

For analysis of the fiscal and financial regime in
post-war Japan

– Building a circulation model of political and
economic accumulation –

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In the Régulation approach (*L'approche de la Régulation* in French), the high growth in the post-war period has been defined as attained under the Fordist regime of accumulation. The high growth of Japan, among other countries, has been assumed to be attained under the Toyotist regime of accumulation, a unique spin-off of the regime of Fordism. However, no empirical analysis has been carried out on the fiscal/financial regime, one form of the state institutions that sustain the accumulation regime. This paper constructs a theoretical model of the fiscal/financial regime, based on the model by Bruno Théret, and presents a methodological basis for empirical analysis of the fiscal/financial regime.

First, this paper examines the functions of tax as something to form connections between politics and economy, referring to the methods and concepts in the theory on the State given by Bruno Théret. Next, based on the method and theoretical framework by Théret again, it studies how the social economic system is affected by the dynamism of political accumulation and economic accumulation through currency and legislation influences. These accumulations form an additional conceptual framework necessary to analyze the fiscal/financial regime of Japan. Lastly, this paper picks out actual institutions necessary to carry out empirical analyses through these frameworks, and presents a circulatory scheme of the social mode of Régulation and the fiscal/financial regime. What will be clarified in this paper is that a discrepancy between the political accumulation and the economic accumulation could bring about transformation of mediating institutions in the social and economic system.

Key words : Disequilibrium between the State and society, Fiscal/financial regime, Political accumulation and economic accumulation, Social Régulation

Table of contents

1. Problem identification
2. Analytical approach of social Régulation
3. For analysis of the fiscal/financial regime in post-war Japan: methodology review
4. Concluding remarks.

1. Problem identification

The question of how to mark out the governmental activities in old economic theories has always caused bitter disagreement across the areas of orthodoxy and heterodoxy. While the conventional Keynesian-economic policy has been losing effective range in advanced economy, it seems in today's

economy that theorists who emphasize the importance of a market have prevailed. Contrary to their ideological “Declaration of Victory,” however, it is time that we had to review the governmental role in actual economy now. Unlike other developed countries, Japan is going through “the delayed economic crisis” and the most important question for Japan is about how the country should solve its huge budget deficit, while maintaining economic growth.

In an attempt to answer this question, the current Cabinet has presented contradictory options. The Koizumi administration aims to gradually reduce an annual expenditure and to eliminate the budget deficit, by implementing his “structural reform.” On the other hand, with lower birthrate and increased longevity in the population composition, the expenditure for the pension benefits is expected to increase hugely hereafter, and whether to raise the amount to be borne by the National Treasury is already an item on the agenda.¹ And Prime Minister Koizumi has declared that they do not consider a consumption tax increase as this source of revenue.

This is where we face dilemma, more often than not, when we are to analyze the current financial crises in terms of economic theory. That is, however sound a prescription deduced purely from economic logic may be, the government, a political agent which is to carry out that prescription, will find itself in a bind as the prescription cannot be carried out if it is not able to meet the demands of the general public, because the government is subject to the democratic principle. In a sense, there is the disparity between the demands of the State and those of the society. This “disequilibrium of the State and the society” will bring about a financial

crisis, as Masaru Mabuchi said².

Of course, a lot of interdisciplinary studies combining political and economic sciences have been carried out to solve such a dilemma. These studies began with Schumpeter’s *the Fiscal Crisis of the State*³, and among the studies, particularly famous and most recognized are Buchanan’s, in traditional economics, and O’Connor’s, in heretic economics. Among Japanese researchers, Naohiko Jinno analyzes national finance from the latter point of view⁴.

These studies have one thing in common. They all point out that, in the composition of a social economic system, political and economic spheres overlap in terms of tax. The studies by Jinno, for example, claim that the system of taxation forms intermediation in a social economic system, and thus it can be said that his studies are a sort of systematic analysis, used widely in economics in recent years.

In this paper, I would like to present a simple but overall picture of the new general theory concerning national finance, referring mainly to Bruno Théret, a theorist of the Régulation school, whose studies can be considered to be a sort of systematic analysis. The first section of this paper surveys the general theory of the national finance analysis by Théret and in the Régulation approach. The second section, based on the discussions in the first, outlines the circulation model of political and economic accumulation. In addition, this paper helps analyze the fiscal/financial regime in post-war Japan, collating the results obtained from various studies and checking consistency between the model presented here and the experience of Japan.

2. Analytical approach of social Régulation

The first section of this paper will briefly discuss the renovation in the general theory of national finance by Théret⁵. The focus is on reconstructing the relationship between the State and economy theoretically, in terms of tax.

