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Magara, H. and Sacchi S. (Eds) *The Politics of Structural Reforms. Social and Industrial Policy Change in Italy and Japan*, UK: Edward Elgar, 2013

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Magara, H. and Sacchi S. (Eds)

The Politics of Structural Reforms. Social and Industrial Policy Change in Italy and Japan,
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Italy and Japan are two countries that achieved a miraculous economic growth in the postwar period. Italy expanded its exports greatly by joining the EU and Japan invented the so called convoy system in which the bureaucracy, banks and the manufacturing sector cooperated with each other in achieving international competitiveness. However, both countries, at the beginning of the 1990s, fell into a political and economic stalemate that lasts to the current day. Under the impact of a new globalized financial capitalism, Italy's economy entered into a long slump characterized by low growth, while the collapse of Japan's bubble economy was the prelude to deeper chronic cycles of crisis. In order to overcome the systemic crisis and reshape their economies both countries have undergone, since the early 1990s, a series of structural reforms and momentous changes in their political systems.

Against this background, *The Politics of Structural Reforms* "reveals what Italy and Japan gained and lost through this series of - mostly neoliberal – industrial and social structural reforms, and why these changes have been unsuccessful in cushioning the recent economic crisis" (p. xii). The main questions this edited volume seeks to address are: "What impact did the political changes of the 1990s have on the development of structural reforms in both countries? What consequences, then, did these structural reforms have for current Italian and Japanese politics? Why were Italian and Japanese political leaders unable to avoid the political deadlock and policy stalemate when their economies were hit by the crises of 2008 and 2010-11?" (p.3). To answer these questions the book examines the nature and dynamics of social and industrial reforms in both countries, drawing on a variety of major analytical frameworks, such as the partisan theory, the two party rivalry hypothesis, veto players/points, varieties of capitalism and social alliance theory. One of the main arguments raised throughout the book is that the politics of structural reforms in Italy and Japan during these decades was contradictory in the sense that the political leaders wanted to introduce neoliberal reform policies, but failed to implement effective social and macroeconomic policies by which they would have been able to compensate for the harshness of neoliberal reforms.

The book is structured, besides the introduction, in 8 chapters. Chapters two and three examine changes in corporate governance in the two countries. Chapter 2 analyses the fundamental shifts in Japanese corporate management over the last two decades due to pressures of an increasingly globalized economy. Egalitarianism diminished, interpersonal competition increased and greater numbers of temporary and contract workers were substituted for standard lifetime employees in manufacturing. These changes were driven by the definitive weakening of two important supports of the traditional corporation, namely cross-shareholding and unions, reflected the dominance of the "rational economic animal" theory and resulted in heightened worsening of income inequalities and poverty growth in Japan. Chapter 3 focuses on the distinctive features of corporate ownership in Italy. It suggests that recent attempts to introduce modern rules of corporate governance have only limited effects due to

a variety of imbalances in the Italian economy, including the unequal role of firms in different areas, the public sector's huge deficit in productivity and efficiency, the polarized industrial structure dominated by a small number of large corporations and the persistent influence of politics on the economy. Despite a series of privatizations between 1993 and 2001, the market of corporate control is still insufficiently transparent and the introduction of public companies remains modest. These results may reflect the weakness of firm executives and their dependence on unstable parliamentary majorities. It concludes that traditional practices have not changed drastically, despite considerable efforts made in the past decade to introduce corporate governance rules in line with the market driven model.

The next two chapters focus attention on politics. Chapter 4 examines political change in Japan from an international perspective. It argues that structural reforms that have dominated Japan politics in the last two decades were led by political, bureaucratic and business elites who shared the beliefs that the 1955 system could no longer provide an appropriate conceptual framework under the globalized economy and needed to be replaced by a market-based system with less government intervention. It focuses on a "coordination failure", that is the government's inability and the conservative leadership's unwillingness to strengthen social protection to compensate for neoliberal reforms. Such a coordination package requires political trust and policy consistency that are in short in contemporary Japan. As a result, income inequality widened and the poverty rate increased. Chapter 5 analyses the transitions of the Italian party system from the First to the Second Republic. It considers electoral reform itself as the "structural reform" of Italian politics. By focusing on the 2008 election, it investigates the impact of electoral reforms and political changes on traditional structural cleavages, ideological divisions in the context of increasing EU constraints and the longstanding mass disaffection toward politics. It finds that the upheaval of the early 1990s did not entirely alter political territorial traditions transmitted through family socialization. While the pro-/anti-communist issue still exists in Italy, the post 1994 party system is clearly different from the old system, as there is a move toward bipolarism and also, since the 2008 election, toward a two-party system.

The following two chapters examine labour market reforms in the two countries. Chapter 6 offers a party-centered explanation of labour market reforms in Japan. Focusing on the strategies of the dominant LDP party and its social class coalition, it traces the developments that led to the dismissal and homelessness of a large number of temporary workers in 2008. Considering party politics as the key mechanism that links changes in the structure of financial markets under globalization with changes in the labour market, it explains how changes in the preferences of Japanese business had repercussions for party politics such that the policy orientation of the LDP took an increasingly neoliberal turn. Chapter 7 analyses the differential impact of the highly flexible labour legislation in Italy, boasting through a series of labour market reforms, such as the *legge Treu* of 1997 and the *legge Biaaggi* of 2003. These reforms increased the labour flexibility of marginal workers, but not the entire labour force, declined the union's power and raised income inequality. It concludes that in the transition from jobless growth in the early 1990s to "growthless job creation", increased income variability translated into a greater perception of insecurity.

Chapter 8 focuses on examining how and to what extent the Japanese familial welfare regime has been transformed since the 1980s. Welfare reforms in the 1980s intended to restrain increases in social security expenditures and attain fiscal sustainability, following the idea of the Japanese-style welfare society, which expects expanded roles of private welfare, including company

and family welfare, to complement retrenched public welfare. They accordingly reinforced both commodification and familialism. Entering in the 1990s, however, Japan promoted de-familialization through the expansion of social services and gender equal policies. However, this process is far from social democratic de-familialization since women are now mobilized as cheap labour, thus reinforcing the dualist structure of the Japanese market. Thus, Japan has attained the effect of liberal de-familialization.

Finally, chapter 9 analyses why Italy's recent responses to the continuing financial and employment crises failed to alleviate the social and economic problems sufficiently. It argues that recent labour market reforms, allowing micro-level collective bargaining to deregulate statutory employment protection and making dismissals easier, together with a harsh pension reform, introduced in a top-down fashion by the government in an attempt to attain credibility in the international arena, simply to signal international investors. On the other hand active labour market policies were not enacted in the name of financial constraints and a minimum income scheme was not even considered in the reform process. It concludes that the Italian austerity policies were a consequence of international pressures, such as those of the EU, the IMF and the financial markets.

Overall, this edited volume stands out for its advanced and detailed comparative analysis of the Italian and Japanese structural reforms of the 1990s and 200s and for the sophisticated analytical framework adopted. Although the conclusions of the studies may be rather tentative in the sense that the economy and the party politics of the two countries are still experiencing change, it succeeds to show explicitly or implicitly, how types of capitalism, government ideology, political institutions, and the patterns of social alliance, influence governments' efforts to reshape their economies and welfare states. In that respect, it makes a valuable contribution to the literature on structural and welfare reforms and will be an excellent resource for political scientists, labour economists and sociologists, as well as policy practitioners.

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