

Housing Development in Post-war Japan: Historical Trajectory, Logic of Change, and the Vacancy Crisis

by

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Author's Declaration

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

I understand that my thesis may be made electronically available to the public.

Abstract

As evidenced by existing studies, housing development plays a central role in capitalism. However, little research has explored the logic of that role. This thesis contributes to filling this knowledge gap through a case study of housing development in post-war Japan. The case of Japan is interesting for the continuous increase in the national housing vacancy rate throughout the post-war period, which has reached an all-time high of 13.5% in 2013. The thesis argues that this phenomenon cannot be explained without considering the logic of the centrality of housing development in Japanese capitalism.

The thesis builds an integrated approach of political economy and historical institutionalism to explore the aforementioned question. Applying this approach to the case of Japan, the analysis refers to the theory of the developmental state to analyze Japan's macro political economy and to the concept of productive welfare capitalism to analyze the role of housing development in Japan's capitalism. Based on a punctuated equilibrium model of institutional change, the research uses key ideas in historical institutionalist analysis - critical junctures and fast-moving/slow-moving institutions - to examine the transition of the state, the change in the way housing development was centralized in the state, and the state's shaping of the supply-demand relationship in the housing market. The empirical evidence mainly derives from governmental documents and secondary sources.

The main findings are as follows. Driven by the ideology of developmentalism, the central government of Japan has been directing the majority of resources to achieve developmentalist goals. Social policies have been expected to contribute to national economic growth rather than guarantee universal welfare rights to the citizen. Housing policies have been no exception. Throughout the post-war period, the central government has been intervening in housing provision and consumption through a variety of institutional measures such as welfare policies, finance policies, planning regulations, and taxation. The political logic of doing so lies in a desire to maximize the housing sector's contribution toward national economic growth under the changing social-economic circumstances, while the choosing of interventions has also reaffirmed path dependence. The pro-growth interventions on housing have been interacting with the society and market and led to a dangerous oversupply of housing and an extremely high vacancy rate.

The logic of the centrality of housing development in capitalism like Japan's is embedded in the dominant economic ideology of the capitalist state. This ideology determines the role of housing in that state. It interacts with outside influential ideologies and drives change of the fast-moving institutions (e.g., policy and political institutions) that centralize housing development in the capitalist state. The way of change depends on the interaction between the slow-moving institution of ideologies and the fast-moving previous institutions.

The research has also uncovered the social impact of Japan's developmentalist housing policies. During economic stagnation, these policies have been driving continuous construction of new housing for economic recovery and have unavoidably accelerated the depreciation of old housing. They act as an invisible hand to transfer homeowners' housing assets to the state, thereby supporting the state pursuing its developmentalist goals. Particularly, aged households, whose assets are largely embedded in their housing property, are more likely to suffer financial hardship and increased uncertainty.

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I value all of the experience I gained during my study at University of Waterloo. I am grateful to every people I met there and the time we spent together. I firmly believe that this experience will have long-lasting, positive impact on the rest of my life.

I am responsible for any remaining errors. Any opinions, interpretations, and conclusions are the author's and do not necessarily reflect those of the persons or institutions acknowledged above.

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Chapter One: Introduction

Empirical studies from around the world have shown that housing development plays a central role in capitalism (e.g., Haila, 2000; Schwartz & Seabrooke, 2008; Walks, 2014; Wu, 2015). However, there is a persistent weakness in the theoretical basis of this research. Most of it is narrative-driven, describing how housing development is centralized in certain capitalist states but lacking of explanation on the considerable variation of that role in variegated capitalism. Without a solid theoretical framing penetrating to the logic of the role, it has been difficult to achieve more systematic comparative analyses of the role between countries and over time. It has further impeded the development of theory and cumulative knowledge-building.

In this thesis, I argue that applying an integrated approach of political economy and historical institutionalism provides insights into the logic of the centrality of housing development in capitalism. A political economy perspective goes beyond a pure market analysis of housing and places housing development in the wider political-economic context, thereby enables exploring the role housing development plays in the capitalist state. Historical institutionalist analyses use institutions to find patterns and dynamics of the transition of the capitalist state over time. An integration of these two approaches enables tracing how housing development has been centralized in the capitalist state across time, thereby shedding some light on the logic of that process.

The empirical case to be examined here is housing development in post-war Japan. This case is worthy of attention due to the astonishingly high-level vacancies across the country, which I argue that cannot be explained without examining the logic of the central role of housing development in Japanese capitalism. Japan's housing vacancy rate has reached 13.5% in 2013 (Statistics Bureau of Japan, 2013b). Such a number was unparalleled among advanced

capitalist countries. For instance, the national vacancy rate of the United Kingdom (UK) averaged 2.7% in 2013 (U.K. DCLG, 2013); the national vacancy rate in the United States (US) was approximately 8.3% for rental housing and 2.0% for home ownership in 2013 (US Census Bureau, 2016). Furthermore, Japan's high vacancy rate is directly resulted from an almost continuous increase throughout the post-war period, rather an upsurge. And interestingly, the increase has been paradoxically co-existing with large-scale housing construction for decades, which contradicts the supply-demand relationship in classical economics.

Drawing evidence mainly from governmental documents and secondary sources, the empirical study has three broad aims. The first is to examine the evolution of Japan's post-war housing policies and explain why the vacancy rate has been increasing continuously throughout the post-war period. This requires a historical understanding of the transition of the Japanese capitalist state and the role housing development plays in that state. Following the initial aim, the second aim is to critically evaluate governmental policies addressing the vacancy issue and examine the social impact of this issue, thereby offering policy suggestions. The third aim is to draw out the implication of the case study and form a theoretical understanding of the centrality of housing development in capitalism.

1.1 The Centrality of Housing Development in Capitalism

A more general perspective of the built environment in terms of capital circuits in capitalism offers a theoretical basis for the centrality of housing development in capitalism. Deriving from an inherent over-accumulation tendency in the process of capitalist development, surplus capital is switched from the primary capital circuit of production to the secondary circuit of the built environment (Harvey, 1978). Housing development, which accounts for a

significant proportion of the development of the built environment, hence plays a central role in capitalism. While the thesis of capital switching applies equally to virtually all capital investments in the built environment, housing development is arguably a special component. The meaningful construction of housing has significant and wide ranging implications in the restructuring of citizenship rights, welfare relationships, and political and socio-economic relations (Kemeny, 1992). Aalbers and Christophers (2014) centralize capital in housing and identify the multiple roles of housing when capital is considered from the perspective of each of its three modalities: capital as not only process of circulation but also social relation and ideology.