(1) Tax as rent

In the world of orthodox economics, tax is generally regarded as something in compensation for the service which the government gives to its people. The government exchanges tax and public service with its people, just as money and goods are exchanged in the market. On this understanding, tax is functionally equivalent to currency, and public service is to goods. It is regarded self-evident, in orthodox economics, that the government has politically asymmetrical coercive power over its people. Therefore, in traditional economics, the government is nothing but an economic agent which has special power from the start, and the act of taxation is just one form of economic exchange in a special market between the government and its people.

However, the solutions which Théret of the Régulation school gives in terms of taxation completely differ. He refuses to treat tax in the same way as commerce, finance and other various economical forms. An individual cannot actually decide whether to pay tax or not, as in other usual economic transactions. As long as he or she belongs to any society, an individual has to pay tax to the society independently of his or her will. With this obligation, the political relationship between the ruler and the ruled is structured before economic relationship is formed between taxation and public service.

It is clear here that logic of taxation cannot be derived only from pure economic logic. In this context, tax is rent (special emolument) which the State can pump out coercively and unilaterally.⁶

Théret says that rent is what is extracted from natural resources. Natural resources here refer specifically to land and population (labor force). For example, in a feudal society, the act of peasants paying rent (land rent) to a feudal lord meant handing to the owner the surplus produce from natural resources called land. Land possession and political government of land are synonymous, and possession of land directly meant control of political power. Grasp of such power simultaneously gave a feudal lord the duty to extend unconditional protection to those committed to land. Therefore, the land rent was also economic compensation for the political protection by a feudal lord.

In modern society, on the other hand, the natural resource “to be possessed” is population. In modern society, land ownership does not mean grasp of direct political power any longer. This is because the population, freed from the feudal system and coming into the possession of the State in place of a feudal lord, is employed by a capitalist, generates surpluses from its labor product and pay surpluses as tax. Therefore, tax is “what the rent (land rent) is socialized”, and it is “rent for free labor” in modern society⁷.

(2) Tax as something which connects politics and economy

The State levies tax coercively. However, it does not give such commensurate service in compensation, meticulously calculated in a utilitarian way, as traditional economics would assume. As long as it

levies rent in the form of tax and “economically accumulates” it as economic resource, the State has to shoulder the “political debts” of protecting people. In the course of history, there have been various forms of this protection: ranging from mere protection from threat to life, preservation of the territory, to political security for national reproduction.

In a nation-state, this political debt is clearly represented in society through the medium of legal institution. The concrete form of political debt is “grant and acknowledgement” of *droits* to the people by the State. The State’s granting social citizenship and other *droits* to its people exactly means that the State assumes the obligation to protect its people based on those *droits*. It follows theoretically that “legitimacy of taxation” can be upheld, as long as payment of political debts is made. Fiscal and financial regimes in actual operation are tangible forms of “payment to people” of political debts.

In this context, tax is a kind of bond between the State and its people. Moreover, the fiscal/financial regime is a social entity which connects two heterogeneous fields, political and economic, in that the levy and disbursal of tax, which is economic matter, do not only follow the pure logic of economics, but are also structured by political logic.

(3) Compatibility and incompatibility between national finance and political legitimacy

As already seen, the axiom of taxation consists of payment of political debts to the people; and the economic levy on the people by the State. As anyone who takes a look at the economic history can see, however, taxation itself has taken various specific forms in history, and the political purpose of

taxation has also changed remarkably from period to period.

In the absolutism of France, for example, tax collectors and tax collection undertakers who concluded a contract with the king were collecting tax except in the government controlled area of the king’s territory. They often swindled money paid to the national treasury, exploiting loopholes of this tax collection system, which caused the national treasury’s poverty indirectly. Besides, the court all too often exploited the national treasury to line their own pockets, live extravagantly, and wage war. The court was not well aware that they should use tax to improve the life of people. A typical example of this is the extravagance by Louis XVI of the Bourbon dynasty, often referred to as an indirect cause of the French Revolution⁸. It can be said, therefore, that the absolutism of France was troubled by the twin deficits: “budget deficit” of the State, and “deficit of political legitimacy” in that the State did not pay political debts.

On the contrary, the present-day government has a tax collection agency based on bureaucracy as part of its administration apparatus. “Discretion” of a bailiff is not allowed in principle in the tax collection, but rather tax is collected through the statutory “legal system.” Then, tax collected is used for the government to take on other social risks than can be coped with by individual citizens. In the period of Fordism after World War II, for example, the payment into the social security was increased, and this was justifiable in light of the purpose of tax. It can be said that the period of Fordism “ran a surplus or struck a balance” in national finance in that economic growth continued and tax revenue increased, and “ran a surplus in political legitimacy

in that a certain level of social security system and service was provided by tax revenue.

But transformation of society can not be understood only through general application of “the legitimacy axiom of taxation.” In order to understand this transformation, it is necessary to have a more society-oriented conceptual framework with which to analyze dynamic relations of politics and economics in the society itself. This framework refers to the conception of “organic circulation of the State.”

