akihiko Tanaka, for example, argues that when the impact of industrial revolution eventually spreads all around the world, relative power among states will be decided by relative size of population.

“When technology to improve productivity of an individual goes around the world, the ultimate determinant of GDP of the land will be decided by the size of population. At the end of the day, modern history seems to be closing its cycle. The West suddenly became so powerful because it developed a ‘magic wand’ or modern technology, but sooner or later it can be acquired by everybody. Once everybody has gained the same ‘magic wand’ it ceases to be so terribly special” (Tanaka 2009, p. 92).

On the other hand, economics has a strong tradition to regard population as a serious problem. Thomas Robert Malthus, in his famous work of 1798, *An Essay on the Principle of Population*, argued that population pressure is the primary source of poverty, since population increases by geometric series whereas food production can increase only by arithmetic series (Malthus 1996). In fact, even today, in the context of economic development, the agenda is dominated by attempts to avoid and contain overpopulation. The major problem in this context is how to limit population growth and escape from the ‘Malthusian trap’, in which the fruit of economic growth is consumed by an expanding population thereby perpetuating poverty.

Today's Malthusian arguments can be found in abundance within environmentalist discourses. They emphasize the growing population of the world as placing increasing pressure on limited supplies of natural resources, such as energy and food, which threaten to produce major socio-political disorder. In addition, there is common reference to a 'population explosion' potentially resulting in socio-political instability through excessive urbanization. Internationally, this condition is interpreted as causing global environmental problems and prompting unregulated international migration.¹

Many have argued that population growth has been one of the conditions of political disorder though the link between the two may not be directly traceable. It is argued that in modern Europe, surplus population overflowing from agricultural communities into urban areas formed a hotbed for political radicalism, which prepared many active political movements, such as the French Revolution and other nationalist uprisings, not to mention communist movements. Discontent in the agricultural villages was related to one of the most dramatic events that affected European history.

"The life of Gavrilo Princip, whose pistol shot triggered the conflict [World War I], was aptly paradigmatic. Born in a poor village of Bosnia, he was one of nine children, of whom six died in infancy. As second son, Gavrilo had to seek his fortune away from home, and his half-hearted pursuit of formal qualification for state employment by attending secondary schools eventually provoked a break with his family. Instead of finding a place within the hierarchy of an extended family, as his ancestors had done, Princip joined a floating population of revolutionaries who espoused the ideal of South Slav brotherhood—a brotherhood (very imperfectly) approximated by the café life-style the youthful revolutionaries formed for themselves" (McNeill 1990, p. 20).

Perhaps radical student political movements and anti-establishment cultural trends, which swept throughout the free world in the late 1960s were related to overcrowding in which the generation of baby boomers grew up. What is the source of these contrasting views on the political implications of population? While the mercantilist school, assuming the inevitability of competition among states in the anarchical environment of international politics, emphasizes the inherent international competitiveness of national capability, liberals, including Malthus, tend to focus on the welfare of nations or individuals in discussing population problems. In other words, this can be viewed as the difference between relative versus absolute gains. If so, contrasting visions such as 'vigorous and proud power' and 'prosperous and happy society' represent disparate world views rather than merely analytical disagreements.

In the early twenty-first century, however, it is widely assumed that Japan's demographic trends will cause serious problems, even within the domain of absolute prosperity. Generally, students of international politics use the term 'national power', as is typical for the above-mentioned Morgenthau, to capture the opportunity to win when competing with other states. In contrast, for example, the National Institute for Research Advancement (NIRA), a government-supported

¹ For this type of view, see, for example Homer-Dixon (1991); Choucri (1984).

think tank, analysed the implications of the decline of the Japanese population in one of its reports, by employing an original concept of ‘comprehensive national power’ consisting of three elements: capability to improve civil life, capability to create economic value, and capability to adjust to international environments. This report, viewing the declining population of Japan as a national crisis, warns “unless depopulation stops, Japan may be recorded by future historians as the 8th known civilization which has disappeared in global history” (Kobayashi and Komine 2004, p. 7).

Nevertheless, counterarguments are still far from negligible. Tadao Umesao, an influential ecologist has argued “the optimal population of Japan is around 100 million and there is nothing wrong in declining population to that level” (Kobayashi and Komine 2004, p. 119). Or Yuichi Shionoya, an economist who at one point headed the National Institute of Population and Social Security Research, says, “Aging population combined with the diminishing number of children is a result of historical achievement” (Kobayashi and Komine 2004, p. 122).

This chapter, while tracing modern Japanese discourse on population problems discusses how wildly differently the problems have been regarded and analysed by the Japanese people, and attempts to shed some light across how dominant discourses over the future have been formed. Japanese have been constantly aware of population problems as a major social agenda item since modernization commenced in the mid 19th century. The predominant discourse until World War II was that Japan was overpopulated and that the country’s surplus population which this small land could not support should emigrate. But in 1939, to bolster manpower for waging looming warfare, *umeyo huyaseyo* or (‘give birth to a lot of children and increase population’) briefly became a national slogan. After Japan’s World War II defeat overpopulation was again viewed as a problem and since doors appeared tightly shut for Japanese emigrants, effective birth control became the agenda to suppress births that cannot be supported by these narrow islands. In the 1960s, there was some concern about under-population or labour shortages, but in the 1970s, the limited voices were completely overwhelmed by concerns about global population explosion and the limits of natural resources. Some experts rightly foresaw Japanese demographic trends but interestingly, a declining birth rate was accepted as an emblem of advanced nations. The 1980s, as its demographic trends emerged, provided an ideal timing for the Japanese public to squarely discuss their demographic destiny. Unfortunately, the opportunity was missed perhaps because of overconfidence in Japan’s socio-economic system, only returning in 1989 when Japan’s fertility rate dipped as low as 1.57, then referred to as the ‘1.57 shock’. Since the 1990s, it has become widely perceived that the demographic problem in Japan is an aging population combined with the diminishing number of children. Predominant policy agenda issues have since then become focused on social environments where mothers can more easily give birth and raise children to avoid economic difficulties caused by a rising dependent population and a dwindling working population. In addition, there has been serious discussions on how to deal with and accommodate a large-scale migrant-worker influx.

2 Demographic Issues in Modern Japan

There is no doubt that it was overpopulation that was regarded as the main population problem from the early Meiji period until World War II. Although the problem was intensively perceived and clearly formulated, actual population growth had never been effectively controlled. Japan had the same difficulties in controlling the total size of population as many developing countries have today for several reasons. First, means and knowledge for contraception were limited. Second, in agricultural villages, which represented a major part of Japanese society, the contribution of child labour to individual households was highly valued. It should be also added that the influence of Social Darwinism was also felt in the late 19th century when Japan began its modernization under the constant pressure from Western imperialist powers (Fukuzawa 1896). In this highly competitive and racist international environment, a tiny, non-Western and non-white Japan could be considered “a loser of the on-going global survival race” if its population stopped growing (Okuma 1910). This idea maintained some influence along with the main discourses cursing overpopulation. While overpopulation was clearly a problem on the macro level, marginal gains were perceived by an increase in population on the micro level such as for individual households and military institutions.

In the 1920s, having been somehow recognized as an equal sovereign state by Western powers, Japan enjoyed a fairly liberal politico-social environment under “Taisho Democracy”. Urbanization of Japanese society coupled with industrialization shifted Japan’s sociological profile, which made Japanese society sensitive to Western ideas, including socialism and feminism. Birth control and eugenics also became a part of Japanese discourse around this time. It was in this context that Margaret Higgins Sanger, an American birth control activist, visited Japan in 1922. Although Japanese authorities tried to prevent her visit, she was welcomed by supporters in Japan (Hayami and Kojima 2004, pp. 221–224). It is difficult, however, to know how much impact the birth control movements had upon Japan’s demography. While it is argued that Japan’s demographic transition was starting around that time, it seems to be more closely related to the sociological transformations in Japan such as urbanization, spread of education, and the tendency to marry later.² There were also strong counter-arguments to birth control based along traditionalist views that emphasized the importance of reproducing family lines as well as objections from the Christian community whose intellectual impact was far from negligible. Whatever the impact of contemporary birth control movements upon birth-rates, it was not until after World War II that such movements were popularised. From the late 19th century the Japanese population constantly grew at nearly one million per annum, totalling over 70 million by 1936, an increase from 43 million in 1900 (Fig. 1).

² See, for example Hayami et al. (2001, pp. 78–83).

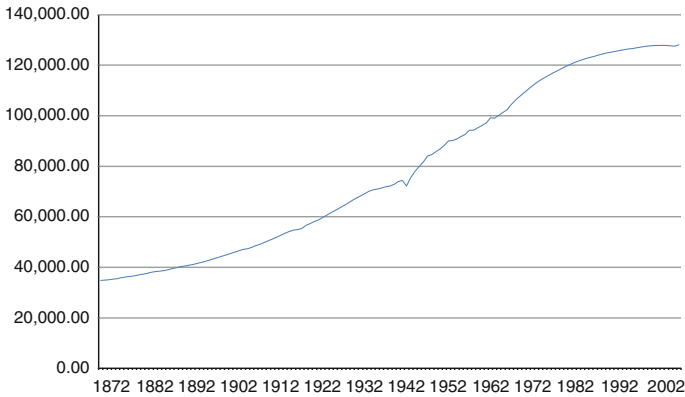


Fig. 1 Japan's total population

The main source of headaches for those concerned with Japanese demography was whether there would not be sufficient economic resources, including food supply and natural resources, to maintain a growing population in Japan. Japan's victory over Russia in 1905 might have allowed Japan to rank with the world's 'First Class Powers' but there was no doubt that Japan's fundamental power bases were highly fragile.

Overpopulation started attracting attention among general intellectuals following the *komesodou* (a rice riot caused by inflation during World War I) in 1918. The seriousness of the problem was even more strongly felt during the global economic slump of the 1930s and the consequent protectionism among Western powers which locked-out Japanese products from vital export markets. In Japanese villages, young girls from poor peasant families were literally sold into prostitution. This was undoubtedly one of the factors contributing to Japanese military expansionism into Manchuria. The Japanese government attempted to control population increases by establishing the 'Committee on Population and Food Problems' in 1927 and the subsequent 'Committee on Population Problems' in 1933, reorganized into the 'Institute on Population Problems', the central official institution examining issues related to population issues.

One way out of the difficulties was a large-scale emigration such as that of joining 'the white races' which was still ongoing in the second half of the 19th century. One of the earliest attempts at Japanese emigration was about 150 Japanese who sailed to Hawaii in 1868 at the request of Kamehameha V, the independent island kingdom's ruler. From 1885, when the Japan-Hawaii emigrant treaty was concluded, there was a constant outflow of Japanese emigrants to Hawaii.

In 1891, Takeaki Enomoto established a section specializing in emigration within the Ministry of Foreign Affairs, soon after becoming Foreign Minister. The move was based upon his belief that "emigration was the only option to secure development of Japanese as a nation" (Ueno 1994, p. 23). Japan's territory, which

was already seemingly overpopulated, appeared to offer very little hope for development for Japanese as a 'great nation'. Thus, his ambition was to send Japanese emigrants abroad to establish beachheads for future overseas colonies for Japanese. Enomoto became involved in organizing the Colonial Association in 1896 and the later Geography Association from 1897 to promote basic research for the overseas settlement of Japanese. He even suggested purchasing Borneo and New Guinea and establishing a major Japanese settlement in Papua New Guinea (Ueno 1994, p. 24).

But the Japanese came too late to find a convenient open space to deposit their surplus population. For example, after the USA annexed Hawaii in 1900, restrictions concerning Japanese business and emigration were imposed and then strengthened. Actually, the tightening of restrictions imposed by the US government over emigration from Japan, became constant sources of diplomatic friction between the US and Japan. Boycotting Japanese immigrants in the US culminated in the Immigration Act of 1924, which formally closed the door for Japanese emigration to the US.

The places Enomoto dreamed of for Japanese settlements had been already largely enclosed by European colonial powers and, after all, the tropical islands in the south targeted did not seem able to sustain large populations. Australia, maintaining its White Australia Policy until 1965 explicitly excluded Japanese settlers for blatantly racial reasons. Some authors outside Japan were also paying attention to the Japanese population growth. For example, Warren S. Thompson, an influential American demographer, noting Japan's overpopulation and rapid increase of the already excessive population, argued that there were four theoretical ways out of the national dilemma. They were (1) to accept a lower standard of living (2) to adopt birth control practices (3) to more intensively utilise the current possessions of the Empire, and (4) to acquire new territories.

A docile submission by the Japanese to a lower standard of living and/or a higher death rate would have been unthinkable as long as there were any viable alternatives. Birth rates were expected to drop as in Western countries, but perhaps they would take too long to be relied upon to have an immediately meaningful effect upon the population pressure. Improvements in productivity both in Japan and its colonies were being made but not enough to match the capability of the British who were able to import food and raw materials due to their industrial production capabilities. Thus, Thompson argued, the fourth relief, "granting to Japan of new lands, with larger resources, seems to furnish the only reasonable way out of its inevitable difficulties, thus to present the only real alternative to a war for Japanese expansion" (Thompson 1929, p. 42). He added:

"...I have no intention of impugning the sincerity of Japanese statesmen when they say that they have no designs on territory held by other nations and that they look to the growth of industry to furnish the support for their increasing millions. As stated above, I do not believe that Japanese industry can furnish their support, and hence I hold that necessity for larger resources will within the next half-century force Japanese statesmen to look for new outlets for settlement and new sources of materials needed in industry. The need for Japan for expansion within the next few decades is not within the control of the

government authorities. Forces beyond their power of curbing are being released by the peculiar conjuncture now taking place in Japan, and they will have to be reckoned with. It is the height of absurdity to suppose that as the Japanese people become conversant with the actual situation as regards the utilization of land in different parts of the world, they will not demand a share of that not now in use, on which they can settle and enjoy greater comfort and prosperity than at home. Their statesmen of the future, even if they should desire it, will not be able to confine the Japanese people to their present territory” (Thompson 1929, pp. 47–48).

In the next year, Crocker, an Australian diplomat came to more or less the same conclusion by closely examining Japanese demographic conditions (Crocker 1931).

“Within the next generation, then, some 15–20 million (or more) additional individuals will have to be fed and clothed. The Japanese economy is already embarrassed by the size of the population it now supports. Can it be made to support an increase of this magnitude?”

But Japan’s industrial capacity, to say nothing of its agriculture, could not support the increasing population.

“Can Japan win through by her efforts and without being forced to seek other lands for her subsistence?...[T]he Japanese raise raw silk so as to export it in payment for imports of raw cotton and by making up this war cotton into yarn and cloth they can re-export enough of it to pay for the rice and other foods which they are now obliged to seek from foreigners. It is a simply arrangement; depressingly simple. Can Japan multiply it ten times or more of its present extent? Can she in the first place raise and sell so much more raw silk; and in the second place buy so much more raw cotton with the proceeds of it, make it up, and sell it abroad, as to purchase food for the additional 20 millions? To state the question is enough to show the extreme unlikelihood of an affirmative answer” (p. 207).

The population pressure caused higher rates of unemployment even among college graduates, who were now so to speak forming an ‘intellectual proletariat.’

“For an intellectual proletariat, armed with the weapons of socialist dialectic and socialist emotion, and living in the midst of large crowds of disappointed workless labourers, will be the a biggest threat to social tranquillity than even was the discontented aristocrat of the *ancient régime* who set out to engineer the passion of a hungry mob” (p. 209).

Japan’s population pressure, Crocker writes, must be relieved by international accommodation before it exploded in a violent form.

“It is difficult for the students to resist the conclusion that the Powers—if only in their interest, for in any case they cannot ignore the international repercussions of Japan’s domestic situation— should combine at the fitting time to place Borneo or/and New Guinea and some Pacific Islands (in whole or in part) at her disposal. The British Empire and the Netherlands, for example, might transfer Borneo (or some part of Borneo) the League of Nations, which in turn might confer it on Japan as a Mandate” (p. 202).

The books of these two authors (above) were almost immediately translated into Japanese, suggesting that many Japanese saw the issues through the same conceptual lens. In fact, in the 1930s, when a poor Japan was confronted with suffered further economic difficulty due to the trade blocks created to curb its export, the idea to build its own economic zone even through force became ever more

attractive. Although it is hard to see the direct connection between actual Japanese imperial expansionism in the 1930s and the issue of domestic population pressure, and also considering that the actual number of Japanese emigrants to both Korea and Manchuria was very much limited, it remains true that the population pressure was one of a number of background factors for Japan's attempt to create its autarkic imperium through military expansionism in the 1930s.

In 1939, however, Japan's mainstream discourse on population experienced a major shift. The Ministry of Health and Welfare, which was founded in the same year at the strong request of the military, issued "10 lessons for good marriage," whose last article read "Give birth to many children and increase the population for our country". Partly due to the shock of a small number of births in the previous year, the Japanese military, which had gained control of Japanese politics by then wanted more babies for their future ranks of soldiers.

In the following year, both the 'Wartime Population Measures and the National Eugenic Law' were both enacted by the government. These are believed to have been formulated under the influence of Nazi eugenic policies in Germany containing infamous measures to sterilize those with 'inferior genes' while severely controlling sterilization and abortion for those with 'sound genes'. While the former point tends to attract more attention today, the emphasis of the whole programs seem to have been on the latter, meaning encouraging births along the line of the slogan "Give birth to many children and increase the population for our country." It, however, is far from clear whether the policy shift under the military rule caused any tangible effects upon Japanese demography. More importantly, this represented a short aberration from the main pre-war concerns in Japan. It was after all overpopulation not underpopulation that generally concerned Japanese before WW2.

3 Post war Poverty and Baby Boom: 1945–1950s

After Japan's World War II defeat a new dimension was added to Japan's population problem. While Japan lost three million people, including 800,000 civilians killed mostly by American carpet-bombing over almost all major cities and the two atomic attacks, a devastated and impoverished Japan had to accommodate more than six million Japanese overseas settlers and military personnels stationing abroad, expelled as a result of national defeat. In addition, as in many countries, a baby boom started in Japan in the second half of the 1940s as a natural consequence of the new peace.

These were both major concerns for the contemporary rulers of Japan, the (mainly) American occupation authority usually referred to as General Headquarters (GHQ). Warren S. Thompson, who maintained intellectual influence over GHQ, warned as early as October 1945 that the coming baby boom in Japan over the next few years would have negative repercussions on Japanese demography. He visited Japan at the request of US President Truman to advise GHQ, encouraged

birth control by arguing that Japanese population growth would cause difficulties in completing economic independence programs, which would consequently entail the US maintaining significant economic assistance for Japan (Yanagisawa 2001, p. 152). His warning seemed to be well grounded. Japan's population, which was 72 million at the end of the war, reached 85 million by 1950. Japan's economic future seemed to be imperilled by this gloomy demographic trend.

The prevalent Japanese discourse echoed Thompson's warning. In September 1945, a month after Japan's surrender, a widely read column on the front page of the *Asahi Shimbun*, an influential progressive newspaper, reflected Japan's emigration policy before the war. The column stated that Japan "is facing serious difficulties, supporting as much as an 80 million population on this small land". Thus, it expressed its faith in emigration as before the war by saying "emigration has acquired significance and additional importance as policy agenda." An interesting remark was its reference to the "quality of emigrants from Japan". The column argued that some of the previous Japanese emigrants were so adventurous and risking-taking that their quality was not what they should have been. It concluded by saying that "we should critically re-examine emigration policy and wait for a chance for Japan to be able to send emigrants abroad to solve Japan's population problem as well as building a more international Japan".³

However, many in Japan at the time were highly pessimistic about emigration as Japan was discredited as a defeated power in war, and after all Japan was in no position to launch such a new policy initiative as it was still under American occupation. Thus, the only option for Japan to feed its growing population appeared to rest with birth control. Japanese mass media were scattered with warnings of overpopulation and the urgent need for population control. A counter-argument, such as that excessive birth control might cause underpopulation from which it would be exceedingly hard to recover, was overwhelmed by the view that "even during the Tokugawa Shogunate regime when infanticide was widely practiced despite occasional Government bans, population pressure was always there". Given widespread hunger and the destruction of much of Japanese economic life after World War II overpopulation was among the overwhelming concerns for the Japanese and Americans that were ruling the country.

It was with such a background that the 'Eugenic Protection Law' was revised to allow abortion on economic grounds, making abortion accessible to almost everybody. Some seriously argued against abortion because this might lead to 'reverse selection', that many Japanese with 'good genes' were killed during the war and only those with 'inferior genes' would be reproduced if society were provided with easy access to abortion. That was partly the reason why the initial law in 1948 provided relatively tough screening for the abortion process but such considerations were completely outweighed by concerns on overpopulation and the perceived need for birth control in addition to countering the increasing

³ *Asahi Shimbun*, September 11, 1945.

number of unsafe abortions practiced on the black market (Yonemoto et al. 2000, pp. 184–190).

Around this time there was widespread public discussion over the optimal population size for Japan, given the country's land size and ecological conditions. For example, Shozo Toda, a revered hygienist who taught at Kyoto University, concluded that Japan's population must be somewhat less than 70 million by calculating the food supply that Japan's territory could produce in 1949 when Japan's population was above 80 million and approaching 90 million. He warned it would be impossible for Japanese to enjoy "wholesome and cultured living" provided by the post-war constitution.⁴ His solution to the problem was to encourage late marriages. If Japanese females delayed their marriage to 27 years of age he estimated that the birth rate would drop by 30–50 %.

Likewise, Takashi Hayashi, an expert of cerebral physiology as well as a novelist, argued in the *Asahi Shimbun* that while identifying two aspects in population problems, one being economic, the other eugenic, it was essential to reduce Japan's total population by 20 % from the then current 82 million. He added that "just reducing to that level would not suffice to turn Japan cultured enough. It must be reduced by at least another 20 %. Thus, the optimal population for Japan was around 60 % of the present population and it is best for Japan's future to rapidly reduce it that level".⁵

The New Years Day issue of *Asahi Shimbun* in January 1948 featured "dreams for Showa (the Japanese era from 1926) 100th", hoping that Japan's population in 2025 would be around 50 million. It was calculated by demographic trends in Japan as well as those found in Western countries coupled with increases in labour productivity that accompanied industrialization. It said, "with 50 million, we could make an ideal country".⁶

Overseas authors also shared the view that Japan was overpopulated. Steiner, an American professor of sociology at the University of Washington, who had formerly taught English in Japan, also thought 50 million would be an appropriate size for Japan in his article in *The New York Times* of October 1945.

"The nation would be fortunate indeed if it were able to maintain its customary standard of living for a population of 50 million, whereas she now has approximately 20 million more people than she is able to support".

Now Japan's colonies were lost and its industrial capacity devastated by American bombing, what would be the most likely consequences for Japan's surplus population?

"[T]he old Malthusian law will operate and the population balance will tend to be restored by rapidly increasing death rates. Those who are ill-housed and malnourished will become easy prey to disease....

⁴ *Asahi Shimbun* (Osaka edition), April 5, 1949.

⁵ *Asahi Shimbun*, May 15, 1949.

⁶ *Asahi Shimbun*, January 1, 1948.

This solution of their problem of overpopulation is too drastic to be accepted passively by even the most docile members of Japan's lower economic classes. When their situation becomes desperate, they will rise up in revolt and seek redress through an overturn of their aristocratic economic and political system. A day of reckoning must eventually come; and the congested millions the militarists tried to use for their purposes may be at the means of ushering in a democratic regime that will place first the welfare of the people (Dilemma 1945)".

It is an interesting logical device whereby population pressure would bring a democratic revolution even if one cannot help wondering how the new democratic regime thus ushered into being would survive the same population pressure. But as in the past, Japan's population pressure was widely regarded as a catalyst for its military expansionism rather than for democracy. That was why GHQ was keenly interested in Japan's demographic trends to prevent outflows of its population beyond the contained home islands. It was a strong wish of the occupation authority that the Japanese government rather than the American GHQ implement stronger policies to control its population growth. In addition to the obvious political agenda pursued by the Americans and the British, who seemed to have been sensitive to the issue because of its fears regarding the defence of their 'white dominions', also occasionally expressed concerns about the threat of an overpopulated 'yellow' Japan. The Times of London reported in 1950 that

"during the Tokugawa period (1603–1868), when Japan was isolated from the rest of the world, the population was kept down by abortion and infanticide. Later the country's growing population was used as a weapon or a threat by the militarists. The time has now come; it would seem, for the Government to decide whether to undertake by appropriate methods of birth control a conscious and deliberate attempt to stabilize the population or to face fresh disasters. There is an increasing tendency among allied observers to ask whether the help given by the US should not be determined by Japanese willingness to seek relief internally, instead of allowing increases in population to counteract gains in production."⁷

A more alarmist British view can be found in a newspaper article a couple of years later. By claiming there are "too many Japs," it implies the threat a populous Japan could pose to the British Empire.

"Whether we feel bitter about Japan or whether we are indifferent we must agree that its future is bound up in the future peace or war in the Pacific. We must admit that since 1945 we have squeezed it back into overcrowded homeland. And whether we like it or not a problem does exist and it may become crucial in the next ten years.

By that time Japan will have probably a population of 100 millions [it actually took 17 years to reach that level—author's note] a restored spirit of ambition and a howling desire for elbow room."⁸

Thus, while both Japanese and non-Japanese were obsessed by overpopulation, Japan was mostly concerned by Malthusian constraints of resources, or more specifically the limited supply of food, and Anglo-American concerns were more about

⁷ Times, March 8, 1950.

⁸ Robin Stuart, "Too Many Japs," Evening News, April 21, 1953.

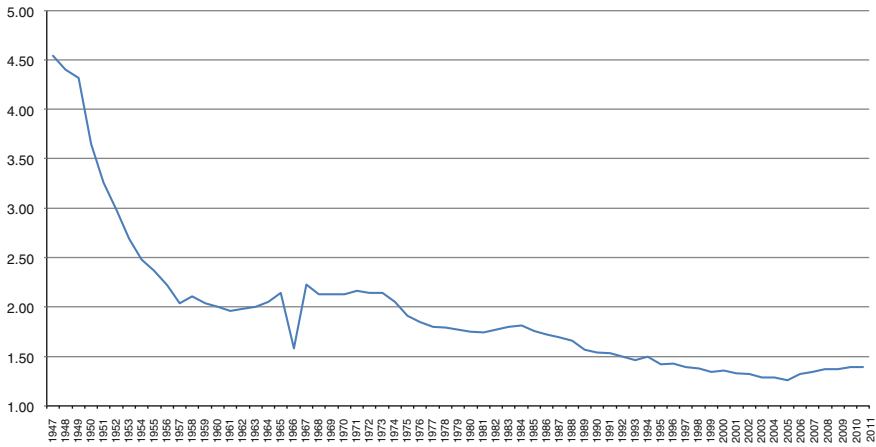


Fig. 2 Total fertility rates of post war Japan

a revival of Japan’s expansionism out of population pressure. But Japan’s actual demographic features were changing dramatically. In 1957, the total fertility rate in Japan dropped to 2.04, below the 2.1 level assumed to be the minimum to maintain total population stability. While some started to argue about potential future labour shortages, the major demographic concerns remained unaltered. For example, the White Paper on Health and Welfare of 1956 pointed out “pressure resulting from overpopulation is fettering rapid recovery or improvement of the living standard of the Japanese population” and continued, “a major part of recovered and increased production was spent to support increased population”. It then warned, “we have to prepare ourselves for the fact that pressure out of overpopulation would last for long time to come and that it could become even severer”.⁹ While this official document also touched upon the possible distortion of age structures of the future national population and even problems related to the aging of population, the immediately visible policy agenda prompted by overpopulation prevented policymakers from re-examining the ongoing policy to encourage birth control to alleviate possible future problems caused by aging. The same tone was maintained by the Ministry of Welfare Official History of 1960. It continued to stress the seriousness of problems caused by overpopulation and although acknowledging ongoing demographic transition their attention was on urgent problems such as “youth unemployment caused by oversupply of the young labour force,” and “enlightenment on family planning appropriate for intensive birth control” (Fig. 2).¹⁰

⁹ Kosei Hakusho Showa 31-nendo Ban (White Paper on Health and Welfare 1956), Tokyo: Ministry of Health and Welfare, 1956, introduction. Available online at <http://www.hakusyo.mhlw.go.jp/wp/index.htm> (accessed October 12, 2012).

¹⁰ Editorial Committee of Koseisho 20nen Shi (ed), Koseisho 20nen Shi (Two Decades of the Ministry of Health and Welfare), Tokyo: Research Group of Health and Welfare 1960, p. 526.

With hindsight one can easily criticize that the Japanese obsession with overpopulation ignored the demographic impact caused by socio-economic transformation of Japan during the era of rapid economic growth from the late 1950s through to the 1960s. Rapid economic growth was strongly facilitated by the cheap and ample supply of young labour. Japan's growing population had to rely more upon imports of foods but due to its remarkable economic growth, Japan could gain enough foreign exchange to purchase agricultural products. In parallel, while Japan could support its growing population by successfully participating in the international division of labour, the consequent economic transformation was rapidly reducing its birth rates. If Japan had insisted upon self-sufficiency of food supply, it would have faced a bleak choice between starving and 'dumping' its population abroad, or enforced reduction of population as many authors immediately following WW2 had actually thought.

4 Puzzled by Demographic Transition

In the 1960s, when Japanese economic growth was widely felt in society, there was some shift of discourses. As robust economic growth increased the demand for labour, some started arguing that Japanese problems in the future would be dominated by labour shortages. As early as 1961, an *Asahi Shimbun* article confidently asserted that increased population would be successfully absorbed by economic growth and that Japan would be able to afford a population of 100 million. It even mentioned that Japan should be more concerned about "Western-type depopulation," and that "economic growth could be secured by a large increase in population".¹¹ In the 1950s, the problem was typified by whether the second and third sons of farmers would be able to find any job, but now, "even the first sons go to the city and find a job there".¹² At the same time, there was some sense of pride in joining the exclusive club of western advanced economies by undergoing such a demographic transition.

Within official circles, possible labour shortage in the future started attracting attention. In 1969, the Council on Population Problems under the Ministry of Welfare expressed concerns about a decline of birth rates and future labour shortages. Prime Minister Eisaku Sato called for the recovery of birth rates and an early prevention of an aging population in his speech on national power of Japan in the same year.¹³ He repeated his vision of the future Japan based upon Japan's demographic trends.

¹¹ *Asahi Shimbun*, April 20, 1961.

¹² *Asahi Shimbun*, January 4, 1969.

¹³ Prime Minister's speech at National Editors' Conference held by Japan Newspaper Publishers and Editors Association, June 27, 1969. Available online at <http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/texts/exdpm/19690627.S1J.html> (accessed October 12, 2012).

“According to the national census conducted in October last year, the Japanese total population including those in Okinawa [this was still under American occupation then – author’s note] was 104 million 650 thousands, which is twice as large as the census conducted a half century ago. By grasping several notable features out of this demographic profile, we should foresee the future of our state and nation and then start taking necessary measures for future needs.

We have the structure of population in which productive generation meaning the age group between 15 and 64 accounts for about 70 % of the total population, which is the highest proportion than any other time of our history. From this point of view, in the 1970s, Japan will enjoy its most productive age, or will be in the prime of its life in its long history. Therefore, it is my belief that we need to take advantage of the powerful national energy in an effective way to make further progress and establish a rock-solid foundation for 100 years to come to this nation. This, I think, is exactly the mission and responsibility of our generation for the future of this nation.”¹⁴

In 1967, the government announced that Japan’s population had reached 100 million.¹⁵ Since some concerns had been expressed on the future decline of population, there was a greater sense of exhilaration and congratulation than of concern. Masaaki Yasukawa, a demographic economist advised caution by asserting that it would be certain for Japan to face future aging and labour shortages, and therefore should make efforts to establish a social security system and to secure an improved environment for quality of life while Japan was enjoying high economic growth in the “Golden 60s.” He continued, “to associate the 100 million population with the idea of small territory is clear evidence of our being obsessed by the obsolete idea”.¹⁶ After nearly 100 years since modernization had started, the Japanese people seemed to have finally been relieved from the notion that they were crammed into a small and poor territory.

Nevertheless, the intellectual inertia that was acquired by (over) learning throughout the previous century died hard. The idea of the small and overpopulated Japan remained, strengthened by a slight increase in fertility rates in the 1960s after a dramatic drop in the 1950s. It is also important to note that Sato, while recognizing the possible problems resulting from long-term demographic trends, did not call for any measures to reverse existing demographic trends (by e.g. encouraging births). His laid emphasis on increased investment in to social capital while Japan was in its prime to counter existing problems.

Should the Japanese government have taken measures to reverse the decline of the birth rate? Perhaps so. But it is important to note that the total Japanese population was still increasing and the contemporary everyday challenges were such diametrically opposite problems as a shortage of housings, ultra-congested commuter trains, under-development of social infrastructure, such as roads, schools,

¹⁴ Prime Minister’s policy speech in 65th Diet session, January 22, 1971. Available online at <http://www.ioc.u-tokyo.ac.jp/~worldjpn/> (accessed October 12, 2012).

¹⁵ According to the national census, which is more accurate, it was 1970 when Japan’s population reached 100 million.

¹⁶ Asahi Shimbun, July 11, 1967.

and sewage systems. While ongoing problems were being driven by congestion caused by overpopulation, it is not surprising that only few people expected politicians to promote increasing birth rates for future generations. In the 1960s, while a stream of discourse regarding under-population as a future problem began to emerge, it did not develop into a major concern shared by the public.

5 The Return of Overpopulation Discourses

In the 1970s, the trend of discourse concerning population issues was reversed and overpopulation regained salience in demographic discourses. One of the drivers for the change was the women's liberation movement in the 1960s. After all, it was women who gave birth, and as their social participation increased naturally women's demands for the right to choose whether to have a child, or even an abortion, became more vocal. Encouraging new births would have been regarded as a reactionary attempt to reproduce male-dominant feudalistic family lines, in which females were condemned to housekeeping and mothering roles.

More importantly, concerns about the natural environment and the limits of natural resources garnered significant attention. The well-known report by the Rome Club "The Limits to Growth" was published in 1972 (Meadows et al. 1972). It warned that unless population growth was controlled, a resulting "population explosion" would deplete global natural resources by the middle of the 21st century. The alarming scenario linking population increase with depletion of natural resources gained credibility particularly during the oil crisis triggered by the Yom Kippur War in 1973.

The impact of the oil crisis was felt strongly as it created a serious panic in Japan, which was highly dependent on overseas energy supply. Due to the prevailing sense of crisis, the discourses warning of the perils of underpopulation, which had become somewhat more influential since the 1960s, practically evaporated due to the prevailing oil crisis panic. Coupled with increasing environmental concerns and the severe economic slowdown triggered by the oil crisis, the traditional Malthusian view regained its dominant position within the Japanese population discourse.

Reflecting the revival of the view that Japan was overpopulated, one newspaper article of the day stated, "The ongoing Japan's economic slump is due to the fact there are too many inhabitants on this small land... In a place where at most 50 million could live at the level of welfare of advanced countries, as much as 110 million are crammed".¹⁷ While calling for implementing birth control measures, the article warned that if individual couples are left to have as many children as they wish, Japan's eco-system would be like "chestnut trees eaten away by fall webworms." We can stand economic slump, but the lasting consequence is

¹⁷ Asahi Shimbun, January 11, 1977.

unbearable.” The tone clearly reminds us of discussion on ‘the optimal population size’ so predominant in Japan immediately following World War II.

There was also, however, an international context in Japan’s abrupt shift of intellectual mood. In August 1974, the Third World Population Conference was held by the United Nations in Bucharest, Romania, attended by representatives of 135 countries, including Japan. The conference adopted the ‘World Population Plan of Action’, which stated that countries with low population growth rates should promote the welfare of their populations through a low level of birth and death rates. The global concern for development and Japanese intellectual trends converged at this point. It was obvious that with such a prevailing intellectual mood concerns for future population decline were very much out of fashion.¹⁸

The official attitude toward the population generally reflects the intellectual mood as outlined above. The 1974 White Paper, which was the first White Paper since 1959, prepared by the Council on Population Problems, while acknowledging the continuing aging of the population and the consequent possible limited labour force supply in the future, actually called for continuation of birth control to achieve zero growth of Japan’s total population (Council on Population Problem 1974, p. 44). By doing so, it called for efforts to reduce the total population by 2011 (Council on Population Problem 1974, pp. 46–47). In the same year, the Japan Population Conference, organized by a private association, was held in Tokyo. Courting the participation of politicians, researchers, and overseas experts, the three-day symposium issued a declaration which flatly rejected the assumption that Japanese need not worry about a population increase and called for establishing limits on the number of children to two per couple.¹⁹ William Draper, a former American military officer and high-ranking official involved in the administration of both the German and Japanese occupations and participant in the conference, referring to Japan’s very limited natural resources, supported the two children limit.²⁰

In 1974, Japan’s total fertility rate dropped to 2.05, below the replacement level, and given the long-term trend Japan’s population agenda should no longer be the one of overpopulation. But the fact remained that the actual population was growing, while cities were congested, and unemployment rather than labour shortage once again emerged as a major problem. The general Japanese attitude toward its population around this time was to view declining birth rates positively, or more precisely, that the ongoing trend should be accelerated rather than slowed, let alone reversed. Various ingredients contributed to this intellectual mood, from environmentalism, oil crisis, and economic recession, through to sociological changes, including feminism, and concerns over international development issues where a ‘population explosion’ was regarded as a nightmare scenario.

¹⁸ The World Population Plan of Action. <http://www.population-security.org/27-APP1.html>.

¹⁹ Asahi Shimbun, July 5, 1974.

²⁰ Asahi Shimbun, July 3, 1974.

6 Post-crisis and Underpopulation

Once Japan overcame a series of economic difficulties in the 1970s, it emerged as an even more robust economic power. With growing confidence in its socio-economic performances, the sense of crisis over population issues evaporated. In reality, the aging of population was continuing as its birth rate declined and life expectancy continued to increase. In 1980, the aged proportion of the population (over 65) exceeded 9 % and the fertility rate dropped to 1.75 %, but it was not commonly accepted that measures should be taken to increase fertility rates to soften the impact of the changing demographic profile.

Contemporary Japanese views on demographic profiles were extremely diverse. Some called for efforts to raise birth rates for future supply of labour and national power, some aimed at the replacement level (2.1 %) to maintain the social security system, while others hoped for a further decline of the total population for various reasons, such as environmental, welcoming the pattern of existing trends. Yoichi Okazaki, a demographer of the Institute of Population Problems, while acknowledging the downward bias posed by the two children limit called for by the Japan Population Conference in 1974, interestingly argued against efforts to raise birth rates. “Such efforts would create even worse consequences. We have just started descending and if we abruptly rev up the engine, our demographic balance would be disrupted.” He instead suggested a “soft landing”. “The essence of Japan’s Population Problem is still overpopulation. In a variety of ways, we still have too much population”.²¹ His view was that the chronic problems of overpopulation had already been resolved. Then why should we reverse the welcoming trends we have been dreaming of for so long?

The ultimate shift of discourse took place only around 1990. One of the factors that triggered the shift was when the fertility rate dropped as low as 1.57 in 1989. Some also argued that it was as late as 1992 when the word *shoshika* (declining birth-rate) was first coined and a variety of measures to reverse the trends started to be discussed widely. This coincided with the period when problems related to the Japanese post war politico-economic system first erupted. The end of the Cold War complicated the regional international environment where Japan had hitherto enjoyed unalloyed protection under the US aegis. The bursting of Japan’s financial bubble damaged the Japanese financial system, previously regarded as the unshakable basis of Japan’s economic success, and led to the long-term economic slump from the mid-1990s onwards. The Japanese political system also underwent a period of instability from 1993 when the Liberal-Democratic Party (LDP), which had ruled Japan for almost four decades, lost power and was succeeded by a procession of weak Prime Ministers through the revolving door of power thereafter. The state bureaucracy, while constantly bashed by Western media as undemocratic mandarins, had its traditional credibility badly tarnished among ordinary Japanese by cases of incompetence and dishonesty. The instability of

²¹ Asahi Shimbun, June 1, 1981.

Japan's politico-economic system coupled with rapid ageing made Japanese feel more uncertain about employment stability, the sustainability of the pension system, and medical and welfare services for the elderly. The low birth rate was now understood in the context of a comprehensive failure of the post war Japanese politico-economic system.

In 1994, the government launched a series of measures to improve the childcare system hoping to raise birth rates but produced few tangible results. In the following year, a decline of the total productive-age population began, and the elderly started to outnumber the younger population. In 2006, as was foreseen, Japan's total population began to shrink. Introducing large-scale migrant worker programmes were seriously discussed for the first time, such as the 2008 plan by a group of LDP politicians to introduce approximately 10 million migrants over 50 years, aiming to create a multi-cultural Japan.²² Now it became a prevalent view in the mass media and the discourse among intellectuals that the aging and declining population was a significant cause for concern due to its negative implications for Japan's economic future.

Opposing positions, however, have not disappeared. Rather, opinion polls conducted by the Institute of Population Problems (1990/1995) showed that the percentage of Japanese who believed that Japan was overpopulated was 46.7 % in 1990 and 45.8 % in 1995, while those who found the declining population desirable constituted 15.7 %, and undesirable 23.9 %, with 54.2 % answering equivocally. While such figures are not easily interpreted, it seems that the public appears somewhat suspicious about the dramatic shift of discourse in mass media.

In addition, views welcoming a decline of population are far from negligible. According to such views, Japan can maintain its per-capita GDP if it abandons existing discrimination against females and the elderly in its labour market. It also tends to be sceptical towards constant economic growth goals. Takahiko Furuta, a sociologist, suggested less production, less consumption, and less waste: "If total population is declining, zero growth would be enough" (Furuta 2001, p. 119). Nishikawa, a development economist is also optimistic about the aging and shrinking of population arguing "aging of population could trigger liberation of people from competitive societies or business companies." He also suggested Japanese should achieve "a qualitatively higher stage of society" where goals are no longer quantitative expansion but more creative individual life styles (Nishikawa 2008, pp. 59, 61). Kito, a leading historical demographer, is also optimistic, with the declining population representing an inevitable long-term structural trend, requiring to design a future for fewer and older citizens (Kito 2000, p. 273).

These views, however, are shared by a minority. The low birth rate coupled with an ageing of population is widely regarded as a symbol of stagnation of the Japanese economy as well as a symptom of the long-term decline in Japan's fate as a nation.

²² Asahi Shimbun, May 21, 2008.

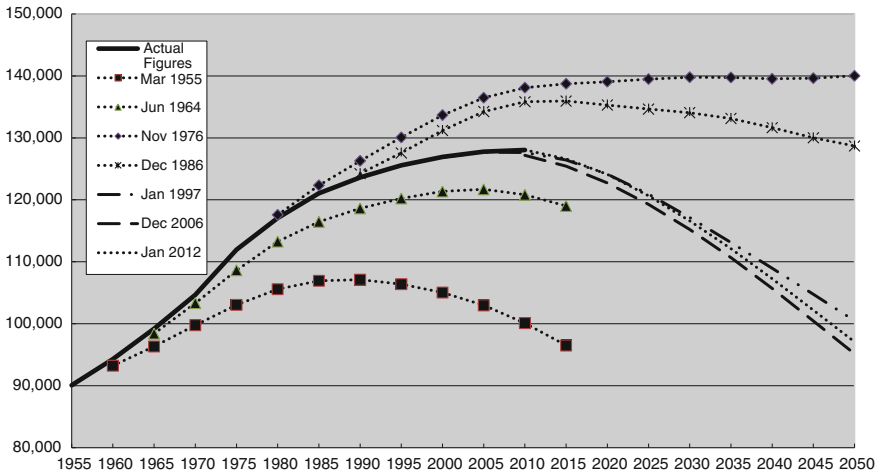


Fig. 3 Official projections and actual population in Japan

7 Conclusions

As discussed above, demographic discourses in Japan have been shifting dramatically from alarmist views on overpopulation to the declinist views on depopulation. One can wonder how and why the Japanese were suddenly able to become so pessimistic about their demographic profile given that in the past overpopulation was their predominant national (and international) nightmarish obsession.

One of the possible answers to this vexing question is our inability to predict the future. Despite many newly developed scientific tools for analysis, we have been constantly humbled by our inability to predict the end of the Cold War, the plight of US-led operations in Afghanistan and Iraq, and the financial crises in Asia, the US, and most recently Europe. When it comes to significantly longer-term projections, many uncertainties including technological innovations and sociological transformation have made future forecasts closer to the world of imagination *à la Jules Verne*. Demography is a relatively stable and useful variable for futurology, but even here, demographic forecasts were far from accurate. Official projections in Japan tended to understate population growth when overpopulation was a pressing agenda item in the 1950s and 1960s whereas they overstated it from the 1960s when a rapid demographic transition was underway (Fig. 3).

But what have been changing more dramatically were the ways in which the demographic trends and the future images they projected have been interpreted, or more specifically the shifting notion of optimal population. After all, one could say that Japanese had a rather accurate knowledge about their demographic profiles and there was clear awareness regarding the general trends of Japanese demographic dynamics, though the speed and the timing of such trajectories were not

accurately known. By the 1970s, it was widely known among Japanese that Japan had completed the demographic transition and a population explosion was not to be Japan's problem in the 21st century.

What strongly conditioned Japanese discourses on demography were, however, not the demographic profile projections for several decades but current, immediate problems. While experts could predict that in the future Japan's problem would be aging and depopulation, actual population was growing and what contemporary Japanese were facing were congestion, rapid urbanization, and unemployment. Given the enormous lag between changing birth rates translating themselves into an actual socio-economic agenda, it was not surprising that contemporary Japanese attitudes were framed by current pressing problems rather than uncertain future theoretical projections. It also is not limited to Japanese politics but all and any democratic polities that lacks far-sightedness in dealing with future demographic challenges.

If there were something particularly identifiable about Japan's case, it would be the speed of the challenges and specific contexts of the demographic challenge. Since Japan's economic growth and its accompanying sociological transformation were so rapid and the means of 'dumping' or exporting surplus population (as some Western countries successfully accomplished) so limited, both the scale and speed of demographic transformation were so intense that coping with the demographic dilemma became even more difficult.

In addition, Japanese contemporary discourses on overpopulation challenges were highly conditioned by prevailing intellectual moods of the day, which in turn reflected changing value orientations in society. In the 1950s, these were very much framed by the limit of food supply and fears about the possible revival of Japan's imperial expansionism. In the 1970s, they were very much conditioned by the rise of environmentalism and the limit of natural resources coupled with the rise of the feminist movement demanding equal rights. Since the 1990s, low birth rates and ageing have been interpreted as another symbol of Japan's stagnation and perceived decline rather than a great achievement of the past efforts for promoting longer lives and the liberation of females from social pressure to marry and bear children to sustain family lines. By contrast the main Japanese concern is the quality of individual life and sustainability of its social institutions whereas very few approach the issue from the mercantilist perspective, namely population as a source of relative national power in international contexts.

Whatever dominant discourses and their causes may be, it is hard to assume that public policies advocated had any significant and tangible impact upon actual general demographic trends. After all they have been constantly driven by structural socio-economic factors such as economic growth, urbanization, and changed roles of the female population rather than by public policies. This suggests that further decline of Japan's population is inevitable regardless of whatever policy measures may be adopted. Fertility rates may rise but it takes decades for elevated birth rates to affect the age composition of the total population. Institutionalization

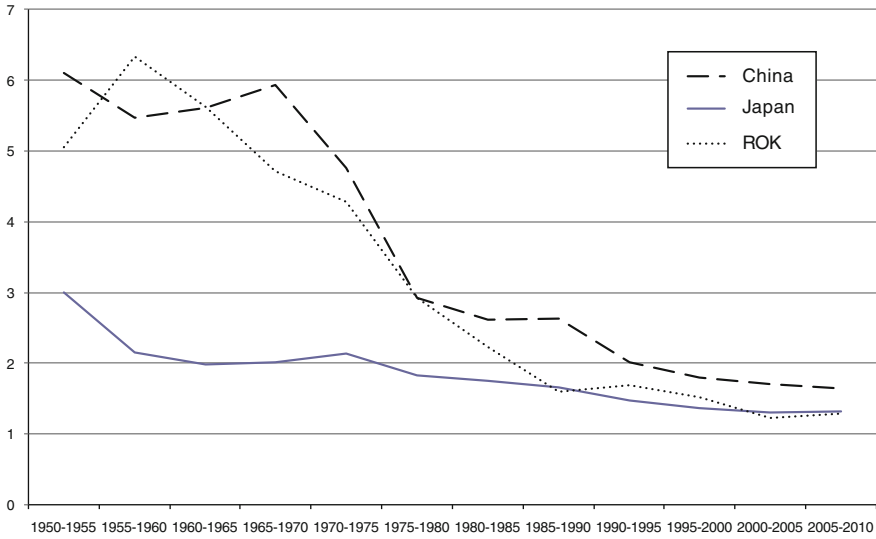


Fig. 4 Total fertility rates of Japan, China and Republic of Korea

of immigration may increase the numbers of the immigrant labour force in Japan, (as it is already happening) but given the scale of demographic change, it is unrealistic to expect that more immigration will change the general demographic profile of Japan (Fig. 4)

Thus, it seems more or less inevitable for Japan to see a lesser number of a more aged population. This demographic challenge, however, is not limited to the Japanese. In other East Asian countries where economic growth and modernization have been successfully followed over the past 30 years, the aging of population combined with the diminishing number of children has been advancing even more rapidly than in Japan. In South Korea today, the fertility rate is even lower than that of Japan, and even in China, whose population is expected to start shrinking in the 2020s, the aging of population has already begun. If population growth were effectively checked in many parts of the world where overpopulation is causing difficulties for their development efforts, it would inevitably entail the same kind of difficulties East Asian countries are facing today. How Japan will meet the demographic challenges caused by its past success, will be an interesting precedent for billions of people on this planet in the future. Needless to say that it is impossible to know whether Japanese will set a good example. However, what can be said with certainty is that the demographic challenges Japanese faced in the past were no less serious than today and it is always advisable not to be deterministic, particularly in a fatalistic way.

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Where Is the Forgotten Giant Heading to? The Current State and Future of Japanese Economics and Politics

Vittorio Volpi

Abstract An old Japanese proverb portrays Japan's situation fairly well: "Ten wa ni butsu ataezu"—"Heaven does not give two things". On one hand Japan is blessed with many ingredients of success. It has a well-developed business culture, is an industrial power with global reach, equipped with a first class bureaucracy and financial strength. To be sure, a highly developed industrial country like Japan needs all of that, especially as it sees itself confronted with unfavourable demographics. The country's population will shrink to less than 100 million in a few decades which will mean a smaller domestic market, less manpower, higher public debt and rising social costs. What to do? As will be sought to explain below, economically, Japan must stay on the higher edge of the 'Smiley's curve' and focus on products and services with the highest possible added value. Japan is equipped with the instruments, manpower and know-how to do all of that although we should always keep in mind that "history is sometimes the result of mistakes" as the saying goes.

1 Introduction: Is the Japanese Economy Really So Badly Off?

Japan is not an easy country to understand and not always is the media's reporting on Japan accurately reflecting the political, economic and social realities in the country. An online comment posed by strategist Christopher Wright of the Swiss bank UBS argues that the Japanese crisis is made worse by three factors: the strength of the yen, the weak Chinese demand and the reduced private savings of Japanese citizens. Until a certain extent, these are all valid observations, but unfortunately they are like the separate pieces of a mosaic that cannot be put back

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together. Other analysts criticize Japan's political and economic leadership and attribute its current problems to the so-called '10 lost years' or even '20 lost years', i.e. the period following the burst of Japan's financial bubble at the beginning of the 1990s. Others see the 2011 tsunami and its consequences as part of the Japanese crisis. But beyond these simplifications and often rather banal explanations, many analysts have thoroughly examined the complex changes, which took place in the Japanese economy to understand the cause of the country's economic downfall in the 1990s, and the slow period of economic recovery over the past decade.

Only few analysts understand Japan as a country, which had to face a series of economic and social crisis, following the economic miracle and the subsequent growth period 20 years before what we are confronted with in post-industrialised European countries today. These problems are: fast ageing populations, the failure of the welfare state (an unsustainable welfare system burdened by unfavourable demographics), failed immigration policies, the high cost of labour, the competition from new industrialised countries and so on. These are all typical problems of an ageing industrialised country and, *inter-alia*, of a country, which is becoming increasingly conservative as regards business and economic models and policies. Only a few discordant intellectuals seem to have grasped the reality of the changes and transformations Japan was going through over the last 20 years. Japan is our guinea pig. It has already lived through and faced most of the difficulties, with which western countries are currently confronted with. In essence, Japan is like a laboratory, through which we can better understand that our future problems have already been experienced and in part solved. In other words: Japan's past 20 years are our future. People who argue along those lines include the winner of the Nobel prize for economics Krugman, who put the Japanese economic problems in the context of what is currently happening in the rest of the world. In an article published in *The International Herald Tribune* (Krugman 2011), Krugman says that "in the 1990s Japan conducted a dress rehearsal for the crisis that struck much of the world in 2008". Krugman underlines how important it is for us in the Western world to carefully study what happened in Japan after the burst of the financial bubble of the 1990s. This, Krugman argues, helps us identify which solutions were applied to cope with the worst economic crisis since the end of the Second World War, which in 2008 and 2009 has brought the global financial system to its knees. In Japan the nationalisation and restructuring of Japan's banks throughout the 1990s—reducing their number from 20 to just 3–4 main players—have resulted in an improvement of the financial system and economic gains for the state treasury when the banks were again re-privatised. "The picture is grayish rather than pitch black. Japan's economy may be depressed, but it is not a depression... in short, Japan's performance has been disappointing but not disastrous. And given the policy agenda of America's right, that's a performance we may wish we'd managed to match... For all its flaws, Japanese policy limited and contained the damage of the financial burst", Krugman writes. I would strongly agree with Krugman's assessment. We are not talking about a country, which has lost its bearings and is heading towards an inevitable decline, but rather a highly industrialised country, which has experienced the bursting of a huge financial bubble and a structural crisis, which

needed radical treatment. This was everything but a 'lost decade' of inactivity but instead a period of struggle against the enormous problems caused by Japan's financial and banking crisis of the 1990s. When we were confronted with the consequences of the so-called recent 'subprime' crisis, which has caused great difficulties for the financial sector on a global level, we can begin to understand the difficult situation Japan was confronted with in the past and how difficult it was for Tokyo to reset its financial system against the background of the enormous damage done to the state funds, resulting in a rapid increase of the country's national debt during and after the crisis.

In the first decade of the new century, Japan found itself having to face problems, which it had not had to deal with since the end of the Second World War. Problems we can sum up with the formula 3D: 'Debt, deficit, deflation'. Having to deal with three major difficulties at the same time without resorting to budget manoeuvres such as supplementary budgets, being burdened with a public debt to GDP ratio of over 200 %, an ageing population and a low birth rate because of the de facto absence of immigration policies is by no means an easy task. Having said this, it must not go unmentioned that Japan is a country of great resources and one where the pendulum of history is still pointing to prosperity and economic growth. It is a country equipped with great inner-strength and the ability to overcome difficulties. Indeed, the March 2011 tsunami demonstrated the great moral strength of the country to the world, the people's ability to work together, their dignified and orderly way of facing difficulties in silence-something only very few specialists and Japan observers were aware of. Donald Keene, one of best-known and well-informed scholars on Japan, is certainly one of them. At the age of 89 he decided to become a Japanese citizen and to live in Japan for the rest of his life. After having seen the Japanese people what he called "bearing the unbearable with great dignity" (Keene 2011), he was convinced to want to live what was left of his life with the Japanese people. The image of Japanese people-often characterized by banal and superficial stereotypes-become the subject of admiration and respect.

2 Exports and Internal Consumption

Since the Japanese industry relies heavily on exports and concentrates on a limited number of products, it has over recent years suffered from the fall in consumer demand on a global level. In addition to a stagnant Japanese internal demand, the economic indicators tell us also that Japan has increased the export of goods abroad, making it more vulnerable to global economic trends. Between 2002 and 2007 the amount of exported goods increased in quantity and value. For example, the ratio between exports and the GDP increased from 12 to 17 %. Consequently, when exports decrease, Japan's economic weaknesses become more obvious. It becomes clear that the potential for Japanese growth depends on the average growth of the other industrialised European countries. The growth rate of the Japanese economy can increase only when global economic conditions and trends

favour the sale of Japanese products abroad. In fact, if we look at the period from 1990 to 2008 and subtract the impact of exports on economic growth from its GDP, it is evident that Japan is a low growth country. The economy has grown at an average rate of 0.6 % a year throughout that period. Japan's best years in terms of economic performance were those of rapidly growing exports. Consequently, the dramatic decrease of Japanese exports in the second half of 2008 led to a 12.7 % negative GDP growth in the fourth trimester of the same year, double the decrease in the euro zone at the time.

Japan has never experienced a two-digit loss of GDP since the end of the Second World War, making the country's economic performance during the 2008/2009 financial crisis the worst among highly industrialised countries. The fact that Japanese exports concentrate on relatively few high-quality products is a double-edged knife. It means an increased GDP when the world economy is doing well, but it becomes very problematic when global economic conditions do not favour the export of Japanese high-quality products. Unfortunately, Japan's internal market does not compensate for the collapse of exports in times of global economic crisis. What is needed are economic policies, which encourage internal consumption and promote the development of underdeveloped and neglected sectors. The president of Panasonic argued in an article that it was important to diversify markets and to aim for countries with a high growth potential; not only the BRIC countries (Brazil, Russia, India, China), but also the so-called MINT countries (Mexico, Indonesia, Nigeria, Turkey plus the Balkan states). He also added that more attention must be paid to local customs and needs, and to do this, more must be invested into local workers. Panasonic employs more than 100,000 workers in China and it seems that there is indeed a realisation on the part of Panasonic's management of the need to become truly global and further diversify. Therefore, in order to increase exports, it is not only necessary to work hard on the home front, but also in new emerging markets. All of this takes time. Corporate strategist Omae Ken'ichi, said the same thing in a conversation with this author, during which he stressed the fact that to make progress, more creativity and technology are necessary.

In sum, the Japanese industry, which has always depended largely on exports as the main growth engine of its economy-amounting to roughly 17 % of its GDP will have to aim for diversification, quality and innovation. It is not an impossible task: the country has all the necessary ingredients to be successful: it has the capital, the technological know-how, a good innovative capacity and multinational companies with a well-established presence on global markets.

3 Structural Problems: How to Look to the Future

Since the end of the Second World War, Japan has never privileged the consumer. The main objective has been to make the Japanese industry competitive globally while benefits and advantages for domestic consumers always came second. This

policy of privileging the industry has sometimes resulted in disadvantages for the final consumer and the rest of the consumer chain. What's more, the Japanese market has a very complex and expensive distribution chain, which has to guarantee profit margins at its various stages before reaching the consumer. The Japanese market was slow in adapting to the fundamental changes in business practices and consumer behaviour we are currently experiencing. With the end of the baby boom and the expected low birth rate period, the Japanese population is ageing faster than in other industrialised countries. This situation is made worse by Japan's strict and restrictive immigration policies.

The data is clear: a mature industrialised country needs a birth rate of over 2. The Japanese birth rate is 1.34 compared to France at 2 and the USA at 2.1. Japan's low birth rate is joined by Japanese chronic reluctance to marry: 32 % of women between the age of 30–34 are single, double the figure of 15 years ago. Another factor is that the number of people over 65 make up 23 % of the population (more than 35 million over 65 year-olds) constituting a fiscal burden for the country's working population. From a peak of 87 million workers we have already gone down to 81 million (as registered in 2010). Today, Japan's population amounts to 127 million and is set to fall to 90 million by the middle of the century. By then, the ratio of workers to pensioners will have become unsustainable. In a few decades, two workers will have to bear the burden of one pensioner (at the moment the ratio is 4–1, and it is already one of the worst ratios in the industrialised world). Japanese pensioners have one of the highest life expectancies in the world, and are typically fairly rich when they die, a result of the tradition of cautious spending and high saving rates of previous Japanese generations. It is estimated that an average Japanese man with a life expectancy of over 80 leaves over \$200 thousand dollars worth of cash. This can be seen as an indicator of a rich country but also as a premise of higher life expectancy and a therefore heavier social burden. These prospects are worrying given that Japan's sovereign debt today amounts to more than 200 % of GDP. There is therefore little hope in terms of increased state help and subsidies in the future.

What can Japan do to increase its internal demand taking into account its tradition of moderation and frugality? Let us first have a look at the service sector. This sector is characterised by a fairly low level of productivity. In fact, a study carried out by the Japan Productivity Centre has stirred a controversy as its findings reveal how low productivity in the Japanese service sector actually is. The data shows that Japan holds the twentieth position among the 30 OECD countries compared to the seventh place held by Italy. Therefore, it is understandable that Japan's Ministry for the Economy, Commerce and Industry (METI) is currently investing resources into trying to promote an improvement of the service sector.

Another issue worth mentioning is the so-called 'teinen', i.e. retirement age, which in Japan can be different from the age when workers start receiving a pension. As opinion polls confirm, Japanese 58–60 year-olds in Japan (like in the Western world) generally feel young and want to continue working. Some, especially the most highly-skilled workers, are prepared to move to China or to other Southeast Asian countries where they can work as tutors and transfer their

know-how and experience. Japan is world leader in robotics, where it has made enormous progress over recent years. Considering the idiosyncrasy of the government in admitting a greater number of foreign workers into Japan, an increased use of robotics could bring many benefits in particular to the primary and tertiary sectors and compensate—at least until a certain extent—for a decreasing labour force. The ageing consumer market is another factor, which must be considered. Bearing in mind the size of the country and its per-capita income, we can foresee a huge opportunity in the search for well-being, looking after the ageing population, and developing ideas, which help improve the quality of life and business. Illiteracy is almost non-existent in Japan and therefore the use of the Internet is not a problem for the Japanese people, making the consumer market sector potentially very profitable. The potential of the agricultural sector must not be underestimated either. While the workforce in agriculture has decreased over the years, it is still of strategic importance for country with very few natural resources. Robert Feldman, chief economist for Morgan Stanley, believes that agriculture in Japan has great scope for further development. Currently, retiring farmers are less likely than before to be replaced by next generation farmers and therefore much agricultural land ends up being abandoned. A policy to encourage young people to get into farming, the cultivation of unused land and a higher standard of living for farmers could all help the rebirth of the agricultural sector. In turn, this would stimulate growth and diversify the economy. Not doing anything would be like letting this potential waste away. In conclusion, despite the negative demographic trends (a low birth rate, fewer marriages and little immigration) Japan could benefit from contributions in sectors, which have yet to be fully exploited.

The 2011 natural disaster in the Tohoku region has once again dramatically brought to a head the country's energy problem, the Achilles' heel of the Japanese economy. Recent initiatives to invest significantly the provision of LNG (the Japan Impex Corporation allocated \$34 billion dollars to buy rights to develop one of the world's biggest offshore fields in Mozambique), is a clear sign that the nuclear option—Japan operated 54 nuclear plants until the Fukushima crisis in 2011—will lose in relevance for the supply of energy in Japan. Only four, and soon only three, of these plants are still in use. The total phase-out will mean operating the country's industries with roughly 30 % less available electricity. This stands for a dramatic change of Japanese energy policies, which further weakens the energetic autonomy of the country and upsets the balance of payments, as Japan will be obliged to buy even more expensive energy from abroad. Japan's favourable credit balance with foreign countries in the 1980s is now a thing of the past. The new Japanese government inaugurated after a landslide electoral victory by the Liberal Democratic Party (LDP) over the then incumbent Democratic Party of Japan (DPJ) in December 2012, however, seems intentioned to be reversing the DPJ's previous orientation of 'denuclearizing' the Japanese archipelago completely. Indeed, current Japanese Prime Minister Shinzo Abe seems to want to continue to make use of nuclear power energy while getting rid of Japan's ageing and risky nuclear power plants replacing them with new and safer plants. The March 2011 tsunami, earthquake and the Fukushima nuclear disaster have arguably brought about a

rediscovery of Japanese values, which had in the past been neglected and indeed forgotten. Moreover, it has helped to identify areas for development, which will make the country less vulnerable to the frequent natural disasters, and will create new businesses for houses, cities and business. The tsunami has taught Japan a lesson which has helped the country not only to understand itself better and become more aware of its position, but also to rethink how its people live. This lesson will guarantee the birth of new businesses, such as:

- technology to improve energy efficiency;
- using technology to store energy;
- thirdly, learning to produce energy with different technologies;
- the combination of these three technologies together with information and communication technology (ITC) will allow for the creation of a smart grid network. This is a smart energy-supplying network, which determines the distribution of energy on its own. With a smart grid network so-called smart houses and smart cities can be built.

4 ‘Smiley’s Curve’

To maintain its current level of economic prosperity, Japan as a highly-industrialised country must position itself at the right position at what economists call ‘Smiley’s Curve’. A smile corresponds with an U-shaped curve of a smiling mouth and the bottom part of the curve corresponds with industrial, i.e. ‘tout court’ production, typically generating low profits. The strong players are at the top of the curve where product development, know-how and distribution are located. A technologically mature country like Japan must collocate itself at these higher levels because that is the position from where higher profits are generated. It is vital for Japan to continue investing in technology and innovation to make sure that its products continue to be at the highest qualitative level. Japan’s industry knows that mistakes have been made over the past two years, which have made the industry more vulnerable and in some sectors relatively weaker than competitors from other Asian countries such as e.g. South Korea. Japan’s industry has understood that in order to reach maximum levels of efficiency, investments in distribution and in services are necessary to be able to offer high-end products at competitive prices. This is crucial to be able to keep competition from South Korea, Taiwan and China in high-end products at bay.

There is no doubt that Japan has over the past few years lost ground especially in those areas where it was once leading globally. In high-end products Japan is exposed to competition from very innovative companies in the US (such as Apple) while in lower-end products Japanese companies are confronted with competition from South Korea, Taiwan and China. The US has regained its leadership position in some high-end products thanks to its creative ability, innovative technologies, ideas and talents drawn from the best universities and the exceptional support of

the financial world (venture capital, private equity), which helps businesses finance new projects to achieve their goals. America has the best universities in the world where students are taught using slogans such as that ‘there is always a better way’ and ‘no venture no gain’. The iPod is emblematic of the American re-surpass. It is also a message for Japan, showing the country that you can never sit back on your laurels. Capital can be found everywhere, by everyone: it is no longer a discriminating factor. As Fahred Zakaria argues, what counts is not only capital but “demography, diversity, globalization, knowledge and competitive factors” (Zakaria 2008). To be a winner today you need a team that can create goods and services. This does not favour Japan as the country’s ability to manage cross-cultural situations is fairly poor, and Japanese universities are organised like tribes.

The transfer of talent to Japan remains a challenge. The language barrier, together with other related difficulties of living in Japan make it hard to attract new teachers and students to the country. As I have already discussed elsewhere (Mazzei and Volpi 2006), globalisation does not favour Japan with its cultural peculiarities. However, as far as knowledge is concerned, the country has an advantage. In fact, as we have already pointed out, in the Japanese case we do not have the same preclusions of the ‘NHI’ (‘not invented here’) mentality, and there are no ideologies, cultural barriers or religious leaders who impede new ideas and projects. If we compare Japan and China, we can see that in many ways Japan is very different. We recall what Zakaria writes: “China, contrary to Japan, followed a policy based on investments and the opening up of new markets. For this reason China cannot be considered the new Japan”. Indeed, China exports 70 % of its GDP compared to 17 % of Japan. Their respective economic structures are completely different and due to the high level of development in Japan and the different levels of per-capita income, Japan and China are hardly comparable economically. We must not forget that the Japanese per-capita income, in nominal terms, is several times higher than the Chinese while South Korea is already much closer to Japan in GDP per-capita terms. In the past, Japan had to ask for state support for exports (remember the slogan: ‘export or die’) and it used tariffs and non-tariff barriers to trade to keep the Japanese market relatively closed for foreign goods and private investors. In sum, the future for Japan is an important challenge. According to Omae, Japan can count on some significant advantages, which it guards very jealously. “It is true that there are problems now, but Japan is, and will be a strong country despite the fact that politics is kaput, and the fact that the Japanese are still traumatised by the effects of this long, exhausting crisis.” According to Omae, there is not much to be expected from political changes: the economy is at its worst so it cannot get any worse. However, Japan has a healthy base and its advantages can be identified in its technology, automatic machinery with numeric controls and the ability to keep others from copying its technologies. Furthermore, in applied materials and basic electronic components Japan has almost a monopoly: “If Japan were to stop supplying these two products, many industrialized countries would drop dead”. Omae sustains that the changes in Japan are taking much more rapidly than meets the eye. Japan’s so-called ‘Lost Decade’ in fact has helped the country pull itself up and catch its breath after a

long race. “With the impact of electronics and the internet, the big, new Japanese banks in the future might be called Sony, NTT Docomo. And we might get to the stage where we can exploit to the fullest extent the production of portable computers, where Japan is in the forefront Japan will have to get through some difficult years, but it needs challenges since it is a reactive country”.¹ Throughout its history, Japan has shown itself strongest when pushed into the corner able to free energy and resources to then come out victorious. Its pragmatic approach and lack of ideology are enormous advantages. In contrast to other countries, Japanese companies like Sumitomo, Mitsui, the Mitsubishi fight a commercial war against each other on the internal market, but when it comes to external economic challenges they are ready to put a up a united front and cooperate with each other. Just as Zhou Enlai said to Henry Kissinger, “The Japanese can go from being an empire to a republic in just three days”. Indeed, Japan’s ‘invisible hand’ is always present, ready and prepared to act quickly. This is the advantage of being a democracy with an efficient and well-organized bureaucracy. The advantage of being a developmental state, which permits flexible economic policies using instruments such as window guidance and moral persuasion, which do not usually work so well in other political systems. When the need arises, as we saw last year, the *ittaikan* rule applies (a phrase expressing a sense of unity, along the lines of “we are all in the same boat”, our life is in danger: either we all save each other or we lose everything”).

5 The Issues at Stake

Japan’s period of post war reconstruction, the coupling with the Western world and its status of the world’s second biggest economy are now part of the past. The period of mythicizing and exalting Japan, the period of the so-called ‘yellow threat’, depicting Japan as a hostile and aggressive power, Ezra Vogel’s book of Japan as Number One, the economic boom period throughout which Japan bought everything everywhere too belong to another era of contemporary Japanese history. The stereotypes about Japan overtaking the US as the world’s biggest economy, technologically and financially dominating of the world have now all but disappeared from the debate. Today, Japan can be defined as a ‘normal country’, a powerful economy, which has had to face up to enormous problems. Its strength lies in its well-educated and dedicated workforce, which has to make up for complete lack of natural resources. Japan’s economy is in a process of a transformation, confronted with numerous problems, which can be summarized as follows.

Japan is extremely vulnerable to everything that happens in the world. Its petrol and raw materials have to cross all the seas of the world. Conflict or disputes

¹ In a conversation with Kenichi Ohmae in Tokyo, 1st April 2009.

between countries could interrupt this vital flow of energy, which has to cross sea-lanes in the Middle East, the Strait of Malacca and the Sea of China. Japan's geographic position, which isolates it from the rest of the continent, is a great weakness of the country. With the possible shutdown of its nuclear plants, Japan will have no autonomous energy supply. Therefore, Japan will always have to be in favour of easing disputes and international cooperation. Claims that Japan has great military power ambitions are unfounded, not only because Japan has a pacifist article in its constitution (Article 9), but also because it has also a long time ago chosen not to build, possess or introduce nuclear arms (even though little is known of what the Americans do on their military bases in the archipelago in terms of nuclear armament). The country has also decided not to spend more than 1 % of its GDP on defence. However, the fact remains that 17 % of its economy is dependent on exports, which makes it vulnerable and easily exposed to international crises. The most recent example is the global financial crisis, which reduced exports from Japan, and led to a contraction of the Japanese economy of 12 % over the last trimester of 2008. Secondly, Japan's demographic trends will increasingly become a burden on the country's economic and social well-being. The fact that the country is reluctant to open up its doors to foreign workers will inevitably lead to a shrinking population. Every year in September, the Japanese celebrate the 'respect elderly people day'. Japanese citizens who become centenarians receive a special cup from the Prime Minister's Office and drink sake from the cup that contains 94 grams of silver. This year the amount of silver was reduced to 63 grams because there are already more than 20,000 100-year olds and the number is destined to increase significantly in the years ahead. The country's simple way of life, together with a healthy diet and good health care, all favour the conditions for a rapidly aging population and a decreasing birth rate. This phenomenon is not without repercussions on state finances and pension funds, lifestyle, the composition of domestic demand, the workforce and the standard of living.

The third problem, which has to be dealt with is the public debt, a similar problem Italy is confronted with. Over time, the inefficient and wasteful carrying out of public works has accumulated a national debt, which has reached critical levels. The seriousness of excessive public debt in Japan is not as evident as it is in Italy because of the country's exceptionally high savings rate. This is partly due to culture, which is typical of a traditionally poor country influenced by Confucian and Buddhist ideas to lead a simple life, but it is also due to worries about the future. To be sure, Japanese citizens feel obliged keep up a high saving rate of view of the country's exploding public debt. The 35 million Japanese people over the age of 65 know that due to the country's high sovereign debt, the falling birth rate and the rapid aging of the population, the financial support provided for elderly people is bound to decrease in the years ahead. By 2025 there will be a pensioner for every two workers (at the moment there is one every four workers) which will continue to have a strong impact on Japanese saving. In 5–10 years, public spending for welfare state will be 42 % higher than in 2006. Reduced personal spending and as well as increased saving are the Japanese answers to rising costs to maintain the welfare state. Contrary to Italy, Japanese authorities

have been very cautious in selling Japanese national debt abroad. Ninety four percent of their state bonds called 'kokusai', are owned by Japanese investors and banks (in Italy 42 % of Italian bonds are owned by non-Italian investors and institutions). Despite the aberrant national debt, which is almost double the size of Italy's national debt, it is difficult to imagine the Japanese people not helping their country in an emergency (through the purchase of low yield Japanese government bonds). For the Japanese people, resolving Japan's economic problems means long-term sacrifices, accompanied by adjustments in lifestyle. As further evidence of the Japanese sense of duty to their country and their level of information, a recent survey confirms that the Japanese people would be willing to accept a 5–10 % VAT increase on goods in order to help stabilizing state finances. The population was in favour of the increase because the people know the money would be used to rebuild the Tohoku region, devastated by the March 2011 earthquake. It is worth remembering that over the past years Japanese governments, which have tried to raise VAT on goods met strong resistance from the public.

Recent opinion polls, however, also indicate that more than 70 % of the population has lost its trust in country's political and bureaucratic circles, over decades in post war Japan the mythical 'invisible hand' of the developmental Japanese economic model. This failure of politics comes as no surprise given the traditionally low respect the Japanese people have for the political class. The country's bureaucracy and the bureaucratic system on the other hand were traditionally esteemed highly amongst the Japanese people. The bureaucracy has traditionally been appreciated as being loyal to the state, decisive and competent. The elite bureaucrats came from the country's best universities and were conscious of their role they have and prestige they enjoy in Japanese society. When asked why they had chosen the bureaucratic career, which is slow and not very well paid, bureaucrats are typically replying that they felt they were taking part in guiding the country. Japan's most important economic policies and laws have over decades been a result of bureaucratic as opposed to political initiatives. The politicians simply played the legal role as regards decisions, which had already been taken. As Karel Van Wolferen,² one of the most combative Western Japan-watchers wrote, "the ministers of state are treated as temporary guests by the bureaucrats", because they are replaced with frequent cabinet reshuffles. Many Asian countries adopted the Japanese bureaucratic structure, which is swift and efficient in carrying out decisions. In many cases window guidance ended up being more effective than parliamentary procedures in Western countries, which are always bogged down with debates, controversies and time-consuming procedures leading to bills becoming laws when their relevance has decreased. However, the honeymoon between the bureaucratic system and the Japanese citizens seems to have come to an end.

² Author of the book "The Enigma of Japanese Power" (Van Wolferen 1989).

6 Bureaucracy and Politics

The respect the Japanese people have over decades had for the country's ministerial bureaucracy has melted like snow in the sun because of policies in the 1980 and 1990s, which brought the country to the brink of economic and financial collapse. The prolonged recession of the 1990s, an excessive national debt and a series of corruption scandals—it is suffice to remember the disappearance of over 50 million data in the health system in the mid-2000s—have radically changed the positive perception the Japanese people had of the state, the public service, and the political leadership necessary to supervise and guide the bureaucracy. Watanabe (2009),³ former Minister of the Liberal Democratic Party (LDP), describes the problem as follows: “It is a great lie to say that the bureaucrats follow the guidelines set out by the politicians. Their main role is to lobby, and suggest policies to ministers on behalf of the ‘tribes’ (‘zoku’) and factions, and then make sure that they are accepted and enacted. Bureaucrats would do anything to preserve and protect the interests they represent. They are a tough nut to crack. It will be difficult for the new political class to put the bureaucrats in their place”. Motohisa Furukawa, a politician of the Democratic Party of Japan (DPJ) says that “the bureaucrat’s job should be that of keeping the train on its track and making sure it arrives on time. The problem we have now is that the trains have reached their destination, and they have now come to a standstill. We need to build new tracks, and this should be the role of the politicians”.

Many bureaucrats believe that politicians are incompetent and are only interested in politics and not in the policies. There is a bitter dispute between two of the three legs of Japan's so-called ‘iron triangle’, namely between the ministerial bureaucracy and politics. This confrontation was also one of the main themes of the political debate, which characterized the electoral campaign of the Lower House elections in August 2009. The disempowerment of Japan's ministerial bureaucracy re-assigning politics and law-making to politicians was one the central issues on the election campaign agenda of the Democratic Party of Japan (DPJ). The DPJ knew it would be heading for a clash with the ministerial bureaucracy. The above-mentioned Furukawa, who knew how difficult it would be to limit the bureaucracy's power and influence on policymaking, which had been guiding economic policy since the Meiji period, said the only solution would be “to find someone in the castle willing to open the door” that is, willing to help unhinge the old system from the inside—a Trojan horse so to speak. This is not the first time such a suggestion has been made. Even the ‘shogun’ of Japanese politics, Tanaka Kakuei, a self-made politician and later very controversial and indeed corrupt Prime Minister from 1972 to 1976, tried to do the same thing and he was until a certain extent successful. His methods were controversial and at times outright illegal: he tried to corrupt the bureaucracy with expensive presents and promoted people who supported him. Tanaka's visiting ministries wishing

³ Watanabe is a member of the Japanese parliament.

bureaucrats a 'Happy New Year' handing bureaucrats envelopes full of money during those visits-an infamous part of Tanaka's political legacy. Tanaka ended up being convicted of corruption.

There is no denying the fact that politics in Japan changed in the summer of 2009. The Liberal Democratic Party (LDP), which had governed the country without interruption for over half a century (apart from a brief pause in the early 1990s), went into opposition. Through its landslide victory over the LDP, the DPJ gained control over both chambers of the parliament and governed with a large majority. In his manifesto, the DPJ's then leader Yukio Hatoyama who conducted his electoral campaign with Ichiro Ozawa, one of the 'grey eminences' of traditional Japanese post war politics behind the scenes captured and understood what issues were of most interest to the Japanese people in 2009. The prolonged economic crisis followed by a recession after the summer of 2008 made sure that the Japanese people at the time were worried about the loss of the country's economic prosperity and the increasing costs to maintain the country's welfare system in a rapidly ageing society. In order to convince Japan's electorate that he and his DPJ offered something 'new', Hatoyama promised to spend more on social and child welfare and announced to change the quality of Japanese foreign policies in general and relations with the US in particular. He promised 'fraternity with the world and the neighbouring countries', announced that Japan would look eye to eye with the US in the context of the bilateral security alliance with Washington and promoted the creation of an Asian economic area with a single currency (similar to the European model).

The Hatoyama election manifesto also included the transfer of resources from elderly people to families in order to improve their economic positions. The manifesto promised child benefit payments of about 200 Euros a month with the aim of encouraging the Japanese families to have more children and helping families to cope better financially. In addition, the manifesto promised that state schools would be free for everyone. It is needless to say that these election campaign promises were very popular amongst the Japanese people. However, the DPJ was confronted with an enormous national debt, which made it difficult to find funds to finance such promises. Nonetheless, as Dutch Japan scholar Ian Buruma puts it: "The electoral victory of the JDP is not a tsunami but certainly a revolt". Indeed, the 2009 general elections led to some fundamental changes in Japan's political culture and electoral behaviour. Why have the traditionally conservative Japanese people changed horse and handed the DPJ a landslide victory back then? What didn't they like about LDP policies? In essence, the promise of the DPJ to pay greater attention to social needs and privileging people over business made the difference in 2009. People felt that more needed to be done for families and the ageing society. While the country needs more children, the Japanese people seem reluctant to give birth to more children, not least as salaries haven't increased over the last 20 years while the benefits offered by the welfare state decreased over the same period. If this does not change, Japan's demographic future looks grim. For these reasons, child benefits, free education and greater attention for families were winning themes back in 2009. Another winning issue was the DPJ's promise

to reduce the role and importance of the country's ministerial bureaucracy. People were suspicious about the excessive influence the bureaucracy has on society, and many complained about the power it had in taking decisions for the country without sufficient supervision by the country's politicians.

The criticism the DPJ voiced on the unequal nature of the US-Japan security alliance was also appreciated by the public. The Japanese people never liked the American habit of treating allied Japan as a 'junior partner' in the bilateral US-Japan security alliance. It is no surprise therefore that an essay by Fujiwara (2005) sold millions of copies and became a bestseller. Fujiwara invited his fellow citizens to remember traditional Japanese values and while calls voiced by Japanese writers and intellectuals to re-incorporate the country's traditional values into modern life are not new, it was the assertive tone with which he urges the Japanese people to take a step back from the West and to be conscious of the independence of the country, and not to be subordinate to others. The same ideas can be found in the works of Shintaro Ishihara, former nationalist governor of Tokyo, as well as in Japan's nationalist literature, which typically cites the presence of American military bases on Japanese territory as evidence of a lack of Japanese sovereignty and independence. The same literature mentions the calling of Japanese ports by US military vessels equipped with nuclear warheads throughout the Cold War in the same context. To be sure, Japan's aversion to nuclear armament is understandable if we take into account that Japan experienced the nuclear bombings of Nagasaki and Hiroshima. The Hatoyama election manifesto also contained reasonable proposals in the economic sphere, such as the creation of an economic area with China, South Korea and Japan at the centre, and the idea of a single Asian currency. These are all promises made during the electoral campaigns, but at the same time they demonstrate something new with a solid foundation. Therefore, in 2009 the LDP's defeat was all but inevitable, which was still hooked onto the problems of public finance and maintaining the political status quo. The changes of 2009 were also an indication of the Japanese peoples' worries about the future and fears about decreasing well-being and prosperity. The LDP returned to power in 2012, but in 2009 it was widely agreed that Hatoyama's success would depend on whether he would be able to 'disempower' the country's bureaucracy without turning it into his enemy and find the economic resources for his election campaign promises without placing any further tax burdens on to the citizens. There was also wide agreement in Japan back then that Tokyo has the right to expect to be treated as an equal partner by Washington. After all, Tokyo (after Beijing) is the main financier of the American national debt and pursuing better relations with China and South Korea as envisioned by then Prime Minister Hatoyama are arguably expressions of good sense.⁴

The Japanese preoccupation that China is rapidly strengthening its military capabilities may have been behind Hatoyama's plan to strengthen relations with

⁴ By the time this chapter was edited, the LDP had returned to power winning a landslide victory over the incumbent DPJ in Japan's December 2012 general elections.

China, accompanied by attempts to put Japan to the forefront of promoting Asian integration as a means to engage China as much as possible. Wasn't the idea to create the European Community after World War II not to end Franco-German rivalry and military conflict for good? To be sure, Hatoyama's vision for Japan's 'return to Asia' stood in contrast to the prevailing ideas following the Second World War, where everything was geared towards the West in general and the US in particular. A lot has changed since one of the founding fathers of modern Japan, Yukichi Fukuzawa, wrote in 1885 in his essay 'Datsu-A Ron' ('On Leaving Asia Behind'): "We have to link our future to that of the civilised Western countries". The changes that took place in Japan's political landscape in 2009 are, as the analyst Peter Tasker writes, a confirmation that "coherence with principles has never been a constant feature of Japanese politics" (Tasker 2009).

7 Society

On 16th December 2007, the Japan Times reported a tragic episode. In Sasebo, a 37-year old man had gone into a sports centre and shot dead two people and injured another six. After that, he went to a Catholic church and shot himself. He is said to have had problems with former colleagues. What is interesting is not the sad event but the comments on it made by then Prime Minister, Yasuo Fukuda. Fukuda, it seemed, was above all alarmed that the episode could ruin Japan's pacifist image: "I'm worried that Japan is becoming more like foreign countries. We must think of how we can avoid similar problems in the future". Without mentioning the problems the country was confronted with- the disappearance of traditional values and the growing rise of greed for money- his only worry seemed to have been that Japan will lose face abroad. The above-mentioned episode of violence is somehow representative of the problems present in the country today: violence, bullying and frustration about the growing gap between the rich and the poor. If we observe the evolution of Japan over the last 40 years, we have to acknowledge that the social situation has significantly worsened. The sense of society and the realization that they are all 'nihonjin' (Japanese), i.e. members of the same family, has weakened. Instead, today we observe 'aikinshugi' ('idolisation of money') in Japan, a phenomenon among young people, which amongst others increases of prostitution. Like in the west, young Japanese people characterise themselves by what is referred to as acronym 'PSD'-'poor, smart and a desire to get rich'. People want to get rich quickly come what may.

