Ideas about Agriculture in the Political Economy of Japan

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The Foundation of the Nation?

By

James M. Brady

Cambridge Scholars Publishing

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This book first published 2021

Cambridge Scholars Publishing

Lady Stephenson Library, Newcastle upon Tyne, NE6 2PA, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN (10): 1-5275-6211-5
ISBN (13): 978-1-5275-6211-0

To Ani

"To take care of the roots and to keep the branches under control, this is the principle taught by the sages of old. The root is agriculture; the branches industry and commerce."

—Ogyū Sorai, philosopher (1666-1728)

"In our country the words 'agriculture is the foundation of the nation' have virtually become the racial faith of the Yamato people."

—Ishiguro Tada'ashi, agriculture minister (1884-1960)

"Our country's agriculture and rural villages, together with their function in supplying food that is indispensable to the life of the Japanese people, through their activities perform such roles as preserving the national land, and are indeed the 'foundation of the nation.'"

—Foreword to the *Basic Plan for Food, Agriculture and Rural Villages*, March 2020

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List of Abbreviations and Terms

amakudari	post-retirement bureaucrats who find second careers in the same sector, often in *gaikaku dantai*
APEC	Asia Pacific Economic Cooperation
BSE	bovine spongiform encephalopathy
CGE	Computable General Equilibrium (economic model)
CPTPP	Comprehensive and Progressive agreement for Trans Pacific Partnership, the 11-member successor to the TPP
CSE	Consumer Support Estimate
DPJ	Democratic Party of Japan
EPA	Economic Partnership Agreement
FAO	Food and Agriculture Organization of the United Nations
FTA	Free Trade Agreement
gaikaku dantai	semi-governmental organisations
GATT	General Agreement on Tariffs and Trade
JA	Japan Agriculture, English name of *Nōkyō*
JA-Zenchū	peak political body of JA, known as the 'Central Union of Agricultural Cooperatives' in English
JA-Zennoh	peak marketing & supply body of JA, known as 'National Federation of Agricultural Cooperatives' in English
JEUEPA	Japan-EU Economic Partnership Agreement
Keidanren	the Japan Business Federation
LDP	Liberal Democratic Party
MAFF	Ministry of Agriculture, Forestry and Fisheries
nōhonshugi	agricultural fundamentalism, a body of thought
nōhonshugisha	proponent of agricultural fundamentalism
Nōkyō	agricultural cooperative group, known as JA in English
Nōkyō gi'in	Diet members who previously worked for *Nōkyō*
Norinchūkin	banking arm of *Nōkyō*
nōrin gi'in	'agriculture and forestry' Diet members
nōson gi'in	'farm politicians' or rural Diet members
nōrin zoku	'agricultural tribe' politicians
PSE	Producer Support Estimate

OECD	Organisation for Economic Cooperation and Development
RCEP	Regional Comprehensive Economic Partnership
TPP	Trans Pacific Partnership, a 12-member trade agreement from which the United States subsequently withdrew
SCAP	Supreme Commander for the Allied Powers
satoyama-no-fūkei	Japan's traditional village scenery
sei'iki	'sacred' or 'sanctuary' categories in trade negotiations, covering rice, beef and pork, wheat, sugar, and dairy
Uruguay Round	eighth round of the GATT/WTO negotiations, 1986-94
WTO	World Trade Organisation

PREFACE

The thirteenth-century Japanese Zen master Dōgen wrote,

> Enlightenment is like the moon reflected on the water.
> The moon does not get wet nor is the water broken.
> Although its light is wide and great,
> The moon is reflected in a puddle even an inch wide.
> *The whole moon and the entire sky*
> *Are reflected on one dewdrop in the grass.*

The image of seeing the vastness of the night sky reflected in a single drop of water, carefully observed, is one that frequently came to mind, the longer I examined the topic of agriculture in Japan and saw so much of the country's culture and history and identity reflected therein. The beginnings of this book, however, lie somewhere much less poetic—in studies of the economics of Japan's trade policy options in the late 2000s. As numerous models at that time demonstrated, the potential welfare gains from trade liberalisation in the context of a U.S-Japan or ASEAN+3 free trade agreement were great, and a greater openness to trade would surely bring a welcome stimulus for an economy then enduring a second 'lost decade' of growth.

The failure by successive Japanese governments to pick this low-hanging fruit was puzzling to me, particularly because the main stumbling block in international trade negotiations seemed to be the protection of Japan's small and declining agricultural sector. Surely a dwindling band of elderly rice farmers couldn't impede the future of one of the world's great economies? Still youthful and optimistic, I wondered whether some well-designed academic research could help solve the problem and open the way for freer trade and stronger economic growth.