(4) Organic circulation of the State

Théret, inspired by Marx’s intuition, begins his argument by treating the State as “ensemble” of social and political relationships⁹. As capital was regarded as the ensemble of economic relationships, so the State also is regarded as the ensemble of social and political relationships. According to him, as money converts into “capital” and organically circulates while valorizing, the State also takes specific functional forms and works organically. The functional forms of the State are classified by political and economic functions as follows: “coercive (military) state” and “legal state” according to political function, and “fiscal state” and “disbursing state” according to economic function.

Such organic circulation of the State is modeled as follows: In order to impose tax, the State needs to secure its territorial sovereignty based on military monopoly (Coercive state)¹⁰. With the backing of this military power (coercive power), the State performs domestic administration, making full use of legal and administrative agencies, in order to maintain domestic sovereignty (legal state). On the other hand, the State imposes tax on the productive economy, and obtains tax revenue (fiscal

state). Here, the State needs to compensate the productive economy for taxation. The State supplies infrastructure and other basic facilities necessary for reproduction in productive economy, with a financial expenditure from the national treasury¹¹. This is payment of political debts with a public expenditure (disbursing state). The State’s “domestic” legitimacy is guaranteed through redistribution of national income and thus organic circulation in the State is complete.

In this organic circulation in the State, the valorization process which consists of the following political and economic accumulations arises. They are the accumulation of political resource for continuing political domination; and the accumulation of economic resource for continuing political domination. Political resource here means symbolic capital which represents transference to the people of the *droits* which allows holding the coercive power for maintaining political legitimacy and which permits political participation of the population. Economic resource, on the other hand, refers to territory, population as labor force, or tax revenue as economic power base of the State. In this regard, imprudent financial expenditure without guarantee of accumulation of symbolic capital will disturb the structural invariance of organic circulation of the State. Therefore, the social potential capacity of the State increases (or decreases) when the two accumulation processes advance (or stagnate) simultaneously.

However, when considering the period necessary for circulation in the long run and in the short run respectively, there is something to be taken into account¹². It is not always the case that the accumulation processes are simultaneously advancing coordinately or discoordinately. In other words,

depending on how long or short the period of the accumulation process in question, there is a possibility that not only the economic/political accumulation may change quantitatively, but also the resource itself may change in quality. At least, the possibility should not be ruled out that such a deduction can be allowed from the argument of Thérét, who postulates qualitative transformation of the accumulation. Therefore, it could be assumed that the following cases sometimes occur.

- 1) a case where, with the form of economical resource unchanged, change has been produced in the cumulative dosage (enlargement /reduction of the territory, increase/decrease in the population, changing abundance of the source of revenue) , while qualitative transformation of political resources has been produced (from domination by accumulation of military power to domination by accumulation of symbolic capital).
- 2) a case where, with the form of political resources unchanged, change has been produced in the cumulative dosage (enlargement /reduction of military domination, cumulative accumulation/dissipation of symbolic capital), while qualitative transformation of economical resources (for example, serious exhaustion of the source of revenue and quantitative increase of workers) has been produced.

In any case, it may be assumed that, in the period of a crisis, one of the accumulation processes starts to change quantitatively prior to others in the circulation process.

(5) Political and economic accumulation of the State

As stated repeatedly, maintenance of political legitimacy is indispensable to impose tax. This legitimacy is secured by use of direct/physical violence (military power), or indirect/symbolic violence (domination by law), according to the economy concerned, and actual perception of tax is based on this legitimacy.

Differences in form of such legitimacy bring about fundamental differences in political accumulation, accumulation of political power which allows use of that legitimacy.

For example, in the absolutism of France, the political accumulation was built up with the court and other governing classes acquiring and maintaining the territory, based on monopoly of military power. Moreover, the court tried to hold political power by conferring on aristocrats various titles for their participation in war, and loyalty to the court, and by selling off official ranks to feudal lords or men of fortune. In this type of society, ownership of land as natural resource still provided an opportunity to acquire political power, and very limited transference of political droits among governing classes was performed within that political hierarchy.

However, the economic accumulation for maintaining such political domination was very slack. The Absolutism was a typical example. It was frequently threatened with periodic fiscal bankruptcy, and it repeatedly carried out tax reform and excessively issued funds. Although the political legitimacy of taxation was barely maintained through the extensional enlargement of the territory based on military power, the State actually encountered a lot of difficulties in economic accumulation. For exam-

ple, perception of tax in the form of metallic currency or bank bill had physical monetary limitations. In order to circumvent such limitations, the State institutionalized “provisional perceptions of tax” one after another, and issued funds repeatedly, bringing about bankruptcy of the national finance¹³.