The structure of the traditional Japanese family has changed fundamentally. Half a century ago, three generations living under the same roof was the typical Japanese family model. Today there are hardly any families in Japan who live like this. The generation gap is enormous. The passing of the buck between the school and the family has reached critical levels. There is an interesting letter written by a reader to the daily newspaper Asahi Shimbun: "Schools have to teach children how to use a knife correctly". A teacher replies saying: "We can't expect schools

to do everything”. However, as in Italy, Japanese schools today do not teach civic education and families no longer teach even the most elementary things. A serious illness is spreading through Japan called ‘akubyodo’ (‘bad equality’). The basic idea is that we live in a virtual world where young people are encouraged to expect that everything has to be the same for everyone, from birth to death. Diligence and hard work are no longer important. However, ‘akubyodo’ becomes very frustrating for young people when they have to face the real world and are no longer protected by their families and school. In the past it was typical for Japanese workers to work in the same company from the start of their careers up to retirement. This is no longer the case. More and more young people leave their job within the first 3 years because they find the work too hard and demanding. Many of them become so-called ‘freeters’⁵ who work on short-term contracts. They have no ambitions or hopes for the future. The only important thing is to survive. Obviously the prolonged economic crisis, the need for companies to restructure, and fewer secure jobs have contributed to the spread of the system of temporary jobs.

8 No Longer a ‘Developmental State?’

As we have discussed above, while today’s Japan is confronted with a number of problems and uncertainties, there are also some certainties. To begin with, while Japan as a highly-industrialised and wealthy country will continue to have a central position in Asia, it is confronted with a number of challenges. These challenges will need strong leadership, long-term vision and creative and flexible policies. Japan’s geographical position has negative aspects, but it also offers enormous advantages and the country’s above-mentioned return to Asia’ could be a winning card. To find oneself in the region where two-thirds of world population lives, a region of extraordinary economic growth led by China and India gives Japan a great opportunity to use its economic, financial and technological potential.⁶

The economic giant Japan has lost a good part of its prestige and economic might (China e.g. overtook Japan as the world’s second biggest economy a few years ago) and it continues to be relatively inefficient in the service sector, the sector in which highly-industrialised countries typically create great profits. The Japanese continue to work long hours, workers have shorter holidays than European counterparts, and companies have done very little to improve the quality of on-the-job training programmes. Too much importance is given to passing entrance tests rather than training citizens to think on their own and become more responsible. To be sure, many Japanese companies continue to have a worldwide

⁵ ‘Freeter’ (also ‘freeta’) is a neologism dating back to the 1980s. It merges the English term ‘free’ and the German verb ‘arbeiten’. It refers to a Japanese aged between 15 and 34 who works but does not have a full time job.

⁶ The term ‘developmental state’ gained prominence in Johnson (1995).

presence: corporations such as Toyota, Sony and Panasonic are well-known all over the world. These companies work across the globe and they have to a certain extent become transnational. Consequently, the umbilical cord with the mother country has weakened. The challenges that the Japanese industry has to face internally—challenges related to immigration policies, and the above-mentioned demographic challenges—need to be addressed differently than the past.

Until the global economic and financial crisis of 2008, the Japanese-style developmental state model in which the bureaucracy played a central role, seemed to have been overcome and is now out of date. The crisis of Western capitalism, however, has made everyone think again. The Euro crisis in 2011 and 2012, the instability of the European Union and the general crisis of the capitalist system had undoubtedly an impact not only on Japanese policies but also on other Asian countries' economic policies. China and South Korea in particular have seen themselves confirmed that state-driven capitalism remains a valid option. A series of interviews published in the *Financial Times* in January and February 2012 have given food for thought in this respect.

Lord Desai, Professor Emeritus of the London School of Economics e.g. argues that “There is no crisis of capitalism; there is a crisis of western capitalism, which has gone geriatric. The dynamic capitalism with energy, innovation and sheer greed for growth, has moved east” (see Pilling 2012).

Mahbubani (2012) of the National University of Singapore points out that there is a debate in Asia on whether the policy of moving towards the de-leveraging of state intervention in the economy following the model of the Western industrialised states (‘more market and less state’) or whether instead the Asian model, i.e. the model of a developmental state in which the state and industry closely work together is the right economic model for Asian countries. Even Russia’s President Putin (Belton 2012) has offered an opinion on that debate. According to the Russian leader, Russia will in the future have to imitate the Chinese or Korean capitalist model if it wants to modernise and develop the country. According to Putin, relying on the markets for economic and financial governance has turned out to be a bad strategy, as demonstrated by the recent global economic and financial crisis.

9 Conclusions

It would be a mistake to conclude that Japan is a country in decline. Like other countries in the industrialized West, Japan is a post-industrial country where economic well-being and an aging society have brought about conservativeness and a low growth economy, but it is nevertheless a great country (and a great economy), which still has a lot to offer to the world. The March 2011 Tohoku tragedy has helped Japan to rediscover its strengths and its values, as expressed in Zen Buddhism: “Nan-ari, ari-gatashi”: “If we face difficulties, it means we are given a chance to overcome that difficulty and make a new start. Therefore it is something we should be thankful for”.

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Part II

Politics

Japan's US-‘Imposed’ Post War Constitution: How, Why and What for?

Axel Berkofsky

Abstract This chapter provides an overview of and analysis on how Japan's post war constitution of 1946 in general and its ‘pacifist’ Article 9 came into being: who were the protagonists on the Japanese and American side and what were the controversies surrounding the drafting and adoption of Japan's ‘pacifist’ constitution. Amongst others, the US motives and motivations to retain the Japanese Emperor on the throne in post war Japan will be analysed: why did the occupying US go great lengths to retain the ‘undemocratic’ Emperor and Emperor system while introducing democracy and democratic political structures into defeated post war Japan? Finally, when and why did the US give up on MacArthur's initial plan to make an ‘unarmed pacifist’ out of Japan and what impact did the US ‘imposition’ of Japan's post war constitution have on Japan's post war Japan's obligations to deal with its World War II responsibilities?

1 Introduction

Japan was an occupied country from 1945 to 1952. It regained full independence after The San Francisco Peace Treaty went into force in 1952. Japan's ‘pacifist’ post war constitution was promulgated on November 3, 1946, and took effect six months later on the May 3, 1947, replacing Japan's 1889 ‘Imperial Constitution of

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Great Japan' ('Dai Nihon Teikoku Kempo').¹ The story of the US occupation in Japan is one centred around the 'imposition' of a constitution with a war-renouncing article (Article 9) onto the country—the Japanese Emperor was degraded from 'head' to 'symbol' of the country and Japan post war constitution's Article 9 denies Japan the right to maintain armed forces. Soon after his arrival to Japan in August 1945, 'The Supreme Commander of the Allied Powers' ('SCAP') US General Douglas MacArthur² charged the Japanese government with the task of drafting a new constitution, which was to include a war-renouncing article as well as a clause degrading the Japanese Emperor from 'head' to 'symbol' of the Japanese state. The Japanese Emperor—together with members of the imperial family—in danger of being incriminated as criminal of war was to lose all political powers and become a mere symbol of the state, in order to protect him from Chinese and Soviet plans to incriminate the Emperor and parts of his family. When the Japanese attempt to make a pacifist out of the former militarist country resulted into a Japanese draft constitution without a war-renouncing clause and the Japanese Emperor still as the head of state, MacArthur and his aides in Tokyo took over the constitutional drafting process and produced a constitutional draft within only one week, arguably a 'world record' for turning a former militarist and imperialist country into a full-fledged and functioning democracy without—at least until for a few years—armed forces.

While the US 'imposed' democratic political structures and a democratic constitution onto Japan, Washington decided (as will be shown below long before the end of World War II) to retain the Emperor and Emperor system.³ Retaining the Emperor system after Japan's defeat, it was argued amongst US policymakers and scholars already in the early 1940s, would facilitate and support US occupation policies. In fact, US Cold War 'realpolitik' was very quickly winning over idealism in US post war planning for Japan and keeping the Japanese Emperor on the throne was the central part of a US strategy to secure Japanese support for US occupation policies (and later US Cold War security policies in East Asia).⁴

Although Article 9 does strictly speaking not allow Japan to maintain armed forces, Japan does since 1954 have armed forces, which today are equipped with an annual budget of roughly \$50 billion, arguably a lot of money for armed forces

¹ Japan's 1889 constitution—the so-called 'Meiji Constitution' named after Japan's imperial Meiji Era (1868–1912)—assigned Japan's sovereignty unambiguously to the Japanese Emperor who ruled the country by 'divine', i.e. God-given right. The Japanese Emperor held supreme powers with the Japanese people charged with the role of serving and obeying the absolute monarch. The elected Japanese parliament was officially in charge of running Japan's state affairs, but the Emperor had the right to dissolve the parliament any time he wanted.

² Then Commander-in-Chief of the U.S. Army Forces in the Pacific during World War II. He was appointed as the 'Supreme Commander for the Allied Powers' (SCAP) on August 14, 1945.

³ Which is somehow ironic as the US War of Independence was about getting rid of a monarch (the British Queen).

⁴ Former US Vice-President Richard Nixon e.g. called Japan's war-renouncing Article 9 a 'mistake' in 1953.

which are strictly speaking not allowed to exist in the first place (only the US, China and Russia spend more on their armed forces annually). While the country's armed forces are not equipped with offensive military capabilities enabling Tokyo to attack another country, the country's armed forces are nonetheless equipped with state-of-the-art military capabilities and Japanese conservative governments (in particular Japan's current government led by pro-defence and nationalist Prime Minister Shinzo Abe) have over recent years more than once contemplated the possibility of acquiring and deploying offensive missiles to enable Tokyo to launch a pre-emptive missile attack onto North Korean missile and nuclear sites. In order to avoid accusations of violating Japan's war-renouncing Article 9, Japan's military forces are still today (and since 1954) called ‘Self-Defence Forces’ (as opposed to ‘normal’ ‘armed forces’). Japanese contributions to international humanitarian, peacekeeping and other forms of international missions are inevitably accompanied by debates and usually controversy on the constitutionality of the Japanese contribution to the international mission in question.

2 Surrendering

On August 6, 1945 the US dropped its first atomic bomb onto Hiroshima and three days later a second nuclear bomb onto Nagasaki. On the same day, on August 8, the Soviet Union declared war on Japan and ordered Red Army troops to move into the Japanese-held territory of Manchuria. Two days later on August 10, two cabinet members of the Japanese government urged the Japanese Emperor to summon and preside over a special meeting of Japan's ‘War Council’. The Emperor responded to that request by ordering Japan's government to accept the terms of the ‘Potsdam Conference’, and to follow the Allies' call for Japan's unconditional surrender. “It seems obvious that the nation is no longer able to wage war, and its ability to defend its own shores is doubtful”, the Emperor announced. The council obviously came to terms with the fact that Japan did not have a choice but to surrender to the Allied Forces, but was still split over the surrender terms. In light of the atomic bombings of Hiroshima and Nagasaki and the Soviet invasion of Manchuria together with the Emperor's request to “bear the unbearable” (i.e. surrender), the ‘War Council’ opted for the only realistic choice: surrender unconditionally.⁵ On August 10 Tokyo released a message to its ambassadors in Switzerland and Sweden (which was then passed on to the Allied Forces) in which Japan accepted the terms of the ‘Potsdam Declaration.’ While

⁵ After Japan's surrender and acceptance of the ‘Potsdam Declaration’, military hostilities between Japan and the ‘Allied Forces’, however, continued for several days. Japan's Imperial Army continued to fight Soviet Union troops in Manchuria and the United States in the South Pacific. In fact, two days after Japan's ‘War Council’ agreed to surrender, a Japanese submarine sank the Oak Hill, an American landing ship, and the Thomas F. Nickel, an American destroyer, both in the vicinity of the Japanese island of Okinawa.

accepting the terms of the ‘Potsdam Declaration’, the Japanese government requested that accepting the terms of the ‘Potsdam Declaration’ must not have an impact on the status and position of the Japanese Emperor Hirohito. “This Declaration does not comprise any demand which prejudices the prerogatives of His Majesty as sovereign ruler”, Tokyo’s message read. In reality, however, it did exactly that: in 1946 with the adoption of Japan’s post war constitution, Japan’s Emperor became Japan’s ‘symbol of the state’ without any political power and authority. On August 15 then, Japanese Emperor Hirohito announced Japan’s surrender in a dramatic radio speech that was broadcast throughout Japan and Asia. Although the Japanese Emperor did not actually use the word ‘surrender’ over the radio, he announced that Japan accepted the terms of the ‘Potsdam Declaration’.⁶ The Emperor’s August 15, 1945 message over the radio was followed by Prime Minister Kantaro Suzuki announcing that “His Majesty gave the sacred decision to end the war in order to save the people and contribute to the welfare and peace of mankind. The illustrious power of his Majesty’s gracious benevolence is itself the protection of the national polity. The nation sincerely apologized” (Bix 1992, 302). The Emperor, Suzuki seemingly obviously (but wrongly) suggested, was not responsible for the war but instead showed great responsibility for ending the war (Bix 1995, 197–225). Then Japanese Foreign Minister Mamoru Shigemitsu repeatedly presented the Japanese Emperor as committed pacifist who in his view was deceived by Japan’s militarists and trapped into ordering Japan to enter World War II (Tsurumi and Nakagawa 1989). To be sure, that is a historically very questionable (or indeed wrong) assessment on the Emperor’s role and involvement in Japan’s World War imperialism and militarism and attempts to present the Emperor as a committed pacifist and de facto innocent bystander of Tokyo’s World War militarism did not-to say the very least-correspond with reality. Shigemitsu⁷ confirmed with MacArthur that the Emperor would fully support the ‘Potsdam Declaration’ while concluding that the Japanese people would be best prepared to accept the implications of the declaration if the occupying US implemented it “through the Japanese government instructed by the Emperor.” MacArthur too decided to ‘play ball’ and in various interviews with the US press portrayed the Japanese Emperor as essentially pacifist stressing that the Emperor’s order to surrender and accept the conditions of the ‘Potsdam Declaration’ saved countless American lives.

As will be shown below, defending the Emperor and freeing him of World War responsibilities served both the US and Japan: the occupying US was able to use the Emperor as guarantee that Japanese resistance to US occupation policies would remain minimal while allowing Japan to continue to have an Emperor in charge of preserving Japan’s sacred ‘national polity’ (‘kokutai’).

⁶ This led a group of 1,000 Japanese soldiers to storm the Imperial Palace in Tokyo in an unsuccessful attempt to find the Emperor’s pre-recorded proclamation and prevent it from being transmitted on the radio.

⁷ Who would later be indicted as A-class criminal of war.

3 MacArthur Takes Control

On August 28, 1945, the occupation of Japan officially begun and the surrender ceremony was held on September 2 aboard the U.S. battleship ‘Missouri’. During that ceremony the Japanese government signed the ‘Japanese Instrument of Surrender.’ Under the terms of that surrender, Japan agreed to end all military hostilities and release all prisoners of war. General Douglas MacArthur was nominated as ‘The Supreme Commander for the Allied Powers (SCAP)’ and would from 1945 to 1952 supervise and coordinate US occupation policies in Japan out of the Tokyo-based ‘General Headquarters’ (‘GHQ’).⁸ The occupation took the form of indirect rule: MacArthur issued orders and directives for the Japanese government to carry out.⁹

MacArthur’s rhetoric on his mission and assignment in Japan was grandiose and full of idealism in line with his (arguably awkward) conviction that the democratization of Japan is a ‘divine’ and ‘sacred’ mission he was charged with (Moore and Robinson 2002, 4–5). In fact, MacArthur announced to ‘liberate’ Japan and the Japanese people from their “condition of slavery” and imposing a pacifist constitution was-as will be shown below-to become the central part of such an alleged ‘liberalization process’ (US Government Printing Office 1949). The scholars Ray Moore and Donald Robinson call MacArthur a “dramatic figure” arguing that he considered himself to be fully qualified to act as ‘Supreme Commander’ in Japan due to what MacArthur referred to as his “deep understanding of the Asiatic people and clear ideas of how Japan ought to be reoriented” (Moore and Robinson 2002, 4–5). In reality, however, it is a bit of stretch-to put it casually-to take MacArthur’s self-declared expertise on Asia in general and Japan in particular at face value. The record shows that MacArthur’s interest in and knowledge on Japan was instead very limited as he never left Tokyo during his mandate in Tokyo until 1951 and reportedly spent his evenings watching Hollywood movies rather than further deepening his self-declared profound knowledge on the ‘Asian people’. It is probably fair to conclude that MacArthur and his like-minded US aides in Tokyo were convinced that the ‘American way’ of governance and democracy would naturally and fully be appreciated by the Japanese people and the country’s political elites. This, however, must have sounded hollow and indeed cynical to ordinary Japanese people in general and those who experienced the summer of 1945 in Hiroshima and Nagasaki in particular. What’s more, far from all policies MacArthur adopted in Japan were democratic, teaching the Japanese people to freely express themselves as opposed to blindly following orders from the authorities or the Emperor. MacArthur e.g. strongly discouraged,

⁸ Established October 2, 1945.

⁹ After MacArthur was relieved of his command by US President Truman on April 11, 1951, General Matthew B. Ridgway took over as ‘Supreme Commander for the Allied Powers (SCAP)’ in Japan. The ‘GHQ’ ceased to exist after ‘The San Francisco Peace Treaty’ came into effect on April 28, 1952.

i.e. forbid, critical and negative reporting by Japan's newspapers on US occupation policies and used Japanese television and radio to spread US propaganda explaining that life would be better in Japan now and with the occupying US than before and without it. Ironically or indeed sadly from a democratic point of view, MacArthur did not-through massive US censorship in the Japanese media and newspapers- grant Japanese newspapers the same freedom of speech and expression as US newspapers back home took for granted and advantage of.

4 The Potsdam Declaration and Constitutional Revision

Several sections of the 'Potsdam Declaration' of December 1945 have been interpreted as 'instructions' to replace Japan's 'Meiji Constitution' with a democratic constitution, putting a definite end to the country's militarist and imperialist tendencies and policies. Section 6 of the 'Potsdam Declaration' reads: "There must be eliminated for all time the authority and influence of those who have deceived and misled the people of Japan into embarking on world conquest". While Section 6 was above all interpreted as basis and justification for wartime trials and the purge and incrimination of Japanese militarists and wartime leaders, Section 10 was interpreted as the order to revise Japan's non-democratic 'Meiji Constitution', introducing democracy and concepts such as freedom of speech and thought and human rights into Japanese society. Article 10 of the declaration requested Japan to "remove all obstacles to the revival and strengthening of democratic tendencies among the Japanese people freedom of speech, religion, and of thought, as well as respect for fundamental human rights shall be established". Related to the plan of introducing liberal democracy into Japan was also Section 12 of the 'Potsdam Declaration' which stated that "the occupying forces of the Allies shall be withdrawn from Japan as soon as these objectives have been accomplished and there has been established in accordance with the freely expressed will of the Japanese people a peacefully inclined and responsible government".

Japanese conservative scholar Shin'ichi Kitaoka (like many other conservative and ultra-conservative Japanese scholars today do) argues that the 'imposition' of a Japanese constitution onto Japan violated the 'Potsdam Declaration' which requested that a new Japanese constitution must be a manifestation and result of the Japanese popular will (Kitaoka 1999, 191–205). While this is probably everything but completely irrelevant today, not least as US-'imposed' democracy brought with it enormous economic and security benefits for Japan, Japanese revisionists (arguably a very small minority amongst Japanese scholars and policymakers) today continue to argue along those lines when explaining why Japan 'must' revise and make a 'truly' Japanese constitution out of the US-'imposed' version in order to restore Japan's 'full independence' and 'dignity'. Such reasoning arguably belongs to another era of Japanese history and also seems to completely dismiss the benefits Japan has over the decades been enjoying in

international politics and security thanks to the war-renouncing Article 9 protecting the country from involvement or indeed ‘entrapment’ in US-led wars in Asia and beyond. In retrospect, Japan’s Liberal-Democratic Party (LDP) (ruling in Japan uninterruptedly from 1955 to 1993), which put constitutional revision on top of its policy agenda over the decades has arguably spoiled an opportunity to make what could be referred to as ‘role model country’ out of Japan—a country that after World War II could have charged itself with the mission to export its domestic pacifism abroad as opposed to aiming to re-arm the country and adopt a bilateral security alliance with the US. Instead—for more details see also below—constitutional revision continues to remain on top of the LDP’s policy agenda today, arguably for many moderate Japanese scholars and policymakers an enormous waste of resources and energy as opposed to a ‘patriotic duty’ restoring Japan’s ‘dignity’ and ‘true independence’ as Japanese revisionists maintain.

5 Ignoring the Bosses Back Home

In September 1945, Washington issued a presidential directive—the so-called ‘United States Initial Post-Surrender Policy for Japan’—through which it instructed MacArthur to make sure that a revision of the ‘Meiji Constitution’ was to come from within Japan (as opposed to be imposed from the ‘outside’) and be supported by and discussed amongst the Japanese people (Government of the United States of America 1945). In October 1945, Washington furthermore warned MacArthur of applying a “coercive approach” of introducing democracy into Japan: a new constitution and democracy were not to be imposed on Japan under US pressure (McNelly 1959, 176–195). Washington warning MacArthur not to adopt ‘go-it-alone’ policies in Japan indicates that Washington must have suspected that MacArthur was planning on doing exactly that. In January 1946 MacArthur received a document from Washington—the so-called ‘SWNCC-228’, issued by the State-War-Navy Co-Ordinating Committee (SWNCC)¹⁰ (Foreign Relations of the United States 1946, 220–226), in which MacArthur was ordered to make sure to encourage the Japanese people to revise their constitution and embrace democracy. The US directive instructed MacArthur to “encourage the Japanese people to abolish the Emperor institution or to reform it along more democratic lines.” ‘SWNCC-228’ also called for the “reform of the Japanese government system” ordering that “the civil be supreme over the military branch of the government”. Hence Washington and ‘SWNCC-228’ did neither order

¹⁰ A committee established in December of 1944 with the aim of coordinating US post war Japan policies coordinating policies of the three departments after the end of World War II. ‘SWNCC’ coordinated the policies of each department (i.e. ‘State’, ‘War’ and ‘Navy’), and upon receiving the approval from the Joint Chiefs of Staff they became official policy of the US government. ‘The Subcommittee on the Far East’ (SFE) was later established under the auspices of the ‘SWNCC’ to draft a plan for the occupation of Japan.

MacArthur not to allow Japan to maintain armed forces nor did it instruct MacArthur and his staff in Tokyo to draft a Japanese post war constitution (Sissons 1961, 45–59). As it turned out, however, MacArthur decided to ignore Washington’s orders: in February, he and his staff drafted a Japanese constitution not allowing Japan to maintain armed forces.

6 Meeting the Emperor

On September 27, 1945 MacArthur invited Japanese Emperor Hirohito to the ‘GHQ’, a first of ten meetings between them in 1945 and 1946. At the time, MacArthur and Japan’s Home Ministry agreed not to produce and publish official minutes of the MacArthur-Hirohito encounters (Hata 1978, 381). Consequently, it cannot be verified whether the Japanese Emperor really took, as MacArthur claimed in his autobiography, personal responsibility for the Japanese attack on Pearl Harbour during the first meeting on September 27, 1945 (Bowers 1988; MacArthur 1964, 288–289). The Japanese accounts of the September 27, 1945 meeting (written by the Emperor’s interpreter and made public only in the 1970s) on the other hand did not mention the Emperor having taken responsibility for the war (Kojima 1975, 115–119). Instead, the Japanese minutes emphasised the respect MacArthur had for the Japanese Emperor for his “prompt decision having ended hostilities and spare his people immeasurable suffering”. The Japanese Home Ministry too sought to put a positive spin on the first MacArthur-Hirohito meeting: “The Emperor, the Japanese Home Ministry announced after the meeting, “was satisfied with the meeting and the progress the US occupation made in Japan”.¹¹ The ministry also claimed that MacArthur during the 27 September meeting admitted that the success of US occupation policies in Japan was “due to the Emperor’s leadership”. In view of the absence of official minutes of that meeting, it cannot be verified whether MacArthur really said that or whether the ministry simply sought to portray the Emperor as being ‘in control’ of the events and situation in Japan in 1945. MacArthur for his part did not officially deny having praised the Emperor during the September 1945 meeting, most probably because he knew that the Emperor was to become instrumental in securing overall Japanese support for his occupation policies.

The photo taken of Japanese Emperor Hirohito and MacArthur during their first meeting on September 27, 1945 unambiguously illustrated the dominance of the

¹¹ The Emperor ‘being satisfied’ with how the US implemented its occupation policies in Japan somehow made it sound as if he understood the meeting as to be a meeting during which MacArthur found himself obliged to explain or justify US occupation policies to the Emperor. Given the position the Emperor and the country found itself in 1945 it is very unlikely that MacArthur in any way saw himself obliged to get the Emperor’s ‘approval’ for any of his occupation policies.

US occupiers over the occupied Japan. The tall MacArthur stood in a relaxed pose next to much a smaller Japanese Emperor and the message of that photo which MacArthur ordered all major Japanese newspapers to print was clear: the small and defeated Japan would in the years ahead receive orders from the much bigger and victorious United States. However, the photo also sent a second message to the Japanese and international public: by standing next to the Emperor MacArthur and the US would also stand by the Emperor, i.e. would protect the Emperor from the ‘Far Eastern Commission’ (‘FEC’) and criminal prosecution. As it turned out, he did that successfully and the Emperor and his family owed their liberty and indeed life to MacArthur’s determination to exclude China and the Soviet Union from deciding on the Emperor’s fate after World War II.

7 Constitutional Revision and the ‘Far Eastern Commission’ (‘FEC’)

MacArthur was clearly in a rush to draft and adopt a new Japanese constitution, which can above all be explained with the establishment of the ‘Far Eastern Commission (‘FEC’) during the so-called ‘Big Three Conference’ in Moscow in December 1945. The ‘FEC’ was a multilateral body consisting of 11 nations and equipped the US, Great Britain, China and the Soviet Union with the right to veto, i.e. unilaterally not accept, the decisions taken in the ‘FEC’. It was charged with dealing with the administration and administrative and political structures of post war Japan, including the issue of constitutional reform and revision.

During the ‘Moscow Conference’ the Allied Powers announced that “any directives dealing with fundamental changes in the Japanese constitutional structure or in the regime of control, or dealing with a change in the Japanese Government as a whole, will be issued only following consultation and following attainment of agreement in the Far Eastern Commission (FEC)”. This de facto meant that Mac Arthur would have (had) to consult (and get approval from) with the ‘FEC’ before introducing a new constitution to Japan. To be sure, MacArthur had no plans whatsoever to do that.

8 Realpolitik Winning Over Idealism

From an American perspective, the Emperor was necessary and indeed instrumental to encourage the Japanese people to endorse the US occupation and remain in the Western US-dominated camp in the wake of the beginning of the Cold War. Keeping the Emperor was-put simply-considered to be a guarantee against Japanese resistance against the US and its plans to transform Japan into a close ally fighting and containing communism in Asia and beyond. Discussions on what to ‘do’ with the Emperor in a defeated Japan go back to 1942. US Japan expert

(and from 1961 to 1966 US Ambassador in Tokyo) Edwin O. Reischauer urged the US government early on to assign a central role to the Emperor in defeated and post war Japan which he referred to a ‘puppet state’ with the Emperor as “puppet who not only could be won over to our side but who would carry with him a tremendous weight of authority”¹² (cited in Hook and McCormack 2001, 3). Robert Ward provides further evidence that the US decision to retain the Emperor system was taken as early as 1943. Ward refers to official US government documents written in 1943 taken from files of Harley Notter, a US State Department official involved in the US planning for the occupation of post war Japan. An excerpt from a May 25, 1943 State Department document is entitled ‘Status of the Japanese Emperor’ and reads as follows: “The survival of the Emperorship would be a potential asset of great utility, as an instrument not only for promoting domestic stability, but also for bringing about changes desired by the United Nations in Japanese policy. The very fact that the power to initiate amendments to the Japanese constitution is reserved to the Emperor makes orderly constitutional change more readily feasible if the approach is through the Emperor” (cited in Ward 1987, 1–41; Lambert 2004).

9 Not Provoking the Enemy

In 1944 and 1945 following the advice of Brigadier General Bonner Fellers,¹³ MacArthur’s military secretary and chief of his psychological-warfare operations, it became official US policy not to ‘provoke the enemy’ by avoiding the direct bombardment of the imperial palace in Tokyo. Such attacks, US army propaganda specialists and experts of psychological warfare warned, would result in the Japanese people and army becoming even more committed to fight for Japan and the Emperor unconditionally. Fellers’ strategy of protecting the Emperor from incrimination as war criminal was based on what he argued was the ‘betrayal’ of the Emperor by the imperial army’s military leadership.¹⁴ While Fellers still argued in his 1944 ‘Basic Military Plan for Psychological Warfare Against Japan’ that the Emperor was at all times directly and actively involved in the decision-

¹² To be sure, from Reischauer’s perspective-undoubtedly characterized by an enormous level of arrogance towards what would in 1945 become a defeated and demoralized Japan-the sort of ‘authority’ that would serve and protect US post war interests in Japan. In other words: the Emperor was to become an ‘agent’ and promoter of US interests in occupied Japan, Reischauer seemed to suggest.

¹³ While attending the Command and General Staff School in the US in the 1944–1945, Fellers produced a research titled ‘The Psychology of the Japanese Soldier’ in which he predicted war between the US and Japan and also predicted that the Japanese army would use ‘kamikaze’ tactics when attacking US targets. He also wrote ‘Answer to Japan’ in which he argued that the Japanese Emperor would have a central role in US post war policy planning in Japan.

¹⁴ Fellers repeatedly encouraged Japanese royalists to develop arguments and a defence, which would ‘prove’ that the Emperor was not directly responsible for the attack onto Pearl Harbour.

making of Japan's World War II policies, he later-in obvious support of his plan to free the Emperor from his World War II responsibilities- changed his mind claiming that the Emperor was betrayed by what he called Japan's ‘gangster militarists’.

Realizing that US public opinion on Japan was above all shaped by the Japanese attack on Pearl Harbour, Fellers claimed that the Japanese Emperor had not been informed that Japan's Imperial Army was planning to attack Pearl Harbour. In reality, however, the Emperor was always and from the beginning fully informed about the military's plans to attack Pearl Harbour. In fact, he did not only know about the military's plans to attack Pearl Harbour but the records prove that he ordered the preparation for the attack on the US, ordering amongst others the deployment of the Japanese marine.¹⁵ Emperor Hirohito himself denied any knowledge about the plans to attack Pearl Harbour in an interview with *The New York Times* and had instead expected Tojo to declare war against the US through a formal declaration of war before attacking the US.¹⁶

Post war Japan, Fellers predicted in 1944, would be governed by conservative elites who had ruled in Japan before the country's militarists took over power in the 1930s. These elites, Fellers maintained, worship the Emperor as Japan's spiritual and moral core and centre. In his work ‘Answers to Japan’ he wrote: “The masses will come to the realization that the gangster militarists have betrayed their sacred Emperor. When this moment of realization arrives, the conservative, tolerant element of Japan, which has long been driven underground may come into its own. They may have sufficient leadership to take over the government, make the necessary concessions to save what remains of the archipelago, their people, and their Emperor. With Imperial Sanction of a peace, it will be acceptable to all. To dethrone, or hang, the Emperor would cause a tremendous and violent reaction from all Japanese. Hanging of the Emperor to them would be comparable to the crucifixion of Christ to us” (cited in Dower 1999a, 282–283).

On October 1st 1945, Fellers sent a brief to MacArthur arguing that in order to prevent a “revolution or communism” the US would need to develop arguments and facts which help to portray the Emperor as being a victim of deception by the country's militarists who forced him into supporting Japanese militarism and imperialism. “It is a fundamental American concept that the people of any nation have the inherent right to choose their own government. Were the Japanese given this opportunity, they would select the Emperor as the symbolic head of state. The masses are especially devoted to the Hirohito. They feel that his addressing the people made him unprecedentedly close to him.¹⁷ In effecting our bloodless invasion, we requisitioned the services of the Emperor. By his order seven million

¹⁵ There is plenty of evidence that the Emperor was well-informed on the Japanese Imperial Army's intentions to attack the US on Pearl Harbor.

¹⁶ Not a ‘real’ face-to-face interview, but the Emperor sending written answers to questions submitted to him by the *New York Times* reporter.

¹⁷ Fellers referred to the Emperor's message to the Japanese people on the radio on August 14, 1945 ‘ordering’ them to accept defeat and the ‘Potsdam Declaration’ in this context.

soldiers laid down their arms and are being rapidly demobilized. Through his act hundreds of thousands of American casualties were avoided and the war terminated far ahead of schedule. Therefore having made good use of the Emperor, to try him for war crimes, to the Japanese, would amount to a breach of faith. Moreover, the Japanese feel that unconditional surrender as outlined in the Potsdam Declaration meant preservation of the State Structure, which includes the Emperor” (cited in Woodward [1972](#), 360–361).

10 The ‘Matsumoto Draft’

Ordered by MacArthur to draft a revised Japanese constitution introducing what he requested would have to be a ‘war-renouncing article’, then Prime Minister Shidehara set up a cabinet committee in February 1946, the so-called ‘Constitutional Problem Investigation Committee’ led by Minister of State Jojo Matsumoto. Then Foreign Minister (and later Prime Minister) Shigeru Yoshida, Prime Minister Shidehara and Matsumoto did at the time not consider constitutional revision necessary at all, but instead thought that minor modifications to the ‘Meiji Constitution’ would be sufficient. Matsumoto e.g. based his resistance to constitutional revision on the argument that the ‘Potsdam Declaration’ did not oblige Japan to revise its constitution. In fact, in his view imposing onto Japan how to revise or amend the Japanese constitution would violate the ‘Potsdam Declaration’: “After all, had not the Potsdam Declaration proclaimed that Japan would be allowed to choose its future form of government in accordance with the freely expressed will of the Japanese people?”. While Matsumoto seemingly chose to ignore to acknowledge the position his country found itself in 1945, John Dower argues that his reasoning becomes somehow understandable when taking into account the backgrounds and privileged positions of people like Matsumoto, Yoshida and Shidehara. They did not or could not envision a Japanese constitution without the Emperor at the centre of it: “They were privileged men born in the Meiji period. For them, the sovereignty of an “inviolable Emperor”, Dower writes, was sacrosanct Dower writes (Dower [1999a](#), 352). Consequently, degrading the Emperor to a more ‘symbol of state’ was inconceivable although it is probably fair to assume that Matsumoto, Yoshida and Shidehara were well aware that the idea of keeping the Japanese Emperor and commander-of-chief of those armed forces which imposed destruction and suffering onto large parts in Asia on the throne without changing his position and status was unrealistic.

Shidehara and Matsumoto set-up an expert committee consisting of 17 scholars. This committee met 70 times between October 1945 and February 1946. By mid-February 1946 it became clear that Matsumoto would produce a constitutional draft which the US would not find in any way acceptable, above all because it did not as requested by MacArthur contain a ‘war-renouncing’ clause and did not change the status and position of the Japanese Emperor. Matsumoto sought to explain the Japanese draft by pointing to alleged differences between the ‘West’

and the ‘East’ as regards juridical systems, governance, and political cultures of countries. However, as the Japanese scholar Hideo Tanaka points out, it was not at all a matter of a clash of cultural differences between the ‘West’ and ‘Japan’ but much rather a conflict between two western approaches towards legal and judiciary systems. On the one hand, Tanaka explains, there was the German legislative, constitutional and administrative law (in which the Japanese committee members were all trained in) while on the other hand there were American concepts of democracy, human rights and popular sovereignty (which none of the Japanese committee members were trained in) (Tanaka 1987, 107–137).

As regards the position and description of the Emperor in a revised constitution, the committee proposed to change very little. Instead of calling the Emperor ‘sacred’ and ‘inviolable’ as the ‘Meiji Constitution’ did, the scholar Sato¹⁸ writes, he became ‘supreme and inviolable’ in Matsumoto’s draft constitution. In essence, this left the Emperor’s position and standing unchanged which was unsurprisingly unacceptable to MacArthur (Sato 1957). The Japanese scholar Yasaki familiar with US constitutional law and idealism told Matsumoto at the time that his draft would almost certainly be rejected by MacArthur and advised Matsumoto to consult MacArthur before publishing the draft. Matsumoto, however, excluded such consultations: “Constitutional reform is to be done spontaneously and independently. I therefore see no need to find out American intentions or reach preliminary understandings”, Matsumoto claimed. As it turned out, Matsumoto could not have been more wrong about how MacArthur wanted to make a democratic and pacifist country out of Japan.

11 MacArthur Takes Over, Again...

After Matsumoto’s constitutional draft was published on February 1, 1946, MacArthur concluded that the Japanese government was not capable of developing a revised constitution incorporating his vision of turning Japan into a pacifist country and the Emperor into a ‘symbol’ of Japan. MacArthur made it clear that the ‘Government Section’ (‘GS’) in Tokyo would from now on be in charge of drafting a revised Japanese constitution. Only one day later (February 2, 1946), MacArthur officially assigned the ‘GS’ with the task of drafting a constitution. Over the coming week, the ‘GS’ was ordered to function and operate as constitutional convention, headed by Major-General Courtney Whitney and Colonel Charles Kades. To justify his decision to take over the drafting of Japan’s post war constitution, MacArthur’s staff published a memo on February 1, 1946. “The Supreme Commander in Japan has unrestricted authority to take any action you

¹⁸ Sato played an important role on the Japanese side in the revision of the Japanese constitution and his views and assessments of what ‘happened’ during the US-Japanese revision process are considered to be authoritative and accurate in both inside and outside of Japan.

deem proper in effecting change in the Japanese constitutional structure” it read. In MacArthur’s view, the only issue he was obliged to consult with Washington was the issue of a possible removal of the Japanese Emperor (Kades 1989, 215–247). He published a memorandum listing three basic principles, which should be part of a Japanese post war constitution. They were:

- I. “The Emperor is at the head of the State. His succession is dynastic. His duties and powers will be exercised in accordance with the Constitution and responsible to the basic will of the people as proved therein.
- II. War as a sovereign right of the nation is abolished. Japan renounces it as an instrumentality for settling its disputes and even for preserving its own security. It relies upon the higher ideals, which are now stirring the world for its defence and its protection. No Japanese Army, Navy, or Air Force will ever be authorized and nor rights of belligerency will ever be conferred upon any Japanese forces.
- III. The feudal system will cease. No rights of peerage except those of the Imperial family will extend beyond the lives of those now existent. No patent of nobility will come from this time forth embody within itself any National or Civic power of Government. Pattern budget after British system”.

US General Whitney announced that the ‘GS’ had one week to present a draft constitution to MacArthur for approval (the deadline was set as February 12, 1946). On February 13, 1946, Whitney¹⁹ went to the official residence of Japan’s Foreign Minister Shigeru Yoshida to present the US draft constitution to Yoshida and Matsumoto. “The draft of constitutional revision, which you submitted to us the other day is wholly unacceptable to the Supreme Commander as a document of freedom and democracy”, Whitney said presenting instead the US draft constitution to Yoshida and Matsumoto (Whitney 1956, 251).

12 Guided Democracy

The US draft constitution was presented to the Japanese cabinet on February 13, 1946 which very shortly after that ‘accepted it in principle’. Before submitting the draft US constitution to the Japanese parliament in March 1946, the Japanese government and MacArthur’s ‘GS’ held a 30-h extraordinary meeting to discuss the changes the Japanese government proposed to make to the draft. During that session, however, the ‘GS’ and MacArthur refused to accept almost all of the changes and amendments proposed by the Japanese cabinet and also reversed the

¹⁹ He speaks in his 1956 MacArthur biography of a ‘happy coincidence’ of a US B-29 flying over the garden of the foreign minister’s residence during the meeting making it very clear who the victor and the defeated was in Japan. ‘A Happy coincidence’ and forceful reminder, Whitney writes, that the Japanese delegation were given no choice but to accept the fact that the ‘SCAP’ and not the Matsumoto draft constitution would be the basis of Japan post war constitution.

changes the cabinet introduced into the US constitutional draft earlier. What's more, the US 'Civil Censorship Department' did not allow Japanese officials to mention the US constitutional draft and Japan's media-under rigid US censorship-was not allowed to write and report on the US draft constitution (Eto 1980, 1981).

In a cable to Washington on May 4, 1946 to the Joint Chiefs of Staff MacArthur claimed to have "meticulously acted in accord with instructions from the US government." In reality, however, MacArthur did the exact opposite. In fact, the US State Department official representative in Tokyo at the time was 'surprised' (as in 'not informed') about the fact the US constitutional draft was submitted to the Japanese parliament for approval. Indeed, the historical records and documents prove that Washington was not even informed that MacArthur took the decision to take over the constitution's drafting process the day after the Matsumoto draft constitution was submitted to him. For Japan, John Dower writes, the US draft constitution was "freedom in a box" and parliamentary deliberations on the US constitutional draft "guided democracy".

13 Checking on Free Speech

Although MacArthur earlier promised that the parliament would be free to make amendments to the draft constitution without interference from MacArthur, he and his staff closely supervised parliamentary deliberations making sure that the constitution's central elements—the war-renouncing article and the revised status of the Emperor—remained unchanged (or "sacred and inviolable" as MacArthur put it). MacArthur and his staff were participating in the deliberation process in both chambers of the Japanese parliament up to a point where revisions and amendments proposed by Japanese parliamentarians were secretly ordered by MacArthur. Furthermore, over the course of parliamentary debates, the parliament made roughly 30 revisions to the constitutional draft submitted by the Japanese government in June 1946. Given MacArthur's control over the constitutional deliberation process in both chambers of the Japanese parliament, however, none of the amendments were made against MacArthur's will. In other words: the Japanese parliament was encouraged to 'freely express' their views and opinions on the constitutions as long as it were the 'right' views and opinions.

14 The US Draft Constitution and the 'Imperial Rescript' of 1946

When the US constitutional draft was submitted to the Japanese parliament on March 5, 1946, the Japanese Emperor on March 6 issued a special 'Imperial Rescript' in which he expressed "A desire that the constitution of our empire be

revised drastically upon the basis of the general will of the people and the principle of respect for fundamental human rights". The 'Imperial Rescript' of 1881 ordered the adoption of a Japanese constitution, which in 1889 became the 'Meiji Constitution.' The 'Meiji Constitution' was perceived as an 'imperial gift' to the Japanese people leading Hook and McCormack to argue that the 1946 'Imperial Rescript' recommending (or indeed "ordering" as they write) to the Japanese people to embrace Japan's new US-drafted constitution was in essence the same in tone and tenor as the 'Imperial Rescript' of 1881 (Hook and McCormack 2001, 3). The 1946 rescript read: "Consequent upon our acceptance of the Potsdam Declaration, the ultimate form of Japanese government is to be determined by the freely expressed will of the Japanese people. I am fully aware of our nation's strong consciousness of justice, its aspirations to live a peaceful life and promote cultural enlightenment and its firm resolve to renounce war and to foster friendship with all the countries of the world. It is, therefore, my desire that the constitution of our empire be revised drastically upon the basis of the general will of the people and the principle of respect for the fundamental human rights. I command hereby the competent authorities of my government to put forth in conformity with my wish their best efforts toward the accomplishment to that end". Prime Minister Shidehara declared that "His Majesty with great decision has commanded that the existing Constitution be fundamentally revised so as to establish the foundation upon which a democratic and peaceful Japan is to be built." Shidehara (who-as elaborated above-did initially did not think that constitutional revision was at all necessary in post war Japan) went on to suggest that constitutionally induced pacifism could make a 'role model' out of Japan. "If our people are to occupy a place of honour in the family of nations, we must see to it that our constitution internally establishes the foundation for a democratic government and externally leads the rest of the world for the abolition of war. Namely we must renounce for all time war as a sovereign right of the State and declare to all the world our determination to settle by peaceful means all disputes with other countries" (cited in Dower 1999a, 384). John Dower argues that there is a paradox and indeed a contradiction between the submission of a democratic constitution on the one and the 1946 'Imperial Rescript' on the other hand. The Japanese Emperor urging the Japanese people to embrace democracy and democratic institutions, he argues, introduced what he calls "imperial democracy" and "revolution from above" into Japan in 1946 (Dower 1999b).

MacArthur and his superiors in Washington allowing the Japanese Emperor to de facto order the revision of Japan's constitution did without a doubt have an impact on how Japan and the Japanese people dealt with the issue of Japanese responsibility for World War II. There is near-consensus amongst moderate scholars inside and outside of Japan that unlike Germany, Japan had no 'clean break' with its World War II imperialism as the Emperor-Japan's commander-in-chief of Japan's Imperial Army during World War II-was not only freed from his responsibility for Japanese World War II imperialism and militarism, but was also allowed to 'order' the Japanese people to endorse the country's post war constitution. Eventually, Hook and McCormack argue, MacArthur presented the

US-drafted Japanese constitution to the Japanese government as a “virtual ultimatum” six months after Japan’s unconditional surrender. The constitution’s central elements and features—‘state pacifism’, ‘symbolic Emperor system’, i.e. the transformation of the Japanese Emperor from head to ‘symbol’ of the Japanese state—were according to them “non-negotiable demands imposed by the war’s victors” (Hook and McCormack 2001, 5).

15 War-Renouncing Article 9 and the Ashida Amendment

Japan was about to adopt a its post war constitution and with it Japan’s war-renouncing ‘pacifist’ article which reads: “Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized”.

Article 9 is as regards the contents and spirit not identical with what MacArthur had initially in mind. In essence, MacArthur’s 1945 original draft version of a Japanese war-renouncing clause explicitly mentioned that Japan would not be allowed to maintain armed forces, not even for the purpose of individual self-defence. Hitoshi Ashida, chairman of the ‘Lower House Committee to Review the Draft Constitution’ and later from 1947 to 1948 Prime Minister proposed what would become the so-called ‘Ashida amendment’ during parliament debates on the US draft constitution (Sato 1999, 140). During those debates, Ashida proposed to add the words ‘for the above purpose’ to the second paragraph of Article 9. The words ‘for the above purpose’ which in the final version of Article 9 were changed by Charles Kades into “In order to accomplish the aim of the preceding paragraph” have since then been interpreted as allowing Japan to execute the right to individual self-defence. The second paragraph of Article 9 was (and today still is) interpreted as follows: given that the first line of the article’s second paragraph refers to the first paragraph which does not allow Japan to maintain armed forces to wage war to settle international disputes, it is interpreted as to allow Japan nonetheless to use military force in individual self-defence as individual self-defence is not part of what was meant “In order to accomplish the aim of the preceding paragraph” in the article’s second paragraph. Ashida claimed that the introduction of the first line of the second paragraph proposed by himself was intended to grant Japan the right to individual self-defence (Ashida 1946). However, based on the available documents and research, amongst others conducted by Japanese scholar Shoichi Koseki in the 1980s,²⁰ it must be questioned that

²⁰ Koseki’s book was published in English in 1998 by Westview, Bolder, Colorado as *The Birth of Japan’s Post war Constitution*.

Ashida's version of the events is accurate (Koseki 1989). Charles Kades did not recall either that Ashida realised the possible implications of the new first line of the second paragraph of Article 9: "Neither in his meeting with me when I said there was no objection to his amendment nor when he presented them to the House of Representatives do I recall Ashida's mentioning either the right of self-defence or a defensive war" (Kades 1982, 35).

When the Korean War broke out in 1950 and Japan was expected to support US military operations on the Korean Peninsula, Japanese policymakers and US interpreted the second paragraph the way Ashida claimed to have already done in 1946.

16 Whose Idea?

MacArthur in his testimony to the US Senate Committee in May 1951 claimed that it was Shidehara who suggested to him on January 24, 1946 to introduce a war-renouncing clause into Japan's constitution (United States Senate 1951, 223). Shidehara claimed²¹ the same thing in his autobiography without however specifically mentioning it in the meeting with MacArthur. In fact, there is evidence that Shidehara did at the time not even inform his cabinet colleagues about the alleged suggestion to introduce a war-renouncing article into a revised constitution when meeting with MacArthur. The fact that he did not do so suggests that not Shidehara but MacArthur was the pacifist during their meeting on January 24, 1946. MacArthur for his part had at least two reasons to claim that the suggestion to introduce a war-renouncing article into the Japanese constitution came from the Japanese Prime Minister. Firstly, the provisions of the 'FEC' stated that the commission had to agree unanimously on the shape and character of a new Japanese constitution. Consequently, by imposing a constitution in general and pacifist clause in particular onto Japan, the US would have violated these provisions. Secondly, MacArthur claiming that Shidehara suggested a war-renouncing clause would protect him from Washington accusing him of having ignored specific orders from Washington not to force a constitution onto Japan. To be sure, his superiors in Washington would accuse MacArthur of exactly that in the late 1940s.

²¹ Shidehara calls himself the author of the war-renouncing clause claiming that an experience in a tram in Tokyo after the war made him suggest the introduction of a war-renouncing article into the Japanese constitution. In essence and according to his accounts it was an encounter with a young and desperate man in a tram expressing his desperation about the war and Japanese militarism to other passengers in Tokyo, which allegedly made him decide that Japan must abolish militarism forever.

17 The Constitution and Japan’s ‘National Character’ (‘Kokutai’)

The constitution’s adoption process was accompanied by concerns by Japan’s conservatives that the new constitution would abolish Japan’s ‘national character’ (‘kokutai’). Japan’s ‘kokutai’ defines Japan as ‘Emperor-centered national entity’, and instructs the Japanese people to worship the Emperor. Then Prime Minister Yoshida maintained during parliamentary constitutional deliberations that the US-drafted constitution would in no way alter Japan’s ‘kokutai’, i.e. would not question the Emperor’s role as Japan’s spiritual centre. “The national polity will not be altered in the slightest degree by the new constitution. It is simply that the old spirit and thoughts of Japan are being expressed in different words in the new constitution”, Yoshida claimed. To be sure, the occupying US was initially worried about Japanese affirmations that the draft constitution would not alter Japan’s national polity as it was Japan’s ‘kokutai’ and alleged Japanese ‘uniqueness’ and racial ‘superiority’ which provided the ideological basis for Japanese World War II militarism and imperialism. The pragmatic Yoshida sought to put a positive ‘spin’ on the Emperor’s complete disempowerment writing in a letter to his father-in-law Makino Shinken, a former keeper of the privy seal: “As a consequence of the Emperor’s more explicit detachment from politics, his position will become that much more enlarged, and his position will increase in importance and delicacy” (cited in Dower 1999a, 390). Following Yoshida’s reasoning, Japan’s post war constitution does not weaken but instead strengthen the Emperor’s position. In reality, however, nothing could have been further away from the truth.

18 Ignoring the Far Eastern Commission (FEC), Again...

When Japan’s US-drafted constitution was published on March 6, 1946, the ‘FEC’ sent a message to MacArthur accusing him of having undermined the ‘FEC’s’ authority and its mandate to supervise the drafting and adoption of a Japanese post war constitution. While Hugh Borton, Director of the State Department’s Japan in Washington initially maintained that he was unaware of and not informed on the ‘Government Section’s’ (‘GS’) plans to let the Japanese parliament adopt a US draft constitution in March 1946 (Borton 1955, 424) and he had little choice but to re-assure the ‘FEC’ (in admittedly vague terms) that the ‘FEC’ remained in charge of constitutional revision in Japan: “The Japanese constitution will in same way or the other come before the Far Eastern Commission.” The Japanese constitution, Byrnes claimed, had been drafted by the Japanese people “under its right to do so” (Moore and Robinson 2002, 143).²² MacArthur was nominated and sent to Tokyo

²² Max Bishop too, a SCAP political adviser, confirmed on March 8, 1946 that he was taken by surprise by MacArthur’s draft constitution.

by the US State Department and not publicly supporting MacArthur's occupation policies would have made it embarrassingly obvious that the US State Department was unaware (as in fact it was) of MacArthur's plans to submit a Japanese draft constitution in March 1946. The US War Department headed by the US armed forces General Dwight Eisenhower too fell in line and sought to assure the 'FEC' that MacArthur acted in accordance with what the 'FEC' agreed to 'do' with Japan as regards a new post war constitution. At the centre of Eisenhower's claim that MacArthur did not bypass or indeed ignore the 'FEC' when he ordered a constitutional draft to be issued was the 'fact' that the Japanese constitution was allegedly approved and indeed 'issued' by the Japanese Emperor and the Japanese government.

"View of the War Department has been that if the Japanese Government were to proceed with constitutional reforms prior to action in December (i.e. before the signing of the 'Moscow Agreement'), you would intervene only if such reforms were inconsistent with directives already issued by you. It appears therefore that your action in personally approving this new Constitution is consistent with War Department view since (a) the Constitution was issued not by your Headquarters but by Japanese Emperor and Government in compliance with directive issued by you prior to Moscow Conference and (b) constitutional reforms appear to be consistent with directives received by you", Eisenhower wrote to MacArthur on March 10, 1946. While Eisenhower was of course well aware that the constitution was not 'issued' by the Japanese Emperor and the government, he suggested that the US draft constitution does not violate the 'Moscow Agreement' and did not undermine the 'FEC's' authority to supervise the adoption of a new Japanese constitution. MacArthur himself claimed that he informed the 'FEC' on the process of constitutional revision in Japan in accordance with the existing directives, maintaining that he never received any negative or disapproving feedback from the 'FEC' as regards the constitutional revision process. Furthermore, as Moore and Robinson point out, MacArthur claimed (again inaccurately) that the Japanese people were yet to endorse or reject the draft constitution through the April 1946 general elections. "The proposed new constitution is still subject to acceptance or rejection by the Japanese people in the coming election", MacArthur claimed. In reality, however, the April 1946 general elections were in no way intended to give the Japanese electorate the chance to approve or reject the US-drafted constitution. Besides, the 'FEC', he argued, and not the Japanese people was to be the final and ultimate authority to judge on whether the March 6 draft constitution was what with the 'Potsdam Declaration' foresaw in terms of post war governance in Japan. Consequently on March 20, 1946 the 'FEC' voted to request MacArthur to postpone the April elections (which MacArthur did not do). MacArthur refused the 'FEC's' request to be included in the work on the final draft of the constitution arguing that the commission had no authority and mandate to get involved in policymaking or administrative policies in Japan-something which he as Supreme Commander reserved for himself: "These functions", MacArthur wrote, "are exclusively reserved to the Supreme Commander." (cited in Moore and Robinson 2002, 151).

19 Japanese Pragmatism

The Japanese people, it was offered as one possible explanation as for why the parliament approved the US-imposed constitution almost unanimously, are used to ‘follow authority.’ Japan’s political leaders, it was furthermore argued in this context, usually go with the ‘power of the day’ when positioning Japan in international politics and hence accepted-albeit reluctantly-the imposition of a US-drafted post war constitution. Following that reasoning, Japan accepted the authority of the US occupying forces realizing that the US would dominate international politics and security in the decades to come. In fact, adopting a Japanese constitution-US-drafted or otherwise-became quickly and indeed without any resistance part of Prime Minister Yoshida’s pragmatic thinking and his plan to end US occupation as quickly as possible. Indeed, for Yoshida the adoption of the US-imposed constitution was all but inevitable: the sooner Japan would come to terms with that, Yoshida argued, the sooner Japan would be able to change or indeed get rid of that constitution, or at least the ‘un-Japanese’ parts of it.

Japan’s re-armament in the early 1950s (which de facto hollowed out the very fundamentals of the post war constitution), Yoshida argued, demonstrated what is possible when following and supporting the US lead in international relations. In the early 1950s Japan found itself ‘bandwagoning’ in international relations, but at least this time, Yoshida suggested, Japan was on the ‘winning side.’ Re-interpreting unarmed pacifism and re-arming Japan, Yoshida maintained, was the natural outcome of Cold War realities in East Asia. Yoshida also recommended to accept and endorse the US draft constitution without much ‘resistance’ in order to disperse Western preoccupations that war and militarism is part of Japan’s ‘psyche’ or more specifically, Japan’s above—mentioned ‘national character’ (‘*kokutai*’²³): “The government discovered something very grave in the international relations of this country, a shift in the sentiments and attitudes of the European and American nations toward Japan. The Allies had come to suspect that something in Japan’s ‘national character’ represented a menace to the peace of the world. Of course, this is born of a misunderstanding that Japan is a militaristic and ultra-nationalistic state, that we are by nature a warlike people. In the face of a disastrous defeat if we are to preserve our national character, our statehood and the happiness of our people, we must consider how we can dispel such a misunderstanding and such apprehensions” (cited in Moore and Robinson 2002, 188). Leaving aside that Yoshida’s reasoning seems to suggest that Japan’s World War militarism and imperialism can be understood as a sort of unfortunate ‘mishap’ of Japanese policies and international relations, his arguments why Tokyo was in his view ‘obliged’ to endorse the US-drafted constitution was certainly not the reasoning of a pacifist but rather that of a realist who was aware that accepting constitutionally induced pacifism would facilitate Japan’s quick return to becoming an independent and sovereign country.

²³ Also to be translated as ‘Japaneseness’.

20 Changing US Priorities

By the time the constitution was adopted in November 1946, US policy priorities for Japan started to shift, not least because Tokyo was charged with the tasks to confront the consequences of what was soon to become the Cold War, a China ruled by Mao Zedong and tensions on the Korean Peninsula (which resulted in the Korean War in 1950). This led Washington to re-adjust its policies in Japan shifting from demilitarization and democratization towards gradual rearmament and economic recovery and development (Pempel 1987). Japan would soon get involved in the US-Soviet Union geopolitical rivalry, which the US scholar Nicolas John Spykman realized as early as 1942. “If the balance of power in the Far East is to be preserved in the future as in the present, the United States will have to adopt a similar protective policy toward Japan” (Spykman 1942, 470).

George Kennan, the US State Department’s architect of US containment policies towards the Soviet Union considered Japan and its role in Asian geopolitics fundamental for maintaining geopolitical stability and for assisting Washington’s containment policies vis-à-vis the Soviet Union. George Kennan visited Japan in 1947–1948 and suggested together with MacArthur that Japan would have to be re-armed in order to be able to support US containment policies in Asia. Kennan’s 1947 visit to Japan, the Japanese scholar Jituso Tsuchiyama writes, was a “turning point” of US post war Japan policies with the focus of US policies for post war Japan shifting from democratization and demilitarization towards policies aimed at promoting economic recovery and industrialization. Only an economically strong and stable Japan, it was realized in Washington, would be able to support US Cold War security policies in East Asia. In that sense, the shift in US post war policies towards industrialization at the expense of abandoning some of the envisioned reforms such as the dismantlement of Japan’s industrial conglomerates (the so-called ‘zaibatsu’) was partly aimed at advancing US involvement and interests in Asian geopolitics with Japan becoming as what was referred to as ‘unsinkable aircraft carrier’ supporting US Cold War policies in East Asia. An economically strong Japan, it was argued in Washington in the late 1940s and early 1950s, would have to be secured as ally helping to keep communism from spreading in Asia and beyond.

During the Korean War (1950–1953), Washington exerted pressure on Japan to re-arm itself. While initially resisting US pressure and demands for massive and rapid re-armament in the early 1950s, Prime Minister Yoshida 1954 authorized the formation of the Japanese armed forces, the ‘Self-Defence Forces’ (‘Jietai’).²⁴ Barely three years after the adoption of its war-renouncing constitution, Japan had a 300,000-soldiers army to support US military operations on the Korean Peninsula (McCormack 1996). During the Korean War Japanese coast guard units were e.g. engaged in a minesweeping operation in preparation of the landing of US

²⁴ ‘Self-Defence Forces’ and not ‘Armed Forces’ to avoid accusations that Japan was violating Article 9 of the constitution.

forces in Ichon (Halliday and Cumings 1988). In the same year Tokyo and Washington signed the ‘Mutual Security Assistance Agreement’ (‘MSA’), which in 1960 was replaced by the Treaty of ‘Mutual Cooperation and Security between the United States and Japan’.

21 Constitutional Revision Today

The original version of Article 9 is still in place today and continues to serve as a sort of ‘insurance policy’ that Japanese military contributions to international security will remain very limited or indeed non-existent. To be sure, Japanese revisionist and nationalist groups and forces today continue to want to revise Article 9 of the Japanese constitution in order to-how they call it-restore Japan’s ‘dignity’ again rendering it a ‘truly independent country.’ Awkward-sounding revisionist rhetoric and calls to get rid of what Washington ‘imposed’ onto post war Japan aside, the chances of constitutional revision taking place anytime soon will continue to be very limited if at all existent. The political and procedural obstacles necessary to overcome to achieve constitutional revision remain high, suggesting that current efforts to keep constitutional revision on top of the current government’s domestic policy agenda item is arguably an enormous waste of political energy and resources. Constitutional revision requires a two-third majority in both chambers of the Japanese parliament and the approval by the Japanese electorate through a referendum. That notwithstanding, 18 months after the pro-constitutional revisionist Shinzo Abe came to power through a landslide victory over the incumbent Democratic Party of Japan (DPJ) in December 2012, constitutional revision, unfortunately together with historical revisionism questioning historically established facts about the character of Japanese World War II militarism and imperialism, made it to the top of Japan’s domestic policy agenda. Judging by his political track record²⁵ Prime Minister Abe is a die-hard nationalist

²⁵ In 1993, Abe he joined the LDP’s ‘History and Deliberation Committee’, which in 1995 published a book calling Japan’s World War II a war of ‘self-defence’, denying that Japan committed war crimes like the Nanking Massacre and the forced recruitment of Korean so-called ‘Comfort Women’. In February 1997, Abe formed a group with like-minded revisionists, the ‘Group of Young Diet Members for Consideration of Japan’s Future and History Education’, and became its executive director. Half of the ministers of his cabinet today are members of that group. Before being appointed as President of the LDP President in 2012, Abe signed an ad in a New Jersey newspaper denying that Japan’s military forced Asian women to ‘work’ as prostitutes (which are referred to as ‘comfort women’ in Japanese) for the Imperial Army during World War II. After coming to office in December 2012, Abe appointed Hakubun Shimomura as Minister for Education, who in 2012 urged Abe to declare that the 1937 Nanking Massacre did not take place and that the ‘comfort women’ issue does not even exist. He also called on Abe to negate the Tokyo Trials verdicts as legitimate while calling on Abe to visit the Yasukuni Shrine in Tokyo (which he then did in December 2013). He, Abe and other revisionists in the LDP are also planning to review and re-write some of the country’s history textbooks, which in their view take a “self-deprecating” view of Japanese history. In order to ‘correct’ such views, they are planning

and revisionist belonging to groups and committees, which have charged themselves with the ill-fated mission to re-read and re-write Japanese World War II history (Katz 2014; Takahashi 2014). Constitutional revision should-at least as far as Abe and his fellow revisionists are concerned-take place together with the re-interpretation of Article 9 in order to allow Japan to execute the right to collective self-defence as formulated in chapter VII of the UN Charter. While Japan has always acknowledged that it has the right to execute the right to collective self-defence, it was obliged to argue that Article 9 does not allow the country to execute that right, i.e. does not allow Japanese soldiers to use military force in the context of international military operations for other than individual self-defence.

22 Conclusions

Those in Japan who today call for a revision of the constitution in general and the pacifist Article 9 in particular (the country's nationalists, revisionists and ultra-conservatives) refer to Japan's constitution as 'unlawfully imposed' onto Japan calling it and Article 9 in particular a symbol of Japan's lack of sovereignty. In reality, however, Japan's pacifist constitution has served Japan's national interests well over decades and has enabled the country from early on after World War II to focus its energies and capacities on the country's economic recovery. Leaving aside that Japan's defence budget today amounts to an impressive \$50 billion annually, Tokyo still today spends less than 1 % of its GDP on defence-a percentage-at least in Tokyo's view-acceptable for an officially pacifist country. As mentioned above, constitutional revision is a decade-old policy priority for the Liberal-Democratic Party (LDP), which ruled in Japan from 1955 to 2009 almost uninterruptedly (with an interruption of 11 months in opposition in 1993/1994)-today constitutional revision is back on the very top of the party's policy agenda since Shinzo Abe became Prime Minister in December 2012.

As elaborated above, Washington sacrificed idealism over 'realpolitik' when obliging Japan's post war leaders to adopt and endorse a constitution that was written within one week. When Washington strongly encouraged Japan's rearmament in the early 1950s, it became clear that MacArthur's initial idea of imposing (as it was shown above, without approval and orders from his superiors

(Footnote 25 continued)

on revising the screening process, which stipulates the obligation to take into account Japan's World War II actions and with them the feelings of Japan's geographical neighbours when deciding on the contents and language of Japanese history schoolbooks. In his 2006 book 'Toward a Beautiful Nation' Abe complains about what he calls post war 'victor's justice' writing that the conviction of Japanese citizens as war criminals by the post war Tokyo International War Crimes Tribunal were unlawful as those convicted were not war criminals under Japanese law at the time. Finally, Abe is heading the group called 'Japan Rebirth' (Sousei Nippon), a cross-party neo-conservative and revisionist group of Japanese lawmakers.

in Washington) ‘unarmed pacifism’ onto Japan had very little (if anything) to do with what kind of country Washington wanted Japan to become after the outbreak of the Cold War. Japan was to be secured as staunch anti-communist Cold War ally hosting US military troops in support of US East Asia Cold War policies-constitutionally induced Japanese pacifism had obviously no place in that US strategy.

The US decision not to allow the ‘FEC’ to incriminate the Japanese Emperor, Hook and McCormack conclude, cast a shadow over the democratic legitimacy of post war Japan from the very beginning. Japan, they argue, could have become what they refer to as ‘ordinary state’ if the US had allowed Japan to deal with its World War II responsibility alone and without US interference. Japan’s post war constitution is, Roger Buckley concludes, an “alien import” and ill-fated attempt to introduce American idealism into Japan. While Article 13 speaks of the individual’s goals as “life, liberty and the pursuit of happiness”, Article 97 states that the “fundamental human rights by this Constitution guaranteed to the people of Japan are fruits of the old-age struggle of man to be free” (Buckley 1998, 14). As was sought to show above, Japan’s post war war-renouncing constitution, however, is not so much a product of an “old-age struggle of man to be free” but rather the result of MacArthur ignoring the ‘FEC’, his superiors in Washington and Japan’s conservative and royalist elites in post war Japan.

While calls by the above-mentioned radical groups and groupings (see footnote 25) to revise Japan’s ‘imposed’ post war constitution continue to make (negative) headlines, such groups represent an arguably very small portion of Japanese society. The majority of Japanese society today is either not interested or opposing the kind of constitutional revision Abe and his revisionist followers have in mind. Unfortunately, the damage is and continues to be done: Tokyo’s current ill-fated efforts to revise Article 9 are further eroding the country’s potential role model as a pacifism-exporting country seeking to make the world more peaceful as opposed to wanting to look like the country it was 75 years ago.

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Italy: Birth of the Post War Constitution and the Republican Constitutional Order

Giovanni Cordini

Abstract This chapter analyses the coming into being of Italy post war constitution. When examining the events and development that led to the formation of Italy's post war constitutional republican order, it will be sought to assess some of the historical and political-institutional similarities which led to the adoption of Japan's post war constitution, imposed by the United States after Japan's World War II defeat. Finally, this chapter analyses some of the preconditions necessary for constitutional reform in Italy.

1 The Crisis of the Liberal State and the Establishment of the Fascist Regime

From the ashes of the liberal state, fascism rose to power in Italy in 1922. With the demise of socialism, Benito Mussolini, a political activist and director of the newspaper 'Forward', became an advocate of Italian interventionism. In the aftermath of World War I, he founded the 'fasci', or the 'black shirts', the revolutionary nucleus which helped to exacerbate the crisis in liberal governance. The reasons that led to the dissolution of the liberal state can be found in both the fragility of the constitutional system set up under the articles of Carlo Alberto and in the escalation of social conflict as well as the profound contrasts between the elected political forces, radically divided on ideology and on policies. These conditions were decisive for the growing success of violent fascist and nationalist groups and were the fulcrum for the widespread feeling of disappointment of a 'victory betrayed' that snaked through society after World War I provoking a festering social laceration. The 'March on Rome', organized by the fascists to exert

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public pressure on the King was only a symptom of the widespread and irreconcilable social conflict that eventually led to the resignation of the weak Facta government and convinced King Vittorio Emanuele III to entrust the government of the country to the same Mussolini. After the upheavals immediately following the assassination of Giacomo Matteotti in 1924, Mussolini, in his speech to the House on January 3, 1925 finally threw off his mask and outlined the changes that laid the foundation for the construction and organization of an authoritarian Italian state. The most obvious signs of this regression were the justifications for manipulating a parliament “playing games” in a “deaf and grey house” as Mussolini maintained in a speech on November 16, 1922. From the repression of parliamentary opposition and trade unions the gag on all forms of free expression and dissent, quickly formalized into outright censorship by the regime, accompanied by strict administrative hierarchies and the abolition of local representation. Other initiatives to strengthen government authority and sharpen the tools of repression soon followed.

2 Military Defeat and Collapse of Fascism

The collapse of Italian fascism in July 1943 was a result of the impending military defeat after Allied troops landed in Sicily. The ‘Grand Council of Fascism’, in the course of a dramatic meeting on July 25, 1943, approved the political end of the regime and approved the agenda proposed by Dino Grandi. This act openly criticized the conduct of the war and entrusted the king with the task to find a solution to the governmental crisis. The king was thus entitled to act, forcing the resignation of Mussolini and assuming actual command of the armed forces in accordance with Article 5 of the Albertine Statutes. This explains the king’s decision to entrust the government to Marshal Badoglio, primarily thanks to his personal loyalty towards the crown. The events that followed cannot be attributed to any real constitutional power and only make sense by taking into account the historical context and dire circumstances in which Italy found itself (Maranini 1973). The arrest of Mussolini, the dissolution of the country’s fascist organizations, the abrupt and clumsy reversal of political and military alliances sanctioned by the armistice announced on September 8, 1943 can only be explained in the context of the political confusion and bewilderment in Italy at the time. By abandoning Rome immediately after the ambiguous announcement of Italy’s surrender and by accepting the protection of American and British military forces in Salerno, the king and the government, in fact, left the army and the country without leadership in one of the most tragic moments of Italian history. Between September 1943 and the spring of 1945, Italy, following the German military occupation of the entire northern half of the country, including Rome, was divided and became subject to civil war. The war pitted those still loyal to fascism and drawn to the Italian Social Republic supported by the Germany’s armed forces against their adversaries concentrated and organized around the anti-fascist ‘National Liberation Committee’ (‘CLN’). In the

territories liberated by Allied Forces after the declaration of war on Germany on October 13, 1943, the Badoglio government tried, albeit not always successfully, to create some basic administrative structures for managing local affairs. The Allied Forces, for their part, formed a 'military control commission' for the government of the liberated territories. At the same time, anti-fascist political forces supported the partisan resistance in German and fascist republican-occupied territories, while launching a debate on the future of the country once the conflict was definitely over. After what historians call the 'Salerno turning point', Italy's Communist Party led by Palmiro Togliatti joined the Badoglio government strengthening a unity pact against Nazism and Fascism and allowing the 'CLN' to play a political role aimed at restoring the conditions for a return to parliamentary democracy. With the participation of the six parties of the National Liberation Committee, the first post-fascist political government (Badoglio II), was formed in Salerno on April 22, 1944. Salerno remained the centre of government until the liberation of Rome on June 4, 1944. Parties taking part in the 'CLN' included Christian Democrats (DC), Activists (PdA), Liberals (PLI), Communists (PCI), Socialists (PSIUP) and Democratic Workers (PDL). Due to its resistance to the monarchy in any future form of government, the Republican Party (PRI) did not formally enter the CLN, even while participating in the Italian resistance. Additionally, some leftist groups who wanted to expel foreign enemies before accepting a compromise on national unity refused to form part of the CLN. These events established the direction of the formative developments that gave birth to the Italian constitution in 1947.

3 The Constituent Assembly and the Formation of the Italian Constitution of 1948

The Constituent Assembly elected June 2, 1946 held its first meeting June 25, 1946. During the third session, that assembly elected Enrico De Nicola as the provisional head of state. Operationally, the assembly established a number of commissions. The Constitutional Commission was composed of 75 members (commonly referred to as the 'Commission of 75') elected in proportion to the size of the different political groups. This commission worked on the basis of specific powers attributed to three subcommittees. The first, chaired by Umberto Tupini, was responsible for dealing with the issue of citizens' rights and duties. The second, chaired by Umberto Terracini, was responsible for defining the constitutional organization of the state and the third, chaired by Gustavo Ghidini, dealt with economic and social rights. These thematic divisions were very broad, so a coordinating committee, later known as the 'Editorial Board' was appointed. This committee, under the chairmanship of Meuccio Ruini, came to play a decisive role as a mediator between the political forces, finding solutions that could attract the most widespread support. The debates in the commission and then in the Plenary

Assembly were intense and they provided an important and detailed view of the theoretical and operational positions that individual characters and political representatives debated as they worked (Carullo 1959; AAVV 1969). A draft constitution was submitted on January 31, 1947 and was approved by secret ballot on December 27, 1947 with 453 votes in favour and 62 against. Italy's constitution was enacted by the provisional head of state on the same day and entered into force on January 1, 1948. The constitution consisted of 139 articles and eighteen transitional and final provisions. It has subsequently been refined with important explanatory briefs concerning both the constitutional debate and annotations on the text of the constitution.

4 The Historical and Constitutional Affinities Italy's Legal System and Japan's Post War Constitution

Certain elements in the constituent phase and the historical events in which the Italian constitution was developed demonstrate similarities between the Italian and Japanese post war constitutions.¹ The two constitutions were drawn up as a result of major military defeats and the resulting tragedies (the civil war in Italy and the atomic bombings Hiroshima and Nagasaki Japan) that had deeply wounded individual consciences and loomed over constitutional decisions. In both cases, a new system had to be built on the ruins of a dictatorship after a military defeat and the subsequent occupation of the two countries by their victors. The Japanese constitution bears the strong imprint of the occupying country (Berkofsky 2012). The military authorities of the United States imposed a number of principles to guide the choices in reconstructing a new state after Japan's unconditional surrender and the destruction and misery World War II left behind in the country (Kamlyu, Matsui, Shoichi). In Italy, the fascist regime and Mussolini's dictatorship had been swept away after their defeat in World War II. The winning allies had placed restrictions and guidelines on the constitutional choices when drawing up the peace treaties. The need to restore the essential conditions for a return to political democracy, however, was shared by all political forces united in the antifascist coalition during the civil war against the German occupation and the puppet government of the Italian Social Republic in the north. This goal is well summarized in Article 139, the last article of the constitution, preceding the transitional and final provisions. This article stipulates that "the republican form of government can not be subject to constitutional change" not only to eliminate potential institutional conflicts, definitively resolved in the referendum of 1946, but also to establish that the foundations of a liberal and democratic state are based on non-negotiable constitutional freedoms and human rights (Amorth 1948; Esposito; Mortati 1962).

¹ Japan's Constitution was enacted in 1946.

5 The Foundations of the Constitutional System

Article 1 of Italy's constitution opens with the words "Italy is a Republic". Establishing a Republic, of course, was entrusted to a plebiscite and was approved by the majority of the votes cast by the voters. The plebiscite, calling for Italians to decide between a republic and the monarchy, was held June 2, 1946. 89 % of all eligible voters participated in that vote. Out of 24,947,187 voters, the choice of a republic won with 54.3 % (12,718,641 votes), thanks to the overwhelmingly affirmative vote in northern Italy. The same referendum of 1946 also sanctioned the birth of the Constituent Assembly. The original institutional choice approved a constitutional system based on a parliamentary government and the principles of a free democracy. Consequently, the principles of a free state and the political and civil liberties that had been suppressed by the fascist regime were reaffirmed. The referendums took into account similar experiences in other countries and outlined a constitutional model based on the separation and balance of powers, strengthening the guarantees of individual and collective rights, as established in the content and criteria already set out in the eighteenth century Declaration of Rights and reflected in the Universal Declaration of Human Rights adopted by the United Nations on December 10, 1948 (Biscaretti di Ruffia 1958; Pierandrei 1950).

Italy's political system is structured as follows: it is headed by the President of the Republic, has bicameral parliament consisting of the Chamber of Deputies and the Senate, the executive government and the constitutional court. The President of the Republic has a representative and mediatory role, acting as the guarantor of the constitution and is elected by majority in a joint session of both houses of Italy's parliament together with regionally-appointed representatives. In delineating the form of government, the constitution reflects the liberal principles of democracy. The two chambers (Senate and Chamber of Deputies) are given equal weight and perform identical functions, along the lines of a perfect bicameral model. The only difference lies in the number of seats and the autonomy with which each body can adopt their own internal regulatory procedures. According to the rules of parliamentary government, the executive, formed with the appointment of the Prime Minister and government Ministers by the Head of State, assumes the powers of policy making through a formal fiduciary relationship with the parliament. Italy's constitutional court is an independent constitutional body composed of fifteen judges, one third of whom are nominated by the President of the Republic, a third by parliament in a joint session and a third by the ordinary and administrative supreme courts (three by the Supreme Court, one by the State Council and one by the Court of Auditors). Judges are chosen among active or retired judges of the superior, ordinary and administrative courts or are university law professors and practicing lawyers with at least twenty years of experience. Judges are appointed for nine years and cannot be reappointed. The court presides over disputes related to the constitutionality of national and regional laws and acts having the force of law; conflicts of jurisdiction between the different branches of government, those between the state and the regions and between regions; and accusations made

against the President of the Republic. If the Constitutional Court declares a law to be unconstitutional, the law ceases to have effect from the day following the publication of the verdict.

The choices regarding the political system and the form of government are substantially similar to those that can be found in other so-called ‘rationalized’ constitutions after World War II and are characterized by the wide recognition of democratic liberties and political, economic and social rights (Adams and Barile 1962, Negri 1964). This tendency towards social-oriented constitutions had already been outlined in the Weimar Constitution of 1919 and was reinforced after the suppression of union and economic freedoms under totalitarian regimes. In rebuilding the foundations of the state, a particular emphasis was placed on ‘economic freedom’, although tempered with political and social solidarity and the principle of ‘substantive equality’ as set out in Article 3 of the constitution. This fundamental principle has two meanings. Firstly, it states that all citizens are equal before the law, without distinction of sex, race, language, religion, political opinion, personal and social conditions, recognizing that they have equal social dignity. Secondly, the public authorities have a duty to act in concert to remove social and economic obstacles that, by limiting the freedom and equality of citizens, prevent the full development of the citizens’ individual capabilities. The constitution gives citizens an active social role and the right to participate in the management of the ‘res publica’ (Calamandrei and Levi 1954). In order to achieve such a lofty goal, the constitution obliges public officials to enforce the will of the people by effectively taking actions to coordinate the commitment of public and private entities in the political, economic and social spheres (as set out in Article 2). It follows that while citizens can demand their rights, they must also meet the duties, which they are bound to uphold for the common good. Therefore, citizens are also expected to collaboratively contribute to the civil development and political stability and accountability of the country. In this way, the constitution underlines the political and ethical values and the indelible imprint of the original authors. With the application of Constitutional Law n. 1 of April 20, 2012, Article 81 concerning government finances has been revised. According to the new text, the state must ensure a balance between budgeted revenue and expenditures, taking into account both adverse and favorable economic cycles. Borrowing is permitted only under exceptional and verified economic circumstances with the approval of an absolute majority of the members of parliament.

6 Italy’s International Relations

Italy rejects war as an instrument and means of settling international disputes. In certain situations, Italy may within limits permit the use of force needed to ensure peace among nations. Article 11 of Italy’s constitution laid out the guidelines and more importantly restrictions of Italy’s positioning in international politics and security. Here again, we find examples of common intent with the Japanese

constitution, where this issue is addressed in similarly figurative terms. (in Article 9 of the Japanese constitution). The text of the constitution recognizes the need to adapt national legal powers to international law (Article 10). The constitution obliges the state to assume obligations to contribute to the order of international politics: (a) to implement treaties with other states; (b) to promote and encourage international organizations aimed at ensuring peace and justice among peoples; and (c) to allow the sacrifice of that sovereignty required to carry out, on equal footing with other states around the world, supranational systems aimed at achieving the aforementioned goals of peace and justice. The Italian state is committed to providing protection to foreigners, who in their country are denied the freedom to effectively exercise the democratic liberties guaranteed by the constitution. Italy, in addition to recognizing the right of asylum to persecuted foreigners, applies the safeguards for the exercise of Italian citizens' fundamental rights to foreigners and, subject to reciprocity, can also recognize other political, economic and social rights. Italy, on the basis of these principles, has joined the world's major international organizations: the United Nations (UN), the International Monetary Fund (IMF), the World Health Organization (WHO), the International Agency for Atomic Energy Agency (IAAEA), the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD), the International Labour Organization (ILO) and UNESCO, to name only the most relevant. No less significant was the Italian role in the construction of collaborative initiatives in Europe. Italy deserves mention for its membership in the North Atlantic Treaty Organization (NATO); its participation in the Council of Europe and the role it has assumed from the outset as part of the European Economic Community, the first step in a process of European unification. Italy actively participates in international initiatives that aim to adopt common solutions to the problems concerning development and environmental issues as well as the need to ensure the adequate protection of human rights.

7 The Organization and the Role of Regional Autonomy

Before concluding its work on constitutional law, the Constituent Assembly approved the Statutes of Sicily, Sardinia, Trentino-Alto-Adige and Valle d'Aosta. The special status of Friuli-Venezia-Giulia was approved by Constitutional Law number 1 on January 31, 1963, following the resolution of the so-called 'Trieste question'. The statutes of the other 15 regions with common laws were approved under Article 123 of the constitution in the context of enacting common laws in 1971. The following year the executive decrees were issued and, towards the end of the 1970s, regions with common laws began exercising the powers conferred upon them by the constitution and law. The constitutional failure concerning the regional system, therefore, lasted for more than twenty years and was caused by the conflicting positions taken by political forces, both with regard to the content and the procedures of the reform process (Barile 1967).

Italy's constitution grants regions and local governments the basic regulations for exercising their autonomy. They can act according to the principles and protocols that were laid out in the original documents and updated over time, particularly after the constitutional reform of 2001. From the beginning, the constitution conceived regional autonomy as a special class of a broader autonomy granted to local public authorities, subsequently reinforced according to the principle of subsidiarity. The constitution makes direct reference to the principle of autonomy and in Article 33 refers to institutions of higher learning, universities and academies, while Article 104 recognizes that "the judiciary is autonomous and independent from any other power".

Article 5 of the constitution states that "The Republic, one and indivisible, recognizes and promotes local autonomies...", while chapter V (Articles 114 to 133) provides for the territorial structure of the state, on the basis of reforms introduced by the constitutional law of number 3, October 18, 2001. According to this definition, the Italian republic is composed of municipalities, provinces, metropolitan cities, regions and the state. All of these are "autonomous entities with their own statutes, powers and functions according to the principles established by the Constitution". Regional autonomy is superior than that assigned to other local authorities since the powers of the regions include statutory power, legislative power and administrative and financial power while the local bodies only have administrative and regulatory powers. In reality, for years, the regions have almost always operated as simplified cogs in a larger mechanism embodying many of the defects of the central state: in particular, contributing to the expansion of an imposing and highly bureaucratic apparatus; to the ballooning public expenditures involving wasteful cost overruns and widespread political patronage, and to the tendency to centralize power which has hobbled and co-opted other entities' territorial autonomy. The confusing reform efforts of 2001 fueled extensive litigation and produced a mass of conflicting roles which, with great difficulty, Italy's constitutional court had to unravel and redefine in detail.

8 The Inspiration Behind the Italian Constitutional Model, the State Crises and the Debate on Constitutional Reforms

The texts of constitutions written in liberal and democratic European jurisdictions demonstrate a certain uniformity both in terms of setting, style and, in large part, in terms of used expressions and terminology. Rationalized parliamentary constitutions, so effectively described by Mirkine-Guetzévitch, not only accounted for a model that inspired many founders after the Second World War but also those who, at a later date, were vested with constituent powers. For example, we find many traces of this model in the constitutional texts of Greece (1975), Portugal (1976) and Spain (1978). Following the fall of their authoritarian regimes, these countries' profound constitutional changes bear a similar imprint. Even after the dissolution of

the Soviet Union, the collapse of the communist regimes led to the adoption of constitutional models that have recognized, in their principles and organization, the constitutional structure of Western powers. Countries such as Bulgaria, the Czech and Slovak Republics, Romania and Hungary found it relatively easy to conform with European Union standards when joining the EU. As the European Court of Justice often had the opportunity to observe, the structure of European constitutionalism is such that we can detect affinities and common identities in the rules and guidelines that allow national and international courts to draw common lines of interpretation from different texts. The Italian constitution of 1947 is part of a tradition that distinguishes European liberal democratic constitutionalism and its Weimar imprint. Given their singular model, Mirkin-Guetzévitch defined these constitutions as “mass-produced”. The basic inspiration of the Italian constitution is certainly common to that which characterized the other EU countries and reflects a secular orientation because the agreement reached in the constituent assembly derived from compromises between differing and, in many respects, irreconcilable ideological and political orientations spanning Catholic and Christian Democrats guidelines, liberal enlightenment, radical democracy and Marxist-inspired socialism. The constitution ratified a temporary arrangement favouring the use of vague formulas and statements providing different and sometimes conflicting meanings. The day the constitution took effect, it showed serious limitations according to some well-informed commentators, including the severe judgment of Father Antonio Messineo in the magazine *Catholic Civilization* in 1948. Certain principles, stated as fundamental, were unclear and lacked details. These were the observations expressed in the judgments of renowned lawyers such as Vezio Crisafulli, Massimo Severo Giannini and Constantino Mortati (Gentile and Grasso 1999). For other critics, the constitution, as a whole, appeared weak and unlikely to arouse enthusiasm, especially when the text was given a rigorous, critical reading. This was the meaning of the judgment Marco Tullio Zanzucchi expressed in his *Public Law Manual* of 1947. In the years that followed, much of the criticism abated, in part due to clashes between those who deliberated and drafted the constitution and the subsequent work in parliament, often characterized by petty, if not outright uncivilized, bickering between the political majority and opposition. The first part of the constitution has found many new admirers. Even well-informed critics note certain advantages resulting from the expressions contained in the text and observe that most of the underlying principles of Italy’s constitution remain topical and allow for important adaptations that, despite the turbulence of political battles and elections, ensure the peaceful coexistence of all parts of the constitution.