Finding standard economic explanations of this agricultural conundrum to be simplistic and unsatisfying, I turned instead to the great corpus of work by the political scientist Aurelia George Mulgan, the leading Western scholar in the field. Her accounts of the interest-based political interactions of JA, MAFF, and politicians were comprehensive, cogent, and convincing—

if infuriating for what they revealed about the power of sectional interests. This literature gave an insightful exposition of the political constraints on the Japanese government in international trade negotiations.

Yet even this approach didn't seem to explain one important fact that I observed over and over in my surroundings in Osaka—that the Japanese people with whom I discussed my research were well-informed about the costs and trade-offs, and still fully supportive of an agricultural policy regime that raised their food bills and limited their consumption choices. Above all, they would say, they simply couldn't imagine a Japan that didn't produce rice. I found this view to be as common with economics professors as with students and salary-people. The pursuit of self-interest may have been shaping outcomes at the elite policy actor level, but something else was clearly going on with voters, who were also consumers and taxpayers.

Eventually, I discovered that there was already a solid body of communicative literature from other disciplines that helped explain these protectionist attitudes, such as Emiko Ohnuki-Tierney's wonderful book *Rice As Self*. My research task gradually evolved from trying to explain how best Japanese policymakers should reform their country (a well-trodden path among foreign scholars and pundits), to trying to fully understand the reasons *why* Japanese citizens valued their agricultural sector and their rice so deeply, and to articulate those reasons within a political economy framework. It was the start of a fascinating journey through the highways and byways of Japanese history, political thought, cultural anthropology, and media studies, with various detours (both intellectual and geographical) along the way.

The key realisation was that in essence this was a conflict of *ideas*—ideas that arose from their own historical and cultural contexts, developed and were transmitted over time, and that now compete to shape the policy preferences of individuals. Though it may sound almost commonplace to say today, economic welfare is at root but one idea among many, albeit the dominant idea so strongly privileged in policy discourse the world over. As a now-recovering economist, it required me to go back almost to the very beginnings of Micro-economics 101 to realise the specific set of unspoken assumptions embedded in mainstream economic analyses, and then to operationalise a new approach to ideas within a framework that met the rigours of social science and bridged the various disciplines within which I was now working. In presenting my argument about the role of ideas about agriculture in the chapters that follow, I hope I have been successful in

drawing together the compelling evidence that arises from various sources and academic fields (as well as my own original research), and in articulating it in a way that will satisfy economists and political scientists alike.

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The academic debts incurred throughout the long arc of this research are too great ever to be repaid, but I should at least try to number them. The project would never have been completed without the unfailing support and guidance of Hiro Lee and Virgil Hawkins at Osaka University, Shigeyuki Abe of Doshisha University, and the late Toshihiko Hayashi at the Asia Pacific Institute of Research. Aurelia George Mulgan at the University of New South Wales-ADFA generously read the manuscript at various stages, and offered comments that improved both the text and my understanding of the topic immensely.

At the School of International Public Policy at Osaka University, Toshiya Hoshino, Haruko Satoh, and Naho Hashimoto also provided valuable assistance. At the Modern East Asia Research Centre at Leiden University, Lindsay Black and Bryce Wakefield were my academic compasses when I got lost, and Chris Goto Jones and Katarzyna Cwiertka also gave valuable input on key chapters.

This book also owes much to my time at the Asia Pacific Institute of Research (APIR) in Osaka, where as a research fellow (*kenkyū'in*) I was given every opportunity to learn more about contemporary agricultural policy and to speak with everyone from leading policy specialists in Tokyo to muddy-booted farmers in remote mountain valleys. Hideo Miyahara, Yoshihisa Inada, Mampei Hayashi, Mitsuhiro Okano, Yusuke Kinoshita, Hideo Murakami, Akihiro Shima, Toshiharu Tsuji, Machiko Fujita, Josh Matsukawa, and Miles Neale helped at many points and in many ways. The public opinion survey that appears in Chapter 7 Section 3 was originally undertaken as part of an APIR research project, and appears here with kind permission.

Latterly, Robert Eldridge was pivotal in motivating and helping me find a publisher, and giving excellent feedback on the manuscript. Emma Dalton and Graham Leonard also kindly read drafts and provided many useful comments. Adam Rummens and colleagues at Cambridge Scholars Publishing were thoroughly professional and expeditious in turning the

manuscript into a book. For any errors that may remain in the text, I am fully responsible.