The central role of housing development in capitalism and the variation of this role are also evidenced by empirical studies worldwide. For example, Haila (2000) argues that Hong Kong and Singapore are both “property states” where land rent is an important source of revenue and profit. Wu (2015) suggests an underlying linkage between housing market cycle and macroeconomic measures aimed at making housing a more “liquid” asset and an investment good, and assesses how housing commodification in China has been used to cope with the impact of financial crises and open up new opportunities to boost economic growth. Walk (2015) reveals how Canadian federal policies promoted residential mortgage securitization to save the banking sector during and after the 2008 global financial crisis.

Furthermore, there has been summarizing consists of the elaboration of propositional principles. For example, Doling and Ronald (2014) outline an “East Asian housing model”, which features home ownership being promoted as a means contributing to national economic development objectives. Schwartz and Seabrooke (2008) coin the concept of “varieties of residential capitalism” to describe the distinct ways in which housing is being centralized in varieties of capitalism. Based on the simple variables of owner-occupation rate and mortgages as a share of GDP, they have developed four sophisticated residential

capitalist “ideal types” that each have a distinct set of housing politics: corporatist-market, liberal-Market, statist-developmental, and familial (Schwartz & Seabrooke, 2008). While this existing research has shed some light on why housing development plays a central role in capitalism and the variation in this role across places and over time, a significant gap here is that, why these variations exist is still unknown.

1.2 The Case Study Country

This research adopts a case study of housing development in post-war Japan to examine the logic of the centrality of housing development in capitalism. This section introduces Japanese capitalism and the country’s historical, political, and social context in broad terms. The purpose is to provide readers a first understanding on Japan’s post-war development.

Japanese capitalism is widely regarded as distinct from its peers in the western developed world both politically and economically. The theory of the developmental state, firstly conceptualized by Johnson (1982), provides a useful starting point to understand Japanese capitalism. This theory is a political economy analysis of the phenomenon of state-led urbanization and industrialization in several East Asian countries, with Japan representing the leading exemplar of the developmental state capitalism (Johnson, 1982; Leftwich, 1995; Stubbs, 2009). The developmental state features a powerful state coordinating state-market relation and structuring resources to achieve developmental objectives, more specifically, economic growth.

Developmentalism has been a persistent feature of the Japanese state throughout the post-war period. However, it is important to notice that the state is not static but evolves over time in response to the changing socio-economic circumstances. During the post-war period, the state has been heavily influenced by Keynesianism and neoliberalism, which are the two dominate

economic ideologies in the Western developed world since the Second World War. In the first thirty years of the post-war period when Keynesianism was prevailing, the Japanese state displayed a mix of developmentalism and Keynesianism, featuring by relatively egalitarian distribution of income and universal social protection through the welfare state. However, the Keynesianism social policies were inherently developmental as they ultimately aimed at contributing to the national developmental goals. From the 1980s, influenced by the spread of neoliberalism across the globe, the Japanese state experienced a neoliberal turn, manifesting by deregulation, decentralization, and more private capital's participation in urban and economic development (Waley, 2007). However, the decentralization was indeed guided by the central government toward strategic state goals (Fujita, 2011; Hill, Park, & Saito, 2012; Tsukamoto, 2012). The state adopted neoliberal policy and political institutions while kept core developmental state traits.

The social-economic transition in post-war Japan can be summarized from the perspective of the state responding to the changing domestic and international circumstances. In the first decade immediately after the War, facing the destruction of national economy and deficiency of funds and resources, the state prioritized production recovery but paid little attention on urban development and housing reconstruction. The purpose was to regain industrial productivity as soon as possible. After the recovery of production to the pre-war level, the following two decades of the mid-1950s to mid-1970s were featured by rapid economic growth and urbanization. The central government guided industrial development and dominated urban and housing development. The 1973 oil crisis severely hit the Japanese economy and marked the end of Japan's rapid economic growth. Japan entered into a period of moderate economic growth. The state strived for expanding domestic demand through welfare provision and construction works to maintain economic growth.

With the spread of neoliberalism across the global from the early 1980s, the Japanese state gradually adopted neoliberalist ideas of decentralization and privatization. Due to concerns on the increasing governmental debt, the state cut social welfare provision. To stimulate domestic demand, it encouraged the private sector into housing and urban construction. Years of expansive economic policies ultimately led to the economic bubble in the late 1980s. The bubble burst in the early 1990s and Japan tripped into two “lost decades” characterizing by economic stagnation, unstable employment, and increased income inequity. The state further embraced neoliberalist ideas of decentralization and privatization to tackle with the sluggish economy. There has been more intensified participation of the private sector in urban and housing construction for economic stimulus.

Although it seems impossible to trace the immense social-economic transition in post-war Japan in a few words, these major junctures offer insights on the logic of the transition of the state. The essence of the developmentalist ideology, namely the aspiration for economic growth, is almost unchanged but the concrete developmental strategies have been shaped by the changing social-economic circumstances and international economic ideologies.

1.3 Housing Vacancy and the Japanese Case

The case of housing development in Japan is worthy of attention for the high level of vacancies, which, as I will argue later, cannot be explained without considering the logic of the centrality of housing development in Japan’s capitalism. Throughout the post-war period, Japan has been experiencing a continuous increase in both vacant housing stock and national vacancy rate. In 2013, the vacant housing stock rose to 8.2 million and the vacancy rate reached 13.5% (Statistics Bureau of Japan, 2013b) (Figure 1). These numbers were incredible for an advanced capitalist country like Japan. A study of housing development in post-war

Japan should be attentive to such a severe vacant housing crisis. This section reviews existing discussions on the phenomenon of housing vacancy. The purpose is to situate Japan’s housing vacancy in a comparative context, showing how it differs from that occurring elsewhere.