Over the years, however, some parts of the constitution have shown their limits. In particular, the attention of the doctrine occurred in respect of the organization of the state and political regime. A vast body of opinions has emerged, on different and opposing sides, in favour of introducing several important constitutional reforms to ensure a more stable government in the country and a more efficient organization of governing power. The nuanced balance of parliamentary government has, in fact, provoked considerable instability. Governments frequently needed to reconfigure their teams of ministers, either to respond to internal fluctuations among Christian

Democrats, the largest party, or in response to the difficulties of finding a stable consensus for programs involving secular political allies. The balance of power between different branches of government is guaranteed by a system of checks and balances. The legislature's decision to base the electoral law on the principle of proportional representation contributed to this legislative framework. The role of political parties and their internal alliances has increasingly determined political representation. For long periods, these functions were out of control, in particular procedures concerning the use of public funds, giving rise to embezzlement, graft and various forms of corruption, all succinctly described in the expression 'Tangentopoli', which photographed the crisis of the political system at the end of Italy's 'First Republic'. Political parties have monopolized many sectors of public authority, significantly affecting hiring on all levels starting with managers and executives and resulting in a widespread system of patronage and nepotism. The division of political spoils between parties has also affected appointments relating to the management of state holdings and numerous organizations over which public authorities exercise power. In this way, cronies and supporters were rewarded while the credibility of public agencies was seriously damaged. These aberrations have given rise to an intense debate that has affected all institutions. Over the years, a number of proposals aimed at introducing profound changes through the revision of certain parts of the constitution have been proposed, in particular regarding the organization of the government and public authorities. These phases can be described as the overt manifestation of a need for change whose practical implementation has met considerable difficulty. On April 18, 1993 a referendum repealed and amended the rules for Senate elections by strengthening the majority system for direct representation in individual constituencies. Consequently, to harmonize the electoral system, electoral laws n. 276 and 277 of August 4, 1993 revised regulations concerning the election of both Houses of Parliament with the intent to provide greater stability to the majority and the government. Although the reform has not resulted in formal amendments to the constitution, it has influenced the 'working constitution' and has pushed political forces to work together to gain the trust of the voters by proposing leaders who, in case of victory of their coalition, would assume the functions of Prime Minister. During the same period, with the approval of Constitutional Law 1 of August 6, 1993, work began on a more far-reaching constitutional reform. Through this act, the commission for bicameral parliamentary constitutional reform, established by the House and Senate on July 23, 1992, was asked to prepare a comprehensive proposal for the revision of the second part of the constitution and additional measures to change the ordinary statutes for parliamentary and regional council elections, with the sole exception of chapter VI, which governs the revision of the Constitution and the approval of constitutional law. The project, once approved by Parliament, should have been subject to a direct popular vote through a referendum. A similar effort was attempted in 1997 with no better outcome.

As it is widely understood, every attempt to implement reforms concerning the organization of the government and public authorities (such as the centre-right's so-called 'draft Lorenzago' proposal in 2002) have been sabotaged and have

generated ineffective electoral reforms with extremely questionable and controversial effects (the political scientist, Giovanni Sartori, called political reform Law no. 270 of December 21, 2005, the ‘porcellum’, or ‘piglet’ in English) and the equally disastrous revision in 2001 of Chapter V of the constitution on the issue of territorial autonomies.

The electoral reform of 2005 introduced so-called ‘blocked’ lists, relying on party hierarchies to choose candidates, without allowing the voters to elect (or not elect) these candidates. The parties are now free to organize ‘primaries’, that is, if they deem it advantageous, to hold elections for their inner-party choice of candidate for Prime Minister. The same text has provided a substantial premium for the party or coalition majority in the Chamber of Deputies (but not the Senate) and minimum thresholds for political parties and coalitions. Despite the widespread and well-supported criticisms that much of the legal profession and politicians of all stripes had submitted against this legislation, parliamentary groups could not revise the agreement and the elections of February 2013 were conducted on the basis of this legislation. As it turned out, the election results made it very difficult to form an executive capable of eliciting the confidence of parliament and, subsequently, for the government to assume power and provide the country with a stable government. Italy’s constitution, in Article 138, gives the parliament responsibility for reviewing and approving, with qualified majorities, the constitutional text. If no majority is achieved in a second vote held not less than three months from the first, a two-thirds majority of the votes of the assembly members, one-fifth of the members of each chamber, five hundred thousand electors or five regional councils may request that the constitutional law be subject to a popular referendum. Constitutional law reforms, therefore, are the prerogative of political forces through their parliamentary representatives and can be brought to fruition only upon reaching a broad convergence of views and consensus in favor of a shared document. A prerequisite for achieving effective reforms, which can hold up over time and be convincing to a majority of citizens and useful for the country appears to be one that obliges political forces to take a step back, giving up privileges and positions of strength. It is difficult to imagine how such a commitment can be brought into being without a strong institutional culture, a rigorous and rational theoretical framework accompanied at every step by ethical inspiration, fundamental changes redefining and strengthening public morality and a profound transformation throughout society and the country, involving the institutional set-up and forms and modes of governance.

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Parties and Electoral Behaviour in Italy: From Stability to Competition

Flavio Chiapponi, Cristina Cremonesi and Guido Legnante

Abstract This chapter illustrates the evolution of the Italian party system from 1946 to 2013. Firstly, it depicts the peculiarity of Italy's 'First Republic' (1946–1992) and it explains why solid voting stability had characterized that period despite of the transformations of Italian social and economic structures throughout the post war decades. The chapter furthermore describes the circumstances that led to the Italian political crisis of early 1990s and later to the birth of the 'Second Republic'—characterized by a new political landscape, increased voting volatility and the polarising figure of Silvio Berlusconi. Finally, this chapter addresses the topic of the 2013 Italian electoral earthquake marked by the success of the Beppe Grillo's Five Star Movement. In particular, the final part of this chapter investigates the reasons of the repeated success of anti-party and populist parties in Italy and it reflects upon the possible electoral characteristics of a 'Third Republic'.

1 The Italian Party System and Its Peculiarities

In the Constituent Assembly elections held in June 1946, the Christian Democratic Party (Dc) obtained 35.2 %, the Socialist Party (Psi) 20.7 % and the Communist Party (Pci) 18.9 % of the vote. In the 1948 general elections, the Dc percentage rose to 48.5 % and the leftist block—the Fronte democratico popolare (Fdp)¹—got 31.0 % of the vote.

¹ Socialists and communists.

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Table 1 Electoral results in Italy (1946–1992)

	1946 ^a	1948	1953	1958	1963	1968	1972	1976	1979	1983	1987	1992
Dc	35.2	48.5	40.1	42.4	38.3	39.1	38.7	38.7	38.3	32.9	34.3	29.7
Pci	18.9	31.0	22.6	22.7	25.3	26.9	27.2	34.4	30.4	29.9	26.6	21.7 ^b
Psi	20.7		12.7	14.2	13.8	14.5	9.6	9.6	9.8	11.4	14.3	13.6
Pri	4.4	2.5	1.6	1.4	1.4	2.0	2.9	3.1	3.0	5.1	3.7	4.4
Msi		2.0	5.8	4.8	5.1	4.4	8.7	6.1	5.3	6.8	5.9	5.4
Psdi			4.5	4.6	6.1		5.1	3.4	3.8	4.1	3.0	2.7
Pli			3.0	3.5	7.0	5.8	3.9	1.3	1.9	2.9	2.1	2.9
Others	20.8	16.0	9.7	6.2	3.0	7.3	4.0	4.1	7.5	6.9	10.1	19.6

Source (Corbetta and Piretti 2009)

^a Constituent Assembly

^b Pds 16.1 %; Rc 5.6 %

In 22 months, the Dc had gained 13 percentage points and the left lost 8.6. Five years later, the Dc got 40.1 %, the Pci 22.6 % and the Psi 12.7 %; since then, as shown in Table 1, electoral results have been fairly stable throughout Italy's 'First Republic'.

In the Italian political system of the 'First Republic' parliamentary majorities had never been homogeneous and stable enough to be able to govern throughout an entire legislature and legislate coherently with their own political program. At the same time, an opposition able to present itself as a credible governmental alternative had never existed either due of the 'conventio ad excludendum' that relegated the Pci into opposition because of its collocation in Cold War politics and dynamics. The Italian political system of the 'First Republic' was characterized by stability: the Dc was both a 'central' and a 'pivotal' party, necessary for the formation of all 47 Italian governments from 1948 to 1994 (Calandra 1996; Hazan 1994). The Dc's pivotal role was reinforced by the large number of parties in the Italian system: throughout the more than 40 years of the 'First Republic', the Dc had to deal with both opponents on its left (Pci, Psi, Psdi, Pri, plus other extreme traditional left-wing parties and later new political parties) and at its right (Monarchists, Msi, Pli).

Another anomaly of the Italian system was the level of inner-party friction (with parties organised in factions) (Sartori 1973), which took place within the Dc partially substituting a real alternation of parties competing for governing power. Consequently, the Dc worked as a sort of 'parties' confederation', within which the confrontation between different factions was moderated by the stabilizing influence exercised by the Catholic Church's ecclesiastic hierarchy, the Dc's source of legitimization (Panbianco 1982).

2 The Reasons of Voting Stability During the "First Republic"

The Italian political and party system of the 'First Republic' can be defined as the product of the combination of some characteristics typical of multi-party systems with some features of a two-party system. Even if Italian politics was over decades

home to numerous political movements and parties, only two of them were able to exercise a hegemonic and functionally differentiate role: the Dc in government and the Pci in opposition (Galli 1966). This situation generated a system able to survive and reproduce itself in a stable manner on the basis of bipolar stabilizing dynamics. However, against the background of the absence of real competition for governing power, it also produced a system with scarce functionality and decisional capacity. The Dc and Pci, basing their policies on conservative and progressive values, confined nearly two-thirds of the Italian electorate enabling both parties to take advantage of their competitive edge over decades. The Italian political and party systems were unable to evolve into a mature democracy of alternation, also because Italy's left-leaning electorate was split into two (even if unequal) parts between the more extremist Pci (even if also within the Pci there was a dynamic between moderates and radicals) and the moderate Psi.

In the second post war period Italians' electoral behaviour was characterized by continuity despite of the transformations of Italian social and economic structures that turned Italy into an industrial power. The crystallization of the power relations between parties had been particularly distinct until 1972 but signals of vote stability could be observed throughout the entire 'First Republic' as well as also after the passage to the 'Second Republic' (Cartocci 1990; Corbetta et al. 1988).

The block volatility rates in Italy remained very low: as shown by D'Alimonte and Bartolini (1995), the cleavage that divided the left from the centre-right remained in place after the inner-Italian political turmoil of the early 1990s. If the macroscopic result of the first post war Italian elections pointed to a remarkable stability at the aggregate level, the strong differentiation of the consensus that parties received in the different areas of the country was equally macroscopic. Beyond the swings registered between one election and the following one, Italy was divided into 'red' and 'white' parts: the Pci obtained the majority of votes, sometimes the absolute majority, in the regions of central Italy such as Emilia-Romagna, Toscana, Umbria and Marche; the Dc was even stronger in the pre-Alps belt and in Veneto; the Dc could also rely on a wide consensus in some areas of southern Italy. The Psi was stronger in the zones of the 'industrial triangle'; and also the non-mass parties could count on preferential constituencies from which to gain votes: Msi and Pnm in southern Italy, Pri in Romagna and the Pli in some areas of the southern part of the country (Corbetta and Piretti 2009). Moreover, other factors contributed to the division of the country: the abstention and the use of the vote of preference were both much more frequent in the southern than in the northern parts of the country (Cartocci 1990).

Different hypotheses have been suggested to explain Italian electoral behaviour. Provided that class identity could explain only a small part of electors' political choices, other factors such as religion, social auto-identification, and the different historic evolution of Italian regions due to the tardive unification of the country had to be taken into consideration (Dogan 1967). This last factor was particularly important: according to scholars from the Istituto Cattaneo, Italy's electoral

stability could be explained by the existence of subcultural traditions strongly rooted in some areas (the 'red zone' and the 'white zone') (Cartocci 1990).

In 1967, Lipset and Rokkan presented a genetic model of the European party systems describing the cleavage formation processes of nation states. They sustain that the European party systems of the 1960s reflected the cleavages that had been politically activated according to the time and the sequence of the national formation and the industrial revolution processes (Lipset and Rokkan 1967). They connected the variety of European party systems in a unitary frame whose structure was ascribable to the intersection of four cleavages and their politicization: the cleavage between centre and periphery, between state and church, between agriculture and industry and between entrepreneurs and workers. Political systems froze, stabilized and even reinforced the cleavages which existed when universal suffrage was introduced. Consequently, their structures and features were defined by range of the political choices present in European countries during the second post war period.

The research of the Istituto Cattaneo (Capecchi et al. 1968) puts the Italian case into this framework: in Italy not only the long duration was the interpretative key that explained the characteristics of political competition and structures in the country, but it also explained the strength of the country's main parties, whose electoral success was still predominantly linked to and depending on motivations extraneous to the specificity of each electoral appointment, political supply and conjunctural context. Relevance was assigned to the antagonism between state and church in generating catholic and socialist subcultures. In the 'red zone' and in the 'white zone' respectively, the Pci and the Dc could have an impact on many aspects of peoples' daily lives through socialization agencies and organizational nets. For large segments of the population of these specific zones vote choice was one of the consequences of subcultural identities, and elections hence constituted the occasion to reaffirm an orientation that had a deep existential meaning rather than the opportunity of a 'real' vote choice.

The electoral behaviour of the citizens of the two residual areas (northwest and southern Italy) was explained differently. Northwestern Italy was classified as a 'partially-subcultural area' composed both by areas more similar to the 'red zone' (the majority) and by areas more similar to the 'white zone'. In order to explain the behaviour of the electors in southern Italy on the other hand, the concept of the 'clientelistic vote' was used. The continuity of party options was substantially guaranteed through mechanisms of political socialization. In 'political territorial subcultures' the prevalence of a particular political party and its organizational and institutional nets not only prevented changes in voting behaviour generated by the social transformations linked to the economic development, but it also conditioned the economic development of the territory reinforcing the network and the success of that party. However, further studies assessed the relevance of the territorial cleavage between northern and southern regions, manifested through the different participation rates in relation to abstentionism (Cartocci 1990).

3 The Slow Change of the Electoral Market and Its Quick Re-structuring at the Beginning of the 1990s

The profound electoral changes of the early 1990s were preceded by long-term phenomena such as the erosion of traditional subcultures, the expansion of disaffection sentiments and attitudes towards the traditional parties. These were accompanied by other signals of change, which had emerged in the 1980s, such as the erosion of participation rate, the rise of new political movements and parties and formations, and the increase of their votes (Sani 1992a).

The research on political orientations showed an enlargement in the quota of the electors ‘on the market’, which indicated an increasing potential of electoral mobility (Mannheimer and Sani 1987). The evolutionary process of the two political subcultures was different in terms of reasons and modalities: Sani distinguishes between the “wiggling erosion” to which the catholic sub-culture was subjected because of the modernization process and the “confusion and disintegration” that put in crisis the bulk of the socialist sub-culture after the collapse of east European regimes (Sani 1992b). During the 1980s and the beginning of the 1990s the Pci and then the Pds experienced losses in the ‘red zones’ in which they still remained predominant (Sani 1993), while the phenomenon of the ‘leghe’ (‘legions’) developed in the ‘white’ Veneto and from there on further to the north of Italy, reaching the borders of the ‘red zone’ (Diamanti 1993; Biorcio 2010).

Between 1989 and 1994 Italy experienced probably one of the most deep and traumatic electoral discontinuities ever occurred in a consolidated democratic regime. The Italian political crisis can be attributed to many factors, such as party polarization, lack of political turnover and ‘party colonization’ of the country’s public administration and economy that led to patronage structures inside of the Dc as well as to massive party clientelism, especially in the southern parts of the country. Finally, the crisis was deepened by the financial crisis caused by fiscal policy rigorosity (in order to meet the criteria of The Maastricht Treaty) in a period of economic recession (which explains the success of the Lega Nord and the governmental parties crisis (electoral de-alignment)), the identity crisis of left-wing parties after the collapse of the Soviet block and the judicial activism tackling corruption (‘Mani Pulite’ inquiry).

Other factors that had important consequences for the transformations of Italian politics and political culture were the referendum activism of the early 1990s and the European integration process. Through two referenda (June 1991 and April 1993) Italians expressed their will to change their electoral system seeking to eliminate the problem of political corruption linked to the proportional voting system and to the absence of political alternation. The European integration process broke the old political-institutional equilibrium by reducing the possibility to enact the traditional redistributive policies on which party support was based (Cotta and Isernia 1996). Moreover, in a moment of crisis of trust in Italy’s political institutions, the EU became a substitutive source of collective identification. According to Pasquino, these changes led to the collapse of the democratic

compromise between citizens and parties on which the Italian republican experience had been based until then (Pasquino 2002).

The stunning electoral success of the Lega Nord in regional elections in 1990 and the result of the 1991 referendum highlighted the existence of a broad area of alternative voting behaviour. The 1992 elections confirmed the progressive restructuring of the electoral market: many new developments can be associated both with the political landscape and parties and the electorate's response (Sani 1992a). The most important change in Italy's political landscape at the time was a markedly increased party fragmentation. Firstly, there were two different lists that referred to Pci's tradition, the Pds (Democratic party of the left) and the Rc (Communist Refoundation). Secondly, many local lists, which merged with the Lega Nord, emphasized the regional differences between the northern and the southern Italy. Thirdly, new groups calling for radical changes of Italy's political culture and more transversality emerged in the country (such as Segni's Pact for reforms—a group of parliamentarians from different parties).

The electoral results of 1992 confirmed the erosion of participation rates, partially due to the emergence of the idea that voting was no longer considered a civic duty (Mannheimer and Sani 2001). Furthermore, an increasing voting fragmentation occurred. The most important innovation in the electoral behaviour that emerged from the elections of 1992 was the sharp increase in volatility, which doubled at the national level and was even stronger in some regions in northern Italy (Sani 1993). Territorially, the Dc lost votes in the ex-‘white’ strongholds in northern Italy while it gained support in the south. Secondly, Psi votes were unevenly distributed on the territory and also the Psi barycentre shifted to the south. Thirdly, while the outcome of the vote stood for continuity with the past, the ‘red zone’ lost ground. Last but not least, the Lega Nord was very successful in the north, which stood for the activation of a new territorial cleavage, partially substituting traditional and Italy's decade-old cleavages.

4 The 1994 Elections and the Progressive Consolidation of the New System

In August 1993, Italy's parliament approved an electoral reform law: through this reform three quarters of the members of each chamber would be elected in uninominal constituencies while the remaining one quarter would be assigned through a proportional system. Until administrative elections of autumn 1993, it would have been realistic to forecast a competition between four formations: two main (a centre and a left coalition, composed by the Dc and the Pds in the south and in the centre of the country) and two marginal, the Lega Nord in northern Italy and a fourth one, supported by a relatively small electorate (the right-leaning Movimento Sociale). The adoption of majoritarian elements into the electoral system, however, forced parties to build coalitions.

When, on 26th January 1994, Silvio Berlusconi decided to run at the general elections for the first time, the forces on the right consisted of two political blocks: the northern Polo delle Libertà (Forza Italia and Lega Nord, against the post-fascist Alleanza Nazionale, An) and in the centre-south the Polo del Buongoverno (Forza Italia allied itself with An). On the left, the Pds allied itself with the Rc and other minor forces while the Patto per l'Italia didn't choose any of the main coalitions and ended up with a small number of seats in parliament. The parties' tendency to form big coalitions in the first-past-the-post constituencies led to the emergence of a quasi tripolar if not bipolar party system. The answer of the electors was even more distinct: the moderate electorate in particular didn't equally distribute its votes between the right and the centre but voted in majority for the right, which was perceived as the main antagonist of the Progressisti leftist coalition. Consequently, Berlusconi's Forza Italia and the party's "variable geography alliances" (Di Virgilio 1995) turned into the element nationalizing the territorial non-homogeneity of alliances. Berlusconi's campaign of 1994 was massive and well organised as regards timing, style and contents. It led the electorate orphan of the Dc and other 'anti-communist forces' to believe that their problems and hopes for the future were shared by Silvio Berlusconi (Segatti 1994). The centre-right managed to inherit a large part of the votes of the 'pentapartito' and to maintain alive the importance of traditional political fractures.

After the emergence of Silvio Berlusconi in Italian politics, Italy became an interesting case study of media-politics relations (Mancini and Mazzoleni 1995). The innovations related to the utilisation of the media as a central instrument of election campaigning introduced by the forces outside of the country's traditional party system (e.g. the Lega Nord in the early 1990s (Mazzoleni 1992) and, more importantly, Berlusconi's and Forza Italia's massive pre-election-campaign in 1994), marked a distinctive and profound break from how political programmes and agendas were communicated before Berlusconi's entry into Italian politics. It is important to underline the relation between the Italian electoral reform of 1993 and Berlusconi's strategy. The electoral reform contributed to giving Berlusconi the ground to dominate the topics on the electoral campaign agenda, emphasising bipolar competition between his party and centre-left parties.

The media adhered to a simplification of the political competition that underlined competition between leaders and coalitions and de-emphasised the competition between parties (Mancini and Mazzoleni 1995). As far as the voters were concerned, the electoral uncertainty was higher in the less central (socially and politically speaking) segments of the electorate (Corbetta and Parisi 1997). The attempt to mobilize the less central political public is strictly connected to the more clear tendency to de-politicize electoral campaigns replacing them with political messages and slogans transmitted by television. In this context it is important to recall the massive use of televised political advertisement and the introduction of debates between coalition leaders in 1994. After the 'par condicio' law of 1995, which prohibited national advertising, the centre-right was in 2001 able to introduce other innovative ways of campaigning such as the use of posters (Legnante and Sani 2002).

Italy's general elections after 1994 were characterized by the comeback of electoral stability, at least as far as coalition voting was concerned. The territorial structure of the vote remained very stable (Cartocci 1996), individual indecision decreased and voters tended at most to deviate from their habitual voting through voting for other parties of the same coalition or abstention, without trespassing the borders of their coalitions (Natale 2002). Mobilisation and demobilisation and intermittent vote allowed voters to choose the 'less evil' alternative without abandoning political preferences in a political context which was polarised by Silvio Berlusconi.

As far as communicating and interacting with the electorate was concerned, parties increasingly aimed at the mobilisation of their own electorate among the expanding electoral sector of what the literature calls 'intermittent abstentionists' (Legnante and Segatti 2001) in a period characterized by great electoral mobility (caused by abstention), a growing distance between politics and the electorate and voters' sensibility to messages linked to the values of 'anti-politics'. Consequently, electoral campaigns—the campaign of the 2006 elections being one example—became more and more 'noisy' and aggressive (Legnante 2006). Large parts of electoral mobility depended more on the changes related to what political parties offered and suggested rather than on the electors' will to change their political orientation and preferences. While in the past loyalty above all meant loyalty towards a political party, it now became primarily directed at the coalition or at the political camp voters felt belonging to. In this 'weak loyalty' (Natale 2008) environment vote loyalty was not linked to a specific party but rather to a political camp. Electors seldom abandon loyalty towards a coalition by voting for another political camp: instead they preferred to abstain or to vote for a third force.

The electoral reform of 2005 was adopted in a very different political environment than the previous one. The centre-right government—then confronted with a defeat in the 2006 general elections—was an active promoter of the changes which were introduced through a proportional system with a so-called 'majority prize' (Chiaramonte and D'Alimonte 2006). In some ways, the new electoral system can be considered more majoritarian than the previous one because it assures, in any event, a majority of 55 % at the parliament's 'Camera dei Deputati' to the coalition that obtains the biggest number of votes at the national level. At the Senate, however, the majority prize is applied separately for each region, making it more unlikely that a coalition is able to obtain the absolute majority of seats. The first application of the 2005 electoral system produced a perfect bipolar result: only one seat in both chambers of the parliament was assigned to political forces outside of the two major parties. However, it is important to stress that the context in which these new rules operated was already characterized by a clear-cut bipolar political competition, three months after the adoption of the electoral reform.

Italy's political constellations and the parties competing with each other changed from 2006 to 2008. In 2006, all the most relevant parties either joined the 'Unione' led by Romano Prodi or the Casa delle Libertà led by Silvio Berlusconi—an expression of continuity with the past, both from the point of view of the increasing coalition inclusivity and from the point of view of coalitions leadership style

(ITANES 2006). In the general elections of 2008, on the other hand, under the electoral rules adopted in 2005, substantial changes took place as regards political constellations. The Pd (the aggregation of Ds, Margherita and other formations) and the Pdl (formed by Fi and An) presented themselves not only as new party actors but also as coalitional actors potentially able to run and win elections alone, without necessarily being obliged to form coalitions with other political forces. The Pd and Pdl in fact refused to enter big coalitions of the previous elections and allied themselves with Idv and with Ln and Mpa respectively, increasing the risk for other party formations to be excluded from parliament (ITANES 2008).

5 From Voting to Party System: Italy Facing the Populist Challenge

Let us summarize the main findings of our analysis dealing with electoral behaviour displayed by Italian voters since 1946. These appear to be essentially three. Firstly, until 1992 electoral alignments persist fairly invariably, stemming from the left-and-right and religious cleavages, which substantially influenced the electorate's voting behaviour. Secondly, in the early 1990s Italian voters triggered what the literature also referred to as "announced earthquake" (Morlino and Tarchi 1996), which shook and smashed the political foundations, on which the 'First Republic' was built on. The third result is that electoral behaviour in the 'Second Republic' turned out to be more unstable than in the 'First Republic', in a context also characterized by growing so-called 'non-voting' rates. In 2013, another political earthquake shook Italy's political landscape: the conspicuous electoral performance of Beppe Grillo's Five Stars Movement which provided strong evidence for the current weaknesses of traditional electoral alignments.

Can we therefore conclude that a 'Third Republic' is at sight? In attempting to answer that question, we can observe that there are similarities between the conduct of Italian voters in early 1990s and 2010s: in both cases, we did witness the collapse of existing parties and the successful emergence of new parties, with the subsequent strong increase in volatility rates (Bartolini and D'Alimonte 1995; Bordignon and Ceccarini 2013). All of this took place in the context of a economic and political legitimation crisis, the latter undermining the electoral basis of both government and opposition mainstream parties (Morlino and Tarchi 1996).

In sum: the 1994 and the 2013 elections are turning points, profoundly affecting the Italian party system. Put differently: in swinging their votes, millions of Italians exercised the transition from a type of 'closed' inter-party competition within the political system to a new type- an open competition—i.e. a structure of political competition that enables partial alternation in governing power, leading to new political and governing constellations (Mair 1996). A key factor in explaining this electoral conduct lies in the anti-party sentiment (Bardi 1996), which is not merely an opposition versus the 'old' politics in the name of the 'new' (Ricolfi 1995), nor

is it an ‘anti-system’ attitude per se. When dealing with electoral behaviour we are interested in clarifying the concept of ‘anti-party’ -or, more broadly, ‘anti-politics’ sentiment amongst the electorate (Poguntke and Scarrow 1996). In this sense, ‘anti-party’ attitudes are twofold: people may reject party organizations generally and completely, opposing them as linkage between citizens and institutions in a democratic polity; or they may reject certain political parties and approve others.² Needless to say, however, it is very difficult to distinguish between these two types, especially when dealing with empirical data: we may assume that voters of the first type will be more motivated to shun ballots, and that voters sharing a specific anti-party sentiment will be inclined to punish those parties they firmly oppose. Either way, Italians’ electoral behaviour in 1994 and 2013 showed that ‘anti-party’ sentiment has become a powerful weapon for change (Bardi 2006; Scarrow 1996) in both the elections, chiefly owing to an overwhelming success of ‘anti-party parties’—Silvio Berlusconi’s Forza Italia (Pasquino 2007) and the Lega Nord in 1994 and Beppe Grillo’s Five Stars Movement in 2013 (Bordignon and Ceccarini 2013). These observations lead us to focus on two questions: why does ‘anti-party’ sentiment prove to be so durable in Italy? How does electoral behaviour originating from mass ‘anti-party’ sentiment affect the Italian party system?

6 Anti-Party Sentiment in Italy’s Political System

Starting from the first question, we distinguish between specific sources and variables of ‘anti-party’ positions amongst the Italian electorate. We can list those variables that commonly feed ‘anti-party’ sentiment in any democratic regime. Deschouwer (1996) sustains that democracies naturally pave the way for ‘anti-party’ protest with five structural features: the value of freedom, individualization, majoritarian decision-making, the competitive logic and the attempt to cope with the complexities of modern society. Furthermore, the image of a democratic polity as a self-governing and homogenous community—deeply rooted in Western philosophical thought and promoted by utilitarianism (Weiler 1997)—has often fostered ‘anti-politics’ attitudes in consolidated democracies (Hindess 1997): renovating the diffidence towards parties as factions, manifested by e.g. counter-revolutionary tendencies as well as by Hegelian and right-wing liberal and nationalist ideologies (Ignazi 1996). Indeed, there are two main intellectual branches of ‘anti-politics’ and ‘anti-party’ sentiment in democratic systems, one

² (Poguntke 1996, p. 324). In the same way, Mete has observed that the concept of “antipolitics” at the mass level may be “passive”—i.e. a global opposition to politics per se, as an autonomous realm, perceived as the supreme evil for the common man—or “active”, i.e. a narrower opposition to existing political parties and practices, which often raises the need for a “new” way of making politics (Mete 2010).

aimed at what the literature refers to as ‘colonizing’ politics to make it less corrupt and more efficient, while the other aspires to ‘remove’ politics as a sphere of human action from the public agenda (Schedler 1997). However, there are also more specific factors, which account for the widespread support for ‘anti-party’ positions amongst Italian voters. Firstly, it is necessary mention the role played by Italy’s cultural legacy of fascism: the anti-party motif lies at the core of the fascist ideology, which promotes the unity of the nation against its enemies. Hence, the inner-Italian contradiction of being a party which upholds an anti-party ideology was resolved in Italian fascism by Pnf’s subordination to (and integration with) the state: “The fate of the Pnf was thus consistent with the anti-party sentiment of nationalist and corporatist ideology” (Ignazi 1996). After World War II the consolidation of a democratic regime in Italy was achieved chiefly by legitimating policies of anti-fascist mass political parties, especially the Dc and Pci, together forming Italy’s so-called ‘constitutional arc’. The democratic foundations of the Italian Republic could be established and reinforced thanks to the ‘anchors’ these parties provided for-parties as mass organizations mediating between civil society and the state (Morlino 2001). This notation points to a second and specific source of ‘anti-party’ sentiment in Italy: the pervasive patronage exerted by political parties, in particular amongst those, which systematically occupied governmental and sub-governmental offices, such as Dc and Psi (Allum 1997). There is no doubt that these practices were extensively performed throughout the ‘First Republic’, thus degenerating in endemic political corruption and scandals, as the ‘Mani Pulite’ inquiry led by a pool of magistrates in Milan in 1992 documented. This led to a strong de-legitimation of several party leaders: “From this perspective, it is worth pointing out that the action of a ‘neutral power’, such as the judiciary, gave the dissatisfied sectors of citizenship the stimulus to cut their links with traditional parties” (Morlino and Tarchi 1996). As the Italian ‘partitocrazia’ was based on a partisan basis, the decline and crisis of mass party organizations quickly became a crisis of the party system as well as for the quality of Italy’s democratic regime in general. To be sure, the transition to the ‘Second Republic’ did not mean the end of the patronage clientelistic system: indeed, since 1994 Italy’s political institutions have not been strengthened and Italian public opinion has progressively revealed a very critical attitude towards the ‘political caste’, i.e. party professionals occupying administration and/or civil service jobs associated with benefits of professional and financial nature. In fact, we can observe a growing diffusion of this sentiment among Italian voters when party organizations in Italy incorporated structural changes which made them turn into cartel parties (Katz and Mair 1995). Here, we neither intend to join nor to judge the academic debate between supporters of this assessment and their critics.³ Instead, we are interested in stressing the value of two facts that the model embodies. Firstly, as Katz and Mair argue,

³ See, among the others (Koole 1996; Detterbeck 2005); and, partly (Poguntke 2006). For a recent review of the literature on party organizations, including different theoretical positions, see Bardi (2006), pp. 33–141.

Italy's main parties have increasingly experienced a movement from civil society to the state, as the latter has gradually developed into the main source of finances for political parties. Accordingly, in the 'Second Republic', as it happened in the last phase of the 'First Republic', parties have become dependent from the state in terms of funding. Secondly, this dependency has continuously triggered the 'colonization' of the state by parties, as well as it has nurtured close relations between party patrons and their clientele, to the extent that patronage continued to remain a firmly embedded part of Italian politics. In this sense, the Italian 'partitocrazia' did not only survive, but indeed has expanded over the last two decades. Empirical data persuasively supports this conclusion. Di Mascio e.g. has verified the continuity of patronage practices in the 'Second Republic': combining survey data with range and depth of political appointments in Italy, he calculated a 'patronage index' that scores 0.47 for Italy, locating the country "in the higher end of the sample, which includes also Austria and Greece, long considered patronage countries in Europe" (Di Mascio 2014). These numbers are even more significant if we consider that Europe's overall index is 0.34 and that also new democracies, such as the Czech Republic, Bulgaria and Hungary, perform better than Italy (0.34, 0.42 and 0.43 respectively). Eventually, the index of perceived corruption of political parties reaches the rate of 4.2 in Italy, when the average index of established democracies is 3.7—ranging from 2.6 of Denmark to 4.6 of India (Van Biezen and Kopecky 2007). In sum: looking at the tendencies widely diffused in Italian politics, the success of parties exploiting 'anti-party' sentiments has to be expected. But what did this development reveal: have 'anti-party' politics brought about overall and profound changes in Italia's party system?

7 Populism and the Party System

In the previous section we have outlined a dual picture of Italian political system. At the élite level we have observed a marked continuity between the 'First Republic' and the 'Second Republic': in both cases, the political elites seems to control patronage networks, in order to gain and maintain electoral support. At the mass level, the increasing popular dissatisfaction towards leaders' behaviour has eventually resulted in voters' rejection of mainstream parties and leaders at general elections held in 1994 and in 2013—a phenomenon several scholars have called "anti-party sentiment". In order to fully understand both these phenomena we need a sound theoretical connection between them. This can be attempted by introducing the concept of 'populism'. Regardless of their manifestoes and positioning in the left-right continuum, populist parties and movements emerging in Western democracies are political outsiders which usually have three common features (Chiapponi 2012): they call for the complete implementation of the popular will and sovereignty, they strongly oppose mainstream political and social élites, especially (but not only) governmental leadership and they do not attribute any value to political institutions, seen as unnatural obstructions between people

Table 2 Socio-political conditions of success for anti-statist populist parties in Italy (1994–2013)

General elections	Patronage/clientelist political habits	Economic situation	Convergence of established parties	Success of anti-statist populist parties
1994	Yes	Depression	Yes (non-partisan or “technical” executive led by Ciampi)	Yes: Lega Nord (Forza Italia)
2013	Yes	Dramatic depression	Yes (non-partisan or “technical” executive led by Mario Monti)	Yes: Five Stars Movement

and their political leaders. Since 1946, Italian politics has more than once provided fertile ground for the emergence of populist political leaders and parties (Tarchi 2003). Rhetorically bashing Italy’s traditional parties and party structures has typically featured very prominently on the agenda of populist parties and movements such as the Lega Nord and Forza Italia in its initial phase and, more recently, M5S. Why, however, did those parties do so well in 1994 and 2013? Put differently: why have Italian voters expressed an overwhelming ‘anti-party’ sentiment through supporting populist parties at the general elections in 1994 and 2013?

Investigating when popular dissatisfaction in democracies takes the form of an irresistible appeal of anti-statist populist parties⁴ at the polls, Kitschelt (2002) has concluded that this happens under very specific conditions. Firstly, populists were successful when political élites have patronage clientelist linkages with their electorate, as it was the case in Italy as well as in Japan over decades after World War II. Secondly, such democracies go through a severe contraction in patronage resources, stemming from a harsh economic recession, marked by widespread unemployment and a dramatic fall GDP per-capita income. Thirdly, anti-statist populists can expect to be successful when established parties, notably the moderate left and the moderate right, converge in common programmatic platforms and/or coalitions, which make them undistinguishable for the voters. This theoretical framework seems to explain quite well what happened in Italy in 1994 and 2013 (see Table 2). Here, outsider populist parties represented the ‘megaphone’ through which Italian voters spoke out noisily against the established political élites.

⁴ These “appeal to a broader social coalition. In programmatic terms, populist parties are mostly concerned with the public economy and the incestuous linkages between politicians, business, interest associations, and their societal constituencies” (Kitschelt 2002, pp. 180–181).

8 Conclusions

The recent changes and developments of the party system of the ‘Second Republic’ followed the same path earlier taken by the ‘First Republic’: as demonstrated in 2011 by the arrival of a ‘technical’ executive, “because previous party governments proved unable to devise any reform prevent and counteract the dramatic effects of the global economic downturn, the performance in government of the new Italian parties has been far from the expectations by the earlier crisis of the old *partitocrazia*”, Di Mascio writes (Di Mascio 2014). Indeed, majoritarian reform of the electoral law in the 1990s did not produce a stable bipolar party system (Bartolini and D’Alimonte 1998), the key factor facilitating durable legislatures and efficient executives. Nothing has changed even after the return to a proportional election law since 2006. Conversely, Italian political institutions have confirmed their weaknesses during the ‘Second Republic’, characterized by unstable executives, the continuity of patronage and clientelist politics, which gave ground to populist movements. Will the electoral victory of Beppe Grillo’s movement open a new phase of transition, leading to a ‘Third Republic’? Answering that question is not easy. As a first step, in order to fully catch the voice of their electorate, Italian political élites must not again commit the mistakes of the past (Fabbrini 2000). In this sense, Italian democracy seems to need an overall and comprehensive institutional reform, in order to make political institutions both more responsive to the citizens’ real needs and problems and less vulnerable to populism and populist political groups and movements.

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The Italian Election of February 2013: A Temporary Shock or a Harbinger of a New Party System?

Paolo Segatti

Abstract The February 2013 elections were the most volatile in Italian entire democratic history. All post 1994 parties lost millions of votes. Who benefitted were two new actors, Scelta Civica led by Mario Monti and the 5 Stars Movement led by the former comedian Beppe Grillo, which received one out of four valid votes. The earthquake altered the post-94 bipolar pattern of competition, for three poles of almost equal size emerged instead of two. Moreover, the election results were chaotic since the 2005 electoral law made impossible a coherent parliamentary majority in both chambers, provoking a political paralysis and finally paving the way to a new grand coalition between the Pd and Pdl, plus Scelta Civica. Does the February 2013 elections are a harbinger of a political system different from the previous (1994 to 2008) one, or they are a temporary shock? This chapter will analyse the 2013 results in comparison to elections prior to 2013. It will assess the extent to which the Italian voters have changed their political and ideological predispositions along with their electoral behaviour. This chapter concludes that while many voters changed their vote in February 2013, voters did not change their ideological positions. It is too early to tell whether and to what extent Italy's electorate has have changed its ideological outlook after the February 2013 elections. One could expect that if the 2013 earthquake is a harbinger of a new political system, this will depend on the consolidation of the political forces which emerged in February 2013 and on the restructuring of the others.

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1 Introduction

The results of Italy's February 24–25 Parliamentary election were chaotic. Chaos was generated by the Italian electoral law, engineered in 2005 by the centre-right government to prevent the likely victory of a centre-left coalition at the 2006 elections. At that time, it almost delivered the intended effects, but it was only in the 2013 elections that it produced the results it was adopted for. The 2005 electoral law is in essence a proportional system with an inbuilt majority premium that gives 55 % of the seats to the party or coalition with a plurality of votes, regardless of how large the plurality is. (D'Alimonte 2007). The inbuilt mechanism in the electoral system almost inevitably produces chaos, as the rules of the majority premium in the House of Representatives (Camera dei Deputati) are different from those in the Senate (Senato). In the first case, the seats bonus is attributed to the party with the largest share of votes nationwide. At the Senate the premium is instead attributed to vote winners in each region. This means that, at the Senate, a party or a coalition has to win a plurality of votes in almost all regions (especially in those with the largest number of seats) in order to achieve a nationwide majority of seats in the Senate. In the 2013 elections the centre-left coalition won a plurality of the vote for the Camera dei Deputati, whereas in the Senate it was overtaken by the centre-right, in the regions of Lombardy, Veneto, Campania, Apulia and Sicily. The outcome was that no party or pre-electoral coalition had enough seats in both chambers necessary to govern alone. This was a new situation as in all elections from 1996 to 2008 the government was formed by parties belonging to pre-electoral coalitions. After the February 2013 elections, however, the coalition-building game had to be played after the elections.

The elections were chaotic because of an arguably 'crazy' electoral law. However, the outcome of the elections was also unexpected because of the voting choice of many Italians. The Partito Democratico (Pd) was deemed to be the likely winner according to pre-electoral polls. After the elections, its share of votes at the Camera dei Deputati was about 25.4 % (and the centre-left alliance's overall share was 29 %) as the Pd had almost three and half millions votes less than it had after the 2008 elections (see Table 1). Silvio Berlusconi mobilized the centre-right voters with an anti-tax and anti-Europe electoral campaign. Although Berlusconi's Popolo della Libertà (Pdl) obtained 50 % less votes than at the previous elections in 2008 (more than 6 million), his party campaign has turned out to be very effective, since it obtained about 21 % of the vote, that summed up to 29 % with Pdl's allies. The Lega Nord, the centre party Udc (Unione di centro) as well as the radical left lost many voters. Eventually, all parties of the post-1994 political system lost votes in the 2012 elections.

The actors who benefitted from this, albeit to different degrees, were the new parties openly challenging the two main electoral actors of the past 20 years. Mario Monti's party (Scelta Civica) got about 8.3 % of the vote. The real winner was, however, the 5 Stars Movement, led by the comedian Beppe Grillo. It performed very well winning almost one out of four valid votes on the basis of an

Table 1 2013 and 2008 elections results

2008 Parties	2013 Parties	Vote	%	Vote	%
Other extreme left lists	Other extreme left lists	375,837	1.0	95,129	0.3
Di Pietro Italia dei valori	Rivoluzione civile	1,593,532	4.4	765,054	2.3
La sinistra l'arcobaleno	Sinistra Ecologia e Libertà	1,124,428	3.1	1,090,802	3.2
Partito democratico	Partito Democratico	12,122,280	33.2	8,642,700	25.4
Partito socialista	Centro Democratico	355,575	1.0	167,201	0.4
Südtiroler Volkspartei	Südtiroler Volkspartei	147,666	0.4	146,804	0.4
Unione di centro	Scelta civica	2,050,309	5.6	2,823,814	8.3
	Unione di centro			609,647	1.8
	Futuro e Libertà			159,454	0.5
Il popolo delle libertà	Il popolo delle Libertà	13,642,946	37.4	7,332,121	21.5
Lega nord	Lega Nord	3,027,080	8.3	1,392,540	4.1
Movimento per l'autonomia all. per il sud	Grande Sud-Map	410,487	1.1	148,570	0.4
Ass. difesa della vita Aborto? no, grazie	Fratelli d'Italia	135,577	0.4	669,052	2.0
	La destra			220,312	0.6
La destra—fiamma tricolore	Mir	885,226	2.4	81,972	0.2
Per il bene comune	Partito Pensionati	119,419	0.3	55,050	0.2
	Intesa popolare			25,680	0.1
	Liberi per un'Italia equa			3,238	0.0
Other centre-right lists	Fare per Fermare il Declino	4,577,789	12.5	381,685	1.1
	Movimento 5 Stelle Beppegrillo_it			8,701,948	25.5
Others	Others	536,849	1.5	562,186	1.6
Valid votes	Valid votes	36,527,211	100	34,074,959	100.00

Source: Electoral archive of the Ministero degli interni. <http://elezionistorico.interno.it/>

anti-establishment platform. In all elections after 1994, several parties attempted to defy the political system of Italy's 'Second Republic'. But none of them succeeded. The 2013 electoral verdict, however, was quite exceptional delivering a multiparty system with three parties with an almost equal share of the vote and a fourth party in a pivotal role. The results made it difficult to form a new government. Under these conditions only three options were possible: (a) a coalition with the centre-left coalition and Grillo's party, (b) a 'Grosse Koalition' between the Pd, Scelta Civica and Pdl or (c) new elections. After more than 2 months, thanks to an effective string-pulling by the just re-elected Italian President of the Republic, Giorgio Napolitano, option (b) was chosen: Pd and Pdl decided to govern together in a German-style 'Grosse Koalition'.¹

The current political scenario resembles the pre-1994 political system when elections were not meant to enable parties to form a government, and the government was the outcome of post-electoral coalitional games of party leaders. After 1994, all governments were the product of pre-electoral coalitions. However, before the 2013 elections, a government based on a post-electoral coalition was very much welcomed by large sections of the countries' public opinion elite. The argument was the following: the 1994–2008 political system, Italy's 'Second Republic', was unable to deliver the structural reforms Italy needed and more than ever still needs today. The argument implied that the electoral system, adopted first in 1993 and then changed in 2005, was largely responsible of this failure. As different as they are—a mixed member system in 1993 and a proportional system with a majority premium in 2005—both systems have a strong majoritarian fundament, forcing parties to build pre-electoral coalitions in order to win the elections. If pre-electoral coalitions were effective in winning the vote, they turned out to be ineffective to govern since member parties had different policy platforms. Following this logic, the most preferred scenario before the 2013 election was a post-electoral coalition government with parties (such as the Ps and Monti's Scelta Civica) whose platforms were deemed close enough to deliver the reforms the country and Europe were waiting for. The February 24–25, 2013 electoral outcome, however, made this scenario unfeasible.

The electoral results did not simply led to an expected scenario. They also seem to suggest that the post-1994 political system has changed. The main characteristic of that political system was a bipolar pattern of political competition, characterized by an increasing concentration of votes in two major coalitions, albeit internally fragmented. The 2013 results show a dramatic change as Italy now has a political system based on at least three poles of equal electoral size. Therefore, the 2013 electoral results raise two central questions: (a) Is this change the outcome of an election with exceptional characteristics (a deep economic crisis and an anti-establishment climate nurtured by political scandals), in a word the consequence of

¹ The Grosse Koalition ended in November 2013 when Berlusconi decided to stop the parliamentary support for the Letta government, provoking a split within his party. Given the fluidity of Italian politics, this chapter considers only events related to the February 2013 elections and their immediate aftermath.

a temporary shock? Or (b) does it reflect also a change of the underlying structures of the ideological orientations of Italian voters, similar to those after the collapse of the ‘First Republic’ at the beginning of the 1990s—are the 2013 elections a harbinger of a ‘Third Republic’?

This chapter—divided into three sections—will address these questions. First, it will compare some aspects of the 2013 elections with the previous elections. This is followed by an analysis of the electoral changes, which occurred after the 1994 elections. Finally, the 2013 party choices will be compared with the voters’ underlying ideological outlook.

2 The 2013 Elections from a Long-Term Perspective

The 2013 electoral results appear to mark a radical change from the previous ones in several regards. The first, as Fig. 1 shows, is about the abrupt decline of turnout: it is five per cent lower than in 2008. It is the greatest drop in Italy’s electoral history. Media commentators insisted that the drop should be attributed to the deep discontent and disaffection of many Italians towards politics, implying that the drop in turnout is across age cohorts, education and income. While this interpretation is not necessarily wrong, it tends to conceal that the drop in turnout might also be related to other additional factors. Among them, demographic change seems to be a central factor.

Over a period of 5 years (2008–2013) the number of first-time voters is significant. Evidence collected in Italy as elsewhere (Franklin 2004) shows that first-time voters’ turnout habits are less stable and predictable than those of older voters (Scervini and Segatti 2012). This means that the turnout rate is likely to decrease in the next elections, albeit not as significantly as it happened in elections from 2008 to 2013. Moreover, the propensity not to vote is not equally distributed in all regions and across all levels of education. As Scervini and Segatti (*ibidem*) show, in elections from 1994 to 2006, regional income inequality strongly moderated the effect of education on turnout. This means that in regions with a high rate of income inequality, low educated voters’ turnout tends to be lower than that of highly educated voters. In a sense this phenomena suggests that parties became less effective as mobilization agencies.

A second major change regards the support for all the major parties of the ‘Second Republic’. A rough estimation suggests that the Pd and Pdl, Udc and Lega Nord together, lost almost 13 million votes. Summing up the losses of the extreme left, the debacle of the ‘Second Republic’ political actors amount to 14 million votes. Moreover, considering also that these parties could also have benefitted from some limited vote inflows, the volatility of the last elections was very high—maybe the highest in Italian history (D’Alimonte et al. 2013).

The collapse of the major parties in the 2013 elections has arguably altered the basic features of Italy’s political system. The effective number of parties moved from 3.8 in 2008 to 5.34 in the last elections. Figure 2 shows another interesting

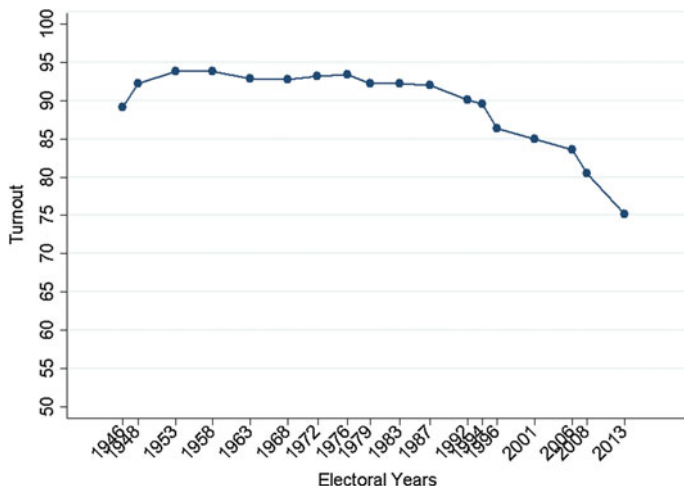


Fig. 1 Voter turnout from 1946 to 2013. *Source* Electoral data available at <http://elezionistorico.interno.it/>

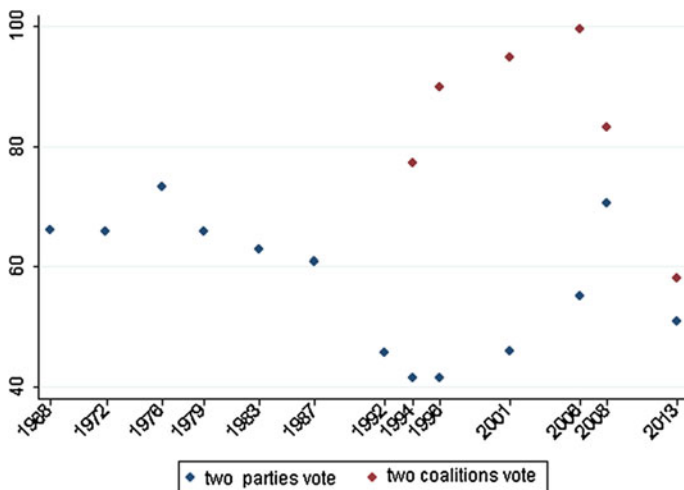


Fig. 2 Index of party and coalitions bipolarism from 1968 to 2013 elections. *Source* Based on electoral data available at <http://elezionistorico.interno.it/>

detail. In 2008 the sum of two major parties votes constituted about 70.5 % of the overall vote. In 2013 it has declined to 50 %, a level similar to some elections prior to 1994. However, the changes appear to be even more significant if one considers the votes for pre-election coalitions. In all elections from 1994 to 2008 the competition was not between parties, but also, and indeed above all, between party coalitions. The red points in Fig. 2 indicate the sum of votes for the two main

coalitions. In 2006 it reached the eye-catching level of 90.7 % of the overall vote. In 2013 the two main coalitions, centred on Pd and Pdl, obtained less than 60 % of the vote, almost the same share of the vote for Democrazia Cristiana (Dc) and Partito Comunista Italiano (Pci) obtained in the 1987 elections. Back then, those results were considered to be a signal of the incoming crisis of the ‘First Republic’ parties (Corbetta et al. 1988). In sum, the magnitude of the 2013 political earthquake suggests that a radical re-structuring of the political system could be on the way. Is the voting pattern of many Italians in the 2013 elections really a harbinger of such a re-structuring? To answer this question, we need to analyse the electoral changes, which occurred over the previous decades.

3 Italian Electoral Changes over the Past Decades

The post World War II party system mirrored deep social and ideological divisions. Among them, religion was clearly the most important one. Catholics who attended church tended to vote for the Dc. Most workers were inclined to vote for the left parties and in particular for Pci, but some of them voted for the Dc as Catholics. Ideology was also crucial. The second largest party, the Pci, was aligned with Moscow during the Cold War era, which made it de facto impossible for the Pci to replace the DC as governing party in Italy. Beyond religion, class, and ideology, other cleavages fragmented the party system and distributed electoral support unevenly across the country. In that context, the voting behaviour was aptly described as fragmented and isolated in territorial subcultures (Galli 1968). Sartori (1976) defined the patterns of party competition in the decades after the war as “polarised pluralism”. Indeed, the number of parties was big because the number of social cleavages was high, and voters were ideologically distant as well as isolated along the rift lines. Moreover, ideological distance among the parties triggered centrifugal competition, since the largest party (Dc) occupied the centre of the ideological continuum while the second largest party (Pci) was—initially in terms of policies and only later on in popular perception too—an anti-system party.

Over the decades, the roots of the post war parties’ electoral consensus slowly weakened. Nevertheless, if one wants to find evidence of the impending shake-up of the post war party system at the beginning of the 1990s, one has to consider factors other than social change. The state of the economy certainly played an important role, as it is shown by the public debt increase which in 1994 reached 121.8 % of the GDP. Other events were equally or even more crucial. These included: the fall of the Berlin Wall, the investigation by the judiciary into a wide web of political corruption primarily involving the governing political class (the so-called ‘Mani Pulite’ (‘Clean Hands’) investigation leading to the so-called ‘Tangentopoli’ (‘Bribesville’) scandal and crisis, initiatives by a reform-minded elites, new electoral laws with a majoritarian bias and, finally, a changed political scenario with a new key player, Forza Italia (Fi), a party set up a few months before the 1994 elections by media tycoon Silvio Berlusconi (Segatti 2013).

Events like these clearly altered the electoral behaviour of many Italians in the very noteworthy 1994 elections. However, they also had long-term consequences on the determinants of the voting choices of many Italians. First, the perception of the political space shared by Italian voters changed instantly and quickly. From 1992 to 1994, the number of Italian voters who refused to place themselves within the left-right continuum increased greatly. At the same time, the distribution of self-placements by Italians changed as well. Before the Dc collapsed, most voters placed themselves within the spectre of centre positions. After the demise of Dc, the centre became partially empty in favour of right of the centre positions (Baldassari 2007). Second, most of the social anchors of the vote choice lost their grips. As it happened in other European countries too, societal changes were eroding the subcultures in Italy (Sani and Mannheim 1987) (Franklin et al. 1992). The new electoral law and the emergence of new political groups and actors were, however, the key factors of the social dis-anchoring of the vote. The church and state cleavage was the most important electoral divide throughout the era of the 'First Republic'. In fact, still in 1992, although less than it was the case in the past, a weekly church attendant was highly likely to vote for the Dc, while voters who do not go to church were typically voting for the Pci. After the 1996 elections, church attendant voters became more likely to vote also for different parties, although the centre-right coalition benefitted more from church attendants' votes than other coalitions. The difference, however, was not comparable with what occurred when the voters had to choose between Dc and other parties, in particular the Pci.

Class cleavage, as compared to religious cleavage, was already weak before the 1990s. It remained weak after the 1990s and its effects on party choice were fluctuating across elections (Ballarino et al. 2009). Only territorial political divides have remained partially in place, although the traditional territorial subcultures were probably more internally fragmented after the 1990s than they were in the past (Vezzoni 2008).

Third, over the past 20 years voters less and less perceived elections as a sort of beauty contest in which socially ascribed political identities were competing against each other. On the contrary, party choice has become influenced by political factors such as leadership and the performance of governing parties and coalitions. Because of that, elections have become more and more instruments of evaluation of whether parties are accountable and responsive (Bellucci and Segatti 2010).

Fourth, voters began to identify themselves with coalitions more than with parties. As Baldassari and Schadee (2004) point out, this made more salient among voters the perception that the fundamental electoral competition took place between two poles rather than between parties.

I am aware that this assessment contradicts the common wisdom typically suggested by Italian mass media, which tends to portray the 'Second Republic' elections as a sort of simulated civil war. This media narrative, however, reflects too much the overall tone of the political debate in the public sphere, which, in fact, resembles a permanent state of war between the protagonists of Italian

politics. According to this description, the Italian political system still seems to be in a state of polarized pluralism, similar to how it was during the post war period. If one looks at the pattern of voting behaviour, however, the picture is quite different. One could be tempted to say that Italians simply became more similar in their voting habits to European voters, for the better and for the worse.

However, there is also another side of the story of the past 20 years. Contrary to the expectation that the majoritarian electoral law should have had an impact on the number of parties, party fragmentation did instead not decrease. To the contrary, it increased, especially at the parliament level, thanks to the generous availability of financial funds and a lack of institutional constraints (Segatti 2013). Although from 1994 to 2013, governments, on average, stayed in power for a longer period than prior to 1994, they were unable to deliver the solutions to the nation's problems. In a sense, the decision by the two main parties in November 2011 to support a government led by a technocrat, and in April 2013 to form a 'Grosse Koalition' is evidence that the political system of the 'Second Republic' has failed. The country's main parties were unable to respond to the country's economic problems, existing well before the 2008 global economic and financial and the 2011 Euro crisis.

However, if the post-2013 political system turned out to be a failure, it was not because Italy's main parties were unable to decide because they were paralyzed by voters pitting against each other within a structure of static social and cultural cleavages. Italian voting behaviour changed and adjusted itself to an institutional and political context that has been developing towards a bipolar competition as in most of Europe's democracies. The post-1994 political system was a failure because of uncompleted institutional reforms that made the parliament-government linkage incoherent with the pattern of bipolar competition. In sum, voters have changed their voting habits much more than elites have changed their behaviour.

As I underlined previously, the February 2013 elections appear to mark a turning point of the post-1994 electoral cycle. The crucial question concerns the determinants of the electoral volatility that occurred in these elections and negatively affected the support for the post-1994 parties. The 2013 elections took place in a context, which was exceptional in many ways: a severe economic crisis, an incumbent government supported for more than one year by all major parties, increasing anti-party sentiments triggered by a wave of scandals and abuses of political funds. Was the electoral volatility simply a contingent reaction to the above-mentioned context in which the elections took place or was it instead the harbinger of a more profound change in voters' behaviour, similar to the one that occurred at the beginning of the 1990s?

As it turns out, it may well be that it was both: a contingent reaction and also an indication of more profound changes of Italian voting behaviour. However, interpreting the elections' outcome as a result of contingent reaction implicitly refers to the voters' actual party choices, which might be deviant from previous choices without necessarily representing changes in ideology. The outcome as an expression of fundamental changes in voting behaviour on the other hand pre-supposes an underlying ideological structure of mass opinion that might persist even if the party

choice in a particular election is deviant from the previous vote. The next section will analyse if determinants of voting behaviours in the February 2013 elections had a different impact as compared to previous elections.

4 The February 2013 Election: Still Old Wine... Albeit in New Bottles?

We will consider three determinants, which determined the choice for parties in the February 2013 elections: religion, class, and ideology. As we have established above, religiosity had a strong impact on party choice prior to 1994. While after 1996 up until the 2008 elections this impact has become weaker, over the last few years several Catholic organisations' leaders expressed concern about the deterioration of the political and economic life and activities in Italy. In this context, they also thought that Catholics should increase their contributions to the common good, including contributions through new modes of involvement. Consequently, some of them decided to candidate themselves in Monti's 'Scelta Civica'. At the same time, the Italian bishop conference, while reaffirming the principle of pluralism of the party choice, expressed an implicit endorsement of Monti's attempt to challenge Italy's political bipolarism. Eventually, the 2013 elections were the first after 20 years in which Catholic voters received explicit cues by Catholic leaders and religious authorities on their political preferences and the parties they explicitly endorse. Consequently, the 2013 elections were also a test to see if the impact religiosity has on party choice had become stronger.

According to the Italian Election Study (Itanes) data,² roughly 40 % of the voters correctly perceived which party was endorsed by religious associations and institutions. However, only 10 % declared that they would follow the cues of those institutions and associations. Among Catholics weekly church attendants 22 % declared that they would do so. Finally, Table 2 shows the composition of the electorate of some parties and coalitions taking into account the level of church attendance. While there are some differences, they are not larger than in the recent past.

With regard to social class and social groupings, some data suggest that some of the traditional parties (Pd and Pdl) have lost some of its support from some social groups in comparison to the past while new parties such as M5s have increased their vote quota (Itanes (eds) Bellucci and Segatti 2008). If that is accurate, the overall impact of class on voting behaviour has decreased in comparison to previous elections. If the impact of social factors on voting behaviour has not changed in 2013, is that also the case for ideological orientations? As already mentioned

² Data in the text were taken from the second waves online panel, based on 3,000 respondents interviewed after the elections, and selected more than 8,000 respondents interviewed daily from early January to February 23 applying the Rolling Cross Section design.

Table 2 Composition of the 2013 electorate—preferences for selected coalitions and parties in relation to frequency of church attendance

Coalitions and parties	Every week	Once or twice at month	Once a year	Never	N
Partito Democratico and Sinistra e Libertà	27.62	15.27	26.07	31.05	583
Scelta civica	44.03	19.4	17.16	19.4	134
Popolo delle Libertà	36.74	19.7	26.14	17.42	264
Movimento 5 Stelle	25.39	18.91	30.57	25.13	386
Total	30.04	17.3	26.19	26.48	1,405

Source Itanes 2013 post electoral survey available at www.itanes.org

above, in the February 2013 elections, parties, which opposed bipolar competition between Pdl and Pd were successful for the first time after 1994. To what extent does this outcome reflect an underlying change of the ideological outlook as expressed by the voters' position within the left-right continuum? Figure 3 indicates the rate of respondents who do not place themselves within the left-right continuum from March 2011 to March 2013. The percentage is fairly stable, amounting to between 17 and 22 %. That is in no way similar to what happened at the beginning of the 1990s.³

More striking is the direct comparison between the self-placement of voters after the 2008 and 2013 elections.⁴ As Fig. 4 shows, some changes become evident. After the 2008 elections, respondents tend to position themselves close to centre-right positions while in the 2013 elections voters seem to identify themselves more with centre-left positions. However, the overall distribution of Italian voters continues to remain bipolar.

It is evident that M5s benefitted from vote inflows from all ideological quarters, i.e. from parties from the extreme left, the centre-left (Pd) and the right (Pdl and Lega Nord) (Fondazione Istituto Cattaneo 2013).⁵ The irony is that even M5s voters placed themselves within the left-right paradigm. According to the Ipsos Data Archive based on post-electoral survey of the first week after the elections, it emerged that out of 100 of M5s voters, 38 % placed themselves on the left of the political spectrum, 14 % on the centre, 22 % on the right and 22 % do not place themselves within the left-right paradigm at all. Data like these suggests that even mobile voters still positioned themselves politically within the left-right continuum. One should note that this positioning took place against the background of claims

³ Figures 3 and 4 and Table 2 are based on data from the Ipsos Data Archive. They were made available for the secondary analysis thanks to a grant of the Cariplo Foundation to the University of Milan in March 2012. Data coming from Itanes post electoral surveys confirm what the Ipsos data show (Baldassari 2013).

⁴ See also Baldassari (2013).

⁵ See also De Sio and Schadee (2013).

Fig. 3 Percent of respondents who do not place themselves from March 2011 to March 2013. *Source* Archivio dati Ipsos-Unimi

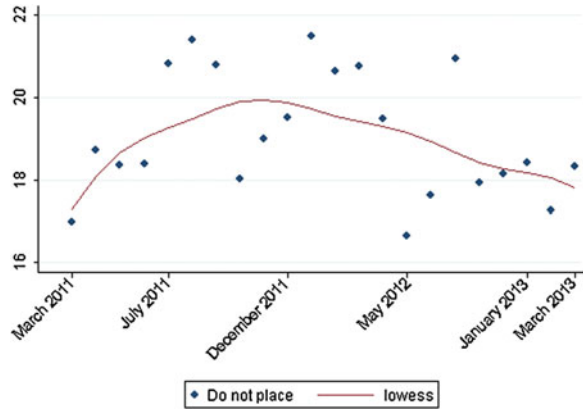
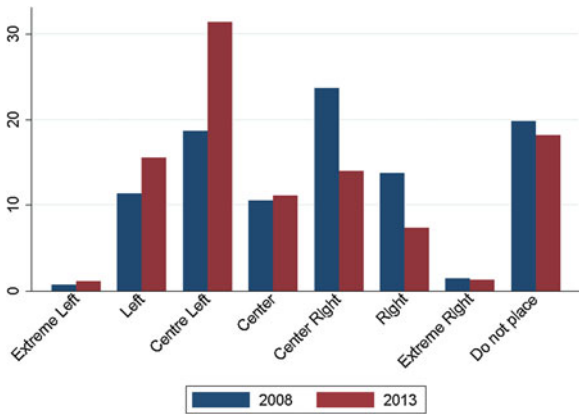


Fig. 4 Ideological positions on the left-right continuum in 2008 and 2013. *Source* Archivio dati Ipsos-Unimi. Data regarding 2008 election are also part of the Ipsos archive, but they were kindly made available by Prof. Paolo Natale



made by some parties that the traditional left-right divide was meaningless in terms of policies, but was instead a rhetorical device to conceal the behind-the-screen agreements within the political class, typically referred to as the ‘casta’ in Italian.

One could argue that left-right self-placements of M5s voters reflect their ideological past more than the current outlook. A recollection of the voters’ political biographies could suggest that they are inconsequential as to their future party preferences. However, that does not seem to be the case. M5s voters seem to differ not randomly as regards the degree of certainty they would vote again for the party they voted for in February 2013. Instead they differ according to their ideological self-placement.⁶ A few days after the February 2013 elections, ideology still

⁶ The index of certainty is simply the difference between the first and the second party preference of a voter’s preference. The party preferences of the respondents are measured by a question on their probability to vote ‘in the near future’ for a list of parties. In the case of data used in this paper, the range was from 1 to 10, subsequently rescaled from 0 to 1, where 0 means never and 1

influenced the degree of certainty of voting for M5s versus voting for the Pd and Pdl. Table 3 shows that leftist and rightist M5s voters in February differed when they were asked to say which party they were likely to vote for in the ‘near future’. The certainty to vote for the M5s decreases among February 2013 M5s leftist voters when the Pd is considered as second preference and vice versa among the rightist M5s voters when the Pdl is considered as second preference. On the contrary, determination to vote for the M5s increases when voters are being asked to choose between more ideologically distant parties.

These data suggest that immediately after the February 2013 election, M5s voters were still constrained in their party preferences by the traditional representation of political space. The persistence of the left-right continuum combined with the massive success of the Grillo movement is one of the most noteworthy and puzzling aspects of the February 2013 elections. Grillo’s 5 Stars Movement was able to capture the vote of many of those who in the past voted for the political right or left. It is possible that those voters who voted for a party that defined the left-right contraposition as meaningless, did not do so because they agreed on the irrelevance of the left-right contraposition per se, but instead because they perceived that (a) the M5s electoral proposal was focussing on issues outside of the left-right contraposition, and (b) that a focus on issues outside the left-right contraposition has become more salient as decisional shortcut than the left-right ideology. Discontent with politics in general or discontent with the Pdl and Pd in particular (leading to joint support of the Monti government from November 2011 to December 2012) may go along with the emergence of the above-mentioned new issues outside of the left-right continuum, regardless of whether they emerged due to political scandals or Italy’s main parties’ inability to adopt policies countering Italy’s economic decay.

In sum, this means that Italy’s political space has become bi-dimensional in 2013 (De Sio and Schadee 2013). The prevailing dimension is still the left-right contraposition. However, there may be a second contraposition that can be defined as a contraposition between ‘partitocracy’ against new politics, ‘old against new’ so to speak. How long this dimension can persist in the future remains, however, yet to be seen. It is likely that, if M5s is able to consolidate itself in Italian politics, its position will be assimilated into the left-right continuum, eventually paving the way for a meaningful and fundamental transformation of Italian politics. Thus, if the bipolar representation of political space has not changed yet, it might do so in the near future.

(Footnote 6 continued)

certain to vote for that party. The probability to vote ‘in the near future’ for a list of parties may be conceived as the utility a voter may feel to have in voting for one party, regardless of what the reasons might be (policy or non-policy). The interesting aspect of this instrument is that it allows to identify second or third preferences a voter may have, something which is impossible to gauge with the classical question on vote recall or voting intentions (Tillie 1995). For a detailed discussion on the probability to vote as instrument to assess the certainty to vote for a party see Vegetti (2013).

Table 3 Degree of certainty among M5s voters to vote for M5s instead of voting for Pd and Pdl, in the week immediately after February 2013 elections

	M5s versus Pd	M5s versus Pdl
Left	0.5	0.9
Center	0.6	0.8
Right	0.7	0.6
DnPlace/DnWant	0.7	0.8

Source Archivio dati Ipsos-Unimi

5 Conclusions

Each elections have their own peculiarities. Electoral campaigns can be more or less effective in mobilizing voters or even in convincing voters to switch from one party to another. Voters may or may not punish those in power because they are or are not dissatisfied with the state of the economy before the elections. Taking into account past performances of governments and the opposition, Italian voters typically voted in accordance with their ideological predispositions. Ideological shortcuts can explain why vote choices are fairly stable and, if they change, suggest that the reasons for change are election-specific considerations as opposed to long-term predispositions, such as partisanship or ideological outlook. In the Michigan model of electoral behaviour changes like these are referred to as ‘deviations’ (Campbell et al. 1980).

In February 2013 Italian voters were confronted with a particularly difficult task. They had to cast their vote at a time when all main parties supported the Mario Monti caretaker government. In a situation like this, voters did not know whom to blame and whom to punish with their voting choices. Voters also found it difficult to rely on ideology when parties did not seem to differ in terms of contents and substance and are from the voters’ perspective equally involved in a deeply-rooted web of corruption and abuse of public funds.

Voters could have taken the above-mentioned cues of the Catholic Church as reference, at least those who are church attendants. However, there is no evidence that voters voted in accordance with the preferences of the Catholic Church in February 2013. They also could have followed the cues of the labour unions, which were did not support the Monti-led government. But, again, there is no evidence of that. They could have followed their ideological predispositions. The evidence we collected show that the context in which Italians had to make their voting choice in February 2013 has not modified the representation of the political space whose prevailing dimension has remained the left-right contraposition. However, the empirical evidence seems to suggest that in the February 2013 elections the effect of the left versus right ideology determining Italians’ voting choices has weakened. This in turn made more salient the voters’ traditional negative perceptions of politics, which were again confirmed by reality.

Moreover, Italy's deep and prolonged economic crisis made more dramatic the perception of a failure of the existing political class. In similar circumstances, vote choice can become volatile provided that there is a political supply able to exploit the existing discontent and disaffection with politics.

The 2013 elections do not seem to be a case of simple deviation from previous consolidated patterns of vote choice, if we take the magnitude of the electoral earthquake into account. Does it mean that the vote choice of many Italians results from a change of their more general political predispositions, i.e. are we detecting a harbinger of an incoming political system? The Michigan model would call what happened in Italy in February 2013 'realignment'. Attempting to answer the question whether the February 2013 elections are a case of such 'realignment' was the main task of this chapter.

Post-electoral data seems to indicate that the 2013 electoral outcome does not (yet) stand for a radical restructuring of the political predispositions, similar to the one that took place at the beginning of the 1990s. Many voters changed their vote, but they still maintained their previous ideological affiliations. Their vote switch was made possible because a new dimension of party competition, across the left-right continuum.

We may be in a limbo. If this is the case, expectations of what could happen politically will have to be verified with theories and empirical observations. The state-of-the-art electoral research suggests that one important determinant of political change is political supply. The electoral changes, which occurred in Italy in the 1990s are a case in point. Voters did not only move from one party to another, but they were indeed 'forced' to adjust their perception of the political space to the post-1994 pattern of party competition. They did so fairly quickly. Simple observations of the events after the February 2013 elections suggest that maybe we are once again on the verge of a reshuffling of the party supply. An incomplete list of these events include increasing factionalism within the Pd, the emergence of centre parties, new divisions within the Pd, the weakness of Berlusconi's leadership, and finally the challenge by a strong anti-establishment party. All of these events might engender a radical reshuffling of the party supply that emerged after 1994. If this is case, one may conclude that the 2013 elections have paved the way to a turning point in Italian political history.

However, Italy's existing party system could also re-invent itself, adopting institutional reforms (beginning with a new electoral law) that may be helpful to redress the state of crisis. We will see whether this will happen any time soon. For now, the electorate's voting behaviour in February 2013 was not by itself a harbinger of a future political system. Like often in the past, Italian day-to-day politics might have mattered more.

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Flocking Together? The Breakdown and Revival of Political Clientelism in Italy and Japan

Takeshi Ito and Masako Suginozara

Abstract This chapter explores the development of political clientelism in post-war Japan and Italy. The authors argue that the differences in the form of vote-gathering machines and the structure of party competition framed by the party systems and state institutions, in addition to the need for fiscal consolidation in the 1980s and 1990s, are crucial in explaining the paths followed by the two countries.

1 Introduction

After the Second World War, Italy and Japan each established a political system in which a single conservative party, the Christian Democratic Party (DC) in Italy and the Liberal Democratic Party (LDP) in Japan, continuously retained the hold of government (Richardson 1997). In both cases, networks of political clientelism contributed to the persistence of these two “uncommon democracies” (Pempel 1990).

Throughout the 1990s and the 2000s, their paths diverged and then crossed again. In the early 1990s, one-party dominant regimes in the two countries fell into crisis almost simultaneously. Coming under fire for structural corruption, economic mismanagement, and political stagnation, the DC and the LDP fell from power for the first time since the 1950s. Then, in the mid-1990s, the parallel development came to an abrupt end. In Italy, almost all of the existing parties tottered under the economic constraints of fiscal consolidation and the political

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pressure of anti-corruption movements. By contrast, the LDP returned to power after less than a year. However, in both Italy and Japan, the traditional method of vote gathering based on clientelistic linkages between the governing parties and citizens re-emerged as the crucial aspect of politics in the 2000s.

How can we explain the parallel development until the 1990s, the sudden divergence in the early 1990s, and the re-convergence since the latter half of the 2000s in Italy and Japan? To address this question, this chapter focuses on the mechanism and transformation of political clientelism in Italy and Japan. As has been widely argued, the base of the one-party dominant regimes was their strong clientelistic networks (Pempel 1990; Tarrow 1990; Scheiner 2006; Kitschelt and Wilkinson 2007). In general, political linkage between parties and voters through political clientelism, as opposed to other linkages based on opinions and broad policy programs, tends to be stable. However, the fortune of clientelistic networks in the two countries diverged sharply in the 1990s and re-converged in the 2000s. Such development of the ‘odd twins’ poses an interesting theoretical puzzle concerning the concepts of path-dependency and historical institutionalism.

This chapter argues that the differences in the form of vote-gathering machines (well-organized and party-based in Italy with considerable regional variation; individual-based and flexible in Japan) and the structure of party competition framed by the party systems and state institutions, in addition to the need for fiscal consolidation in the 1980s and 1990s, are crucial in explaining the paths followed by the two countries.¹ The argument presented in this chapter implies that the specific institutional features of the seemingly identical forms of clientelism matter in determining their fate.

2 Argument and Framework

2.1 Existing Explanations of Developments of Clientelism

There are three lines of explanation for the non-linear path of political clientelism in Italy and Japan. The first looks at politico-economic factors and stresses the difference in the nature of financial pressures from the global markets. As the oft-quoted line “Italy has the EU, while Japan has no EU” indicates, external constraints (*vincoli esterni* in Italian) on fiscal consolidation have been far stronger in Italy than in Japan (Dyson and Featherstone 1996; Magara 1998). This

¹ Our research is primarily focused on the comparative analysis of Italy and Japan, it is not a detailed case study of local political machines. The Italian part of this paper was funded in part by a Senshu University research grant for the academic year of 2013 (Takeshi Ito, The Comparative Analysis of Clientelism in Advanced Democracies: From Post-institutionalist perspective) and by the JSPS Grant-in-Aid for Scientific Research (c) (Takeshi Ito, No.26380186: The Resurgence of Clientelism in Southern Europe: The Comparative Analysis in a Post-insitutionalist Perspective: 2014–2018).

explanation offers the background conditions for changes in clientelism, but it falls short of explaining the causal logic that links changes in structural conditions to changes in clientelistic networks. The second explanation focuses on domestic politics, stressing the difference in the intensity of criticisms resulting from political scandals. In Italy, a fierce anti-corruption movement, anti-mafia movements, and an economic downfall took place simultaneously and intensified quickly throughout the 1990s (Gilbert 1995). In comparison, the temporal fall of the LDP-led government was mainly the result of internal conflicts and the eventual split of the LDP, not of a deeper transformation in the Japanese attitude toward politics. While these interpretations effectively describe the processes of political crises, they do not clearly distinguish the causes and results of the deterioration of political clientelism.

The previous two explanations look into the differences between the two countries, while the third emphasizes the resilience of clientelism. Many researchers have agreed that a one-party dominant regime is characterized by its stability, durability, and flexibility (Levite and Tarrow 1983). Research on political clientelism has argued that clientelism prospers in a society where the society and economy are not fully modernized and inequality is prevalent (Caciagli 2009), indicating that clientelism is deeply rooted in the society and cannot change in the short or medium term.² Such an argument, of course, cannot explain the transformation since the 1990s in Italy and Japan. In order to elucidate the timing and the logic of divergence and convergence in political clientelism in the two countries, we need a new approach.

2.2 Political Clientelism and Transformation of Party Systems

Recently, there are renewed research interests in political clientelism. Following the first generation of modernization theory (Graziano 1975), as well as the second (Eisenstadt and Roniger 1984), new institutionalist approaches became dominant in the field. Generally, institutionalist analyses conclude that patron-client relationships should be persistent.³ Once the relationships are established, both patrons and clients cannot easily withdraw because the relationships are institutionalized in a system of benefits and sanctions (Piattoni 2001). If clients betray their patrons and vote for other politicians, they run the risk of, for example, being excluded from financially lucrative public works contracts and losing jobs. If patrons cheat and exploit their clients, they are at the risk of losing clients' support and, thus,

² We can draw on Tarrow (1990) to argue that soft-hegemony of dominant parties in Italy and in Japan should be especially enduring.

³ As Kitschelt and Wilkinson (2007) argue, political clientelism is one type of principle linkages between parties and voters. Kitschelt (2000) lists program (programmatic linkage) and charisma as other types of linkages between citizen and parties.

their power per se. This stable and durable nature of political clientelism is a source of power upon which dominant parties, such as the DC and the LDP, can rely for lasting political support. The incumbent monopolizes public resources, which it can selectively provide to its supporters. The support base becomes perpetual, opposing parties have no chance to break in, and one-party dominance based on clientelism endures—in short, the future depends on the past so to speak.

Such an argument captures an important aspect of clientelism, but does not address possible changes of political systems. In order to understand the actual developments in the two clientelist countries, Italy and Japan, we need to look at other factors. In this chapter, we apply insights from historical institutionalism in order to explain the gradual nature and timing of political transformation. By focusing on the historical changes of political contexts, it is possible to understand a gradual transformation of clientelistic linkages.

The literature on party systems typically concentrates on numbers of parties (Laver and Shepsle 1995) and often focuses on the effects of institutions at the national level, such as voting systems and organizations of constituencies, on the party system (Cox 1997). To explain changes in party systems, we argue that the organizational aspects of individual parties are equally crucial. Especially in the cases of one-party dominant regimes, changes in the organization of the dominant party are likely to translate directly into changes in the party system. Although the tradition of studies on political parties (e.g., Katz and Mair 1995; Panebianco 1998) has long examined the organizational aspects of individual parties, we need to pay more explicit attention to the link between organizational changes within the dominant party and the party system in one-party dominant regimes (Ito 2008a).

As for the transformation of clientelist regimes, the argument by Kitschelt and Wilkinson (2007) is also insightful. They focus on the relationship between the intensity of competition in party systems and the level of clientelism. They predict that, in fully industrialized countries, the stronger the competition between parties, the more extensive the programmatic appeals in parties' electoral strategies. Accordingly, the parties in these countries depend far less on political clientelism. However, the revival of political clientelism in Italy and Japan, epitomized by the recent cases of political corruption, contradicts their explanation. Such developments also refute a similar line of argument that expects increasing competition in a two-party system (or two blocks of parties), combined with majoritarian electoral systems, to bring "cleaner" politics, as is the case in the United Kingdom (Shugart and Wattenberg 2001). As will be argued further below, intensifying competition has actually reinforced clientelistic politics in Italy and Japan.

2.3 Arguments of this Chapter

Based on the discussion in this section, the authors argue that the key to explaining the difference between the two seemingly parallel countries should be found in the exact forms of vote-gathering machines. Even though the Italian DC and Japanese

LDP were similar in certain respects, the well-organized and party-based vote-gathering machine in Italy was different from the individual-based and flexible one in Japan. Besides, the structure of party competition framed by party systems and state institutions also influenced political developments. The organization of dominant parties and the structure of the party system reinforced each other, and a path-dependent dynamic appeared.

In Italy, highly institutionalized local machines of the DC expanded excessively in a very competitive political scene during the 1980s, and could not bear the sudden depletion of financial resources and fierce political assaults on the party. On the other hand, flexible and individual-based machines in Japan expanded in a relatively moderate way during the 1980s, and survived many political and financial hardships in the 1990s. The underlying transformation of these institutions that supported one-party dominance was not easily observed from the outside. On the surface, the two regimes seemed to remain comparable in the 1980s. However, the 'exit' of clients from the local machine of the DC occurred as some of their supporters gradually shifted their support to other organizations or movements. In Japan, on the other hand, despite the rapid increase in the 'non-affiliated voters' who were not part of the LDP machines, the traditional supporters in the clientelist networks remained stable. The contrast between the quiet erosion of the party machine in Italy and the stability of core supporters in Japan explains the seemingly sudden end of the parallels between the political regimes in the early 1990s. However, in the 2000s, fierce party competition for power and ongoing devolution, coupled with more severe fiscal constraints, have given renewed influence to clientelist networks at the regional and local levels as a source of party support on a national level.

3 The Formation and Development of One-party Dominant Regimes

3.1 Postwar Reconstruction and Formation of One-Party Dominant Regimes in the 1950s

Postwar politics of Italy and Japan started from a similar historical context: both countries were defeated in the Second World War. In the early postwar period, they were under heavy influence from the United States but had strong oppositional forces on both left and right fronts. In Italy, the Italian Communist Party (PCI) and the left-oriented Italian Socialist Party (PSI) on the left, and the monarchical and neo-fascist forces (e.g., the Italian Social Movement [MSI]) on the right had together won almost half of the entire electorate. In Japan, the

Japanese Communist Party (JCP) and the Japanese Socialist Party (JSP) captured almost one-third of the electorate.⁴ The conservative camp was deeply divided and struggling internally.

Under such difficult international and domestic situations, conservative forces in both countries tried to gather as much support as possible to counter the extreme forces from both wings. In the process of consolidating one-party dominant regimes, the two parties had to build their power base. Without a solid social base, they might have lost office early in the postwar period, much like the Popular Republic Movement Party in France. The DC and the LDP chose to build clientelistic networks to 'perpetuate' their dominance.

3.1.1 Italy: From Traditional Clientelism Toward New Clientelism

In the late 1940s, the DC sprang up swiftly as a dominant party. Based on its unparalleled organizational power, it led the centrist government coalition under the premiership of Alcide de Gasperi. However, its organizational strength was highly dependent on the Catholic Church, which commanded not just church organizations but also various collateral secular organizations (e.g. the Catholic Action). To gain political independence from the Vatican, the DC leadership, under the newly elected party secretary Amintore Fanfani, decided to build its own organization. The DC rapidly penetrated bureaucracies and public agencies on local and national levels, and utilized public resources to gain support from voters.

To make such an extensive mobilization for clientelistic purposes possible, the DC used the system of public finance. The DC-led governments managed and sometimes established various special funds or special credit agencies. For example, the CDP and the Crediop (specialized public investment banks), as well as the Cassa per il Mezzogiorno (Special Fund for the Development in the South), were used to finance local and regional public works directly, or to finance local governments to implement public work programs. In addition, the DC exercised strong partisan influence on local savings banks, which also financed public work programs (Nakayama and Ito 2008).

Thus, postwar political regimes of the First Italian Republic are sometimes called the *partitocrazia* (*partyocracy*) in which political parties, the DC in particular, exercised strong influence over the state and civil society (Ginsborg 2003). The DC had integrated a wide range of forces in Italy through clientelistic networks. Compared with the Japanese case, therefore, clientelism in Italy was more organized and more party-based. More precisely, its clientelism was faction-based; that is to say, organized factions in the DC vertically allocated public resources (e.g., construction contracts related to public works, social security benefits, agricultural assistance) from the national to local levels. However, there were considerable regional differences in the dynamics of clientelistic politics.

