Do political institutions significantly influence policy outcomes? If so, how and why do they make a difference? These essays explain why the differences between governments and national voting systems with a premier and those with a president shape the fundamentals of politics and policy choices in the United States and Japan. The authors explain outcomes ranging from national budgetary priorities through nuclear-power regulations and military-security commitments. They show that the political leadership in both countries is in control of policy, but that political institutions explain why the bureaucracies of the two countries receive different missions and operating procedures. This volume is a powerful contribution to the fields of comparative politics, comparative political economy, comparative foreign policy, and rational choice.
STRUCTURE AND POLICY
IN JAPAN AND THE UNITED STATES
POLITICAL ECONOMY OF INSTITUTIONS AND DECISIONS

Editors
James E. Alt, Harvard University
Douglass C. North, Washington University of St. Louis

Other books in the series
Alberto Alesina and Howard Rosenthal, Partisan Politics, Divided Government, and the Economy
James E. Alt and Kenneth Shepsle, eds., Perspectives on Positive Political Economy
Yoram Barzel, Economic Analysis of Property Rights
Robert Bates, Beyond the Miracle of the Market: The Political Economy of Agrarian Development in Kenya
Jean Ensminger, Making a Market: The Institutional Transformation of an African Society
Jack Knight, Institutions and Social Conflict
Michael Laver and Kenneth Shepsle, Cabinet Ministers and Parliamentary Government
Gary Libecap, Contracting for Property Rights
Mathew D. McCubbins and Terry Sullivan, eds., Congress: Structure and Policy
Gary J. Miller, Managerial Dilemmas: The Political Economy of Heirarchy
Douglass C. North, Institutions, Institutional Change, and Economic Performance
Elinor Ostrom, Governing the Commons: The Evolution of Institutions for Collective Action
Charles H. Stewart III, Budget Reform Politics: The Design of the Appropriations Process in the House of Representatives, 1865–1921
John Waterbury, Exposed to Innumerable Delusions
STRUCTURE AND POLICY IN JAPAN AND THE UNITED STATES

Editors

PETER F. COWHEY
University of California, San Diego

MATHEW D. McCUBBINS
University of California, San Diego
## Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Series editors’ preface</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preface</td>
<td></td>
<td>ix</td>
</tr>
<tr>
<td></td>
<td>Acknowledgments</td>
<td></td>
<td>xi</td>
</tr>
<tr>
<td></td>
<td>List of contributors</td>
<td></td>
<td>xiii</td>
</tr>
<tr>
<td>1</td>
<td>Introduction</td>
<td>Peter F. Cowhey and Mathew D. McCubbins</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>PART I</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>STRUCTURE AND POLITICS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>The structural determinants of electoral cohesiveness:</td>
<td>Gary W. Cox and Frances M. Rosenbluth</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>Party provision for personal politics: dividing the vote in Japan</td>
<td>Mathew D. McCubbins and Frances M. Rosenbluth</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>The appearance of power: legislators, bureaucrats, and the budget</td>
<td>Mathew D. McCubbins and Gregory W. Noble</td>
<td>56</td>
</tr>
<tr>
<td>5</td>
<td>perceptions and realities of Japanese budgeting</td>
<td>Mathew D. McCubbins and Gregory W. Noble</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td><strong>PART II</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>POLITICS AND POLICY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Telecommunications policy: structure, process, outcomes</td>
<td>Roger G. Noll and Frances M. Rosenbluth</td>
<td>119</td>
</tr>
<tr>
<td>7</td>
<td>The politics of nuclear power in Japan and the United States</td>
<td>Linda Cohen, Mathew D. McCubbins, and Frances M. Rosenbluth</td>
<td>177</td>
</tr>
</tbody>
</table>
Contents

8 The politics of foreign policy in Japan and the United States  Peter F. Cowhey  203
9 Coordinating economic policies: a schematic model and some remarks on Japan–U.S. exchange-rate politics  Haruhiro Fukui and M. Stephen Weatherford  226
10 Conclusion  Peter F. Cowhey and Mathew D. McCubbins  253

Bibliography  261
Author index  283
Subject index  287
Series editors’ preface

The Cambridge series on the Political Economy of Institutions and Decisions is built around attempts to answer two central questions: How do institutions evolve in response to individual incentives, strategies, and choices, and how do institutions affect the performance of political and economic systems? The scope of the series is comparative and historical rather than international or specifically American, and the focus is positive rather than normative.