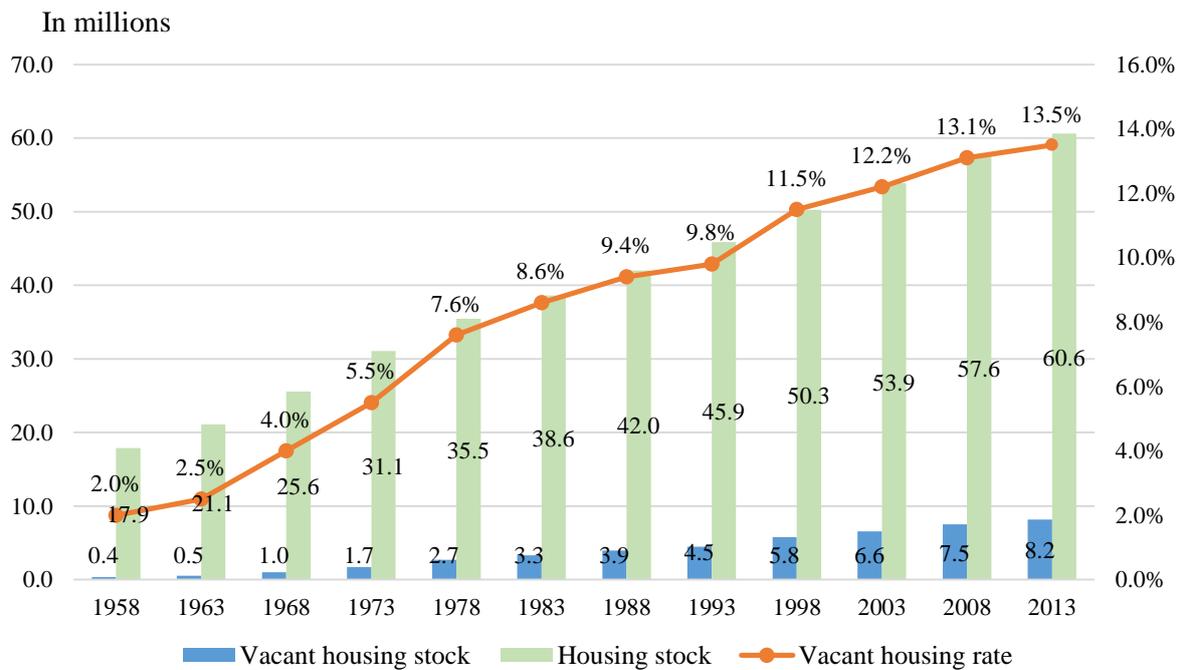


Figure 1: Housing stock, vacant housing stock, and vacant housing rate in post-war Japan

Data Source: Chapter 21 Housing in Historical Statistics of Japan, Statistics Bureau of Japan (2012).

Vacant housing generally means housing that is not regularly occupied. Housing vacancy is a phenomenon happening virtually everywhere. From a market perspective, some vacancies on the housing market are necessary. Since that there are always households moving between dwellings, some vacancies serve as the “mobility reserve” (Glock & Häussermann, 2004) to smooth household mobility. These vacancies are often called as “natural vacancy” (e.g., Rosen & Smith, 1983) or “structural vacancy” (e.g., Wheaton, 1990) in North American literature. The extent of the natural vacancy rate varies across place and time, depending on a wide range of factors such as the interaction of the search behaviors between the two

transactional parties, the transactional system, and etc. (Couch & Cocks, 2013; Rosen & Smith, 1983).

Empirical research suggests that the magnitude of the natural vacancy rate ranges from 1%-5%. For example, Couch and Cocks (2013) argue that in the UK, nationally around 2.5% dwellings appear to be vacant due to market friction; Glock and Häussermann (2004) use the normal “mobility reserve” between 3% and 5% in the examination of the vacant housing issue in Eastern Germany. In the US, an often cited rule of thumb states that the vacancy rate in a well-functioning market is about 5% (Kingsley and Turner, 1993, p.10, cited in Hoekstra & Vakili - Zad, 2011). Thalmann (2012) suggests that a vacancy rate of 1% -1.5% is sufficient for the Swiss housing market to be in equilibrium. The international comparison shows that Japan’s vacancy rate of over 13% is far beyond the normal “mobility reserve”.

Existing understanding of housing vacancy is largely built upon economic theories, more specifically, the supply-demand relationship in a market. Most of this existing research treats housing as a market commodity of shelter and seeks to understand the cause of housing vacancy through tracing stock-flow chains of vacancy, analyzing the interaction of supply and demand factors, and examining the market adjustment process (e.g., Rosen & Smith, 1983; Wheaton, 1990; White, 1971).

Unfortunately, the approaches developed in existing studies, which are mainly from an economic perspective, are inapplicable for the case of Japan. In Japan, the increase of the vacancy rate has been coexisting with the increase of housing stock for decades (Figure 1), indicating that vacancies are directly generated by an oversupply of housing. Indeed, housing construction in post-war Japan has been staying at a high level, which has been averaged over 1.4 million units annually from the mid-1970s (Figure 2). The unbalanced supply-demand relationship in Japan’s housing market is inconsistent with the general equilibrium theory in

mainstream economics. This theory contends that a single price will exist which brings demand and supply into equilibrium, while Japan’s housing market has shown a widening supply and demand imbalance for decades.

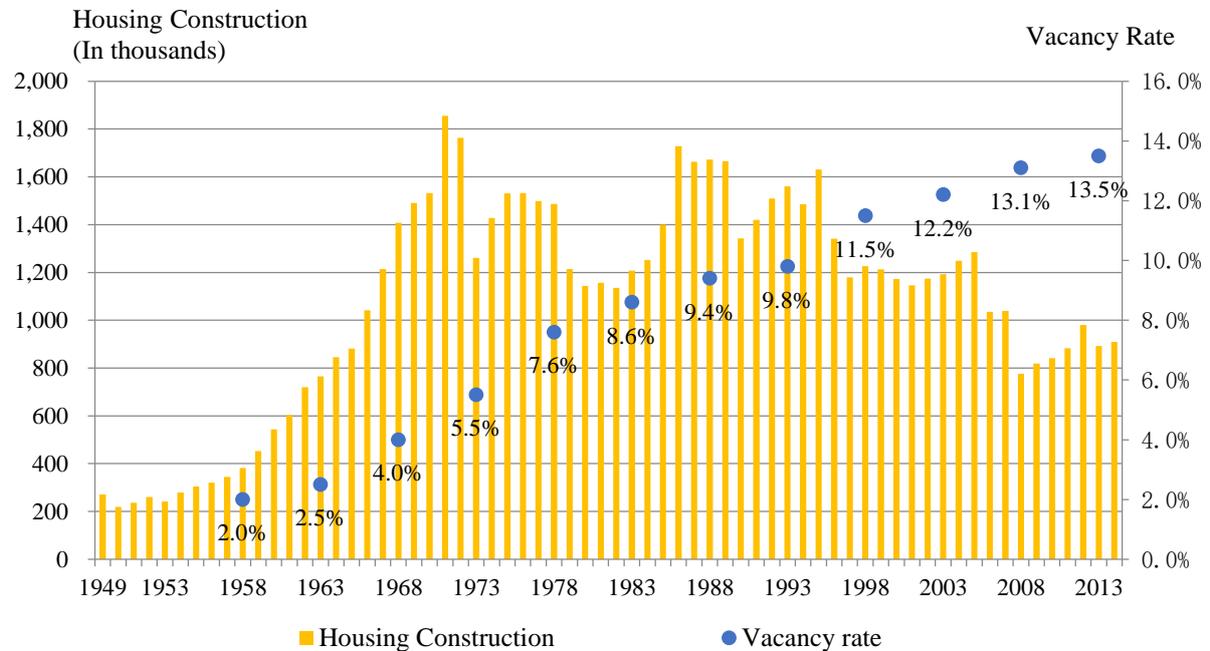


Figure 2: Housing construction and vacancy rate in post-war Japan

Data Source: Ministry of Land, Infrastructure, Transport and Tourism of Japan, Housing Construction Statistics of Japan (2016a).