⁴ They thus had enough seats to prevent the amendment of the occupation-made constitution, to the chagrin of the conservatives.

In prewar southern Italy, local politics had been dominated by the notables, whose political power was essentially based on their own resources derived from their status as *latifundist* (strong landowner), liberal professionals, and industrialists. In the immediate postwar years, these notables occupied local leadership of the DC (Gribaudo 1991). From the 1950s onward, however, a new political generation started to challenge this traditional hierarchy in local politics. They first gained the majority of local party organizations, taking advantage of their connection to emerging national party leaders, particularly of left factions, such as Fanfani and Mariano Rumor. They then mobilized public resources from the national government to throw out old notables from party leadership and consolidated their power at the local level. For example, they took over the local boards for land reform, public corporations, agricultural cooperatives, and savings banks. The leadership change in Catania (Caciagli 1977), in Naples (Allum 1973), and in Palermo (Chubb 1982) were typical examples.

On the other hand, in northern Italy, there was a different type of clientelistic network at work. In the north, material benefits from the central government had been distributed at the local level mainly through existing organizations, such as religious groups and functional organizations, especially in small towns, semi-rural and rural areas in the Veneto and Lombardy region, which was known as the “white zone (*zona bianca*)”. Good examples are agricultural assistance to small independent farmers through the *Coldiretti* (association for small- and medium-sized farmers) (Morlino 1991), and tax exemptions and financial assistance to small business in town, both of which were traditionally core supporters of the DC. The cases of Vicenza (Allum 1997) and the Veneto region (Zuckerman 1979) were also typical.⁵

Throughout the 1950s, the DC established nationwide clientelistic networks, although the structure of local machines varied from one region to another. These networks contributed not only to the consolidation of a political support base consisting of various social groups in the early postwar years, but also helped to acquire new support for the dominant party on a national level. Regardless of certain regional differences, the local machines of Italy were well-organized and party-based, connecting various actors from party sections to public and semi-public agencies. Moreover, the significance of factions within the DC contributed to further expansion of clientelistic networks, as these factions competed with each other for leadership within the party by cultivating their own support bases through pork-barrel politics.

⁵ Although it is beyond the scope of this chapter, clientelism is said to have existed in central Italy, which has been called a ‘red zone’ (*‘zona rossa’*) where leftist parties dominated. The PCI in particular was very strong at the local regional levels. Some of PCI-led municipalities, cooperatives, and unions governed distribution of local public works and they sometimes did so in a partisan way.

3.1.2 Japan

During the period after the end of the war, Japanese conservatives were struggling to establish their political base. At that time, the greatest threats were the challenges from the Japan's political left, namely the Japan Communist Party (JCP) and the Japanese Socialist Party (JSP), both supported by labor movements and labor unions. There was also internal division within the conservative camp in a fragmented party system. The JSP won the general elections in 1947, and its head, Tetsu Katayama, became Japan's first socialist prime minister in the new center-left coalition government (Ishikawa 2004, p. 39). Even after the conservative electoral victory in January 1949, the left remained popular among voters. To surpass those left parties, the Liberal Party under Shigeru Yoshida thus tried to establish a stable political foundation in the countryside through public works spending and agricultural subsidies. As a result, "despite the Dodge Line austerity program, national public works expenditure surged 69 % in the 1950 budget" (Calder 1988, p. 301). Therefore, even before the conservative parties merged into the Liberal Democratic Party in 1955 to counter leftist challenges, the conservatives had tried to establish mechanisms to provide material benefits selectively to supporters.

During the 1950s, major apparatuses to deliver public investment to countryside were set up. Most notable was the National Land Comprehensive Development Law of 1950, a law submitted by Kakuei Tanaka, a young, entrepreneurial parliamentarian who later was to become Prime Minister. This law designated special development areas for government assistance (Calder 1988, p. 301).⁶ For the construction of dams, the Power Resources Development Law was passed in 1950. Tanaka also led the development of some taxes designated exclusively for construction of roads. The road-tax revenues secured the resources to provide roads even when they were not economically cost-effective, and became a key political tool for LDP politicians soliciting votes in their electoral districts. Moreover, since the mid-1950s, some major public corporations, such as the Public Road Corporation and the Urban Development Corporation, were established to promote local investments. The Public Corporations use funds from the Fiscal Investment and Loan Program (FILP), a public loan system that can be used far more flexibly than taxpayers' money (Yoneda 2003, pp. 48–51).⁷

⁶ In the end, nineteen areas were selected for support after fierce lobbying by the prefectures, diluting the actual support to be effective for industrial development. The public money still benefited local construction companies considerably.

⁷ How could this system be compatible with the image of Japan as a 'developmental state', guided by a strong bureaucracy? The answer lies in the administrative reform conducted by the Occupation. It abolished the once-powerful Home Ministry (Naimusho), which oversaw a wide range of domestic affairs, such as agriculture, construction, and labor. The weakening government body created room for politicians to intervene in policymaking in these policy areas (Calder 1988, pp. 151–154). On the other hand, economic ministries, such as the Ministry of Finance (MOF) and the Ministry of International Trade and Industry (MITI, formerly the Ministry of Commerce and Industry) were left mostly intact by the Occupation. Those ministries kept relative autonomy from political intervention (Johnson 1982).

Public investment in roads, railroads, dams, and other social infrastructure has been crucial to secure LDP's one-party dominance over decades. Such kinds of investment have the characteristic of being for the public good, and the provision of infrastructure can be important for the local community at large. Yet, more important is the provision of selective material incentives to supporters of the governing party through allocation of jobs to local contractors and their workers. As such, the construction industry has been a strong vote-gathering machine for the LDP.⁸

How did the LDP's clientelist machine work? Nagamine (2001) surveys various quantitative studies on regional distribution of public investment. Their methods and conclusions vary, but overall, the surveyed studies find a substantial link between the strength of support for the LDP and the distribution of public works from the national government. Compared to the Italian system, the distribution in Japan was less partisan. The Ministry of Finance retained its power and authority. Once money is allocated to the local level, national politicians in each area play an important role in determining its distribution to local companies (Curtis and Ishikawa 1983, p. 35).

At the local level, the key base for LDP politicians is supporters' associations, or *kōenkai*, set up for each individual candidate, rather than for political parties. A *kōenkai* incorporates local-level assembly members and vocational and societal associations in the local community. To secure voters' loyalty, national politicians try to cultivate personal relationships with individual voters by appearing regularly at local festivals, funerals, and school events. Also important is the allocation of public works that come from the national government to local contractors.⁹ The contractor, in turn, helps mobilize voters at election time, as well as making financial contributions. The most organized *kōenkai* in terms of public works allocation was Etsuzankai, Kakuei Tanaka's *kōenkai*. (Kamo 1993, pp. 84–87).

In summary, as in Italy, the LDP in Japan established its power base using clientelistic networks. There are some differences from the Italian case, however. First, the core of the LDP's local machine is supporters' associations or *kōenkai*, which in Japan are organized not by parties but by individual candidates. This is the result of the fragmented nature of the conservative camp in the early postwar years and the lack of dominant social organizations readily available to the LDP. Secondly, and as a result, those organizations rely on personal, face-to-face relationship between candidates and voters, as well as on clientelist distribution of public money from the central government.

⁸ In 1980, the number of workers in the construction industry was almost the same as that in the agricultural sector (Curtis and Ishikawa 1983, pp. 119–120).

⁹ Politicians started to set up *kōenkai* after the end of the Second World War. In the prewar period, in rural areas, landowners were local notables and could influence voting behavior of the people in their rural community. Thanks to the agrarian land reform implemented by the Occupation, this structure was destroyed, and politicians could no longer rely on landowners for gathering votes. Instead, they established inclusive *kōenkai* to cultivate support (Curtis 1971).

3.2 Crisis and Resurgence of One-Party Dominant Regimes Through in the 1970s

In the 1970s, economic crisis and social upheaval brought about political turbulence in both Italy and Japan. Such environmental transformation had an enormous impact on clientelistic networks in both countries. Tightening fiscal restraints led to drastic cuts in financial transfers to local governments and reduced the amount of available resources for clientelistic purposes considerably. How did the DC and the LDP react to these situations? The crisis of political clientelism led to a crisis of dominant parties. Leftist opposition gathered strength and took over some major local and regional governments, and the political scene became more competitive. The DC and the LDP were on the verge of losing dominance in the party system.

3.2.1 Italy: Relying on Clientelism Under Increasing Competition

With sky-high inflation rates and severe recession during the 1970s, the DC was confronted with harsh criticism of economic and social mismanagement, and the party was on the brink of losing its majority in parliament. Meanwhile, the PCI increased its share of votes to about 34 %, a figure very close to that of the DC. The DC stagnated almost everywhere in the country. Most serious was its inability to reverse setbacks in northern Italy, where it had enjoyed stable political support throughout the 1950s. Furthermore, against left parties, the DC lost some important local governments that it had dominated for decades. The most symbolic was the takeover of the city of Naples by the PCI-led coalition. In Naples, the DC had built one of the most powerful machines led by Gava, a *Dorotei* (a powerful centrist faction) politician (Chubb 1982; Allum 1997).

The DC, however, found it difficult to compensate for these setbacks by simply expanding clientelistic mobilization. This was because the central government, especially the Ministry of Treasury, chose to cut financial transfers to local governments and local investments. For example, the treasury abolished much of the local taxes, which had comprised almost half of local governments' financial revenues, and 'reformed' them into grants from the central government. However, this did not mean that the amount of resources available at the local level decreased drastically. To fill the gap between financial needs and the deficient resources of local governments, the central government used special investment funds such as the CDP and the *Crediop* to finance public work projects and newly-introduced local-based welfare programs. These public investment institutions were obliged to run deficits (Nakayama and Ito 2008).

Such fiscal policies had mixed effects on the DC's clientelistic networks. On the one hand, the DC could secure sufficient resources for its clientelistic linkages. The scarcity of clientelistic resources enhanced the value of distributed benefits for clients, and could be used to reinforce the linkage between the party and its clients. Moreover, the DC government took advantage of the tightening budget to squeeze

leftist local governments. In fact, the fiscal conditions of leftist local governments were far more serious than those of centrist ones (Nakayama and Ito 2008). On the other hand, the mounting public deficits undermined the DC's financial resources for future clientelistic mobilization.

3.2.2 Japan: Shift to a Catch-All Party

The LDP also found itself facing increased competition with the left from the late 1960s to the early 1970s. In response, the LDP transformed itself into what is referred to as 'catch-all party'. It embraced policies that the opposition had been advocating, and paid increased attention to policies that affected people's daily lives.

In 1967, the economist Ryokichi Minobe was elected governor of Tokyo with the support of the Socialist and Communist parties. In the following years and into the 1970s, a considerable number of progressive governors and mayors, supported by the Communist and/or Socialist parties, took office in major urban areas, reflecting voters' dissatisfaction with the LDP. Those leftist governors and mayors introduced various welfare programs, such as the childhood allowance system and free medical care for the elderly. Even though new proposals for welfare expansion emerged frequently in the 1960s, it was only after those policy innovations were carried out by the leftist local governments that the LDP embraced these as well. To counter the rise of the left at the local level, the LDP introduced similar measures and expanded the pension system at the national level in the early 1970s.

At the same time, the early 1970s also saw a major expansion of public works, led by Kakuei Tanaka, who served as Prime Minister from 1972 to 1974. The consequence of the surge in the overall government budget was rampant inflation, resulting in Tanaka's resignation.¹⁰ Nevertheless, the welfare-related expenditure continued to rise even after public works were cut (Curtis 1988, p. 66).

In summary, since the late 1960s, the LDP adopted a new strategy to appeal to those outside of their clientelistic networks by expanding welfare expenditure. It was also a strategy of buying votes with public money, but was more a programmatic linkage between parties and voters than a clientelistic one. At the same time, the traditional support base of the LDP, which was based on the existing clientelistic networks, remained in place.

3.3 Transformation of One-Party Dominant Regimes: 1980s

As discussed in the previous section, the dominant parties were in trouble in the 1970s. To cope with the situation, the DC chose to 'reinforce' clientelist mobilization policies. Despite tighter fiscal policies, the party tried to distribute scarce

¹⁰ Later, Tanaka went on trial and was convicted in October 1983 on the bribery charges.

benefits in a more selective, partisan way in order to strengthen institutionalized linkages between parties and voters. This led to the ‘explosion’ of clientelistic practices in the 1980s, when Italy recovered from the crisis. By contrast, the Japanese LDP expanded social welfare in the 1970s to appeal to voters outside of the traditional support organizations. The LDP kept its strength despite the fiscal retrenchment in the first half of the 1980s.

3.3.1 Italy: Erratic Soft-Hegemony

In the 1980s, Italian politics seemed to restore stability, thanks to an economic boom and political de-radicalization. Under the stable *pentapartito* (five-party coalition) government, the radical wings such as the PCI and the MSI openly endorsed the DC-led existing political system. Such stability, however, did not imply alleviation of political competition. In the governing coalition, the PSI, led by its rising leader Bettino Craxi, boosted support from the public and established itself as a major rival of the DC. At the same time, the social bases of the DC were gradually undermined by the ongoing secularization of the society.¹¹ Concurrently, the League movement increasingly penetrated the white zone, its traditional stronghold in northern Italy (Leonardi and Wertman 1989; Ito 2008b).

Faced with such problems, the DC decided to ‘buy votes with money’, that is, to enlarge clientelistic mobilization money. Nevertheless, the DC had to implement this strategy under even tighter budget constraints, because in exchange for the legitimatization of the PCI and the MSI, not only the five governing parties but also these two radical parties participated in park-barrel politics. In addition, Craxi’s PSI challenged the primacy of the DC and demanded far more patronage to catch up with the DC. Thus, the situation surrounding clientelistic politics became more difficult and more competitive for the leading party.

In northern Italy, a series of political scandals led to a distrust of the DC and eroded the party’s foundation. However, such defection from the traditional DC machines did not immediately result in a drastic decline in votes for the DC. This is because the exit from the DC organization was not visible, and former core supporters continued to vote for the Christian Democrats.¹² To compensate for the loss of religious-based support, the DC extended patronage allocation in northern Italy. The power bases of local leaders shifted from the relationship with collateral organization to party offices. The case of Vicenza, a typical ‘white’ city in the Veneto region, is a good example (Allum 1997). However, the development decisively undermined the societal bases of the DC (Farneti 1978).

¹¹ Collateral organizations such as the Catholic Action lost more than half of its membership since 1960s (Allum 1997).

¹² Many of them, especially younger ones, joined religious revival movements. The best example is the *Comunione e Liberazione* (the Communion and Liberation), which gathered Catholics who were dissatisfied with corrupt practices of the DC-led regime.

In southern Italy, the DC reinforced clientelistic politics in an effort to restore the support it lost in other regions. In addition, other governing parties, such as the PSI, also tried to gain support by means of clientelistic mobilization in the south. Consequently, for the DC, the cost of winning existing and new supporters jumped. This development was called the *southernization* of the DC (Leonardi and Wertman 1989). The amount of funds channeled through clientelistic linkages expanded despite the tight fiscal situation. Such a strategy strongly influenced the nature of their local political machines. As the example of Naples following the earthquake in 1980 shows (Allum 1997, p. 44), the DC's local political linkages became more costly and interest-driven; they were also under increasing criticism especially from northern Italy.

3.3.2 Japan

As discussed above, in the 1970s, the LDP turned to a new strategy of appealing to those outside of their clientelist networks by expanding welfare expenditure. Combined with the launch of fiscal austerity and neoliberal reforms in the early 1980s, the LDP successfully expanded its support base to the nonaffiliated urban middle class (Curtis 1988). At the same time, the party's traditional clientelist networks remained relatively stable. Fiscal constraints had a negative impact on the resources available to clientelist distribution. However, the fact that the networks had provided both material incentives and, thanks to the candidate-centered nature of LDP's local organization, personal ties contributed to the relative stability of the networks in Japan.

The persistence of the clientelist relationship was reinforced by the renewed expansion of public spending since the mid-1980s. The fiscal austerity ended, as intensifying trade conflicts with the US led to calls for increased government spending to expand domestic demand (*naiju kakudai*).¹³ As regards the allocation of resources, Kobayashi (1997, pp. 130–134) shows through his quantitative analysis that the link between the strength of support for the LDP and the distribution of subsidies intensified between the late 1970s and 1990.

In the late 1980s, a series of political scandals, together with the introduction of an unpopular consumption tax, drove nonaffiliated voters away from the LDP. They first shifted to the Socialists, and then to newly created conservative parties, including the ones that were established after splitting from the LDP.¹⁴ However, the core supporters of the LDP in the clientelist networks stayed with the party, contributing to its resilience even after its first loss of power in 1993.

¹³ The US government had made such calls in a series of trade talks with Japan. In Japan, the Study Group on Economic Structural Adjustment for International Harmony, appointed by Prime Minister Yasuhiro Nakasone, issued an influential report (known as Maekawa report) in 1986, which called for the expansion of domestic demand.

¹⁴ The end of the Cold War weakened the incentives for conservatives to stick together in the same party.

4 Diversification of One-party Dominant Regimes

4.1 Context of the 1990s

At the beginning of the 1990s, one-party dominant regimes in Italy and Japan fell into the gravest crisis they had ever experienced. The economies stagnated seriously after both countries' economic booms of the 1980s came to an end. Fiscal deficit skyrocketed, and the countries also had to deal with deepening economic globalization and currency fluctuations. In addition to their incapability of adopting the necessary economic management policies, the parties were under fire for corruption. They could not carry out economic and political reforms to cope with the difficulties. In the end, they fell from power.

Nevertheless, the aftermath of the crisis demonstrated a stark contrast: whereas the DC disappeared and its clientelist networks were dismantled, the LDP returned to power with its clientelist linkages still at work.

4.2 Italy

Political and economic storms in the early 1990s delivered a fatal blow to the DC's dominance. At the beginning of the 1990s, various reform movements sprang up inside of and around the DC. To counteract organized crime and corruption, Leoluca Orlando, former mayor of Palermo, set up la *Rete* (*The Network*) first as an internal faction of the DC and then as an independent party. Mario Segni, a leftist DC member, launched a referendum movement to promote referendums for the reform of electoral laws, from a PR-system to a majoritarian one. Such attacks on the DC from inside by individual reform-minded politicians shook the legitimacy of the dominant party.

Already from the late 1980s on, the worsening fiscal situation had forced Italian governments to reform the system of public finance and reduce resources available for clientelistic mobilization. For example, in 1988, the CDP was reformed to be able to operate in global financial markets. The Crediop was also reformed and privatized in 1992. Fiscal consolidation was launched and, under harsh criticism for its corruption, the Special Fund for the Development in the South was abolished. Such a series of financial reforms made it almost impossible for the DC to use public money for partisan purposes.¹⁵ The DC no longer had any resources for clientelistic mobilization.

Next, structural corruption was exposed, and many politicians, not only within the DC, were prosecuted through the operation *Mani Pulite* (*Clean Hands*). This

¹⁵ The CDP was privatized in 1999, and the Crediop was acquired by the Dexia, French public investment bank in 1999.

was a profound attack on clientelistic networks that the DC had created and fostered over decades. The DC could no longer use clientelism to gain support. Despite intensive efforts to save the DC, the party was forced to dissolve in 1994.¹⁶

With the demise of the DC, the clientelistic linkages developed by the party were also destined to collapse. Various attacks from inside and outside the DC inflicted serious damage to the party organization. Even though the DC had for decades tried to cultivate political support with extensive allocation of patronage, former supporters forsook the party quickly. Succeeding parties such as the PPI (Italian People's Party) could not attain a position as dominant as the DC, and became just one of several small parties in the center. Most of them began to support new non-Christian parties such as the Forza Italia and the renamed right-wing Alleanza Nazionale (National Alliance), formerly the MSI. Patronage through clientelistic networks could not stop the breakdown of the DC's dominance, both in northern and southern Italy.

4.3 Japan

The LDP also suffered from attacks over political scandals and, as a result, lost power in 1993 for the first time since its foundation in 1955. Major scandals included the Recruit scandal in 1988, which led to the resignation of the Prime Minister and Finance Minister, and the Sagawa Kyubin corruption scandal of 1992, which terminated the political life of Shin Kanemaru, a LDP politician known as a 'backroom fixer' within the party. In 1993, another set of scandals concerning illegal contributions from major construction companies to national and local politicians was also revealed. As criticism leveled at the LDP intensified, some members of the LDP insisted on drastic political reform, especially electoral reform. When that demand was not met, 44 members left the LDP in June 1993. The next month, the Japanese parliament—with the help of parts of the governing LDP—passed a non-confidence motion against Prime Minister Kiichi Miyazawa. In the following general elections, the LDP lost its majority, and an eight-party anti-LDP coalition government was formed with Morihiro Hosokawa, the head of the small Japan New Party, as Prime Minister.

Despite the loss of its majority, the LDP actually showed surprising resilience in the 1993 elections. The incumbent politicians who remained with the LDP did well, and the party remained the largest party in the Diet by far. Its loss of power was caused by the breakup of the party rather than a loss of voter support. The non-LDP coalition government was formed after the elections, but it did not have a

¹⁶ The right minority of the party broke away with the majority and formed a new party, Centro Cristiano Democratico (CCD: Christian Democratic Center). The remaining majority renamed the DC to Partito Popolare Italiano (PPI: Italian Popular Party), which was taken from a prewar party (Ito 2008b).

common ideology aside from its anti-LDP sentiment; the coalition duly collapsed eight months later. The LDP came back to power without elections, and with its longtime rival, the Socialist Party, as its junior coalition partner.¹⁷ In 1996, the LDP also regained the post of Prime Minister.

In his analysis of the 1993 general elections, Kabashima (1998, pp. 42–71) concludes that, while unaffiliated voters flocked to newly established, mostly right-of-center parties, for traditional LDP supporters with long-term party affiliation and a positive feeling about individual candidates, the expectation of material benefits remained an important determinant of voting behavior.

The next Lower House elections in 1996 were held for the first time under the new electoral system, which combined single-member districts and proportional representation. Even then, the importance of individual candidates remained fundamental to determining voting behavior, while the importance of party affiliation also increased in comparison to the 1993 elections (Kabashima 1998, pp. 254–278). As the electoral reform did not produce a complete shift from a candidate-centered to party-centered electoral campaign, the importance of clientelistic linkages persisted. Park's (2000) description of the electoral campaign by a first-time candidate from the LDP in one of urban districts in Tokyo confirms the continuing importance of personal ties between candidates and voters.

As the recession during the 1990s persisted, the LDP attempted to revive the economy with economic stimulus packages, which resulted in mounting government deficits. Another consequence of these economic and financial policies was the strengthening of clientelist relationships, despite strong criticism from the US government against the so-called bid-rigging (*dangō*), which epitomatized the distribution of public works mainly driven by political, not economic, reasons. Japan was not subject to pressure from the global markets that would impose restrictions on its fiscal policies. Unlike Italy, where its participation in the EMU was conditional upon fiscal austerity, there was no international institution that exerted direct pressure onto Japan to cut government spending. Moreover, as a creditor country, Japan did not have to worry about attracting foreign investors.¹⁸ In fact, foreign governments, most notably the US, continued to press the Japanese government to spend *more* in order to increase imports and achieve economic recovery.¹⁹

¹⁷ A small party, Sakigake, also joined the LDP-led coalition. The Prime Minister initially came from the Socialist Party (Tomiichi Murayama).

¹⁸ By contrast, debtor countries should keep sound macroeconomic policy to keep foreign investors financing their economies. An exception to this theory is the US. Even though it is a debtor country, it can afford running huge budget deficit for years thanks to the special position of the US dollar as the world's key currency.

¹⁹ The real challenge to the existing clientelist structure came from Koizumi reforms after 2001, as we discuss in the next section.

5 Return of Uncommon Democracies?

5.1 Context of the 2000s

During the political fluidity of the 1990s both in Italy and Japan, expectations were high for the ‘modernization’ of their respective political systems. However, by the 2000s, it became clear that the problems of clientelist politics persisted in both of these countries, yet their political developments were not parallel. In Italy, center-right and center-left parties alternated in power, whereas the Japanese LDP continued to dominate until 2009. They do, however, share reasons explaining the persistence of clientelism.

First, as a result of strong electoral competition, political parties attempted to attract more votes not by proposing superior policies but by delivering benefits to targeted voters; the need for alleviation of economic difficulties intensified that trend. Second, even after the implementation of devolution, the room for partisan allocation of public money at the local level remained. Decentralization reduced the amount of money distributed from the central to local governments. Nevertheless, those national politicians kept the authority to distribute local public works thanks to the remaining political networks on the local level. In some cases, the decreasing resources made them even more powerful, as the importance of providing the public with money became far more crucial.

5.2 Italy

In Italy, the political turmoil in the early 1990s put an end to the First Republic and gave birth to the Second Republic. With the introduction of the majoritarian electoral system, the Italian party system turned into one in which two major blocs, center-left parties and center-right parties, compete for power. Such political transformation was expected to terminate the ‘*unusual*’ version of Italian democracy and drastically reduce political corruption. Moreover, the introduction of tight fiscal constraints necessary for the participation in the eurozone made pork-barrel politics difficult in practice. Such political changes appeared to strike a heavy blow against political clientelism. Indeed, in the late 1990s, political competition between center-left and center-right was mainly of programmatic nature.

Recent developments, however, have revealed that political clientelism still plays an important role in vote-gathering. The national governments, either center-left or center-right, continue to gain political support from the electorate by offering large-scale public works or handing out favors to targeted areas and constituencies. For example, Silvio Berlusconi’s center-right government strongly promoted an ambitious and expensive project to construct a large bridge over the Strait of Messina. Collusive ties between regional or local governments and public constructors have made headlines, while the collapse of the garbage disposal

system and resulting mountains of festering waste in Naples is a microcosm of this problem (Barbagallo 2010).

Therefore, clientelistic linkages between political parties and society continue to be important in Italy, although not as important as they were in the past. Political changes such as the introduction of the majoritarian electoral system and the two-bloc competition did not completely alter vote-gathering machines based on clientelism. Clientelistic politics kept its significance in resource allocation to the public even in dire fiscal situations.

The durability of political clientelism in Italy rests on three factors. The first is the fact that new parties in the Second Republic carried on the traditional networks of the old parties. As explained above, middle and junior-level leaders in the parties of the First Republic flowed into Forza Italia, National Alliance, Left Democrats, and other major parties in the Second Republic. Moreover, entrepreneurs, trade unionists, and leaders in other interest organizations—former constituencies in the First Republic—entered politics after the political turmoil of the 1990s. In short, even though senior leaders of major parties in the First Republic mostly retired from politics in the 1990s, former patrons and clients joined politics to fill the gap in leadership at national, regional, and local levels.

The second factor relates to the progress of devolution. Ironically, as a result of devolution, parties at the national level came to rely more on support from regional political networks. Since regional and local governments now have more authority to allocate resources, national parties, which hope to win elections, have to gain support from the existing, but now more independent, political networks at the regional and local levels. This point has contributed to the survival of clientelistic organizations inherited from the First Republic (Allum 1997).

The final factor is the intensifying competition among parties. In elections under the Second Republic, the north is mostly won by the center-right, while central Italy supports the center-left. This regional division gives the south crucial power to hold the balance and determine the election result. Both the center-right and center-left, facing the need to win seats in the south, have attempted to buy votes by promising more public projects in the region.²⁰

Thus, political clientelism still plays an important role in Italian politics, but this does not mean that there has been no shift from clientelistic politics. All parties must now form an electoral list based on a common policy platform to be represented by a single leader as a candidate for Prime Minister. Nevertheless, the aggravation of political competition and the regionally-diversified structures of vote-gathering machines keep clientelistic networks critically important. Moreover, increasingly severe fiscal constraints have raised the value of scarce government resources, sometimes giving clientelist strategies crucial power to determine electoral outcomes.

²⁰ According to existing studies on the voting behavior in the South (Diamanti 2003), the region has a pro-government tendency.

5.3 Japan

In August 2009, the Democratic Party of Japan (DPJ) won a majority in the Lower House elections. The victory ended the almost uninterrupted, half-century dominance of the LDP. This change of government seemed to mark a sea change in Japanese politics—from clientelist exchanges to programmatic policy competition.

In comparison to the LDP, the DPJ has been a party for urban populations since its foundation in 1996 (Sugawara 2009). Rather than promising more benefits to its local supporters, the party proposed market-oriented reform together with the provision of social safety nets.²¹ Of course, this strategy resulted from the fact that it never took power until 2009, and had no actual resources to deliver to its constituencies. It is worth noting, however, that the DPJ began to issue its so-called ‘Manifesto’, a detailed policy platform with a clear timetable, before the general elections in 2003 in order to appeal to voters through genuine policy debate. The publication marked the start of the ‘manifesto elections’ in Japan’s national politics, as the LDP followed its rival to produce an equivalent, though more ambiguous, policy proposal. In the 2004 Upper House and 2005 Lower House elections, the focus of the policy debate was on pension reform and the related increase of consumption tax (VAT). It seemed that programmatic politics had finally replaced timeworn clientelism.

However, although the DPJ was successful in two consecutive Upper House elections in 2004 and 2007, and became the biggest party in the Upper House, it was still short of a majority on its own. More importantly, the DPJ lost the Lower House elections in 2005.²² By 2005, some of the DPJ leaders came to realize that the strategy to appeal to urban voters would never enable the party to win stable majorities in both the Lower and Upper Houses of the Japanese parliament. The fact that the LDP won a landslide victory in the 2005 Lower House elections thanks to then prime minister Koizumi’s popularity highlighted the unreliability of urban supporters, who preferred programmatic policy competition.

It was Ichiro Ozawa who orchestrated the shift in the DPJ’s strategy from programmatic policies to more clientelist exchanges.²³ Rather than disputing policies implemented by the then governing LDP, Ozawa started to introduce populist clauses that promised scattering benefits to a large number of voters, such as the introduction of the monthly child allowance and the individual/household income support system for farmers (Mulgan 2005, pp. 296–297). After becoming

²¹ Core members of the party were pro-reform former LDP members and former socialists.

²² The Lower House selects the Prime Minister.

²³ Ozawa, who joined the DPJ in 2003, was Secretary-General of the LDP in the early 1990s. He was the president of the DPJ from 2006 to June 2009, when he resigned as a result of a money scandal. After the DPJ’s victory in August 2009, he became the secretary general of the party. For more on Ozawa, see Masahiro Matsumura, “Ozawa: Japan’s secret shogun,” *Japan Times*, February 4, 2010.

president of the DPJ in 2006, he targeted interest groups to support the DPJ in exchange for various benefits. The strategy bore fruit in 2007 and 2009 when the party won many electoral districts in rural areas, which had traditionally been LDP strongholds. The DPJ also won urban districts, as the image of the party as pro-urban persisted.

Ironically, the LDP's response to the DPJ's expansion in the first half of the 2000s was the maverick, pro-reform Junichiro Koizumi as the party's president. Koizumi's policies priorities were privatization of postal services and public highway corporations, deregulation, and cuts in public works, all of which took the spoils away from special interest groups, and overthrew the traditional clientelistic networks of the LDP in the process (Mulgan 2005). The result was both the historic victory of the 2005 Lower House elections and devastating losses in the following elections. While Koizumi's pro-reform slogan and his charisma attracted swing voters in 2005, the LDP lost its traditional support network based on clientelist exchanges after he left the prime minister's office, and could not stay in power.

When the DPJ was in power between 2009 and 2012, the party worked hard to consolidate support from targeted interest groups by promising public works, subsidies, and other sorts of pork, while cutting benefits for groups which continued to support the rival LDP.²⁴ Many interest groups were torn between the DPJ and their old ally LDP. After the DPJ lost power in 2012 largely because it disappointed voters by failing to keep many promises it had made in its policy pledges, those groups simply renewed their support for the LDP.

As in the case of Italy, the fact that clientelist strategy persists does not mean that there has been no shift from clientelism to programmatic competition. Japan's main parties published detailed policy platforms, or "manifestos", before major elections since 2003. That said, however, clientelist strategy continues to play an extremely important role in electoral campaigns, and remain at the battlefield of tight electoral races.

6 Conclusions

The study of clientelism has important implications for the understanding of party systems. The comparison of Italy and Japan provides interesting theoretical puzzles and empirical insights. In this chapter, we examined why the fates of the one-party dominant regimes in Italy and Japan, which were established and consolidated in a similar way during the postwar years, diverged in the 1990s by looking

²⁴ The DPJ government allocated a road-building budget for the fiscal year 2010 based on electoral needs and requests from its support groups, not on cost-benefit calculations. "Minshu yobou de haibun ni kakusa", *Nihon Keizai Shimbun*, February 12, 2010, p. 1, "Uwazumi gaku kyuwari chinjo wo hanei", *Asahi Shimbun*, February 16, 2010, p. 8.

into the transformation of political clientelism in these two countries. We also considered their re-convergence in the 2000s.

The institutional development in the early postwar years defined the reactions to political and economic crises within the dominant parties. Notwithstanding the parallel efforts in the 1950s to secure support, the clientelist organizations in both countries showed some fundamental differences. The Italian system of clientelism was party-based with considerable regional variation. Clientelism has been stronger in the south, while the existing Catholic organizations served as the support base of the DC in the north of the country. In Japan, the clientelist organizations were more decentralized, established for individual candidates and not for the LDP. The fragmented party organization at the local level reflected the lack of nationwide societal organization that survived the above-mentioned reforms adopted by the Occupation in postwar Japan and the fragmented structure of the conservatives in the early postwar years.

The differences affected the reaction to the political and economic crisis of the 1970s. Both countries experienced economic and social difficulties, and the dominant parties faced rising leftist parties, especially at the local level. In Italy, the DC tried to win support by reinforcing clientelist networks. Due to budget constraints, however, the resources available to the party decreased. The result was a more selective and partisan allocation of money from the central government. The LDP in Japan on the other hand placed more emphasis on the expansion of social welfare-related spending to win non-affiliated voters. The traditional supporters of the LDP stayed with the LDP, because the source of support was both material incentives from the governments and personal ties to the candidates. The increase in welfare spending bore fruit in the 1980s, when the LDP succeeded in stretching its support base to the urban middle class, while at the same time keeping traditional supporters on their side.

By contrast, in Italy in the 1980s, clientelism expanded even further. Parties other than the DC, both left and right, attempted to expand their own clientelist networks. To compete, the DC expanded the selective provision of resources to its supporters. Moreover, the decline of Catholic organizations in northern Italy increased the need for clientelist mobilization; the strategy eventually led to the collapse of the national finances. Furthermore, the social changes in Italy during the 1980s undermined the support base of the DC. When the country faced an economic crisis again at the beginning of the 1990s, the DC machine and the party itself became victims of economic mismanagement and political corruption, while in Japan, the LDP fell from power only temporarily and came back with its vote-gathering machines still in place and functioning.

In the 2000s, the divergent paths of the party systems nevertheless crossed again. In both Italy and Japan, pork-barrel politics remain critical to winning elections, while programmatic electoral competition is also increasing in importance.

We conclude that the changes in clientelist institutions were long-term and gradual, which fit the framework of historical institutionalism. The structure of political machines established in the early postwar period had lock-in effects on

the later developments of one-party dominant regimes. Moreover, similar external constraints, such as fiscal tightening, affected the fates of the clientelism-based regimes differently, as the timing of fiscal austerity differed in the two countries. At the same time, however, to better explain dynamic process of divergence and convergence, we should pay more attention to the relationship between the development of clientelism and the structure of party competition in changing party systems and decentralizing state institutions; within these relationships, parties inevitably rely on clientelistic linkages, at least partly. Despite the fact that they are both fully industrialized, well-established democracies that are expected to have a 'modern' political structure, the institutional legacy of clientelist politics has had enduring effects, which emerge in the face of devolution and fiscal austerity.

Italy and Japan have flocked together. The destiny of these two birds is influenced by their similar, but not identical, feather.

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Studying Electoral Engineering via a Double-Barrelled Natural Experiment: Comparing the Long Run Consequences of 1990s Electoral Reform in Italy and Japan

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Abstract Drawing on a comparison of the origins and effects of the electoral reforms in Italy and Japan in the early 1990s that led to the implementation of a mixed election system in both countries, we look at the extent to which changes in electoral systems are mere paper tigers in terms of having important impacts on party systems and ways of doing political business.

1 Introduction

The extensive literature dealing with electoral system effects may be broadly divided into two stylized ways of thinking about electoral system effects.

The first, the ‘deterministic approach’ asserts that electoral laws have very powerful effects that may be used to explain and predict the behaviour of various political actors. In this approach, electoral law effects can be deduced from (a)

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analysis of the axiomatic properties of voting methods and/or (b) game theoretic analyses of equilibrium behaviour in a multi-player (perhaps multi-stage) game where voters, candidates, parties and interest groups behave in a rational way. From this perspective, electoral law effects are likely to take place relatively quickly; though learning effects are sometimes allowed for, convergence to an equilibrium path should be fast. An appropriate (though over strong) analogy might be that “electoral systems are to political consequences as iron rails are to trains”—they constrain what directions are feasible. Thus, a change in electoral rules is like switching a train from one set of tracks to another: a change in direction is certain.

The second, the ‘contingent approach’ in contrast, asserts that electoral effects are critically dependent on other factors such as current political context and an historical development path. In the contingent model of electoral system effects, electoral laws, while they certainly do matter, are seen as often being given too much credit as potential agents of change. Linkages between particular electoral laws and particular types of consequences can be quite loose; the questions to be asked are about which effects exist under which circumstances. In particular we should distinguish “strong direct effects” such as, arguably, exist between electoral rules and the number of parties (Duverger 1955; Riker 1982) from more ‘indirect’ and perhaps weaker effects such as on the nature of campaigning or on the internal organization of parties.

While there are many different electoral features that fall under the broad rubric of electoral rules, ranging from rules for constituency boundary drawing to rules for campaign finance to methods of conducting recounts, in this essay we will look primarily at ‘big picture’ electoral law changes, namely major changes in the voting (vote aggregation) rule used to elect the parliament, such as a change from a PR system to a mixed system. In particular, we look at evidence about the nature and magnitude of electoral systems effects that can be derived from examining the longer term consequences of the electoral reforms in Italy and Japan in the early 1990s that led to the implementation of a mixed election system for the parliament’s lower chambers in both countries—still in place in Japan, revamped completely in Italy in 2005.

Our central question is: “Are electoral systems mere paper tigers?” In answering those questions we will draw particularly on the insights of a project involving a team of scholars of Italian and Japanese politics who have compared these electoral reforms in Italy and Japan in the early 1990s to look for similarities and differences (Giannetti and Grofman 2011). In this chapter we will apply the “TNT principle” (Grofman, 1999) of looking at effects over Time, in different settings (e.g. Nations), and comparing different Types of electoral rules, while holding constant as many other features as possible.

Most empirical analyses of comparative electoral system effects look at comparisons across the latter two of these dimensions of comparison (e.g., cross-sectional cross-national comparisons of results under different voting rules: Lijphart 1999), or at the same nation at different points in time, with electoral rules held more or less constant (e.g., studies of declining turnout in one or more of the

OECD nations). We argue for the special analytic importance of “natural experiments” in which we can observe change in one aspect of a political system while holding constant (at least initially) most other components (Tarrow 2010). The Italy–Japan comparison represents a ‘double-barrelled’ natural experiment, i.e. a similar change in electoral rules in more than one country allowing for before and after comparisons in each allowing us to look at *all three* of the above-mentioned TNT dimensions at the same time in a controlled fashion.

The changes in electoral rules that took place in Japan and Italy in the early 1990s offer a particularly rich resource for hypothesis testing and for process tracing to generate new hypotheses because (a) in many ways these systems were thought to be similar, e.g. in the role of money in politics, and in the long run dominance of one party; (b) they begin with different electoral rules but adopt what are, on their surface, similar forms of mixed member systems; (c) the reforms were enacted almost simultaneously. In particular, analysing the “before and after” of the two systems in tandem can, in principle, produce insights that might be missed if we looked only at one nation.

The change in the Italian electoral rules in 2005 back to a PR system similar to that which the mixed member system replaced (Di Virgilio and Kato 2011), but with the addition of a seat bonus of 54 % for the plurality party or coalition plus a variety of thresholds, adds yet another layer of potentially insightful comparative analysis, though not one we will explore in this essay (see Renwick et al. 2009).¹ A further (third) “barrel” available when we study mixed systems is another “natural experiment,” one internal to the election being studied, where we compare the results (say effective number of parties/party vote shares, or campaign strategies) between the SMD and the PR component of the mixed electoral system, or compare the behaviour of legislators elected from the two components on matters such as party loyalty or predilections for constituency service. In such comparisons we are using nation and time as factors held constant. A number of articles in the literature on mixed systems have made use of such comparisons (see Bawn 1993). We will touch only in passing upon comparisons between outcomes in the SMD and PR components in elections within each country, since our emphasis here is on bi-national comparisons of the early 1990s reforms.

The Italy–Japan comparisons we focus on in this essay can be thought of as work in what Grofman (1999) has called an “embedded systems” approach, which seeks to understand the interactions between electoral rules and other aspects of a country’s political and party systems. One important way to study electoral laws as embedded systems involves comparing the effects of the “same” electoral rule as it is implemented in different settings.² In Sect. 2 of this chapter, we will consider

¹ See the Appendix in Giannetti and Grofman (2011) for a brief description of the 1993 and 2006 electoral law changes in Italy.

² Earlier work along these lines, sponsored by the Center for the Study of Democracy at the University of California, Irvine, and involving different teams of scholars, compares SNTV systems in Japan, Korea and Taiwan (Grofman et al. 1999), STV systems in Australia, Ireland and Malta (Bowler and Grofman 2000), mixed systems in a variety of countries (Shugart and

the issues of electoral system changes in the light of the Japanese and Italian experience. As previously mentioned, for Italy, we will end our analysis in 2005. Then we proceed to a discussion of six key lessons about electoral engineering based on the Italy and Japan “natural experiments,” and some further bi-national (‘double-barreled’) comparisons of what happened in the two countries after the mixed member system was put into place. These findings support the contingent model of electoral system effects.

2 Evaluating the Consequences of Electoral System Change

We are advocates of the contingent view of electoral system effects. Electoral law effects are a product of the electoral rules themselves, but their effects are shaped by the specific socio-political context and the political history in which the electoral system is embedded. Thus, electoral effects are the product of rules, context and history. No electoral system works exactly the same way twice, even in the same country, since history matters; nor do electoral system effects fully duplicate if exported. In the next section we will draw heavily on our paired comparison analysis of the experiences of electoral reform in Italy and Japan to emphasize six main lessons that may be learned by scholars interested in electoral engineering from an embedded systems perspective:

2.1 Lesson 1: Within a Framework of Similar Formal Rules, There May be Different Outcomes and Different Informal Practices

Perhaps the simplest demonstration that the same rule even within the same country may give rise to different outcomes at different points in time comes from studying Downs’ (1957) prediction that in a two-party election under simple plurality, parties will tend to converge. Consider the U.S., supposedly the quintessential Downsian case. Let us hold parties “constant,” i.e., look only at the 160 year period when the major competitors in the U.S. are the Democratic and Republican parties. Is Downs right or wrong? For the period in U.S. political history that Downs referenced in his discussions of data bearing on his theories, e.g., presidential elections in 1952 and 1956, convergence—albeit an incomplete

(Footnote 2 continued)

Wattenberg 2001a), list PR systems in the Nordic nations (Grofman and Lijphart 2002), single member district plurality systems in Canada, India, the UK and the U.S. (Grofman et al. 2008a), and runoff methods (Grofman 2008b).

convergence—seems reasonably well supported. In the 1960 election, not long after the 1957 publication of *An Economic Theory of Democracy*, in a presidential debate, the Republican candidate Richard Nixon could rhetorically ask: “Where then so we differ?” And then go on to answer his own question by saying “We differ on means, not on ends.”

But, in contrast, if we extend our time period beyond that which was relied on by Downs for testing his theoretically derived empirical implications, we find that polarization is much more volatile. Indeed, using D-NOMINATE roll call voting scores for the U.S. House, it appears that we have a cyclical pattern of first increasing then decreasing then increasing polarization. So, even though we are holding many things constant, party divergence, contra what we might expect from a too simplistic reading of Downs, is far from constant. While any electoral rule can be thought of as a solution to a problem, e.g., how do we elect a legislature, it also poses special new problems for actors, and to such problems there will almost always be multiple (institutional or informal) solutions which may be adopted. Krauss and Pekkanen (2011, p. 11) offer a sports analogy to make this point:

“As in sports, the particular rules of the game can certainly help shape the incentives for the players’ behaviour and probably the range of strategies used to win the game, for examples, whether to try harder to mobilize ‘personal votes’ for a candidate or votes for the party. Do we expect, however, the rules of a particular sport to decide for example, which teams will have an autocratic coach and which a more player friendly one? Or necessarily determine which strategies or formations a team will use? Of course not.”

For example, under the Single Not Transferable Vote system (SNTV), how parties coordinate vote allocations to multiple candidates from the party when voters have only a single vote to cast was solved quite differently in different countries (Grofman et al. 1999). For example, the degree to which campaigning was territorially focused and the degree to which the party centralized power varied greatly over the set of SNTV using countries: in one country (Japan) campaigning was based largely on individualistic vote seeking patterns, while in others the process was much more centralized, with the party allocating to candidates support from particular functional groups (or territory). Similarly, when we look at the 1990s changes in electoral rules in Italy and Japan, political parties in both countries were faced with the then novel to them problem of deciding who to nominate in each single member district (SMD) but, as noted earlier, in Japan there was a system of regionally decentralized bargaining for SMD and proportional (PR) slots in which (some) individual candidates had considerable leverage, while in Italy there was a nationalized process involving party bargaining within coalitions (Di Virgilio 2006).

The results of these two very different bargaining processes are reflected in dramatic differences in incumbency stability within the two countries. In Italy, candidates move from constituency to constituency based on the outcomes of inter-party pre-electoral coalition bargaining; in Japan, candidates are glued to their constituencies.

An examination of the district candidates standing in the 1994, 1996 and 2001 (MMM) elections reveals that only one-in-five stood in the same constituency on each occasion. Di Virgilio and Reed (2011) found that this type of candidate volatility increased over time indicating that coalition formation negotiations were weakening the link between elected representatives and voters as candidate selection in Single Member Districts (SMDs) were traded by parties within cartels. As Pre-Electoral Coalitions (PECs) changed for each election, the probability of electoral success in an SMD became a type of currency traded by parties during coalition negotiations; and for this bargaining to be successful a circulation of candidates was necessary. One important consequence of this intra-PEC trading in SMD nominations is that it undermined the link between voters and their incumbent representatives: a central feature of representative democracy.

In Japan, the situation was very different where the pattern was one of stability rather than change. Di Virgilio and Reed (2011) show that the stability in candidate nominations to SMDs in the elections of 1996, 2000 and 2003 was very strong, i.e. 80–90 %. Typically, the same party candidates contested two or more elections and it was rare for incumbent legislators to change constituency. If such moves occurred, they involved bargains such as granting the compliant Member of Parliament from an SMD a safe seat in the PR tier. Here a safe seat was one where the new (switching) candidate was replacing a close relative holding a seat in the PR tier. In sum, the level of genuine switching of candidate nominations in Japan was very low and contrasts sharply with the pattern observed in Italy.

2.2 Lesson 2: *The Devil is in the Details*

While much of the early electoral system literature made “big” distinctions, e.g., between PR, semi-PR, and plurality/majoritarian systems, and electoral system rules are still often dichotomized (or at best trichotomized) in many *large n* cross-national studies, when it comes to electoral rules “the devil is in the details.” Sometimes, the aims of electoral reformers may be largely subverted or nullified or delayed, or “fine print” may be added in ways that aid those previously in power. As Di Virgilio and Reed (2011) observe: “electoral systems are not unmovable objects to which passive candidates and parties must adjust. Political actors display a remarkable degree of ingenuity in getting around bothersome details and have even been seen to amend the law when it suits their purposes.”

A quick glance at the appendix to this chapter, which presents the main features of the Italian electoral rules adopted in 1993 and 2005, respectively, and the Japanese electoral rules chosen in 1994, reveals that even a very schematic overview of those rules necessitates a remarkable level of detail. Moreover, in their actual implementation, all electoral rules have aspects that significantly impact how a given electoral rule operates in practice (e.g., mechanisms for candidate nomination) which may not be constitutionally, or even statutorily, specified.

One important detail in a mixed member system is the relative shares of the single member district (SMD) and proportional (PR) components. *Ceteris paribus*, the larger the SMD component, the more we might expect the system to behave like a pure SMD system. A second detail has to do with the linkage between the PR and single seat components of the system, with the key distinction being between Mixed Member Majoritarian (MMM) and Mixed Member Proportional (MMP) systems, based on whether or not the outcomes and/or vote shares in the single seat component of the election affect the allocation of the PR seats. In an MMM system (also called a “parallel” system) what happens in the SMD component has no impact on the allocation of seats in the PR component. In most MMP system, the overall allocation across the two tiers is (roughly) proportional. However, even when we have an MMM system this does not mean that we have no ‘contagion’ between the SMD and PR components. The outcomes in a mixed system are not simply the weighted average of its components as each might operate in a hypothetical world where that component was the only type of election in place. The structure of political competition in each component affects behaviour in the other component even in the absence of a formal linkage. But, of course, if there is a formal linkage between the two components then the interaction effects are likely to be even stronger.³

The Japanese system is a purely MMM system; as defined above, the Italian system under consideration is, technically, an MMP system, since votes received by parties winning SMD seats are subtracted from the part list totals used to allocate PR seats (in a procedure known as *scorporo parziale* in Italian), although not proportional as the German system (Cox and Schoppa 2002, p. 1043). Indeed, many scholars characterize it as, in effect, an MMM system (see various essays in Giannetti and Grofman 2011), while Shugart and Wattenberg (2001a, pp. 20–21) call it an MMM system but with “partial compensation.” Cox and Schoppa (2002, pp. 1029–1030) note that “the share of seats set aside for the PR allocation is too small to fully compensate small parties for the difficulty they have in winning SMD seats”.

For MMM systems, the relative size of the single seat and the PR component can have a powerful effect on overall proportionality of seats to votes, and this proportion may matter even for MMP systems, depending upon the exact rules used to compensate for success at the SMD level in terms of determining the allocation of PR seats. But even this statement is not quite nuanced enough.

A third important detail in mixed member systems are rules for whether parties may engage in pre-election coalitions that allow them to pool their votes for proportionality purposes, and that may encourage inter-party agreements on which party (or parties) in a given alliance will contest a particular single seat

³ Wuffle (personal communication, 2001), in comments at a panel on Japanese elections at the 2001 American Political Science Association, likened a mixed member system to a train with engines at both ends, both in operation simultaneously. At the session s/he quipped: “Without more information as to which engine was the more powerful, it is hard to know in which direction the train is going”.

constituency. The proportionality of an MMM system and the effective number of parties (ENP) we observe is affected by such rules as well as by the relative size of the SMD and PR components and other factors, such as the structure of the party system and the degree of strategic voting.

Cox and Schoppa (2002, p. 1050) argue that the peculiar features of Italian electoral law that support the formation of electoral coalitions do indeed matter in making such coalitions more likely, while Japan, in contrast, has “rules that force SMD candidates to be identified with a single party (or as independents)...” In Italy between 1994 and 2005, SMD candidates can be “listed on ballots next to the emblem of an electoral alliance, such as the ‘Olive Tree,’ ... or with the emblems of multiple parties that are supporting that candidate” (Donovan 1995, p. 60). Another factor, which encourages electoral coordination across parties in Italy is one that requires “that parties jointly backing an SMD candidate in one district to jointly back candidates in all SMD in that region” (Cox and Schoppa 2002, pp. 1037; citing from Katz 1995, pp. 101–103).

A fourth important detail has to do with the nature of the rules permitting dual candidacies in both an SMD and on a PR list. In Japan, there is a rule permitting candidates to run both in an SMD and on a party list, with some candidates on the party list given the same ranking on that list, and then assigned an SMD to run in, with the candidate with the higher vote share in his or her SMD race (relative to the vote share of the winning candidate in that contest) given the preference if the party’s vote share allows it to move that far down in its list. This so-called ‘best loser’ rule not only encourages ‘sure loser’ SMD candidacies to nonetheless campaign hard, but it also encourages supporters of a given party to ‘waste’ their SMD vote in order to gain the ‘local’ candidate of their party a better chance to win a PR seat (Cox and Schoppa 2002, p. 1038; Christensen 1998). Krauss and Pekkanen (2011, p. 24) assert that this rule was put into place as an insurance policy by (SNTV) incumbents, who wanted to make sure that they would have a safe place on the PR list if they did happen to lose the SMD election.⁴ In Italy the MMM system allowed a candidate to be nominated in both tiers at the same time. Candidates nominated in both tiers could take advantage of a vast array of strategic options, as the candidacy rules adopted in 1993 interacted with other “details” of the electoral system such as: (a) the formal link between plurality candidates and up-to five party lists; (b) the mechanism of negative transfer of votes from the plurality to the PR tier (*scorporo parziale*); (c) rules allocating PR seats to SMD losing candidates (‘best losers’).

⁴ In the view of the public and the media after the first elections [under the 1994 electoral rules], this ability to ‘rise from the dead’—to win a PR seat even after constituents in the SMD rejected the candidate in favor someone else—made the legislator what was called a ‘zombie’ Diet member.” Though this term dropped out of common usage, the fact that an SMD candidate could do so badly in the SMD to lose her deposit and yet win a PR seat remained embarrassing. The law was revised to eliminate this possibility after the 2000 election.

A fifth important detail in MMP or MMM systems with compensatory representation has to do with the exact nature of the linkage process.⁵ Several authors have found that the *scorporo* process in Italy had some peculiar incentives. Di Virgilio and Reed (2011) call attention to the incentives under *scorporo* for parties to run ‘bogus’ lists so that the votes received by their SMD candidates does not actually diminish their share of the PR seats. Here we can note that in the 2001 Italian election 11 out of 155 PR seats remained unallocated as a consequence of linking center-right candidates to ‘spurious’ lists in order to overcome the *scorporo* provisions and nominating a smaller number of candidates in the PR list in order to provide SMD losers a sort of ‘PR insurance policy’ (Chiaromonte 2002).

The standard hypothesis would be that “In districts of larger M, the effective number of parties will be higher than in districts of lower M” (Taagepera and Shugart 1989, p. 112). Ferrara (2004), however, finds that the PR tier in Italy was characterized by “a negative relationship between district magnitude and the [effective] number of parties”. He attributes this in large part to strategic responses to the *scorporo* provisions, because these serve to provide voters “with the incentive to defect from strong lists when district magnitude is small.” The idea is that the parties large enough to win PR seats will be hurt by their votes in the SMDs, while smaller parties whose only chance to win is in the SMDs will not be, and so supporters of these larger parties will be more likely to desert them in the SMDs.

Thus, while we certainly can view Italy and Japan as having made similar changes in rules in the 1990s, that is both true and misleading, if we look at the details of the mixed systems in the two countries.

2.3 Lesson 3: Past History Matters

As Paul Pierson observed (Pierson 2004, p. 6), “To assert that ‘history matters’ is insufficient: social scientists want to know why, where, how, and for what.” For present purposes there are various ways in which history matters. First of all, switching to a new system, does not wipe out all memory of outcomes and behaviour under the old system, even if some parties “bite the dust.” Second, parties (and other) institutions that were set up under one set of electoral rules normally persist even as they are forced adjust to the new rules. Thus, electoral law effects are path dependent: institutions, never static, continue to evolve though

⁵ Another important detail is whether or not voters have one ballot to cast that determines both the SMD outcome and that candidate’s party or coalition share of the PR tally, or have separate ballots for the SMD and PR components of the mixed system (as in Germany), but that distinction is relevant only for true MMP systems, and so is not relevant here. In MMM systems, voters normally are given two separate ballots, and this is true for both Japan and Italy. A much more extensive inventory of different features of mixed member systems and useful ways of classifying those differences is found in Shugart and Wattenberg (2001b).

often in new directions, while past practices continue to exert influence, perhaps perpetuating with only slight modification some aspects of the status quo ante.

For example, the ability of the dominant party under one set of electoral institutions to remain the dominant party under new rules is very much history (and context) dependent. In Italy, the Christian Democrats were so weakened by corruption charges that, under the new system, fissiparous tendencies could not be resisted (Giannetti and Thies 2011). In Japan, in contrast, the LDP was able to adjust so as to remain competitive—as either the first or second largest party.

Krauss and Pekkanen (2011, p. 2) summarize their work on the internal organization of the LDP pre- and post-electoral reforms of the 1990s as follows: “the unique institutional forms developed under the old electoral system continued [...] although in slightly altered form.” They argue for this claim by looking before and after electoral reform at *koenkai* (the candidate support organizations of individual candidates), LDP factional structure, the role of Policy Affairs Research Council (PARC) of the LDP (which had formulated the party legislative policies that had, in the past, been adopted into law in a form close to that of their PARC formulation), and the relationship between the head of the party (the Prime Minister if there is an LDP-led government) and the rest of the party. We agree that the institutions that were in place for so many years under the SNTV had strong lingering effects, but their research also suggests that change has occurred in the predicted directions. We observe both continuity and change and find both to be of equal importance. Here we briefly discuss the first two of these topics.

With respect to *koenkai*, as Otake (1998, pp. xvi–xvii) summarizes the evidence after the first election under the mixed system: “[N]etworks of personal connections between candidates and influential local people were as decisively important as in the past” and “the *koenkai* was still indispensable” in contested races, although the membership of the *koenkai* naturally had to be changed to reflect changes in geography, with both new *koenkai* being formed and fusion of old *koenkai* taking place. In 1996 neither major party (the LDP and the NFP, a coalitional grouping made up of several parties and party splinters) made efforts to create organizational structures that would replace the *koenkai*. However, *koenkai* began to decline thereafter. Krauss and Pekkanen (2011) find very strong elements of *koenkai* persistence but also change. Their Fig. 3.6 (Krauss and Pekkanen 2011, p. 95) uses survey data to estimate *koenkai* membership and shows a monotonic decline for LDP candidates since 1996. Using official reports, Carlson similarly reports a monotonic decline in the number and total income of *koenkai* for LDP incumbents and much lower levels for non-incumbents (Carlson 2006, p. 246).

Another example of lingering effect from the previous system is the role of independent candidates. Independents were important after electoral reform in Japan but not in Italy. “The simplest explanation is that Japanese MMM permitted independent candidacies while Italian MMM did not. But why did Japan permit independent candidacies? Our answer is that independents played a large role under Japan’s previous electoral system and many of the legislators who designed the bill had run and been elected as an independent” (Di Virgilio and Reed 2011). Similarly, in Italy, the legacy of strong parties in the old system made it easier

under the new mixed system for the new parties that evolved and entered into coalition with one another to bargain with each other to select candidates in the SMDs in a nationalized bargaining process, while in Japan, the existence of strong candidates with their own ‘political machines’ in the old SNTV system affected the relative bargaining power of candidates and parties under the new rules.

The situation in Italy and Japan was similar in that nominations to elections in the plurality (SMD) tier were the product of complex bargains involving PECs, parties and candidates. The manner in which these bargains were made was, however, different in both countries (Di Virgilio and Reed 2011). The process of negotiation was centralized in Italy using a proportionality rule where the allocation of winnable SMD seats was based on a party’s estimated contribution to the expected PEC’s national vote (D’Alimonte 2005). In contrast, the bargaining process in Japan was de-centralised to the district level where candidates negotiated with each other and party headquarters. As a result, Italy had one national bargaining solution while Japan had 300 separate constituency level agreements.

In Japan, as Otake (1998, p. xxvii) notes, in the first election after the shift to a mixed system, incumbents were “completely unprepared to contest seats in the proportional representation blocks. Not only did party organization not exist in the blocks, but members also did not recognize the blocks as having any significance. ... They focused only on their own survival and did not think about the party as a whole—a natural response given ... that members have no other organization base but their own *koenkai*.” This description applies to elections through 2009 with little need of updating. For the two major parties, the PR bloc is used almost exclusively to give SMD candidates another chance to win a seat (Di Virgilio and Reed 2011). What has changed is the importance of party popularity to the electoral fortunes of each SMD candidate. Reed et al. (2012) demonstrate that the secret to winning an SMD in the first three mixed-member elections was candidate quality. Party label had little effect on the probability of winning a seat. In the fourth and fifth elections, in 2005 and 2009 respectively, the party label dominated and candidate quality counted for little. In 2005 the floating vote swung to the LDP and in 2009 it swung to the DPJ resulting in one landslide victory each. Candidates must now worry about the popularity of their leader and their party, and parties regularly unseat leaders whenever leader popularity declines.

2.4 Lesson 4: Context Matters

The effects caused by changes in electoral laws are inevitably modified by the political context in which they are embedded. While there are certainly clear pressures generated by electoral system change, e.g., enactment of SMDs will be followed by a trend toward bipolar competition at the district level, once we move beyond very simple electoral rules, prediction becomes more difficult (though certainly not impossible). In trying to make sense of the consequences of electoral system change, it quickly becomes apparent that there are lots of interaction effects

that are currently not well understood.⁶ Sometimes, however, we may simply wish to abstract away from the contextual differences and focus on the main overall effects of a given type of rule, e.g., looking at the average outcomes in countries with some particular set of institutions rather than trying to predict individual country-specific outcomes (see especially Taagepera 1999; cf. Taagepera and Shugart 1989; Taagepera 2005, 2009). However, even if we can accurately predict results, that does not resolve the normative questions in terms of what advice might be given to policy makers, since electoral rules have multiple consequences.

To understand the context that determines the consequences of changes in electoral laws we must look to other features of the political system that affect incentives for voters, candidates and parties, such as the electoral practices distinct from the “big” change in voting rules for the lower chamber of the parliament we have been focusing on. These include aspects of the constitutional structure, the voting rules used for political office in other levels of government,⁷ the voting rules used for the other chamber of parliament, as well as rules about how the parliament itself operates, or about campaign regulations, etc. In particular, we must remember that though there is a change in electoral rules to elect the lower chamber of the parliament, most features of the political system are likely to remain unchanged. And we must also look at contextual factors within the parliamentary election rules themselves. For example, the same electoral rules may operate quite differently in districts of different magnitude. Similarly, in mixed systems, there may well be ‘contamination effects’ from the elections for the PR tier, meaning for example, that the SMD component of a mixed system does not operate the same way as in a pure SMD system. Finally, we need to be attentive to the rules for candidate selection.

For example, in Italy, the parliamentary rules of procedure allow for the formation of parliamentary groups that may or may not match the configuration of parties that contested the elections. These rules can and do affect the effective number of parties at the parliamentary level (Giannetti and Laver 2001). In Japan, while new rules were put into place that channelled political funding through party organs and pinned legal responsibility for illegal campaign activities by supporters or aides firmly on the Diet member himself, the draconian restrictions on campaign activities found under SNTV remained (Krauss and Pekkanen 2011, p. 25; Christensen 1998).

Contextual factors that matter greatly can lie very far from the world of electoral or political institutions. Consider, for example, the Japanese system of lifetime employment. It might seem to have no obvious connection to how electoral rules operate, and yet, “because of Japan’s lifelong employment system, candidates must first retire from their jobs just to run, and it is extremely difficult to

⁶ For example, in systems where there are separate presidential elections, the nature of the linkage between presidential and legislative elections can significantly affect the number of political parties (Cox 1997, p. 219; Mozaffar and Vengroff 2002).

⁷ For example, parties that do not well nationally may survive because of local pockets of strength that give them power in local or regional elections.

return to their former jobs should they lose the election” (Otake 1998, p. xxvii). Lifetime employment practices coupled with the decentralized nature of the Japanese party system that reinforces the role of insiders make it harder for parties to recruit candidates. Relatedly, unlike the union officers in the International Typographers Union (ITU) studied by Seymour Martin Lipset, who were both able and willing to return to the shop floor, in Japan once you enter political life you are going to strive for lifetime employment in the political sector. And because this is true for virtually all politicians, it may reinforce a political culture that privileges incumbents.

Another aspect of context is geography. Differences, for example, between rural and urban areas may mean that the same electoral system does not behave identically in the different settings. For example, Scheiner (2006, p. 83) presents compelling evidence that the clientelism reinforcing tendencies attributed to SNTV operated at a very much reduced level in urban constituencies. However, more recent work show that the urban-rural divide has been much less important after 2005 (Reed et al. 2012). The Koizumi LDP cabinet regained urban votes from the DPJ in 2005 but also lost support in rural areas. The two parties are now evenly balanced in both urban and rural districts. Any swing in votes thus produces an even bigger swing in seats.

2.5 Lesson 5: There are Going to be Both Unrealized and Unanticipated Consequences

In both Italy and Japan reformers have been deeply disappointed about the results of their reforms but political science predictions have usually proven correct, at least with respect to the direction of change. One of the strongest predictions and hopes of electoral reformers in both Italy and Japan was that the switch to a mixed system would lead to predominantly two-party politics, such as the observed post-WWII alternation in power in Germany of the Socialists and the CDU/CSU. However, the strongest prediction of Duverger’s Law is that competition in single-member districts will come down to no more than two serious candidates. That happened in both countries (Reed 2001, 2005). But no reformer is impressed with bipolar competition in the SMDs. What reformers wanted from reform was two parties, each unified behind a coherent policy platform and each capable of effective government. That did not happen, at least not yet, but neither was all of this predicted by any political science theory.

Italy in 1994–2005 was characterized by an increasingly two-bloc politics, especially when the Northern League was in alliance with the House of Freedom (or its equivalent right-wing coalition), with the two main blocs in 2001, for example, having roughly 80 % of the seats between them. Nonetheless (a) ‘preponderantly’ two-bloc politics is not really the same thing as two-bloc politics and (b) two bloc politics is not the same as two-party politics.

First, even if we take multi-party blocs like Olive Tree (*Olivo*) and House of Freedom (*Casa delle Libertà*) as parties, Italian politics in this time period is at the national level closer to three party than to two party politics (ENP in the SMDs averaged 2.64 over the period 1994–2001 at the national level: Cox and Schoppa 2002, Table 5, p. 1047). Second, the blocs have members who retain their distinctiveness as parties, and some, like the Northern League (*Lega Nord*), sometimes chose to pursue an independent electoral existence. If we were to count the members of the two major blocs as separate parties (using their PR shares), we would get ENP values around 7 at the national level for this same time period. But in SMDS if we look to parties and not to blocs, we also get a much higher ENP than two. As Scheiner and Tronconi note, “the minor parties were able to survive in the new system thanks to the ‘proportionalization’ of candidates within each alliance in the SMD tier of the new system.” i.e., thanks to bargains among the parties within coalition to allocate specific SMDs to be competed in by candidates designated by parties in the coalition in numbers roughly proportional to the coalition party members previous vote share (used as a measure of what the party “brought” to the coalition). However, looking at Italian elections from 1994 to 2001 at the individual SMD level, Grofman et al. (2004) show that there was a dramatic increase in the number of districts that were essentially two-party contests throughout this period.

Reformers presumably misunderstood the likely effects of a complex system. When we look at mixed member systems it is important to appreciate what have been called “contamination” effects (see e.g., Herron and Nishikawa 2001; Moser and Scheiner 2004), which force us to think about the SMD and PR components of the system as interconnected, even in MMM elections, rather than viewing the two components of mixed systems in isolation from one another. In particular, if it is true that plurality fosters two party competition (at least at the level of individual constituencies) and PR fosters multi-party competition, with the expected number of seat winning parties (at the MMD level) probably linked to the square root of district magnitude (Taagepera and Shugart 1989), then we should expect the results in a mixed member system to have a higher ENP in its SMD component and a lower ENP in its mixed component than one would expect if each of these components were the only one in existence (e.g., Cox and Schoppa 2002).⁸ We now turn from a discussion of unrealized consequences to a discussion of unanticipated consequences.

⁸ Parties that wish to increase their PR vote may for purposes of visibility and greater support in the PR component, run candidates in SMD constituencies that they have no hope of capturing, thus increasing ENP in such constituencies; while the perceived need to have sufficiently concentrated political support to win a plurality in at least some SMD constituencies will discourage some parties from forming, thus decreasing ENP in the PR component of the mixed system. Moreover, strategic calculations are not just at the level of parties: voters who see a party as not viable at the SMD level may be less willing to support that party at the PR level since they may, for strategic reasons, have deserted that party at the SMD level and given their SMD support to a candidate of another party—at least in systems where voters have a separate ballot for the PR and the SMD components of the mixed system.

One completely unanticipated consequence of political reform in Japan involves an interaction between the SMD and PR tiers. The two large parties normally nominate all of their SMD candidates at tied ranks in the PR district, winners to be determined by the ‘best loser’ provision. Those nominated at higher list positions than the double-listed candidates are being given one of the party’s PR seats. These seats are considered valuable assets by both the party and the candidate and great care is taken in the selection process. Those listed below, however, are expected to lose and these nominations have been treated as petty cash, to be doled out with little thought. Indeed, it is hard to think of a PR list position of 33 in a PR district with only 20 seats as being particularly valuable. Yet, when one party wins a landslide, most of their SMD candidates are elected and candidates with such token nominations find themselves elected into parliament. The LDP elected many token candidates in 2005 and found that many of them were embarrassments. The DPJ elected many in 2009 and has found them to be among the most likely to rebel against party discipline.

The interaction effects between SMD and PR tiers were also the most important unanticipated consequence of the electoral reform in Italy. We enumerated already many of these effects in the previous section when discussing electoral systems details. More generally, in Italy the formation of electoral cartels did not reduce the power of minor parties as the ‘proportionalization’ of the SMD component led to an overcompensation of those parties in terms of candidates’ allocation during the pre-electoral coalition bargaining. Moreover, in the post-electoral stage minor parties were able to form their own parliamentary groups thanks to permissive parliamentary rules of procedure and the mechanism of parties’ financing. As a result, fragmentation of the parliamentary party system increased leading to a weak cohesion of governing coalitions.

2.6 Lesson 6: Change is not Immediate

A change in electoral laws does not guarantee a major change in politics; instead it depends upon how easily or quickly the weight of the past can be shifted.

Electoral rule effects are almost never instantaneous; it takes time for actors to learn how the system works and to adjust their behaviour accordingly. It is common to overestimate how fast changes consistent with the electoral system logic will occur. Moreover, we should not expect all effects to propagate at the same speed. Some effects and proximal effects, such as on the number of seat-winning parties, may operate faster than what are likely to be more distal effects, such as on the nature of political campaigning. For example, in Japan, although revisions to the Public Election Law “strengthened the prohibition on wining and dining constituents in exchange for votes and made candidates jointly responsible for campaign violations by their campaign managers,” in the 1996 election under the new electoral rules, candidates initially spent more money than in past elections under SNTV (Otake 1998, p. xx).

However, there were a variety of special circumstances in that first election that raised costs (Otake 1998, pp. xx–xxi), and spending has since declined somewhat.

Many research designs tacitly assume that change will take the shape of a step function, i.e., an instantaneous shift from one stable equilibrium to another. However, the ‘before’ in this ‘before-and-after’ design was never stable as Krauss and Pekkanen (2011) amply demonstrate for the pre-reform period in Japan, and neither does change stop after reform. Instead of a step function we should expect changes in direction and dynamics. Thus, after the first two elections under the new system in Japan, the hope for more “party-centered, policy-centered politics went unrealized” (Otake 1998, p. xxi), as did the hope that clientelistic-style politics would disappear (Scheiner 2007).⁹ However, many of these pessimistic assessments of little or no change have had to be revised after the third and subsequent elections Reed (2001, 2005) demonstrates that “Duverger’s Law is working in Italy,” and that Japan is moving “haltingly toward a two-party system” but in both cases he examines trends, arguing that at each and every election since reform, the system has moved toward the predicted equilibrium. There is also evidence that *koenkai* are followed a similar declining trend (Krauss and Pekkanen 2011, p. 95; Carlson 2006).

Some of the best recent evidence for learning and adaptation in understanding electoral effects comes from the Italian experience with the SMD component of the mixed system in place between 1993 and 2005 over the course of several elections. Di Virgilio and Reed (2011) have argued that Italian parties’ strategies in competing in the plurality (SMD) tier emerged from a progressive learning process where some parties were more successful than others. Initially, in the first election following the electoral reforms of 1993 PECs were compelled to predict the likely effects of the new MMM electoral system due to lack of experience. Thereafter, in the elections of 1996 and 2001 PECs became more pro-active and attempted to adapt the rules to their own electoral advantage through the lessons learned in 1994.

Di Virgilio and Reed (2011) stress the importance of social learning mechanisms such as mimicry or adoption of a ‘do-what-others-do’ heuristic leading to a narrowing of the repertoire of strategies employed. For example, parties on the left created a PEC (known as the above-cited Olive Tree in 1996 and 2001 and re-labelled Democratic Union in 2006) that copied some of the main strategies used by the centre-right coalition in 1994. This mimicry became evident in Olive Tree’s decision in 1996 to nominate Romano Prodi as coalition leader and have a centralized candidate nomination process. For its own part, the centre-right PECs (Pole of Freedoms in 1996 and House of Freedoms in 2001, 2006) cast aside its compensatory rule in 1994 for a proportional allocation of SMDs to among coalition parties in 1996 and 2001.

⁹ For a much more comprehensive examination of the question of the degree to which changes in Japanese and Italian politics were anticipated by those who made/advocated/opposed the early 1990s reforms in those countries see Scheiner and Tronconi (2011).

Success in the 1995 and 2000 regional elections led to the emergence of new parties in the Italian general elections of 1996 and 2001. New parties claimed entrance to the rival PEC's on the basis of their observed support in the regional polls and hence secured SMD nominations on this basis. With experience all parties developed more reliable means of estimating likely electoral success in the plurality tier yielding a consensus of who would win which seats. According to Di Virgilio and Reed (2011) more than three-in-four constituency seats could be accurately predicted by 2001; and such precision made coalition bargaining over winnable seats a more stable process.

3 Conclusions

In examining the aftermath of the shift to a mixed system in the 1990s in Italy and Japan, whether we look at the eradication of the Christian Democrats in Italy¹⁰ versus the continued importance of the LDP in Japan, or the creation of something like two-party politics in Japan and the creation of something close to two-bloc politics in Italy, or the rise of a centrist party in Japan and the absence of a strong center in Italy, or the failure to cleanse either Italian or Japanese politics of the power of money, it may be concluded that models of politics that place too much weight on electoral laws and the power they give to reformers to bring about change through electoral engineering need to be taken with several grains of salt. That is not to say, however, that electoral rules do not matter—because they certainly do—but it is to say that, to understand political change when we change particular electoral rules requires us to be sensitive both to the lingering effects of the past and to the present day institutional, political, and social context in which the electoral law is embedded, much of which will remain unchanged from the previous period.¹¹ Japan and Italy both adopted a mixed system in the early 1990s but, as we have sought to show, the differences in the 'fine print' of the rules they each adopted turned out to be very important.¹²

¹⁰ The 1994 election in Italy exhibited the greatest change in party vote and seat shares from the previous election ever recorded in (modern) Italy, far higher than what is the norm in most Western democracies.

¹¹ For example, the continuity between the mixed system put in place in Italy in 1993 and the PR system with bonus for the largest party that replaced it in 2005 seems quite high.

¹² See also Scheiner (2008).

A.1 4 Appendix

This brief overview of the basic features of electoral law changes in Italy and Japan over the past two decades is taken from Giannetti and Grofman (2011).

Electoral Reform in Italy, 1993

The 1993 reform replaced Italy's previous PR system (with preferential voting) with a mixed system. For electing the lower Chamber (630 members) Italy was divided into 26 multi-member constituencies (plus the small region of Valle D'Aosta which always has only one seat). In turn, each constituency was divided into a number of single member districts approximately equal to 75 % of the seat assigned to them. The remaining 25 % of the seats were allocated on the basis of party lists and by PR using the LR-Hare formula.

Candidates could run in both tiers. All SMD candidates had to be endorsed by one or more PR list. The reverse was not true, as PR lists did not need to endorse SMD candidates. Voters can cast two ballots: the first for a candidate in their district, the second for a list in their constituency. No preferential voting was allowed in the PR tier. The allocation of PR seats was a two stage process, as it took place first at the national level. In order to get seats, parties had to receive at least 4 % of the national vote. Subsequently, seats were allocated to each party in the different constituencies. The plurality and PR tiers were linked in several ways. The most important of them was a mechanism of negative vote transfers (*scorporo*). With this vote re-apportioning mechanism for each plurality seat won a party saw its PR total vote at the constituency level reduced by the number of votes (plus one) received by the second placed candidate in the single member district where the party had won a seat. Only after the *scorporo* had been implemented were votes allocated into seats.

For electing the Senate, Italy was divided into 20 regional constituencies, two of which had no PR seats (Valle D'Aosta and Molise). Unlike the Chamber, the only candidates were those running in the 232 SMDs. Voters cast only one vote for an SMD candidate, and the eighty-three PR seats were assigned by means of a repêchage mechanism on a regional basis. Each party's share of the list seats in a regional constituency was allocated to the 'best losers' among its SMD candidates. The PR seats were assigned at the constituency level using the d'Hondt formula. While there was no legal threshold for participating in the distribution of PR seats, the d'Hondt formula combined with the small district magnitude of most constituencies made it hard for small or medium-sized parties or coalitions to gain PR seats. The *scorporo* re-allocation rule also operated in Senate elections, where it was used through subtracting from a group's total vote all the votes received by those candidates affiliated to the group who had won SMD seats in a constituency. Thus there was a greater correction compared to the Chamber of the disproportionality associated with the plurality formula.

The main differences among the rules for electing members to the Chamber and Senate had to do with to the ballot structure, the allocation of PR seats, and the mechanism of negative vote transfer.

Electoral Reform in Italy, 2005

The 2005 electoral reform abolished SMDs by introducing closed list PR for the entire parliament, but now with a seat bonus. For electing the Chamber, Italy is divided into 26 multimember constituencies encompassing the whole national territory. A number of seats proportional to the population are assigned to each constituency, yielding a total of 617 seats (one additional seat in the small Valle d'Aosta regional constituency is allocated by plurality and the remaining 12 seats are allocated by PR in the newly established Overseas Constituencies). To obtain seats, the following thresholds must be passed on a national basis:

- minimum 4 % for a party list;
 - minimum 10 % for a coalition;
 - minimum 2 % for a party joining a coalition that passes the 10 % threshold.
- However, the best loser is also assigned seats.

Coalitions are formed by party lists that registered a common electoral platform and indicated a coalition leader (Article 14 of the Electoral Law). In short, to gain seats parties have to pass a lower threshold if they join pre-electoral coalitions.

The mechanism for seat allocation works as follows. First, the total vote share of coalitions and independent party lists are calculated at the national level and seats are allocated proportionally to them. If a coalition or a party list obtains 340 or more seats, no seat bonus will be given. If a coalition or party list obtains a plurality, but has less than 340 seats, it will be assigned additional seats to reach this number, corresponding roughly to a 54 % majority. The remaining 277 seats are allocated proportionally to other coalitions and party lists.

After the number of seats due to a coalition has been established, seats are allocated proportionally among coalition partners. Only party lists that obtained at least 2 % of the votes are assigned seats (seats are also assigned to the “best loser”). Candidates are elected according to the order they appear on party lists (no preference voting is allowed).

In short, the mechanism described above checks first if a coalition or a party list has obtained an absolute majority of about 54 %. If this is not the case, a seat bonus is allocated to generate such a majority.

The electoral system for the Senate works in a similar way in all of the seventeen regional constituencies (in three regions different systems are used). The procedure is like the one for electing the Chamber, with important differences. Seats are allocated proportionally to coalitions and party lists that pass the relevant vote thresholds. These thresholds are (a) 20 % for coalitions (b) 3 % for parties joining a coalition whose total vote share is at least 20 %, and (c) an 8 % threshold, if a party decides to run independently or joins a coalition that does not pass the 20 % threshold. The main difference between electing the Chamber and the Senate is that seats for electing the Senate are allocated to coalitions and party lists at the regional level, and the seat bonus is attributed on a regional basis. The most important consequence of this provision is that there is no guarantee for a coalition or party list obtaining the largest number of votes at the national level to obtain an absolute majority of the seats in the Senate.

Electoral Reform in Japan, 1994

The Japanese Diet has two chambers, the House of Representatives (the Lower House) elected for a four year term, and the House of Councillors (the Upper House) made of 232 members elected for a six year term with elections for half of the Councillors held every three years. The electoral law changes in 1994 applied only to the House of Representatives, replacing the Single Non-Transferable Vote (SNTV) system formerly in use (in primarily 3 seat constituencies) in that body.

The electoral system approved in 1994 changed the rules for electing members of the House of Representatives. It combined 300 seats from an equivalent number of Single Member Districts (SMDs) and 200 seats elected by PR from party lists in eleven regional multimember constituencies (this provision was modified in 2000, by reducing the number of PR seats from 200 to 180). Constituency magnitude varies from seven to thirty-three seats. Voters cast two votes: a candidate vote in an SMD, and a vote for a party that registers a list of candidates in the region. The allocation of plurality and PR seats proceeds independently: each party receives its 'proportional' share in each list-tier district, plus as many SMDs seats as it wins outright. For allocating PR seats the D'Hondt formula is used.

The only connection between the two tiers is double candidacy. That is, a candidate may run simultaneously in an SMD and on a party list provided that the SMD is within the PR constituency. A candidate who fails to win in the SMDs might still earn a seat if ranked high enough on the PR list. This opens up various strategic possibilities for candidates and parties (Reed and Thies 2001; Di Virgilio and Reed 2011). For example parties can nominate several double candidates as the same rank of the PR list, where the tie is broken by a 'best loser' calculation, i.e. awarding PR seats to those candidates who come closest to winning their SMDs. All dual candidates who share the same list position and who lose in their SMDs are re-ranked on the party list according to the ratio of their plurality vote total to their SMDs winner's vote total. A candidate's chances of being saved in the list tier, is therefore a direct function of how close the candidate came to winning the SMD outright.

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Part III
Economics

The Italian Economy 1961–2010: From Economic “Miracle” to Decline

Renata Targetti Lenti

Abstract Long-term trends suggest that Italy’s current economic crisis is not the result of an unfavourable business cycle or of the recent global economic and financial crisis. Instead, Italy’s crisis accompanied by persistent slow economic growth is the result of decade-long structural shortcomings and inefficiencies. Many factors explain why and how Italy experienced sluggish economic growth and increasingly uncompetitive productivity over decades. The causes of Italy’s economic crisis, this author argues, are deeply rooted in the past and closely interconnected. This chapter discusses and analyses these causes from a historical perspective. Export-led growth in the 1950s and 1960s favoured the consolidation of a productive system centred on small and medium-sized manufacturing firms, many of which are located in Italy’s northern regions (Veneto, Lombardo and Piedmont). Such firms needed low labour costs, cheap natural resources and energy to survive in an increasingly competitive international setting. Social cohesion and strong domestic consumption, in a setting of relatively low wages, was supported and indeed guaranteed by generous public expenditures. After the oil crisis of the 1970s up until the beginning of the 1990s, Italy was able to remain internationally competitive through the regular devaluation of the Italian lira. At the end of the 1980s, the converging path towards other European countries stopped. The burden of a rising public debt, the distorted composition of public expenditure, the decline of the country’s manufacturing sector industry and insufficient investments into research and development had a negative and lasting impact on the country’s competitiveness. But also failures coming from the institutional and political setting and a ruling class above all oriented at short-term profits instead of long-term commitments and benefits, contributed to what is referred to as the ‘years of lost opportunities’ in the 1990s and beyond. In order to stop Italy’s economic decline, this author argues that not only effective monetary and fiscal policies, but also and indeed above all structural reforms, administrative

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and industrial policies are needed. Reducing the different kind of dualism is imperative to promote investments in research, infrastructure and human capital and to decrease the high dependence on energy imports, reduce the country's high youth unemployment rate and tackle rising inequality and poverty.

1 Introduction

In 2003, the main session of the “44^a Riunione Scientifica annuale della Società Italiana degli Economisti” was dedicated to analysing the Italian economic decline. Carlo d’Adda, the coordinator of this session, claimed that “the negative trend, deeply rooted in the past will become stronger if structural reforms of the productive sector and of its institutions will not be undertaken” (D’Adda 2004). The perception that the Italian economy is on a declining path is widely shared today. In the last “XV Report on the global economy and Italy” edited by Mario Deaglio the chapter dealing with Italy was entitled “The Italy of the crisis” (Deaglio 2010). According to Marie Draghi, economic growth is the precondition for financial stability and for the reduction of the country’s public debt. “To preserve the stability of the financial system, the priority today is to adopt policies that enhance the growth potential of the Italian economy” (Draghi 2010). Indeed, the years of Italy’s so-called ‘golden age’ (1950–1960) are part of a very distant past. Since the beginning of the 21st century, Italy’s economic trends are unambiguously pointing towards decline. Over the previous decades Italy experienced increasing and severe difficulties of adjusting its economy to a changing external context and was not able to produce sustainable economic growth. The situation was aggravated by a rapidly rising public debt burden, decreasing productivity, a low degree of competitiveness in the industrial sector, a rising external trade deficit, inadequate human capital and insufficient investments into research and development, various kinds of regional dualism, and finally, a high level of income inequality. Another important constraint can be identified in the socio-political setting: conflicts between opposing groups and parties. The rise of many consolidated interest groups, each of which sought to secure gains at the expense of others hampered the adjustment in public finance. All these factors have made Italy financially comparatively vulnerable when it was confronted with the recent financial crisis. The benefits of macroeconomic adjustments of the 1990 too disappeared, due to weak productivity performance, the loss of competitiveness and the inability to impose budget discipline. Investments and growth were further reduced by a high real exchange rate and a rapidly growing public debt.