This pioneering book brings intellectual products of the “new institutionalism” to a new context, the comparative study of the political economy of public policy in Japan and the United States. There is a feast for scholars here, whether in its provision of a mass of new empirical data for Japan or in the host of novel perspectives and propositions the Japanese case contributes to the comparative study of legislator-voter and legislator-bureaucrat relationships in democratic polities. The book brings both the unusual American separation of powers and the unusual Japanese electoral system, often seen as the sources of the “exceptionalism” of each of these countries, within the ambit of comparative generalizations. In this way it takes us a big step down the road toward more systematic comparisons between parliamentary and presidential systems of government and their impact on public policy. But the book goes beyond comparing governmental structures: the team of authors that Cowhey and McCubbins have assembled in this volume offer new and distinctive views about a variety of policy areas of great contemporary interest, including technology, nuclear power, budget management, and foreign policy. Even so, the chapters display an underlying unity of purpose, which is ultimately to show how institutions affect political and economic outcomes.
Preface

The purpose of this book is to provide a common framework from which to study politics in two very different countries, Japan and the United States. That framework relies heavily on understanding the implications for political behavior and policy outputs of differences in the institutions and processes that govern policy making. As such, we see the approach as a quite general one, applicable to any number of policy areas in most stable democracies.

The chapters in this book were written in 1992 and 1993, and the Introduction was written in the fall and winter of 1993. Of course, a great deal has changed in Japan since the book was basically completed. After thirty-eight years of uninterrupted rule, the Liberal Democratic Party (LDP) finally lost its majority in the Lower House of the Diet and was replaced first by a seven-party coalition in the summer of 1993, then for two months by a five-party minority government. And now, the LDP is back in power, in coalition with their long-standing opponents, the Japan Socialist Party.

As of this writing (August 1994) the Japanese government has just passed a sweeping reform of the electoral system, eliminating the single nontransferable vote in favor of a mix of plurality and proportional representation elections, and restricting the financing of electoral campaigns. A redistricting plan has been proposed to the Cabinet, but has not yet been submitted to the Diet. As the reader will soon become aware, the electoral system plays a very important role in our authors’ explanations of both party organization and policy outputs, so a change in the electoral rules should affect almost everything discussed in the chapters that follow.

Hence, in one sense, this book should be read as a discussion of Japanese politics and policy during the four decades of LDP rule. However, from a theoretical standpoint, the theme of this book remains unaffected by the recent changes in Japanese institutions. The authors argue that the structure and process of policy making matter a great deal for policy
Preface

outputs, and a change in one of the explanatory variables should perhaps more properly be considered as a test of this thesis. In the Conclusion, we discuss the recent changes in Japan and reflect upon their implications for the conclusions of the substantive chapters of the book, but we chose to leave the chapters themselves untouched. In the meantime, we look forward to discovering how political decision making will progress in postreform Japan.
Acknowledgments

The editors of this volume and the authors of the chapters herein owe a debt of gratitude to the generous foundations and institutes that supported the research reported on here. Collectively, we thank the Ford Foundation for its support of the research reported on in this volume. The editors also thank the University of California’s Institute of Global Conflict and Cooperation; U.C. San Diego’s Project on International and Security Affairs, Law and the Behavioral Sciences; and the American Political Institutions Project for their support of this volume. McCubbins, Rosenbluth, and Noll thank Soka University for support administered through the Pacific Basic Research Project at Harvard University. McCubbins and Noble also thank the support of the University of California Pacific Rim Program for support of their data collection. McCubbins also thanks the U.C. San Diego’s Committee on Research for support of Japanese budgetary data collection and the Center for Institutional Reform and the Informal Sector at the University of Maryland for partial support of the research on Japanese nuclear energy regulation.

The editors and authors also owe a tremendous debt of gratitude to the research assistants who worked tirelessly (although not always happily) on the editing, revision, and production of this volume, as well as assisting in the research reported on here. We thank Andrea Campbell, William Heller, Jonathan Katz, Chieko Numata, Brian Sala, Atsuko Suzuki, and Michael Thies. Our debt to them is great. We hope to repay it eventually in a different currency (God forbid we should have to repay it in kind).