On the other hand, national political accumulation, after the nation-state was established, was built up along with gradual transference to the people of political participating power (*droit power*), and its qualitative alteration. The political accumulation was built up through various forms of “social expenditure” from the national treasury based on transference of the *droit power* from the State, i.e., acknowledgement of citizenship or social *droit*. Particularly during the period of Fordism in the 20th century, political accumulation was carried out through the “expenditure to social security” which complements the national reproduction by workers. Moreover, national economic accumulation became dependent not only on the earnings obtained by labor of the nation, but also on the quantity of the national currency freed from the monetary constraints under a managed currency system, and on the flotation of government bonds dependent on the political condition of the time.

What is still more important is that the fiscal/financial regime represents not only the relationship between political credits and debts, but also specifically the monetary relationship between economic credits and debts. As seen previously, rulers who faced various difficulties in taxation and finance transfigured dramatically the structural aspect of national finance, and the economic efficiency in collection and expenditure of tax by changing fundamentally the monetary and financial

institutions, which were determined largely by the way the political sovereignty was institutionalized.

(6) Accumulation model in social Régulation

The conclusion obtained from the above analyses can be applied to the argument on the Fordist accumulation regime mainly used by the Régulation school. The Fordist accumulation regime was discussed with main focus on the wage-labor relationship. On the other hand, Théret explains the relationship of the State and economy which involves more social aspects, by introducing the concept of “Régime Fisco-Fnancier” (hereinafter abbreviated as R.F.F.)¹⁴. The compatibility and incompatibility between the above mentioned political and economic accumulation of the State are explained through general modeling of R.F.F.

For example, the political accumulation in the economic society as acknowledged in Fordism can be explained by the intensive/relative accumulation model of R.F.F. In Fordism, the legitimacy of political power tended to be based on domestic enlargement of the social *droits* of people, not on external enlargement of the territory, while the political domination tended to take a form of relative domination by the rule of law, rather than a form of the absolute domination by physical violence. Besides, drawn from such modeling are the following varieties: the intensive/absolute accumulation model, the “extensive/absolute accumulation model, and the extensive/relative accumulation model. It is clear that the R.F.F. of the above-mentioned French absolutism is a typical example of the extensive /absolute accumulation model. And the sustainability of this R.F.F. is dependent on the compatibility /incompatibility of the fiscal/financial regime,

legal/administrative entity concerned with conflicts between social actors over taxation and finance and with compromises produced, with the whole system of social economy.

Two new modes of Régulation are advocated based on such empirical examination of R.F.F: territory Régulation and wage-labor Régulation. In the former mode, land ownership and social standing have overall predominance over the political/economic systems. In the latter, wage labor and social droits have overall predominance over the systems. What mediates political and economic factors is the legal/administrative regime represented by the ensemble of administrative systems: fiscal, budgetary, monetary, financial regimes and bureaucracy. It should be noted that these systems, which have historical/spatial changeability and maintain their inherent hierarchy, function to complement each other, supporting the structural invariance of social Régulation. Of course, their mutual complementarity and hierarchy are not always constant, and a specific dominant phase may change during a period of time in which the organic cyclic process of the State is advancing. But this is an area which should be clarified through empirical analysis of the economy concerned.

3. For Analysis of R.F.F. in post-war Japan: methodology review

The second section of this paper, based on the general theory about the national finance by Théret, considers the possibility of producing a model of political and economic accumulation applicable to the empirical analysis of the fiscal/financial regime in post-war Japan.

(1) Japan as seen from the perspective of welfare state theory and its problems

During the post-war period, as everyone knows, advanced economies grew with the increase of disposable income and public service. Also in Japan, provision of public service through the re-distribution system of tax clearly helped, to a certain extent, maintain the Japan-type welfare state. But, it has always been questioned whether the social security regime of Japan was as good as those of advanced welfare states¹⁵. For example, G. Espin Anderson, who categorized the welfare state regimes into three standard types (social democratic regime, conservatism and corporatism regime, and liberal regime), couldn't identify Japan with any of the three types and conjectured that Japan was a fourth type of regime. According to his categorization, it could be concluded, in the final analysis, that the welfare state regime of Japan is just a subspecies of the residualist social security model. This conclusion is similar to what has been drawn from studies in Japan. For example, Toshiakira Tachibanaki declared, "Japan was a non-welfare state."¹⁶

To be sure, many practices of social security in Japan have not taken a "path of universal enlargement" of social security system by the government, so it could be said that Japan was not the type of country where the State takes the initiative in welfare. As Tachibanaki has pointed out, the cost of social security, which should be socialized through taxation, has been chiefly covered by meso-level or micro-level economic agents, which refer to enterprises and households, in Japan.¹⁷ It seems, however, that such a conclusion about the Japan-type welfare state described above is drawn simply and inevitably in a method of analysis in which the

national social security regime is typified through binominal antagonism: de-commodification of social security and marketization of social security. In such a welfare state model, it could be assumed that countries by which the social security system is socialized extensively are placed at the center, and other countries are placed according to the level of socialization.