Finally, my love to my parents, Breda and Jim, who encouraged and supported me throughout, though I travelled on such an unexpected path; to Julie, Tappy, and Fred, for bringing joy in these challenging times; and most of all to Ani, for everything so far, and everything still to come.

Baltimore, USA
December 2020

CHAPTER 1

INTRODUCTION: THE PUZZLE OF AGRICULTURAL POLICY IN JAPAN

In a chronically low-growth economy with high debt and deficit burdens, why would a government maintain policies of agricultural support and protection that benefit only a tiny proportion of the population yet impose significant costs on the entire society? Moreover, among the non-farm population for whom material welfare and consumer choice are both reduced by such policies, why would an enduring majority implicitly or explicitly support their continuation, as evidenced through voting behaviour, food preferences, and public opinion surveys? These are two central questions at the heart of the puzzle of the political economy of agriculture in Japan, where a sector employing 3.4% of the labour force and producing only 1.2% of GDP maintains a position of privilege that far exceeds its economic importance in one of the world's most advanced industrialised nations.

By most measures, it appears to be an extremely irrational situation. Farmers are supported by a complex and expensive system of subsidies related to crop production and land use, and are protected from international competition by a bewildering array of import tariffs, tariff rate quotas, and other barriers. The direct economic costs of these policies are borne by taxpayers through government subsidies to farmers and by consumers through food prices well above world market rates. The indirect costs are perhaps higher still, and it has been estimated that Japan could increase its annual economic welfare by an amount equivalent to 2% of GDP or more annually through greater liberalisation of trade in agriculture and other sectors (Lee and Itakura, 2014). A government study also found that high prices for produce were contributing to consumers eating less fruit, vegetables, and seafood,[1] suggesting that the current policy regime may be

damaging to the physical health as well as the economic welfare of the nation.

Agricultural protectionism has long been a contentious issue in Japan's international relations too, from escalating bilateral frictions with the United States over beef and oranges in the 1970s and 1980s to the recent mega trade agreement negotiations like the Trans Pacific Partnership (TPP) and Japan-EU Economic Partnership Agreement. The very low level of agricultural concessions made by Japan in trade agreements until 2014[2] speaks to the ongoing bipartisan political support for the farming sector. This protectionist posture prevailed despite pressure from Japan's wealthy multinational firms and business federations, whose financial interests are served by greater trade liberalisation. In short, support for farmers has come with high costs for the Japanese government domestically and internationally for almost half a century.

Traditional accounts of the prevalence of protectionism in the political economy of agriculture in Japan tend to focus heavily on the policy outcomes of self-interest pursuit by farmers and the agricultural lobby, bureaucrats, and politicians and parties, with relatively little focus on why so many voters and consumers not only tolerate but actually endorse the policy regime. This study offers a fresh perspective on the puzzle of agricultural policy in Japan by examining the role of ideas in shaping policy preferences. It does so by considering three distinct aspects: the origins of ideas as articulated by agrarian thinkers in early modern and modern Japan, the development of ideas in major agricultural policy debates in the postwar era, and the most influential ideas about agriculture among voters and consumers as recorded in public opinion survey data from the 1970s until the present day. Taken together, these elements offer substantial evidence that ideas are an essential but heretofore overlooked factor that more fully explains the political economy of agriculture in Japan, and one that can serve as a useful compass for orienting the future direction of agricultural policy during a time of multiple major crises.

1.1 Explaining the Paradox

Why have the interests of ageing paddy-farmers prevailed over those of urban voters, consumers, and tax-payers in postwar Japan? According to the leading Western scholar of the politics of Japanese agriculture, Aurelia George Mulgan, "a complete explanation for relatively high levels of agricultural support and protection in Japan requires a complex multifactorial

account of the diverse political, historical, economic, bureaucratic, *ideological* and other elements involved" (Mulgan, 2000: 1; emphasis added). Scholars from a variety of disciplines have attempted to follow these interwoven threads, but political economy accounts have focused primarily on two factors: interests and institutions.

One strand of literature focuses on structural interests of individuals maximising their own economic welfare. Traditional political economy approaches posit that agricultural protection is a result of competition between groups of individuals in the context of economic growth and structural change,[3] due to rapid industrial development and the resultant decline of comparative advantage in agriculture as experienced by Japan (and also South Korea and Taiwan) in the twentieth century (e.g. Anderson and Hayami, 1986; Hayami, 1988). These studies offer deductively-derived models rooted in microeconomic theory, in which individuals weigh information and then make rational choices to maximise personal economic welfare. However, this literature lacks predictive power (on its own terms), for example in failing to explain why protectionism has continued past the threshold of 3-4% of GDP or 4-5% of the male labour force (Honma, 1993) when it was predicted to decline. Moreover, factors outside material interests are not analysed in any meaningful way, and many assumptions in the models are inconsistent with the historical record in Japan.