While embracing free economic market principles firmly integrated Italy in an international setting and led to fast export-led economic growth in the 1950s and 1960s, the focus on export-led economic growth became a disadvantage in the decades after that. Export-led growth favoured the consolidation of a productive system with small and medium-sized manufacturing firms at its core, many of

which are concentrated in Italy’s north. Such firms needed low labour costs, cheap natural resources and energy to survive in an increasingly competitive international setting. Social cohesion and a relatively high level of domestic consumption, in a setting of relatively low wages, were supported and indeed guaranteed by generous public expenditures. After the oil crisis of the 1970s up until the beginning of the 1990s, Italy was able to remain internationally competitive through the regular devaluation of its national currency, the lira. At the beginning of 2000s the converging path towards other European countries stopped. When Italy adopted the Euro in 2001, currency devaluation was no longer possible. Long-term trends suggest that Italy’s current economic crisis is not the result of only an unfavourable business cycle caused by the global economic and financial crisis. Instead, Italy’s crisis accompanied by persistent slow economic growth is above all the result of decade-long structural shortcomings and impediments. Many factors explain why and how Italy experienced sluggish economic growth and increasingly uncompetitive productivity over decades. The causes of Italy’s economic crisis are deeply rooted in the past and closely interconnected. This chapter will analyse these causes from a historical perspective.

2 Long-Term and Cyclical Trends

A brief overview of the main events of the period from 1950 to 2000 will help to better understand Italy’s economic decline of the last ten years. Italy enjoyed a period of very rapid growth, referred to as the ‘golden age’ in the 1950s and in the beginning of 1960s. Until 1963, Italian economic growth was sustained by a high rate of investment. Accumulation of capital was increasing with the rise in employment and in demand, both internal and external. Post war reconstruction turned out to be rapid and successful while the world economy grew at unprecedented rates and international trade was liberalized. In addition, Italy joined a preferential trade area and the terms of trade moved in its favour. The investments were fairly easily financed by high profits made possible by abundant labour supply (Kindleberger 1967). The rapid growth of productivity together with low wage settlements were important ingredients of the virtuous circle of high investment and high export growth (Boltho 2011). Monetary policy was accommodating, contributing to the accumulation of capital. The wage moderation determined by quasi unlimited labour supply from the agricultural sector, human capital particularly suited to the existing technologies, the country’s industrialization promoted by Italy’s large state-owned firms, the allocation of resources provided by state-controlled banks, the capacity of private entrepreneurs in enhancing their performance especially in the traditional sectors, the liberalization of trade and finally Italy’s inclusion in Europe’s common market were all growth-promoting factors.

Free trade was a compulsory choice in Italy because of insufficient internal demand. Monopolies and oligopolies were widespread in pre-war Italy. State-owned corporations dominated a number of sectors, notably banking and large-

scale industries (De Cecco and Giavazzi 1993). This period of sustained and export-led growth, Italy's so-called 'economic miracle', lasted until 1963. In retrospect, 1963 marked a missed opportunity for reforms that could have created the conditions and fundamentals for solid long-term economic performance. The accumulation rate and the industrialisation process stopped before reaching full employment. The factors that can explain this puzzle are many. The growth of fixed investment, mainly aimed at implementing labour saving technologies, slowed down from 11 % on a yearly average between 1958 and 1963 to 5 % in the period from 1964 to 1973 (Crafts and Magnani 2011, p. 13). Fearing negative consequences from policies adopted by Italy's centre-left governments beginning from 1963, entrepreneurs fed a consistent capital outflow causing a deterioration of the balance of payments. In the face of mounting balance of payments disequilibria and inflation pressures, monetary policy suddenly turned restrictive, with the aim of stopping wage increases and avoiding devaluation of the Italian lira. However, after some years and a period of strikes, in 1969 wages started to rise again. The rise of salaries at the time were justified by the very poor conditions of migrants workers, above all from the south of Italy while the so-called "hot autumn of 1969" marked the failure of the income policy approach put forward by the centre-left governments" (Crafts and Magnani 2011, p. 13).

Cushioned by inflation and devaluation in the 1970s, growth of GDP per-capita slowed in Italy as it did in other European countries. The reasons explaining the slowdown are many. Some components of previous fast growth were no longer operating. Post war reconstruction was completed and the flow of labour out of agriculture stopped and investment returns were diminishing. Total factors productivity (TFP) growth slowed down markedly. Italy's industry reacted to rising labour and oil costs by restructuring production processes. The tendency to reduce the size of the firms and to decentralize production processes has been, first of all, the reaction to the above-mentioned 'hot autumn'. The emergence of new small and medium-sized enterprises was a general tendency toward a more flexible model of specialization, and also a consequence of the crisis of the fordist organization. This new kind of organization would become a permanent feature of the Italian industrial system. In Italy, the fordist model became common among large firms, private and public and has been, from the beginning of the 'golden era', the most important engine of growth. This virtuous mechanism ended at the end of 1970s. The failure in some strategic sectors such as in the electronic or chemical industries, deeply-embedded corruption amongst the country's political and economic ruling classes, the misallocation of the returns from the nationalisation of the electronics industry are all factors which explain the decline of the fordist model in Italy (Nardozzi 2004). Secondly, the markets of traditional fordist sectors had become mature markets, where the demand could no longer increase because of saturation problems. Thirdly, in the period from 1969 to 1973, sweeping social and labour conflicts reduced the profit margins in Italy (as well as in almost all Western European countries) and contributed to an increase of real wages more than to productivity and the rise of prices of the goods generated by the fordist firms.

Two other external factors—the oil shocks and the collapse of the discipline of the fixed exchange rate system—further contributed to Italy’s economic slowdown at the time. The 1970s are remembered as a period of stagflation. Driven by enormous nominal wage increases, two oil shocks and the devaluation of the lira, prices exploded while rising prices were not contrasted by restrictive monetary policies. In Italy, policy measures were basically adopted regardless of public budget constraints and on a basis of an *dirigiste* approach of public interventions. Consequently, throughout the 1970s macroeconomic imbalances were growing. A progressive expansion of the fiscal deficit was the result of increased outlays for interest payments on a growing public debt, but also the answer to new social demands. The introduction of a first pillar of a modern national welfare state and changes related to the pension health systems reduced the amount of resources that could be directed towards more efficient economic and industrial policies. In the past Italy had failed to adopt policies, which accommodate rapid economic changes with changes in social welfare. This led in the late 1960s and early 1970 to the adoption of overly generous welfare provisions and measures that allowed for a more active interference of politics in economic activity. Many of the fiscal problems Italy was confronted with in the following years such as the growing public debt, have their origin in the belated and misguided responses to the crisis of the late 1960s (Boltho 2011). A ruling class oriented at short-term benefits as opposed to long-term commitments, was unable to undertake the needed structural reforms. The left-centre governments, and more in general the ruling classes, were unable to reconcile two objectives: maintaining adequate social cohesion and equity while adopting the structural reforms needed for what Salvati calls “state and nation-building” (Salvati 2004).

From the beginning of 1980s three events marked a turning-point of Italy’s economic policies. Firstly, in an attempt to force a reduction of costs in the sector exposed to foreign competition, Italy decided to enter into the European Monetary System (EMS). The participation consisted in a partial and delayed realignment of the nominal exchange rate in response to the appreciation of the real exchange rate. Secondly, the so-called Bank of Italy-Treasury ‘divorce’ (through which Italy’s central bank was freed from the obligation of buying unsold public debt at treasury auctions) was introduced and was aimed at inducing virtuous behaviour by the public sector increasing the cost of issuing new debt. Finally, the predetermination of inflation—expected as a mechanism of income policy—was introduced. Through these measures, the conditions for addressing macroeconomic disequilibria became more favourable than in the past. While Italy governments could rely on stable majorities, the drastic fall in oil prices reduced inflation and increased, *ceteris paribus*, available resources. After 1983, the so-called ‘wage-push’ came to end and the world’s major economies entered a long expansionary cycle, the adoption of incomes policy re-gained relevance (Crafts and Magnani 2011).

However, efforts to reduce macroeconomic unbalances continued to be hampered by the persistence of Italy’s enormous public debt and while the objective of reducing deficits was regularly missed there were no effective policies in place

aimed at reducing the debt because of the structural weakness of political power in comparison of powerful interest groups and unions. At the beginning of the 1990s, Italy's economy was confronted with an enormous and persistent wage shock. The macroeconomic and industrial context worsened rapidly. The abolition of regional wage structures raised relative southern labour costs and reduced wage flexibility. In 1992 Italy was forced to exit the EMS. Even though Italy went through a period of major policy reforms including privatization, anti-trust, banking and company law reforms the results in terms of income and productivity growth were disappointing (Scobie et al. 1996). While regular devaluation of the Italian lira from 1992 to 1995 enabled Italy's economy to remain competitive, in the second half of the 1990s growth fell below the EU average. European integration moved forward in the 1990s culminating in the establishment of the European Monetary Union in 1999. Italy became a founder member of the Eurozone. The decision to join EMU was aimed to introduce competitive pressures into the system in order to stimulate efficiency and to promote growth via a general improvement of expectations. Participation in EMU was a major change of Italy's macroeconomic policies. Inflation and nominal interest rates converged rapidly towards the European average. It was ultimately a political decision and amounted to achieving the goal of the post war generation of Italian leaders, anxious to anchor Italy within Europe (Crafts and Magnani 2011). Ex-post, the experience of EMU membership has been much less comfortable than had been hoped ex-ante.

The previous analysis was necessary to demonstrate how old and deep-rooted structural weaknesses of the Italian economy are. From the 1970s, these weaknesses became evident. Floating exchange rates assured flexibility and competitiveness making sure that no substantial policy interventions was adopted aiming at correcting the creeping devaluation. The result was an unstable macroeconomic framework in which inflation and too loose fiscal rules became a constraint for medium and long-term economic growth. Supply-side reforms conducive to raising the rate of productivity growth were required. The pressure to adopt reforms would have been weaker without the prospect of joining the Euro. However the consequences of failing to adopt more and deeper reforms may eventually become even more severe in the case of an Italian sovereign debt crisis occurs. The lack of economic and structural reforms explains Italy's economic decline over the last ten years.

3 A Decade of Declining Productivity

In spite of, or rather because of macroeconomic adjustments of the 1990s, growth of Italy's GDP fell below EU average growth rates. The annual growth rate of GDP from 2000 up to the outbreak of the financial crisis in the late 2000s was only half of that of the Euro area and lower than that of the average value for the previous decades (Zanetti 2010). While the downturn in Italy started earlier and was deeper and longer lasting than in most of the other euro area countries, the

decrease of GDP in the period from 2007 to 2009 has been the strongest among other European countries. Endemic structural weaknesses of the Italian economy made sure that the country was particularly hit hard by the outbreak of the global economic and financial crisis of the late 2000s. The weaknesses of Italian productive structures were responsible for the country's negative growth differential vis-à-vis competitor countries before the outbreak of financial crisis of the late 2000s. Indeed, in the late 2000s Italy's economy suffered the worst recession since the end of World War II. All the supply components contributed to the contraction in GDP, particularly in the industrial sector, where moderate decline in value added through the first quarter of 2008 was followed by a steep fall up until mid-2009 (Boeri 2011). Industrial production and private consumption too declined significantly due to amongst others rising unemployment and banks' reluctance to provide business and consumers with loans and credits. The difficulties affected numerous companies, including those in technologically advanced sectors (Deaglio 2010). Available indicators appear to suggest not only that weaknesses linked to productivity and competitiveness have played a role, but also suggest that the same weaknesses are attributable to structural constraints.

The most distinguishing feature of the 2009 recession, because of the globally synchronized nature of it, was the sharp decrease of exports. Only in 2010 and 2011, a modest export-led recovery took place. GDP, calculated by ISTAT, rose by 0.4 %, following a 1.8 % increase in 2010 (ISTAT 2012a). Growth was mostly attributable to the increase in exports (+5.6 %), partly offset by a slowdown in gross fixed capital formation (−1.9 %) and in government final consumption expenditure (−0.9 %). External demand, supported by the depreciation of the euro and economic rebound and growth in Germany, drove recovery. In the first nine months of 2011 compared with the same period of the previous year, exports increased by 13.5 % (+11.3 % within the EU and +16.6 % outside the EU) while imports increased by 13.2 % (+9.2 % within the EU and +18.1 % outside the EU) (ISTAT 2012b). However, despite robust export growth, the current account deficit worsened owing to amongst others rising energy prices, rising imports and a structural deficit in services. Like in previous years, Italy's trade balance reported a deficit. Rising unemployment, declining real disposable income, and uncertainty about the prospects of growth guaranteed that domestic demand remained weak. Investment rebounded significantly in the first half of 2010 but weakened following the end of tax incentives provided by the government until June 2010. Government consumption was flat (IMF 2011, p. 6). Public expenditure in Italy could no longer-above all due to the enormous public debt-be an engine of growth.

The performance of the Italian economic system, its growth or decline, and the differences with other countries' growth, can be explained, first of all, by the trends of total factor productivity (TFP). From the beginning of 2000, and above all, from mid-2007 Italy's economy experienced a sharp slowdown of overall TFP. TFP decreased in the first period (2000–2003) by 1.3 % annual average, and by 3.4 % in the period 2007–2009 (ISTAT 2010, p. 2). The labour productivity was negative from 2000 to 2009 (−0.5 % on annual average). It was negative, −0.8 % and −2.7 % in the period from 2000 to 2003 and 2007 to 2009 respectively. In the

early 1990s the level of labour productivity was higher in Italy than in other European countries and the US. Today, this is no longer the case: the level of productivity in Italy is not only lower than the EU average, but also lower than in Italy in the 1990s. The deceleration of TFP and of labour productivity cannot be considered “the result of an unfortunate cyclical contingency” (Daveri and Jona-Lasinio 2005, p. 366), but rather they can be attributed to a number of structural factors related to the labour market, companies’ rate of capital accumulation and to shortcomings of Italy’s economic governance. This slowdown was pervasive across all sectors except in agriculture. While it is difficult to identify a single contributing factor, according to the most recent estimates of ISTAT (2010) the trend of labour productivity can be explained mostly by the decline of TFP. As a result of this trend, in the period 2007–2009, unit labour costs soared, worsening Italy’s competitive position in comparison to other European countries and particularly Germany. This trend reversed the decreasing trend of the previous period. It reflects many factors, but above all the relatively poor performance in labour productivity growth. Almost needless to say that profitability too suffered and an increasing number of Italian companies saw themselves obliged to transfer parts or all of their production to eastern European countries. This flow of business investment abroad has undoubtedly favoured investment by Italian banks in those countries.

In the 1980s, Italy achieved employment growth together with robust productivity gains. Following the 1992/1993 currency crisis on the other hand, unemployment rose while labour productivity increased. A weak negative correlation linked employment to labour productivity growth. Since 1997, the situation has changed and rising employment has been accompanied by productivity gains until 2000. In the period from 2000 to 2009 that trend reversed. The number of employed has been growing at a higher rate than the GDP (in real terms) and labour productivity decreased. While this is not necessarily unusual, what is striking “in Italy is the magnitude of the phenomenon and its relatively long duration” (Codogno 2009, p. 5). This negative correlation must be explained as it cannot simply be explained by cyclical fluctuations. In the short term, productivity growth can vary inversely with employment, because of labour hoarding during a recession or conversely when capital intensity cannot keep up with the growth of labour input during a period of economic growth. To some extent this may have played a role in Italy, especially at the beginning of the current decade. However, in the medium term other structural factors played a role too. In the medium term, labour productivity and employment can also deviate from the balanced growth path due to capital-labour substitution. If employment grows faster than the amount of capital, labour productivity growth rates fall. Since the early 1990s the slowdown in the growth of the capital-labour ratio was the result of the adoption of less capital-intensive technologies and the expansion of the sectors in which labour input is prevalent. Some empirical work seems to support the view that, in Italy, technological progress has been weak despite a relatively high rate of capital accumulation (Daveri and Parisi 2010).

When comparing Italy's non-construction gross fixed capital formation as a percentage share of GDP with the one in Germany, it turns out that while its level increased over the last ten years, it decreased from 10 to 8 % in 2009. However, the investments have been capital widening instead of capital deepening. Italy has been relatively unable to exploit the opportunities deriving from changes in the organisation of production in the information, communication and technology (ICT) era. Technological progress, one of the main drivers of productivity growth, was hindered by the small size of firms, oppressive regulation, and shortcomings in human capital.

A second explanation can be found in Italy's inadequate labour market reforms. They have generated a dual market, opening a gap in earnings and employment flexibility between permanent employees and new labour market entrants. While permanent workers' jobs were protected, the adjustment of wages was relatively inflexible due to the wage negotiation system between companies and trade unions. Greater flexibility in working arrangements was allowed only for new labour market entrants. In addition, policy has been oriented at reducing youth unemployment, thus allowing for a further reduction in the cost of hiring young workers (for example cuts in social security contributions and tax benefits). Net variations in the stock of temporary workers were large both in absolute and relative terms to the stock of employees at the beginning of that period. Because of this partial reform, labour became cheaper relative to capital and more flexible as a factor of production. The employment to output elasticity (the ratio of employment growth rates to GDP growth rates) in Italy has become higher than in other European countries. As discussed in Boeri and Garibaldi (2007), the apparent employment-to-output flexibility increased after reforms, which introduced two-tier systems of employment protection with an increasing number of flexible temporary contracts co-existing with rigid permanent contracts (Boeri 2009, p. 3).

In parallel, the lack of a real labour market reform has kept the average age of those in charge of leading Italian companies unchanged. The absence of change (and what is referred to as 'excess experience') of very experienced but often overly conservative managers lowered the propensity to adopt ICT-related innovations and consequently have reduced the productivity performance of Italian firms (Daveri and Jona-Lasinio 2005). Both hiring conditions (increased use of temporary contracts) and wages (downward flexibility) have produced a fall in the relative price of labour and thus induced a substitution of capital for labour, thereby benefiting employment. The compensation per employee in real terms has not diverged significantly from that of other major European countries. However, it is the cost of the so-called 'marginal worker' that counts for the hiring decisions by companies and this cost has declined significantly in Italy over the past few years, notwithstanding relatively high average costs. The entry of relatively inexperienced and less productive 'marginal workers' had a negative impact on labour productivity. If constant returns to scale are taken into account, the effect of a supply shock would be negative if the marginal worker lacks behind productivity. Empirical evidence indicates that innovation and productivity growth was particularly low in firms with disproportionately high shares of temporary workers.

Another factor explaining the diverging dynamics of employment and labour productivity is immigration. The influx of immigrants into jobs entails a decline in capital use per worker. First generation migrants are typically employed in low-skill activities and in low productivity jobs. Moreover, regularization of the illegal immigrant work force contributed to bringing to light irregular employment, which had not previously been included in estimates, thereby depressing measured productivity growth. In Italy, as in other European countries, “job creation in the last decade occurred at the costs of low productivity growth” (Boeri 2009).

Thirdly, a shift from industry to services contributed to Italy’s overall relatively low productivity. The country’s service sector produces more than 72 % of value added. Over the past 10 years, net employment gains have mostly occurred in the non-capital intensive service sectors and some of these sectors were characterised by relatively low productivity levels and growth. Low-efficiency producers continued to survive in many sectors (Milana et al. 2008), and mark-ups in the service sector as a whole remained high. Failure to deregulate professional services had significant adverse effects on the productivity of several sectors. Reforms in the banking sector on the other hand were successful as they resulted in increased competition (Crafts and Magnani 2011). However, the reallocation of employment from sectors with higher productivity (typically manufacturing) to sectors with lower productivity (typically services) does not appear large enough to justify a sizeable impact on the whole economy. Looking at available data, the re-composition by sectors does not appear to be main cause of Italy’s relatively lower productivity over the past 10 years. The productivity slowdown in the private sector has to some extent been led by manufacturing. Industrial production started to decrease at the beginning of 2007. The ability and capabilities available to Italian firms to exploit favourable conditions varied through time. As discussed in Sect. 2 of this chapter, from the 1970s firms producing mass-consumption goods were unable to further develop economies of scale and increase productivity gains within the fordist model. Several sectors, such as the automobile industry, household electric appliances, the steel industry, the tyre industry and parts of the country’s chemical industries had reached the maximum optimal size of their plants or factories, meaning that any further advancement in productivity required a different and costly new organisation of the production process (Valli 1985).

Some other forms of economies of scale became important in new sectors such as micro-electronics and mobile phones. Small firms reacted, initially, by developing a locally-based model. Later on, however, Italian small firms were unable to meet the changes in the organization of the production process that a new technological context required. From the beginning of the 1990s, the gradual shrinking of the industrial sectors accelerated. We observe, therefore, a decline of several big industrial corporations operating in medium and high technology sectors. This trend was due mainly to the decrease of the rate of growth of intensive investment and to low insufficient investments into research and development and in tertiary education. The difficulty of achieving more product innovation and more ICT investments was the result of the small size of family-run companies. This has contributed, together with other factors, to a loss of systemic competitiveness and

the lack of innovation. Italy has continued to base its growth largely on small and medium-sized firms. An increased use of micro-electronics and telecommunication, flexibilization of production and of the labour market, greater recourse to subcontracting and firm networks, process and product innovations, delocalization processes and outsourcing practices were introduced. The average size of industrial firms decreased. The aim was to maintain an adequate increase of productivity in sectors in which traditional forms of economies of scale were less important. At the end of this process small and medium-sized enterprises accounted for more than 80 % of total employment and they represented a substantial share of industrial output and exports.

The diffusion of small-sized family-run companies in Italy can be explained by reasons related to efficiency and by historical and cultural factors. Empirical evidence demonstrates that family-run firms can generate higher returns as compared to other companies. The direct involvement of family members in the management of a firm and the presence of the founder seem to be relevant for its performance. However, family-run companies posed an obstacle to dimensional growth and were reluctant or unable to enter foreign markets. The presence of firms' family members on the company's board is a reflection of the persisting lack of contestability of firm property rights in the Italian capital market. Family-owned firms follow what the literature calls the 'fidelity model' of managerial talent, hiring their managers based on personal or family contacts, thereby neglecting a formal assessment of performance and competence. In many ways, the 'fidelity model' ends up selecting and keeping in office old managers who-to put it bluntly-are well connected to their shareholders as opposed to being connected to the market and market realities (Daveri and Parisi 2010). The high presence of small and medium-sized firms producing in industrial districts also explains Italy's 'anomalous' position in international trade potentially hindering its growth (De Benedictis 2005). Finally, supply-side reforms did not go far enough to change Italy's economic and socio-political context. In several respects reforms related to competition policy, regulation and privatization were either incomplete or inadequately implemented. From 1979 to 1999 the volume of privatization in Italy was impressive, second only to the UK. However, it was mainly aimed at reducing public debt. Only 30 % of the value of transactions involved a real improvement in governance and a transfer of control. Opportunities to introduce competition in utilities like electricity and gas were missed, and regulation was inadequate. In protected sectors privatization was simply conducive to increased quasi-rents as market power was exploited more fully (Barucci and Pierobon 2007). Changes in ownership and control structures (pyramids have been replaced by coalitions) have been quite limited, private benefits of control seem to have remained high, and the number of listed companies has increased only slightly (Bianchi and Bianco 2006). The effectiveness of company law reforms has been limited by established interests and by the deep-rooted Italian difficulties of linking economic and legal cultures (Ciocca 2007). The supply-side reform agenda was undermined by the inadequacy of Italy's legal system (Bianco et al. 2007) and by ineffective policies adopted by the government. A lack of administrative ability has strongly affected

economic performance. In all the governance indicators that are covered by the World Bank, Italy is significantly below other OECD countries. “And an even more damning picture is painted by survey evidence on overall infrastructure quality: in recent international comparisons of 125 countries, Germany was ranked 6th, Japan 16th and Italy 73rd (World Economic Forum, various years)” (Boltho 2011, p. 14). The low ranking of Italy in the World Bank’s *Governance Indicators* is a very clear indicator of this weakness. Productivity performance was impaired by different kind of regulations. Barriers to entry and mark-ups in retailing remained high on average with adverse consequences for TFP and labour productivity (Daveri et al. 2011). Only in districts where competition was stimulated by the 1998 regulatory reforms, both ICT investment and labour productivity increased (Schivardi and Viviano 2011). Italy’s competition policy framework adopted in the 1990s has been rated below average amongst OECD countries (Buccirossi et al. 2009).

4 External Constraints

The trends of the Italian economy have been always greatly influenced by the international setting and by the country’s level of integration in the world economy. Monetary union and the increased burden of fiscal policy have become constraints for Italian companies, especially for those operating in traditional sectors where the potential competition of emerging countries is higher. Up to 2000 the rate of increase of exports has always been higher than the GDP rate of growth. In the following period that trend has changed. Within the EU15 Italy used to have a market share in world trade second only to Germany. Italy now ranks below Germany, France and the UK. The loss of external competitiveness in the last decade has been particularly severe in some industrial sectors such as chemicals, micro-electronics, automobiles and pharmaceuticals. In the same period there has been the expansion of “Made in Italy” products. The success of the firms belonging to industrial districts and the good performance of several specialized supplier firms, however, has not been sufficient to sustain a relatively large economy such as Italy. Compared with other G7 economies Italy’s exports remain skewed towards low-tech and labour-intensive sectors such as textiles and footwear. This means that Italy is more exposed to competition from China and other dynamic Asian economies and is less well positioned to benefit from fast-growing sectors in world trade (Lissovolik 2008). The specialization of the Italian productive system in medium-low technology sectors mainly depends on the choices of the past. All this makes it more difficult to attain product innovation, to gain a place in the most dynamic sectors in foreign markets (Barba Navaretti et al. 2011). According to some authors size and family-owned firms are the main obstacles to the presence of more Italian small and medium-sized in foreign markets. The underlying assumption is that family-owned firms are more risk averse and reluctant to enter foreign markets, as foreign markets are perceived as more

volatile and risky than the domestic market, particularly when such choice means relatively high sunk costs.

However, the implications of the historical legacy reflected in this trade configuration should not be exaggerated. While since the mid-1990s, the Italian economy has experienced a sharp decline in competitiveness, the trade balance showed a deterioration only in 2008 and in 2009. Low productivity growth and the tendency for wage growth to outstrip productivity led to weak performance, at least judging by indicators such as comparative labour cost competitiveness. Unit labour costs have increased markedly in comparison to Spain, Germany and France. The economic debate on the Italy’s low international competitiveness has mainly focused on structural issues such as Italy’s unfavourable market specialisation, biased towards low technology production and toward small-sized firms unable to compete in economies of scale in an increasingly global market. Only few contributions have tried also to address the apparent contradiction between rising export prices and declining competitiveness. Italy’s average unit values of exports (i.e., export values divided by quantities) can be considered a proxy for export prices. They have continued to increase over the years, leading to what Codogno calls a “puzzle” (Codogno 2009). The evidence of this trend is supported by qualitative sectoral data on prices on export markets. Since 2002 Italian exporters, especially those in traditional sectors, have increased export prices more than domestic prices in the face of an appreciation of the euro exchange rate and increasing competitive pressure (Basile et al. 2009). Because of these increases the gap with other European countries has widened.

It is possible that the broad-based export recovery recorded since 2006, particularly when exports are measured in value, was simply cyclical, and that exporters have preferred to increase prices rather than to recover market shares. However, rises in export prices above those of other competitor countries have been recorded for many years. While Italian exporters were able to protect profit margins at the expense of market shares, protecting profit margins is usually a short-term strategy that cannot be sustained over the long run. “Thus, this is not believed to be a valid explanation” (Codogno 2009).

Some other explanations of this apparent puzzle are possible. According to the OECD, the correlation between Italy’s sectoral specialisation and that of rapidly growing Asian economies is positive and the strongest amongst industrialised OECD countries (and it has further increased over recent years). The Balassa index shows that there has been a small decline in traditional ‘Made in Italy’ products since 2000 but the overall shift was limited (OECD 2009). The value of the specialisation index in traditional sectors remains extremely high (as in Spain). Under the pressure of newly industrialised countries, Italian exporters could have relocated low-quality production to low-cost countries while competition from low cost producers could have forced some companies to exit the market. Both phenomena would have resulted in a re-composition of the export mix towards the high-end of the quality and price scale, justifying the increases in the export deflator recorded over the past few years.

A strategy to upgrade the quality of domestically produced goods in terms of marketing, design and content, might also partly explain this phenomenon. This would have allowed exporters to increase prices. Empirical evidence seems to support this view. It could be argued, however, that the OECD classification by technological content is not truly representative for the level of the sophistication in production. In fact, a low-technology product with a high content of design, branding and highly complex production processes, as it is often the case for Italian products, may no longer be considered as low technology. Yet, adopting this metric, the shift in product specialisation has been small for Italy, and the metric is unable to explain the rise in export unit values. Closely linked to the previous point is the increase in pricing power of exporters. The higher the complexity of production, the greater becomes the ability to include functional and features related to design to sell at higher prices. An increasing number of companies appear to enjoy higher pricing power in several sectors and especially in the traditional ‘Made in Italy’ sectors. Italian exporters have been able to practice mark-ups over marginal costs in most markets despite intense competition from low cost producers, thereby showing increasing market power. Deep restructuring in the Italian industry over the past few years may have put surviving exporters in a substantially better position than in the past, thereby allowing them to move upscale in terms of product quality and thus to increase prices.

Measurement errors or informational limits of aggregate data, finally, could be an alternative explanation. Price competitiveness problems may also be overstated by simply looking at average labour costs for manufacturing or for the whole economy. Export unit values (i.e., export values divided by quantities) are not fully indicative of underlying export prices, because they combine changes in both prices and product mix. Competitiveness measures, such as the real effective exchange rates, are based on average unit labour costs, which have increased sharply. However, if the deterioration in labour productivity is overstated, that of unit labour costs would similarly be overstated, as would be the competitiveness losses measured on the basis of unit labour costs (Codogno 2009).

Finally an explanation of rapidly declining competitiveness without a collapse of Italian exports can be found in the increasing heterogeneity of Italian firms. Aggregate statistics capturing unit labour costs in an aggregate way conceal the fact that they include exporter firms which use different technologies or that have reallocated some stages of the production chain in countries in which the cost of labour is lower. Some firms export a large share of their output in several and far away markets. They are relatively large, endowed with a high share of human capital and they use more advanced ICT technologies. Some other firms can benefit from the geographical unbundling of economic activities (Grossman and Rossi-Hansberg 2008; Beretta and Targetti 2011) made possible by the gradual reduction of the cost of trading goods, moving people and sharing ideas. “This new dimension of globalization has, on the one hand, exaggerated the underlying weaknesses of Italy, but, on the other hand, has made it possible to some successful firms to penetrate very large and rapidly expanding markets” (Boeri 2009, p. 5).

5 Open Questions

As mentioned above, Italy suffers from one of the world’s highest public debt-GDP ratio. Public debt, which was created in the 1970s has grown sharply in the 1980s and from the beginning of the 1990 was only slightly reduced. This is partly due to fiscal policies, which over many years were incompatible with the constraints imposed by European monetary union. Italian public debt had risen sharply in the 1980s and from the beginning of the 1990s it was only slightly reduced through the adoption of more rigid restrictive economic policies. After World War II, until the 1960, public expenditures followed GDP growth trends, leading to growth in real terms and to a decreasing trend in the public debt. The public debt-GDP ratio was substantially stable until the beginning of the 1970s. After that it started to increase rapidly while throughout the 1990s it was reduced significantly. However, from the beginning of this century the rate of decline of Italy’s public debt slowed down. In 2013, the ratio has reached roughly the level of 130 % of GDP and the interest paid for the public debt are an increasingly large share of the country’s current public expenditures. Consequently, the rate of public investments is relatively low.

In comparison to other highly-industrialised countries, Italy’s economy has shortcomings in areas such as research and development, human capital formation and infrastructure. Whereas in terms of the quantity of education Italy was able to catch up, it is still lagging behind in terms of quality. Recent empirical evidence on students’ competencies is unambiguous. The picture is especially bleak with regard to cognitive skills as measured by international tests such as the OECD PISA studies. Italy now ranks very low, especially in mathematics, and its average performance has been declining steadily since the mid 1970s, in sharp contrast to countries like Finland and Sweden (Hanushek and Woessmann 2009). The econometric evidence suggests that these shortcomings have adverse effects on growth. Among the possible reasons for the relatively low quality of education in Italy, we must exclude a shortfall in educational spending; on the contrary, Italy spends more per student than many other countries, which achieve comparatively better results. Instead, a relaxation of educational standards in the past and an inability to adopt reforms seem to have played a significant role (Bertola and Sestito 2011). Italy lagged behind other countries especially in terms of lack of autonomy of schools to provide incentives for teachers (Boarini 2007). In the above-mentioned ‘golden age’, the lack of formal education was not a relevant constraint on growth because informal knowledge formation such as on-the-job training compensated for the shortcomings in formal education. However, at more advanced stages of technological development, the gaps in formal education, in particular tertiary education, mattered due to the role of advanced and higher education in fostering innovation (Bertola and Sestito 2011). Italy’s rapidly ageing society too became another obstacle to economic growth. Today, Italy is burdened by an increasingly low fertility rate and the fall of the country’s birth rate has been particularly sharp since the 1970s, meaning that the slow increase of Italy’s

population over the last three decades is mainly due to growing immigration. In 1973 Italy has ceased to be a net emigration country and has become a net immigration country. Although immigrants are usually relatively young, the overall population is one of the oldest in the world, with a big and growing share of people over 65 years old. This fact, plus the generous pension and public health system built over time and only partially reformed in recent years, led to rapidly growing expenditure for pensions, health care and social assistance. Italy has fallen into an old-age trap, a decade-old self-reinforcing system, within which the older generations have used control of the political system to prevent new generations (the most dynamic and innovative part of the population) from getting a 'slice of the pie' of economic prosperity. Young people used to believe that, once old and with access to power, their own pensions would at least be as high as those of previous generations. Instead, the gerontocracy has simply realized older generations' dreams of equity and social security at the expense of today's youth, which is confronted with the burden of public debt.

Demographic trends, and the absence of efficient family policies have not created the basis for a social contract between the country's older and younger generations while high levels of public debt continue to have a negative impact on welfare benefits. Furthermore, globalization, a low-quality educational system, and weak institutions generate uncertainties and insecurity among young people, further hampering the prospects for economic growth. The consequence is that Italians leave their parental homes at a much later age than young people in other industrialised countries.

A consequence of the current global financial crisis is the rapidly and persistent high youth unemployment. Italy is an extreme case, due to the fact that even highly-skilled young or relatively young workers have met increasing difficulties to find work. In fact, Italia's young generation risks becoming the first generation in modern history that is worse off than its predecessor generations. It comes hence as no surprise that 79 % of the job losses generated by the recent financial crisis are attributed to young and precarious workers (Schiattarella 2010). While from 1997 to 2007 the labour market had quite successfully coped with a growing labour force due to both immigration and rising female participation in the labour market, and, at least partly, due to earlier labour market reforms that introduced a considerable degree of flexibility in to short-term contracts, the recent financial crisis have reversed those positive trends and developments of the labour market. One of the most important structural problems of the Italian economy remains the wide economic gap between the country's centre-north and south in terms of economic performance. The ratio of GDP per capita between the richest Italian region (Trentino-Alto Adige) and the poorest one (Calabria) continues to remain high. The official unemployment rate in the country's southern region is more than four times the rate of the Italy's northern regions: the employment rate of the south is about 70 % of the one of the north. Although some parts of the country's south have recently made progress in terms of presence of small and medium-sized enterprises, such as the setting-up of new industrial districts as well as the construction of a few new modern plants (St Microelectronics in Catania e.g.), the economic and social

conditions in large parts of the Italy’s south remain bleak. While other structurally weak European regions are making progress towards reaching the euro area average in terms of income, Italy’s south is simply not catching up. Migratory flows towards the centre and north parts have once again become substantial, affecting large numbers of young people, including those with high levels of education, impoverishing the human capital of the country’s south. The participation rate in the labour market remains among the lowest in Europe, above all for young people and women. One fifth of employment in southern Italy is still irregular, more than double the rate of the centre and northern parts of the country. To be sure, the rate of irregular workers in northern Italy is still significantly higher than in Germany, France or the UK. The negative economic performance of Italy’s southern regions over the last thirty years shows very clearly the failure of regional policies. While the structural funds spent for economic development in southern Italy were indeed remarkable-comparable with those provided to southern Italy throughout the period of the above-mentioned ‘golden age’. However, Italy’s central and regional governments were over decades unable to use those funds efficiently and for the promotion of sustainable economic development. The factors hindering growth of the southern economy over the last twenty years are the same, and continue to stand in the way of economic growth of the Italian economy today. Investments into education, a functioning judicial system are factors, which promote growth and productivity. The absence of both in Italy in general and southern Italy in particular explains much of the unsatisfactory performance of the Italian economy. In fact, the ‘southern question’ is today more than a mirror of Italy’s overall economic and social difficulties (Cannari and Franco 2009).

Finally, inequality and poverty in Italy continue to grow. During the early 1990s, income inequality and poverty grew rapidly in Italy. It went from having levels close to the OECD averages to levels similar to those in other southern European countries. Inequality has stayed at that comparatively high level since then. Italy now has the 6th-largest gap between the rich and the poor of all 30 OECD countries. Income generated from work and savings have become 33 % more unequal since the mid 1980s (OECD 2008). This is the highest increase across OECD countries (with the average increase being 12 %). The rich have benefited more from economic growth than the relatively poor and the middle-classes (OECD 2008). Italy has only partly offset the growing gap between rich and poor by increasing household taxation and through increased spending on social benefits for the country’s poor. This is unusual. Italy is one of only three OECD countries to increase spending on benefits for the poor over the past 10 years.

6 Conclusions

Italy’s deep-rooted structural problems—having led to the above-mentioned low productivity—had weakened the Italian economy long before the financial crisis. Unless policy actions are taken, structural weaknesses will continue to weigh on

the Italian economy even if and when it enters a phase of recovery. Indeed, innovation and investment opportunities may continue to remain scarce because the prospects for increased demand are likely to continue to be below expectations and the real costs will continue to remain high. What's more, some of the increase in unemployment is structural and many workers will find it hard to return to the labour market as industrial restructuring will come to the end. To resume economic growth in Italy, many structural reforms are needed, amongst them labour market reforms. Furthermore, not only new and effective monetary and fiscal policies must be adopted quickly, but also and indeed above all changes to Italy's administrative and industrial policies are necessary. It is imperative to reduce the various kinds of dualism: dualism between the country's north and south, between industries using and not using advanced technology, between regular and temporary workers, between large and medium and small-sized firms, between relatively protected old and unprotected young workers. Furthermore, efficient policies addressing youth unemployment and growing inequalities and poverty must be adopted.

Since the end of World War II, the growth of per capita income was rapid until the beginning of 2000. Living standards were among the highest in the world, because of a relatively generous pension system. Today, however, Italy's economy and economic structures are subject to a number of factors standing in the way of sustainable recovery and growth. The relative lack of substantial reforms in years of economic growth is one of them and the public debt that was created then is still burdening the country today. This is partly due to a fiscal policy that in most years of this century was not compatible with the constraints imposed by European monetary union. Italy's tax evasion rate is still very high and hampers public debt reduction. The distorted composition of public expenditures, the decline of the country's manufacturing sector industry and insufficient investments into research and development had a negative and lasting impact on the country's competitiveness. Reducing the above-mentioned structural weaknesses is imperative to increase investments in research, infrastructure and human capital and to reduce the high dependence on energy imports. Administrative inefficiencies too, reflected, inter alia, in poorly working institutions, stand in the way of economic growth. A ruling class above all oriented at short-term profits instead of long-term commitments and gains, was over the decades unable and unwilling to initiate and adopt the needed structural reforms. Shortcomings deriving from the institutional and political settings and the inefficiency of the public administration contributed to what is referred to as Italy's years of 'lost opportunities'. The failure to adopt economic and structural reforms over the last 15 years has resulted in the absence of economic growth and the failure to resolve the underdevelopment of the country's southern regions is the proof of the inability of the Italian state to efficiently run a modern economy. The country's *Mezzogiorno's* relative backwardness has hardly changed and continues to have a negative impact on Italy's economic growth rates.

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Ageing, Debt, and Growth Crises: Two Forerunners

Martin Schulz

Abstract High levels of public debt and frustratingly low growth in Japan and Italy have a common root: an ineffective response to the challenges of demographic ageing and globalization. Both countries do not have large governments living beyond their means but have been running deficits to stabilize their economies while income generation shifted from young to old and demand shifted from industrial manufacturing to services. The chapter follows the reactions of ageing corporations, households, and governments to show that debt crises in mature economies are growth crises that require proactive policies to shift the equilibrium from preserving wealth and vested interests to renewed income generation and innovation.

1 Introduction

Amidst a slowdown of growth and exploding public debt in mature economies around the globe, it is worthwhile to look for common roots in some of the issues that are haunting a number of OECD countries today. Japan and Italy are perhaps the two most interesting cases. Until the 1980s, both countries had been forerunners in economic growth in Europe and Asia for almost 30 years. This changed when an ‘Italian disease’, linked to exploding pension costs, public debt, inflation, and devaluation, turned the Italian economy into an increasingly worrying case of political and economic deadlock. One decade later, a ‘Japanese disease’ took root in Japan after a financial crisis in the early 1990s and infected the economy with exploding public debt, crippling deflation, and decreasing competitiveness.

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While much of the blame in both countries has been put on governments' inability to counter these issues with effective reforms, Japan's extreme experience of changing fortunes from boom to lasting bust has shed some additional light on a root common to both countries' unfolding debt crises: demographics and ageing societies seem to have played an important role. Japan had turned from being one of the youngest industrial economies to the being the oldest in just 20 years. Between 1994 and 2013, the group of 65 plus years old had doubled to 43 % of the working age population. In Italy many of the same forces have been at work earlier, albeit in a more slow-rolling manner: a rapidly ageing and deindustrializing society coupled with governments that tried to 'lean against the wind' of such structural change by filling the gaps of slowing demand, corporate defaults, changing labor markets, and the looming retirement of a wave of baby boomers.

Although both Italy and Japan are today often seen as basket cases in terms of economic growth, both governments can claim some success in terms of stabilizing the economy on objectives that might be particularly important in their respective ageing societies: Italy managed to accumulate one of the highest levels of private assets in the world (872 % net wealth to disposable income versus 526 % in the US), but was also able to preserve a high level of manufacturing output at small family-owned firms, which are the backbone of the economy. Japan managed to keep employment at very high levels (unemployment never exceeded 6 %) and kept government consumption among the lowest in the OECD while weathering the greatest ageing-related drop in domestic demand of any economy.

However, there was a high price to pay. Costs and regulation are now haunting the economies, governments are trapped in managing their debt (service costs), and the economies remain burdened by uncompetitive industries and low growth, profits, and (real) interest rates on household savings. Future-oriented, but costly policies that would increase the long-term potential of the countries by improving public education (especially universities), health sector reform that allows for innovative services, and corporate governance improvements for faster internationalization have been on the backburner.

The positive and negative consequences of such policies are shown in the macro indicators below. Over the last decade, Japan was still growing strongly when adjusting economic growth rates for population growth. While Japan was growing just 1 % between 2000 and 2010 in real terms, significantly slower than the US at 1.6 % and Germany at 1.2 %, this relation changes for GDP per capita growth: Japan was growing 0.8 % per year, a little faster than the US and only slightly slower than Germany (1.1 %). In terms of per capita of working population, Japan was even growing faster than Germany, and, at 1.5 %, almost twice as fast as the US, where immigration added strongly to working age population. But most of this strong performance has been achieved by an unsustainable expansion of public debt and finance. Italy, on the other hand, is already one decade ahead of Japan in terms of debt retrenchment, and was not growing at all during this period, which kept unemployment at high levels. Italy's household debt, on the other hand, is at the lowest level amongst its peer group. Finally, in terms of future oriented potential, both countries have been performing

comparatively poorly on exports to China, the world's biggest emerging market (see Fig. 1).

Today, it even seems to be difficult to discuss and build future-oriented policies in both countries because the costs of the past weigh so heavily, and resignation about policy deadlocks has become ingrained. As Jean-Claude Juncker quipped famously: "We all know what to do, we just don't know how to get re-elected after we've done it". In both countries, nobody seems to know how to break deadlocks with vested interest groups in order to get growth policies started. In Japan, a 'come back' Prime Minister Shinzo Abe, currently hopes to prove this resignation wrong, which has created an enormous interest and even a new term for kick starting growth in an ageing economy: the so-called 'Abenomics'. But the policies recopies remain very conventional: printing money for the government to spend, and hoping that the spending spree can be used to coerce powerful interest groups in agriculture, construction, energy, and health care into productivity oriented structural reforms and deregulations. It remains to be seen how many reforms will actually implemented under Abe, or if Japan will instead simply add inflation to the catalogue of its policy problems through the economic policies announced by the Japanese government since it took office in December 2012.

Rather than comparing economic structures and policies in Japan and Italy, this chapter will focus on analyzing more long-term ageing-related structural shifts and how they have been affecting government policies, growth and debt accumulation. This is aimed at contributing to a better understanding of the challenges of economic policy in ageing societies, and perhaps even to more sustainable 'age conscious' growth policies.

2 Slowing Growth and Increasing Debt

The slowdown of growth in Italy and Japan has been rightfully blamed on a political inability to implement a broad range of structural reforms in labour markets, governance, and social security and taxes. But it certainly were not only wrong policy choices that turned the former leaders of economic growth into laggards. The slowdown of growth came first, and policies that did not contribute enough to trigger an economic 'turn-around' came later. While the steep increase of public debt in Italy seemed puzzling at the time, Japan's much more extreme experience from the 1990s has now put the spotlight on a common factor in the slow-downs and political gridlocks in these "mature" economies. When demographic ageing turns a 'demographic dividend' into a deficit, it is not just the ballooning costs of extensive social security that slows down the economies. Structural problems run much deeper. Demand shifts from (comparatively) high-productivity manufacturing production to highly regulated services such as health and finance. With fewer young people, overall demand slows and fewer employees and entrepreneurs invest themselves into companies at low wages for future (career) pay-outs. Risk capital starts to flow from corporations to government

bonds and (relatively) unproductive real estate. Government policies shift from building up productive education and infrastructure to supporting declining industries and filling gaps in underfunded social security nets.

Historically, the slowdown of potential growth rates in Italy and Japan during the 1990s came after previous 'shocks' such as increasing exchange rates after the end of the Bretton Woods system in the early 1970s and the following oil crises. But these factors weighing on the economies were mostly seen as 'exogenous'. The economic stagnation of the 1990s in Japan, on the other hand, was due to domestic causes. It followed a bursting real estate bubble in 1991, which turned into a banking crisis that lasted for a full decade, until growth rates stabilized, amounting to a modest one percent of GDP. In Italy, which was still growing stronger than its European peers during the 1980s, the growth crisis evolved in the aftermath of a real estate bubble (as in Japan and much of Northern Europe) and a European currency crisis. That, however, came less as a surprise than in Japan as public massive debt had been built up before which had to be reduced. Potential growth therefore fell significantly, but less than in Japan and still within reach of its European peers. As we know today, growth in both countries never recovered to long-term EU levels of just above 2 % or US levels of above 3 % (which include almost 1 % growth contribution from immigration) (see Fig. 2).

The explanation of what happened is much easier for Italy, which went into its 1990s crisis with (at the time) extreme levels of government debt above 100 % in net terms. This debt had been built up during the 1980s, consecutive Italian governments tried to stabilize growth, employment, and pensions that had suffered after the first structural slowdown during the 1970s. While political pressure to reduce deficits had been building along with those deficits and increasing debt service costs, the European currency crisis became a decisive watershed because it was feared that Italy would have to leave the European Monetary System (as Britain did). In 1992 and 1995 Italy's Cabinet Office and the Treasury implemented reform packages to cut pension benefits (Alesina et al. 2001), in particular those for self-employed workers and public employees. As a result, Italy faced budget cuts and a slowdown of private demand when other European governments could buffer their economies with public spending when the market reforms for the run-up to the Euro threatened to slow growth during the 1990s.

While Italy's public debt exploded within just over a decade between 1982 and 1994, when net public debt increased from 50 % of GDP to 110 %, the root of the problem had been evolving since the 1960s. At the time, strong growth and benign demographics resulted in a major expansion of the pension system, mostly driven by unfunded ('pay-as-you-go') claims that became unsustainable when birth rates began to fall faster than growth rates in the 1970s. In the inflationary environment of the 1970s, when increasing costs and slowing growth seemed to be driven by external threats (exchange rates, oil prices) and not internal imbalances, the use of government debt to make up for 'demand gaps' ran into little resistance.

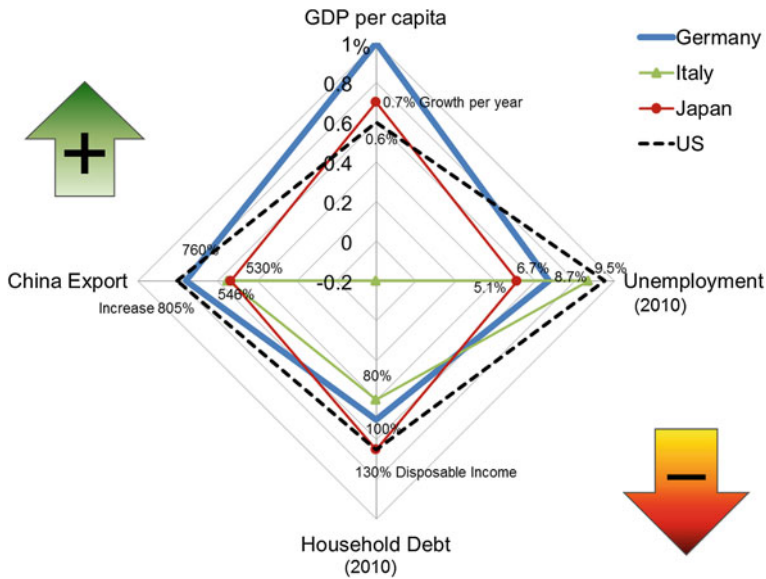


Fig. 1 Economic performance comparison 2000–2010. *Note* GDP average annual growth rate; exports to China as percent increase 2000–2010 in USD terms. *Source* © FRI 2012. *Data* World bank, IMF, Economist (2011.02.03)

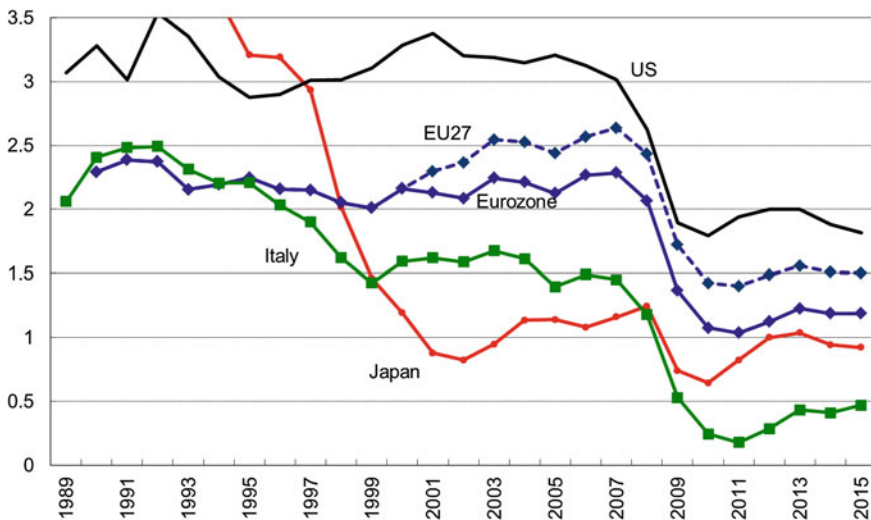


Fig. 2 Slowdown of potential growth rates in mature economies. *Note* 10-year moving averages roughly correspond with long-run potential output growth. Pre-Crisis data are from IMF-WEO 2008.04, post-crisis data from IMF-WEO 2013.01. *Source* © FRI 2013. *Data* from IMF WEO

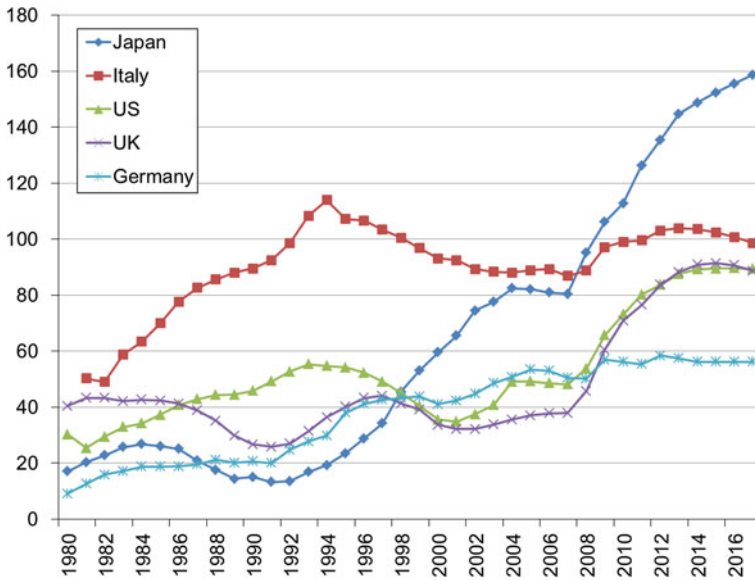


Fig. 3 Public net-debt as percent of GDP. *Note* Comparison on USD basis. *Source* © FRI 2013. *Data* IMF (2013)

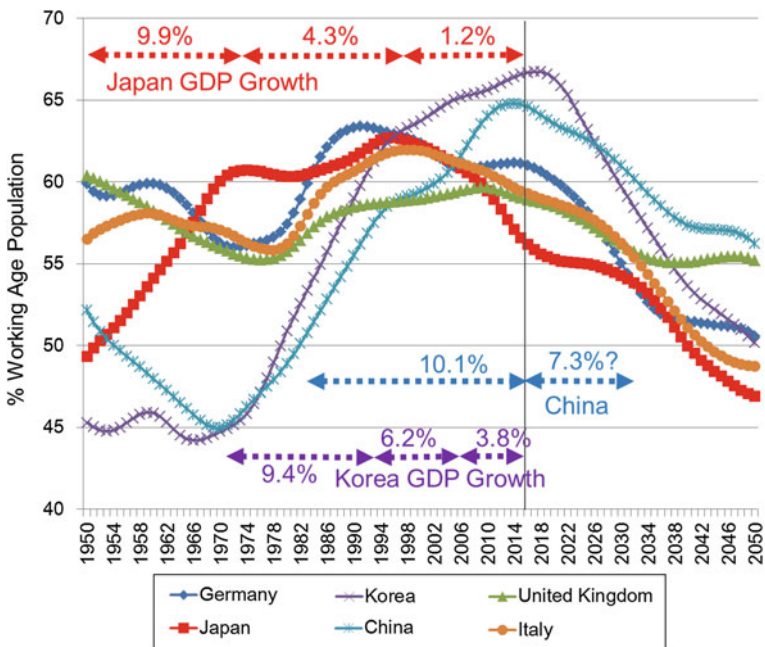


Fig. 4 Share of working age population and growth rates in Asia. *Note* Aggregates based on 2,000 prices. *Source* © FRI 2012. *Data* UN, national accounts; SNA93

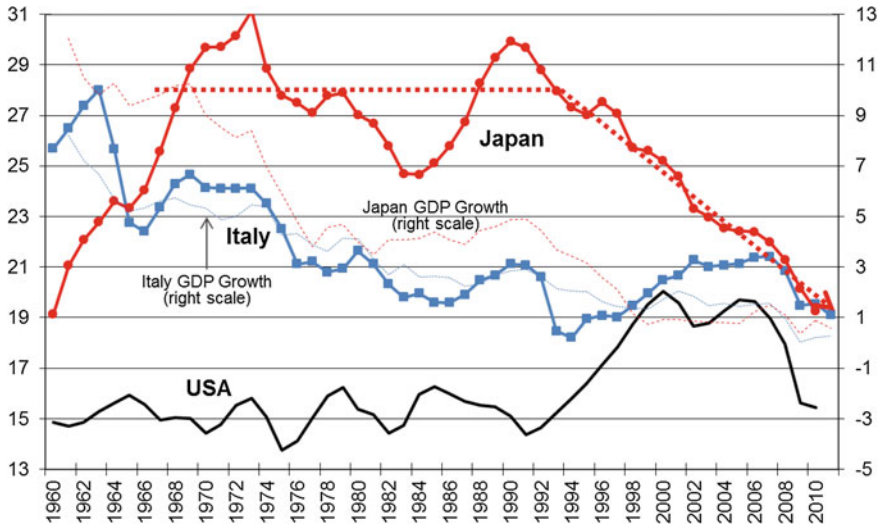


Fig. 5 Investment rates (% GDP) and economic growth. *Note* Ratio of gross fixed capital formation over GDP in year 2000 prices. The dotted line is the centred 2-year moving average of the GDP growth rate. *Source* © FRI 2012. *Data* World Bank (2012), CEIC (2012)

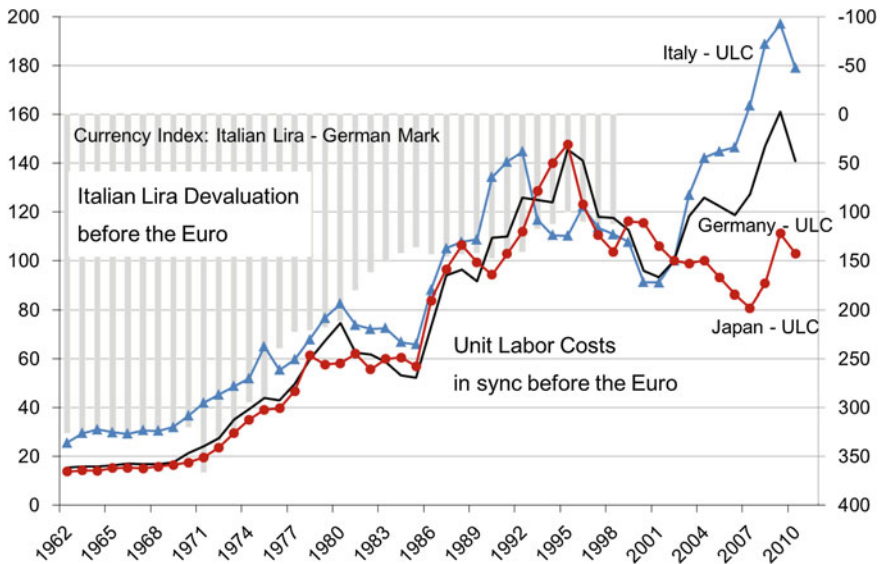


Fig. 6 Unit labor costs (2002 = 100) and Lira-DM exchange rate (1995 = 100). *Note* BLS unit labor costs for the manufacturing sector on USD basis. Currency index based on IMF Lira currency index minus German Mark currency index. *Source* © FRI 2012. *Data* from Bloomberg (2012), IMF (2012), BLS (2012)

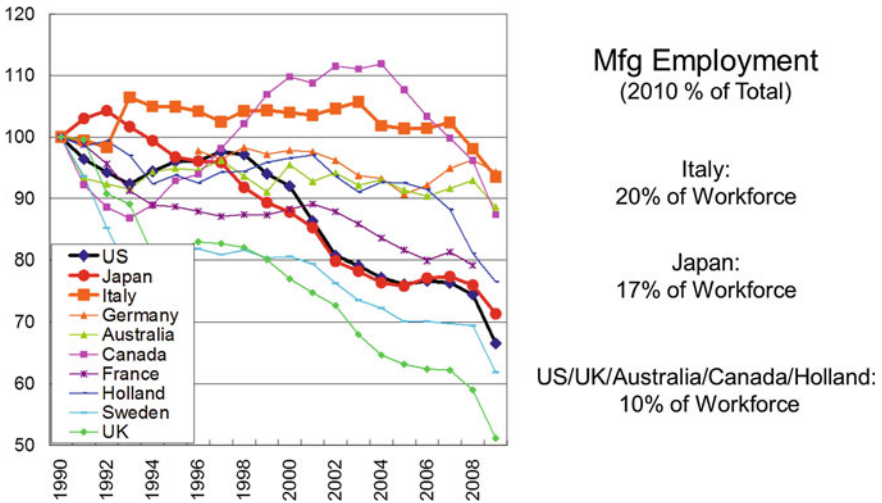


Fig. 7 From industry to services—manufacturing employment. *Note* Index (1990 = 100) based on employed persons. *Source* © FRI 2010. *Data* from BLS (2010)

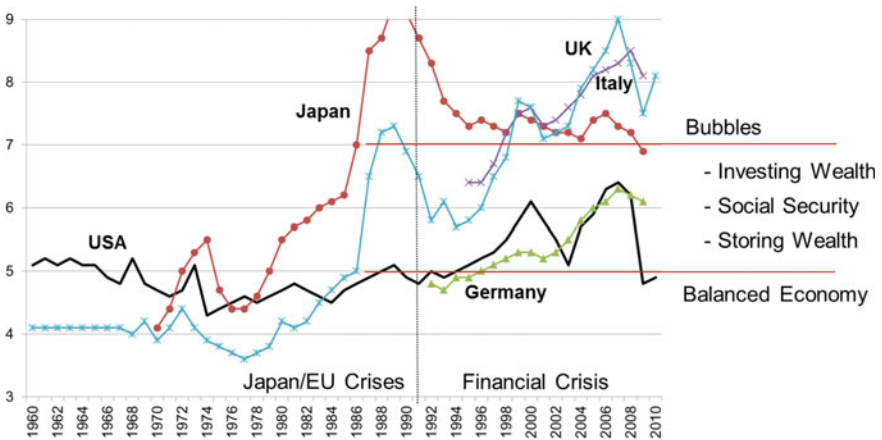


Fig. 8 Household wealth to income ratios. *Source* © FRI 2012. *Data* from Credit Suisse (2012)—Global wealth report

Furthermore, deficit spending seemed reasonable at the time because the government kept overall government consumption and the expansion of the welfare state at levels well below its European peers. Debt was increasing not in order to finance the government, but to buffer structural changes that were affecting Italy’s traditional industries, in particular ageing SMEs and their owners. By funding pension contributions the government not only helped stabilize manufacturing

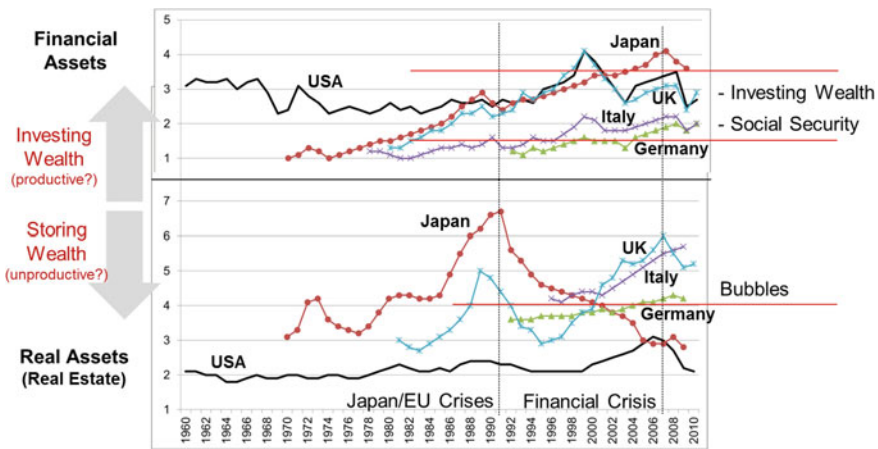


Fig. 9 Household wealth-to-income ratios. *Source* © FRI 2012. Data from Credit Suisse (2012)—Global wealth report

employment in tough competition with a growing Asia, but it also offered a benign way of ‘retirement’ for companies that felt too old for significant changes in their business models and had lost hope of staying competitive.

It therefore came as a rough awakening when spiking real interest rates in the middle of the 1980s demonstrated how high the real costs of Italy’s debt had actually become. As will be discussed below, government debt had to be decreased while capital and labor costs were increasing rapidly. Still, against all odds, the government managed to reduce overall debt levels below 90 % net debt to GDP. But lower government deficits did not result in stronger growth, even when capital costs fell to very low levels after Italy joined the Eurozone and gained from growing capital inflows. Italy has therefore been particularly vulnerable to the global financial crisis 2008, which pushed debt levels up again. Today, Italy is among the countries that show how much unsustainable public debt levels can depress economic growth in the long run (Reinhart and Rogoff 2009, 2010; IMF 2012).

Japan’s initial crisis and the following fall of potential growth rates were much more extreme than developments in Italy. Within one decade of Japan’s (real estate) bubble bursting in 1991, growth rates fell from above 4 % per year during the 1980s to levels of around 1 % after 2001. And, unlike in Italy, this drop did not coincide with restrictive government policies that had to tackle an existing public debt overhang. Japan’s ‘lost decade’ evolved despite extremely expansionary fiscal and monetary policies. In Japan, the economy had run into crisis with net public debt levels of just slightly above 10 % of GDP and a (still) very low social security cost burden. This benign situation changed very fast, however. Gross public debt

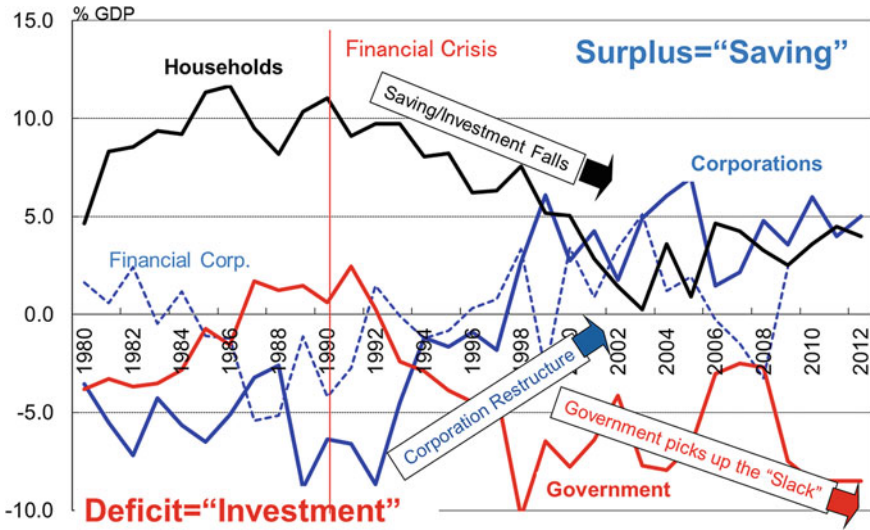


Fig. 10 Shifts in sectorial financial balances. *Note* Financial surplus and deficit by sector as % of GDP (saving-investment balances). Aggregates based on 2,000 prices. *Source* © FRI 2012. *Data* National Accounts; SNA93

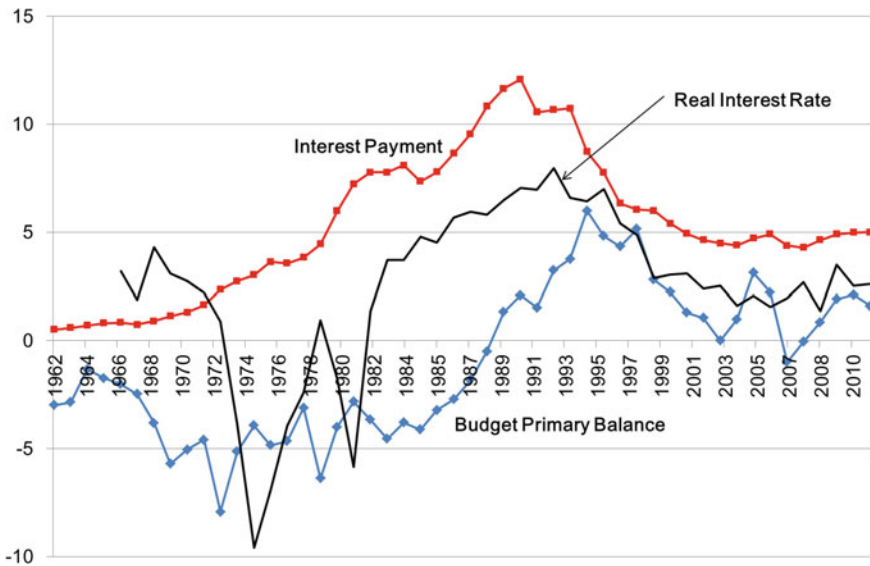


Fig. 11 Italian budget deficits, real interest rates and debt service (%). *Note* Real interest rates based on OECD data, long-term interest rates, and CPI. Primary budget balance and interest payment as % of GDP. *Source* © FRI 2012. *Data* OECD (2012)

skyrocketed from 66 % of GDP in 1991 to 235 % in 2012—an astonishing growth of 8 % per year for 20 years (see Fig. 3).¹

Within a decade, and almost exactly a decade after Italy, Japan had gone from being an ‘Asian economy’ with a small government, little public debt, and high levels of private savings and investment, to being a ‘European economy’ with slow economic growth, increasing social security transfers, and rapidly growing public debt. By the late 1990s, it had surpassed the debt levels of its European peers, and by 2007 it had caught up with Italy’s debt levels. After the global crisis it went into overdrive and accumulated the highest debt levels of any major country. Today, net debt in Japan is in uncharted territory beyond 120 % GDP (235 % in gross terms), with prospects of a slowdown of debt accumulation only likely after 2016, when social security contributions will be indexed to economic growth and the value added tax will have been increased from 5 to 10 %.

What went wrong in Japan? Over the last twenty years, explanations of Japan’s troubles have shifted from the consequences of the bursting of the country’s financial bubble to insufficient policy reactions, and finally to a factor distinctive for Japan and largely ignored by economists before: the rapid progression of demographic ageing and its impact on long term growth even at the per capita level. Unlike Italy and much of Europe, where a slow progression of demographic ageing might have added to political and economic ‘sclerosis’ with deteriorating growth and increasing debt levels, Japan passed the benchmarks of a ‘young’ economy with 7 % pension age population to an ‘old’ economy with 14 % beyond pension age in just 24 years.

Figure 4 shows Japan’s extreme demographic development in comparison with those of other Asian countries as well as Germany and Italy. A young population strongly contributed to economic growth in the 1960s, not just by working and consuming, as Europe’s high share of working age population had done already during the 1950s, but by saving money and investing themselves in a ‘life-time employment’ system with initially low wages. An increase of 10 % points in the working population held enormous potential under such conditions. Investment rates shot up beyond 30 % of GDP, allowing new capital accumulation and technology to be adopted. Surplus production turned into exports, connecting the economy to international markets and opening sectors to competition and productivity gains. Young employees accepted low wages while investing their time and skills towards future income. Taxes were flowing into productive infrastructure development. In short, Japan became the forerunner of Asian input-driven ‘miracle’ economies.

Increasing exchange rates and the oil crisis of the early 1970s interrupted this growth story for the first time. The collapse of the post war growth model, built on

¹ These public debt data are quoted as gross debt to GDP ratios, as is common internationally. Due to the nature of Japan’s complicated public investment programs and multitude of government agencies, the following graph and the comparisons below will be expressed in “net” debt terms, i.e. excluding intra-government credit, which is particularly large in Japan, as well as counterbalancing government assets.

increasing domestic inputs of labor and capital while exporting a growing share of final products, coincided with a slowdown in demographic growth, which pulled demand down even further. Japan's economy was overshooting its potential, wages exploded, a first housing bubble evolved, and strong inflation followed. Growth rates halved after this. The impact on Italy, where demographics had turned negative already, was a recession and a significant slowdown of potential growth. Fortunately, however, demographics turned positive again for Japan and Europe during the 1980s because a generation of so-called 'echo boomers', i.e. the children of the post war baby boomers, entered the working population. Potential growth rates recovered to above 4 % in Japan during this period, and growth in Italy accelerated beyond its UK and French peers.

However, the seeds of a more lasting recession and slowdown during the 1990s had already been planted. As will be shown below, corporations and households significantly shifted their strategies and behaviour. Without significant changes in government policy, corporate strategies, household entitlements, demand and investment opportunities were not holding up with potential growth resulting in two very different but equally challenging structural changes. In Italy, where investment rates were falling almost as fast as in Japan, unemployment shot up and the government started to fill the demand gap by increasing the public deficit. In Japan, companies and households in their prime started to invest again, but this time not in increasingly scarce productive opportunities, but in real estate and so-called 'overseas trophy assets'. The result was a bubble that, when it burst, replicated the Italian demand vacuum and its counterbalancing policy reaction at an even grander scale.

3 Debt Crises in Mature Country are Growth Crises that Require New Solutions

The slow-rolling sovereign debt crises in Italy and Japan are growth crises at heart, and demographic ageing played an important role. When growth slowed and economic structures changed, governments tried to buffer structural changes by boosting their expenditures, especially for social security, and by maintaining tight control over labor markets. Furthermore, the governments extended financial support to corporations and regions that had economically fallen behind. These have always been important government policies in 'young' economies, where structural change can overwhelm agents (regional governments, corporations, and households) while the potentially negative effects on productivity growth and public deficits can be balanced by (more) stable future growth. The problem for ageing societies is that such policies remain among the preferred tools of governments, although losses in productivity cannot be recovered anymore without reducing future growth.

In ageing societies, leaning against the wind of structural change becomes even more tempting for governments because ageing households and corporations have become more conservative. They have become more interested in stability and weigh the risks of changes more carefully because it has become more difficult for them to recover when fortune turns against them. A disruptive growth crisis that results in the adjustment of claims, incomes, and opportunities has become less acceptable. However, with lower growth and diminished expectations, the already accumulated level of existing debt and pension system claims quickly become unsustainable. More innovation and competition, the main pillars of effective 'growth' policies, would have to fill the widening gap between potential and expectations, even in an age of diminished expectations.

Unfortunately, without pushing out 'the old' it becomes increasingly difficult to bring in "the new" (Schumpeter). This produces a very challenging situation for governments: they face increasing demand for stability from their constituencies on a microeconomic level, while ensuring such stability on a macroeconomic level requires promoting productivity and change, with potentially less stability on the microeconomic or individual level. One solution of this dilemma is to encourage exports and globalization of existing products and technologies. Unlike Japan and Italy, Germany has successfully taken that road. However, while emerging countries naturally go this way when narrow domestic markets limit the growth of new and cheap products, ageing economies and producers find this route more challenging. While learning new tricks has become naturally more challenging for them, they also need to sell mature and expensive products into young and emerging countries. Governments would not only have to passively support such exports with free trade agreements, but to actively encourage such globalization by closely integrating their economies in internationalization (as Germany and Italy did in the EU).

At the same time, ageing economies are also facing the increasingly vested interests of established networks and deeply ingrained rules of the game that might not fit the new environment anymore. In Italy and Japan, this can clearly be seen when contrasting their governance models during their high growth periods with their current regimes. Then and now, while both countries relied on a strong bureaucracy and heavy-handed regulation. This was initially counterbalanced by young and dynamic markets, in which market rules of the game counted more than government restrictions. This has changed today. While it is certainly very important that both countries have convincingly established the rule of law and won their battles against the mafia in Italy and the yakuza in Japan and corruption, they still need to find new ways to instil dynamism. In the World Competitiveness Yearbook, for example, Japan, the world's former No. 1 country in its manufacturing heyday, has fallen on overall "performance" from place 22 in 2008 to 27 in 2012. Italy, after major restructuring and internationalization within the EU, has improved from place 46 to 40, but this is still very close to the bottom of the list.

Furthermore, in ageing societies interests naturally shift from the search for new markets and products towards the sophistication of existing products and methods. In Italy, this resulted in comparatively stable market shares for a large group of

SMEs with sophisticated brand name products in traditional manufacturing; in Japan, it resulted in a strong drive towards high-tech and highly complex products. Both strategies, however, require increasing internationalization because competition in traditional industries increases with new entrants from emerging markets, and the high capital costs of high-tech require global sales to return a profit. Nevertheless, in Italy and Japan internationalization is still at low levels, which results in falling profits from cut-throat price competition or even deflation, as in Japan.

Real innovation (in contrast to sophistication) is often pushed to the side-lines during such times. This is not only due to a lack of new ideas or innovation in an older society, it is also a simple result of a slowdown of investment into new technologies compared to the maintenance needs of an existing stock of capital. While young societies invest naturally into their potentials, companies and careers, old societies focus on securing wealth, maintenance of existing capital stock, and established markets. This becomes especially problematic for the opportunities of the young generation. While looking for opportunities and careers, they are expected to provide ever-faster productivity growth in order to serve growing public debt and pension claims. However, younger entrepreneurs, at the same time, get marginalized in terms of access to capital and growth markets, while younger employees face tight labor markets with job opportunities mostly in 'irregular' services jobs and highly regulated markets (such as health care) with limited prospects for careers and income growth.

While traditional markets are slowing down, the importance of the government and of markets that have been traditionally government-controlled are increasing. Demand is shifting from manufacturing products to services, in particular health care, finance (banking and insurance), retail, and community services. Turning these 'new' growth markets into dynamic markets that provide productive careers for the younger generation is a challenge for any government. Italy, for example, developed one of the world's most successful tourism industries, but careers remained mostly local and productivity gains limited because few major hotel chains, agencies and global service providers emerged. This is in strong contrast to the very successful fashion industry, which turned global early on and had been a success in the US already from the 1950s. In finance, Japan's experiments with financial deregulation failed already during the 1980s and have resulted in another wave of heavy regulation over the last decade. In Italy, the global financial crisis is currently having the same effect. In health care the sector with the strongest growth potential—government regulation remain rigid and often suffocating in both countries.

Solving the growth problems of ageing economies requires extremely disciplined and, in many ways, new government policies. Demand for traditional product manufacturing has shifted overseas, which requires a heavy wave of internationalization and a comprehensive approach to global market development,

especially for SMEs. The domestic demand of an ageing population has shifted to more government services and towards high quality and safety standards, which requires a major productive boost in the government sector and significant deregulation in a sector with deeply vested interests.

These shifts in demand require very different government strategies than governments employed during times of stronger growth in younger economies. Governments have learned, for example, to support product-oriented R&D and technology development in manufacturing to boost productivity while throwing financial lifelines to companies that cannot catch up. But companies in ageing economies would now need at least as much support to develop process innovations in new services and to internationalize their management and R&D to conquer new markets for traditional products. Instead of hoping for productivity boosts from high-tech and product innovation (so-called ‘killer applications’) that could be developed in government supported laboratories, there is now greater potential for productivity gains to spring from process-oriented innovation in services—from retail to health care—that so far have been left behind.

To complicate policies further, such structural changes do not seem to evolve automatically through deregulation, as they do in young societies. This is because, as long as ageing markets keep shrinking and the entry of young firms is not followed by the exit of old firms, competition from old firms will focus more on undercutting prices of new entrants instead of competing on innovation. This is possible because the large capital basis of incumbent firms needs to shrink to the new conditions while it is providing a solid basis for the internal financing of ‘cost cutting’ for very long periods (see below). Necessary innovation for new products and services almost becomes an afterthought in such a deflationary process. Successful industry and competition policies would therefore not only require ‘picking losers’ to a certain degree, but also support for new firms that try to enter the relatively closed markets.

One part of the solution is to expand shrinking domestic markets by venturing into (emerging) overseas markets, which requires exports and the globalization of traditional manufacturing—no small feat in an ageing society. The other, and certainly at least as important, part is active support of productive growth and innovation in the highly regulated service sectors. Japan and Italy are lagging behind on both accounts, which explains why they have failed to deal with the challenges of their ageing societies in a more sustainable way. Japan might come out of a two-decade phase of cost-cutting and deflation soon, but it still faces enormous challenges in terms of internationalization and pushing productivity in domestic services. Italy, on the other hand, is already ahead in productivity development and international opportunities in integrating EU markets, but now faces a very frustrating phase of cost-cutting and (at least relative) deflation that Japan has been going through over the last decade.

4 Ageing Corporations: From Investment to Cost-Cutting

An often overlooked, but nevertheless strong impact of demography is that on corporate investment. During Italy's rapid growth phase, a combination of a young population and strong domestic migration from southern to northern parts of the country made the reconstruction of northern industry possible and contributed strongly to growth with almost 'Asian' investment rates of up to 30 %. In Japan, the effect was even more extreme. The youngest population of any industrialized country was entering the labour force during the 1960s. The combination of low wages and high saving rates (due to a lack of social security) provided an enormous boost to corporate investment, which shot up to rates beyond 30 % of GDP, and pulled economic growth rates well beyond 10 % of GDP. In Italy, the end of this demographic boom had already occurred in the 1960s, however, which brought growth rates down to a more conventional 5 %. In Japan the boom lasted into the early 1970s, when its end coincided with the jump in the exchange rate and oil prices after the end of the Bretton Woods system. The result was that investors could no longer find matching numbers of lucrative investment opportunities, and investment was overshooting, producing a supply glut and inflation, but not the required growth rates (see Fig. 5).

This investment effect was particularly strong in Japan because the investment rush was deeply anchored in the investment goods industries, which leveraged earlier growth and made the adjustment particularly painful during the 1970s. After stabilization during the 1980s, the final leg of Japan's demography and input-driven expansion caused a final investment bubble when Japan's tightly controlled banks were deregulated. Lacking better investment opportunities, capital flowed into real estate, producing the world's most iconic real estate bubble (Hoshi and Kashyap 2004). From then onwards, investment, demand, and growth went downhill fast and stayed there. Back then, demography, slowing demand, cost-cutting in investment, and price adjustment in real assets had all turned against the former poster child of economic growth. Japan was on its way from being the world's youngest and fastest-growing major economy to becoming the 'oldest' and slowest-growing in fast succession.

Italy, after the slowdown of the 1970s, with its further drop in investment rates and the shift in demand from high-value added manufacturing towards initially much less profitable services (not least in the booming tourism industry), experienced a less dramatic slide in growth. However, by that time demography had already turned against the economy for more than a decade, and especially the large number of traditional SMEs were 'caving in' and tried to protect their declining businesses. When competition from Japan and Asia increased further, the government stepped into reduce the negative impact. Stabilizing small corporations and protecting self-employed entrepreneurs ranked at the top of the agenda. Interestingly, policy tools were not limited to conventional labour market restrictions to slow the flow of employment out of industry, expansionary monetary policy to stabilize domestic demand, and lowering the exchange rate to improve international

competitiveness. Policies also included a strong role for the pension systems to smooth the exit of employees out of the labour market and to keep (current) costs for employers below (agreed) pension benefits. Since such expansionary policies coincided in the 1980s with a recovery in demand from a generation of the above-mentioned ‘echo boomers’, the result was a stabilization of growth rates well beyond comparative levels in France, the UK, and Germany, but also an explosive development of government debt, inflation, and a weak currency.

Figure 6 shows how serious the Italian government was about buffering the impact of increasing wages and international competition on small manufacturers. Unit labour costs increased in Italy in the 1970s not much more than in Japan and Germany. But this cost-competitiveness was achieved by continuous devaluation of the Lira (in the figure against the German Mark) and not through market reforms. The result was a stable manufacturing sector while the larger economy was paying the price through higher import prices and a hidden overall loss in competitiveness. After entering the Eurozone, when such policies became impossible, a dramatic increase in labour costs of 100 % points relative to Japan is therefore threatening the economy today. A very wave of cost-cutting, and (relative) deflation will have follow.

In Japan, structural change and investment slowdown had even more severe consequences for the entire economy, albeit at a later stage than in Italy. The first wave of an investment slowdown in the 1970s, which had caused such strong government reactions during the 1980s in Italy, could still be balanced in the private sector in Japan. While companies were slowing down, pent up consumption demand of private households, which had mostly been working and saving during the high growth era, buffered the negative impact. Growth rates therefore stabilized at around 4 % in Japan while they continued to fall in Italy, and companies even went on another spending spree, which resulted in an asset bubble, but not much additional growth.

When companies undertook a more lasting cut-back on investment in 1991, the situation had become more critical for Japan than it had been for Italy. Not only was demand falling for investment goods and manufacturing in general, but markets also already showed the first signs of overall shrinking. Companies therefore turned from so-called ‘investment for growth’ to cost-cutting policies in order to get by and to stay profitable in slowing markets—until today. The initial correction of the over-investment during Japan’s period as a young society in need of infrastructure and capital goods coincided with a strong ageing-related slowdown of household demand and a shift of consumer demand from houses, cars, and TVs in the late 1990s to government services and healthcare today.

Companies therefore reduced employment in manufacturing at a rate that matched the Anglo-Saxon countries during their shift towards ‘service economies’. Between 1997 and 2010 Japan lost almost 30 % of jobs in industry. Today, the share of manufacturing employment has halved to less than 17 % of the workforce, and restructuring in particular in the electronics industries remains brutal. In Italy (and Germany too), on the other hand, manufacturing employment has been relatively stable at close to 20 % (in Germany 22 %) (see Fig. 7).

Despite the enormous shift in industry and labour markets, and unlike in Italy, unemployment in Japan never increased beyond 6 %. The price for this success, however, has been even higher than it was in Italy: exploding government debt for subsidies and projects for construction, protection of agriculture, and financial support for failing SMEs. The price in terms of stagnating labour productivity gains has been at least as high. An important instrument for keeping employment levels high was the strict regulation of most service industries. In particular, safety regulations in construction, zoning regulations and licenses in retail, and public health services were keeping employment high and productivity low, resulting in a long-term underperformance of Japan's economy.