Of course, the value of these studies should not be underestimated. The types shown in them are very useful to the international static comparison of the social security regime, and the studies examine in detail how the differences in social/political institution among countries influence the model. Unfortunately, however, the question of what kind of social/political event generates transformation of the social security regime is not fully considered in the studies. Accordingly, it seems that the analyses produced by them do not present a prescription under which changeover of political sovereignty is accounted for. Such a prescription is indispensable to analyze a specific crisis in the State. Solving problems in the field of social security always involves some national political compromise or some decision making through political agencies which represents such compromise. In political economics, it is an extremely important perspective to examine the relationship between the formative and accumulative process of political compromise and the economic process of material accumulation.

In short, it is necessary to produce such an analysis of the political and economic regime as clearly incorporates a specific political decision making process, and as really deserves to be called political economics. In this regard, it seems that the argument by Théret examined in the first section of this

paper is more useful than the so-called “welfare state model” theory. This is because the analytical framework of “construction of the political sovereignty based on political credits and debts” has greater universal application than the analytical framework which is limited to the social security or the institutional characteristics of the post-war economy. Actually, social security is only one of the political demands from the people. For example, people’s exercise of desire to make the decision making process decentralized in a certain way instead of leaving national finance to bureaucrats’ discretion also give important momentum to change of R.F.F. In the *Régulation* approach, this could be regarded as a certain kind of political accumulation process that permits political commitment of the nation to the legal/ administrative regime. Here, the way political accumulation works should not be regarded as a mere matter of ideology, but should be analyzed to construct a model of political accumulation. To construct such a model, it is important to incorporate the previously-mentioned viewpoint of “construction of political sovereignty through credits and debts.”

(2) Analytical approach for R.F.F

When the national finance of Japan is to be analyzed empirically on the premises of the above viewpoints, there is a point that should be kept in mind. It is a question of what objects are to be analyzed, or from what political/economic changes the national finance should be studied. Generally, in traditional economics, changes in monetary quantity represented by the annual revenue and expenditure in the national treasury are often brought into focus. In many cases, a model is based on the exis-

tence of fiscal and financial institutions. Defects of the regime may sometimes be identified in the light of a model, but it is rare to incorporate into a model the political decision making process involving institutional construction, maintenance, and disappearance.

In order to formulate a general model of the political and economic regime which incorporates transformation of political/economic institutions, based on an intuition that tax is a bonds of the political and the economic, it is necessary to specify clearly what institutions are fundamental in the national finance. It is also necessary, in an institutional approach, to note the complementary and the hierarchical aspects of institutions which influence each other in the national finance. Furthermore, empirical analysis should be performed on how the complementary and hierarchical aspects themselves change in a specific timeframe.

To solve the problems identified above, this paper defines the basic institutions in the empirical analysis of national finance, i.e., the empirical analysis of R.F.F., as follows.

1) Taxation institutions: institutions involved in any tax collection. Specifically, they include institutions concerned with the modalities in formation of a taxation system controlled by legislature, (legal regime as diachronic representation), with the modalities in formation of a tax perception organization, which is the executive system of taxation (administrative regime as diachronic representation), and with the modalities in all the tax perception processes, accompanied by structural and quantitative changes, based on these two regimes (fiscal regime as synchronic

representation of the two regimes).

2) Fiscal institutions: institutions involved in managing and running tax revenue. Specifically, they include institutions concerned with the modalities of finance compilation in the legislative body of government, with the modalities of accumulation and expenditure of tax revenue (administrative regime) and with the modalities of tax redistribution with structural and quantitative change based on these two regimes (financial regime).

What represents these institutions as a whole is the fiscal/financial regimes. However, in their actual dynamic changes, there is not always a symmetrical phase between the fiscal regime and the financial regime. Rather, particularly in the modern political/economic regime, asymmetrical relations exist between the fiscal regime and the financial regime. They have mutually complementary relations with the legal/administrative regime serving as the medium but, as it often turns out, they also have strong hierarchical relations.

For example, the annual revenue in national finance is largely subjected to the economic accumulation regime. Once a fiscal institution is established, the annual revenue will only change in proportion to the economic growth rate. Therefore, as long as the growth regime is sustained and there is no change of significant political compromise, changes of the legal and administrative regimes contribute rather insignificantly to improving the annual revenue. On the other hand, the annual expenditure in national finance, limited by the economic regime of accumulation, does not always change proportionally. In some cases, the annual

expenditure may increase beyond the annual revenue. As already stated, as long as it works to maintain the legitimacy of taxation and has the monetary sovereignty in place, the State has to pay its political debts in political and economic manners. Unless it pays its debts, the State will have its legitimacy of taxation vulnerable (for example, lowered tax payment consciousness).