A second strand of literature focuses on the interplay of interests and institutions. These political science approaches to Japan's agricultural sector emphasise such aspects as the agriculture lobby's organisational coherence and influence, the agricultural ministry's interventionist tendencies, biases within the electoral system, and the diffuse nature of policymaking power in Tokyo (e.g. Mulgan, 2000; 2006; 2015; Horiuchi and Saito, 2010; Solis, 2017). As with the structuralist approach, self-interest pursuit is again central, though political scientists analyse group behaviours as well as individuals, and institutional and political outcomes as well as simple material welfare.[4] However, though interest groups and institutions are treated in detail, other explanatory variables like ideas are given relatively little consideration in these studies.

A third approach focuses on policy preferences of groups or individuals that diverge from their assumed economic interests. The political scientist Steven Vogel (1999) argued that Japanese consumer *groups* have distinct preferences and discount price as a factor in making both political and economic decisions, noting that consumer groups fought vigorously against

U.S. pressure for agricultural liberalisation in the 1980s on the grounds that it would undermine food self-sufficiency, increase the risk of contamination or disease, and threaten farmers' livelihoods. Vogel posits that Japanese *consumers* may also discount price relative to other concerns such as environmental protection, social stability, and fairness in competition, possibly influenced by modern Japan's historical experience, in which governments sought to convince consumers to sacrifice short-term interests like lower prices in favour of national goals such as economic growth, military strength, and postwar recovery.

Economists have also examined material interest-divergent behaviours. A behavioural economics study in which Japanese consumers were primed with visual stimuli about their roles as producers or consumers found no effect for consumer-role priming but a stronger opposition to food imports among producer role-primed subjects (Naoi and Kume, 2011). This was particularly strong among those who felt job insecurity themselves, resulting in a "coalition of losers." Another study of attitudes to proposed trade liberalisation through the TPP found that factors shaping opposition to liberalisation included uncertainty about possible outcomes and distributional effects, and a highly organised political coalition of potential losers (Naoi and Urata, 2013).

In terms of trade policy preferences more broadly, a sizeable economics literature exists to explain variance in popular sentiment in many countries towards free trade in spite of the demonstrable welfare gains. In addition to factors such as educational attainment, skill level, and trade exposure of one's employment sector, non-economic factors such as values, identities, and attachments have also been identified as important explanatory variables (e.g. Mayda and Rodrik, 2005). In the United States, "sociotropic" concerns about the impact of liberalisation on the economy as a whole, rather than simply on one's own job, were also found to be a factor shaping consumer attitudes towards liberalisation. (Mansfield and Mutz, 2009).

Fourth, another set of studies have explained the agricultural policy regime in Japan in terms of the broader resonance of agriculture in society. Based on ethnographic interviews of rice farmers and others, Freiner (2019, 2) concludes that "rice is intimately connected to notions of what it means to be Japanese… both in the national consciousness and in policy." In this view, the current agricultural regime is about more than bureaucratic self-preservation and entrenched interests; it is also about "the Japanese nation-state itself" (Freiner, 2019, 8). Regarding Japan's fisheries policy regime,

Barclay and Epstein (2013) argue that the idea of government intervention to provide food for the nation is an essential element of the basic conception of the role of the modern state. These authors contend that the idea of food security resonates so strongly in Japan because it mobilises sentiment related to both sovereignty (securing territory) and Michel Foucault's idea of 'governmentality' (the government's 'biopower' role of intervening in the economy to enhance the lives of citizens). Thus, while the explanatory importance of ideas has been overlooked in the two core strands of literature focused on the political economy of Japanese agriculture, ideas have been explored to a limited extent in other literatures in both economics and political science.