As pointed out above, such (lost) opportunity costs are particularly problematic in an ageing society because continuous improvement in labour productivity is needed to make up for the shortfall in demand and the increasing costs in relatively unproductive (health care) services. Both effects turned out to be particularly problematic in Japan. Almost a whole generation of young employees went into (relatively) unproductive service jobs that provided employment but no careers or income development. About 35 % of employees today are non-regular or part-time employees, and over 40 % are no longer contributing to the public pension system, either because they do not earn enough income to do so or because they don't expect any positive return on their contributions. At the same time, while productivity in the large service industries remains depressed, the relatively small (manufacturing) export industry, which produces only about 15 % of GDP, usually contributes about half of overall GDP growth. One of the smallest, but highly productive sectors has to make up for the lack of growth in the otherwise stagnant (service) economy—a truly extreme and certainly unsustainable situation.

5 Ageing Households: From Income Generation to Wealth Accumulation

While adjustments in the corporate sector to economic and demographic changes had the most visible direct impact on the economy, the adjustment of household income, savings, and wealth accumulation should be included as a cause. When households grow richer and older, objectives shift from income generation and growth to wealth accumulation and safety. The following graph shows this relationship as wealth-income ratios, based on data from the Credit Suisse Global Wealth Report 2011 (Credit Suisse 2012) (see Fig. 8).

The US (as a baseline) surprises with an extremely stable relationship of around a five-to-one ratio of accumulated wealth to income over the last 50 years. The comparatively tame demographics, open markets, and the large real estate market in the US made such exceptional stability in household balances possible, and longer-term deviations occurred only during major policy shifts. During the 1970s, expansionary policy resulted in inflation that added to incomes while reducing

household (financial) wealth; this trend was reversed during the 1980s through more restrictive monetary policies. During the 1990s and 2000s, US households experienced two bubbles, first an IT bubble and later a financial/real estate bubble, both of which favoured wealth accumulation over income growth. But even these extreme deviations by US standards have been comparatively mild and trend-reverting in comparison to the other countries in the chart.

Japan is the extreme opposite case. During its high-growth period until the 1970s, Japan started with lower wealth ratios (or higher income growth) than in the US. A housing bubble in the early 1970s soon gave way to inflation that brought the ratio back to US levels. Wealth accumulation mostly followed income generation. However, during the 1980s, households started to build up wealth massively while income growth was already slowing. At the end of 1980s, self-enforcing speculation on asset gains pushed wealth balances to an unprecedented peak of 10 times income. When this bubble popped in 1991, wealth-to-income ratios quickly returned to 7:1, where they remain until today. When adding European countries to the picture, it seems likely that this level of 7:1 wealth-to-income might be a 'new' baseline for countries with narrower real estate markets and older demographics, which are both incentives for households to lock more income into wealth generation. Major outliers in this picture are Germany and the Nordic countries, which put strong emphasis on building up social security systems and providing government (health) services, which reduces the necessity (and ability) to build up private wealth.

We do not have sufficient data for Italy until the mid-1990s, but UK data trends have been moving closely together with Italian household wealth ratios from the 1990s, and might give an approximate idea of Italy's wealth/income ratios of the time. As in Japan, massive wealth destruction during WWII and the following economic boom kept wealth ratios below that of the US, even well into the 1980s in the case of the UK. Also as in Japan, slowing income growth and a real estate bubble in the 1980s changed this. The burst of the bubble and the European (currency) crisis of the 1990s initially brought household wealth down again, but not as sustainably as in Japan. Households remained committed to accumulating wealth relative to their incomes. The IT bubble boosted household wealth beyond Japan's post-bubble level of around 7 times income, and the combined financial and real estate boom pushed them even higher.

In all these countries, a combination of slowing income growth, narrow markets for real estate as a store of household wealth, and a comparatively small or unreliable role of government in supporting old-age finance led to this massive built-up of wealth. It is too early to define any level of wealth-to-income as an upper ceiling, and it is possible that Italy and other European countries can sustain higher wealth levels than the 7:1 wealth-to-income ratio that Japan has fallen back to. But there are inevitably limits to wealth accumulation relative to income generation. Households basically have a choice between real estate and financial assets for accumulating private wealth. However, both have falling rates of return on investment. When income generation slows down in ageing societies, wealth accumulation might even increase in relative terms, but it will eventually slow

down and start to fall because the demand and return on assets ultimately depends on the incomes of households.

Real estate, the main asset in most households' portfolios, is particularly affected by demographic trends. Middle-aged households buy homes for living and as a 'safe' asset. But in ageing societies real estate demand starts to retreat because less space is needed for production and living. Financial assets, the other main asset class, are potentially more productive and have higher rates of return because the range of possible investments is much wider. In ageing societies, demand for financial assets tends to increase because households shift to more liquid assets and because financial wealth can be invested in fast growing young societies that provide higher rates of return. As can be seen in Japan and Italy, however, financial wealth accumulation also runs into a barrier of diminishing returns because demand and supply of safe assets remain concentrated in the slowing domestic market instead of diversifying into 'risky' emerging countries. This what the literature calls "home bias" (Feldstein and Horioka 1980) of asset demand becomes more problematic when slowing growth also reduces the supply of financial assets from productive corporations, and the supply of safe government bonds fills the gap. While demand for government services and financing increases in ageing societies, a growing role of government in financial markets and asset allocation (investment) will usually reduce the return on assets and, ultimately, household incomes. Such a deterioration of return on assets and income can turn into a vicious cycle, when government debt balances become unsustainable, and increasing taxes for debt service and/or asset devaluation through inflation threaten accumulated household assets at the same time as they undermine income generation.

The disaggregation of household wealth into the two main household asset classes, real assets (mostly real estate) and financial assets (bonds, cash, private insurance) draws a clearer picture of household positions and reactions while their economies matured (see Fig. 9).

In the US, the balance of real assets to income is remarkably stable and, at a ratio of two to one, also extremely low. The huge US real estate markets kept housing prices low while a constant stream of immigration added to (overall) income generation. The recent real estate bubble has been the sole, and already corrected, exception from this stable trend. Japan and Europe, with their much smaller real estate markets, started off at wealth levels of around three times income, but saw several cycles of booms and busts from the 1970s. Serious real estate bubbles developed during the 1980s when rich baby boomers invested in housing, financial deregulation increased credit availability, and credit driven corporate demand drove up market prices. In the UK, real asset-to-income ratios shot up from 3:1 to 5:1, and in Japan from 4:1 to almost 7:1—an incredible boom for such a broad asset category. By the mid-1990s the bubble in the UK had been corrected, and wealth was back at a baseline three times greater than income. In Japan, not least because of the size of the bubble, government efforts to keep the market from imploding, and significantly falling incomes, the deflationary correction took much longer and

was not achieved until 2004. Today, real asset valuations seem to be stuck around three times income, as in the 1960s and 1970s.

Unlike in Japan, households in Europe soon started to build up their real asset balances after the correction in the 1990s again. By 2000, when the US bubble evolved, real household wealth in the UK, Italy, and Germany was already at around four times income again. From there, large asset bubbles beyond five times income emerged in the UK and Italy, which remain uncorrected to this day. The explanation for this diverging development needs to be based on a broader set of arguments. In Japan, demography and de facto zero immigration has already turned against the housing market while the government boosted financial wealth to finance its deficits. The fall in real asset prices therefore coincided with significant growth in financial assets. In the UK, strong international real estate demand around the financial centre of the City of London and limited public pensions increased demand for real assets. In Italy, doubts about the sustainability of public debt, low income growth and low corporate credit demand, as well as relatively low tax collection on real assets led to a boom in this asset category. Germany, finally, has so far avoided a build up in real estate wealth because of a strong emphasis on public social security savings and few urban agglomeration centres.

Financial wealth accumulation evolved much more smoothly, not least because financial assets are much more transparent and easily tradable, so market overheating and bubbles in bond markets are rare events. The US market, again, has been by far the broadest and the most stable. In the US, financial wealth showed some slight trends off three times income during the 1970s and 1980s when inflation and disinflation phases had to be absorbed. Only two significant shifts evolved during the 2000 IT bubble and the recent financial bubble. In contrast to the US, financial wealth in other countries first had to be build-up during the post war period from very low levels of just 1:1 financial wealth to income. In Japan and the UK, the strong emphasis on private finance of post-retirement life led to strong growth in financial assets well beyond income growth. Both countries had caught up with US levels by the mid 1990s, after which trends diverged. UK financial markets and household wealth balances converged with those in the US and trended together, including the two bubbles in the 2000s. In Italy and Germany financial wealth and markets evolved much more slowly because both countries had put strong emphasis on pushing private savings into public pension systems. Japan became an outlier by pushing household financial wealth accumulation into uncharted territory. Although a strong correction in the stock markets took place, households continued to invest their savings into public bond markets despite close to zero returns on financial assets.

The similarities and differences between Italy and Japan in private wealth accumulation are equally interesting. In both countries, wealth-to-income ratios peaked above 7:1, in Japan during the bubble in 1990, and in Italy today. As pointed out above, such high wealth accumulation, in particular when it coincides with a 'flight to safety' in wealth preservation, limits the investment and growth opportunities in both countries. This trend leverages the negative impact of slowing population growth or shrinking in absolute terms. In Japan, the more

extreme case, the fall in relative wealth occurred in two stages. First, the real estate market underwent a lasting collapse. Second, financial assets lost their productivity when more and more debt became locked into the government sector. Japan's financial asset accumulation is now moving into a final phase with increasingly tighter limits because the debt service on the government debt needs to be financed by increasingly higher taxes, which further slows growth and reduce incomes.

Italy has already experienced this phase, when concerns about increasingly unreliable public finance situations led to much lower demand for financial assets and higher interest rates, which increases the costs of government finance. However, options to store wealth remain limited for households. A 'flight to safety' in the real estate sector cannot be productive in an ageing society as long as the government remains unable to promote a significant influx of foreign capital, production and emigration that could boost demand and usage of real estate at higher prices. In Italy the risks of a deflationary Japan-style depression are therefore high. The share of working age population is falling today as fast as it did in Japan in the 1990s, with further acceleration expected from 2022, which further reduces private demand and increases government social security costs. At the same time, deflationary pressure from the restructuring in the Eurozone after the financial crisis requires more structural reforms and more competitive prices in much of Italy as well. The result is a very risky mix of deflationary pressures, potentially falling real estate prices, and policy paralysis that has been so poisonous to government finance in Japan.

In both countries, too much capital has been chasing too little opportunity, which feeds into asset bubbles for both major asset classes. Today, Japan's public bonds and Italy's real estate prices look unsustainable. Without a significant correction, both will further undermine income growth, which would result in an even more painful correction of asset prices at a later date if the governments remain successful in stabilizing finance on current negative growth trends. If, on the other hand, such rebalancing is left to the markets, solutions will most likely include a series of crises that will wipe out unprofitable companies and reduce household wealth along with unsustainable government debt. The key to sustainable future growth will therefore be an extremely difficult balancing act of improving income generation opportunities (through investment and corporate income), long-term household wealth stabilization (through pensions and income), and government policy that focuses on productivity and growth (through tax incentives and structural reforms).

6 Ageing Governments: From Growth Policies to Buffering Structural Change

Structural change and societal ageing call for an important role for government. When corporations have to cut down on investment, when demand shifts from manufacturing goods to services, when households shift their attention from

increasing income generation capability to wealth accumulation and protection, governments often face the need to ‘buffer’ changes in the market economy to allow corporations and households to catch up. Subsidies to manufacturers, transfers to social security systems, and restrictions for firing-and-hiring in labour markets are typical examples of such government policies that have been widely used in Japan and Italy to buffer structural change and the slowdown of their economies. But while such ‘leaning against the wind’ of structural change automatically results in a slowdown of growth as a side effect that might be acceptable during periods of transition, the long-term shift of government policy from supporting growth to avoiding structural change soon becomes problematic in ageing societies.

In particular, when policies become entrenched and are taken hostage by vested interest lobby groups, government policy might become a key factor in creating imbalances and putting the economy onto the wrong long-term track. Support for manufacturers, for example, also tends to hold back change in the service industries; transfers to social security mask the costs of ageing and slow down income growth; and inflexible labour markets hinder structural change and productivity growth in general. Slowing down structural change and productivity growth becomes even more problematic at a time when major emerging countries are opening up and growing faster, which does not only create more opportunities but also more competition.

While it is beyond the scope of this chapter to compare the different policies and their shortcomings, the following will show how much policy has been driven by structural changes in the private sectors. We can use inter-sectorial flow of funds data for Japan, which record shifts in saving and investment behaviour among households, corporations, and government to show how slowing growth and a financial crisis can push a government ever deeper into debt financing. Unfortunately, we have such data only available for Japan. Italy, on the other hand, can be used as a case that shows the constraints to government policy when interest rates and debt financing costs go up, which almost certainly will happen in Japan quite soon as well (see Fig. 10).

As pointed out above, while growth in Japan was slowing down significantly during the 1980s, the government deregulated much of the banking sector and relaxed interest rate controls to boost economic growth. Japan’s major banks (the so-called ‘city banks’) were therefore able to extend credit to SMEs, but required real estate as security for the credit to new customers. As real estate prices rose, corporations became the driver of a speculative investment cycle that finally burst in 1991. After decades of strong growth, this problem was initially seen as temporary, so policy reactions focused on Keynesian deficit spending to buffer the fall in demand. On the other hand, the most significant imbalance in the economy, the increasingly fragile state of the banking sector, remained largely unresolved due to the fact that the banks were seen as the main culprits for the speculative bubble in the first place and therefore banking support and bailouts proved to be politically difficult. Despite enormous fiscal programs from the middle of the 1990s, the

unfolding credit crunch therefore resulted in a growing avalanche of corporate bad debt that further undermined banks' balance sheets, resulting in a vicious circle.

Figure 10, which shows saving-investment balances, clearly demonstrates the unfolding of Japan's public debt and sectorial imbalance problems. In the upper part of the graph we see what the literature calls the 'surplus sectors', which contribute with their savings to (corporate) investment in the lower part of the graph. Net savers are usually the households, and Japan's households have been avid savers for decades. But when income and wealth started to fall after the bubble burst, households cut back on savings while trying to maintain their level of consumption. By 2002, households' savings had fallen to almost zero. The most significant initial reaction, however, came from the financial sector. When the bubble burst, banks tried to repair their balance sheets by cutting investment and trying to shift into surplus (Koo 2008). After that, however, banks remained very cautious investors and indeed became net-savers (as opposed to net-investors) in most years to date. Corporations were the next to react. They tried to write off their bad debts from failed investments, deteriorating customer relations, and falling asset prices. By 1994, investment was in free fall for the first time, requiring counter-balancing public investment programs to avoid a complete breakdown of demand.

Starting in 1998, when the rest of Asia was hit the Asian financial crisis, Japan's crisis took a turn for the worse as its remaining overseas businesses were hit hard. Corporations reacted almost as strongly as they had following the bubble, but this time not only did they cut back on investment, they also cut back on future growth and long-term expansion plans, too, and turned into net-savers with growing cash reserves. Private (net) investment had imploded in Japan. After 1998, all private sectors had turned into net-savers, trying to restructure their balance sheets by generating surpluses (Koo 2008). Such restructuring would have been (technically) impossible without counter-balancing government deficits and would have resulted in a much more serious breakdown of demand if the government had not stepped in.

During this first decade of the crisis, when the economy remained unbalanced, the government not only expanded its traditional role in infrastructure investments but also began to increasingly interfere in finance. On the supply side, it developed credit (guarantee) programs providing credit for SMEs and tried to promote low interest mortgages to households. On the demand side, it had to reluctantly pump more and more money into banks and into the deposit insurance system when an more and more banks were threatened by insolvency. After 1997, banking recapitalization and nationalization could no longer be avoided. In 1999, a so-called 'bad bank' (the resolution and collection corporation) was established to write off defaulting credit. When the bursting IT bubble started to threaten even major city banks in 2001, the government had to refinance and reregulate the entire sector. Since Japan's huge city banks were 'too big to fail' but also too costly to rescue, the government engineered mergers between the banks that basically left only three 'mega banks' and a small number of second-tier banks in business.

Through the consolidation of Japan's banking sector, the financial sector had been partly nationalized and partly entrusted to a heavily regulated oligopoly. But even this turned out to be insufficient to end the crisis, as bad debt kept growing on the corporate side, where profits remained depressed. An 'Industrial Revitalization Corporation' was therefore added to the financial mix to refinance insolvent corporate groups. To aid credit generation, the central bank implemented a zero interest rate policy, soon to be joined by policies of quantitative easing. Japan's central bank had effectively started to print money and gave it away for free, mostly to finance the swelling government debt. Thereafter, the government never managed to step out of the financial markets again. Attempts to privatize the largest bank, Japan's postal bank, and restructure public finance under the Koizumi government in 2004 were soon abandoned and followed by more deficit spending.

This enormous shift from private to government finance has been heavily criticized in Japan, but only this combination of (at the time) extreme financial measures finally purged the financial crisis ten years after it started. It is also this case study of a slow-rolling financial crisis that significantly shaped the strong US policy reaction after the so-called 'Lehman Shock' in 2008. In particular, it was the urging of US central bank chairman Bernanke, who, as a university professor, had been an avid student of the Japanese financial crisis, which led to an early (and forced) refinancing of banks, a major financial package for corporate support, and the swift implementation of quantitative easing policies well beyond what Japan had done. The EU response to the financial crisis, on the other hand, has so far been closely following the Japanese playbook deeper into the financial crisis. It is quite possible, for example, that the aftermath of the real estate bubble in Spain and stretched real estate prices in Italy will lead to a Japan-style credit crunch in the banking sector that is flowed by accelerating non-performing loans in the corporate sector, leading to a profound recession. Unlike in Japan, however, the government would not be able to counter-balance falling demand in the corporate for long because government coffers are empty already. For much of Europe, the ultimate test of the financial crisis will therefore be the speed and successful implementation of stepping out of markets after the acute phase of the crisis is over. That Japan never managed to do this important step back into a balanced 'market economy' is certainly not adding to Japan's credibility of being able to adopt necessary structural reforms.

Italy is already well beyond its phase of government debt build-up and demonstrates the costs and consequences of long-term government intervention in the economy. During the crisis in 1990, Italy pushed public debt beyond the level (of around 100 % GDP) at which it starts to hurt the 'real' economy as Rogoff and Reinhart are arguing (Reinhart and Rogoff 2009). Japan broke through the same barrier during the global financial crisis in 2008. While the Japanese government debt has been built up to buffer structural change to avoid excessive adjustment costs for other sectors, the Italian case shows how fast such policies can become costly and eventually unsustainable. Most of Italy's public debt built-up in the 1980s was actually due to interest payments when real interest rates jumped in 1982, leading to income transfers to private asset holders (see Fig. 11).

While public debt and interest payment for debt servicing were increasing gradually throughout the 1960s and 1970s in Italy, real interest rates were often negative, and consistently lower than GDP growth until 1982. Financing the deficits was therefore fairly easy and, compared to additional tax hikes, might even have seemed cost-effective to the government. Compared to increasing taxes when the economy was slowing down or building up costly tax authority capacity to increase the tax yield, financing the debt at low and often negative credit cost must have been a very attractive option. All of this changed after the second oil shock hit and the US started to shrink global liquidity by fight inflation, which increased interest rates internationally and pushed debt financing cost beyond 5 % GDP. Since this set the stage for additional debt financing on top of government transfers to social security, by 1987, interest rate payments rose beyond 10 % of GDP, which pushed Italy further towards the unfolding currency crisis.

During this period, the government reacted with surprising speed and resilience to reduce budget deficits. Between 1984 and 1989, in just five years and despite exploding credit costs, the government managed to turn the primary deficit, i.e., the deficit excluding interest payments, into a surplus. Unfortunately, however, this did not seem to help much initially. Credit costs continued to increase until interest rates finally peaked in 1992 during the currency crisis. A reduction in public debt therefore became possible only after 1994, 10 years after the government had started budget reforms. At that time, the primary budget showed an amazing 6 % surplus. But this was still not the end of the adjustment process, as cutting government stimulus reduced trend growth to around 1.5 % after 1995.

Despite the strenuous deficit reduction difficulties during this period of debt retrenchment, Italy was still in a comparably strong position at the time. During the core phase of budget reforms, Italy's demographics had turned positive for a period when more working-age people were entering the labour market again. The next round of budget reform and debt retrenchment will have to be implemented at a time when demography has turned against growth even in absolute terms. Japan finds itself in this situation today. The Japanese government is still only paying less than 1 % of GDP in interest cost for the world's highest debt load, but that will certainly change, and the stage will be set for a debt crisis of the kind that is already threatening Italy today.

7 How Will the Debt Crises in Italy and Japan Play Out— and What is the Solution?

Japan and Italy are facing debt crises quite different from those in young and fast-growing societies. In the 1980s and 1990s, South American and Asian banks and governments tried to boost growth with foreign capital, but both booms ended when profitable investment did not follow and asset bubbles emerged. These crises ended when some of the debt defaulted, price had been corrected and growth

began to return. Italy and Japan built up their debt at a time when their economies were slowing and growth is unlikely to return to levels necessary for smooth debt repayment anytime soon. Since government defaults in mature countries are not an option until all resources are depleted, a long phase frustrating cost redistributions with limited scope for other policies is looming. This process involves a long series of realignments, most likely driven by ‘mini’ crises that push all actors to accept lower valuations for assets and higher taxes for debt services.

A major crash of public debt, as it has often been feared in Italy and Japan, is unlikely, however. As long as domestic investors—mostly banks, life insurance companies, and households—are willing to buy and hold government bonds, a country might run into serious sectorial imbalances, but it does not develop a threatening overall debt overhang. In a closed economy, every public bond (debt) is a private asset, so the government only extends its balance sheet by creating as much debt on the government side as the private sector is adding assets. The result is not an unsustainable expansion of public debt but a shift of spending power from the private sector to the public sector, just as if the government had raised taxes instead. This is also why, in economic theory, public debt and taxes are often seen as equivalent (as explained in the Ricardian Equivalence).

The real and actual impact of public debt thus depends on three important factors: first, on how effectively the government is spending the money, second, on how strong the re-distributional effects between asset owners and tax payers are, and third, on how the financing of the debt load will ultimately be organized. As discussed above, both the Italian and Japanese governments were relatively successful in stabilizing their economies and keeping re-distributional effects at bay. Both countries do not have large governments living beyond their means, which might have caused instability. Both countries have been running deficits as a side effect of avoiding costly and painful adjustments in the corporate as well as household sectors. Instead of pushing for changes and reform, the governments have been using available leverage to avoid adjustment crises in mismatched pension systems and shifting industrial structures. All this contributed very little to growth, however, in particular long-term growth, which might have come from investment into top-level public education and internationalization of their respective economies, for example. They also did not manage to fix the imbalance of (social security) cost and opportunity between the generations, which puts the younger generations at a disadvantage and reduces investment and productivity. Ironically, the stability that both governments tried to maintain in their economies while stretching government finance and accumulating debt to do so has now become one of their main problems. The stability that both governments managed to provide has cemented vested interests and stagnant expectations that now hinder necessary adjustment and incentives for effective reforms.

While growth-inducing structural reforms are lacking in the long run, financing and reducing the debt load has already become an urgent problem. With growth almost non-existent, both countries are left with few options. Italy has already tried to lower public debt and mending generational imbalances by increasing the value added tax, which is affecting retiring households more than the productive younger

generation or corporations, to international peak levels. Japan, on the other hand, chose to keep borrowing against the assets of the older generation beyond levels that might be possible to repay under reasonable assumptions for economic growth in an ageing economy. The current push of the government to increase inflation by monetary expansion might very well be the first step to devalue public debt through inflation. As Alesina (2012) points out, any solution will involve a struggle among debtors (the government), asset owners (banks and, ultimately, retired households), and, last but not least, tax paying younger households and corporations. While the main problem in Italy and Japan is, therefore, not the looming prospect of a debt crisis crash as in Greece, both face a long phase of internal friction that will almost certainly further reduce growth prospects. From this perspective, the debt crises in the two countries have already been unfolding for years.

Both countries have already taken important steps that will affect the paths of their debt crises. Italy has joined the Eurozone, which effectively takes monetary policy out of the hands of the Italian government and prevents the use of inflation to reduce the debt load. As a result, the government now needs to focus much more on effective tax policies and structural reforms in order to increase income. By pushing Italy's government debt into the Eurozone and setting the stage for structural reforms that will likely result in lower inflation, and perhaps deflation, asset owners have won this round of the debt crisis. The next round will depend on the government and its ability to induce reforms, as well as the willingness of income earners and corporations to accept more pain in order to sustain the government's solvency while growth prospects are only improving in the longer run.

Japan has not suffered a sovereign or exchange rate crisis so far, and the government is only gradually realizing the severity of the situation. If anything, the smouldering debt crisis has affected only growth prospects, which kept interest rates and prices from rising. However, the last two Prime Ministers (Naoto Kan and Yoshihiko Noda) have already lost important elections, not least because they tried, and eventually succeeded, to increase the VAT consumption tax from 5 to 10 % (by 2015). In particular, low-wage earners and retired households are heavily opposed to increasing their tax load in order to finance the government's debt service to asset owners. The current Prime Minister, Shinzo Abe, is therefore focusing on monetary policies to induce inflation and lower the government's debt load while increasing tax income (through 'cold' progression of income taxes). While it is still unclear if he will succeed with this not-so-new concept of monetary policies dubbed 'Abenomics', it seems almost certain that asset owners (ultimately, retired households) and households on fixed pensions will oppose such policies before they result in strong inflation and have a significant negative impact on their wealth balances. As Italy before it, Japan is therefore probably set to run into a series of government crises before sustainable growth policies and tax reform can be established.

Unfortunately, as pointed out above, both countries are quite unlikely to establish a convincing set of growth policies anytime soon. Italy will first have to focus on cost cutting, as Japan has been doing for about 15 years, and Japan will

have to try to boost investment by lowering real interest rates and balancing the debt load, as Italy did over the last 15 years. Both are important short-term steps, but they do not offer long-term solutions for their ageing economies. Calls for expanding on the countries' strengths, in particular for growing sales into (emerging) overseas markets, and active support of productive growth and innovation in the highly regulated service industries will therefore surely grow. Italy, with its close integration into the EU, and Japan, with its close proximity to the Asian growth markets, have excellent opportunities at hand to boost investment, productivity, and growth. How much 'crisis' (or how many) they will need to suffer in order to get going, we will likely know much better after the dust of the current financial crisis has settled.

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Small and Medium-Sized Enterprises (SMEs) in Italy and Japan

Carlo Filippini

Abstract This chapter explains the relevance and importance of small and medium-sized enterprises (SMEs) for Italy and Japan's economies and economic structures. While SMEs continue to be the backbone of the Italian and Japanese economies and societies, technological innovations, competition from emerging economies and the recent economic and financial crisis are putting SMEs under pressure to innovate and re-adjust their business strategies and planning. While Japan has been more successful than Italy in that respect, state support—both financial and administrative—for SMEs in Japan is well organized and coordinated between local and central administrative levels. Such support in Italy on the other hand is fragmented and hampered by a lack of efficient industrial policies, both on local and national levels. The tax burden for Japanese SMEs is relatively light creating incentives and conditions to generate employment, while the tax burden for Italy's SMEs is heavy and responsible for the fact that SMEs are not growing in size and productivity. A static labour market together with a backward education system, a lack of skills and know-how will make sure that Italian SMEs continue to struggle in the years ahead.

1 Introduction

The relevance of small and medium-sized enterprises has been debated for decades. Depending on economic circles, political climate and ideologies SMEs have been presented either as a brake on economic growth or as the panacea for almost all economic and social problems. “Small is beautiful” has been, and to a certain extent still is, an axiom in addition to being a title of a book (Schumacher 1973).

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It is beyond doubt that SMEs constitute the vast majority of firms in any economy, employ a sizeable share of workers, and typically increase the flexibility of productive sectors. However, whether their contributions are positive or negative depends on specific characteristics of the sector, region, or technology level at which they operate. In a stagnant economy or in a (service) sector in which competition is almost non-existent SMEs might simply soak up workers and hide actual unemployment—a short-term solution (for e.g. keeping unemployment rates low) but almost inevitably a long-term burden. Furthermore, history, culture, and institutions are crucial in determining the actual contribution of these firms to society, determining whether the costs SMEs create are bigger than the benefits.

In both Italy and Japan SMEs have been and continue to be important for their economies and societies not only because of the number of SMEs in both countries but also because of the interactions between them and societal and social values. The role of the family in society and the family's involvement in traditional SMEs in both Italy and Japan is one example. At the same time the two economies are quite different and the main and most dynamic links within the sectors are dissimilar: in Italy we have industrial districts in which many SMEs contribute to the production of the final good in a synergic way. In Japan on the other hand the SMEs are generally dependent on a bigger firm that is part or member of a 'keiretsu', i.e. Japanese industrial groupings characterized by interdependent business relationships and cross-shareholding.

2 What is a Small or Medium-Sized Enterprise?

Reaching an agreement in the European Union determining which firms can be defined as SMEs turned out to be a difficult task in view of inner-EU differences in terms of economic and industrial structures. Nonetheless, an agreement went into effect on January 1, 2005 (EU Commission 2003). The EU member states are not constrained by this definition in their national SMEs laws or policies but are requested to comply with the agreement as much as possible in order to avoid different inner-EU treatment of similar economic entities.

SMEs are defined as companies which employ fewer than 250 workers and which either have an annual turnover not exceeding 50 million euro, or an annual balance sheet total not exceeding 43 million euro. While the first criterion is compulsory for any firm, it is sufficient if a company meets at least one of the latter: either a turnover not exceeding 50 million euro or a balance sheet not exceeding 43 million euro. That is due to the fact that the turnover of enterprises in the trade and distribution sectors are typically significantly higher than in the manufacturing sector. Small enterprises on the other hand are defined as companies which employ fewer than 50 employees and whose annual turnover or annual balance sheet is lower than 10 million euro. Micro enterprises are defined as companies with less than 10 employees and whose turnover or balance sheet is not exceeding 2 million euro. Most SMEs are autonomous since they are completely independent or have

minority (less than 25 %) partnerships with other firms: if the holding is between 25 and 50 % they are defined as ‘partners’ and if it exceeds 50 % they are defined as ‘connected’. For partner and linked firms the above-mentioned criteria are calculated in a different way taking into account a share of the holdings.

In Japan, the definition of a SME is more complex: the total amount of investment is used together with the number of employees, but even if the same criteria are applied, thresholds can vary by sector. Normally, the elements listed in article 2 of the Small and Medium-sized Enterprise Basic Act (passed in 1963 and amended in 1999 and 2013) are relevant when defining what constitutes a SME.

In Japan, SMEs are companies whose total amount of investment does not exceed 300 million yen or a company or an individual whose regular workforce does not exceed three hundred workers engaged in any category of business with a few exceptions: in the wholesale trade the limits are one hundred million yen or one hundred persons, in the service industry 50 million yen or 100 employees, in the retail trade 50 million yen or 50 persons. In addition, the term ‘small enterprise’ stands for a company with up to 20 employees (or five in commerce or the service industry).

The OECD’s wider definition of a SME is similar to the first part of the European definition even if it allows for some flexibility in line with the traditional business of a country—e.g. in USA the upper limit is 500, not 250 employees (OECD 2005, p. 17). Even if the definitions are not universal, the differences are arguably not significant enough to make comparisons impossible.

3 How Many Italian and Japanese SMEs?

The assessment of the relevance of SMEs in Italy is a multi-facet problem. While some aspects can be measured accurately—even if the results might at times be contradictory—other aspects are of qualitative nature and hence more difficult to measure. The mere number of SMEs in Italy is in terms of numbers comparable to other industrialised countries: the number of employees is very high, while that is not necessarily the case for value added and productivity. Indeed, a large number of employees does not necessarily translate into greater productivity. In both Italy and Japan there are e.g. too many retail shops of limited productivity. Conversely, a large network of small firms quite often promotes social and political cohesion, a sort of externality for a country, as it is e.g. the case in the agriculture sector. The number of Italian SMEs and the number of employees employed by them is higher than the European average. For details see Table 1 (EU Commission, SBA Fact Sheet—Italy 2013).

Since 2007 and throughout the economic and financial crisis, Italian SMEs suffered more than counterparts in other European countries: comparatively more bankruptcies, more problems related to production and productivity and as well as employment. The main reason why Italy’s SMEs were hit harder by the crisis than SMEs in other European countries was the credit crunch coupled with delays in

Table 1 Italy, 2012

	Enterprises, number (thousands)	Share (%)	EU27 share (%)	Employees, number (thousands)	Share (%)	EU27 share (%)	Value added (euro billion)	Share (%)	EU27 share (%)
Micro	3,492	94.4	92.1	6,931	46.1	28.7	185	29.8	21.1
Small	183	5.0	6.6	3,237	21.5	20.4	136	21.9	18.3
Medium	19	0.5	1.1	1,861	12.4	17.3	101	16.3	18.3
SMEs	3,694	99.9	99.8	12,029	80.0	66.5	422	68.0	57.6
Large	3	0.1	0.2	3,013	20.0	33.5	198	32.0	42.4
Total	3,697	100.0	100.0	15,042	100.0	100.0	620	100.0	100.0

Source EU Comm, SBA Fact Sheet—Italy 2013

payments of goods and services by Italy's public administration entities to SMEs. Recent government measures such as repaying part of the money the public administration entities owe to private companies are just softening the blow and have yet to be followed-up by policies generating economic growth benefitting the country's SMEs.

When analysing regional disaggregation, SMEs are more present in the northern Italy—the region of Lombardy alone accounts for more than 15 % of the total number of Italy's SMEs while Piedmont, Veneto, and Emilia account for another 25 % of the overall number of SMEs. These firms are also significantly more productive, innovative, and are exporting more than the average Italian SME. The sectorial composition highlights the role of the retail trade and construction sectors while the manufacturing sector is contracting. This trend is more evident in the central and southern parts of Italy.

Italy's economic and industrial profile is becoming more and more similar to the EU-28 average profile. According to the European Commission, Italian SMEs are performing well in categories such as entrepreneurship, 'think small first', and environmental protection while they are lagging behind in categories such as access to finance, single market/internationalization, and bureaucratic costs and procedures. Even if the statistics are not fully comparable, one can still conclude that the relevance and importance of Japanese and Italian/European SMEs are comparable (Table 2).

In Japan too the most important sectors are the retail trade and construction sectors together with the hotel and restaurant businesses. The manufacturing sector on the other hand is relatively unimportant. While the share of SMEs in proportion to the total number of enterprises is generally greater than 99 % in all industrial sectors and all prefectures, the number of employees can vary significantly. In prefectures with large cities or prefectures bordering large cities (such as e.g. the Japanese prefecture of Chiba bordering Tokyo) the share of workers employed by SMEs in proportion to the total number of regular employees is smaller and in Tokyo that share amounts to only 35 %. It is also interesting to note that Japanese firms are not only less engaged in exporting and investing abroad than their EU-28

Table 2 Japan, 2009

	Enterprises, number (thousands)	Share (%)	Regular employees (thousands)	Share (%)	Value added, manufacturing only (JPY trillion)	Share (%)
Small	3,665	87.0	6,352	16.2		
SMEs	4,201	99.7	24,705	62.8	40.6	50.6
Large	12.0	0.3	14,620	37.2	39.7	49.5
Total	4,213	100.0	39,324	100.0	80.3	100.0

Source METI White Paper 2012

counterparts but are also less innovative (EIU 2010 and OECD 2010). The reason why European companies are exporting more than their Japanese counterparts can in parts be explained by better access to information amongst European managers on overseas markets and better access to financial resources and funding. Furthermore, Japan is still short of managers able to communicate and do business in English. As far as innovation is concerned, access to finance is the main problem for Japanese companies. It is universally acknowledged that internationalization, innovative capacity, and profitability (the last one a proxy for efficiency) are closely connected, i.e. that synergies and interrelations between the three components increase productivity (Melitz and Ottaviano 2008; Golovko and Valentini 2011).

4 The Italian SMEs: A historical evolution

As mentioned above, the Italian productive system is dominated by SMEs and their relative weight is significant higher than the EU-27 average both as regards employment and value added. Only a very few European countries show smaller shares of large firms than Italy. Greece and Portugal can be cited in this context (EU Commission, SBA Fact Sheet 2012).

The present situation is the result of a trend that began in the 1980s when big private or state-owned corporations disappeared in Italy. Up to the 1980s, Italy's industrial structure was more balanced as regards the balance of small and large firms. Italy was able to defend its relatively strong position within the group of industrial economies up until that period, which was preceded by two technological revolutions and the first globalization wave: the first revolution was based on the exploitation of steam power since the first decades of the 18th century and the second one, about 150 years later when the first globalization wave began, on the use of the electrical power. In the years between the two World Wars the situation did not change substantially and the period of the so-called 'Italian economic miracle' in the decades immediately after WWII allowed Italy to join the club of advanced industrialized countries (Amatori et al. 2011). However, after Italy's 'economic miracle' came to end, most Italian firms were lacking the capabilities necessary to

survive when the third technological revolution—led by information and communication technologies—took place. As it turned out, it was a revolution that requires many years to be fully incorporated into economic structures. While other industrial countries were able to adjust and increase productivity supported by an increase of the level of higher education, investments into research, policies facilitating investments, and more efficient capital markets, Italian policies were less successful: Italy's investments in ICT across the whole economy were lower and took place later than in other industrialized economies. This gap was certainly due to the excessive prevalence of the SMEs coupled with the disappearance of many big firms: many former state-owned enterprises were privatized and lost their captive markets and some private companies could not survive in a globally more competitive environment resulting from the new globalization wave. Because of the innovations in the transport and communication industries and the GATT/WTO-led trade agreements, the structure of competitive advantages and the international division of labour changed profoundly. Traditional sectors predominant in the Italian SMEs were increasingly exposed to competition from emerging economies.

Since the beginning of the 1990s Italy's economy has been experiencing very low growth rates and its total productivity growth has been negligible and indeed non-existent. The causes of this situation of near economic stagnation over the last 20 years are numerous but the ones related to SMEs are evident: excessive weight and relevance of small firms that are unable or unwilling to become bigger, their concentration in traditional sectors in which competition from emerging economies has become stronger, the attitude of owners or managers who are overly individualistic and reluctant to use the marketing or technological services provided by local authorities and agencies and finally the difficult process of transition between generations.

A yet unresolved problem is the typically static size of Italian SMEs: most firms simply do not grow. The most popular explanation is one explaining problems with restrictive laws and relations. Firms with less than 15 employees were exempted from the strict proceedings about terminating employment and electing union representatives. Indeed, 15 employees was an important threshold. More convincing is an explanation related to the relative price of labour and (physical) capital: in Italy, as in many industrialized countries, labour is more expensive both directly (through wages) and indirectly (through the hiring and firing of workers) and more heavily taxed than capital.

5 Public Policies for SMEs in Italy and Japan

Through the European 'Small Business Act' ('SBA'), adopted in June 2008, the European Commission eventually acknowledged SMEs' central role for European economies and launched a comprehensive policy framework in their support (MSE 2011 and 2013). Ten guiding principles have been proposed in order to coordinate and harmonize national policies. These principles are designed to: create an

environment to allow entrepreneurs and family-owned businesses to thrive and to promote entrepreneurship, enable insolvent but trustworthy entrepreneurs to get a second chance, draft rules in line with the ‘think small principle’, make local and central governments aware of the SMEs’ needs, adjust public action to their needs, foster their participation in public contracts and optimize state contributions, facilitate the access to credit and develop a regulatory and economic framework to obtain on-time payments for commercial transactions, help SMEs benefit from the opportunities of Europe’s single market, promote training and retraining courses and any form of innovation for SMEs, allow them to transform environmental challenges into opportunities and finally encourage and support SMEs to capitalize on market growth.

The ‘SBA’ directive has been drafted taking into account the results of economic research and empirical analysis and favours productivity growth over mere dimensional growth. The needs of firms differ according to their life cycles: in the start-up phase of a company the main problem is often finance while in the development phase industrial, technical, and commercial information and services are essential. Two additional aspects are present in the directive: the synergies between SMEs and universities and research centres and the territorial dimension. Within many EU member states—and this is without a doubt the case for Italy—regional divisions and imbalances are quite large, making it necessary to tailor national policies according to local conditions.

An important statute was passed in 2011, the ‘Statuto delle Imprese’, a statute defining the fundamental rights of the firms, in particular micro, small, and medium ones. Many central issues are dealt in this statute such as access to credit, networking, public procurements, big firms dominance over their suppliers etc. All levels of governments must consult business organizations before enacting any law, by-law or administrative regulation and implement an *ex ante* evaluation of new rules on the life of citizens and businesses. Two other important aspects of the Italian (public) policies for SMEs must be mentioned here: the presence of many layers of government—national, regional, provincial, and municipal together with semi-public entities such as chambers of commerce, industrial associations as well as the lack of clear and coherent national industrial policies. The various governments fairly often pursue different and often contrasting policies because of opposite view on the roles of state and market respectively. In Italy, ideology is still important: most people think that the state and the market are not able to play complementary roles and hence market-friendly policies are not as common as e.g. in other European countries. National policies (adopted by a government composed of political parties, which do not have a nationwide majority) might not be implemented or even opposed by regional governments. Laws and regulations might be unclear or open to different interpretations generating delays and legal litigations. Administrative courts are often slow and unpredictable in passing judgements. Moreover, over the past twenty years politics have been increasingly polarized between centre-right and centre-left coalitions, preventing the predictability of policies. While an effective industrial policy is advocated by most actors (firms, associations, and political groups), the actual results tend to be

rather modest. After the end of World War II, the first phase was characterized by the preeminent role of public-owned corporations and the predominant growth strategy was based on the assumption that big industrial plants and factories would automatically generate the birth of a large number of many. The second phase was characterized by the privatisation of most of Italy's state-owned enterprises due of public budget constraints (continuous deficits and enormous public debt) coupled with the belief that industrial districts could develop and prosper on their own. At present, policies for the SMEs are hampered by the scarcity of resources, a low level of R&D expenditures (both private and public) and a lack of skills and know-how caused by deficits in the country's education system. It seems that the success of any SME business strategy is mainly linked to the quality of local institutions, while other aspects are almost irrelevant.

In Japan SME policies are mainly coordinated by the 'Small and Medium-Sized Enterprises Agency' (part of the METI—Japan's Ministry of Economy, Trade and Industry) and implemented by a number of related collaborating organizations. Financial institutions such as the Shoko Chukin Bank and the Japan Finance Corporation are crucial pillars of the system. They can provide long-term credit at low rates of interest, guarantee for loans, and re-capitalise SMEs in case of default. Moreover, there are special policy loans for founding companies and/or expanding business overseas and safety net ones for firms suffering a temporary downturn or affected by e.g. a natural disaster.

The 'Small and Medium-sized Enterprise Basic Act' constitutes the legal basis for SMEs and its provisions are amongst the most comprehensive worldwide. In addition, the tax burden is fairly light and in order to alleviate it there are various preferential tax reduction and exemption schemes. The corporate tax rate is between half and two-thirds of the national income tax rate. There are four main areas of support for SMEs: in addition to financial and fiscal measures there are measures related to management and commerce, including on regional levels. Under the former heading one can find a large and comprehensive set of actions ranging from information and advice related to new markets, both domestic and overseas, to the promotion of subcontracting, assistance in technological development, IT utilization and energy efficiency to human resources development. As far as the latter area is concerned, there are a number of provisions in place promoting local products and traditional handicrafts industries, revitalize shopping districts and city centres and advertise products. Additionally, partnerships and cooperation between non-primary firms and those engaged in agriculture, forestry, fisheries is strongly promoted. An increasingly relevant problem is the business succession or handing business over to the next generation because of Japan's ageing society. 'Mirasapo' (a website "supporting the future of the SMEs and micro-enterprises"¹) is a support portal site that became provisionally operational in July 2013. Its main functions are: providing access to information about support

¹ <https://www.mirasapo.jp>

provided by local and national authorities, the formation of a forum or community of users, building a database of experts in various fields, and the creation of regional platforms.

Finally, over recent years, consecutive Japanese governments focussed on supporting SMEs affected by the March 2011 Great East Japan Earthquake, the tsunami and the Fukushima nuclear disaster, which affected businesses in four Japanese prefectures.

6 Conclusions

The social and economic relevance of the SMEs will not disappear in the near future. SMEs add flexibility to economies and stability to societies. In many industrial sectors economies of scale are irrelevant or unimportant and if managed efficiently, SMEs increase synergies and productivity. Ongoing changes and dynamics related to technological advances and global markets are profoundly affecting SMEs. ITC innovations e.g. are both an opportunity and a threat to SMEs: on the one hand they eliminate geographical distances and put firms and potential customers in direct contact, while on the other hand they eliminate most of the localization and proximity advantages or economies. Competition from emerging economies is becoming stronger, creating the necessity to upgrade products and create new advantages. SMEs in both Italy and Japan are confronted with that challenge. “In a dynamic world one must run simply to keep its place”, ‘Alice in Wonderland’ teaches us.

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Part IV
International Relations

Japan's Search for a New Identity: Japan's Domestic Politics and its Foreign Policy after the Cold War

Yuichi Hosoya

Abstract After the end of the Cold War Japan was forced to search for a new identity in international politics and security. Such a search was accompanied by fundamental changes in Japanese domestic and foreign policies and became even more imminent after Japan lost the status as the world's second biggest economy to China a few years ago. As regards domestic politics, the decade-old rule of Japan's Liberal-Democratic Party (LDP) came to end, albeit temporarily as it turned out. Currently, Japan is experiencing the structural transformation of both its domestic and foreign policies.

1 Introduction

During the Cold War years, Japan's conservative ruling party, namely the Liberal Democratic Party (LDP), had predominantly constructed Japanese foreign policy. The LDP had continued its one-party rule for nearly four decades. Unlike many other Western democracies, but like in Italy, Japan had not experienced regular changes in political leadership throughout the decades of the Cold War. Italian post war politics were somehow similar. David Hine wrote that "there were minor changes in the composition of governments, but everyone from the late 1940s to the early 1980s was headed by a Christian democrat, and Christian Democracy (DC) was the fulcrum of every coalition, and always the largest single party" (Hine 2007). Thus, the two centre-right parties, the LDP and the DC, dominated politics in Japan and in Italy respectively. Japan's case, however, was more significant. A single party, which in essence ruled without coalition partners, has predominantly formed Japanese post war politics and unlike the DC in Italy the LDP is still ruling in Japan today.

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In this chapter, the transformation of Japanese foreign policy will be analysed and compared with Italian foreign policy. After the end of the Cold War, Japan started to search for a new international identity beyond that of an 'economic giant'. As Japan is now losing the identity of an 'economic giant', particularly after China became the world's second largest economic country after the U.S., Japan's identity should be more than just that of a global economic power. It will be argued that, after the Cold War, Japan transformed itself into a more active global political power promoting and exporting norms and stability in the Asia-Pacific and beyond.

2 The LDP's Long Rule

Since the creation of the LDP in 1955, the party had remained in power until its historical defeat in the general elections of 1993. For several years after 1993, it had been widely expected that newly established political parties could introduce fundamental changes into Japanese politics and the country's political culture. With the end of the Cold War, Japan began to transform its domestic politics and search for a new international identity. At the time of the general elections of 1993, many Japanese people felt that the defeat of the LDP meant the end of the party's decade-old. Both the two major parties, the LDP and the Japan Socialist Party (JSP), lost a large number of their seats at those elections. Many people believed that a new system of party politics was necessary after the 1993 elections. This was similar to what happened in Italy, as both the Christian Democratic Party and Socialist Party lost a significant part of their respective electorates in the 1992 general elections. Domestic politics were greatly affected by what happened in international politics both in Japan and Italy.

Unlike the DC in Italy, however, the LDP returned to power within a year. In 1995, after a socialist Prime Minister headed a LDP-JSP government coalition, Ryutaro Hashimoto, then the leader of the LDP, became Japan's new Prime Minister. After that, six successive LDP-led coalition governments governed in Japan until 2009. At the time, the LDP started proposing to initiate political reforms. Failing to do so, it was argued back then, would mean the de facto end of the LDP and the party's ability to win elections in Japan. The political reforms of the 1990s were, however, either of very limited success or simply abortive in its nature. In December 2012, after three years of DPJ rule with three different Prime Ministers, the LDP obtained a landslide victory at the general elections. The LDP after three years out of power, became again Japan's ruling party. In short, post war Japanese foreign policy has been the product of decade-long rule of the conservative party, namely the LDP. Therefore, it is essential to analyse the LDP's role in formulating Japanese foreign policy to understand Japan's overall foreign policy behaviour.

The predominance of the LDP in the post war politics resulted in two traditions in Japanese foreign policy conduct and behaviour during the Cold War era. The

first tradition had been the dominance of conservative values which had defined post-war Japanese foreign policy. The Cold War obliged Japan to have solid anti-communist political positions and policies, in line with US policies towards communism in general and USSR in particular. From a US perspective, Japan had to be closely tied with the West, and become a part of the US-dominated Western alliance system. The United States remained the most dominant power which greatly influenced the country's foreign policies after the end of American occupation of Japan in 1952. The United States and Japan adopted a bilateral security treaty in 1951, which was accompanied by the permanent stationing of US military troops on Japanese territory. Throughout the post war years, Japan has been principally protected by American military power and as mentioned above, the conservative LDP found itself at the centre of Japanese foreign policymaking. The LDP's conservative values became deeply embedded in Japanese political culture throughout the decades of the Cold War.

The second tradition in post war Japanese foreign policy was the close working relationship between the LDP and Japan's the Ministry of Foreign Affairs (MOFA) in formulating foreign policy. In Japan, bureaucrats usually have more power than in other Western democracies. Gregory W. Noble argued that "elite bureaucrats were central players in Japan's policymaking process" (Noble 2011), in this case Japan's foreign policymaking process. MOFA officials maintained close contacts with LDP policymakers to explain to them the issues and details of Japan's foreign relations. MOFA's close collaboration with the LDP made it easier to consolidate and formulate the basic features of Japan's foreign policy. Although political leaders made some fundamentally important decisions, as it was for the case for the return of Okinawa to Japan in 1972 and the Sino-Japanese rapprochement in the same year, the LDP and the MOFA remained jointly at the centre of Japan's foreign policymaking. Japan's foreign policymaking circles and elites were very small and ordinary people were completely excluded from foreign policy decision-making processes. As it had been quite unlikely that the LDP would lose its political power during the Cold War years, stability and continuity were hence the *de facto* 'natural' outcome of Japan's post war diplomacy.

These two features of Japanese politics and policymaking, namely the predominance of a conservative party supported and until a certain extent guided by a powerful ministerial bureaucracy, could also be observed in Italian post war foreign policymaking. However, the end of the Cold War brought about a new international political environment, and both Japan and Italy have gone through various phases of finding a new international identity since then. The two countries have yet to find new distinct international identities after the end Cold War and foreign policy, which were through out the Cold War aimed at supporting US anti-communist Cold War strategies and policies. When the Cold War ended, unlike Japan, however, Italy had a clearer course to follow in its foreign policy, as the country was-as a founding member European integration-firmly embedded in European foreign policymaking and approaches towards regional and global security. Japan on the other hand was not part of such a regional block, which would have given the country a well-defined international identity.

Hence, Japan was after the end of the Cold War charged with the task of finding a new international identity, as well as a new course for its foreign policy (Hosoya 2011). The combination of conservative values and stability in Japanese foreign policy is today arguably less relevant than during the Cold War era. While successive Japanese Prime Ministers have launched new slogans and new doctrines on a regular basis in the early years after the end of the Cold War, they continued to have difficulties in defining long-term foreign policy strategies. Indeed, this became an agonizing process for consecutive post-Cold War Japanese governments, while the resources and means at the country's disposal to support foreign and global policies with financial means—mainly due to Japan's economic crisis of the 1990s—were more limited than before.

3 Japan's Cold War Diplomacy

3.1 *The Western Alliance*

While Italy signed the North Atlantic Treaty in 1949, Japan signed the United States-Japan Security Treaty in 1951. Italy and Japan hence became both allies of the US, and they stayed within the US-led Western alliance throughout the Cold War era. The Cold War brought two former axis powers into the same western camp, together with another former axis power, Western Germany, which joined the North Atlantic Alliance in 1955.

George F. Kennan, a former US Director of the Policy Planning Staff at the State Department, wrote in his memoirs that “the theatres of our greatest dangers, our greatest responsibilities, and our greatest possibilities at that moment were the two occupied areas of Western Germany and Japan” (Kennan 1967). This was because, “these places were the centres, respectively, of the two greatest industrial complexes of East and West”. Indeed, Kennan was the key US policymaker turning the former enemies Italy and Japan into close allies of the United States.

After the end of World War II, Japan, Italy and West Germany followed a path, which led them to become part of the US-led block of Western countries. The emerging East-West confrontation and the beginnings of the Cold War made Washington realize the necessity to make staunch and loyal allies out of the three former enemies, namely Germany, Italy and Japan. American and British officials argued that it was important to transform Japan from an occupied ex-enemy to a fully sovereign member of international society in voluntary association with the democratic powers (Bullen and Pelly 1987). It then became necessary that “they be kept out of Communist hands and that their great resources be utilized to the full for constructive purposes” (Kennan 1967).

US Cold War policy planning alone was not enough to get Japan to join the Western camp. The will of Japanese people was equally important to establish a stable and continuing alliance between Japan and the United States. While Japan's left-wing forces favoured Japan to be neutral in the Cold War, the country's right-wing and nationalist forces on the other hand urged Japan to develop and deploy its independent defence forces, *jishu-boei* in Japanese, rejecting the paternalistic protection by US military forces on Japanese territory.

Japan's decision was to be a part of the block of the Western countries. In 1949, when the Cold War further intensified, the Ministry of Foreign Affairs of Japan decided that Japan's security should be secured by US military forces (Hosoya 2010). Subsequently three alternatives were examined: (1). 'declaration of permanent neutrality', (2). an 'alliance treaty with a certain country and (3). the 'establishment of a mutual security organization'. Among these three, the second option, a security treaty with the United States, was thought to be the best course for Japan's foreign policy. Hence, the adoption of the US-Japan Security Treaty in 1951 was a natural consequence of this decision made by the Japanese government at the time.

Around the same time, Prime Minister Shigeru Yoshida, a conservative politician—a diplomat before the Second World War—made decisions and adopted policies, which would have a profound and lasting impact onto Japanese foreign and security policy behaviour and conduct. Yoshida wrote in his memoirs that “the principle that the basic tone of Japanese diplomacy should be centred is that the Japan-U.S. friendship remains solid today and in the future” (Yoshida 1998). This principle was introduced into the practice of Japanese post war diplomacy and remained there for many decades. Makoto Iokibe, a leading historian of Japanese diplomacy, thus wrote “as a result, Japan adopted the policies that were later described as the Yoshida Doctrine, namely, light re-armament, dependency on the United States for its security, and an overall focus on economic and commercial development” (Iokibe 2011). Put simply, the ‘Yoshida Doctrine’ became the basic and fundamental principle of Japanese post-war foreign policy.

3.2 The One-Party Rule and Foreign Policy

Events and the development in international politics greatly affected the course of Japanese domestic politics (Berkofsky 2012). The LDP was established in 1955 by merging two conservative parties, *Jiyuto* and *Minshuto*, enabling the conservative party to win the elections against the Japan Socialist Party. The LDP was able to win a majority seats in the Lower House, and thus could form a stable conservative government. For decades, Japan's left-wing parties were not able to replace the LDP as governing party.

Shinichi Kitaoka, an eminent historian of Japanese politics, wrote in his 2008 book on the history of the LDP that the Cold War and the medium-sized constituencies electoral system were two essential factors, which facilitated the establishment of the LDP (Kitaoka 2008). The basic structure of post war Japanese

politics was closely related to the Cold War. This structure was so tenacious that the LDP could maintain its political power over four decades.

Thus, the one-party rule had lasted until the end of the Cold War, based upon the solid structure constructed by the international and domestic environments of that period. It has been argued, therefore, that the LDP can be said to be the “world’s most successful political party” (Reed 2011; Muramatsu et al. 2001).

In the 1960s, the LDP had successfully consolidated its rule, due largely to Prime Minister Hayato Ikeda’s skilful handling of Japan’s rapid economic growth. Indeed, the 1960s characterized by rapid Japanese economic growth was what was referred to as the ‘golden age’ of the LDP’s rule in post war Japan (Kitaoka 2008). At the same time, in the 1950s and 1960s, the LDP government could formulate the foundations of its post war diplomacy. The three pillars of Japanese diplomacy, the ‘UN’, ‘Asia’ and the ‘US’, became the widely acknowledged foundations of Japanese foreign relations.

3.3 *‘Three Basic Principles’*

The Diplomatic Bluebook published by Japan’s Ministry of Foreign Affairs in September 1957 identified ‘three principles’ of Japan’s foreign policy; the United Nations-centred diplomacy, maintenance of Japan’s position as a central actor in Asia and cooperation with the free world (Hosoya 2012). In short, the ‘UN’, ‘Asia’, and the ‘US’ became the ‘three pillars’ of Japanese post war diplomacy. It has been generally understood that the third one, or the US-Japan alliance, was to be at the core of Japanese diplomacy.

The ‘three principles’ may be said to have reflected the respective positions of three major organizational units within the Foreign Ministry, namely, the International Legal Affairs Bureau, the Asian and Oceanic Affairs Bureau, and the North American Affairs Bureau. For many years during the post war period, Japan’s diplomatic posture was largely defined by these three inner-ministry units, and considerable effort was devoted into reconciling policies adopted by them. As the LDP stayed firmly in power throughout the Cold War, it could do its share to consolidate the balance among the above-mentioned inner-ministry units while the security alliance with the United States remained at the very core of Japan’s international policies and relations.

The above-mentioned ‘three principals’ were also the reflection of Japan’s international position and positioning in the mid-1950s. Japan became a member of the United Nations in December 1956, while 1955 had marked Japan’s ‘return’ to the Asian by participating in the Asian-African Conference, i.e. the Bandung Conference of April 1955. Also in 1955, Japan’s Foreign Minister Mamoru Shigemitsu visited the United States and started the process of renegotiating the terms of the Japan-US Security Treaty. Japan regained its sovereignty and independence in 1952, and by the mid-1950s, Tokyo’s foreign policy was broadened to include elements other than simple cooperation with the United States.

The 'three principles' survived the Cold War, and are still considered the basis of Japanese diplomacy today. However, as the foundation of Japanese diplomacy had been closely linked with the Cold War and the LDP's rule, the principles had to be re-adjusted and re-examined after two of the above-mentioned three conditions disappeared in the 1990s.

3.4 The End of the Cold War

The end of the Cold War fundamentally transformed the structure of Japan's foreign policy. The threat of the Soviet Union disappeared. The expansion of communist influence was no longer a serious issue on the country's policy agenda. With the end of the Cold War, the LDP's de facto monopoly as Japan's ruling party came to an end and other centrist parties emerged with ambitions to replace the LDP as ruling party. Some of the preconditions, which enabled the LDP to stay in power throughout the Cold War were no longer at the party's disposal and it was assumed that the time of the LDP's rule was over for good back then.

The end of the Cold War obliged the party to adapt to a situation, in which its legitimacy as ruling party in Japan could no longer be taken for granted. A series of political corruption cases frustrated Japanese voters at the beginning of the 1990s and due to the loss voters' confidence, and also due to intra-party power struggle led a group of LDP lawmakers to leave the party in order to establish new political groups and parties. They tried to secure the electorate's support claiming that they were decisive to follow through political reforms. Since the end of the Cold War, Japan's electorate supported the need of fundamental political reforms, aimed at bringing more efficiency and transparency into Japanese politics.

One of such political reforms was the 1994 electoral reform through which a system similar to the British two-party system was sought to be introduced into Japan. The 1994 electoral reforms created 300 single-seat districts, making it possible for parties to win more seats than their share of the vote (Christensen 2011). The 1994 electoral reforms furthermore contributed to what was referred to as 'presidentialization' of the Japanese Prime Minister, equipping him with additional executive powers typical for Western democracies (Machidori 2012). Former Prime Minister Junichiro Koizumi's strong leadership style is generally regarded as a result of it (Shinoda 2007). Although strong political leadership is not always easily detectable in Japan, Japanese political leaders today are equipped with the instruments and authority to lead more easily and efficiently foreign policy from above. MOFA is more than in previous decades-obliged to follow the leadership of a Prime Minister or a Foreign Minister. Thus, political leadership and leaders today arguably matter more than before in Japan.

Another important factor, which after the end of the Cold War has fundamentally altered Japanese foreign policy is the rapid rise of China in Japan's geographical neighbourhood. Unlike Italy in Europe, Japan is faced with serious regional security challenges caused by a changing strategic balance with a rising

China and its hegemonic ambitions. Japan's security alliance with the U.S. is therefore arguably even more important today than it was during the Cold War. Against this background, Japanese governments have aimed at enhancing its security cooperation not only with the US but also with other Asian democracies such as India and Australia. These changes inevitably demand Japan to develop a new international identity.

4 The Twenty Years' Identity Crisis

4.1 In Search for a New Identity

In a speech of December 1962, Dean Acheson, former US Secretary of State, argued that Britain had lost an empire and had not yet found a role. After the end of the Cold War, Japan has similarly lost its previous international identity, which was centred on post war reconstruction and economic growth strategies-dubbed the 'Yoshida Doctrine' after post war Japanese Prime Minister Shigeru Yoshida. While Japan has over the last 20 years lost its status as economic superpower, it has yet to find a new status replacing the former. Some Japanese leaders, such as Shinzo Abe or Taro Aso, recognized the need for Japan to develop a new Japanese international identity in the 21st century, which reflects the country's regional and global position and positioning.

With its permanent seat on the UN Security Council, its great military might, including a nuclear arsenal, and its long history as an imperial power, China has become a predominant power in the Asia-Pacific. Japan, by contrast, is seen as a declining power, and is having difficulties competing with China on many fronts. Japan's loss of its rank as the world's second biggest economy to China a few years ago, a status to which most Japanese people had become accustomed, symbolises Japan's decline.

After the end of the Cold War and the collapse of the bubble economy in the beginning of 1990s, Japan entered into a long tunnel of economic stagnation, accompanied by doubts and uncertainties about its international identity. For several decades after World War II, Japan adopted its foreign policy according to the above-mentioned 'Yoshida Doctrine', focusing mainly on economic growth and arming itself only lightly while enjoying US security guarantees through the bilateral security alliance with Washington. However, foreign policy in accordance with the 'Yoshida Doctrine' which over the decades have served Japan's security and global economic interests very well, came to be challenged in the mid-1990s. Japan's economy entered into a profound crisis and the September 1995 rape of a Japanese schoolgirl in Okinawa by US servicemen sparked a widespread debate about the asymmetrical nature and costs of the security alliance with the US. Some people argued back then that Japan should lessen its dependence on the United States and pursue an Asia-oriented foreign policy. Others appealed to Japanese

nationalism and called on Japan to become a great military power and less dependent on Washington for its security. It can be concluded that Japan at this point had lost sight of its path in the post-Cold War world.

While the LDP was able to develop and adopt coherent foreign policy during the second half of the Cold War era, Japanese Prime Ministers since the end of the Cold War seem unable to define Japan's place and role in the 21st century. That notwithstanding the above-mentioned three principles continue to remain the basic pillars of Japanese foreign policy conduct.

4.2 Japan and the U.N

When the Cold War ended, Japan was confronted with the necessity to develop new approaches to the implementation of each of the above-mentioned 'three principles'. It was realised that Japan had to engage more actively in global security through the United Nations. While Japan provided the multinational US-led coalition that liberated Kuwait from Iraqi occupation with the sum of \$13 billion, it saw itself confronted with the accusations of not contributing personnel to the military campaign. This response to the Japanese financial contributions, accompanied by accusations of conducting 'chequebook diplomacy', was a shock to Japanese politicians and diplomats, and it was realised that Japan would in the future would have to contribute more actively to international security to avoid accusations of conducting 'chequebook diplomacy.' Tokyo reacted by dispatching vessels from the Maritime Self-Defence Force to assist clearing mines from the Persian Gulf after the end of military hostilities in Kuwait. Furthermore, in 1992 Japan deployed personnel from its Self-Defence Forces to the UN peacekeeping operation in Cambodia. Since then, Japan has continued to dispatch SDF personnel to participate in peacekeeping activities and other international security operations around the world, but its level of involvement in such missions is still the lowest of any major developed country.

Although Japan's financial contributions to the United Nations are large and make up a substantial part of the overall UN budget, it lags behind in both scale of its official development assistance (as a share of GDP) and in the number of personnel it dispatches to UN peacekeeping missions. This performance arguably belies its lofty commitment of conducting UN-centred foreign policy.

4.3 Japan and Asia

Among the three above-mentioned principles, Japan's commitment to Asia is the one whose weight has increased the most since the end of the Cold War. Japan's Asian neighbours have achieved rapid economic growth over the past two decades, starting with the so-called Asian tigers in the early 1990s, followed by members of

the Association of Southeast Asian Nations (ASEAN) and, since the start of the 21st century, China and India.

This growth created new opportunities for the Japanese economy, and it also added to the importance of regional and bilateral foreign policy initiatives towards these countries. The first summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum, which was held in Seattle in 1993, attracted much attention as marking the start of an Asia-Pacific age. The 1997/1998 Asian financial crisis served as reminder for the need to foster regional economic and financial cooperation—including through the ASEAN+3 framework (ASEAN plus China, Japan and South Korea). In a speech delivered in Singapore in January 2002, then Japanese Prime Minister Junichiro Koizumi called for the creation of a “community that acts together and advances together.” This was seen as an indication of the Japanese government’s strong desire to promote the development of an East Asian community—a stance that played a key role in the launch of the annual East Asia Summit in 2005.

China’s rise, however, presented Japan with a new set of diplomatic problems and concerns. The rapid growth of China’s has been accompanied by the rapid expansion of the country’s military capabilities, which provided China with the means and self-confidence to challenge the territorial status quo in the East China and South China Seas. Furthermore the friction with China and South Korea that followed the visits by Prime Minister Koizumi to the Yasukuni Shrine (which honours the spirits of Japan’s war dead) highlighted the wide gap that remains between Japan and its neighbours in the way they remember and assess their shared history.

In pursuing its diplomacy toward Asia, Japan must hence take into account issues related to different perceptions of joint history and conflicting regional territorial claims which have over recent years led to the re-emergence and rise of nationalistic and xenophobic sentiments in numerous Asian countries. Indeed, rising nationalism in East Asia continues to hamper regional reconciliation and regional integration promoted by countries such as Japan, China and South Korea.

4.4 Japan and the US

How have Japan’s relations with the United States developed over the two decades since the end of the Cold War? The bilateral alliance has evolved considerably over this period. During the administration of US President Bill Clinton (1993–2001), economic friction led to fears that the bilateral defence ties would weaken. To keep this from happening, former Assistant Secretary of Defense Joseph Nye promoted an initiative to redefine the alliance, resulting in a joint US–Japan declaration issued by President Clinton and Prime Minister Ryutaro Hashimoto in 1996. In this declaration, Tokyo and Washington reaffirmed their commitment to strengthening their bilateral alliance in the post–Cold War era.

They also set forth a policy of putting the alliance to work for the sake of broader international security and serve for what was referred to as ‘public good’

in the Asia-Pacific region. The two countries then agreed on a new set of guidelines for bilateral defence cooperation, and Japan confirmed its readiness to play a greater role in global security affairs. In short, Tokyo sought to pursue a more proactive security policy in the framework of its security alliance with Washington.

We can therefore conclude that since the end of the Cold War that Japan- after having lost its former international identity that had through the Cold War determined its foreign policies-undertook efforts to adjust to the new international realities while adhering to the above-mentioned 'three principles'.

5 The Era of DPJ Diplomacy

The DPJ defeated the LDP with a landslide majority at the 2009 general elections. On September 16, 2009 Yukio Hatoyama, the leader of the DPJ, was elected as Prime Minister after the long reign of the LDP which lasted from 1955 to 2009 (with a short respite between 1993 and 1994). The 2009 elections marked a remarkable turning-point in the Japanese electorate's voting behaviour and Japan arguably experienced a 'political earthquake' catapulting the LDP out of and the DPJ into power.

The basic stance of Prime Minister Yukio Hatoyama's foreign policy was to take a distance from the US and pursue an 'East Asian Community' based upon what Hatoyama called "fraternal diplomacy". During his election campaign Hatoyama contributed an op-ed article titled "A New Path for Japan" to the *New York Times*, in which he wrote that "I believe that the East Asia region, which is showing increasing vitality, must be recognized as Japan's basic sphere of being." (Hatoyama 2009). Hatoyama wanted Japan's foreign policies to be different from those adopted by the LDP over decades. However, there were not enough alternative foreign policy courses Japan could take in the political and security environment in East Asia. His mishandling of the US-Japan alliance after taking office in September 2009 resulted in tensions with the US while Beijing continued to increase its leverage and influence in the region in general and the East China Sea in particular. The damage Hatoyama did to the US-Japan security alliance became also a concern for many neighbouring countries including the Republic of Korea and some ASEAN countries. In fact, Hatoyama's alliance policy did only damage to the bilateral alliance with the US without enhancing Japan's relationships with Asian countries. A series of crises between Japan and China have further eroded the foundations of Japanese post war foreign policy. Japan has to efficiently and coherently respond to the Asia's new strategic balance, with China becoming a dominant power engaged in a strategic rivalry with the US. At the same time, Japan has yet to find a new international identity that could make up for the loss of status as the world's second biggest economy.

In sum, with the end of the Cold War, Japanese policies had to become more flexible and more able to deal with new realities and new crises.

6 Conclusions: Beyond Cold War Diplomacy

In the two decades after the Cold War, Japan has sought to identify a new international identity for itself replacing foreign policy in accordance with the above-mentioned ‘Yoshida Doctrine’. The LDP’s decade-old one-party rule in Japan created the foundation of Japan’s post war diplomacy. Through its decade-long and quasi unconditional backing of Japan’s security alliance with the US, the LDP also contributed to consolidating the US-led alliance of Western nations. Japan was firmly embedded player of the US-led Western alliance system and it would have strategically been unthinkable for any responsible Japan policymaker not to acknowledge the centrality of the US-Japan alliance as the guarantee of Japan’s national security. Furthermore, the LDP’s uninterrupted rule enabled Japan to maintain continuity in its foreign policy. As long as the Cold War went on and the threat to Japanese security had a name (the Soviet Union), LDP governments had little difficulties in formulating and adopting Japan’s foreign policy course throughout the Cold War. The two main fundamentals of the post war Japanese foreign policy were the ‘Yoshida Doctrine’ and the above-mentioned three ‘basic principles’.

The end of the Cold War, however, obliged Japan and others countries in the West including Italy to fundamentally redefine its foreign and security policies and replace those policies which best served the country throughout the Cold War.

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Domestic Constraints, Governmental Instability and Italian Foreign Policy

Marco Clementi

Abstract This chapter provides an analysis of how Italy's policymakers adjusted Italy's foreign and security policies to an evolving international political and security environment in the mid-2000s. A particular focus will be laid on Italy's foreign policy choices of the centre-left government led by Prime Minister Romano Prodi in 2007 when domestic controversies on foreign policy caused a government crisis. The chapter concludes that Italy is today more active and involved in international politics and security and has had to come to terms with the use of force when contributing to international military operations. However, the events that occurred during the Prodi-led government suggest that Italy's political institutions have been able to safeguard the coherence and commitments of Italian foreign policies despite obstacles and contradictions in domestic politics.

1 Introduction

Italy and Japan are both members of the Western security community, within and through which they play a relevant role in regional and global politics and security. Their respective geopolitical positions have made them pivotal elements in the Western system of collective security. Italy represented the southeastern component of NATO throughout the Cold War. Moreover, from the decline of Cold War

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bipolarism to the present day, Italy has become a strategic platform in the Mediterranean, North Africa and the Greater Middle East. Japan on the other hand plays a crucial role in US strategic planning for East Asia and is firmly embedded in US Asian security policy strategies through its bilateral security alliance adopted with Washington in 1951.

Italy and Japan have both played prominent roles in the Western security community notwithstanding their peculiar attitude towards the use of force, which is rooted in their constitutions and cultural backgrounds. Indeed, the historical experience of both countries has resulted in constitutional norms that determine the legitimacy of war as a foreign policy option in Italy and Japan. Art. 11 of the Italian constitution rejects war as an instrument of aggression against the freedom of other people and as a means for the settling of international conflicts. Furthermore, it promotes and encourages international organisations to provide and guarantee peace. Article 9 of the Japanese constitution states that the Japanese people “forever renounce war as a sovereign right of the nation and denounces the threat or use of force as a means for settling international disputes. To accomplish this aim, Article 9 stipulates that land, sea, and air forces, as well as other war potential, will never be maintained”. In accordance with these fundamental rules, the political cultures of Italy and Japan have been deeply influenced and indeed shaped by pacifist values, and the use of force has always been a controversial political issue in both countries.

However, even during the Cold War characterized by bipolar competition between the US and the former Soviet Union the conflict between both countries’ strategic importance and their limited legal possibilities and material capabilities to actively contribute to security notwithstanding, both Japan and Italy found ways to make contributions to the US-led system of collective security. While Japan was able to delegate national defence to the military apparatus of an external actor, namely the US, Italy on the other hand was able to integrate its military forces into the wider NATO framework. In this way, Italy entrusted its defence to the American nuclear guarantee despite strong anti-American sentiments in the country and, until the mid 1970s, conditional and limited acceptance of Italy’s Atlantic alignment by the country’s political élites. Italy took part exclusively in multilateral peace missions, such as the United Nations Interim Force in Lebanon (UNIFIL), which was established by the UN Security Council in 1978 (through the resolutions 425 and 426).

Since the fall of the Berlin Wall, however, the strategic panorama of the international system has undergone significant changes. The international system’s rigid bipolar Cold War structures were substituted by system characterized by a mix of both traditional and non-traditional (at times overlapping) factors of instability. Dynamics-operating and competing with each other at the regional level and separated from one another-strategically decoupled the eastern and western boundaries of the previous East-West blocks. Threats, which are not strictly territorial in nature now prevail in the international agenda. The proliferation of weapons of mass destruction and transnational terrorism can be cited in this context. Moreover, non-traditional security threats such as environmental

degradation, natural disasters and migration have become more relevant. This strategic panorama has challenged the compactness of the Western security community. On the one hand, the disappearance of a common and well-defined enemy has partially disjoined the security interests of its members and has granted them greater freedom of action. Furthermore, it has compelled them to take a stance on more challenging foreign policy issues, which call for operations that may take place beyond their boundaries and may require the use of force. For this reason, following the Gulf War (1990/1991) Japan in 1992 passed The Law Concerning Cooperation in U.N. Peacekeeping and Other Operations, through which Tokyo created the legal framework for the deployment of military forces to multilateral UN peacekeeping operations (Cooney 2002). Italy on the other hand is currently one of the most important participants in multilateral missions having deployed troops and personnel to a number of international NATO and UN-sanctioned missions.

One might wonder if the challenges brought about by the deep transformations the international system underwent after the end of the Cold War have amplified the problems related to security contributions in countries like Italy and Japan, which while playing key roles in the Western security community have constitutions which do not allow them to actively contribute to security through the use of military force. It is also interesting to investigate how these countries have responded internally to this new situation, especially in terms of fundamental foreign policy choices. Of particular interest, for instance, is Japan's domestic debate concerning the possible review of the bilateral security with the US and, more generally, the political and institutional processes through which Japanese foreign policy is defined and implemented.

In fact, the profound transformations that have taken place at the international level have affected the internal factors characterising the foreign policy of the Western security community members. As far as Italy is concerned, the disappearance of the URSS was probably the most important factor affecting the internal transitions taking place at the time, marked by the decline of anti-systemic forces and by the electoral reform, which moved Italy closer to a majoritarian system. These processes have had significant effects on the compactness of the Italian political class with regard to international politics, the volatility of foreign policy decisions, and the degree to which foreign policy is influenced by bipartisan resolutions. Albeit belated in comparison with other Western countries, the reform of the Italian armed forces inspired by the professional models that are currently required for the management of contemporary crises adds to the above-mentioned elements and suggests that the country is freeing itself from the limits that have traditionally restrained its foreign and security policies.

The aim of this chapter is to explain how the interaction of domestic and international changes is affecting the evolution of Italian foreign policy and to single out the elements that can help us compare the Italian situation with that of Japan. For this purpose, the chapter is divided into four parts and analyses the foreign policy choices and actions by the government of Prime Minister Romano Prodi in 2007 when foreign policy decisions disrupted the political forces of the

country and caused a government crisis. The first part of the chapter briefly examines the main features traditionally associated with Italian foreign policy. The second part deals with the coherence of Italian foreign policy, i.e. the stability of its tenets over time. The third part focuses on the effectiveness of Italian foreign policy, i.e. its ability to choose, prepare and deploy suitable means to achieve its foreign policy goals. The fourth part briefly illustrates the Prodi government's foreign policy management.

2 Italy's Foreign Policy and its Domestic Constraints

Italy's international involvement has traditionally been described as volatile and not particularly effective. Sergio Romano suggested that during the First Republic Italy suffered from military and economic weakness, great instability of its governments and the ideological polarization of its party system. These factors deeply affected the attributes and the functioning of Italian foreign policy, and their interaction hampered efforts to define and achieve the country's strategic objectives. In particular, hampering factors were: the lack of consensus of public opinion and the political élites regarding the foreign policy goals of the country and how these could be achieved; the divide between Italy's great power aspirations and its medium power means¹; the relevance given to appearance rather than to the achievement of strategic and foreign policy goals; the willingness to cooperate with higher-ranked international actors while at the same not being prepared to bear the costs or the consequences of this cooperation when they threatened to "alter... the internal equilibrium of the Country" (Romano 1993, p. 41). Roberto Gaja observed that Italian foreign policy can be described as being more symbolic and formal rather than substantial and strategic. He also observed that Italy has always tended to "face international policy issues drawing on law rather than *Realpolitik*" (Gaja 1995, p. 28). Filippo Andreatta suggests that "traditionally, there were two factors that have caused this difficulty in obtaining a fixed status and position within the international system: economic weakness and political divisiveness. After the Second World War, the Italian Republic managed to solve the first problem, as the country became one of the richest industrial nations, but it continued to struggle with the second impediment, political weakness and fragmentation" (Andreatta 2008, p. 169).

Since the end of the Cold War, it has never been clear to what degree Italy's foreign policy is still subject to constraints caused by domestic political divisiveness. This factor is particularly relevant considering that the use of force has always been an extremely delicate issue in Italy, and for this reason its foreign policy must be supported by the whole executive branch and by a strong parliamentary majority.

¹ Carlo Maria Santoro underlined the tension implicit in the international status of Italy as the "least of the great powers" and the "largest of the smaller powers" (Santoro 1991).

Without this support and endorsement, the government could feel obliged to opt for foreign policy strategies that entail the lowest possible internal costs. In this way, the government would keep together a governing coalition, while at the same time reducing the resources to be deployed in operations abroad as much as possible. Through such an approach, the government risks reducing its chances of obtaining the desired results of its involvement in international politics and security (Lamborn 1991). Indeed, in his description of Italian foreign policy Angelo Panebianco suggested that, “it is difficult for a consensual democracy to develop a coherent and effective foreign policy owing to the extent and heterogeneity of its dominant coalition, the weakness of its Prime Minister and the instability and endemic fragmentation of its majority” (Panebianco 1997, p. 250).

However, in this context it must be emphasised that several of the above-mentioned elements were present in the Prodi government, which was supported by an extremely fragmented and heterogenous coalition and by a very small majority in the upper house of the country’s parliament. We will now discuss whether these factors have affected the coherence and efficiency of Italy’s foreign policy. The discussion is all the more poignant if we consider that in its initial phase the Prodi government was confronted with the task of formulating and adopting Italian policies towards a number of international crises in several global theatres, while at the same time being obliged to deal with government crisis caused by the break-up of the coalition government. The break-up was caused by disagreements over foreign policy strategies, had which has never happened in the history of the Italian Republic.

3 The Coherence of Italy’s Foreign Policy

The coherence of a country’s international action is closely linked with the stability of its fundamental foreign policy choices over time. With regard to coherence, it is interesting to analyse two events that took place in 2007, namely the demonstration against the US Dal Molin military base and the government crisis it caused.

The protest against the Dal Molin base started when the previous government granted US authorities the concession of the Dal Molin civilian airport to move and enlarge Caserma Ederle and unite it with the 173rd Airborne Brigade.² The Vicenza city council approved the location of the base, and on October 26, 2006 the Prodi government was directly involved in the decision, which was to have repercussions until late 2007. The construction of a new and larger US military

² During Lorenzo Forcieri’s turn as Italian Secretary of Defence it was reported that, “official documents show that between the end of 2005 and the beginning of 2006, the previous government had formally given the green light to the project, as shown by a letter addressed by the Italian Minister of Defence to the US administration” (“Il Secolo XIX”, *Ho visto la lettera l’impegno c’è*, 18th January 2007).

base was met with strong protests by the local population. Demonstrations started on January 9, 2007, when then US Ambassador Ronald Spogli was hounded by around 200 protesters during a visit to Vicenza city council,³ and ended on December 15, 2007 when 40,000 people joined a protest march against the military base.⁴ Among the various initiatives of the movement, which occasionally led to violent protests,⁵ the most relevant one was the march that took place on 17th February 2007 when, according to official estimates, at least 80,000 people from all over Italy protested against the new base, chanting “No Dal Molin”.⁶

This march represented the culminating point of the ‘No Dal Molin’ movement both because it saw an extensive participation of the public and because it caused the government majority to split as the President of the Chamber of Deputies Fausto Bertinotti, expressed his “strong opposition” to the enlargement of the military base in Vicenza, which he considered a faux pas on the road to “the construction of peace”.⁷ The Communist Refoundation Party (Rifondazione Comunista—RC), the Italian Communist Party (Partito dei Comunisti Italiani—PDCI), the Greens (Verdi) and some representatives of the Democratic Party of the Left (Democratici di sinistra—DS) and the Italian centre-left party Italia dei Valori (IDV) supported the protest committees against the military base. The party secretaries of the RC and the PDCI took part in the march together with several coalition members amid heated controversy over the appropriateness of members of the governing majority to protest against their own governing majority.⁸

The protest was fuelled by diverse elements. Criticism against the choice of location of the military base, judged to be detrimental to the city of Vicenza, added to anti-American sentiment and the emergence of pacifist movements, which strongly opposed the construction of new military bases in Italy. The mix of local and national elements eventually affected the government’s foreign policy, and the left-wing of the governing majority exploited the Vicenza affair leading to discontinuities and incoherences of the government’s foreign and security policies later on.

³ One person was injured during the protest (“La Repubblica”, 200 “disobbedienti” affrontano la polizia. Vicenza: contestato l’ambasciatore Usa, 10th January 2007).

⁴ “Corriere della Sera”, *Al corteo contro la base Usa critiche a Prodi e Napolitano*, 16th December 2007.

⁵ On 22nd February 2007 a bomb was found near the Altare della Patria (Altar of the Fatherland). The bomb was accompanied by a message addressed to “Il Sole 24 Ore”, declaring that the bomb was connected with the protests against the US base; on 31st July an unsuccessful attempt was made to damage an underground fuel pipeline serving NATO bases in northern Italy (“Corriere della Sera”, *Altare della Patria, mina contro le basi Usa*, 23rd February 2007; and *Vicenza, fallito attentato contro un oleodotto Nato*, 1st August 2007).

⁶ According to the organisers of the protest, around 200,000 participants joined the march (“Corriere della Sera”, *Vicenza, corteo senza incidenti. Siamo in duecentomila a dire no*, 18th February 2007).

⁷ “Corriere della Sera”, *Bertinotti: assolutamente contro l’allargamento della base Usa*, 21st January 2007.

⁸ “La Repubblica”, *E tra Giordano e Diliberto derby a sinistra*, 18th February 2007.

The demands from the government coalition's left-wing for changes to Italy's foreign policy intensified the political crisis that the Prodi government had to face after the protest march when the left-wingers of Prodi's coalition government requested the withdrawal of Italian troops from Afghanistan, claiming that Italy was involved in a war and not a peace mission in that country. On February 21, 2007 Italy's Minister of Foreign Affairs Massimo D'Alema introduced the parliamentary debate about whether to continue funding Italy's participation in the International Security Assistance Force (ISAF) mission in Afghanistan by submitting the foreign policy pursued by the government for evaluation by the Senate.⁹

In his address in parliament, D'Alema stressed the importance of coherence in foreign policy as a factor inevitably affecting the international influence of a country. Moreover, he argued that Italy intended to exert its influence to build peaceful international relations and that its participation in the resolution of the Afghan crisis, which he defined as "a challenge for the whole international community" must be understood in that context. He went on to say that in order to successfully carry out such a task, it was necessary to involve jointly the EU, NATO and the UN, i.e. "the organisations that are reference points for Italy's international action" as he put it. D'Alema added that the international actors should "intensify their civic, political and economic engagement" in Afghanistan and that the ISAF mission was in compliance with the multilateral framework of the operation and was not violating the war-renouncing article 11 of Italy's constitution. He concluded by saying that Italy's approach stood for discontinuity with the policies adopted by the previous government.¹⁰

D'Alema affirmed that Italy had to strike a difficult balance between several factors. In particular, it had to move within the boundaries established by its international allies and had to be loyal to them in order not to lose Italy's international influence. Moreover, the country had to make every effort to promote a new perspective of detente and peace. According to D'Alema, this applied to the case of the Vicenza military base. He said that "if the Prodi government had revoked the concession made by the previous government, it would have given the impression of being hostile to the US and would have created misunderstandings and counterproductive effects". He added that all the foreseen institutional procedures had been followed both by the Italian and American institutions and promised that the government would proceed along the same line of action by taking into account the concerns of Vicenza's population and by keeping an open dialogue with them. He added that the government had requested the US to do the same.¹¹

⁹ The atmosphere became even more tense by an open letter written by the ambassadors of Australia, Canada, The Netherlands, Romania, United Kingdom and United States in support of the Italian involvement in Afghanistan.