Regardless of the conditions of the economic accumulation regime, therefore, when there occurs a qualitative transformation in the political accumulation process (e.g. when citizenship has to be extended with changes of symbolic significance), the State has to pay its political debts through changes in the economic form (e.g. increase of the annual expenditure). Besides, as long as the currency is a sovereign circulating medium, it is possible for the legal and administrative regime to respond to changes in the annual expenditure by changing the legal system concerned with finance (for example, extra issue of government bonds).

In short, based on the “circulation of political and economic accumulation” model, changes of the financial regime precede those of the fiscal regime, and the political decision making process works with changes in the financial regime as chief instrumental variables. In the economic order, therefore, the financial regime is placed in a phase more economic than the fiscal regime in that it is subject to various forms of intervention by political power and is responsive to changes in the economic order.

In addition, political compromises made both by the holders of political debts and the holders of credits are required, in theory, for creation of many institutions concerned with taxation and finance. Moreover, as already stated, fundamental changes

of such compromises bring about qualitative changes of political accumulation. But, formation of such compromises should not be deduced simply from the antagonism and struggle between simplex typical subjects: workers and the State. This is because many of the mediate institutions mentioned above are required to act functionally and cyclically in the national organic circulation. For example, in the fiscal/financial regime in which the degree of centralization of power is very high, fiscal and financial bureaucrats invested with firm legal/administrative authority will be required to fill complementary roles. The functionality of the fiscal/financial regimes is greatly affected by how strong (or weak) their authority is in plotting and executing tax collection and re-distribution, in other words, what kind of “sphere of political discretion” in the plot and execution of taxation they are given in the legal system. In other words, discussing which regime, legal or administrative, has an institutional hierarchy in the fiscal/financial regime involves discussing how socialized the political credits held by the people are.

(3) Indicators of political and economic accumulation

The following are specific indicators of national political and economic accumulation which can be used to analyze the fiscal/financial regime. For this paper, post-war Japan is chosen to be the object of our analysis.

Typical indicators of political accumulation are as follows:

- 1) Transference to the people of social droits represented by citizenship, and its degree of realization. For example, expansion of the social secu-

riety system means that the political accumulation is advancing in the nation-state. Besides, the degree of development of the educational system is also one of the important indicators. If interest groups are allowed to participate not only in social security, but also in the decision making process of budget compilation and its execution, it could be assumed that the political accumulation is advancing.

- 2) Relative freedom of the administrative regime from the legal regime. The legal/administrative regime is a regime in which the national political legitimacy of the State is reflected most accurately. Suppose that the greater the freedom of the administrative regime is, the more slowly the political accumulation builds up. For example, participation of the political power is crucially important in changing the tax system. However, if the bureaucracy is too powerful and free from the control of the Diet or the Cabinet, it will weaken the people's power of "the self-settlement of political credits." On the contrary, if the power of the legislative body, which is supposed to reflect public opinion, exceeds the discretionary administrative power of the bureaucracy, the people's power of self-settlement will increase. This is an important indicator when determining whether the fiscal regime is a Cabinet-led type or a bureaucracy-led type.
- 3) Degree of equalization of tax perception process. Suppose the higher the degree is, the faster the political accumulation builds up. Irrespective of differences in the functional form of a tax system, whether tax is collected reliably or not affects the principle of equality in taxation. More specifically, the so-called rate of

income tracking could be an indicator. In this regard, specific ratios, such as 9 : 6 : 4 and 10 : 5 : 3 (respectively pronounced KU-RO-YON and THO-GHO-SAN in Japanese), are already made known in Japan about the rates of income tracking for wage earners, capitalists, and peasants. From our viewpoint, however, all that matters is not the rate of income tracking itself, but what kind of institutional factor brings about such differences in the rate of income tracking among occupations.

Typical indicators of economic accumulation are as follows:

- 1) Hierarchy in participation of the legal and administrative regime about fiscal expenditure. More specifically, which regime, legal or administrative, predominantly has the decisive power over re-distribution of tax revenue is to be examined. For example, in Japan, the compilation and execution of its national budget is supposed to need the approval of the Diet in the final stage. In reality, however, a budget is drafted and already "decided" through deliberation among the Japanese Ministry of Finance and other bureaucratic authorities concerned before its presentation to the Diet. No fundamental change could be made in this draft through deliberation in the Diet. Of course, the intention of the incumbent Cabinet could be reflected in the negotiation between such public offices (Cabinet-initiative-type budget compilation), but it is very rare to observe such a decision making process followed. It is important, therefore, to determine whether the financial regime is of the bureaucracy-led type or the Cabinet initiative

type. Under the financial regime, a strong hierarchy is considered to exist between the legal regime and the administrative regime

- 2) Change of the distribution ratio by industry in the working population. If tax is the rent of free labor, then an increase in the number of workers will bring about an increase of tax revenue. At the same time, an increase in this number will also contribute to the financial resource for political accumulation. In a longer perspective, an increase in the number of workers can serve as a momentum in bringing about qualitative transformation of political accumulation, and so this indicator and the indicator of the aspect of fiscal expenditure are both very important in that they are concerned with the circularity of political and economic accumulation.