We also thank referees and commentors whose advice and criticism helped to make the papers included herein far better than they would otherwise have been. For their service we thank: Vince Crawford, John McMillan, Ken Shepsle, Mark Ramseyer, Thomas Schwartz, Rod Kiewiet, Rodney Fort, Jack Montgomery and his students at the John F. Kennedy School of Government, Skip Lupia, Kaare Strom, and John Campbell. Words aren’t enough, of course; we hope to repay them in kind.
Acknowledgments

The intellectual heritage of this book derives from the scholarship of the leading lights of the new institutionalist approach to political science and economics. The work of Jim Alt, Gary Becker, Kenneth Boulding, James Coleman, John Ferejohn, Mo Fiorina, Paul Joskow, Mick Laver, Doug North, William Riker, Ken Shepsle, Barry Weingast, and Oliver Williamson broke new ground in the explanation of the importance of institutional and organizational structures for social, economic, and political outcomes. In putting this volume together, we sought to extend the research program of eminent students of comparative politics including Joel Aberbach, Bob Bates, Maurice Duverger, Bernie Grofman, Arend Lijphart, Gerry Loewenberg, Pat Patterson, Bing Powell, Bob Putnam, Doug Rae, and Bert Rockman. We owe each of these scholars a great deal for showing us the path.

PFC and MDM
La Jolla, California, August 1994
Contributors

LINDA COHEN is a professor of economics at the University of California, Irvine. Professor Cohen has written extensively on subjects ranging from the economics of nuclear power regulation to technology development, and on law and economics. She is co-author of The Technology Pork Barrel and has published articles in a number of journals, including the American Economic Review, the Georgetown Law Journal, and Law and Contemporary Problems.

PETER F. COWHEY is a professor of political science at the University of California, San Diego. He has written extensively on international political economy and on the domestic political roots of trade policy. He has published numerous articles in scholarly journals, most recently International Organization. His most recent book is Managing the World Economy: The Consequences of Corporate Alliances.

GARY W. COX is a professor of political science at the University of California, San Diego. His recent research has focused on the political effects of electoral rules. Professor Cox is author of The Efficient Secret (a study of the development of political parties in Victorian England) and co-author of Legislative Leviathan (a study of party government in the U.S. House of Representatives), and he has written numerous articles for journals such as Legislative Studies Quarterly, the American Journal of Political Science, and the American Political Science Review.

HARUHIRO FUKUI, formerly a professor of political science at the University of California, Santa Barbara, now teaches at the University of Tsukuba (Japan). He is an expert on Japanese politics and is the author of Party in Power: The Japanese Liberal-Democrats and Policy-Making, a co-author of The Textile Wrangle: Conflict in Japanese-American Relations, 1969–71, and editor of Political Parties of Asia and the Pacific, as
Contributors

well as a number of articles in such publications as the Journal of Japanese Studies and the Japanese political science journal Leviathan.

Mathew D. McCubbins is a professor of political science at the University of California, San Diego. An expert on the U.S. Congress, Professor McCubbins is co-author of two books on U.S. national politics. The first, The Logic of Delegation, looks at the appropriations process in Congress; the second, Legislative Leviathan, examines the structure of congressional policy making. He also has published numerous articles in political science, economics, and law journals, most recently in the Journal of Law, Economics, and Organization on congressional oversight of the bureaucracy.

Gregory W. Noble is an assistant professor of political science at the University of California, Berkeley. Professor Noble has written extensively on political economy in East Asia. He is author of a forthcoming book, Regimes and Industrial Policy: The Politics of Collective Action in Japan and Taiwan, on the politics of industrial policy in Japan and Taiwan.

Roger G. Noll is the Morris Doyle Professor of Economics at Stanford University. Professor Noll’s expertise extends from regulatory and antitrust policy to administrative law to the economics of sports. He has published more than 100 articles in books and scholarly journals. His most recent book, The Technology Pork Barrel, examines the politics of government development and contracting of high-tech projects. Among his recent publications is an article in Scientific American on science and technology policy.

Frances McCall Rosenbluth is a professor of political science at Yale University. An expert on Japanese politics, Professor Rosenbluth is author of Financial Politics in Contemporary Japan and co-author of Japan's Political Marketplace and The Politics of Oligarchy: Institutional Choice in Imperial Japan. She has published articles in a number of scholarly journals, including the American Political Science Review, Electoral Politics, and the British Journal of Political Science.

M. Stephen Weatherford is a professor of political science at the University of California, Santa Barbara. A specialist on American politics and economic policy making, Professor Weatherford has written on the interplay between international economic trends and national economic policy making, and on macroeconomic policy coordination between Japan and the United States. His articles have been published in The American Political Science Review, International Organization, The British Journal of Political Science, the American Journal of Political Science, and others.