A high vacancy rate exists commonly in shrinking cities, which have suffered from the outflow of capital and human resources, being forgotten by globalization experienced population loss, and experienced economic downturn, employment decline, and social problems as symptoms of a structural crisis (Bernt & Rink, 2010; Martinez - Fernandez, Audirac, Fol, & Cunningham - Sabot, 2012). For example, in 2000, roughly 14% of all housing units in eastern Germany was vacant (Glock & Häussermann, 2004); Liverpool, UK had a vacancy rate between 4%-8% during 1980-2010, which diverged from the national average of 3%-4% (Couch & Cocks, 2013).

However, the Japanese case differs from that in the typical shrinking cities. In 2013, the vacancy rate in Japan's 47 prefectures ranged from 9.4% to 22.0% (Statistics Bureau of Japan, 2013b) (Figure 3). Despite the significant geographical variation in vacancy rates, a high vacancy rate was spreading nationwide. The fact indicates that a national-level mechanism of vacancy production exists. This mechanism must be different from that in the typical shrinking cities because it is unlikely that all Japanese cities can claim to be shrinking cities.

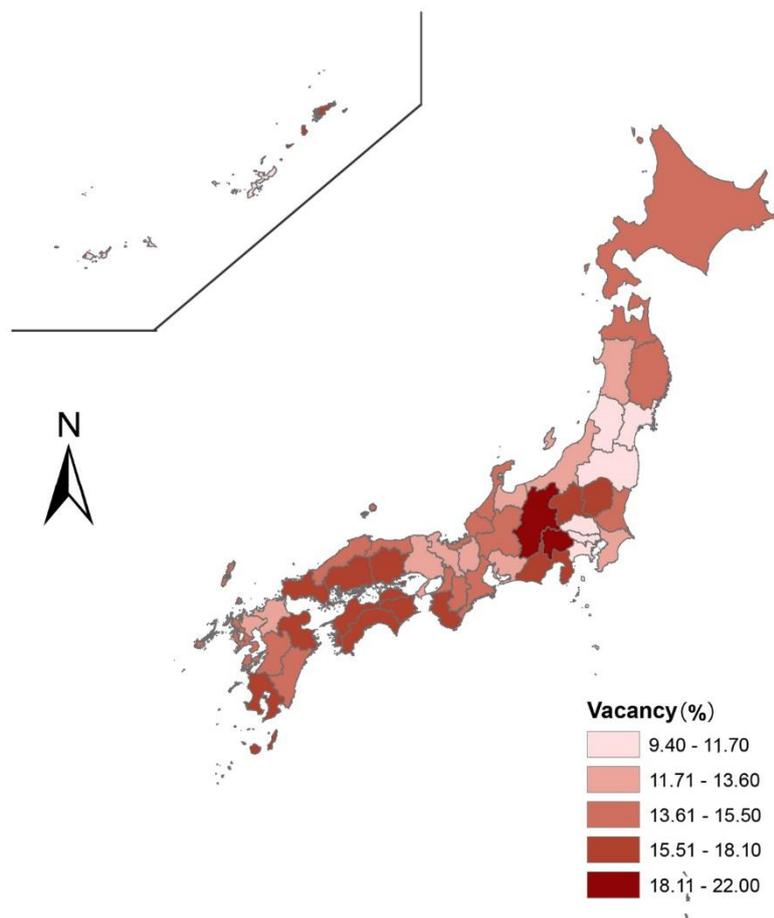


Figure 3: Housing vacancy rate in Japan by prefectures in 2013

Date Source: Housing and Land Survey of Japan 2013, Statistics Bureau of Japan

There has been substantial domestic discussions on the cause of the high vacancy rate. Reasons such as population ageing and population decline, financial hardship to rebuild or demolish dilapidated housing, and concerns on tax increase associated with turning vacant detached housing to vacant land have been raised frequently (e.g., Fukuda, 2013). These reasons do have some relations to housing vacancy but are just observation and experiences of events in the empirical world, rather the fundamental causal mechanism of vacancy production. The critical realism theory of science suggests that there is an ontological distinction between scientific laws and patterns of events; real structures exist independently of and are often out of phase with the actual patterns of events (Bhaskar, 2009). The “real structures” of vacancy production in Japan are yet to be uncovered.

Japanese policy-makers at both the national and local level have noticed the vacant housing issue. Policy measures such as “Vacant Housing Reuse Project (*akiya saisei nado suishin jigyo*)” (The Minister of Land, Infrastructure, Transport and Tourism of Japan, 2009) and “Vacant Housing Bank (*akiya banku*)” (e.g., Nikko City, 2014) were taken. However, these measures can hardly be regarded as useful since the vacant housing stock and vacancy rate are still increasing.

Existing approaches to housing vacancy cannot explain the case of Japan. Few domestic discussions have provided convincing explanations on the underlying cause of the high vacancy rate. An insufficient understanding of the mechanism of vacancy production impedes effective policy making, hence this research also aims to build a better understanding of the cause of the phenomenon and thereby provide policy implications.

1.4 Methodology: Political Economy and Historical Institutionalism

This section outlines some of the broad parameters of the thesis methodology whereas specific details are left to individual chapters. The research takes guidance from housing politics, political economy, and political science to examine the logic of the centrality of housing development in Japan's capitalism. The primary empirical evidence is qualitative data from academic literature, government reports, meeting minutes, and policy documents detailing Japan's post-war social and housing transition and quantitative housing and demographic data from the Statistics Bureau of Japan censuses and other surveys (e.g., Housing and Land Survey) conducted throughout the post-war period.

Political economy believes that a self-regulated market never exists as it must be in classical economic theories, rather, the market is embedded in politics, religion, culture, and social relations (Polanyi, 1944). By employing a political economy perspective, this research assigns importance to the institutional context of the housing market in understanding housing production and consumption.

Once accepted the "embeddedness" (Polanyi, 1944) of economy within the wider social and political context, it is important to notice that the context evolves over time. Here, the method of historical institutionalism is helpful for studying the continuities and changes of that institutional context across time. The concepts of critical junctures, path dependence, and fast-moving/slow-moving institutions in historical institutionalist analysis offer insights to institutional continuity and institutional change.