The task to be carried out is to examine what kind of circulation structure the fiscal/financial regime of post-war Japan had, by referring mainly to the typical indicators of political and economic accumulation.

(4) Circulation model of political and economic accumulation

It may seem that the circulation model of political and economic accumulation analyzed so far approximates very closely to the analysis model by O'Connor called "the political legitimate reproductive function and economic accumulation function". However, what is important in our model is that the circulation of accumulation maintains structural constancy through a variety of mediating institutions (regimes varying in terms of diachrony/synchrony), that the regimes have complementary

and hierarchical relations with each other, and that the regimes transform due to changes caused by political compromise. Therefore, there is no place for the pessimistic view by O'Connor in our perspective. Moreover, the importance of such a dynamic interrelationship between political order and economic order is already recognized in the Régulation school as indispensable in its methodology¹⁸. Our circulation model, based on the diagrams presented by Théret and Boyer, is illustrated as Fig.1.¹⁹

Here is a step-by-step explanation of the diagram. First, assume this circulation model will be reproduced with structural consistency, if a change outside arrows does not arise. Next, suppose there is some change in the growth regime (for example, change of tax revenue), based on this assumption. Such a change will demand a review of the condition of national economic accumulation (for example, a decrease in the tax revenue will demand a review of the re-distribution function of taxation). The government will respond specifically by transforming the fiscal regime (increasing taxes and issuing bonds or reducing taxes and redeeming bonds). However, while changes in the economic accumulation of the State occur with a cyclic tendency, changes in the political accumulation occur only with an accumulative tendency. This is because once the settlements of political debts are fixed at the beginning of economic circulation, the legal and administrative regime (specifically the Cabinet and bureaucracy) tends to respond to settlement of political debts by effecting quantitative change. In this regard, the legal/administrative regime has a very powerful institutional hierar-

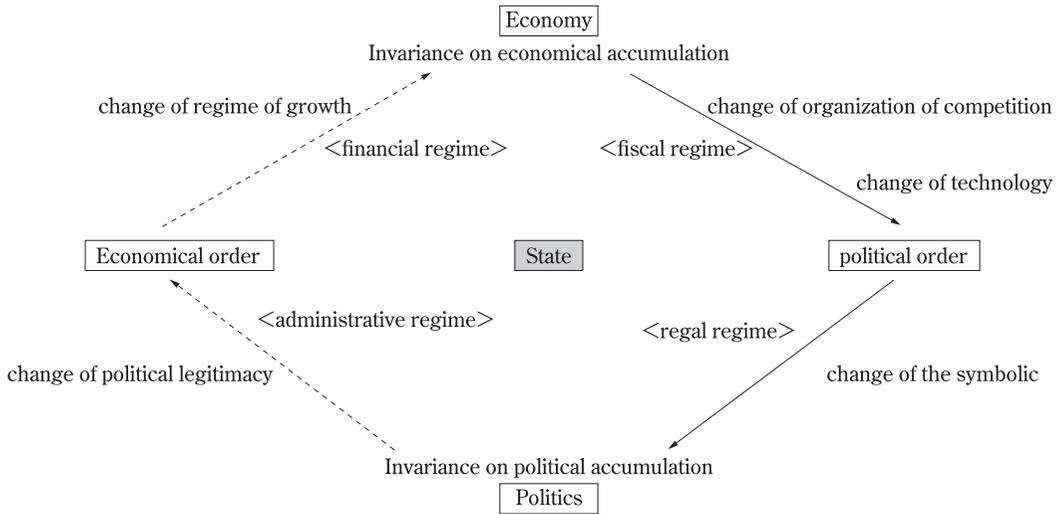


Fig. 1 Circulation Model of National Political and Economic Accumulation: Ideal-type

The solid-line arrow expresses political accumulation and the dotted-line arrow expresses economic accumulation. <> expresses a mediating institution.

The area inside arrows expresses a mode of Régulation.

All “changes” outside of arrows express “possible changes.”

In this diagram, the State is located at the center just for the sake of convenience, but it does not mean at all that the State, an ensemble of social political relationships, governs both economy and government. In modern society, the phase of the State is positioned further into the economic dimension (to the upper right-hand corner of the diagram) .

chy in relation to the fiscal/financial regime.

