PSCI 214
Lecture 9, Week 5
Administrative Guidance
Bureaucratic culture and coordination
Amakudari

• Descent from heaven
• Implications
  – Close ties between bureaucracy and regulated firms
  – Communication channels; control channels
  – Corruption
  – Proliferation of “special corporations” to provide jobs
amakudari

- A channel of communication (both directions state-society) and coordination
- Network nodes; information through informal means
  - “hostage” and “cooptation”
- Reward structure
Bureaucratic culture: MITI and MOF

• Compete for the best and brightest Tokyo U students
• Overlapping policy territories
• Competition for *amakudari* posts
Administrative guidance

- *Gyousei shido*
- MOF: window guidance
  - Overloans
  - Credit rationing
  - Allocation and coordination of syndicates
  - Convoy system
Okazaki: policy coordination

- Good example of interdependent, interlocking aspects of industrial coordination:
  - Case study: how the steel industry was made into a global powerhouse
  - Coking coal; labor; steel plates for shipbuilding; cheaper shipping would lead to better prices for exported steel; subsidized financing to rationalize steel production
Aoki: Bureau-pluralism

- Consensus-making process
- Coordinated by the bureaucracy
- Involves politicians (zoku-giin)
- And regulated industries, firms
- Depends on policymaking bodies such as deliberative councils (shingikai)
Caution!: limits to *Gyousei shido*

- Banks and firms listened to guidance when they had to
- Ignored it and flouted it often
- But, should be understood in terms of cooperation and coordination
Okimoto

• *Between MITI and the Market*
• MITI’s reach was limited
  – And it often made mistakes: picking losers as often as picking winners (e.g., petrochemicals industry)
• Coherence of industrial policy is overstated
  – No long-term “vision”
Critical point: Liberalization pressures

- International pressures for trade and financial liberalization led to weakening of administrative guidance.
- Over time, bureaucratic oversight (and powers of moral suasion) over industries have diminished.
- Why?
Administrative reform

• Response to the collapse in the bubble economy
  – Consolidating some ministries
  – Fragmenting MOF’s responsibilities
    • Oversight vs. regulation
The developmental state elsewhere

- Many varieties
- Japan: democratic, administrative guidance = method; finance and coordination = instruments
- Korea: authoritarian; chaebol-driven, urban-concentrated; state-financed and state-dependent, elite structure; financial repression
Developmental state elsewhere...

- Taiwan: authoritarian; small businesses; financial repression; niche strategy (see Woo-Cumings reading)
- Indonesia, Malaysia, Philippines, and Thailand: development banks; government allocation of aid; crony capitalism (politician-businessmen); overseas Chinese capital
- China: autocratic; SOEs; TVEs; SEZs; administrative approval required; but little administrative guidance