Applying the framework of political economy and historical institutionalism to the case of housing development in post-war Japan, the research refers to the theory of the developmental state to understand Japan's macro political economy and the concept of productive welfare capitalism to understand the role of housing development in the state. The research traces the evolution of Japan's capitalist state and the change of the role housing

development played in the state. The interrelationship between the evolving of the state and the changing role of housing development over time sheds some light on the logic of the centrality of housing development in capitalism. The framework also enables to examine how the equilibrium in the housing market has been shaped by various social and political institutions, thus giving understanding on the mechanism of the accumulation of vacancies.

Figure 4 shows the theoretical perspectives of the research.

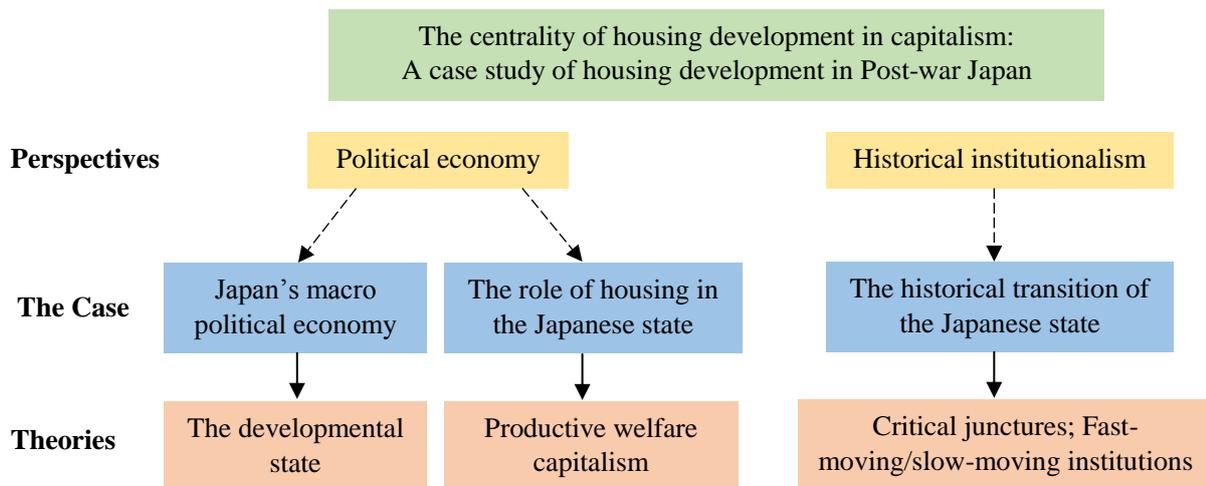


Figure 4 Theoretical Perspectives

1.5 Thesis Overview

Following this introduction, the thesis has six remaining chapters. The second chapter, titled “Political Economy and Housing” presents further theoretical and conceptual explanations on a political economy perspective on housing and vacancy. It elaborates on what is a political economy perspective and why such a perspective is important for understanding the housing and vacancy question.

Chapter Three, “Historical Institutionalism and Housing” adds a historical dimension to the political economy analytical framework. A historical institutionalist approach is used to analyze the evolution of the capitalist state and the changing role of housing development in the state over time. The integrated approach of political economy and historical

institutionalism enables tracing how housing development has been centralized in the capitalist state over time and shedding some light on the logic of that process.

Chapter Four, “Housing Development in Post-war Japan: A Political Economy and Historical Institutional Analysis Framework” applies the aforementioned conceptual framework to analyze the case of Japan. Referring to the theory of the developmental state and productive welfare capitalism, the chapter theoretically discusses the evolution of Japan’s post-war macro political economy and the change of the role housing development played in Japan’s capitalist state.

Chapter Five, “Housing Development in Post-war Japan: An Empirical Analysis” provides empirical evidence for the theoretical discussion in the previous chapter. It examines the continuities and changes of the state, explores the change in the role housing development played and the evolution of housing policies, and explains the continuous increase in vacancies during the post-war period.

Chapter Six, “The Vacancy Crisis, Policy Responses, and the Social Impact” identifies how the vacancy issue has been perceived in Japan, reviews current policy measures on housing vacancy, and analyzes why those policies failed to slow the increase of vacancies. Moreover, the discussion draws inspiration from the idea of housing as an asset-based welfare to explore the impact of housing oversupply and accumulation of vacancies to the household.

The concluding chapter brings together the key findings in each chapter. It serves as a platform to relate the empirical findings to the broader conceptual themes introduced in this and subsequent chapters. The empirical conclusion accounts for the wider social implication of the phenomenon, policy suggestions, speculation on the future of Japanese housing, and what the rest of the world can learn from Japan. Conceptually, the research permits conclusions regarding the logic of the centrality of housing development in capitalism.

Chapter Two: Political Economy and Housing

The term of political economy refers to a number of different things. Sometimes it was viewed as interdisciplinary studies of economics and politics in explaining the crucial role of political factors in determining economic outcomes, while it was also viewed as a methodological approach, which could be either an economic approach emphasizing individual rationality or a sociological approach emphasizing institutional analysis (Weingast & Wittman, 2008). This research uses political economy as a perspective to understand housing. It distinguishes such a perspective from the perspective of conventional economics. Unlike conventional economics that regard the economy as an isolated entity driven by its own set of rules based on the individual's rational self-interest (Mackinnon & Cumbers, 2007, p. 14), political economy views the market as socially constructed entities and insists upon the link between the economy and the society. A political economy approach situates the market within the broader social and political context. It assigns importance on the interplay between the economy and the relevant social institutions in determining economic outcomes.

Polanyi (1944)'s view of the economy as an institutionalized process is helpful for explaining how the economy is related to the wider social and political context. According to Polanyi (1957, p. 243), the economy must be viewed as a process of interaction between man and his natural and social environment, because the meaning of economy in its most general sense "derives from a man's dependence for his living upon nature and social environment" and such a process results in an ongoing supply of material to satisfy human needs. Polanyi (1944) coins the metaphor of "embeddedness", meaning that the economy is embedded in social institutions, to describe the relation between the economy and the society. The institutional setting of the market includes not only formal institutions such as private and public organizations but more importantly tacit institutions such as individual habits, group

routines, and social norms and values that structure the social relations between individuals and help to generate the trust that underpin legal and contractual relationships (Amin, 1999).

For Polanyi (1957), these social and political institutions regulate and sustain the well-function of the market.