There are a number of reasons to more deeply explore ideas as an explanatory variable shaping policy preferences in the political economy of Japanese agriculture. First, the role of ideas in policymaking has its own extensive literature in various subfields of political science, including foreign policymaking (e.g. Goldstein and Keohane, 1993) and macro-economic policymaking (e.g. Hall, 1993), and has also been examined in new approaches within mainstream political economy (e.g. Rodrik, 2014; Mukand and Rodrik, 2018). Second, the role of ideas in agricultural policy has been analysed for other major economies like the United States and the European Union (e.g. Goldstein, 1989; Coleman et al., 1997; Skogstad, 1998). Third, ideational aspects relating to the cultural and social importance of agriculture in Japan have been examined extensively in other academic disciplines, including cultural anthropology (e.g. Ohnuki-Tierney, 1993) and history (e.g. Havens, 1974; Gluck, 1987). Fourth, the public policy discourse in Japan often explicitly articulates ideas about the special importance of agriculture, such as descriptions of five categories of agricultural products as *sei'iki* or 'sacred' items[5] in negotiations.

Given these reasons, a more detailed examination of ideational factors in the case of agricultural policy in Japan seems long overdue. The present study fills this gap in the literature and seeks to better explain the paradox of voters and consumers supporting economic welfare-reducing policies by focusing on the role of ideas as a significant explanatory variable in the political economy of agriculture in Japan.

1.2 The Theory

What is an idea in the context of political economy, and how are ideas used analytically? Definitions and usage can vary considerably, as Chapter 4

discusses in detail. Ideas can be studied either as dependent variables that are used instrumentally, strategically, and often cynically by political actors to achieve their goals, or as independent variables that have inherent meaning for actors who truly believe in them. Among scholars who adopt the latter approach and take ideas seriously as an independent variable, rational choice theorists consider ideas to be beliefs held by individuals, which can be world views, principled beliefs, or causal beliefs. Historical institutionalists take ideas to be world views or interpretive frameworks. Organisational institutionalist scholars of domestic politics and constructivists in international relations theory, meanwhile, study ideas as cultural norms.

In utilising ideas for analysis, there are ontological issues to address, such as the relationship between ideas and material interests—are they actually distinct entities, and if so does that distinction exist externally as a fact in the world or internally as a mental construct? Likewise, there are epistemological debates, such as the causality debate regarding whether ideas mechanistically determine a belief or action (as rational choice theorists and many Marxist scholars hold), or logically or conceptually enable it.

The present study begins from a position of taking ideas to be causal beliefs and guides for action. Ideas are understood here as mental constructs that exist within the mind of an individual to suggest either descriptive causal connections about how the world does work or normative causal connections about how it should work. Epistemologically, the study is based on a constituent logic, that ideas provide the conditions to shape beliefs (rather than mechanistically determining belief outcomes). Ontologically, it adopts a position of analytic duality, that the distinction between ideas and material interests exists only in the mind rather than externally. Stated in its simplest formulation, material interests are a sub-set of ideas, and ideas are internal causal beliefs that provide the conditions to shape an individual's beliefs about the external world.

From that theoretical foundation, the central contention of this study is that *ideas are an important independent variable shaping the policy preferences of individuals towards agriculture and agricultural policy in Japan*. It follows that any explanation of the political economy of agriculture will be more complete if it accounts for the role of ideas. It will be argued that voters in Japan see agriculture in complex, multifaceted ways, and as different and special compared with other sectors of the economy. These diverse ideas about agriculture and its role in society shape policy preferences. For these

reasons, an enduring majority of voters actively support or implicitly consent to the government protecting the agricultural sector because of its perceived value to them personally and to Japanese society generally in multiple ways, even if protecting agriculture reduces an individual's own material welfare as a taxpayer and food consumer.

Seven distinct types of ideas about agriculture will be explored as explanatory variables, as follows:

(1) ideas about agriculture as a normal part of the economy and business;
(2) ideas about agriculture as having a significant role in Japan's history and culture;
(3) ideas about agriculture related to societal welfare, such as income equality;
(4) ideas about agriculture related to national security, broadly understood, such as food self-sufficiency;[6]
(5) ideas about agriculture related to health and food safety;
(6) ideas about agriculture related to the environment; and
(7) ideas about agriculture related to other reasons that are non-economic in nature, in the sense of not primarily linked to economic welfare concerns.[7]

These ideas will be considered in three contexts: (1) historical strands of political thought relating to agriculture in early modern and modern Japan; (2) postwar policy debates about agriculture in the national press; and (3) contemporary views of agriculture among voters, as expressed through public opinion surveys.

This is an interdisciplinary work that draws on data and studies from a range of disciplines, including political science, economics, history, and cultural anthropology. The methodology aims at cross-disciplinary compatibility, such that data from various disciplines are utilised consistent with a mainstream political economy framework for policy preferences. In particular, ideas (distinct from interests and institutions) are considered in terms of their effects in shaping the policy preferences of individuals, who are considered in terms of their roles as voters, and also as consumers and taxpayers. This individual-level analysis is an important methodological difference with traditional political science approaches that focus on processes and outcomes for policy actors such as interest groups, bureaucrats, and politicians.