¹⁰ D'Alema's declaration about foreign policy in Senate on 21st February 2007.

¹¹ *Ibidem*.

Despite the discontinuity between the Prodi and the predecessor government, the focus on peace as a central value of Italian foreign policy, the commitment to promote the civilian dimension of the mission in Afghanistan,¹² and the commitment to keep an open dialogue with Vicenza's citizens, the Senate did not approve a motion backing the government's foreign policy, which fell two votes short of the necessary 160 votes. Twenty-four senators abstained and 136 voted against the motion. The votes of a few for life and two left-wing senators were decisive in determining the rejection of the motion. The above-mentioned events are especially relevant because they are connected with the values guiding Italy's foreign policies, individual policies and policies adopted together with allies. The debate over the Vicenza base addressed both Italy's relations with the US and the 'value of peace' as it questions the opportunity to use a part of the Italian territory for military purposes. In the case of Afghanistan the conflict in which the majority engaged over the ISAF mission is all the more about the 'value of peace', as Italy's mission was criticised because of its military dimension.

Attention should be drawn to the fact that despite the fact that both the governing majority and the population strongly opposed the mission, the Prodi government stood by its decisions and the choices made by the previous government in terms of fundamental foreign policy issues and conduct. Indeed, after President Giorgio Napolitano held talks with political leaders, on February 27, 2007 the Prime Minister won a confidence vote in Senate (on March 2 he won a confidence vote in the Chamber of Deputies) for a non-negotiable 12-point-plan, including support for the Italian military presence in Afghanistan¹³ and for honouring its commitment to the multilateral operations of the EU, NATO and the UN. Thus, the 'No Dal Molin' protests did not jeopardise the agreements adopted with the US. Moreover, on March 27, 2007 the Senate approved the renewed funding of the ISAF mission also thanks to the support of for life senators and the political party Union of the Centre (UDC).

The fact that the Prodi government fell because of its foreign policy offers counterintuitive evidence of the coherence of Italian foreign policy: rather than making conflictual and problematic choices that would clash with Italy's commitments damaging the relations between Italy and its allies, the Prodi-led government preferred to confront a government crisis. In other words, contrary to what might be expected based on our initial considerations, the Italian government preferred to pay the price in terms of political instability rather than to bear the costs deriving from a change in its foreign policy. Put differently, it chose to risk its survival instead of rendering itself vulnerable to accusations of foreign and security policy incoherence.

¹² In collaboration with the EU, Italy organised the *Conferenza sullo Stato di diritto in Afghanistan* (Conference on the Rule of Law in Afghanistan) and asked for the so-called 'International Conference on Afghan Peace': *Ibidem*.

¹³ "La Repubblica", *Dalla politica estera alle pensioni. "Sì" dell'Unione ai 12 punti di Prodi*, 22nd February 2007.

4 Effectiveness of Italian Foreign Policy

The effectiveness of a country's foreign policy can be determined by the quantity and quality of means it is able to provide in order to effectively achieve its goals internationally. The events that occurred in 2007 suggest that Italy is extremely sensitive to the use of force in international affairs. If we consider the behaviour of the Prodi government in foreign affairs in situations that did not involve the use of military forces or that involved only their passive use, we can see that the results it obtained were judged favourably both by the Italian public and the international community.

An example is the diplomatic battle fought by Italy against the death penalty, which corresponds with the government's policies in defence of human rights. In particular, on December 18, 2007 Italy played a leading role in convincing the General Assembly of the UN to approve a moratorium on the death penalty. A total of 104 members voted for a suspension of capital punishment worldwide, while 54 voted against and 29 abstained. The Italian initiative, led by the UN delegation and the ministers Emma Bonino and D'Alema together with NGOs such as 'Nessuno tocchi Caino', decided to carry out all the tasks that the General Affairs Council of the European Union had assigned to Italy in May 2007, namely building a coalition of pro-moratorium members and creating a resolution that would be approved by the Assembly. Italy's achievement made it possible to overcome the three unsuccessful attempts of 1994, 1999 and 2003 to adopt a moratorium which was greeted by all parties as a historic event.¹⁴

Italy was also successful in its management of the UNIFIL mission in Lebanon, which it led successfully since November 9, 2006¹⁵ despite the difficult mine clearing operations and military hostilities, which on July 25, 2007 caused six casualties in the Spanish and Colombian and one casualty in the French troops contingents.

Finally, Italy worked to increase the civilian dimension of the multinational mission in Afghanistan. These efforts were considered important by the various multilateral fora for, which Italy is involved in. For instance, in the EU Italy was supporting the Union's Common Security and Defence Policy (CSDP) mission aimed at reconstructing the Afghan police forces and planned to contribute with 13 *carabinieri* (Italian policemen). The EUPOL Afghanistan mission was- after a formal invitation by the Afghan government- approved by the EU Council on 30th May, 2007.¹⁶ The mission started in June of the same year.

In his address to the Political Commission of the NATO Parliamentary Assembly, Italian President Napolitano pointed out that "Italy is committed to finding ways to develop the civilian dimension of the mission, along its military one, until the objectives of peacemaking and the stabilisation of the Afghan

¹⁴ "Corriere della Sera", *L'Onu vota contro la pena di morte*, 19th December 2007.

¹⁵ On 2nd February Major-General Claudio Graziano was appointed Force Commander of the United Nations Interim Force in Lebanon (UNIFIL).

¹⁶ Official Journal of the European Union, L 139/33, May 31, 2007.

institutions are reached".¹⁷ It is also important to point out that Italy has repeatedly advocated the need to protect Afghan civilians from the consequences of military conflict in the country. As an example, Italy's Prime Minister Prodi intervened at the North Atlantic Council on 27th June, 2007 and Italy's Minister of Defence spoke to the Secretary-General of NATO on July 3rd of the same year. Back then, the Italian government addressed an issue, which is both delicate for its implications in terms of the relationship among the members of the alliance, and also very important for the success of the mission, as acknowledged by the military authorities of the NATO forces.

Within the UN, Italy has fought to put the political, economic and social aspects of the Afghan crisis towards the top of the international community's Afghanistan agenda. As a consequence of its efforts, Italy-in cooperation with the Afghan government and the UN-organised the Rome Conference on the Rule of Law in Afghanistan in July 2007. The conference was attended by Afghan President Karzai, the Secretary-Generals of the UN and NATO, the Presidents of the EU Commission and EU Council and heads of states of several other countries. This event raised 360 million US dollars and emphasised the fact that political stability and internal security cannot be obtained without a joint commitment to reconstruct political and judicial structures in Afghanistan.

This obstinate line of action reflects the conviction of the Italian government that the Afghan situation could be dealt with only by adopting multidimensional strategies, but it can also be interpreted as a means to reduce internal controversies about the mission in which Italy was taking part and as a way of reducing the tensions concerning the deployment of military forces abroad. In other words, the Italian mission in Afghanistan did only make relevant contributions to stabilise the country, but it was also an indicator for the changes taking place in Italian foreign policy.

In a year throughout which several attacks on the Italian forces took place, resulting into the death of two soldiers in Afghanistan,¹⁸ the Prodi-led government was forced to repeatedly justify the presence of Italian military forces in Afghanistan and to account for the use of military resources deployed in the country. This also occurred during the Sevilla summit that took place in February 2007, when the NATO allies requested Italy to provide 3 aircraft (two Predators and one C-130) for monitoring and transportation purposes. This happened again in May, when the government decided to dispatch five A-129 Mangusta helicopters and 18 vehicles (eight of which were armoured) to "increase the operational security of the Italian contingent".¹⁹ These actions were, like Italy's decision in December of the same

¹⁷ Speech given at the meeting of the Political Commission of the NATO Parliamentary Assembly on April 3, 2007.

¹⁸ On 22nd September, 2007 two Italian soldiers were abducted; Lorenzo D'Auria died of wounds received during his release; on 24th November Daniele Paladino died in a suicide explosion.

¹⁹ Declaration to the joint parliamentary committees of Foreign Policy and Defence in both Chambers about the weaponry of the ISAF Italian military contingent in Afghanistan, 15th May 2007.

year to dispatch 250 soldiers to assume its turn of command of the NATO forces in Kabul and to join the Italian troops contingent in Herat, deemed incompatible both among the government and the general public with a peace mission conducted by Italian pacifists in Afghanistan.

The Prodi government was forced to defend the Italian presence in Afghanistan also when the *La Repubblica* journalist Daniele Mastrogiacomo was abducted in the country. In this case, as it had already happened in the past, the timing of the kidnapping was very important: the abduction took place on 4th March, just in time to exploit to the fullest the government crisis in Italy. Italy apparently accepted once more the conditions imposed by the abductors.²⁰ While this kidnapping led to a conflict between Emergency, an Italian non-governmental organization and the Italian and Afghan governments it also highlighted the need for multilateral coordination of how to deal with abductions in Afghanistan. Moreover, it once again stressed the fact that Italy is reluctant to accept the use of force in international politics.²¹

Given these circumstances, it is hardly surprising that Italy has been investing comparatively little in its armed forces over the years. In his comment on the allocation of financial resources according to the budgetary law, Italy's Minister of Defence at the time complained about the imbalance between personnel expenditures and expenditures for operations and investment, stating that the latter is not sufficient to guarantee "an efficient and safe operational employment of people and resources".²²

Despite a growing awareness of the international challenges Italy will in the near future have to face the fact that a reduction in military expenditures could limit the effectiveness and the reliability of Italy's international involvement. So far, however, the scarce investments into the country's military capabilities have gone virtually unnoticed in Italy. According to former Italian Minister of Defence Arturo Parisi the international credibility of a country depends on its ability to

²⁰ Terrorist organisations typically abduct people to pursue several objectives, such as raising money, keeping the international tension high and generalising the conflict by involving the public opinion of the countries of origin of the abductees and trying to interfere with their political decision-making. In other words, abductions represent a particular type of international challenge since it affects the domestic environment of the abductees' countries directly. In this sense, it is important to stress that Italy was confronted with abductions several times in the past and it cannot be excluded that Italy's domestic political constraints were taken into account by the kidnappers abducting Italian citizens. Cases of abduction that have had an impact on the internal debate regarding Italy's foreign policy took place in Iraq from April to June 2004 (the victims were bodyguards Salvatore Stefio, Maurizio Agliana, Umberto Cupertino and Fabrizio Quattrocchi—the latter was killed); in August 2004 (the victim was a journalist, Enzo Baldoni, who was also killed); in September 2004 (voluntary workers Simona Pari and Simona Torretta); and in February-March 2005 (the victim was journalist Giuliana Sgrena and the SISMI military intelligence officer Nicola Calipari, who was killed during her release). In May-June 2005 the voluntary worker Clementina Cantoni was abducted in Afghanistan.

²¹ This is a bipartisan trend. See (Clementi 2005).

²² Speech to the Senate Defence Committee on 2008 budget law, 10th October 2007. In the budget, 140 million Euro were set aside for operating expenditure in 2008.

meet the responsibilities it is willing to take. The level of these responsibilities depends on that country's "level of ambition", i.e. on the resources that it is able to transform into "operational abilities that can be expressed by the armed forces".²³ The reduction in military investments further confirms that when the military dimension of foreign policy makes it onto the policy agenda, the Italian government often found it difficult to operate efficiently. Thus, it can be concluded that Italy's traditional domestic constraints limiting the use of force and its consequences have proliferated to such an extent that it is now difficult for any Italian government to deploy military forces to conflicts with the same political and public support other countries receive.²⁴

5 Foreign Policy Guidelines of the Prodi Government

The analysis of Prodi's foreign policy choices and foreign policies enables us to analyse Italy's foreign policies at the time from a wider perspective. The behaviour of the government was coherent with a consistent and congruent action plan characterised by two fundamental elements. The first one consists in the international framework of reference within which Italy operates, i.e. the UN, NATO, and the EU. These institutions are constant and essential points of reference for Italy and legitimize the country's role and influence in international politics.²⁵ The second element consists in the criteria that guide Italy's actions vis-à-vis the challenges it has to face by virtue of its geopolitical position. Geographically, Italy is located close to regions of potential conflicts (Northern Africa or the Middle East) and hence finds itself in the position to act as mediator, particularly in conflicts involving the Arab world.

In the period we have analysed above, Italy's efforts to draw attention to its institutional role in the international system were widely acknowledged as positive and constructive. In addition to the above-mentioned events, it should also be pointed out that Italy has consistently participated in peace missions all over the world, even if this has not always been fully acknowledged and appreciated domestically.²⁶ Italy e.g. participated in the EUPOL RD Congo mission for the

²³ Declaration to the Senate Defence Committee on the participation of Italy in military missions abroad, 26th July 2007.

²⁴ It should be noted that the rules of engagement limiting the use of force for self-defence for the mission of the Italian troop contingent in Afghanistan were adopted by the previous Italian government. For a wider perspective on the presence of internal constraints in the international action of governments supported by different coalitions see e.g. (Andreatta and Brighi 2003).

²⁵ For an inverted analysis of these fundamental traits see (Romano 2006).

²⁶ Going through the list of countries where these missions took place, Italy was active in all the most problematic areas, i.e. Albania, Afghanistan, Bosnia and Herzegovina, Cyprus, Congo, Egypt, India and Pakistan, Iraq, Kosovo, Macedonia, Malta, Morocco, Lebanon, Palestine, Somalia, Sudan.

training of police forces (which substituted the previous EUPOL Kinshasa Mission, as deliberated by the EU Council), in the NATO NTM-I mission in Iraq, where Italy started training the police forces in June 2007, and in the UN AMISOM mission in Somalia, which started in March 2007 and whose planning has been organised by Italian officers.

Each one of the institutions involved in these missions has positively acknowledged Italy's efforts and contributions. While Italy was not chosen by the EU to negotiate the nuclear dossier with Iran,²⁷ Piero Fassino was appointed as the EU Special Envoy for Burma/Myanmar in November 2007. As regards NATO, in November 2007 Admiral Giampaolo Di Paola was elected as chairman of the NATO Military Committee despite US support for the Polish candidate at the time. According to NATO sources, Admiral Di Paola was elected because his "professionalism and charisma are unanimously acknowledged by all the Chiefs of Staff".²⁸ Italy obtained a seat on the UN Security Council in 2006, and in 2007 became UN rapporteur for Afghanistan. Finally, Italy was a member of the Human Rights Council from 2007 to 2010.

As regards Italy's geopolitical position, the events that took place in above-mentioned period confirm that Italy is committed to playing a mediating role in international politics and conflicts. One example is Italy's efforts to mediate between Israel and the Palestinian organisations Hamas and al Fatah, a necessary precondition to restart the Israeli-Palestinian peace process. The mediation efforts of Italy's Foreign Minister at the time (together with the French and Spanish Foreign Ministers) were aimed at identifying a Lebanese presidential candidate that would be accepted by all involved parties. Italy also convinced the Arab League and Syria to take part in the Annapolis Conference²⁹ which took place in November 2007. Prodi referred to Italian policies as "being sensitive to all the actors in the region" adding that, "the best way to foster peace and stability in the region is to try and understand both sides without privileging either party".³⁰ Following the same line of action, Italy speeded up the negotiation process with Libya by formally apologizing for its colonial past, there by protecting its energy interests in the country and securing Libyan cooperation for controlling and managing illegal migratory flows into Italy.³¹

At the same time, it can be argued that this traditional, mediating behaviour was reinterpreted in an innovative manner. For instance, in some periods of Italian history, multilateralism traditionally was understood as a way to avoid internal conflicts and to alleviate national responsibilities. The Prodi government used multilateralism in an innovative way by operating both within international

²⁷ The countries the EU chose to negotiate with Iran were Germany, France and the UK.

²⁸ "La Repubblica", *Nato, l'ammiraglio Di Paola presidente del Comitato militare*, 14th November 2007.

²⁹ A conference hosting negotiations between Israeli and Palestinian authorities.

³⁰ Declaration to the Assembly of the Senate of the Italian Republic, 27th February 2007.

³¹ Progress was made thanks to those negotiations, which led to the signing of an Italo-Libyan protocol on the management of illegal migratory flows.

institutions (as in the case of the death penalty) and in favour of international institutions (as in the case of foreign missions, which was costly for the country from a human, economic and political point of view).³² Moreover, the government's policy tried to involve all the relevant actors of the ongoing conflicts into the existing multilateral frameworks.³³

Against this background, it can be concluded that the Prodi-led government fully understood that multilateralism has a positive impact on international peace and stability improving the operating conditions of the countries that share common international objectives and values (and even more so if it creates the conditions for the involvement of countries that do not share them). This was stressed by Prodi at the United Nations General Assembly on 25th September 2007 when he said that "there is no longer a national way to handle the world's problems... Multilateralism is the only means by which we can hope to accomplish something good". Against this background it can be concluded that the Prodi-led government adopted an efficient and inclusive type of multilateralism, which was successful despite the internal obstacles that partially reduced the effectiveness of Italy's external actions at the time. These obstacles are intrinsic to the functioning of the Italian political system and to the political culture of the country, standing in the way of the adoption of bipartisan foreign policies. Indeed, it must be stressed that the coherence and effectiveness of Italy's foreign policy continue to co-exist with deep contradictions. "Italian foreign policy is... still dominated by its domestic politics. ... This disproportionate weight is due to two mutually reinforcing phenomena. The first is the fragmentation of the Italian party system. ... The second reason... is that the influence of smaller groups on government policy in Italy is unusually large because there is no bipartisan consensus on foreign policy" (Andreatta 2008, pp. 177–178). These elements may not be sufficiently mitigated by the international transitions we referred to in this chapter since "the post-Cold War world is much more mutable and ambiguous, allowing for more freedom of choice but also more room for extemporaneous decisions influenced by short-term internal political calculations. A more permissive international environment has allowed Italy to develop a more flexible foreign policy, and this has often clashed with the characteristics and events of Italian domestic politics," as Filippo Andreatta writes (Andreatta 2008, p. 177).

6 Conclusions

In this chapter it was sought to explain how Italy's foreign policy reacted to recent changes and transformations in international politics and security. Compared to the past, Italy is now more involved in the international politics and security and has

³² On the importance of the willingness to sustain these high costs, see (Silvestri 2007).

³³ See also (Caffarena 2007).

had to come to terms with the use of military force. Under the above-described circumstances, it was to be expected that the problems of Italian politics such as governmental instability, fragmentation and the presence of pacifist forces, which collectively led to the fall of the Prodi-led government, inevitably exerted a negative influence on the coherence and effectiveness of Italy's foreign policy. Nevertheless, the Dal Molin events in Vicenza and the government crisis caused by foreign policy decisions—the first of this kind in the history of the Italian Republic—suggest that the government was nonetheless able to act coherently, even if the inner-Italian political conditions stood in the way of a problem-free adoption of the country's foreign policies at the time. Moreover, the actions carried out in multilateral contexts show that the Prodi's government obtained effective results. At the same time, however, the decade-old difficulty both of dealing with the use of force and sustaining its related costs, affected the actions of the government in a negative way. Overall, some of the events that occurred during the Prodi-led government suggest that under certain conditions Italian institutions can safeguard the coherence and commitments of the country's foreign policies despite internal obstacles and contradictions, which remain particularly strong in contemporary Italy.

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Italy and Japan: The Price of Defeat in Post WWII International Relations

Ilaria Poggiolini

Abstract This is a comparative effort to discuss the impact of defeat and surrender on Japanese and Italian international status and relations after WWII. I will start from two main points: (1) in discussing both countries the *price of defeat* is central in understanding political self-perceptions and external relations from the early post-war period to the Cold War era; (2) a comparative analysis of Italy and Japan based on themes such as memories of the war, post war regional grouping, economic recovery and growth as well as national paths throughout the Cold War era, calls attention to the similarity of their starting point as defeated nations. The main argument is that the implications of defeat and post WWII peace-making in Italy and Japan were significant and long lasting. This chapter will substantiate this argument by reflecting on the meanings of defeat and identifying a set of comparable moments in post war Italian and Japanese self-perception and international relations.

1 Introduction

This is a comparative effort to discuss the impact of defeat and surrender on Japanese and Italian international status and relations after WWII. I will start from two main points: (1) in discussing both countries the *price of defeat* is central in understanding political self-perceptions and external relations from the early post war period to the Cold War era; (2) a comparative analysis of Italy and Japan based on themes such as memories of the war, post war regional grouping, economic recovery and growth as well as national paths throughout the Cold War era, calls attention to the similarity of their post war point of departure as defeated nations. The main argument is that the implications of defeat and post WWII

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peace-making in Italy and Japan were significant and long lasting. This chapter will substantiate this argument by reflecting on the meanings of defeat and identifying a set of comparable moments in post war Italian and Japanese self-perception and international relations.

2 Defeat and its Price

The *price of defeat* was paid by Italy and Japan at the end of WWII. The Italian and Japanese experiences in this regard are comparable test cases of how a culture of defeat is created and reproduced over time, weighing heavily on political choices in domestic and international politics. One can argue that a culture of defeat is based on variable percentages of individual and group memories as well as levels of amnesia. In the case of Italy and Japan the war experience, occupations and the winners/losers relationship became “overlaid with collective national memories—or myths—which served to legitimate—and stabilize—the political order after 1945”.¹ The domestic and international constraints of the Cold War, which came to an end only in 1989, played a pivotal role in the formation of memories and amnesias regarding the war experience and the transition to peace. It has been argued that in the formative years of the East/West divide “everybody sought to identify with the winners.”² This meant a sort of re-invention of individual and collective memories. “Losers imitate winners almost by reflex” (Shivelbush 2003), and this is one of the fundamental ways in which defeat affects societies politically and conditions the decisions of their leaders.³

Debating the burden as well as the liberating effect of defeat in modern times is a challenging exercise that very few scholars have undertaken. As observed by Wolfgang Schivelbus, “old allegiances can be cast aside and losers are free to learn from victors”, though “this borrowing” is not a straightforward process and may lead to “a place where rationality and irrationality are mixed in a proportion of one part to three or more” (Najafi et al. 2003).

Did Italy and Japan follow earlier examples of victor imitation? Did they follow a similar path in metabolising the price of defeat? The question of how rational and irrational considerations blended in the Italian and Japanese experiences of defeat is closely linked with the circumstances of their surrender and transition to peace.

¹ See the introduction to (2002).

² Judt (2002), p. 159.

³ See the review of Shivelbush’s book by Martin Wollacott, The Guardian, Sat 29 Nov, 2003. <http://www.guardian.co.uk/books/2003/nov/29/history.highereducation1>.

3 Surrender and Peace

3.1 Italy

The exit of both Italy and Japan from WWII should have been subjected to a strict protocol of *unconditional surrender* elaborated at the Casablanca Conference in January 1943 by Winston Churchill and Franklin D. Roosevelt. However, in both cases and for different reasons the two main conditions for unconditionality did not apply, namely complete political vacuum and the absolute denial of concessions to the enemy. Roosevelt and Churchill had envisaged a scenario for the defeated powers that only applied to German surrender. A certain degree of revision of this approach, elaborated at the Casablanca Conference, became necessary in the name of non-negotiable priorities, such as facilitating Italy's early exit from the war on the side of the Axis powers in September 1943 and obtaining Japan's surrender in the summer of 1945. Both countries were not reduced to a 'tabula rasa' as wished for in Casablanca: their monarchies survived defeat and were, together with their governments, vital institutional interlocutors for the Allies at the time of surrender. The Allies' main concession was the recognition of institutional continuity in circumstances that differed markedly in the two cases.

The announcement of the armistice with Italy on 8th September 1943, did not end the war but instead opened another tragic chapter on Italian soil: both the Germans and the Allies invaded the country and the King left Rome for the South where the Allies landed and made their slow progress northward. The Italian army and population were abandoned to their fate: "Indeed, the destiny of the military class and that of most Italians after the armistice had one central trait in common: many felt that from the ruins of the recent past they could only rescue their own personal honour and allegiances while collectively all was lost both materially and morally. The memory of this realization and the sense of deprivation which could not be separated from it had long-lasting repercussions on Italian post war politics and society".⁴ The events of 1943 put additional strain on a nation that had been struggling since its unification to produce a strong sense of itself: the continuity of government granted by the King under Allied shelter in the South and the return of Mussolini under German tutelage in the North, forced Italians to choose between two homelands or to desert both and *go home* where at least they were hoping to re-join local and family loyalties.⁵

Between Italy's surrender in 1943 and the signing of the peace treaty in January 1947, the American occupation and ambiguous creation of a state of *co-belligerency* between the Allies and the anti-fascist Italian forces in a common effort to liberate the country from the Germans, produced a plethora of expectations and disappointments for both winners and losers. *Husky*, the military operation that

⁴ Poggiolini (2002), pp. 226–227.

⁵ *Ibidem*.

brought the Allies on Sicilian soil, inaugurated the chapter of Anglo-American occupation and administration of enemy countries in Europe, leading to the creation of the Allied Military Government (AMG). From 1943 to 1947 the senior role in the occupation shifted from British political leadership to that of the US and from punitive attitudes to a project of normalization of Italy's status and relations within the Western block. The Italian peace treaty of 1947 put an end to all remaining Italian illusions about minimizing the impact of defeat. However, its timing was very fortunate, since the treaty was signed only one month before the formulation of the Truman Doctrine. Within a scenario of open East-West competition for the hearts and minds of the Europeans, the punitive dimension of the treaty had to be quickly reconciled with American plans for Italy's political and social stabilization.

The Italian peace treaty was negotiated in the years 1945–1946 by all victorious countries in a scenario of multiple transitions: transition from war-time cooperation to post war East-West competition, from internationalism to bipolar division and from British-Soviet competition in the Mediterranean to American hegemony (Poggiolini 1990). With the Cold War in the open since 1947, the clauses of the Italian treaty became incongruent with Italy's geopolitical role in Western Europe and the Mediterranean. However, in the new international scenario of East-West competition and confrontation, the treaty could not be amended with the consent of all parties concerned. Independently from the former Allies, the US government embraced the revisionist cause of the former enemy not encouraging revanchist territorial claims, but working on the revision of Italy's status. By the terms of the Paris Peace Treaty of 10th February 1947, Italy lost all its colonies; Istria and Fiume went to Yugoslavia and most shockingly for the Italians, it was decided that Trieste should become part of a newly established Free Territory. This plan never, however, materialized because the task of appointing a suitable governor for the Free Territory by the United Nations remained unfulfilled in the frozen diplomatic atmosphere of the early Cold War years. Italy's claims regarding its national frontier had been ignored from the very beginning of the peace-making phase with the notable exception of the Brenner frontier. De Gasperi and his Austrian counterpart, Karl Gruber, were allowed to negotiate directly an agreement granting equal rights to the German minority in South Tyrol.

The enforced loss of Italian pre-fascist and fascist colonies with the peace treaty hurried Italian decolonization, but it could not cancel out a sense of imperial hangover produced by the end of an ever-difficult imperial experience. Those difficulties seemed to justify a generalized, deep feeling of disappointment among politicians of all orientations and intellectuals in dealing with this loss. Benedetto Croce went as far as to denounce the “unconditional renunciation of those colonies which Italy had acquired by her blood.” After his speech in Paris in August 1946, and for the following seven years, De Gasperi protested vehemently against the proposal to create the Free Territory of Trieste and campaigned for the return of the city to Italy, a goal finally achieved in the mid-1950s. “Trieste was certainly the most emotional and widely felt issue in foreign policy during the years of imperial hangover” (Seton-Watson 1980), as demonstrated by the nationalist outburst of 1953. All other claims related to the peace treaty had been largely

superseded by the integration of the country in Western Europe, the Atlantic alliance, the *economic miracle*, and the process of decolonization in Africa, but the return of Trieste remained strictly non-negotiable. While Italy paid reparations to the Soviet Union, Yugoslavia, Greece and Albania, the Western Allies did not request them. Equally punitive were the drastic military clauses and the idea that democratization in Italy was a process activated by outside forces.

Although Italy received a very harsh peace settlement on paper, it was quickly encouraged to ignore the punitive dimension of the agreement, engage in friendly relations with Washington and join the Western block. International pressure to reconstruct and consolidate Western Europe against a threat coming from the East convinced Truman to informally put aside the Italian peace treaty and to make the country a partner in the creation of the Western block.⁶ Thus, revising the treaty and making Italy a founding member of the Atlantic Pact became goals that Italy and the Western Allies shared and pursued since 1947. The positive post-1947 diplomatic trends did not eliminate the scars left by the experience of occupation and war of liberation ending with a punitive peace treaty: “Remembrance—and amnesia—were parcelled out according to partisan political allegiances. Instead of creating a common national memory—as part of a nation building process—an exercise in transferring to the superpowers or to Europe a variety of demands and expectations was carried out, at different levels and with different motivations, by the government, the opposition and the public”.⁷

Italy’s normalization was a long-term process, never cancelling out completely the price of defeat. From the armistice onwards, the country surrendered its active role in foreign policy. Its status changed from actor to object of international relations and it became a passive albeit relevant factor of East-West geopolitical confrontation within the Southern Europe and Eastern Mediterranean scenario. Over the 1943–1947 period decisions regarding Italy had a major impact on future relations among the victorious countries: the country became a *test case* of the transition from war-time to post war diplomacy and a significant factor in the process leading to the origins of the Cold War. Indeed, for the US “Italy represented the first opportunity to try out the politics of stabilization”,⁸ and for the Soviet Union a fundamental “precedent”, which was going to shape their attitude towards future cases of occupation.⁹ For Italians the road from war termination to peace making was painful and divisive. However, the experience of American occupation contained in itself from the start a dominant liberating dimension, stimulating a desire to imitate and identify with the Americans and their way of life. This was facilitated by the relaxation of the strictest rules of military occupation from 1945 onwards and by the normalization of American/Italian relations after 1947, when Washington prioritized the construction and cohesiveness of the Western block.

⁶ Poggiolini (1990), pp. 136–151. See also (Poggiolini 1993).

⁷ Poggiolini (2002), p. 227, Rossi (1993).

⁸ Miller (1986), p. 68.

⁹ Arcidiacono (1984), pp. 217–450. See also (Di Nolfo 1985; Winton 2010).

Geopolitics made Italy an almost demilitarized member of the Atlantic alliance since its creation. Italy's post imperial role was in Europe where the Italian morale could be restored after the humiliations of military defeat and the peace treaty. In Europe Italy became a founding member of all institutions since 1949. An intense political and scholarly debate on the American occupation and war of liberation in Italy has characterized the period from the late 1970s to the early 1990s. Recently, after the American-led war in Iraq, the question of what makes a military post war administration a successful step towards reconciliation and reconstruction—such as in the Italian, German and Japanese cases—or a failure—as Iraq many fear it will be—is inflaming the political debate (Edelstein 2004).

In recent years, prior to the US-led contemporary GWOT (Global War on Terror) the US military has not participated in major efforts to occupy, reform and reconstruct countries after military conflict. The post WWII experience of occupation was by then frozen in time: that of the origins of the Cold War. Only in the last decade have we witnessed a significant revival of the debate on post war stabilization, searching for answers to the pressing dilemma of how to make an occupied country 'behave'.¹⁰ Indeed, lack of violence after a war can be both a sign of effective occupation policies leading to reconciliation, and a demonstration that the winners have enforced peace by inflicting long-lasting damage during surrender negotiations. Both the intensity of the use of force and a well-planned policy of occupation could make a very significant difference in the transition from war to reconstruction (Maier 2005). In Germany and Japan fears of violent resistance encouraged parallel strategies of coercion and democratization. The question of focusing on intense, initial post surrender strategies or plans of a prolonged strategy of occupation was at the core of the debate then and today is still is a scenario of contemporary wars.¹¹

Italy was an exception to past and present rules of military occupation: the circumstances of the armistice and the continuation of the war gave the role of occupying force to the Germans and that of liberators to the American and British armies, supported by Italian contingents and resistance forces. The allied occupation machine did not always function smoothly and dealing with the resistance in the North highlighted the risk that partisan organizations close to the communist left could pose a threat to Italy's political stabilization. However, the common effort to liberate the country brought together allied and Italian forces in a common effort to defeat the Germans and eradicate fascism. The return of communist leader Palmiro Togliatti to Italy and Soviet recognition of the Italian government in March 1944 (Ellwood 1977; Buchanan 2008) were signs that Moscow did not encourage the Italian communists to play a revolutionary hand.

Whether the planners of American occupation policies after WWII expected high levels of resistance or not is a question recently reopened by the debate on contemporary military occupations. At the end of WWII, plans to face the worst

¹⁰ Shelling (1966), p. 30.

¹¹ Edelstein (2004), pp. 50–51.

were drawn up in the US in order to face Nazis' and Japanese unyielding resistance in the heart of Europe as well as in Pacific. However, both in Germany and in Japan the American assessment of the likelihood that coercive measures should be used focused on the early phase of the occupation when "the strategic threat of violence" was not to go unnoticed.¹² Indeed, it is very important to point out that portraying "WWII occupations as entirely peaceful operations, in both intention and outcome, is not correct".¹³ Such narrative may have produced a long lasting - pre-Iraq—dangerous belief that massive violence during post war occupations is the exception, not the rule.

3.2 Japan

One can argue that different degrees of fear and prudence characterized American expectations of the kind of welcome they were going to receive as liberators in Japan. The case of Japan can be compared to that of Italy in so far as a dramatic surrender and the final phase of the war were followed by relatively peaceful military occupations. Comparable is also the high price of defeat paid by both countries and the accelerated process of reconciliation experienced in the relationship between winners and losers. Both in Italy and Japan institutional continuity replaced the original idea of creating a political vacuum by imposing unconditional surrender. In Italy this implied the creation of a state of *co-belligerency* between winners and losers in the name of their common purpose to liberate the country. In Japan institutional continuity meant *hands off the Mikado*. Paradoxically, these arrangements gave rise to two irreconcilable outcomes: the "winner's conviction that the loser's bargaining strength is nil" and the "loser's conviction that it is real".¹⁴

The loser's conviction of holding a residual bargaining strength grew exponentially in Italy after 1943. The slow and painful liberation of the country offered a fundamental redeeming opportunity, formally acknowledged by the co-belligerency. In the course of the elaboration of the peace treaty, between the end of 1945 and January 1947 these expectations did not meet reality. However, immediately after the treaty was signed, Italy's status was transformed: from defeated enemy to equal member of the Atlantic alliance and the Western block.

Turning to Japan, perceptions regarding its residual bargaining strengths were nil before surrender, when all signals coming from Washington indicated the inevitability of imposing unconditional terms of defeat, including the destitution

¹² Willard-Foster (2009), pp. 36, 54–56.

¹³ *Ibidem*.

¹⁴ Kecskemeti (1958), p. 16.

and perhaps even prosecution of the Emperor.¹⁵ In the spring of 1945 Joseph Grew, former American ambassador to Japan and central figure of the ‘*pro-Japan group*’ amongst political elites and policymakers in the US,¹⁶ together with Edward Stettinius and Secretary of the Navy James Forrestal, replaced as acting Secretary of State Stettinius himself who was engaged in the San Francisco Conference on the United Nations. Grew believed that offering the Japanese the opportunity to decide by themselves the destiny of the Emperor after surrender could have convinced them to end the war, making it possible to avoid the use of the atomic bomb. His knowledge of Japan made him believe that the Emperor was the key to Japanese surrender.¹⁷ Of the opposite view were Henry Stimson (Secretary of War) and General George Marshall (Chief of Staff). They argued that military priorities did not allow for any softening of the American position towards the Emperor.

In preparation for the Potsdam Conference a retentionist view of the Emperor prevailed. Two influential lobbies in the US: one inclined towards the idea of keeping *hands off the Mikado* and the other in favour of removing the Emperor were at the core of the political debate on post war Japan. When in July 1945 Truman replaced Stettinius with James Byrnes—a member of the *China crowd* together with Stimson—a realist very much aware of the sentiments against Hirohito in the American public opinion took over from a supporter of the Emperor’s system and this was a clear signal. Readers of *Foreign Affairs* (Sun 1944) at the time were told by the son of Sun Yat-sen, founder of the Chinese Republic, that *incalculable harm* would be caused by dismissing the Emperor, and that time had come to open a public debate on the issue: “now that Japan’s defeat in the coming months is inevitable frank speaking is timely and necessary.” The retentionist lobby and particularly its most prominent member, ambassador Joseph Grew were given full approval because “the part of Shintoism which embraces Emperor-worship will be an asset and not a liability in a reconstructed Japan”.¹⁸

Allied diplomacy did not reflect this view at all: the Potsdam Declaration of 26 July 1945 sent an ultimatum to the Japanese leaving no margin of negotiation in regard to the future of the Emperor. No reply came from Tokyo. The following decision to drop two atomic bombs on Hiroshima and Nagasaki on 6th and 9th August and a last minute Soviet declaration of war sealed the destiny of Japan. After two atomic bombs and the decision of the Emperor to surrender and be subordinated to the commander of the Allied Powers, the idea of unconditional surrender started a process of revision towards the goal of employing the Emperor as a necessary link between the Japanese and the forces of occupation.

¹⁵ State Department Publication n 2671, *Occupation of Japan: Policy and Progress*, Appendix 16, Authority of General MacArthur as Supreme Commander for Allied Powers; Appendix 13, United States Initial Post-Surrender Policy for Japan.

¹⁶ Mayo (1984), esp. p. 33. See also (Takemae 2002), pp. 202–228; Svensson (1966).

¹⁷ Masanori (1992), pp. 175–184.

¹⁸ *Ibidem*.

This plan implied a rather complex adjustment. The role and future of Emperor Hirohito had been a cause of contention within the US and between London and Washington for years. Since 1946 the responsibility of the relationship between the Emperor and the forces of occupation had been handed over to General MacArthur, the Supreme Commander for the Allied Powers (SCAP) and the de facto American proconsul in Japan. Hirohito's first ever broadcast to the Japanese people on 15th August 1945, exhorted his subjects "to endure the unendurable and bear the unbearable", in order to end a state of war that "had wracked his country for 14 years." Hirohito never spoke explicitly about *surrender* or *defeat*, admitting only that the war "did not turn in Japan's favour".¹⁹ Soon after surrender, the Japanese became the object of US determination to *remold* and democratize the country. By early 1946 the Americans had come to manage the occupation with a minor contribution by Commonwealth forces, mostly Australian. Crude as it may sound, it has been argued that the two "atomic blasts, which killed 40,000 of Hiroshima's 350,000 and 70,000 of the 270,000 people of Nagasaki ushered in the nuclear age and Japan's quest for redemption" (Guthrie-Shimizu 2010).

The Italian precedent influenced allied plans to monopolize decisions regarding the occupation and the future of Japan, excluding the USSR and to an extent Great Britain. In the case of Japan, as before in Italy, inter-allied relations,²⁰ previous experiences of the limits of occupation policies, and peace-making including the Soviet Union were crucial in shaping the relationship with the defeated government and with the population, and in drawing plans for both peace and security in the region.²¹ The Italian precedent was not to be followed according to John Foster Dulles, the future architect of Japan's peace treaty, who learned this lesson when he witnessed the failure of peace making with the Soviet Union at the meetings of the CFM over the Italian treaty.²²

Peace did not come early in Japan, where experience on the ground during the five and a half years of American occupation remained centred on MacArthur's idea of transforming the role of the Emperor and making cooperation possible. The absence of popular uprising against the Americans made sure that neither this cooperation nor the US process of pacification and reform were disrupted. Hirohito, initially perceived by American public opinion and Congress as fully responsible for the war and war crimes, was not tried. Although in the early days of the occupation the US Joint Chiefs of Staff informed MacArthur that the Emperor was not immune from prosecution, the General's position in the following four years was that no conclusive and incriminating evidence against the throne could be

¹⁹ BBC History, Japan: No Surrender in World War II. http://www.bbc.co.uk/history/worldwars/wwtwo/japan_no_surrender_01.shtmltoward.

²⁰ Thorne (1978), pp. 659–732.

²¹ Dunn (1963), pp. 70–77.

²² Council of Foreign Ministers of the US-UK-France and the Soviet Union in John Foster Dulles Oral History Project Records, Dean Rusk, Alphabetical Index to transcript listing 224.

uncovered.²³ MacArthur also opposed talks of abdication by the Emperor. The general had no doubts: either abdicating or under trial, the Emperor would cease to be a positive factor in reforming Japan according to American plans. MacArthur sent a very clear message to Washington warning that Hirohito's incrimination or forced abdication would cause massive, possibly violent popular resistance.²⁴ This political rationale was not a moral or legal one, and made an exception of Hirohito, lifting from his shoulders those responsibilities that condemned the political and military class of his empire. The Allies created the Military Tribunal for the Far East (IMTFE) indicting high-level leaders deemed responsible for the war crimes—the so called Class A criminals—and prosecuted thousands of Japanese for war crimes mostly caused by the massive and brutal infringement of human rights against POWs. The death toll of captured prisoners in the Pacific theatre was almost three times higher than in Europe and included both Caucasian and Asian victims. The latter group and crimes such as slave labour and forced prostitution in Japanese colonies received comparatively less attention by the Allied tribunals than abuses committed against Western victims (Pre'vost 1992). The reinvention of the Emperor portraying him as a constitutional monarch in the making, previously powerless and manipulated by military and economic powers, and willing after the war to dismiss his own deity and embrace the American road of democratization of Japan was at the core of the American project of stabilization. The idea of a peace of reconciliation did not come as early as that of reinventing Hirohito, but it was rather a development that emerged in October 1949. "The first thing that he (John Foster Dulles) did when he came into his job was to scrap the existing draft, the several inches thick, voluminous draft prepared by the bureaucracy, and he started all over again. On his famous lined yellow pad, he simply sketched out the outlines of a very short and simple Japanese peace treaty".²⁵

The approach to peace making in Japan had begun with the implementation of occupation policies. From 1946 it became entangled with the origins of the Cold War and the East-West confrontation that led to the exclusion of the Soviet Union from the American pacification process in Japan. Much earlier in 1945, Washington had also envisaged Italy's strategic role as bastion of democracy in the Mediterranean as an act of consolidation of the Western block in the making. Japan's key role in US strategic thinking grew out of the pacification process, but it was dramatically brought to the fore at the time when the US *lost China* and the Korean war when the risk of a direct confrontation between the US and Communism in Asia had suddenly become very real. The readjustment of American-Japanese relations after 1945 and well into the 1960s—similarly to the Italian case—was shaped by the experience of the end of the war and by multiple transitions: towards East-West confrontation, decolonization and super powers competition for post colonial hegemony. These

²³ The Court and MacArthur had probably conceived specific evidence against the Emperor: see (Takemae 2002), pp. 257–258.

²⁴ *Ivi*, pp. 257–260.

²⁵ JFD Oral History, Collection Dean Rusk cit.

transitions had a direct impact on the American view of the monarchies in both countries, which were seen as central in Japan and marginal in Italy (Poggiolini 2004). The transition from post war to Cold War had an impact on the US audacious reformism in Japan, slowing it down. Continuity and change blended. However, “the post-surrender reforms were embedded in a truly massive web of law”, making it very hard for Japanese conservative politicians to undo the process that the American occupation had activated.²⁶ By early 1947, the Cold War in Europe and the Near East induced a major reorientation in the American occupation policy, the so-called *reverse course*: from punishment to rehabilitation and normalization. Starting from 1948 “democratization and demilitarization took a backseat to economic growth and political stability”²⁷ and from 1949 onwards the man charged with the task of setting Japan on the path to economic growth was Joseph Dodge, a former banker with experience in occupied Germany. A significant decision with long-term implications was taken then by setting Japan’s currency exchange at 360 yen to the dollar, a rate remaining unchanged until the summer of 1971, when Nixon ended the convertibility of the dollar in gold and the Bretton Woods era.²⁸

The security scenario also evolved very quickly in the late 1940s and early 1950s and Japan became the obvious choice of the US as the main security partner in the Far East. In a reverse order compared to what happened in Italian-American relations after the signing of the Italian peace treaty, Japan’s geopolitical relevance grew by the end of the 1940s making a peace settlement of reconciliation both necessary and urgent. John Foster Dulles was appointed as special envoy and mediator for this treaty that left out the Soviet Union and was “based on experience, trust and self-interest”.²⁹ A *half peace* instead of a *whole peace* with all former enemies of WWII produced both relief and a sense of unfinished business in Japan. It disappointed sections of public opinion, but it pleased those who saw the benefits of a trade-off between a partial peace-deal indissolubly linked with the US-Japan security treaty and the guarantee of a prolonged American presence and support. In the longer term a repercussion of this choice for the Japanese was to renounce plans of a capitalist penetration of the China market. It is still an open question whether such plans would have contributed to hasten the split between China and the Soviet Union in the following years.³⁰

As for the meaning of American sponsorship of the Japanese peace deal, the military occupation blended in smoothly with the security scheme that the Americans wanted to create around Japan, and in time with rearmament. On this point Shigeru Yoshida, Japanese Prime Minister in the crucial years 1946–1947 and 1948–1954, had vivid memories of his conversations with John Foster Dulles.

²⁶ Takemae (2002), preface by John D. Dower, p. XX.

²⁷ Guthrie-Shimizu (2010), p. 249.

²⁸ *Ivi*, pp. 250–251.

²⁹ Procedure for the Formulation of the Treaty and Objectives, R.G. 43 Records of the US Delegation to the Japanese Peace Conference 1951, box 1 National Archives Washington DC.

³⁰ Guthrie-Shimizu (2010), pp. 253–254.

Yoshida opposed American pressure to rearm and insisted that rearmament would come when “our livelihood recovers.” Asked by the interviewer what he remembered most about Mr. Dulles, Yoshida had no doubts: “rearmament” he replied and added, “I never quarrelled with Mr. Dulles except on rearmament ... after the economic recovery was made, I changed my mind”.³¹ Indeed, Dulles pressured Yoshida to rearm Japan against communism, and the latter resisted these pressures by pursuing the alternative goal of economic recovery and growth. Article 14 of the peace treaty obliged Japan to negotiate reparations with the victims of Japanese expansionism in Southeast Asia. Now these nations could refuse to ratify the peace agreement, opening a complex chapter in a bargaining process that had to reconcile reparation and economic regional cooperation. In late 1953 these plans became integral part of Japan’s economic foreign policy within the framework of settling reparation and creating an economic diplomacy that Yoshida saw as the main factor in achieving economic development by expanding peacefully via trade in the region.³²

Japan’s imperial hangover included a strong sense of guilt for the atrocities committed during the war years. As a result, the process of reconciliation was delayed and required a long mediation between the demands of reparations of the victims and the reinvention of a new, de-militarized, economic role by the former imperial nation. The Cold War insulated the Chinese issue and limited Japan’s decisional power in this regard: only in 1978 did the Sino-Japanese treaty establish new relations between the two countries (Nish 1980).

4 Memory and Power

The price of defeat and the process of political renovation both in Italy and Japan are cases of how memory relates to policy-making “that is how collective and individual memory influence the construction and legitimation of foreign policy”.³³ Italy’s Western/European orientation provided an extraordinarily successful and durable way out from defeat and imperial hangover, and contributed to dealing with post-war issues of damaged national identity, particularly in the case of Trieste. Japan’s memories of devastation, both inflicted and received, produced an all-embracing, non-military orientation and acceptance of a long-term passive role within the US-led security system in the Pacific. Post war policy making in these two defeated countries was directly influenced by the experience and memories of WWII. The political transition from defeat and destruction to

³¹ Yoshida Shigeru, The John Foster Dulles Oral History Project Records, Princeton University, Alphabetical Index to Transcript Listing 280.

³² Sudo (1992); a Marxist analysis in the early 1970s pointed at Japan’s post war economic foreign policy as a disguised form of imperialism and predicted a follow-up of military presence in Southeast Asia; see (Halliday and McCormack 1973).

³³ Muller (2002), p. 25.

recovery along the lines of American stabilization set the path to security and wealth in the following decades in both countries. It also left permanent scars in their collective memory and had a significant impact on how the two political systems evolved during the Cold War years (Poggiolini 2002).

By the mid-1950s, the initial inevitability of inequality in the relationship between the two defeated countries and the United States became increasingly less acceptable, putting in motion a slow process of transformation and change. The price of defeat made Italy a champion of European integration from the start, and the Atlantic alliance re-defined Italy geopolitically as a Western democratic outpost in the Mediterranean. One can argue that in the early Cold War years, both Italy and Japan were objects more than actors of international relations. Normalizing relations with former enemies and, in the case of Japan, overcoming the hostility stemming from colonial rule was a long-term process characterized by an ongoing debate on compensations that kept reopening the wounds of the past, particularly in the case of relations between Japan and Korea.

In Southeast Asia, Japanese official development assistance (ODA) was the main tool of Tokyo's soft power. By the late 1960s, Japan had built an extraordinarily competitive economy within the US/Northeast Asia security framework, and by the end of the following decade, in a changing framework of normalization of US-Chinese relations, trade and investments flowed. On the economic front, the Sino-Japanese relationship emerged much stronger from the Cold War. However, conflicting interests and an unresolved past continued to lurk in the background. Popular anti-Japanese feelings in China could not be dispersed by massive economic and technical assistance from Tokyo and they are still strong today (Sorensen 2006; Lampton 2001; Deng and Wang 1999).

By the mid-1950s, the initial post war phase of reconstruction and international normalization under US patronage ended in both Japan and Italy, coinciding with the end of two long-term and significant political leaderships: those of Shigeru Yoshida in Japan (Dower 1979) and Alcide De Gasperi in Italy (Scoppola 1988; Craveri 2006). After the end of their eras, Japan drifted towards neutralism participating for the first time since the war in an international conference, that of Bandung in 1955 (Ampiath 1995), and Italy pursued neo-Atlanticism aiming at the creation of a centre-left foreign policy based on the convergence of the christian democratic and democratic socialist forces on a shared political platform (Di Nolfo 1992). In both cases, a long, uneasy and complex search for revision of the unequal partnership with the US was characterized by different degrees of independent Italian and Japanese activism within their own regions. In Japan the revised version of the US-Japan Security Treaty of 1960, causing turmoil at home, contributed to set US-Japanese relations on a new track. At the same time, Japan's new policies aimed at achieving reconciliation and economic expansion in Asia was perceived in Washington as a sign of a far too independent strategic stand.³⁴ All changed with the escalation of American involvement in Vietnam, when the flow

³⁴ Guthrie-Shimizu (2010), pp. 258–265.

of complaints about the one-sided alliance between Japan and the US came from Washington. The war in Vietnam had a direct impact on Tokyo's double policy of accumulating trade and requesting the return of Okinawa to the Americans. Dragged deeper and deeper into Vietnam, the US saw Japanese double policy as a source of serious apprehension within a scenario of non-involvement by its close allies.

Italian neo-Atlanticism at the time of the Vietnam war was an even more complex balancing act between the three circles of Italian foreign policy: Atlantic, European and Mediterranean. Italian attempts by the Florence mayor, Giorgio La Pira, to set up a mediation effort in Hanoi at the end of 1965 for ending the war in Vietnam, and the overt critique to the US that this implied,³⁵ caused embarrassment in Italian-American relations, but did not put an end to the Italian mediating effort that was renewed between 1966 and 1967 by the Italian representative at Hanoi, Giovanni D'Orlandi (D'Orlandi 2006). The impact of the escalation in Vietnam and of related anti-Americanism that radicalized once again political perceptions of the US in Italy had a direct impact on the cooperation between christian democrats and socialists over the centre-left project. An opportunity was missed of creating an Italian social democratic force in the European model.³⁶ Integration in Western Europe had given Italy an important morale boost after defeat and a punitive peace. By 1960, the forced loss of Italian colonies spared the country a dramatic experience of decolonization, but Italy's new ambitions in foreign policy did not produce a coherent long-term Mediterranean policy (Kelly 2000; Rossi 1980; Calandri 1997; Brogi 1996). What prevailed was the need to square the circle of the Italian position between the Atlantic and the Mediterranean and of managing the transition from christian democratic leadership to a durable dialogue with a democratic left.

The war in Vietnam is the pivotal example of how both Italy and Japan reacted to the first post-war, American-led conflict that they openly disapproved of and it shows that their reactions reflected the price of defeat and their unequal relationships with Washington. One can argue that taking distance from the war in Vietnam was a generalised attitude among American allies. However, for Italy and Japan this position clashed with their passive independence in relations with the US after the experience of defeat and occupation. The American occupation of Italy and Japan had prevented them from becoming a threat to America's interests and had transformed them from bitter adversaries into reliable allies. With different degrees, the American pacification of Italy and Japan included both a strong moral dimension and an uncompromising lesson against rearmament. The losers accepted the blame against their totalitarian regimes and moved on proving that "comprehensive occupations are closer to nation building" because they can contribute to democratic renovation and long-term stability.³⁷

³⁵ Nuti (2003), FRUS, 1964–1958, vol. 4, Vietnam, 1966.

³⁶ Nuti (2001), pp. 38–42.

³⁷ Edelstein (2004), p. 54.

A large component of *moving on* to post war stabilization in Italy and Japan meant rejecting the burden of an active military role and of its projection outside national borders. The implications of defeat and post WWII peace making for Italy and Japan were significant and long lasting: they brought about an irreversible transformation in the security dimension of their geopolitical role. Italy and Japan did learn from the Western Allies and “imitated them”,³⁸ but they also went much farther than renouncing militarism during the Cold War years. The price of defeat meant accepting the benefits and burden of a US commitment to their defence and different degrees of limitation to their national sovereignty. Vietnam revived Italian pacifism and exposed this contradiction, particularly in the case of Japan, which was bound to renounce the use of force by its post-war constitution, but could not prevent Americans from using bases in its territory to support their own strategic interests.³⁹ In the case of Italy, the repercussions of its mediating efforts for Vietnam were felt mainly in the sphere of domestic politics, but the experience also contributed to strengthen the peacekeeping dimension of the Italian military projection outside national borders over the years.

The post-surrender path of Italy and Japan in the 1970s and 1980s diverged sharply. Nixon’s triangular diplomacy and the end of the Vietnam War close a dramatic chapter of the Cold War in Asia. In the 1970s and 1980s Japan replaced the US as investor and provider of aid in China and Southeast Asia. By the late 1980s, competition between Japan and the United States on visions of regional power was out in the open. Congress passed several resolutions asking Tokyo to pay for its defence or take on a regional security role coherent with its economic dominance in the area. As an economic power Japan was now among the winners of the Cold War.⁴⁰ Over the same period, Italian attempts were directed at creating niches of independence within the framework of the US-led security alliance and included a solid Europeanist position and an Eastern European dimension to it. Italian politicians became increasingly interested in relations across the borders of the Cold War in Europe, both within the EEC framework and on the bilateral level. Andreotti’s Eastern European policy was a case in point (Tavani 2010). The pragmatic dimension of Italy’s position within Europe and across the border of the Cold War in the 1970s and 1980s was manifested by the support granted alternatively to political union and enlargement. A remarkable dimension of continuity characterized Italian foreign policy in the transition from the First to the Second Republic coinciding with the transition from the Cold War to the post-Cold War international scenario, namely the two pillars of relations with the US and of a strong presence in Europe. In Italian foreign policy, the main link with the price of defeat resurfacing over the decades ever since the 1940s is a self perception of

³⁸ See (Shivelbush 2003) and the review of Shivelbush’s book by Martin Wollacott, *The Guardian*, Sat. 29 Nov, 2003. http://www.guardian.co.uk/books/2003/nov/29/history_highereducation1.

³⁹ Takemae (2002), p. 524.

⁴⁰ Shaller (2010), pp. 175–179.

service in international pacification processes, coupled with an inclination to adhere to American requests of support when compatible with the relatively low Italian budget on defence.⁴¹ In recent years these motivations have coincided with the desire to acquire a credible international role as an effective force in peace-keeping, or even peace-enforcing missions. This goal has been sustained by bipartisan consensus since the end of the Cold War even in declining economic circumstances, making it possible for numerous and difficult military commitments to be successful over the years.

In conclusion, the process of political redemption that stems from the price of defeat in Italy and Japan is still in motion and continues to play both an active and a passive role in policy-making and international relations. However, from the 1940s to 1960s the two case studies followed parallel patterns scarcely explored before. In Italy and Japan the early Cold War played an unquestionable role in keeping very much alive memories and amnesias regarding the war experience and the transition to peace and in projecting them into foreign policy.

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⁴¹ On Italian defence, spending and the nuclear question see (Nutti 2007).

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The Admissions of Italy and Japan to the United Nations: History and Diplomacy

Marco Mugnaini

Abstract The end of the WWII, first in Europe and then in the Asia-Pacific theatre, coincided with the phase of construction of the UN. Neither Italy nor Japan could aspire to be among the original members of the UN. Firstly, the admission was conditional to the conclusion of the respective peace treaties. Therefore, the Italian government decided to submit its request for the admission to the UN in 1947. However, between 1945 and 1947 the question of the admissions to the UN had become one of the issues of the diplomatic clash in the initial phase of the Cold War, and was subject to the mutual vetoes of the P5 members of the UNSC. In the Asia-Pacific region the events of war and the diplomatic dynamics of post-WWII had rhythms that were partially different from those of Europe. These trends were accentuated by the foundation of the PRC and the outbreak of the Korean War. The changes generated significant debate in the UN, and they took place in the context of Japan signing the San Francisco Peace Treaty of 1951. Meanwhile the issue of UN membership had become a complex question in which at least three of the crucial questions of the time were tied up: the legacies of WWII, the tensions of the Cold War, the changes deriving from the process of decolonisation. In the meantime the international reintegration of Italy and Japan was proceeding at other levels, as it was also highlighted by the entry of the two states into the financial institutions of the Bretton Woods system, and the progressive engagement with various UN agencies. Nevertheless the UN membership issue continued to be suspended and became topical again in 1954-1955. The turning-point were changes that occurred in international relations during 1955, with the diplomatic compromise of a 'package deal' and the UN admission of 16 countries, Italy among them. These changes were completed by the UN admission of Japan in 1956.

This paper is part of a research on *Multilateral diplomacy and international organizations in historical perspective*.

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1 The United Nations and the Cold War: The Position of Italy

The end of the Second World War (WWII), in Europe first (May 8, 1945) and then in the Asia-Pacific theatre (September 8, 1945) coincided with the construction of the United Nations (UN), the organisation charged with the task of guaranteeing global security and world peace in the post-war period (Polsi 2006; Di Nolfo 2008; Reinalda 2009). As powers that had emerged defeated from the war, although in different ways and at different times, neither Italy nor Japan could realistically aspire to be among the founding members of the Charter that was launched at the Conference on International Organization (San Francisco, April 25–June 26, 1945); moreover any hope of being admitted was a priori conditional to the conclusion of respective peace treaties. Some illusions in this regard were nourished by Italian diplomats, especially after the armistice with the Allies in September 1943 and the following co-belligerence. Despite of having declared war against Germany (October 15, 1943), however, Italy was not invited to the Conference on International Organization. Finally, the inter-Allied Potsdam Conference (July 17–August 2, 1945) confirmed that the peace treaties were the prerequisite for the entry into the UN of countries that had previously been at war with the Allies.

Italy signed a peace treaty with the Allied powers on February 17, 1947 in Paris (Giovagnoli 1998; Varsori 1998; Lorenzini 2007), as did the other former satellites of Germany (Romania, Hungary, Bulgaria, Finland). The Italian government, which in March 1947 had concluded the procedure to adherence to the Bretton Woods agreements of 1944 and which could rely on the favourable attitude of the United States, therefore decided to submit its request for admission to the UN in May 1947 (Tosi 1999). However, in the interim period from 1945 to 1947 the question of admission to the UN had become subject to disagreements between Washington and Moscow in the initial phase of the Cold War (Leffler and Westad 2010), and was vetoed by the Permanent Five (P5) members (US, USSR, UK, France, China) of the Security Council (UNSC), which had the authority to a priori block undesired admissions. More specifically, although it appeared well-disposed towards the hopes nourished in Rome, Moscow did not accept the preconditions formulated by Washington for the entry of Budapest, Bucharest and Sofia (which had become allies of the Soviet Union). As a result, Moscow in 1947 blocked the entry of Italy, making it conditional to the simultaneous admission of other former European allies of Germany which had also signed the Paris peace treaties. In retrospective, Moscow's position was a confirmation of the 'Potsdam formula', while also was a precursor of the subsequent proposals for 'en bloc admission'. However, these proposals met with opposition in Washington, which based its position on the principle of 'selectivity' rather than that of 'universality'.

The question of Italy's admission to the UN came up again in the years that followed, at times fuelling disagreements amongst Italy's political parties,

although the question of UN admittance by then was perceived as less urgent and important than in 1947. Meanwhile, the Italian government appointed a diplomat in the capacity of observer to the UN. At the same time the international reintegration of Italy was proceeding at other levels: after the entry into the financial institutions of the Bretton Woods system (IMF and WB) came the adherence to the Marshall Plan and to the OEEC, the participation as founding member of North Atlantic Alliance, and the progressive engagement with the various agencies of the UN. Furthermore, other sensitive issues for Italy's international position, which also involved the relations with the UN, were progressively resolved: the question of the former colonies and that of the Free Territory of Trieste. By this time the lynchpins of Italy's diplomatic position were Europeanism and Atlanticism; the UN membership issue continued to be suspended, and was to make it back onto the agenda in 1954–1955 (Tosi 1999; Villani 2007).

2 The Legacy of WWII and the Dynamics of the Cold War in Asia: The Role of Japan

In the Asia-Pacific region World War II dynamics and events were somewhat different from those of Europe. More specifically, the military situation of Japan had undergone a rapid change after the Potsdam Declaration (July 26, 1945) which defined the terms for Japanese surrender. The Potsdam Declaration (issued by the US, the UK and China) was the prelude to the subsequent nuclear bombardments of Hiroshima and Nagasaki, and the declaration of war by the Soviet Union. These were the premises of Japanese surrender (on 15 August Tokyo in fact accepted the formula of unconditional surrender) and of the Allied occupation of Japan. The Potsdam Declaration also had an impact on emerging East Asian Cold War dynamics (Hasegawa 2011). In this context, following the formal surrender on 2 September, 1945 Japan's post war fate depended on the Supreme Commander of the Allied Powers (SCAP), who exercised functions of indirect government, and the Far Eastern Advisory Commission (FEAC; later renamed the Far Eastern Commission, FEC), charged with the task of formulating and adopting the Allies' strategies for occupied post war Japan. The American occupation of Japan then lasted from 1945 (Allied occupation in Italy had begun in 1943) to April 1952 (in Italy it ended in 1947 after the peace treaty came into force). Between 1945 and 1952, as the economic and political-institutional reconstruction of Japan was taking place, Tokyo's foreign policy was subject to SCAP supervision and approval. Until 1951 that above all meant a foreign policy formulated by US General Douglas MacArthur accompanied by what was referred to as the 'change of course' in relations with the United States (Borsa 1995; Caroli and Gatti 2011).

These trends were accentuated by the political events in Asia at the time, such as the proclamation of the People's Republic of China (PRC) (Samarani 2008), the

adoption of the Sino-Soviet alliance, the outbreak of the Korean War (Lee 2001), and the intervention of the PRC and the United States (with other allies and under the banner of the UN) in support of Pyongyang and Seoul respectively. These geopolitical developments in Asia inevitably had an impact on the UN, regarding both the issues of a Chinese seat on the UNSC and the involvement of the UN in the Korean War. The post war events in Asia then culminated in the signature of the peace treaty between Japan and 48 countries in San Francisco on 8 September 1951, and the simultaneous stipulation of a security treaty between Tokyo and Washington. The peace treaty and the bilateral security treaty came into force on 28 April 1952, putting an end to US occupation and allowing Japan to regain its national sovereignty; the US military presence in the Japanese archipelago was instead to be governed henceforth by the bilateral security treaty. To round off this diplomatic initiative, Japan then also signed a peace treaty and bilateral agreement with the Republic of China (RoC), which further clarified the international orientation of Tokyo during the governments of Yoshida Shigeru (ambassador to Italy and to Great Britain before the war, Foreign Minister in Japan's first post war cabinet, and Prime Minister in 1946–1947 and then again in 1948–1954). Simultaneously, Japan established diplomatic relations with another country that had not signed the San Francisco treaty: India. Japan's Ministry of Foreign Affairs (MoFA) also set out to launch negotiations to improve relations with the Republic of Korea (although these were to prove lengthy and complex), as well as initiatives designed to re-establish good relations with the countries of Southeast Asia (Okazaki 1956).

However, Japan's entry to the UN remained an open question. Tokyo made its first request to join the organization on 23 June, 1952. However, when the Japanese membership was discussed during the meeting of the UNSC on 18 September of the same year, Moscow, which had not signed the peace treaty of 1951 on the grounds that it was unbalanced, exercised its veto. Officially, Japan and the Soviet Union remained in a state of war. While awaiting a solution to these issues, Tokyo appointed its own observer to the UN, and in the interim the international reinstatement of the country continued at other levels (Ferretti and Giordano 1996). Important steps into this direction were: entry to the IMF and the WB (1952), participation in ECAFE (Economic Commission of Asia and the Far East), first as associate member (1952) and later as a full member (1954), adherence to the Colombo Plan (1954), attendance at the Bandung Conference (1955) and adherence to the GATT (1955) (Kurusu 2008; Iokibe et al. 2008).

Meanwhile, having re-gained its freedom of diplomatic action, changes were taking place in Japanese politics, highlighted in 1954 by the fall of the Yoshida government and the emergence of the government of Ichiro Hatoyama. Hatoyama, who took over as Prime Minister from Shigeru Yoshida in December 1954, while continuing to identify the fundamental interests of Tokyo with those of Washington, also sought to re-establish greater foreign policy autonomy through the country's participation in the activities of international organisations.

3 The Membership of the UN as a Political-Diplomatic Issue

The UN membership issue had been one of the topics debated as far back as 1944–1945 during the constitution phase of the UN, concerning at the time the founding members, and later the interpretation of the application of Article 4 of the Charter laying down the procedure for membership by admission; the debate was subsequently fuelled by Cold War dynamics and controversies (Grant 2009). In the decade from 1945 to 1955 the UN had been actively involved in the transformation of Cold War dynamics. Events and dynamics in East Asia during this period (above all the Chinese question and the Korean War) were crucial in determining the changes within the UN system. In the first ten years after its establishment the UN had witnessed the predominance of two interrelated elements: on the one hand, the hegemony of the United States and its Western allies which controlled around two-thirds of the votes in the UN General Assembly (UNGA); on the other hand, the situation of diplomatic stalemate in the UNSC deriving from the frequent recourse to the power of veto by the permanent members (P5), and above all by the Soviet Union. These dynamics were also reflected in the question of the membership of various candidate countries, admitted on the basis of Article 4 of the Charter.

Between 1946 and 1950 the 51 UN members were joined by another 9 states: Afghanistan (1946), Iceland (1946), Sweden (1946), Thailand (1946), Pakistan (1947), Yemen (1947), Burma (1948), Israel (1949), Indonesia (1950). None of these entries had been vetoed by the P5, but the P5 had been divided about other candidatures and the situation had remained an impasse. As a result of this diplomatic climate, no new members were admitted to the UN between 1950 and 1955, and by the time of the UNGA of 1955 many countries were still awaiting admission because of the mutual vetoes of the P5. More specifically, the question of the UN membership of Italy and other former German allies had not been successfully addressed, and Japan had not yet resolved the post war problems with the Soviet Union which prevented it from becoming a member of the UN.

However, changes were emerging in Cold War dynamics, following changes in diplomatic tactics of the Soviet leadership after the Stalin's death, and after the armistice of 1953 which put an end to the Korean War. These, amongst others, were: the Conference of Geneva in 1954 that helped to ease tensions in Asia and put an end to French colonial rule in Indochina; the emergence of the 'Spirit of Geneva' between the Eastern and Western Blocs and the maturing of the first detente in Europe. Simultaneously, Cold War dynamics were further shaped by the formation and consolidation of various regional security organisations: the expansion of NATO through the entry of the Federal Republic of Germany, the creation of the Warsaw Pact, the formation of the SEATO and the Baghdad Pact. In this context of shifting and redefinition of international equilibriums, the Asian-African Conference of Bandung (Indonesia) in 1955 was of particular importance; it was attended by various states that had not yet been admitted to the UN (including Japan and the PRC),

and it subsequently led to the birth of a hypothetical ‘third pole’ (or ‘third world’) in international politics. These and other changes fostered new dynamics in the international system and a climate of diplomatic compromise between East and West. They were also the premises for the changes in the UN between 1955 and 1956.

In this period, a particularly significant event in Europe was the adoption of a treaty between the occupying Allies which reconstructed Austria as an independent state (after it had been subject in 1938 to the ‘Anschluss’ by Hitler’s Germany), with the commitment by the four signatory powers (US, USSR, UK, France) to support the entry of Austria into the UN. After that, the Austrian government, which had regained full sovereignty at international level and affirmed its neutrality in international politics avoiding involvement in East-West ideological and political controversies, submitted its request to enter the UN. Vienna’s request to join the UN led to concerns in Rome that Vienna could seek to re-open the Alto Adige question (Toscano 1967) in the institution of which Italy was yet to become a member. These elements contributed to once again opening up the debate on UN membership, bringing the question of Italian admission back to the top of the agenda.

In addition to the above-mentioned cases, another case was the one of Outer Mongolia: its application for entry to the UN was rejected in 1947 because the Western countries and the China governed of Chiang Kai-shek refused to admit a government that was a satellite of Moscow. From 1949 onwards the question of the Mongolian membership became entangled with the struggle between the PRC and the RoC for a Chinese seat in the UN. At that time, the government of Chiang Kai-shek, in addition to opposing Mongolia and being at loggerheads with the government of Peking, was also intransigent towards Japan, with which it had yet to sign a peace treaty. These tensions were exacerbated in 1950 when the government of Chiang Kai-shek in Taiwan suffered another setback when the UK diplomatically recognized the PRC.

Conditions began to change during the Korean War and after the normalisation of relations between Japan and Taiwan. However, the situation in Asia was not yet stable, as illustrated among other things by the continuation of the conflict in Indochina. And hence the issue of UN membership had become a complex question to which at least three of the crucial questions of the time were connected: (a) the legacies of WWII, (b) the tensions of the Cold War, (c) the changes deriving from the process of decolonisation. Furthermore, the UN membership issue was a subject that created direct connections between the political situations and dynamics in Europe and Asia in general, and between Italy and Japan (and China) in particular (Samarani and De Giorgi 2011).

The diplomatic dispute at the UN also became a legal controversy about the interpretation of the UN Charter, and even affected the roles of the principal organs of the UN. It had a particular impact on the UNGA, which had grown from the 51 original members to the 60 of 1950, but had after that proved incapable of incorporating the other candidate countries. It also had an impact on the UNSC, composed at the time of 11 members (the UNSC was to pass from the original 11 components to the current composition of 15 states only after the UN reform of

1963–1965). Moreover, between 1948 and 1950 the membership issue became one of conflict and controversy among the P5, opening up again the issue of the P5's power of veto (especially its use by the Soviet Union) and called into question the very representation of one of the P5 countries (China). In view of these difficulties and this diplomatic tangle, and considering the increase in the still pending demands for admission, through a resolution of 21 December 1952, the VII-UNGA decided to establish a Special Committee (SC) of 19 members to identify solutions to the problem of membership. Following a report submitted by this SC, the following VIII-UNGA adopted a resolution in which a Committee of Good Offices (CGO) was established with the purpose of exploring solutions to this issue with the P5. The IX-UNGA voted unanimously in favour of a solution to the problem, and renewed the mandate of the CGO, although in the interim the situation in the UNSC continued to be one characterized by stalemate (Department of state FRUS 1955–1957 vol.XI 1988).

4 The Turning-Point of 1955 and the Admission of Italy

As regards the Indochina question, the Geneva Conference of 1954 (Mugnaini 2007) had led to the birth of new independent states which were also applying for admission to the UN. Later, in April 1955, the Bandung Conference urged the UN to unblock the pending requests for admission to the UN. During the celebrations for the tenth anniversary of the San Francisco Conference, similar issues were brought up, together with requests to reconfirm the universality of the UN. At the tenth UNGA that issue became prominent on the UN agenda, and the notion of a 'package deal' to resolve the previous situation re-emerged. However, such a solution was anything but a foregone conclusion. Moreover, there emerged new complications due to the existence of two Chinese governments, and also Asian countries divided by their Cold War allegiances: two Korean governments (RoK and DPRK) and two Vietnamese governments (DRV and RoV).

This was the situation when 28 countries presented to the X-UNGA a draft resolution, sponsored by Canada and sustained both by AA and LA (Latin American) countries, which suggested the universalization of membership (Gross 1956). The Canadian proposal, which had the support of UK and of the Commonwealth, suggested that the UNSC and UNGA admit all the countries with pending requests, which were joined in September 1955 by Franco's Spain (which had the support of LA countries). The only precondition was that the candidate countries must not be divided. In addition to temporarily shelving the Chinese question, this would also make it possible to overcome the obstacle of the two Korean and two Vietnamese governments. It was, moreover, the application of the same criterion that had to date kept the two Germanies out of the UN. The debate took place between 1 and 7 December 1955 in an ad hoc committee, and during the discussions different and even opposing versions of package deals were proposed. Eventually it was agreed to admit all 18 states that had the required

prerequisites. This included Italy and Spain as well as Mongolia and Japan but excluded the two Koreas and the two Vietnams. On 8 December the joint draft resolution of 28 was approved by the UNGA with 52 votes in favour, two against (RoC-Taiwan, and Cuba) and five abstentions (United States, Belgium, France, Greece, Israel).

At this point the decisive question passed to the UNSC, which met from 10 December onwards, and to which three different proposals were submitted. The debate became increasingly controversial, with clashes above all between the representatives of the Soviet Union and the RoC (supported by the United States), while the delegates from Brazil and New Zealand attempted to find a solution to prevent a deadlock. Taiwan's representative again proposed the candidatures of the RoK and the RoV, which came up against the Soviet veto. Following this, and despite strong pressure from the majority of the delegates, the RoC delegate vetoed Mongolia's admission, thus going back on the compromise that had been reached a few days before in the UNGA. At this point the United States delegate asked if it would be possible to replace the agreement for 18 admissions with another one for 17 new entries omitting Mongolia; it was clear that the US intended to replace one package deal with another. However, the retaliation of the Soviet delegation was drastic, and was expressed through a veto against all the candidatures that had not been proposed by Moscow. In turn, the Western delegates retaliated by vetoing the Soviet candidatures. Consequently, despite the UNGA resolution of 8 December, the clash had once again brought the UNSC to a standstill. The Soviet position remained staunchly anchored to the formula of 'eighteen or none' and, in the face of the RoC veto on Mongolia, it appeared that the new attempt at compromise on membership would not be acceptable to all parties concerned.

On 14 December, the Soviet delegation unexpectedly requested a new meeting of the UNSC, during which it proposed the admission of 16 countries: namely those that had been put forward the previous week by the UNGA, but excluded Mongolia (thus taking account of the RoC and the US positions expressed the previous day) and Japan (which still had not signed a peace treaty with Moscow). The proposal was discussed and turned into another diplomatic tug-of-war, but this time the clash was above all between the Soviet and American delegations, while the Taiwan representatives were more reticent. Eventually, the compromise solution reached by the UNSC became known as the 'package deal'. On the basis of this compromise, the UNSC was to propose to the UNGA the admission of 16 countries, on which the UNSC would then vote individually and not en bloc. Eventually this procedure did entail some abstentions but no veto.

Therefore, while Italy was not admitted on its own as the Italian government had hoped in 1947, it had not been marginalized by Austria together with 'the Bandung powers' either as Rome had feared some months earlier (Department of State FRUS 1955–1957 vol.XI 1988). Furthermore, of the 16 applicants admitted in 1955, Italy received unanimous consensus from the UNSC (United Nations 1955 Yearbook). On that occasion, therefore, along with Italy, 15 other states were declared admissible to the UN: Albania, Jordan, Ireland, Portugal, Hungary, Austria, Romania, Bulgaria, Finland, Ceylon, Nepal, Libya, Cambodia, Laos,

Spain. The voting on the UNSC resolution as a whole obtained 8 votes in favour, none against and three abstentions (Belgium, RoC, US). The diplomatic compromise emerging from the UNSC was voted a few hours later in the UNGA, where the necessary majority of two-thirds of the votes in favour was amply met. Meanwhile the candidatures of Mongolia and Japan had been postponed and were (theoretically) to be resolved at the next XI-UNGA.

From the point of view of Italian foreign policy, the full international reintegration of the country that had started back in 1947 had thus been completed with the admission to the UN that took place within the framework of the diplomatic compromise of 1955 (ISPI 1956). From that time onwards Italian foreign policy was to develop a specific and well-defined profile. Alongside with Atlanticsim and Europeanism, Italy's engagement in international financial institutions (IFI), became the priority components of Italy's multilateral diplomacy. After Italy's so-called 'decade of exclusion', the entry of Italy into the UN coincided with important changes in international politics, influenced by the first East-West detente and by the process of decolonisation. These changes had already led to significant results in 1954–1955, and the compromise negotiated of UN membership was facilitated by these changes. They were changes in the international system that took place prevalently outside the UN system, but which nonetheless lead to repercussions within the organisation spawned by the Conference of San Francisco.

From the UN point of view, the admissions of 1955 then proved to be a historic turning-point (Luard 1982–1989; Vismara 1983–1989), for at least three reasons. Firstly, as a result of the changes which took place regarding the political-diplomatic balance of the UNGA (and ultimately in the UNSC too), where a progressive erosion of the controlling capacity of the qualified majority by the Western countries (and in particular by the United States) went hand-in-hand with a growing influence from the countries that were emerging from the process of decolonisation. Secondly, as regards the regional groups at the UN, it turned out that the LA group exerted less influence, enabling a consolidation of the AA group; both the Western Europe and the Eastern Europe groups received a boost in weight and importance. Finally, the UNGA of 1955, which in was theory the last opportunity for the reform of the UN Charter on the basis of Article 109, instead led to one of the most significant substantial reforms in the history of the UN, namely towards universality of membership.

5 The 1956 Developments and the Admission of Japan

In December 1955 Japan's and Mongolia's admissions to the UN were further postponed and planned to be addressed at the eleventh UNGA, as requested respectively by Washington and Moscow. More generally, it was the political situation and tensions in Asia in general which continued to stand in the way of both countries' admission to the UN. The diplomatic impasse over the UN membership of Japan and Mongolia turned out to be explicitly linked to the

political situation of the two Koreas and the two Vietnams, as well as the diplomatic stalemate over the question of the two Chinas which divided the P5 group.

The RoC veto on Mongolia was evidence of Japan's relatively weak position in international politics at the time. Indeed, as has been convincingly reconstructed by historiography, Tokyo's only hope of being admitted to the UN in 1955 was by the above-mentioned Canadian proposal, also because none of the P5 considered the Japanese candidature to be a priority at that time (Iokibe et al. 2008). Therefore, calling the package of 18 admissions into question meant exposing Tokyo to the conditioning of balance of power dynamics in the UNSC.

From a Japanese perspective, after the progressive international reintegration of the country from 1951 onwards, the non-admission to the UN in 1955 struck a hard blow to both diplomacy and public opinion in Japan (Department of state FRUS 1955–1957 vol. XI 1988): there was the feeling that Tokyo had 'missed the bus'. The Japanese government and the MoFA therefore began to reconsider various foreign policy positions and strategies pursued over the previous months. The government led by then Prime Minister Hatoyama concluded that to remove Moscow's veto in the future it would not be sufficient to improve the relations of Tokyo with the AA countries (previously manifested by Japan's participation in ECAFE, the Colombo Plan and also its attendance at the Bandung Conference). Indeed, however, it had failed to remove the political and diplomatic obstacles at the crucial moment of the vote in the UNSC. To obtain a positive outcome of the UN membership issue, Tokyo also had to separate its position from that of Mongolia. The Hatoyama government thus came to the conclusion that it had to remain closely aligned with the US through its bilateral security alliance with Washington. At the same time, Japan decided to continue strengthening its relations with the AA countries and the Commonwealth. However, Japan still had to find a diplomatic solution to its dispute with the Soviet Union. This latter aspect led to a reassessment of the political credit earlier offered by the Soviet government to the Hatoyama government since its installation in office in 1954.

Bilateral diplomatic talks between the Japanese and the Russians had already been launched in London in June 1955, but at the time of the UN debate on membership they had stalled due to a territorial dispute. At the request of Japan the bilateral talks were again resumed in the summer of 1956, on the basis of the so-called 'Adenauer formula' and this time the items on the agenda also included the question of Soviet support for Japan's entry to the UN. From the start, the Soviet government showed itself to be sympathetic to this request, while it continued to remain rigid on the above-mentioned territorial dispute and the question of the Japanese prisoners of war still held in the Soviet Union.

While Tokyo and Moscow sought to improve relations when the process of settlement and detente in the Far East begun in 1955, the crises of Suez and Hungary in 1956 forced the major powers to re-focus their attention away from Asia and to Europe and the Middle East. In the meantime three more countries that had emerged from the decolonisation process requested and obtained a favourable opinion of the UNSC for entry to the UN: Sudan, Morocco and Tunisia. The diplomatic admission process for these countries was completed on 12 November,

1956 during the opening session of the eleventh UNGA (United Nations 1956 Yearbook), the same UNGA that Italy was able to attend for the first time as a full member of the United Nations.

On 31 July, 1956, Japanese-Soviet bilateral negotiations resumed in Moscow. However, they were doomed to fail from the very beginning due to the failure to reach a solution for a bilateral territorial dispute, which continued to keep Tokyo and Moscow from signing a peace treaty with each other. This question led to a heated debate within the Japanese government and in society at large. What's more, then US Secretary of State Foster Dulles warned Tokyo not to make any territorial concessions when negotiating with the Soviet Union. Confronted with this situation, Japanese Prime Minister Hatoyama decided to address Bulganin directly, who accepted the Japanese proposals for resolving the diplomatic deadlock. After a further round of negotiations and with a possible solution in sight, Hatoyama decided to visit Moscow in person, and on 19 October a Japanese-Soviet declaration officially ended the state of war between the two countries, with a supplementary protocol (ISPI 1957). Ratification by the Lower and Upper Houses in Japan offered a further occasion for political debate, but the agreements were adopted. On 9 December the agreements were also ratified by the Soviet Union, and on 12 December the exchange of ratifications took place in Tokyo. On the same day the UNSC voted unanimously in favour of a proposal submitted by Peru in favour of the admission of Japan to the UN, and on 18 December the eleventh UNGA completed the admission procedure with 77 votes in favour (United Nations 1956 Yearbook). Japan became the 80th member state of the UN, while Mongolia had to wait until 1961 for the admission.

Two of the principal objectives of the Japanese foreign policy of the Hatoyama cabinet had been achieved: although a peace treaty with Moscow had not been signed, the state of war had been formally ended and relations were normalised, after which the entry to the UN had put the finishing touch to Japan's process of post war international integration (Carnegie Endowment for International Peace 1958; MoFA 1969; Pan 2005; Iokibe et al. 2008). However, 1955 and 1956 saw a deterioration of relations between Tokyo and Washington, as well as inner-Japanese controversies amongst the political parties. The resignation of Hatoyama and the formation of a new government in December 1956 marked the start of a new phase, in which Japan, by then fully reintegrated at the international level, would seek to develop a cautious foreign policy, more immediately responding to its complex national interests and oriented predominantly towards economic rebirth and the strengthening of its relations with the Asia-Pacific area.

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Hosts and Hostilities: Base Politics in Italy and Japan

Matteo Dian

Abstract One of the characteristics Japan and Italy shared in the post war period is the presence of a vast network of American bases on their respective sovereign territories. The aim of these bases varied since they were set up. During the early post war period the bases contributed to keeping Washington's former enemies under control. During the Cold War, they were essential elements of what the literature refers to as 'double containment' policy. After the Cold War they became fundamental elements of the American so-called 'command of the commons'. Even if the purpose of the US bases has been somewhat similar, 'base politics' have had a very different impact on Italian and Japanese domestic and foreign policies. In Japan, the opposition has been constant and intense, while in Italy US military presence was in essence welcome. In this chapter, I will highlight how dynamics related to local, domestic and international politics determined these different approaches to the presence of US military bases in Italy and Japan.

1 Introduction

Italy and Japan have been defined as an "odd couple" (Samuels 2003). While they are culturally, geographically and socially distant and different, the two countries also share a number of common characteristics. Both were defeated in World War II by the United States and their allies. After the defeat they became 'junior partners' of the system of alliances the US was creating around the globe. In 1952, Italy became a member of NATO (Mammarella and Cacace 2010) and in 1951 Japan became part of one of the several bilateral alliances constituting the US-led 'hub and spoke system' in East and South East Asia (Cha 2009) (Figs. 1, 2, 3 and 4).