But why a political economy perspective contributes to understanding housing? Bengtsson (2012, 2015) argues that the reason lies in the special mechanism of housing provision resulted from the dual character of housing. According to Bengtsson (2012, 2015), housing is at the same time an individual market commodity, which should as far as possible be distributed in accordance with individual consumer preferences; housing is also a public good demanding state involvement, which should ensure the politically defined housing needs can be fulfilled. In other words, market contracts serve as the main mechanism for distributing housing, while state correctives to the market can probably ensure that housing is affordable but could not distribute “standard” housing to every household. Due to the indirect role of the state and the involvement of various sectors at different levels in housing provision, the implementation of housing policy is not so much a matter of bureaucratic procedures but rather a “game” between these actors (Bengtsson, 2012). Such a special mechanism of housing provision implicates that the game between political actors is crucial in determining housing outcomes.

Although Polanyi’s view of economy as an institutionalized process indicates that virtually every commodity is politically significant and every market needs its institutional setting, Bengtsson’s analysis of the special mechanism of housing provision shows that housing is probably of more political importance than other commodities and the market of housing diverges more from the so-called free market in the mainstream economics than that of other commodities. Housing is an item with high “institutional thickness” (Amin & Thrift, 1993) due to the various institutions involved in housing provision and the complexity of their

interactions. Such feature of housing reinforces the importance of understanding housing from a political economy perspective.

Having accepted the importance of a political economy perspective on housing, the chapter clarifies some conceptual issues on this perspective on housing and vacancy. It begins by explaining what could be meant by a political economy perspective on housing. Then, the discussion extends to why such a perspective is important to examine housing vacancy and how to employ this perspective to study housing vacancy.

2.1 Political Economy and the Housing Question

Despite the importance of a political economy perspective on housing, there are not much research from this perspective, particularly when compares to the abundant literature on housing-as-policy and housing-as-market (Aalbers & Christophers, 2014). A discussion on the cause of the modest position of political economy in housing (see Bengtsson, 2009) lies beyond the scope of the thesis. I just simply state the fact. This section looks at some existing research examining the housing issue from a political economy perspective and identifies how this perspective on housing has been interpreted.

A classical definition of political economy is that this term refers to the study of production and trade, and their relations to the wider social and economic context (Engels, 1877/2016). Housing is produced commodities of shelter that are being traded on the market (exclude a very small proportion of self-build housing). A traditional political economy perspective on housing thus focus on the production and trade of housing and their relations with social institutions. However, Aalbers and Christophers (2014) notice the social implications of housing which are beyond a commodity for trade and suggest a wider meaning of the political economy of housing. They argue that housing as a product of labour is only one

small dimension of its significance to capital circulation and expand the traditional view to build a broad sweep of the political economy of housing. They centralize “capital”, which is the core category of political economy, in housing and identify the multiple roles of housing when capital is considered from the perspective of each of its three modality of capital: capital as process of circulation, capital as social relation, and capital as ideology.

Besides theoretical discussions, there has been a few empirical research on housing from a political economy perspective. For example, on the macro-level in which the state sets regulations for the national housing market, Walks (2014) examines how the Canadian housing and mortgage policies intervened to save its finance and real estate sectors after the financial crisis by state policies toward financial deregulation, lending standards, mortgage securitization, and etc.. Political factors are also evident on the micro level, in which housing consumers enter into the local housing market and deal with various private and public providers of housing. For example, Han and Wang (2003)’s study of the property market in Chongqing, China find that Chongqing’s property market was dominated by state intervention, since the local government not only set the rules and governing the process of housing development but also actively participated in the generation and sharing of benefits. Fields (2015)’s research examines how urban community organizations contend with financialization in their practice, and by attending to the dynamics of financialization in the rental market in order to preserve affordable rental housing in New York City.

As shown in these empirical studies, owing to the distinct institutional settings of housing markets between places and over time, there were considerable variations in how housing enters the local political economy. Consequently, there were various ways to engage political economy with the housing question, depending on the political institutions being focused. But a common feature of this research is that, it places housing under the political-economic context, rather studies housing in isolation from the societal context.

2.2 A Political Economy Perspective on Housing Vacancy

When considering the housing vacancy question, an unavoidable issue is the supply-demand relationship because vacant housing directly generates from the oversupply of housing. For the aforementioned embeddedness of the market in its social and political context and the special mechanism of housing provision, the supply-demand relationship of housing is far more complex than a classical market relation which is supposed to be adjusted by the invisible hand of the market. Rather, the relationship is shaped by the institutional context of the housing market. A political economy perspective on housing vacancy links housing to the social and political institutions of relevance to housing provision and consumption, and places importance on the actions and interactions of these institutions in shaping the supply-demand relationship in the housing market.

Under the background of the modest engagement of political science in housing studies, housing vacancy has seldom been examined from a political economy perspective. A relatively close study is Weber (2010, 2015)'s research on the overbuilding of commercial space in Chicago. She investigates how the local government crafted a redevelopment incentive - Tax Increment Financing to convert political control into fiscal strength and participate in the debt-fueled Millennial property boom (Weber, 2010). She further explores the role of the property developers and their interactions with other agents in the construction process, and shows how the circulation of capital is performed and emphasizes the process of "co-construction" to explain how supply and demand interact and combine in overbuilding (Weber, 2015). Weber (2010, 2015)'s research implicates that the oversupply of commercial space is not a pure market phenomenon because the local state's financial instruments pushed

the build of new commercial space and consequently the old one was eliminated from the market.

Due to the lack of research on housing vacancy from a political economy perspective, here I attempt to shed some light on the mechanism of vacancy production. The analysis is limited to long-term (non-frictional) vacancies, which means that short-term (frictional) vacancies generated from the market function for household mobility and speculative demand are excluded. The reason is that as mentioned in the introduction chapter, different types of vacant housing generate through different mechanisms and thus should be addressed separately. Moreover, housing economists have already conducted a wealth of research on the production of frictional vacancies and speculations. These short-term vacancies, due to the much shorter time span of their formation and disappearance, are inclined to be affected more by market processes than institutional factors.

Similar to the mechanism of housing provision which can only run through the market, although the supply-demand relationship of housing in the market is shaped by institutional factors, housing ultimately becomes vacant via a market filtering process. When the housing is no longer popular on the market, it becomes long-term vacant. Thus, long-term vacancies must have suffered a considerable decrease in market value. Now the key question turns to what has caused the depreciation of long-term vacancies.

It is important to notice that when speaking of the value of a house, in most situations we are actually speaking of the inseparable value for both the physical house and the underlying land. The three important features of a property are “location, location, and location” on the grounds that the property can be altered but where it is cannot be changed (Jowsey, 2011, p. 44). In other words, the value of housing is determined not so much by the value of the physical housing but dominantly by that of the underlying land.