1.3 The Structure

The book proceeds as follows. Chapter 2 details the economic and political costs and benefits of Japan's agricultural policy regime at both the domestic and international levels, offering empirical data and numerical estimates where possible. These costs and benefits are then summarised in a political economy balance sheet.

Chapters 3 and 4 develop the theoretical basis for an ideational approach to studying the political economy of agriculture in Japan. Given the apparent economic irrationality of such costly, welfare-reducing policies, Chapter 3 considers the issue of rationality in public policy making and excavates the embedded assumptions of welfare-based economic analyses. Chapter 4 surveys four existing strands of political science and political economy literature that focus on the nexus of ideas and policy, imagines how each of these would explain the case of Japanese agriculture, and outlines an original conceptual framework for how ideas relate to values and policy preferences in a society.

Chapters 5, 6, and 7 apply this new ideational approach to the study of the political economy of agriculture in Japan. Chapter 5 examines ideas about agriculture in modern Japan among philosophers, policymakers, and notable popular thinkers by tracing the development of ideas associated with the body of agrarian thought known as *nōhonshugi*, from the Meiji era through to the first half of the twentieth century. Chapter 6 investigates how ideas about agriculture developed and were articulated in public policy debates in the second half of the twentieth century through a content analysis of national newspaper editorials relating to the two framework-setting agricultural basic laws of 1961 and 1999. Chapter 7 offers an analysis of public opinion survey data to show the most significant ideas shaping policy preferences towards agriculture for voters and consumers in Japan, from the 1970s until the present day.

Finally, Chapter 8 considers those most influential ideas in the context of recent policy developments at a time of severe structural problems in the agricultural sector, including domestic reform proposals under the administration of Abe Shinzō[8] and the reorientation of Japan's trade policy posture towards mega-regional trade agreements. It also examines two unfolding crises facing agriculture—the COVID-19 pandemic and anthropogenic climate change—and considers how future policy should respond in light of voters' policy preferences. The book concludes by

arguing that ideas about agriculture have been historically important in the political economy of Japan, and that such ideas, particularly those of a non-economic nature, deserve greater scholarly and political attention.

1.4 The Methods

Three methods are employed in this study. First, to understand the historical and cultural origins of agrarian ideas an analytical survey of texts is undertaken, explicating important ideas and examining how consequential agrarian thinkers viewed agriculture and its role in the economy and society. Chapter 5 surveys a range of philosophers, policy-makers, and popular thinkers and their most important contributions to agrarian thought, from the early modern and modern era through to the first half of the twentieth century. These ideas are then classified in an original typology that charts the development of ideas about agriculture across this period.

Second, to understand the articulation and development of ideas over time, a content analysis of newspaper editorial articles is used to examine how farming was portrayed in public policy debates relating to the Agricultural Basic Law (*Nōgyō Kihon Hō*) of 1961, and the Food, Agriculture, and Rural Areas Basic Law (*Shokuryō Nōgyō Nōson Kihon Hō*) of 1999. The articles about these two laws, often called the "constitution(s) for agriculture" (*nōgyō no kempō*), were published in four major national newspapers, the *Yomiuri Shimbun*, the *Asahi Shimbun*, the *Mainichi Shimbun*, and the *Nikkei Shimbun*. The contents of these editorials are analysed in Chapter 6 to identify the ways in which newspapers framed the issues in question, the types of ideas being articulated, and how portrayals of agriculture compared across the two periods.

Third, to examine the predominant ideas among voters and consumers in contemporary Japan, Chapter 7 analyses historical and original public opinion survey data, from two sources. First, Cabinet Office surveys relating to attitudes towards agriculture and food are analysed to show longitudinal trends in popular sentiment since the 1970s. Then, to investigate more deeply the values and preferences shaping contemporary public opinion towards agriculture, the results of an original online survey are presented and analysed.

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The content of this study will be of interest to a range of scholars in the social sciences and humanities, graduate and upper undergraduate students in various fields, and policy and business professionals working in the international trade sphere, as well as to the general reader with an interest in Japan. Scholars of economics, political economy, and political science (including those focusing on Japan, East Asia, comparative politics, and the role of ideas) will find in it both a clear theoretical framework and a long arc of supporting evidence in favour of the argument being advanced. Graduate and undergraduate students can engage with an innovative approach to Japan's political economy, as well as useful information from some lesser-trodden paths in Japan Studies. Policy and business professionals may obtain a better understanding of what is important to a majority of Japanese in discussions of agriculture and trade, and why, knowledge that would be of value when undertaking negotiations. And the general reader may also find interest in the discussions of historical ideas about agricultural as the foundation of Japanese society, and in seeing how those ideas originated and developed across decades and centuries.