A change in the legal and administrative regime is produced when, in this circulation model, a change of symbolic significance (a change in settlement of political debts); when the people develop distrust of (or confidence in) political legitimacy; or when there is a crisis of the growth regime itself, a serious change in the economic/political form of competition between nation-states, or a change in the industrial/technological constitution. In such a case, there is a possibility that the reality of political accumulation may change. For example, when national political legitimacy is getting weak, political credits and debts may be re-examined for their relationship qualitatively and quantitatively. This re-examination does not always extend the droits of the people. Conversely, the

State may ask for reduction of its political credits²⁰.

In short, though the process of national economic accumulation and the process of political accumulation are simultaneously proceeding, the timeframe required for accumulation differs fundamentally between the processes. In other words, with the proceeding of the cyclic process of these accumulations, a certain discrepancy comes between the political accumulation process and the economic accumulation process.

Institutions which constitute each regime alleviate, for a certain period of time and with a certain degree of inertia, contradictions produced by such discrepancy. Ultimately, however, such discrepancy demands fundamental rectification of political compromise, or transformation of the institutions themselves. This means transformation of the

State, which is an ensemble of political and economic relationships. In short, a change of institutions in the governmental/economic regime is produced by changes in the growth regime, and compatibility/incompatibility among the regimes supporting the organic circulation of the State, and this brings about a change in the mode of Régulation.

Concluding Remarks.

Ironically, the circulation model of political and economic accumulation in this State is not yet subjected to empirical analysis. The task left to be fulfilled is to apply this assumption to the empirical analysis of R.F.F. of post-war Japan, and to examine its validity. It has been known that, in Japan, there is hardly any situation where people stand face to face directly against political forces, unlike European countries (particularly in French). Therefore, Théret's scheme for explanation, "political accumulation based on the relationship between political credits and debts" may not apply in itself. At least, however, the peculiarities of the legal and administrative regime in Japan are recognized as the characteristics of Japan-type political and economic regime. Probably, to analyze this regime, it is necessary to conduct a detailed analysis of the political culture and peculiar bureaucracy of Japan²¹. If our analysis has validity in Japan, it would mean that Japan has lapsed into the largest unprecedented economic and political crisis since the end of the war.

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¹ The pension reform plan under discussion so far will be of a small scale, as it is not aimed at fundamental institution transformation: changing the current disbursement approach to the accumulation approach, or from the

insurance approach from the tax approach.

² Mabuchi, (1994), p.21.

³ Refer to Buchanan / Wagner, (1977), and O’connor, (1973).

⁴ For example, see, Jinno (1998).

⁵ This part almostly consists of my summary on Théret’s Text (Théret, 1992), particularly chapter 1 and 2.

⁶ It should be noted here that Théret does not simply regard the government, representative body, as the political ruler. This will be explained later. For details, refer to Chapter 2, Nakahara, (2001), and Nakahara, (2003).

⁷ Théret, 1992, p.49.

⁸ For example, refer to *ibid*, chapter 5.

⁹ For example, refer to *ibid*, chapter 3.

¹⁰ In addition, a modern state is divided roughly into a “territory state” and a “wage labor state” according to the natural resources (land and population) on which the society is based. This modeling can be applied directly to the former, while for the latter, the importance of military engrossment by the State relatively lowers and the importance of control by law is increased to secure the legitimacy of sovereignty over internal affairs.

¹¹ In the case of a wage labor state, the cost of social security required for workers’ reproduction is borne.

¹² The distinction between the long run and the short run here does not necessarily lie in the length of time duration, but in the timeframe in which the invariance of organic circulation in the State continues, and the timeframe required for change in the constitution of the circulatory invariance caused by accumulated inherent tendency.

¹³ In detail, refer to *ibid*, chapter 5.

¹⁴ See, *ibid*, chapter 3, 4.

¹⁵ See, Andersen, (1990).

¹⁶ See Tachibanaki and dir., (2003), p. 583.

¹⁷ *Loc.cit.*

¹⁸ Refer to Boyer, (2001), p.12.

¹⁹ See in detail, Théret, (1992), pp.180-81 and Boyer, (2001), p.18.

²⁰ Japan, in which things of dominant symbolic signifi-

cance are inclined towards neoliberal ideology, may offer a typical example.

²¹ There are original studies on these peculiarities; for example, Mabuchi, (1994), and Kume, (1998). Besides, the *Financial History of Showa* (in Japanese), compiled by the financial history room of Ministry of Finance and published by Toyo Keizai Shinpo-Sha, summarizes the financial history of Japan after the war, which is divided into three parts: from the prewar days to the conclusion of peace negotiations, from 1952 to 1973 (from the 27th to 48th year of Showa), and from 1974 to 1988 (from the 49th to 63rd year of Showa). Part III is now coming out volume by volume.