Now it is clear that the drop in the marketability of long-term vacancies is largely due to the depreciation of the underlying land. The location of the land is no longer regarded as “great” on the market. The production of long-term vacancies thus includes a shift of hot spot and cold spot in the local housing market. The key to explain this process is to find out how the spatial structure of the local housing market has been shaped by institutional factors.

2.3 Discussion

The chapter discussed what a political economy perspective on housing and housing vacancy means. Such a perspective places housing under the wider social-political context and emphasizes the various social and political factors’ shaping of housing outcomes. Specifically speaking of housing vacancy, this perspective focus on how institutional factors shape the supply-demand relationship of the housing market. A detailed analysis of vacancy production indicates that a long-term oversupply of housing is resulted from the shaping of the spatial structure of the local housing market.

A political economy perspective on a macro level explores how the actions and interactions of the state, market, and society shape housing provision and consumption, thus shedding some light on the centrality of housing development in capitalism. However, this perspective does enables explaining the role housing development plays centralized in each individual capitalist state but is insufficient to reveal the logic of that process. The next chapter integrates a historical institutionalist approach to the political economy perspective to address that question.

Chapter Three: Historical Institutionalism and Housing

Once accepted the embeddedness of the economy within the social and political context, it is important to recognize that the context changes over time as society evolves. This chapter adds a historical institutionalist analysis to the political economy perspective. A historical institutionalist analysis enables tracing how housing has been centralized in the capitalist state over time, thus shedding some light on the logic of that process. Additionally, a historical dimension is also helpful for understanding housing vacancy. Due to on the “supply side” the longevity and physical sluggishness of the housing stock (Arnott, 1987; Stahl, 1985) and on the “demand side” the social importance of dwelling and the “attachment costs” (Dynarski, 1986) associated with a household’s transfer to another dwelling in another area, the supply and demand of housing change slowly. Hence it is worth examining housing vacancy from a historical perspective.

North (1990, p. 3) defines institutions as constraints on behavior imposed by “the rules of the game” in society: “institutions include any form of constraint that human beings devise to shape human interaction.” This definition is very broad which includes not only substantive organizations (both governmental and non-governmental) but also non-substantive items such as ideology, social norms, cultures, and world values that shape actions in social, political, and economic processes. Institutionalists believe that institutions are relatively persistent features of the historical landscape and one of the central factors pushing historical development along a set of “paths” (Hall & Taylor, 1996). Institutional analysis understands sequences of social, political, and economic changes through examining the creation, persistence, and change of institutions across time. The chapter begins with explaining some essential ideas in institutional analyses. Then, the discussion looks at existing research adopting a historical institutional approach to housing. Finally, a framework for examining

the logic of the centrality of housing development in capitalism is built by integrating a political economy perspective to historical institutional approaches.

3.1 Institutional Continuity and Institutional Change

The most well-known idea in historical institutionalism may be “path dependence”, which is usually simplified into “history matters” where previous norms, institutions, or perceptions have survived over a long time (Sewell, 2005, pp. 101-102). But the empirical challenge is not to prove the assumption that history matters, which is probably always true as causal determinism suggests that every event is necessitated by antecedent events and conditions together with the laws of nature. What is important is to identify in what respect and via what type of mechanisms history matters under a certain context (Bengtsson & Ruonavaara, 2010). To address the above issue, institutionalists have developed systematic explanations on how institutions are created, continued, and changed in structured ways (e.g., Pierson, 2000; Roland, 2004; Thelen, 1999). Given the vast scholarship in this area, a comprehensive overview is impossible here. I only highlight the two concepts that will be applied to the case study later.

The first concept is Roland (2004)’s typology of institutions. Roland argues that some sort of classification is important because in order to have a meaningful understanding of institutions as systems, one must have a conceptual framework to understand the interactions between the various institutions at work within that system. He distinguishes between “slow-moving” institutions (such as culture which akin to informal rules) and “fast-moving” institutions (such as political institutions which akin to formal rules) based on the capacity of institutions to change rapidly or slowly, and the patterns of institutional change in big steps or incremental. He describes political institutions as subject to rapid change in revolutionary

moments, while slow-moving institutions such as culture and social norms evolve slowly and continuously. He proposes to view institutional change as the interaction between slow-moving institutions, culture in particular, and fast-moving institutions such as political and legal institutions.

Another concept to be highlighted is critical junctures. Most historical institutional analyses have based upon a “punctuated equilibrium” model of change, which assumes that long periods of institutional continuity follows infrequent but dramatic institution-creating during short evolutionary periods, appearing back and forth (Capoccia & Kelemen, 2007). Critical junctures refer to the punctuation points in the “punctuated equilibrium” model. Junctures are “critical” because they place new institutional arrangements on new developmental pathways which are then difficult to alter (Pierson, 2004, p. 135). Critical junctures are triggered primarily by exogenous forces because such dramatic changes can rarely be produced by path-dependent existing institutions. Whether an exogenous force can trigger a critical juncture depends on the specific institutions and the context. Such a force can be a significant breakthrough in science and technology, a dramatic change in social and economic environment, or big incidence in natural environment. At these moments of contingency, old policies and understandings no longer work and new solutions need to be found (Katznelson, 2003).

3.2 Historical Institutional Approaches Toward Housing

As the goal of most institutionalist research is to understand how institutions shape political outcomes, the relevant institutions and their specification should be specified for each study (Immergut, 1998). Applying institutional analysis to housing, firstly there raises the question of which institutions are the object of research. There exist numerous housing institutions,

which consist not only formally codified and collectively enforced sets of rules that have been developed to regulate the housing market, but also social norms and cultural values toward property right, home ownership, space, and family.

Existing research adopting institutional approaches to housing has focused on a wide variety of housing institutions. In a historical comparison study between the divergent housing trajectories in Australia and the Netherlands, Lawson (2006) focuses on the historical and spatial definition of property rights, saving and investment, and on labour and welfare relations. Lowe (2004) analyzes the sometimes dramatic historical development of the British housing tenure structure during the 20th century and identifies that the key lies in some critical junctures and in particular the impact of the two world wars. The existing research is not restricted to the national level. Robertson, McIntosh, and Smyth (2010) use path dependence to examine why the social identity of particular neighbourhoods can be persistent. They investigate the over-80 year's historic trajectories of three neighborhoods in the Scottish city of Stirling and identified the important role of class in determining social attitudes toward these areas and explained why their relative social positioning has not altered. Owing to the dense collection of institutions in housing, historical institutional approaches seem to be fruitful to housing studies. Particularly, these approaches are adept at comparative studies across countries and the explanation of housing transition in one country over time.