All readers will hopefully find something else, too, in an era of backlash against the trends of globalisation and seemingly boundless marketisation that have characterised recent decades—the articulation of alternative views of the world, with deep historical roots in values relating to society and culture and human welfare. These views can serve as a useful means for contextualising dominant contemporary theories that focus heavily on economic welfare and material interests, often with insufficient attention to the many and complex ideas that we all have, and have always had, about human and societal flourishing and our collective wellbeing as one small part of a vast, interconnected natural world.

CHAPTER 2

THE POLITICAL ECONOMY OF JAPANESE AGRICULTURE: A BALANCE SHEET

The primary contention of this study is that the inclusion of ideational factors provides for a more complete account of the political economy of Japanese agriculture than approaches that focus only on material, institutional or political interests. This chapter surveys those interests in detail, to consider who gains and who loses, and whether these factors alone can sufficiently explain why an enduring majority of voters and consumers support Japan's protectionist agricultural policy regime. It does so by examining the economic and political costs and benefits of policy regime, including direct, indirect, and opportunity costs, as well as direct and indirect benefits. Where possible, empirical data or numerical estimates are given, and where such statistics are not available, the costs and benefits are detailed and analysed. Finally, a 'balance sheet' is provided to summarise these economic and political costs and benefits.

The economic costs of agricultural protection can be considered in a number of ways. One is the cost imposed on taxpayers who fund government expenditure on agricultural subsidies and other supports. A second is the costs imposed on consumers, considered in terms of food prices and tariffs, the Engel's coefficient, and consumers' share of the financial burden of support. Third, there are indirect economic costs, such as from using inefficient policy tools and in terms of societal health impacts. Fourth, there are the opportunity costs of forgone trade that result from pursuing protectionist agricultural trade policies. Finally, certain other kinds of market-distorting economic costs can also be identified.

In terms of economic benefits, trade theory shows that there are (usually) no net welfare benefits to a country from protectionist policies compared with free trade alternatives, but in addition to tariff revenues for the government, the current policy regime does improve the welfare of certain sectoral

groups. In the case of Japanese agriculture, beneficiaries include farmers, the agricultural cooperative and interest group JA, and agriculture ministry bureaucrats. Advocates also contend that farmers provide substantial positive economic externalities in the form of environmental benefits.

The current policy regime would be expected a priori to produce a number of political costs. On the domestic level, agricultural protection affects the interests of the powerful business lobby, whose members' interests in global free trade clash with the agricultural sector's demands. It also reduces the material welfare of urban voters, who now account for over 90% of the electorate. On the international level, Japan's protectionist stance has been a cause of friction and disputes with major partners for much of the postwar era, most recently in Japan's bilateral and mega regional trade negotiations.

Conversely, political benefits also accrue from the provision of protection, both to individual politicians who build careers as representatives of rural areas, and for parties who gain from JA's ability to mobilise rural voters. Considered more broadly, agricultural protection also offers a functional equivalent to social and welfare policies that help stabilise rural incomes and make economically marginal communities more viable.

2.1 Economic Costs

Costs to taxpayers

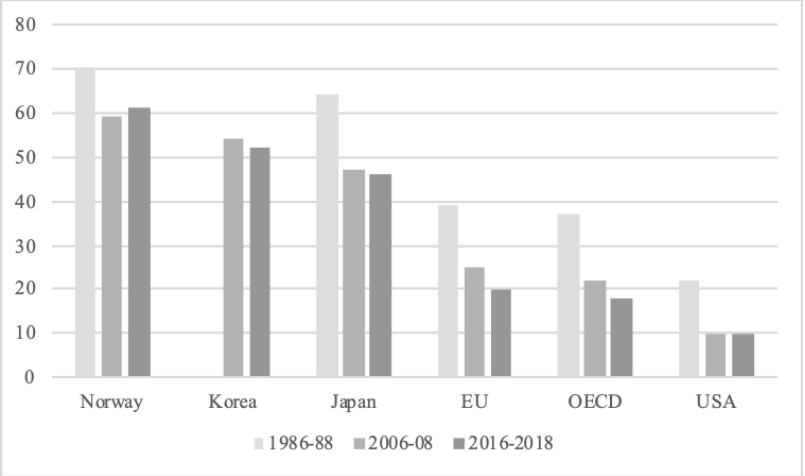
Taxpayer subsidies to farmers are provided primarily through the Ministry of Agriculture, Forestry, and Fisheries (MAFF). The MAFF's regular budget in 2020 was 2.31 trillion yen.[9] Administrative costs were 677 billion yen, and a small share of the budget went to the forestry and fisheries sectors, implying that the amount of taxpayer money spent in support of farmers from the regular budget was in the region of 1.6 trillion yen.