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Fig. 1 US troops in Japan 1950–2005 (Kane 2006)

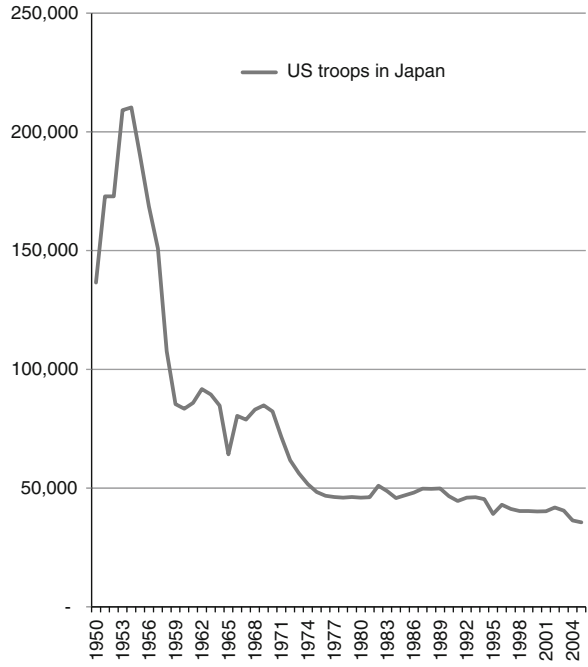


Fig. 2 US troops in Asia (Kane 2006)

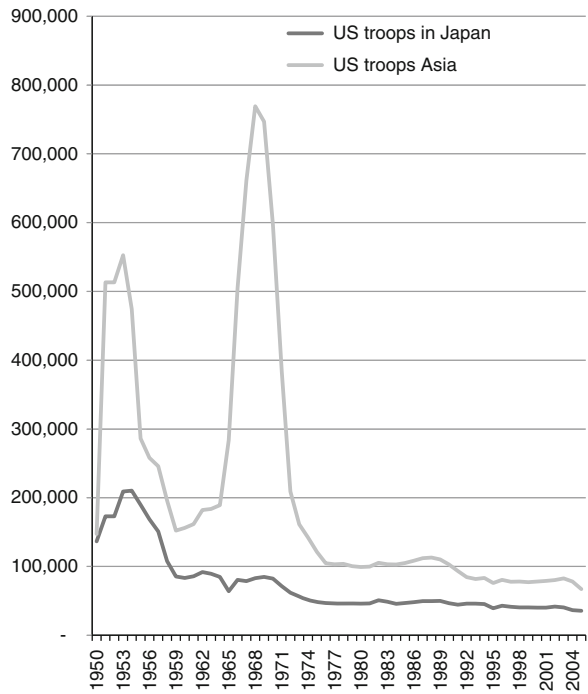


Fig. 3 US troops in Italy
(Kane 2006)

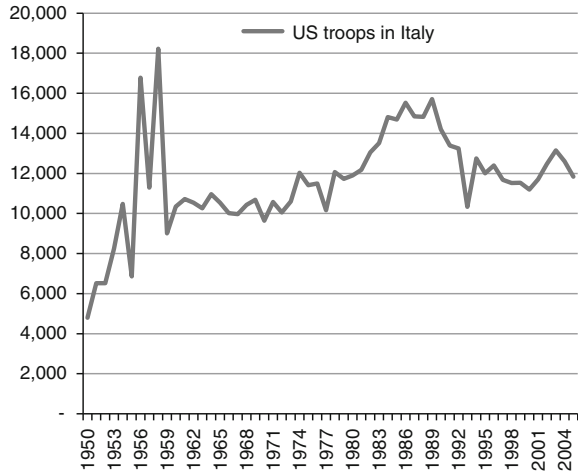
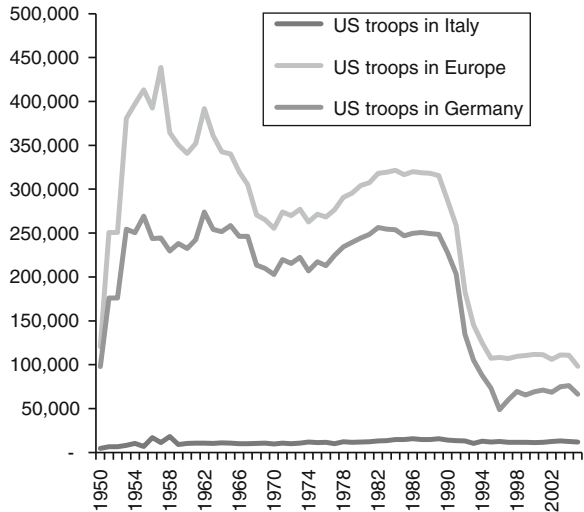


Fig. 4 US troops in Europe
(Kane 2006)



Becoming an ally of the United States entailed several benefits and a number of costs for both Japan and Italy. While they obtained protection under the US military umbrella, both Japan and Italy could focus their resources and energies on economic recovery and development after World War II. In an international system characterized by bipolar US-Soviet Union rivalry, the most beneficial security strategy for Italy and Japan was to act as ‘junior partners’ of the United States and to base their economic reconstruction on the open international economic system that the United States was building (Ikenberry 2000; Katzenstein 2005; Leffler 1984). However, becoming a partner of the United States did not entail only benefits but also costs. One of the main costs was allowing the US to build several military bases on its alliance partners’ national sovereign territory.

From a US perspective, US military presence in sovereign overseas states achieved two fundamental goals: guaranteeing the ability to project power in distant theaters and maintaining a degree of control over the foreign policy and the domestic politics of the allied countries. However, as Kent E. Calder has argued, the presence of foreign troops on the soil of sovereign nations tends to generate several problems both with the local population and the host governments. Very often the strategic relevance of military facilities is coupled with a high degree of “political vulnerability” (Calder 2008). US military facilities have indeed been sources of substantial diplomatic frictions between the United States and their allies as it was e.g. the case with the US Futenma MCAS Station in Okinawa. The Okinawa US military base problem has become the ideal-type of the conflict between strategic exigencies and the determination of local communities to avoid all the inherent problems of a large military base located within in close geographic proximity (Hook and Siddle 2002).

The conflict over the stationing of American troops in Okinawa is probably the most relevant example because of the strategic value of the bases and because of the intensity of local population’s opposition against US military presence. The Okinawan problem, however, is by no means unique. Problems related to ‘base politics’ are widely diffused in Japan and in the other partners of the United States in Asia as well as in other regions of the world.

Italy too was confronted with problems generated by US military presence. Episodes such as the Cermis incident of 1997, the enlargement of the NATO base in Vicenza and the political crisis following the deployment of IRBMs (Intermediate Ballistic Missile) in Italy in the 1980s are just a few examples of problems associated with US military presence on Italian soil. In this chapter, I will explore the Italian and Japanese experiences with the US military presence, highlighting similarities and differences between them.

During the early post war era, the US presence in both countries had similar functions: both to control the evolution of domestic politics and to acquire a fundamental strategic position from which to project American military power in both East Asia and the Mediterranean. Both Japan and Italy were very fundamental elements and partners in the context American containment strategies and policies.

Towards the end of the Cold War, domestic politics in Italy and Japan ceased to be a major concern for the United States. Consequently, US bases started to be considered more for their value as hubs of power projection, as testified by the example of war in Vietnam and in the case of the Euromissile crisis in the 1980s. After the Cold War, the strategic relevance of Italian bases decreased since Italy ceased to be a frontier state, while bases located in Japan maintained their paramount importance for US security policies in East Asia.

The most striking difference between the two cases is the degree of acceptance of US military presence. In Japan, vast popular movements mobilized the public opinion against the US presence both during and after the Cold War. In Italy, US military bases have met significantly less resistance. Ideological opposition to NATO membership was not focused primarily on the role of the bases. Only during the Euromissile crisis were ‘base politics’ given a substantial degree of

importance in the Italian domestic political debate. In Japan on the other hand, the issues and problems related to US military presence on Japanese soil have always been a central part of the country's domestic policy agenda. For instance Prime Minister Hatoyama resigned in 2009 for his government's inability to achieve a renegotiation of a bilateral Japanese–US forces redeployment plan (adopted in 2006 for US marines stationed in Okinawa). Up until today, controversies and problems related to US facilities both in Okinawa and on the Japanese mainland Japan continue to re-appear on Japan's domestic policy agenda on a regular basis.

2 Bases and Alliances

Setting up and consolidating a vast and unprecedented network of military bases is one of the main pillars on which the American global military hegemony is built upon (Harkavy 1989, 2007; Cooley 2008). This global network of bases enables the United States to project power at every angle of the world, overcoming what John Mearsheimer called the “stopping power of the water” (Mearsheimer 2001).

Throughout the Cold War, overseas facilities were fundamental resources for the implementation of the strategy of containment (Gaddis 1972, 2005; Leffler 1992). After the Cold War the bases remained indispensable assets for the maintenance of the military primacy upon which the American-led world order is based, as Posen argues (Posen 2003). Recent US national security documents highlight how US power projection capabilities and free access to the global commons are key prerequisites for the maintenance of US global primacy. The recent US ‘Joint Operational Access Concept 2012’ (‘JOAC’) for instance states:

“As a global power with global interests, the United States must maintain the credible capability to project military force into any region of the world in support of those interests. This includes the ability to project force both into the global commons to ensure their use and into foreign territory as required. Moreover, the credible ability to do so can serve as a reassurance to US partners and a powerful deterrent to those contemplating actions that threaten US interests” (US Department of Defense 2012).

The document highlights the central role of today's US-centered global and regional alliance system. On the one hand, overseas allies in Europe and East Asia should become “independent but friendly security providers”. (Twining 2007). On the other hand, they remain fundamental because they provide access to bases on partner countries' sovereign territory enabling the United States to project power in distant theaters and maintain global military primacy.

This paramount strategic importance notwithstanding, theoretical accounts of the origin and the evolution of alliances did not give enough relevance to this aspect. Ultimately, a ‘junior partner’ can offer three different kinds of contributions to his ‘senior alliance partner’: burden sharing, allowing a degree of control over the junior partner's domestic political and providing the possibility to project power overseas. IR theory has focused mainly on burden sharing (Olson and Zeckhauser 1966;

Sandler 1993; Andreatta 1997) and on intra-allied control (Schroeder 1976; Snyder 1997; Cesa 2007) while ignoring the latter aspect, i.e. the role of junior overseas allies as linchpins of power projection (Morrow 1994).

The presence of military bases is closely related with the latter two aspects. US military presence has been a major source of political control of both the foreign policy and domestic politics of American allies, especially during the Cold War. The physical presence of US troops on alliance partners' territories has been both a symbol of US influence and a potential asset for a military intervention in case of a communist takeover or a domestic upheaval.

Ultimately the United States established a vast network of bases over the globe for three main reasons: to protect allies from external aggression, to exercise some control over their allies' domestic politics, and to establish power projection capability. Host nations received security and extended deterrence in exchange for the provision of influence and power projection.

The host nations, however, also face several costs related to the concession of bases. They can be categorized into three main types: strategic, domestic, and local. The strategic costs are caused by the risk of entrapment, namely an unintended involvement in a conflict as a consequence of the presence of the bases (Snyder 1997). Italy faced this risk during the Euromissile crisis. Japan feared entrapment into US-led military conflicts throughout all of the Cold War and the Vietnam War in particular.

Domestic costs are related to the domestic opposition caused by the presence of the US troops. Moreover, both the actual use and the simple presence of US military assets in Japan and Italy entailed a substantial degree of political contestation related to the pacifist identity that is enshrined in the constitutional provisions of both countries.

The presence of US bases has been domestically divisive throughout the post war period. The Japanese pacifist movement, supported by left wing parties saw the concession of bases in Japan for military activities during the Vietnam War as a fundamental betrayal of the Japanese anti-militarism (Izumikawa 2010). In a similar way, Italy's Communist Party and the country's pacifist movement strongly opposed the American military presence in Italy, picturing it as a manifestation of an imperialist subjugation of the country (Pons 2001; Brogi 2011).

A third cost is related to local communities, which bear the burden of the presence of bases on their territory, in terms of noise, pollution, possible accidents and crimes committed by the troops against the local population. For instance, since the time of the creation of the US–Japan security alliance (1952) until today thousands of accidents and crimes have been reported involving US troops in Japan and more than 1,000 Japanese civilians have died from those incidents.

Host nations are therefore interested in minimizing these costs while maintaining the benefits of the alliance, namely the level of extended deterrence and security. A dramatic rise of these costs can lead to the host to try to minimize the use of the bases or to the attempt to reduce the number bases in the host country. This generally entails, as the Okinawan case testifies, tensions in the bilateral relations between Japan and the US.

I will now briefly describe the Japanese and Italian experiences with US military bases, assessing how the rise and decline of these costs fundamentally conditioned the bilateral relationship between Washington and the host countries.

3 Japanese Bases During the Cold War

The US military presence in Japan during the early post war period was heavy and intrusive. The US occupied the country directly until 1952. After the end of the occupation, the United States maintained around 150,000 troops in the country. This number declined only after the signing of the revised version of Treaty of Mutual Cooperation between the United States and Japan in 1960.¹ The American forces in Japan, excluding the periods marked by the wars in Korea and in Vietnam, represented between 50 and 80 % of the forces deployed in the region, testifying to the centrality of Japan for US security and military strategies in Asia and beyond.

During the US occupation-between September 1945 and April 1952-Japan was a de facto American protectorate. The SCAP (Supreme Command of Allied Forces) guided by General Douglas MacArthur constituted a sort of 'super-government'. It imposed a constitution written by MacArthur and his staff in Tokyo and fundamentally changed Japan's economic and foreign policies (Schaller 1985; Swenson-Wright 2005; Berkofsky 2012).

American troops maintained a strong role of control of Japanese domestic politics until 1960. The occupation ended in 1952 after the signing of the San Francisco Peace Treaty. The treaty did not contain a clause of defense but rather authorized the American troops to suppress pro-communist and anti-American protests. Only with the signing of the Mutual Security Treaty in 1960 did the US renounce their right to carry out police activities in the country (Gallicchio 2001).

If in the immediate aftermath of the war the US presence was aimed at democratizing and demilitarizing the country, the emergence of the Cold War fundamentally changed the goals and objectives US military presence in Japan (Dower 1999).

After the decision to implement the 'reverse course policy', undertaken by George Kennan in 1948, and the militarization of the containment decided by the Truman administration with the approval of 'NSC-68' ('National Security Council 68') document, the bases started to be an instrument of what was referred to as 'double containment policy' (Temerson 1992). As Michael Schaller has argued, "US forces in and around Japan shielded it from external threats while also tethering Japan, lest it slip from Washington's orbit and gravitate toward neutralism or something worse" (Schaller 2009). A report on the "Strategic Importance of Japan," drafted by the CIA in May 1948 stressed that whoever controlled Japan held the key to control in the Far East. Consequently, military installations

¹ The first version treaty was adopted in 1952 and then revised in 1960.

in Japan became the vital segment in a great crescent of containment that ran from Japan through to Southeast Asia. Japan had become central to “the development of an interdependent and integrated counter-force to Stalinism in this quarter of the world” (Schaller 1982).

In order to secure Japan and what was referred to as ‘Great Asian Crescent’, the United States maintained a network of 150 military facilities in Japan. The main centers of this wide network were the main air bases Misawa, Yokota and Atsugi on the Japanese mainland and Kadena and Futenma, as well as the two naval stations Yokota and Sasebo on Okinawa.

During the 1950s Japan was confronted with great political costs related to the US presence in terms of perceived intrusion into Japanese domestic politics leading to at times intense domestic and local opposition. The 1950s saw a nationwide surge in anti-base activity culminating in massive protests against the US-Japan Security Treaty, which was up for revision in 1960. The protesters, guided by the Socialist and the Communist parties, considered the enduring presence of the US military as a fundamental betrayal of the Japan’s pacifist spirit embedded in Article 9 of the country’s constitution. Moreover, they lamented that the enduring influence of the United States reduced Japan to a ‘fourth rank nation’, governed indirectly by Washington (Packard 1966).

When Japan returned to be a sovereign nation in 1952, Okinawa and the Ryukyu Islands remained under American administration. The problem of Okinawa would remain one of the major diplomatic issues continuing to affect the bilateral relations between the US and Japan. In 1951, with the signing of the Peace Treaty of San Francisco, Okinawa legally became part of United States national territory. Okinawa turned into a de facto American colony, under the rule of an American military governor. The islands were a strategically important part within the post war global American military base system, and the only part of Japanese territory the US insisted on governing directly. The direct administrative control and its strategic location made it possible for the forces stationed there to strike almost every target in East Asia without having to consult with any foreign government (Sarantakes 2000). Initially, US policymakers feared a Japanese drift towards a neutralist stance becoming an obstacle to US Cold War policies in East Asia. Therefore, Washington had to preserve a military asset that did not depend upon any Japanese contribution or formal authorisation. Secondly, it was agreed that the direct administration contributed to the maintenance of a certain degree of control over Japan and the possibility of a potential resurgence of Japanese militarism.

In 1950, Dean Acheson had included the Ryukyu Islands in the “essential parts of the defensive perimeter in the Pacific”. Dwight Eisenhower, at the time Chief of the Staff of the US armed forces argued that “It will be necessary when the occupation of Japan has been terminated to retain Okinawan bases for the purpose of assisting in our surveillance of Japan in order to complete our Pacific base system and in order to provide in case of need for the power projection in the Asiatic mainland.” MacArthur agreed on this point, adding “Okinawa was the most vital point in the entire structure”. US forces, indeed, could project amphibious power towards the Asian mainland (Eldridge 2001).

While then Japanese Prime Minister Shigeru Yoshida realized that a return of Okinawa was politically impossible in the short-term, he warned the Americans that the issue of Okinawa could boost both the popularity the Socialist and Communists Parties, which pushed for unarmed neutrality, the abolition of the US-Japan Security Treaty and the removal of all US bases and He also warned of Japan's ultranationalists who wanted what they called a 'return to autonomy', 'great power status' and the abolition of the alliance (Hara 2007).

Since the mid-1950s, the US position assumed a partially different position. US President Eisenhower was convinced that the primary goal was to keep Japan friendly to the US. If the controversy over the ownership of the Ryukyu Islands threatened the bilateral relationship, then the reversion of the islands to Japan would be necessary. This position reflected the fact that Japan was no longer considered a dormant enemy but rather a supporter of the US containment strategy in East Asia. However, the then US Joint Chief of the Staff of the armed forces disagreed with this position arguing that "The entire US position in the Pacific would be seriously jeopardized if the Ryukyus were to come under control of Japan, whose political instability might lead to a denial of the use of the bases in critical time" (Sarakantes 2000).

The revision of the Mutual Security Treaty in 1960 and the progressive involvement of the United States in the Vietnam conflict changed the strategic significance of the bases and increased the costs of hosting US military on Japanese territory. While opponents to US military on Japanese soil considered Japan's security treaty with the US to be a violation of Japan's war-renouncing constitution, the Japanese government started to realize that the presence of US troops and bases made Japan a likely target in case of war with the Soviet Union and increased the danger of Japan being pulled into Asian conflicts in Korea, Vietnam, or Taiwan. Bases represented a fundamental problem because they embodied the risk of the entrapment Japanese security strategies sought to avoid at all costs. As scholars such as Richard Samuels and Kenneth Pyle point out, the 'Yoshida Doctrine' was first and foremost a security strategy aimed at isolating Japan from the risks of any entanglement in US proxy wars stemming from the American effort to contain communist powers (Samuels 2007; Pyle 2007).

Japan's fear of entrapment into US-led wars was particularly great during the Vietnam War. As the US need for the logistic and strategic use of the Okinawa bases increased, Japanese apprehension of a possible involvement in the war rose. (John F. Kennedy Library 1968) Firstly, the unrestricted use of the bases of Okinawa for the conflict in Vietnam was a main concern for possible entrapment in an unwanted conflict and a possible target for potential retaliation, especially by communist China.

The intensification of the Vietnam War inevitably led to massive protest in Japan and to the politicization of the issue of Okinawa (Havens 1987; Shiraishi 1990; Faure and Schwab 2008). Japan's pacifist protesters allied themselves with local movements for the restitution of the Ryukyus Islands. The images of US bombardment in Vietnam in amplified the Japanese sympathy for the Vietnamese, considered victims, much like Japan was the victim of US bombings during the

Second World War (Digital National Security Archive 1967a). The controversy intensified through the stationing of nuclear weapons on Okinawa, which intensified the fears of a possible enlargement of the conflict (Llewelyn 2010).

When the Vietnam War continued to escalate, accompanied by the mounting of local and national protests, the Japanese pressure for the reversion of Okinawa to Japan became more acute. To appease the local protests, then US President Johnson signed the Executive Order 11263 in December 1966 allowing the election of the Chief Executive (previously nominated by the American Secretary of Defense). However, the direct election caused even more stress to the alliance, allowing very vocal anti-base representatives to become the administrative leaders of the island (CIA 1967).

Japan demanded a nuclear-free Okinawa with bases submitted to the same restrictions as bases situated on mainland Japan, while the US continued to deny any possibility other than the conservation of the use and employment of nuclear stockpiles. Japan and the US reached a compromise in 1969, tacitly allowing the maintenance of nuclear weapons, formally forbidden under the 'Three Non Nuclear Principles' (Digital National Security Archive 1969). After the reversion of the island, in violation of Japanese law, up to 1,000 weapons were stationed in Okinawa, mostly at Kadena Air Base. (Digital National Security Archive 1967b).

The reversal of Okinawa to Japan was completed only in 1972. While Okinawa was returned to Japan, it continued to host the majority of American troops stationed on Japanese territory. After the reversion, the opposition against US military presence changed objective, focusing more explicitly on local issues such as security of Okinawan people and environmental problems associated with US military bases on the island (Tanji 2006). Okinawa and the US presence however remained a central aspect of the ideological and political resistance to the US-Japan security alliance. The anti-base movement remained central in framing anti-American movements in Japan, linking their cause to anti-nuclear movements, helping to mobilize the public opinion against any possible remilitarization of the country.

4 Japanese Bases After the Cold War

'Base politics' again became a main factor of irritation in the US-Japan alliance in the post-Cold War period. Once again Okinawa played a central role. Okinawa, which comprises less than 1 % of Japan's total land area, hosts a disproportionate share of the US military presence on Japanese territory (roughly 75 %).

A first wave of protests exploded after the rape of a 12 year-old girl by US marines in 1995. In 2009, the controversy over US military troops stationed in Okinawa intensified when the Japanese government led by the Democratic Party of Japan (DPJ) requested to re-negotiate the relocation of the Futenma US Marines Corps Air Station. In May 2006, Tokyo and Washington reached an agreement over the relocation of the Futenma air base facilities and personnel, partly to

alternative the sites in Okinawa and Guam. Both governments signed a bilateral agreement on how to proceed with the relocation of marines to Guam in February 2009 (Berkofsky and Hagström 2010; Yara 2012). However, shortly after Yukio Hatoyama became Japanese Prime Minister in September 2009, he made the revision of the Futenma base re-location a top priority of his government and decided to pursue the relocation of base Futenma to an alternative site outside of Okinawa, thereby revising the 2006 base re-location agreement adopted in 2006. Hatoyama's attempts to re-negotiate the base re-location agreement, however, were unsuccessful leading to his resignation in June 2010.

Certainly, the issue of Okinawa is very relevant per se, because it has been widely politicized in Japan, and because it became the focal point of a more vocal opposition against the US presence in Japan. It is necessary, however, to put the 'Okinawan issue' into a broader perspective. First of all, US-Japan 'base politics' do not involve only Okinawa and the base of Futenma, but the overall US presence in the sovereign territory of Japan and the use that the US is allowed to make of these bases as Green and Szechenyi write (Green and Szechenyi 2010).

The strategic value of the bases located in Japan has been subject to a fundamental re-evaluation following the process of global redeployment of US forces in the Asian theatre. This process, already envisaged in documents, such as the Quadrennial Defense Review Report 194 (1997), entered into the operational phase when the Quadrennial Defense Review and, more importantly, the Global Posture Review had were adopted in 2001 and 2004 respectively. According to Robert Harkavy, the latter review gave rise to "the most relevant global posture review since the NSC-68" (Harkavy 2006). Those defence documents were inspired by a shift from the so-called 'threat-based deployment of the Cold War' to a 'capability-based approach' more suitable for today's strategic and operational needs. Therefore, according to the QDR and Global Posture Review, the post Cold War challenges would require greater flexibility in the existing system of US bases over the globe. Forces would need to be closer to what the US calls the 'arc of instability' ranging from Northern Africa to Southeast Asia. The US would focus on mobility and power projection in distant theatres, rather than on the fixed bases designed to ward off, or respond to, conventional attacks from adversaries (Bloomfield 2006).

The Global Posture Review implied relevant changes to the US military presence in Japan. The first change was the creation of combined air and missile defence operations and a coordination centre, to be created by consolidating all elements of Japan's Air Defense Command at Yokota Air Base, where the US Fifth Air Force is based. The second is to base US Patriot missile defence units at joint US-Japanese military bases on mainland Japan and on Okinawa. The third is the transfer of the US Army 1st Corps, previously stationed in Fort Lewis, Washington, to Camp Zama in Kanagawa Prefecture near Tokyo. This kind of transfer would emphasize and increase the Japanese role in the US global military strategy, and would deepen the ties between the US and Japanese military structures. According to T. J. Pempel, "The relocation of headquarters from Fort Lewis

to Camp Zama would expand considerably the geographic scope of the US–Japan Security Treaty taking it well beyond its current focus on the Far East” (Pempel 2008). The latter change means the reduction of the burden that has been borne upon the Okinawan people, which would likely alleviate the domestic resentment related to the massive US presence on the island, and consequently reduce the friction that it causes to the alliance.

The US Global Defense Posture Review promoted a relevant evolution in deployments and command structures capable of enhancing US–Japanese interoperability, further inducing Japan to assume an expanded role in US-led military operations in the East Asian theatre and beyond. Moreover, the US presence has been functionally expanded, with navy and air components, and a reconfigured ground forces headquarters presence in Camp Zama and the US marine corps repositioned in Okinawa. Japan acquired the status of the ‘Main Operation Base for the US in the Asia–Pacific’, becoming the main hub for US power projection in the Pacific. As Christopher W. Hughes writes, “Japan would serve as a frontline command post for US power projection as far away as Central Asia, marking a de facto reinterpretation of the US–Japan security treaty and US bases from covering only Japan and the Far East” (Hughes and Krauss 2007).

The US ‘pivot to Asia’ policy announced by the Obama administration in 2012 signalled a further evolution. From a military point of view, the US ‘pivot to Asia’ is above all a reaction to increased Chinese military capabilities. The American forces have been accustomed to use what is referred to as ‘sanctuary bases’. Main facilities including airfields and ports have been largely protected from attacks both during post-Cold War operations and during major conflicts during the Cold War. In East Asia, US Air Force and Navy forces are heavily dependent upon the major hub bases located mainly on Okinawa and the Japanese mainland.

Recently, the China’s People’s Liberation Army (PLA) has adopted an anti-access area denial strategy (A2AD—Anti Access Area Denial). These efforts are aimed to create a ‘no go zone’, denying the United States the ability to project power within the area of ‘First Island Chain’ and to freely use the bases located in close proximity to Chinese territory (Krepinevich 2010; Denmark and Mulvenon 2010).

The diffusion of A2AD capabilities will complicate the maintenance of US forward presence, particularly the use of military facilities in the proximity of adversaries’ shores. Consequently, the bases located in Japan and on Okinawa would be vulnerable to a Chinese missile attack in case of conflict. This makes US military vulnerable, offering the PLA the opportunity to severely damage US infrastructure, hitting military facilities with a pre-emptive strike. To counter that strategy, the Pentagon is currently redesigning the US military presence in the area in order to avoid the concentration of all US military assets in a few main bases, thus reducing the forces’ vulnerabilities to a Chinese missile attack. This process, envisaged in documents such as the ‘Global Posture Review’ defines different kinds of bases: ‘Main Operating Bases’ (‘MOB’) with permanently stationed combat forces and robust infrastructure, supported by command and control structures and strengthened force protection measures, on Kadena Air Base (Okinawa), and Yokota and

Andersen (Guam) bases; 'Forward Operating Sites' ('FOS'), defined as expandable 'warm facilities' hosting a limited US military support presence, and possibly prepositioned equipment. 'FOSs' will support rotational, rather than permanently stationed forces and be facilities for bilateral and regional training and cooperative security locations; facilities will have little or no permanent US presence. The key aspect of these strategy is the creation of so-called 'hubs and lily pads systems': main hubs in host nations, such as Japan, with main bases able to project force in distant theatres along with the 'lily pads' "Holding pre-positioned equipment to which rapidly deployable forces can 'leap to and from' in response to contingencies in a wide variety of geographical locations" (Berteau and Green 2012). This system would consent the re-locating US forces into several peripheral facilities while maintaining a certain degree of power projection capability even if the major hub bases are damaged. The main aim of these efforts is to reduce the damage to bases and air assets in case of conflict, while complicating enemy planning and reducing the effectiveness of a Chinese missile attack.

This strategy entails two consequences. Firstly, it entails the possibility of reducing the burden on Okinawa and other main hubs, spreading US resources in the 'lily pads.' Secondly, the increasing Chinese A2AD capabilities constitute an incentive to move the most valuable US military assets outside the First Island Chain, reducing the role of Japan as privileged provider of sanctuary bases. After announcing the US 'pivot to Asia' in 2012, Washington initiated a process of diversification by attempting to open new facilities in allies' countries, such as Australia, and move key military resources to Guam.

The fact that Japan can no longer play the same role of the safe military and logistic rearguard for the US military complex it used to play changes the Japanese value in the US geopolitical exchequer. Even if Japan remains the cornerstone of the US engagement in the Asia-Pacific, Japan will in the proximate future not be simply a base provider but also a more active ally of the United States sharing more of the military burden and jointly projecting military power with the US in East Asia.

During the post-Cold War period, the opposition to US military presence in Japan has largely manifested itself through local protests, particularly in Okinawa as opposed to protests against the alleged violation of the pacifist nature of the Japanese state (by hosting US military on Japanese territory). The process of Japan developing into what the literature calls towards a 'normal country' and the fact that the new generation cannot directly remember the sufferences of the war led to a relative acceptance of the bases (Oros 2008).

Recently, the fear of entrapment into American-led proxy conflicts returned to characterize the debate on the US presence on Japanese territory. Recent strategic developments such as the adoption of the Air Sea Battle operational concept and the development of the joint US–Japanese ballistic missile defense system (BMD) reminded Japanese policymakers that the US presence entails a certain risk of being drawn into unwanted conflicts with e.g. North Korea or with China in the case of a conflict between China and Taiwan (Dian 2013a, b). Indeed, the failure to re-negotiate the above-mentioned Futenma base re-location agreement, which led

to the resignation of then Prime Minister Hatoyama, the normalization of Japanese security policy strategies and the deepening of the military ties with Washington tend to diminish the Japanese bargaining power vis-à-vis Washington.

Even if the Okinawan population continues to voice strong opposition against US military presence on their islands, it is very unlikely that their requests will be satisfied in the short term. The roughly 50,000 US soldiers deployed in Japan remain a key asset for the US global engagement since they remain fundamental in providing the US forces with power projection capabilities in East Asia.

5 US Bases in Italy During the Cold War

The role and the presence of US armed forces in Italy in the immediate aftermath of World War II was very different compared with the role US military stationed in Japan. Italy had been formally a 'cobelligerent' since 1943. Italy's 'Southern Government' governing the areas liberated by the Allies was a formally sovereign state since September 1943 (Mammarella and Cacace 2010). Consequently, different from Japan but also from Germany, Italy was not subject to a long and heavy occupation by American forces. In numerical terms US military presence in Italy was relatively limited. The country hosted roughly 10,000 US troops in the post war period, while Japan hosted up to 200,000 US military troops during the 1950s and today roughly 50,000 on Japanese territory.

While Japan represented the bulwark of the American presence in Asia, in Europe on the other hand, West Germany and not Italy was considered the most important frontier territory to defend against the Soviet Union. In quantitative terms, Italy was the fourth host country in Europe after Germany, the United Kingdom and France. Nevertheless, since the beginning of the Cold War, Italy had a paramount strategic importance in the American exchequer. It was a frontier state between the geographical and ideological East and West and was a vitally important bridge to the Mediterranean as well as a logistical rearguard for US military power projection in Northern Africa and in the Middle East. Consequently, since the early Cold War period, the United States built a substantial network of bases composed of around a hundred military installations in Italy. This network was structured around a few main centers and several small facilities. Most important are the air force bases in Aviano, Camp Derby and Caserma Ederle near Vicenza (US Army), and the navy stations of La Maddalena and Napoli. The latter is hosting the US Navy VI Fleet, while La Maddalena stations US nuclear submarines. Camp Derby is one of the largest US facilities outside of US territory. Opposition to US military presence in Italy was considerably weaker than in Japan not only because the number of troops in Italy was significantly lower than in Japan. As the historian Mario Del Pero has argued, "The extension of the American empire to the Italian territory was to a large extent 'invited' by the Italian ruling elite" (Del Pero 2003).

Indeed, the degree of acceptance of the US presence in Italy positively surprised American policymakers. Frank Nash, an advisor of the US Department of Defense in 1957 wrote to Washington that the widespread irritation caused by American troops was almost absent in Italy: “Compared to the great majority of other countries”, he stated, “the Italian reaction is paradoxical. Instead of asking for a reduction, Italians ask for adjunctive units” (Nuti 1993). While the official justification of these ‘paradoxical’ requests was the instability in the Middle East and Northern Africa, the real aim of Italy’s pro-US elites was to welcome US commitment to the protection of Italy both from the external threat posed by a potential Soviet invasion and as well as a threat posed from internal subversion. A substantial American presence was therefore welcomed by the Italian government as a symbol of the anchorage of Italy to the Atlantic community (Nuti 1994).

Throughout the early Cold War, therefore, neither fear of entrapment nor the presence of particularly vocal local communities constituted major problems for the Italian government or for the US troops deployed in the country.

The real problem instead was related to domestic contestation. Throughout the Cold War Italy’s communist party was significantly more influential and powerful than communist parties in other countries of the West. The PCI (Partito Comunista Italiano—Communist Party of Italy), supported politically and economically by the Soviet Union was a protagonist of a campaign aimed at limiting Italian involvement in NATO (Guiso 2006).

The neutralism of the Italian communists was comparable to the neutralism of the JCP and JSP in Japan. It was centered on the ‘pacifist nature’ of the Italian republican constitution and on the anti-war clause enshrined in the constitution’s Article 11.

While the Japanese pacifists were primarily concerned about a return of Japanese militarism, Italy’s pacifists, guided by the PCI strictly followed the directive of the Third Communist International aimed at serving the strategic interests of the Soviet Union. Italy’s communist party following the directive issued by Zdanov in 1947 considered one of its main aims to be the creation of a movement with the objective of rejecting the ‘American diktat’ and to promote global peace and neutrality. In 1949, the USSR promoted the World Congress for Peace and Italian communists had a major role in this organization. As secretary of the PCI, Togliatti clarified “Our pacifism is not just humanitarian but clearly anti-american and anti-imperialist” (Cerrai 2011). The opposition of the ‘Partisans for Peace’ movement guided by the Communist Party did not have the same anti-US base agenda it had in Japan. Rather than advocating a reduction of the US presence in the Italian territory it advocated a neutralist stance for the country.

However, due to the ‘*conventio ad expludendum*’, the PCI was not able to govern in Italy but found itself in opposition (Pombeni 1994). The Italian government, dominated by the Christian Democratic Party successfully resisted pressure to make Italy a neutral country and kept secret the protocols authorizing the US presence in the country and the creation and the consolidation of the network of American bases in Italy. In fact, the Christian Democratic Party successfully exploited communist opposition to US military bases in Italy to maximize the economic and strategic benefits deriving from the US presence.

Locally organized protest against the US presence was almost absent during the entire post war period up until the early 1980s in Italy. However, the Euromissile crisis of the 1980s completely changed the Italian attitude towards US bases. In December 1979, NATO approved a plan to modernize the ‘Intermediate Nuclear Forces’ (‘INF’) of the alliance by deploying Cruise and Pershing II missiles in five Western European countries in response to Moscow’s deployment of a new generation of SS-20 medium-range missiles in Ukraine (Nuti 2004). Once again, the Italian case differs from the Japanese case. While the Japanese government feared that the US presence could increase the risk of entrapment of the country in a conflict between the US and the Soviet Union or one of its allies, Italy’s political leaders believed that a larger presence of US forces, including the deployment of IRBMs, would increase the deterrence strength and credibility and consequently the security of the country.

The decision to deploy the Euromissiles fueled a massive wave of criticism and widespread mobilization of opponents against the deployment of Euromissiles in Italy. The PCI, which throughout the 1980s under the leadership of Enrico Berlinguer was trying to distance itself from Moscow, considered the peace movement as an occasion to push the country towards neutrality (Pons 2006). For the first time, the issue of US military bases in Italy became a central issue on Italy’s domestic policy agenda, with a focus of the attention on the US base in Comiso where the missiles were deployed. The missiles were removed from Comiso in 1991 as a consequence of the INF treaty signed in 1987.² The Euromissile crisis was the only period during which ‘base politics’ assumed national relevance in the Italian political and strategic debate. During the Cold War those opposed to the bases in Italy never managed to establish a political and organisational link between local anti-base sentiments and national anti-NATO and anti-American mobilization.

6 Bases in Italy After the Cold War

Problems related to US bases in Italy issues did not represent a major irritating factor for the relations between Rome and Washington after the end of the Cold War. ‘Base politics’ in Italy have never even remotely had the same relevance it has had in Japanese domestic politics.

In the post-Cold War period the opposition to US bases has been limited to the enlargement of Caserma Ederle and to the Cermis incident in 1997, when twenty Italian citizens died after a United States Marine Corps aircraft cut a cable supporting an aerial tramway. In the first case the protesters failed to mobilize the national public opinion or to get the support of the country’s main political forces. The second did not lead to political protests against the American presence.

² The INF treaty established that the US and the USSR committed themselves to remove the middle range missile from Europe within ten years.

This substantial acceptance of the American presence allowed for a significant quantitative build-up over the last decade. Indeed, while US forces deployed in Italy constituted only 3 % of all forces in Europe in 1980s, they now constitute around 12 %. Today, Italy has replaced Great Britain as the country with the highest American military presence in Europe after Germany. While the Global Defense Posture Review foresees massive cuts (50 %) of the number of US military forces stationed in Europe, Italy is the only country in Western Europe where US military presence will not be reduced.

During the post Cold War period Italian bases have assumed a completely different strategic value. They have lost their function as a manifestation of American commitment to the external security and internal stability of the country, instead becoming the linchpin of American power projection in the Mediterranean, in the Middle East and in the Balkans. The bases were indeed used during the NATO interventions in the Balkans during the 1990s and as logistic rearguard during the two Iraqi Wars and during the Operation Odyssey Down against the Libyan regime in 2011.

Since the end of the Cold War, Italy was confronted with substantially lower costs deriving from the presence of US military bases. The fear of entrapment was virtually absent since the use of the bases as hubs for power projection never entailed an actual risk of involving Italy in a military involvement on Italian territory. Moreover, the ideological opposition has vanished together with the disappearance of the PCI and its transformation into a Western-oriented social-democratic party.

As Natalino Ronzitti has highlighted, several sensitive issues related to the US bases in Italy are still present. Firstly, there is the question of whether the bases are exclusively American bases or whether they are instead to be understood as NATO bases. Secondly, there is the question of whether Italian law allows to keep secret the nature and the quantity of the weapons deployed in the bases. Thirdly, there is the question of whether under the present legal arrangements and under the Article 11 of the Italian constitution any use of the bases not related to the Art.5 of the Atlantic Pact should be authorized by international law. Finally, there is the issue of whether Italy as signatory of the Non-Proliferation Treaty (NPT) should not be allowed to stock nuclear weapons on its territory (Ronzitti 2007).

Even if all of them are very sensitive issues, they have not made base politics a major irritating factor of the bilateral US-Italy relations. Not even the deployment of 70–90 US nuclear warheads on Italian territory-obviously very controversial from a legal point of view-does not constitute a matter of political debate in Italy (Foradori 2011; Cacace 2004).

7 Conclusions

The analysis of the Italian and Japanese experience as allies and providers of bases for the United States leads us to conclude the following: firstly, as far as base politics are concerned, strategic relevance and political sensitivity are often two

faces of the same coin. US forces in Japan are heavily concentrated in central hubs, such as Kadana, Guam, Ramstein and Camp Derby. A heavy concentration of military troops often leads to widespread opposition by the local population. These US hubs are concentrated in 'frontier states', i.e. in areas particularly relevant for US military strategy. The military relevance of a base, as in the case of Okinawa, is proportional to its proximity to the territory of a potential adversary or to an unstable area in East Asia. This tends to enhance the fear of entrapment of the host country, which fears that massive concentration of US military capabilities can lead to an unwanted involvement in a US-led proxy conflict. These fears were clearly present in Japan during the Vietnam War and are progressively re-emerging after the US announced its 'pivot to Asia' in 2012. To a relatively minor extent, risks of entrapment also appeared in the Italian strategic debate during the Euromissile crisis of the early 1980s.

A different kind of problem faced by both Japan and Italy was related to the ideological domestic opposition to the bases as symbols of the commitment of both countries to the alliance with the United States. These military alliances were considered a betrayal of the pacifist spirit both countries embraced—albeit to differing degrees—in the post war era.

The most relevant difference between the Japanese and Italian cases lies in the combination of these three dimensions. Italy did not experience anything similar to the massive wave of protests against the US bases that took place in Japan in the 1950s. In Italy, local protests against the US military presence were of fairly limited scale and scope and rare and never made it to the top of the country's domestic policy agenda. Moreover, Italian governments were not primarily concerned with the problem of entrapment, but were eager to host the highest possible number of US facilities and troops on Italian territory. The Christian Democrats and other Italian pro-American forces were indeed more concerned with a possible domestic communist upheaval than being involved in a war between NATO and the Soviet Union. Consequently the base problem has always been confined within the realm of domestic ideological opposition. Italy's Communist Party managed to mobilize the 'Partisan for Peace' movement against the Italian membership of NATO and to push for neutralism. US military bases in Italy were not the main target of neutralist forces, which aimed more at reducing the Italian involvement in the alliance rather than at the removal and reduction of US military facilities on Italian territory.

Ultimately the US base issue was less prominent on Italy's domestic policy agenda because these three dimensions—strategic, domestic-ideological and local—never explicitly merged. The government never considered bases as a key strategic problem and the decline of the anti-system forces after the end of the Cold War left the local opposition deprived of substantial support at the national level.

In the Japanese case, local, domestic and strategic concerns related to the presence of the bases were often on top of the country's domestic policy agenda. Firstly, the main aim of the Japanese post war security strategy was to avoid the above-mentioned entrapment, and the US presence embodied that risk. Secondly, because the domestic ideological opposition managed to include the base issue in a

wider anti-American and pacifist discourse. Moreover, particularly until the reversion of Okinawa to Japan in 1972, the cause of local protest was above all against US use of military installations on Okinawa.

During the post-Cold War period, the end of the bipolar rivalry and the decline of the anti-system and neutralist forces, ideologically motivated opposition to the military US presence all but disappeared. The new progressive forces which emerged after the end of the Cold War, the Democratic Party in Italy and the Democratic Party of Japan, assumed pro-American positions and renounced every attempt to push their respective countries towards neutrality.

In Italy this led to the virtual disappearance of the base issue from the national political debate, reducing the issue of bases to a local problem or at best to a set of technical and diplomatic problems between Washington and Rome. In Japan, the re-emergence of the strategic costs of US bases, generated by the risk of entrapment of the country in possible conflicts between the United States and China or North Korea and the use of the bases to project power in so-called 'arch of instability' stretching from South East Asia to the Middle East, is likely to lead to the periodical re-emergence of the base issue as a major irritating factor for the US-Japan alliance. As what was dubbed 'The Battle of Okinawa' between Tokyo and Washington in 2009 and 2010 demonstrated, the presence of strategic and local costs can lead to a major revision of the Japanese approach toward the base issue. The eventual outcome of that conflict, however, also demonstrated the US ability to maintain and defend key strategic outposts even at the cost of fundamentally straining the bilateral relationship with a key ally such as Japan. (McCormack 2009).

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Italy and Japan as Security Actors: Still Free Riding on the US?

Donatello Osti

Abstract This chapter compares Italian and Japanese foreign and security policy choices highlighting the preeminent role the United States (US) had in Rome and Tokyo's security policy decisions. Historical and normative commonalities between Italy and Japan will help explain their peculiar roles as so-called *middle powers* within the international system and vis-à-vis the US. Similarities in respect to the alliance structure with the US, pacifist constitutions and historical restrictions posed by US occupation are examined. The Gulf War in 1991, the crisis in Kosovo in the mid-1990s and the wars in Afghanistan and Iraq highlight the military support Italy and Japan offered the US. The rise of China and the events of the Arab Spring pose new challenges for US foreign policy. In this context Italy, and even more so Japan, will continue to play a substantial geo-strategic role for the US.

1 Introduction

Italy and Japan today are prosperous, democratic states generally ranked as *middle powers* in the international system. The two countries exhibit striking similarities in their political structures ranging from frequent government changes, authoritarian social relations, extensive corruption and cynicism towards politicians and bureaucrats (Samuels 2003). Economically, resemblances are remarkable too, with an extraordinarily high public debt, negative growth in recent years and mounting welfare state costs resulting from an ageing society. Broad similarities and differences between Italy and Japan could be extrapolated from many political and economic realms without explaining much of their *middle-power*

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status and aspirations within the international system. On the contrary, the intent of this chapter is to compare Italian and Japanese foreign and security policy choices in the last two decades highlighting the preeminent influence the United States had on Rome and Tokyo's security policy decisions. Historical and normative commonalities between Italy and Japan will help explain their peculiar roles as *middle powers* within the international system and vis-à-vis the US.

A fitting definition for Italy and Japan as *middle powers* can be adapted from Santoro: "A middle power is a country which is fully aware of its subordinated status in the international system... which has learned quickly to give up many of the ambitions which were the hallmark of its nationalist past. ... It is constantly striving to assert its status and to prevent any encroaching from the other middle-powers..." (Nuti 2011). Italy has often been preoccupied with rank and has feared the risk of being excluded (Hill 2011), whilst Japan has been considered outright *abnormal* because of its antimilitarist norms. These tendencies have forced Italy and Japan to punch below their weight in the international system, especially when contributing to international peace and security. In effect, both countries continue to be confronted with the quest for prestige, international standing and rank. Although status is a social, psychological, and cultural phenomenon, the US—given its material dominance and activist foreign policy—is a salient factor in the identity politics of all major powers (Wohlforth 2009). Therefore, to better compare Italian and Japanese foreign policy aspirations and their behaviour, their bilateral security alliances with the US will be analysed.

Before delving into Italy and Japan's relations with the US, the structural weakness in relations between Italy and Japan must be addressed. In short, Japan's security relations with Europe, let alone Italy, have elicited little attention from either political or academic observers. Europe still appears as a composite of separate countries for Japan, and amongst these Italy is perceived as being only very marginally relevant as regards security relations and cooperation. Similarly, Italy's interest in Asia has been intermittent and marginal; in the words of an analyst, "Italy has no foreign policy towards... any Asian country. It has only prejudices—positive and negative, but still prejudices" (Sisci 2009) in Carbone (2011). Therefore, relations between Italy and Japan in the realm of international peace and security can be defined as being of *mutual unconcern*. This is not necessarily surprising as the two countries have different priorities as regards security and for geographic reasons are confronted with diverging regional and strategic threats. As Katzenstein suggests, the US dealt with Japan bilaterally whereas it sought to integrate Italy within the multilateral institutions of NATO and Western Europe (Katzenstein 2005). Nevertheless, and here the first broad similarity is evident, both countries have adopted their respective regional and global security strategies tied to the US. If during the Cold War Italy and Japan were textbook examples of so-called *free riders* on US security guarantees, this feature has certainly advanced, but in many ways US pressure continues to limit both countries' foreign policy choices.

Today, US influence on both countries has waned but common security interests between Italy and Japan continue to exist over single issues: for instance, combating international terrorism and piracy, support for nuclear non-proliferation

treaties, reforming the protocol on anti-personnel landmines and addressing security and nuclear issues in Iran and North Korea. Furthermore, Italy and Japan adhere to the values of freedom, democracy and respect for human rights. However, even though these commonalities are important as such, they are shared by almost all countries in the world, not to mention those within their same rankings, such as members of the G8 or the OECD.

This chapter is structured into four sections defined by historical turning points of the international system. The first section defines Italian and Japanese foreign and security policy structures and highlights their normative constraints. Broad similarities in respect to the basing of US military troops, a pacifist constitution and historical restrictions posed by US occupation will be discussed. The second part briefly describes Italy and Japan's strategic importance in the alliance system of the Cold War era and highlights the similarities in their domestic political systems. The third section illustrates the period between the end of the Cold War and the events of September 11, 2001 (9/11), when the meaning of security was gradually expanded to embrace concepts of soft power and human security. At the time, the war in the Gulf in 1991 and the crisis in the Balkans in the mid-1990s became turning points for Japanese and Italian security choices and policies. The Kosovo War is an example of a conflict which took place in geographical proximity to one of the countries, Italy, and where the other country, Japan, played a meaningful, yet largely unnoticed, role (throughout the 1990s and 2000s, Japan made significant financial contributions to the reconstruction and pacification of the Western Balkans though). The last section, discusses the return of power politics since 9/11 and Japan and Italy's responses to the US-led military operations in Afghanistan and Iraq. This section will highlight the support Italy and Japan offered the in its global war on terror. The chapter concludes by comparing similar traits of the countries' relations with the US, arguing how the rise of China and the events of the Arab Spring pose new challenges for US foreign policy and how in this context Japan and Italy will continue to play important geo-strategic roles in their respective regions.

2 Security Policy Norms, Interests and Cultures

In attempting to draw similarities between Italian and Japanese foreign policies some simplifications are necessary. Italy's foreign policy can be best described using the image of the three circles: firstly, Atlanticism, which implies loyalty to the security system provided by NATO and the US. Secondly, Europeanism, which implies commitment to the construction of the European Union (EU) and thirdly Mediterraneanism which ensures some degree of freedom for a more autonomous foreign policy (Carbone 2008). Instead, Japan's foreign policy can be described as resting on two circles: the security alliance with the US, which similarly implies loyalty and subordination in return for US security guarantee, and an Asian circle, which ensures freedom in pursuing economic interests in its

regional neighbourhood. China and South Korea remain overtly suspicious of any Japanese involvement in security issues in East Asia.

Geographically, Italy and Japan are both located in strategically important regions of the world. Italy is on the front line when it comes to dealing with conflicts in the Mediterranean, the Balkans and the Middle East. Japan is crucial in Asia when it comes to deter instability on the Korean peninsula, the rise of China and in securing vital sea-lanes. Unsurprisingly, it has been rare for the two countries to deal with common crises before the unleashing of the transnational fight against terrorism.

Leaving the above-mentioned geo-strategic dimensions aside, Italian and Japanese security policies are restrained by two broad normative constraints: their war-renouncing constitutions and their security provisions, which tie them to the US. In Italy, Article 11 of the constitution rejects war as an instrument of aggression and gives parliament ample powers of control over the executive. In Japan limitations are much more severe as the famed Article 9 of its constitution provides that, “the Japanese people forever renounce war as a sovereign right, and states that land, sea and air forces will never be maintained.” Therefore Japan possesses Self Defence Forces (SDF) made up of Ground SDF, Maritime SDF, and Air SDF while it officially does not have ‘real’ armed forces (but ‘only’ ‘self-defence forces’). Although this taxonomy is perhaps mystifying and euphemistic, it legitimised Japan’s non-participation in collective defence operations throughout the world until the 1990s. Furthermore, not having the right to wage war has been labelled a Japanese *abnormalcy*, incomparable to the situation of any other sovereign nation.

The second formal aspect that defines Italian and Japanese security policies is represented by their involvement in security alliances: NATO for Italy and the US-Japan Security Treaty respectively for Japan. Italy’s security is guaranteed under Article 5 of the NATO Treaty by which an attack against one NATO member is considered as an attack on all NATO member states. Thus, in order to attain the principle of collective self-defence Italy allowed NATO, strategically dominated by the US, to station troops on its territory. Japan’s security, instead, is guaranteed through the US-Japan Treaty of Mutual Security and Cooperation of 1960. Similarly to the case of Italy, under Article 6 of the treaty of 1960 the US was granted the use of bases and other facilities “for the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East” (Dobson et al 2011). In short, although constitutional and treaty interpretations vary widely, Italy is part of a transatlantic collective defence structure, but the US alone guarantees Japan’s security. This entails a much higher degree of asymmetry for Japan in its relations with the US.

Italian and Japanese dependence on their constitutions and security treaties has allowed both countries to *free ride* on US guarantees by under-investing in defence, especially during the Cold War. In fact, throughout the Cold War period the two countries were able to free resources to pursue unprecedented economic development.

The dramatic militarist and authoritarian experience of World War II, coupled with the normative limitations described above, brought about the development in both countries of an *anti-militarist* and *pacifist* security culture, especially strident in the left-wing camp. The Japanese state and its people harbour a view of security that is much broader than the guns-bombs-and-tanks approach (Katzenstein 1996) in (Dobson et al 2011). In a similar manner, “Italians detest militarism and regard war as an aberration. The Armed Forces were made up of conscripts because a professional army was perceived, especially by left-wing parties, as inherently authoritarian and hence a potential threat to the newly established democratic system” (Crocchi 2011). Therefore the strategic cultures in Italy and Japan host varying degrees of pacifism. Pacifism, or anti-militarism for Japan meant inhibiting their actions in international affairs and preventing the country from becoming normal. However, “although pacifism remains a central part of Japanese political discourse, public antimilitary sentiment has declined drastically over the years” (Heginbotham and Samuels 2002).

Davidson instead argues that “Italy should be a force for peace in the world. The self-image of Italy as a force for peace does not entail full-blown pacifism but rather that Italy should use its military in the service for peace” (Davidson 2011). The Italian culture of pacifism, although subtly, has had domestic political relevance in trying to inhibit Italy’s military operations abroad. “In practice most interpret Article 11 to mean that Italy may only commit its military abroad when explicitly authorized by the United Nations Security Council” (Davidson 2011). Italian left-wing political parties in particular have supported a pacifist culture, and the country’s Catholic Church has backed this idea at different stages. The Pope’s opposition to Italy’s military involvement in the War in the Gulf in 1990/1991 and the Iraq War of 2003 are examples of this. Undoubtedly, the presence of the Holy See in Rome has an effect on Italian security culture. On the one hand, the culture of peace explains Italy’s leading contribution to UN peacekeeping operations. On the other hand, Italian governments also seem capable of using peace rhetoric to justify many situations that objectively do not seem to fit this logic (Davidson 2011).

Overall, although Italian and Japanese pacifist strategic cultures differ significantly, both countries have used pacifist rhetoric to resist foreign actions and outright military interventions. More prominently in Italy, foreign interventions have often been reframed as policing operations and peacekeeping missions. Even when military might was needed, both countries’ strategies were referred to as *active pacifism*.

3 The Cold War Period

3.1 Italy

During the Cold War Italy served as a bulwark against further communist expansion in Western Europe. Italy’s strategic significance for Washington was mainly to prevent the spread of communism in Europe. Therefore great attention was paid to

controlling Italian domestic politics. For many years, the political system was dominated by the Democrazia Cristiana (DC), which—confronting a major anti-system party on the left, the Partito Comunista (PCI), and a smaller post-fascist party, the Movimento Sociale Italiano (MSI)—was able to remain permanently in office, with the support of a combination of smaller centrist parties (Carbone 2011). The short-lived but continuous coalition governments led by the DC framed most security and strategic decisions picking up the label of *il Partito Americano* (Orfei 1975) in Samuels (2003). Starting in the mid-1950s, the DC adopted a vigorous *neo-Atlanticist* agenda, actively promoting cooperation within NATO and enhancing its own international prestige by pursuing a more active role: for example during Italy's ambiguous role in the Suez crisis of 1956 or ENI's assertive economic diplomacy in the Mediterranean and Middle East. However, without doubt Italy was hostage to US military interests as exemplified by the Cuban Missile Crisis of 1962. During the stalemate between the US and the USSR, US President Kennedy secretly agreed to withdraw the Jupiter missiles deployed at Gioia del Colle without any prior consultations with Italian Prime Minister Fanfani (Nuti 1999). In the 1970s, the rise of the Italy's Communist Party (PCI) posed a credible challenge to the alliance with Washington. In fact, "US officials believed that Communist participation in a NATO government would threaten the viability of the alliance and thus run contrary to the national security interests of the US" (Njølstad 2002). By the beginning of the 1980s, Defence Minister Lelio Lagorio together with Socialist Prime Minister Bettino Craxi sought larger and growing responsibilities for Italy, especially in the Mediterranean. In fact, Italy conducted its first military intervention abroad in Lebanon in 1982–1984 alongside the US and France. This 'new foreign policy' of greater autonomy and specificity (Harper 2000) culminated in the *Achille Lauro* affair in October 1985. The incident marked the lowest point in US-Italy relations as the standoff at the base of Sigonella almost provoked the first armed confrontation between Italy and the US since the Second World War (Holmes 1997). The affair had negative repercussions but only in the very short term.

Throughout the Cold War, Italy's aspirations in the international system can be summed up as follows: at the systemic level Italy was able to enjoy a kind of *rentier* status as a result of its geopolitical position (Aliboni and Greco 1996). In addition, Italy at times considered itself as co-belligerent and even non-belligerent within the alliance system. Italy was part of NATO to avert the risk of isolation and gave freedom to the US to act on its territory. This attitude epitomises a strong tendency to prefer the judicial, formal aspects of foreign policy to a *Realpolitik* approach. This was natural given Italy's limited weight in the international system (Gaja 1995).

3.2 Japan

Throughout the Cold War Japan's *Yoshida Doctrine* determined the level and more importantly limits of the country's involvement in international politics and security. Kenneth Pyle highlights three tenets of the *Yoshida Doctrine* that

characterised Japan's approach to international security. Firstly, economic rehabilitation must be Japan's prime national goal. Secondly, Japan should remain lightly armed and avoid involvement in international political-strategic issues. Thirdly, to gain a long-term guarantee of its own security, Japan should provide bases for the US Army, Navy and Air Force (Pyle 2007). The Liberal Democratic Party (LDP), which was then headed by Shigeru Yoshida, was able to stay in power for the entire Cold War period by evolving into the 1955 *regime*. This unique system of domestic politics was characterised by the ideological confrontation between the ruling LDP and left-wing opposition parties—most notably, the Japan Socialist Party and the Japan Communist Party. Yoshida's strategy of accommodating the country's right-wing forces by maintaining a stable alliance with the US, and propitiating the left wing by limiting rearmament and concentrating on economic policies proved incredibly stable (Pyle 2007).

However, in the 1970s Washington began to criticize that Japan was taking advantage of the US security guarantee without making sufficient contributions to regional and global security on its own. To defuse the growing criticism accusing Japan of being a *free rider*, Japan offered an economic solution, and in 1978 it began to contribute to the expenses of maintaining US bases in Japan, the so called *host nation support*, amounting to US\$ 5 billion annually. The only real challenge to the *Yoshida Doctrine* emerged with the election of conservative Prime Minister Yasuhiro Nakasone in 1982. Nakasone made a bold and ambitious attempt to re-orient the Japanese national purpose and to define new and broader national interest. He attempted to redefine its alliance with the US, invoking Japan to play a more proactive, pragmatic and opportunistic role. For instance, he famously asserted that Japan should act like an 'unsinkable aircraft carrier' to prevent the penetration of Soviet backfire bombers. Nakasone also ended the taboo on the revision of Article 9 and sought a defence build-up to support Japan's new stance internationally. However, most of Nakasone's efforts to fundamentally change Japan's defence profile agenda did not produce concrete results.

Throughout the Cold War the Japanese contributions to international security consisted in promoting a world without nuclear weapons and in extending economic power and cooperation through multilateral institutions and overseas development assistance. Japan's lack of military capabilities prevented it from becoming a *normal state* in the international system, a feature it has sought to rectify in the post-Cold War era.

3.3 Similarities Between Italy and Japan in the Cold War

As mentioned above, the broadest similarity was Italy and Japan's *free-riding* status. Both countries have thus been aptly described as mere pawns in the Western bloc. Italy's foreign policy lacked any "autonomy not because it was paralyzed by its internal disputes but because the US would simply not allow any straying off the main course" (Nuti 2011). Italy can thus be described as having a

docile, at times submissive relationship to the US during the Cold War. Samuels goes as far as arguing that “faithful support for US foreign policy earned Italy the sobriquet ‘the Bulgaria of NATO’, while Japan served as the US workshop, its East Germany”. Critics saw both as America’s lapdogs, the more polite version holding that Japan pursued a “Pulled Along by America Diplomacy” (Samuels 2003).

At the domestic level, Italy and Japan’s *one and a half* party systems, led by the DC and the LDP respectively, shared many similarities in their relations with the US. Washington’s influence on and involvement in both countries’ foreign policies enabled the DC and LDP to negotiate important concessions domestically while keeping reformist and left-leaning parties at bay. In fact, US influence domestically was critical for the formation of Italian and Japanese political party structures. Thus, “it is surely no coincidence that the LDP and DC forged dominant and remarkably similar party systems” (Samuels 2003). Both ruling parties were anti-communist and were very able to establish a popular image for themselves as indispensably sturdy democrats and friends of the American protector (Samuels 2003). In general, both the DC and LDP challenged the security credentials of their left-wing political opponents. In this context, Italy’s elites were prepared to trade security for sovereignty accepting for the most part US interventions and vetoes in matters of domestic politics (Newell 2011). Cooley asserts that while during the Cold War the LDP and the DC were political clients of the US, this role also afforded them significant political resources to be used for their domestic purposes (Cooley 2008). Overall, Italy and Japan’s existence as *medium powers* rested on US security both internationally and domestically. “Conservative elites stretched these alliances to allow for some degree of independent foreign policy, but the wisdom of tying national security to the American hegemon defined each nation’s political debate. ... In both cases, Italy and Japan would play much lesser roles in world affairs than their economies or ambitions might otherwise have supported” (Samuels 2003).

In conclusion, while Italy and Japan were confronted with what was perceived as a threat from the USSR in both countries during the Cold War, Rome and Tokyo never developed a noteworthy bilateral strategic dialogue. In fact, relations between Italy and Japan were of what can be described as *mutual unconcern*.

4 Rise as Civilian Powers: The Gulf War and the Kosovo Crisis

The end of the Cold War fundamentally changed the dynamics of the international system, global alliance structures and the application of the use of military force. The US could now engage its military abroad with no opposition but instead with authorisation and mandate from the United Nations Security Council (UNSC). In fact, during the Cold War the juxtaposition of the US to the USSR and their veto

power had de facto blocked the proper functioning of the UNSC. Thus, the renewed centrality of the UN brought about a broader understanding of international security. Traditional security paradigms such as wars and military operations were reframed as humanitarian interventions and peacekeeping operations. Conceptualisations such as *civilian powers* and *human security* surfaced amongst international polity to complement traditional military security concepts. Italy attempted to enhance its prestige internationally by playing a more assertive role, as the cases of the Gulf War and Kosovo demonstrated. Japan made significant financial contributions to promote global human security and continued its attempt to *normalise* its foreign policy by allowing the SDF to be dispatched to peacekeeping missions abroad.

With the end of the Cold War, Italy's previous *rentier* status was no longer attainable. In the words of then Italian Foreign Minister Beniamino Andreatta: "In the new international conditions membership is no longer enough: one has to act, to prove and to qualify by assuring, participation and bringing one's weight to bear" (Aliboni and Greco 1996). A more active and assertive foreign policy ought to be directed to strengthening the international context in which Italy operated. In short Italy "revised its traditional role of 'security consumer' and embarked on an effort to become also a 'security producer'" (Croci 2011). "Indeed, the Italian armed forces regularly intervened abroad—albeit on a small scale, as part of coalitions—in the 1990s" (Harper 2000). Operations included Iraq, Mozambique, Somalia, Bosnia, Macedonia, Albania, and Kosovo.

The problem of rank also re-emerged with vigour at the beginning of the 1990s. Japan's situation was similar. The end of the Cold War gave birth to a rethinking of Japan's contributions to global security. Against the background of its economic strength and still anchored to US strategic guarantees, the country had to devise a renewed foreign policy approach. "Choices for achieving autonomy, prestige, strength, and wealth presented themselves anew, but it was clear Japanese strategists were not ready" (Samuels 2007).

4.1 *The Gulf War*

The 1990/1991 Gulf War was the first test case for the international community to manage a major crisis after the end of the Cold War. For Japan this became a watershed for its global security policies, accompanied by accusations of conducting *chequebook diplomacy*. Italy on the other hand pursued the same logic as before—subordination to the US—while signalling willingness to participate in US-led military operations. Italy's government led by Giulio Andreotti decided to support the US-led Desert Storm intervention in Iraq. In particular, Italy acted within the confines of UN resolutions and supported actions taken by NATO and the EU. An Italian naval task force was sent to the Gulf in support of implementing the UN embargo against Iraq, followed by the deployment of eight Tornado fighter-bombers in support of vessels (Walston 2011). However, this "little more

than symbolic military operation” (Parsi 2011) created many domestic frictions amongst politicians and the public at large. Domestic resistance against a more active Italy in international security aside, Italy had woken up to its new role in global security. The same could not be said of Japan.

The Gulf War for Japan “heralded a political rollercoaster ride that involved an initially rapid response, criticism thereafter of immobilism and the eventual despatch of four minesweepers, the flagship and support ship to the Persian Gulf” (Dobson et al 2011). Then Japanese Prime Minister Toshihiki Kaifu attempted to pass legislation to send 200 non-combatant personnel to the Persian Gulf to provide multinational coalition forces with logistical support (Hatakeyama 2010). However, owing to the still dominantly pacifist culture of Japan and the limitations of article 9 of the constitution, the government failed in that attempt. Kaifu’s government soon came under pressure from the US to make more than financial and minimal contributions espoused by the above-mentioned *Yoshida Doctrine*. Japan, however, was not ready for a *human contribution* and instead soon became accused of *chequebook diplomacy* with financial support for the Gulf amounting to US\$ 13 billion. Japan eventually agreed to dispatch its Maritime Self-Defence Forces (MSDF) to sweep mines after the cessation of hostilities but these were seen in the US as a “late, feeble gesture made long after all the important decisions and risks had been taken by more courageous, better organized, reliable countries” (Woolley 1996). Amongst those allegedly more *reliable* countries was Italy. Japan’s inability to respond to new security threats—particularly in a vital region for its oil imports—provoked international condemnation and pressured the country to modify the nature and quality of its contributions to international security. The most salient effect of the Gulf War for Japan was the enactment of the International Peace Cooperation Law (IPCL) in June 1992. This legislation enabled the first dispatch of Japanese military personnel abroad since the end of World War II. The SDF would participate in non-combat peacekeeping operations authorised by the UN in Cambodia, Mozambique, Rwanda and the Golan Heights throughout the 1990s.

The significance of the Gulf War was different for Italy and Japan. For Japan it was a pivotal point for the *normalisation* of its security policy and a low point in its alliance with Washington. As Japanese politician Ozawa Ichiro recalled: “America... expected Japan to stand with it against Saddam. Japan betrayed that expectation... Japan’s response came too late; we were unable to cooperate when we were really needed” (Samuels 2003). The events in the Gulf opened up a season of domestic debate within Japan that would lead to the formulation of a *human security* doctrine by Prime Minister Obuchi and a new consensus among the Japanese public to assume a ‘first hand’ global role in international security, accompanied by a more assertive security policy.

Military participation in the Gulf War put Italy at odds with the choices Japan made. In fact, despite strong domestic opposition, the DC within the *pentapartito* (five-party) coalition government signalled the emergence of a new strategic concept for Italy, one of higher profile in both political and military terms (Andreatta 2001). This higher profile was linked to an inner- Italian near-consensus to

increase the country's prestige at the international level. According to former Ambassador Silvio Fagiolo, "prestige for countries like Italy is measured by whether and how much the country contributes to high profile missions" (Davidson 2011). For Italy, the Gulf War was such a mission.

4.2 *The War in Kosovo*

The crisis in the Balkans in the 1990s is crucial to evaluate Italy's more proactive role and its relationship with the US. For Japan instead, the breakup of Yugoslavia was a testing ground for its aspirations as a global *civilian power* and a way to assess the effectiveness of its human security doctrine in a distant region of not necessarily obvious strategic value for Japan. The Kosovo War tested Italy's loyalty to the US when Massimo D'Alema, a former communist, became Italy's Prime Minister. D'Alema feared his political left-wing background could raise eyebrows, if not outright suspicion, among Euro-Atlantic partners, particularly in Washington (D'Alema 1999). However, his desire to reinforce Italy's international status played a decisive role.

Initially, in the summer of 1998 D'Alema was sceptical about the use of military force and pressed for greater diplomatic means, creating some friction with Washington. Italy was in favour of humanitarian intervention for the Kosovo Albanians under the auspices of the UN, not least to avoid an exodus of Albanian refugees into Italy. This was clearly stated by Foreign Minister Lamberto Dini in July 1998, who asserted that "an intervention by NATO in Kosovo without a UNSC mandate [was] absolutely impossible" (Croci 2005). The US was not sympathetic towards Italy's position, and US top diplomats repeatedly stigmatised Italy's conciliatory stance vis-à-vis Serbia during the failed diplomatic negotiations in Rambouillet (Brighi 2007). With the failure of the diplomatic process, Italy had no choice but to support NATO's bombings. The decision to grant use of all twelve NATO bases on Italian territory signalled D'Alema's willingness to keep Italy firmly aligned with the US despite the absence of a UN mandate for the mission. Italy supported Operation Allied Force through military and logistical contributions. More than half of all NATO flights took off from Italian territory and Italy's air force contributed 50 aircraft to defend airspace and conduct refuelling operations. Even more successful was the Italian humanitarian commitment. Italy launched its own so-called *Rainbow Mission* to help Kosovar refugees who fled to Albania at the beginning of the war (Belloni 2011) and the *Contact Group* formally assigned a lead role to Italy in humanitarian assistance for refugees in Albania, Macedonia and Montenegro. Overall, the intervention in Kosovo showed Italy's long-term interests: on top of military intervention, Italy pressed for "equilibrium in the participation in military action, finding a political solution and a humanitarian impulse" (Greco 2000). In the words of Prime Minister D'Alema, Kosovo was a case of "European Civilian Diplomacy" complemented by US military force (D'Alema 1999).

For Italy the intervention in Kosovo was a successful case of European civilian diplomacy, while for Japan the war represented an opportunity to test its *human security* doctrine. Tokyo's participation should thus be understood within the framework of a wider definition of security, one that "enhances and promotes Japan's standing as a responsible member of the international community" (Keizo Takemi in Soeya 2011). Then Japanese Prime Minister Keizo Obuchi developed the human security doctrine of Japanese foreign policy in the mid-1990s, advocating a more assertive role for its country in areas not tied to military objectives. These *soft* initiatives were meant to support social development, health, and employment in countries where Japan was to provide grant assistance and humanitarian cooperation. In short, as Soeya points out, human security was "pacifism with an internationalist bent" (Soeya 2011).

Going back to the case of Kosovo, the events of the spring of 1999 illustrate Japan's effectiveness in delivering aid and highlight the complex reality of the US-Japan alliance at the end of the 1990s. In March 1999, as the NATO-led military operation was underway, Japan offered an emergency grant aid amounting to roughly US\$ 10 million to provide food, shelter, health, medical and sanitary provisions to Kosovars. This financial aid was linked to initiatives that fell within the remit of Japan's human security doctrine; in fact Japan was reluctant to participate in activities like the clearing of anti-personnel landmines (Gilson 2000). Undoubtedly, Japan's financial contributions were significant, but, it must not go unnoticed that the US and the EU offered to donate much larger sums to multilateral aid agencies. This pressurised Japan into increasing its financial aid and eventually Japan's grant assistance to Kosovo totalled US\$ 200 million (Dobson et al 2011). Of more strategic importance was Japan's stance towards Washington. As Gilson points out, "Japan's non-membership of NATO enabled the Japanese government to distance itself from the strategic decisions made primarily in Washington. In this way, Japan was able to demonstrate a degree of disagreement with Washington's policies by means of its own institutional exclusion without pro-actively voicing its dissent" (Gilson 2000). Japan's position of muted opposition to US military decisions allowed it to play a more constructive role in post-military activities and to present itself internationally as a *proactive pacifist* country.

In conclusion, the purpose of the analysis of the war in Kosovo was to compare the roles and strategies Italy and Japan played and pursued in a crisis where the US played a central role. The Kosovo War is an example of a conflict that took place in the geographical proximity of one of the countries, Italy, while the other country, Japan, played a meaningful yet largely unnoticed role. Nevertheless, because of the lack of direct relations between the two countries it is possible to conclude that relations between Italy and Japan in the security field were, and continue to be, of *mutual unconcern*. At the G8 meeting in Cologne in June 1999, Japan chose not to conduct bilateral talks with Italy while it did so with Germany and the US.

4.3 Similarities Between Italy and Japan

The case of Kosovo can also be used to trace the parallel *normalisation* of Italian and Japanese security policy in the post-Cold War era. *Normalisation* for Italy meant pursuing its national interests and enhancing its own security in a regional conflict of great geo-strategic significance. As Croci argues, “the option of dissociating itself from NATO’s first ‘out-of-area intervention’ was never taken seriously, even if Italy preferred different courses of action.” In an article meant to be an *ex post facto* rationalisation of Italy’s behaviour in the Kosovo crisis, the then Under-Secretary of Foreign Affairs, Umberto Ranieri, argued that Italy had acted in pursuit of its national interest, as any other *normal country* would have done. Italy’s national interest in the Kosovo crisis, however, “did not mean the defence of its local and traditional bilateral interests but participation in a risky, multilateral enterprise designed to promote security in the region, and was therefore essential for the promotion of Italian security as well.” (Ranieri in Croci 2003). The *normalisation* of Japan’s foreign policy came through participation in an international operation granting humanitarian and financial assistance to Kosovars. Furthermore, it exemplifies how “human security became an outlet for the Japanese government’s efforts to carve a niche in international affairs and improve understanding for its ambition to gain international recognition. (Edström 2008).” Finally, as Swedish scholar Bert Edström writes, “human security offered the prospect of Japanese international leadership that did not encroach on US prerogative to be the leader and Japan the follower, as far as international security affairs were concerned—the prescription inherent in the *Yoshida Doctrine*. It is an area where Japan could act fairly freely and in ways that it found fit, without offending the US government” (Edström 2008).

Between the post-Cold War period and the events of 9/11, Italy tried to enhance its international prestige by actively participating in multilateral security operations without renouncing to accommodate US strategic requests for military and logistical support. In synthesis, on the one hand Italy tried to preserve its self-image as a force for peace by calling upon greater diplomatic means and military interventions only with UN backing, i.e. a type of *active multilateralism*. On the other hand, Italy pursued its traditional trans-Atlantic security doctrine bowing to US military requests. Japan, instead, embarked on a normalisation process by dispatching troops overseas for the first time after World War II and transferred its former ‘chequebook diplomacy’¹ into a more coherent human security doctrine.

In order to reinforce the argument of the common trajectory of *normalisation* in Italy and Japan, it is useful to compare the explanations given by Ozawa Ichiro and

¹ Japan was accused of conducting ‘chequebook diplomacy’ during the Gulf War in 1990/1991 when it was unable to send troops to the Persian Gulf because of constitutional constraints embedded in Article 9 of its Constitution. It was instead obliged to finance the US-led war to liberate Kuwait from Iraq with \$13 billion and was accused of paying itself out of the obligation to send troops abroad.

Massimo D'Alema. The Japanese power broker Ozawa devised his *normal nation theory* (*futsu no kuni*) and D'Alema published his book on normality (*Un paese normale*) at roughly the same time in the mid-1990s. "Where Ozawa stresses Japan's international contribution and its national interest, D'Alema focuses on the need for Italy to be 'accountable' and to look more like European states." (Samuels 2003). Both Ozawa and D'Alema talk of making more generous contributions to the world and regional order, and Ozawa pursues *normality* by enhancing national independence whereas D'Alema does so by subordinating it to larger, more cosmopolitan goals. Finally, "D'Alema is chasing European standards to achieve normality, Ozawa is chasing global standards." (Samuels 2003).

5 9/11 and the Return of Power Politics

The terrorist attacks of 9/11 fundamentally changed the dynamics of the international system. While humanitarian crises had been a central theme in the 1990s, 9/11 brought back the centrality of military hard power. In the *global war on terror* era there was little room for human security and civilian powers. The US would now ask its allies: "What are you prepared to do?" (Samuels 2007). Italy and Japan were not slow in responding, but despite their rhetoric neither country was as supportive as Washington had hoped. In order to combat a trans-national terrorist network, the US constructed a more flexible global alliance. Within the US-led so-called *coalition of the willing*, Italy and Japan had to reassert their military and defence capabilities in order to be able to offer support to their traditional security ally. Both countries played a more proactive role, as the cases of Afghanistan and Iraq demonstrate. Furthermore, Prime Ministers Berlusconi and Koizumi developed an amicable and personal relationship with President George W. Bush, which granted them international photo opportunities and close personal relationship with the US President. Despite popular images showing the Italian and Japanese Prime Ministers as very close to President W. Bush, and thus identifying this period as extremely pro-US in both Italy and Japan, Berlusconi and Koizumi's successors continued to support the US strategy. In fact, the short-lived centre-left government headed by Romano Prodi in 2006 maintained overall policy continuity in Afghanistan and Iraq. Similarly, in Japan the even shorter-lived LDP governments of Shinzo Abe, Yasuo Fukuda and Taro Aso never flinched from the US despite strong nationalist inclinations. Even more striking, the landmark victory of the Democratic Party of Japan (DPJ) in 2009 did not bring about a fundamental change in its alliance posture with the US. DPJ Prime Minister Yukio Hatoyama campaigned against Japan's heavy reliance upon the US for security and promised to *rebalance* Japan's foreign policy. However, he quickly discovered this was easier said than done (Soeya 2011). Overall, Hatoyama tried to vindicate a less dependent and more proactive role for the US–Japan Alliance, but as Hughes argues, under his successors, Prime Ministers Kan and Noda the DPJ has defaulted

back to into the traditional LDP strategy (Hughes 2012). Continuity in the security policy towards the US remains the most striking feature in both Italy and Japan.

5.1 Afghanistan and Iraq

On 7th October, 2001 the US and the UK launched Operation Enduring Freedom in Afghanistan. A month later, Italy announced to be ready to send ships, aircraft and even troops to the operation, which in the meantime had been endorsed by the UN Security Council through the creation of the International Security and Assistance Force (ISAF). Reconnaissance was conducted in mid-December, and Italian troops began arriving in Afghanistan very early in 2002. Italy's contribution gained bipartisan support in parliament, a situation that continues to date. Japan's response was equally rapid, but it was weakened by constitutional and public constraints, which limited Japanese support for the US-led war in Afghanistan to support of logistical nature. By October 2001, however, the Japanese parliament had passed the Anti-Terrorism Special Measures Law (ATSML) expanding the SDF's non-combat operations in support of the US-led global war on terror. Koizumi's government was keen to back the US. Maritime SDF vessels were dispatched to the Indian Ocean to offer logistical support such as the refuelling of US and British warships that continued until 2010. However, "Prime Minister Koizumi was careful not to permit any rear-area support activities that might be construed as directly contributing to US combat operations, such as the loading of ammunition or the sending of SDF in harm's way, in or near the combat theatre" (Mochizuki 2003).

Italian and Japanese endorsement of Operation Enduring Freedom was possible politically because the US military campaign against the Taliban regime in Afghanistan was at the time receiving robust support from the UN and the international community. Japanese and Italian military contributions, although limited by domestic norms, supported US strategic objectives as much as possible. Although the firm attachment to the US strategy is an important similarity, it must be remembered that more than 50 countries chose, one way or another, to back the US in Afghanistan. Instead, the War in Iraq indisputably proved unambiguously that Italy and Japan were staunch US allies.

Unsurprisingly, Berlusconi and Koizumi embraced President Bush's claim that Iraq possessed weapons of mass destruction. Both leaders addressed their respective parliaments arguing that their countries had no choice but align with their ally in Washington even if the international community was divided on the legitimacy to invade Iraq. Koizumi stated that by sending troops to Iraq, Japan could not be accused of evading its responsibilities as a member of the international community—as it had happened during the Gulf War in 1990/1991. However, as military intervention came closer, the support of both countries stumbled. Unable to broker a diplomatic solution, Silvio Berlusconi chose not to allow an Italian military contribution prior to the fall of Baghdad (Davidson 2011). In fact,

in April 2003 the government announced it would only deploy a *peace mission* to Iraq. However, despite formally not participating in the war, Italian troops were sent to Iraq on humanitarian emergency grounds on 15th April 2003 as part of operation Enduring Freedom, and US bases in the northeast of Italy were regularly used as a key operational link in the mission of US paratroopers (Brighi 2007). Italy deployed the fourth largest foreign contingent in Iraq—Operation Antica Babilonia—with roughly 3,200 troops from 2003 until December 2006, when the complete withdrawal of Italian troops was concluded. As part of the Italian operation in Iraq, the US asked Italy to manage the training of Iraqi police forces. However, despite the considerable prestige of the task, Italy declined because such activities would have increased the Italian military role, which was instead limited by the country's *humanitarian emergency* mandate (Ignazi 2012).

The Japanese parliament, in contrast, passed the Law Concerning Special Measures on Humanitarian and Reconstruction Assistance which enabled SDF deployments to provide logistical support for US forces in Iraq (Dobson et al 2011). Eventually, a total of around 600 Ground SDF personnel were dispatched for a reconstruction and humanitarian aid operation in southern Iraq. This was the first time Japanese military was deployed abroad during hostilities and without a UN resolution and mandate. It therefore presents a watershed in the government's effort to gain legitimacy for SDF activities outside Japan (Dobson et al 2011). However, despite Japan's effort to normalise its defence and security policies, it must be kept in mind that the Japanese troops' operations in Iraq were strictly limited to humanitarian and reconstruction work. They were prohibited from opening fire on Iraqi insurgents unless fired on first and therefore had to rely on Dutch, Australian and UK forces for their own security. Furthermore, they were dispatched to an area in Iraq of relative tranquillity and safety. The same cannot be said of the Italian contingent. Although Italy's mission in Iraq was meant to be a peacekeeping mission, Italian troops stationed in the town of Nassiriya were victims of an attack that claimed 19 Italian lives on 12th November 2003. This was the greatest loss for the Italian military since World War II and resulted in strong public opposition against the Italian mission involvement in Iraq. By the beginning of 2005, Berlusconi was forced to announce the beginning of the withdrawal of Italian troops from Iraq, which was finalised by the Romano Prodi-led government in 2006. Notwithstanding the change in power from a centre-right to a centre-left government, Prodi's decision should not be interpreted as a sign of oscillating away from the US. Instead, like most centre-left governments, it chose to play the humanitarian card. Then Minister of Defence, Arturo Parisi, emphasised that withdrawing troops from Iraq was not the same as abandoning the country, stressing that Italy would continue to provide humanitarian aid as well as support the process of Iraq's political reconstruction. Other evidence of the willingness of the Prodi government to continue backing US strategic goals was its approval of the enlargement of the US military base in Vicenza in 2007. There was strong resistance from Italy's Green and Communists Parties, but the Italian government agreed to the expansion of the US military base in Italy all the same. Despite the overall policy continuity between Berlusconi and Prodi in 2005–2006, it is

possible that if a Prodi-led centre-left government had been in power in 2003, Italy might have chosen to line up with Germany and France opposing the US military intervention in Iraq.

For Japan, which withdrew its troops from Iraq in June 2006, the US-led global war on terror provided the trigger and occasion for increasingly fundamental changes in Japan's security policy and a political pretext for legitimating long-planned changes in military security policy (Hughes 2007). For instance, in 2006 Koizumi and Bush announced the strengthening of US global power projection capabilities using US bases in Japan to enforce military interoperability (Goh 2011). Furthermore, Japan's Defence Agency became a 'real' Ministry of Defence in 2007. These long-planned changes are to be viewed as part of the *normalisation* of the country's security policy.

6 Conclusions

At the systemic level Italy and Japan will continue to play important geo-strategic roles in their relationships with the US. The Arab Spring and the rise of China imply that Italy will continue to be a key US ally in North Africa and the Middle East, while Japan will have an ever greater role as US ally in Northeast Asia and the Pacific. Although Italian and Japanese security and military policies have become more assertive, their roles will largely be confined to providing logistical support and humanitarian assistance in the case of military conflict. In Italy's case this was evident when conflict broke out in Libya in 2011, where Italy put its military bases and its aircraft at NATO's disposal. In fact, as Cooley points out "US defence officials acknowledge that Italy's strategic positioning on the Mediterranean and near North Africa, the Italian military's anti-terrorism doctrine, as well as the country's favourable political disposition towards the US forces are important factors in the Pentagon's decision to retain more than 14,000 troops there." (Cooley 2008). Consequently, unlike in Germany, the number of US military troops stationed in Italy has-as part of a global strategic rebalancing of US forces-been slightly increased pointing to Italy's sustained geo-strategic importance for Washington.

However, although a discussion of the European Union's Common Security and Defence Policy (ESDP) has been purposely omitted from this analysis, it is undeniable that convergence in the security and defence realm amongst European countries is underway. Ways to pool and share defence capabilities drive European countries towards closer security cooperation. In this ever-evolving situation, Italy may in the future rely more on burden sharing with its European counterparts than with the US. Nonetheless, this is not yet the case as US command and assets were crucial for NATO's military campaign in Libya led by France and the UK (to which also Italy contributed). Japan's security environment is more intricate and in flux. The security situation in Northeast Asia is comparatively much more complex and unstable due to North Korea's nuclear ambitions and China's increasingly

assertive regional security policies backed-up by rapidly rising expenditures on defence. Incidents and confrontations between China over disputed territories in the East China Sea such as the Senkaku/Diaoyu Islands in 2010 and 2012 exemplify possible future scenarios, with tensions escalating over access to territory and competition for natural resources. Likewise, North Korea's nuclear armament continues to pose a threat to Japan's security. For Japan, this resulted in the necessity to upgrade its defence posture and renew capabilities to project its force. Japan has effectively set-up a dual-hedge strategy that involves Tokyo's balancing off its American military alliance with its interests in Asia (Heginbotham and Samuels 2002). For the US, retaining and augmenting Japan's central position in the US Asia security policy strategy is plausible given the prospect of deepening strategic competition between the US and China. Overall, Japan's asymmetry in its security relations with the US places the country between the risk of entrapment and that of abandonment, a situation dissimilar to Italy's less dependent relationship with Washington. At the same time, however, this asymmetry makes Japan a much more significant interlocutor of the US, with more potential leverage on American foreign policies than Italy.

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