In addition to the regular budget, the MAFF also frequently receives supplementary budgets, which cover expenditure such as 'countermeasures' (*taisaku*) to address the domestic impact of agricultural trade liberalisation. In the 2019 supplementary budget, the MAFF received 503 billion yen[10] to fund countermeasures subsequent to the Comprehensive and Progressive agreement for Trans Pacific Partnership (CPTPP), and in 2020 the figure was 545 billion yen.[11] According to Kazuhito Yamashita, the package of measures introduced to mitigate CPTPP-related beef import liberalisation alone will total around 3 trillion yen.[12]

Similar countermeasures were funded by the government in the late 1990s, ostensibly to offset the effects of the agricultural trade concessions made at the 1994 Uruguay Round of the GATT/WTO. However, much of this spending went not to farmers but rather on 'public works' construction projects in rural areas, and other tangential projects that did little to improve the structure or productivity of the farming sector. The total cost of the measures was around 6.01 trillion yen, or 55 billion U.S. dollars.[13]

Another way to consider the direct costs of agricultural support to taxpayers is by using the OECD's Producer Support Estimate (PSE). The PSE is defined as the "annual monetary value of gross transfers from consumers and taxpayers, arising from policies that support agriculture, regardless of their nature, objective or impacts on farm production of income" (OECD, 2009: 33). Percentage PSE is PSE calculated as a share of gross farm receipts including supports.

FIG 2-1: OECD PRODUCER SUPPORT ESTIMATES (%), 1986-2018



In percentage PSE terms, the data shows that Japan is an outlier among economically advanced countries. As seen in Figure 2-1, Japan's percentage PSE figure in the period 2016-18 averaged 46%, down from 64% in 1986-88 but largely unchanged since 2006-08. The value for Japan is more than double the averages for both the OECD (18%) and the EU (20%), while the equivalent figure for the United States is 10%, and for Australia 2%.

Overall, Japan recorded the third highest percentage PSE level in the OECD (OECD, 2013, 67), after Norway and Korea. In nominal terms, the OECD estimated that the value of producer support in Japan was 41.8 billion U.S. dollars in 2018, down from a peak of 62.5 billion dollars in 2012. The average value of support in the ten-year period to 2017 was 53.7 billion dollars (about 5.8 trillion yen) per year.

Costs to consumers

A second major economic cost is the cost to consumers. Trade theory indicates that imposing a tariff on imports reduces consumer surplus while increasing producer surplus. Consumers in Japan are forced to pay higher prices than under more a liberal trade regime, and also pay higher prices than peers in other economically advanced countries. In 1997, an Australian government report calculated that agricultural support was costing Japan over 70 billion dollars annually, with Japanese consumers paying around double the average world food prices (East Asia Analytical Unit, 1997, Chapter 9), a figure that is in line with OECD PSE estimations.

Comparing food price levels between countries is not a simple undertaking. One reason is differences in consumption patterns. As Flath (2000, 13) notes, representative consumption bundles differ between Japan and other countries at similar development levels, due to different revealed preferences. For example, a direct comparison of the prices of milk, bread, rice, beef, or tomatoes between Japan and other countries would be inexact, since relative demand for such items varies due to different culinary cultures and preferences. Exchange rate fluctuations also complicate comparisons of food price. Given these limitations, some of the better ways to examine the relative cost of food in countries are food tariff rates, the Engel's coefficient and Consumer Support Estimates.

Food tariff rates

In general, levels of protection in Japan vary considerably by commodity. Overall, the simple average of tariffs on agricultural products entering Japan was 23.3% in 2011, which was almost ten times the simple average tariff on industrial products of 2.5% in 2010 (Urata, 2015, 62-3). In international comparison, Japan's average agricultural tariff level exceeded the levels of the United States (5.0%) and the EU (13.9%), but was below those of Norway (55.8%), Korea (48.6%), and Switzerland (48.6%).