3.3 A Political Economy and Historical Institutional Framework

This research proposes a political economy and historical institutional framework to explore the logic of the centrality of housing development in capitalism. Such a framework enables examining the transition of the institutional foundation of the capitalist state and the

associated change of the role housing development plays in the state. Through tracing the change in the way housing development has been centralized in the state over time, identifying the continuities and changes, the framework enables sorting out some causal mechanisms of that process.

Differing from the existing studies that focus directly on housing institutions as the object of institutional analysis, this framework marries institutional analysis indirectly. The reason to adopt such an indirect way is that, due to the important role of housing development in capitalism, housing policies are often subordinate to state policies. This framework understands the change in housing policies through considering the change in the institutional foundations of the state and the role housing development plays in the state.

The institution to be examine in this framework is the institutional foundation of the capitalist state. It is important to notice that, the state is a system of institutions, not a single institution. Pempel (1998) creates the concept of regime, which he suggests can be thought of as being composed of three main elements: socioeconomic alliances, political-economic institutions, and a public policy profile. Inspired by Pempel (1998)'s idea, I suggest that the institutional foundation of the state consists of three different layers of institutions: ideologies, political-economic institutions and their alliances, and a public policy profile. Ideology refers to shared ideas and beliefs which serve to justify the interests of dominant groups (Gramsci, 1971). It legitimizes relations of power and resource distribution and produces the social norms in establishing political-economic institutions and making public policies. Political-economic institutions include both governmental and non-governmental ones at different levels. They are driven by underlying ideologies. They participate or influence policy-making and implementing. A public policy profile refers to the concrete guidelines that regulate human action.

As there exists such a large cluster of institutions in the state, it is important to notice that different institutions change in different patterns. Ronald (2004)'s idea of fast-moving/slow-moving institutions is helpful in understanding these differences. Crudely dividing up the institutions in the state, the ideological institutions are slow-moving institutions while political institutions and public policies are fast-moving institutions. Ideologies usually change slowly and incrementally while political institutions and public policies change dramatically and in big step. The concept of critical juncture is useful to analyze the change of those fast-moving institutions. The changes are usually triggered by crises and can be seen as the state's response to new challenges.

3.4 Discussion

The chapter firstly introduced institutional analysis and explained how it can be used to study housing. Then, by integrating a political economy perspective and a historical institutionalist method, it established a theoretical framework to examine the logic of the centrality of housing development in capitalism. A political economy perspective relates housing to its wider social and political context. This perspective emphasizes considering what role housing development plays in the capitalist state to understand housing issues. A historical institutionalist analysis offers insights into the continuity and change of the institutional foundations of the state. This framework enables tracing the historical transition of the state and the role of housing development in it, thereby shedding light on the logic of the centrality of housing development in capitalism.

Such an indirect way to apply institutional analysis to housing issues is justified by the political economy significance of housing. Due to the centrality of housing development in capitalism, housing policies are often subordinated to state policies. Thus, it is reasonable to

understand the change of housing policies through exploring the transition of the state and the associated change in the role housing development plays in the state.

Chapter Four: Housing Development in Post-war Japan: A Political Economy and Historical Institutional Analysis Framework

The previous two chapters have established the theoretical framework of the research. This chapter and the following chapter apply the framework to the case of housing development in post-war Japan. These chapters trace the evolution of the institutional foundation of the state, the associated change in the role of housing development plays in the state and the institutional context of the housing market, and the mechanism of vacancy production in the housing market. This chapter builds the theoretical basis and the next chapter further offers empirical evidence.

This chapter starts with explaining the Japanese model of capitalism based upon the theory of the developmental state. Then it places the housing sector under such a political context and explains the logic of Japan's housing policies during the post-war period. After that, structured by concepts of critical junctures and fast-moving/slow-moving institutions in historical institutionalist analysis, the transition of the state and the role of the housing sector in the state are discussed.

4.1 The Developmental State

The theory of the developmental state is a good starting point to understand the Japanese model of capitalism. This theory is initially conceptualized to explain the phenomenon of economic miracle in several East Asian countries in the mid-late twentieth century (Johnson, 1982). The developmental state literature contends that this phenomenon is best explained by the political feature of the state of these countries (e.g., Haggard, 1990; Johnson, 1982; Wade, 1990). This feature is that, as Leftwich (1995, p. 401) defines, “(having) concentrated sufficient power, autonomy, and capacity to shape, pursue, and encourage the achievement of

explicit developmental objectives”. Underlying the developmental state regime is the economic ideology of developmentalism, which believes that economic progress is best achieved when the state leads the nation in promoting economic change (Hill et al., 2012, p. 5).

Developmentalism and the developmental state are not manna from heaven. There have been various explanations on their origin. Gerschenkron (1962) recognizes the need for a state with developmental functions for late industrialized countries. He suggests that countries which were far behind the technological frontier of their day enjoyed a great advantage: they could simply imitate what had already proved successful elsewhere, without having to assume either the costs or the risks of innovating on their own; hence, the cooperation between state and major industries is crucial for maintaining stable macro economy in those countries (Gerschenkron, 1962). Johnson (1982, p. 25) contends that the developmental state arises from “a desire to assume full human status by taking part in an industrial civilization, participation in which alone enables a nation or an individual to compel others to treat it as an equal.” Doner, Ritchie, and Slater (2005) argue that the powerful states are developed to tackle the challenges of delivering side payments to restive popular sectors under conditions of extreme geopolitical insecurity and severe resource constraints. While a full exploration of the institutional genesis of developmentalism and the developmental state lies beyond the scope of this thesis, the existing literature suggests that the issue is related to the timing of industrialization, culture, and geography.

Developmentalism, like other ideologies, exists in pure form only in the imagination (Hill et al., 2012, p. 8). The expression of developmentalism is consistently being shaped by the local situation. Hence, the geographical and historical expression of developmentalism is uneven, displaying differences in socioeconomic alliances and political-economic institutions locally and across time. During the post-war period, responding to the changing social economic

situations and international political ideologies, the Japanese developmental state has experienced immense transition, which is explained later in this chapter.

4.2 The Role of Housing in the Developmental State

Since that the developmental state places highest priority on industrialization and economic development, its social policies are subordinated to economic objectives rather than serving as a right of citizenship. Holliday (2000) conceptualizes such type of welfare states as “productive welfare capitalism” as a supplement to Esping-Andersen (1990)’s comparative studies of welfare states. Esping-Andersen (1990) classifies welfare states based on the degree of decommodification in social policy and identifies three types: social democratic, conservative, and liberal. However, Holliday (2000) found that East Asian countries do not fall under this classification. Different from Esping-Andersen (1990)’s grouping which is articulated by protective intents, the welfare states in East Asia are articulated by their productive intents. A defining feature of such regimes is that the state “extends some social rights to productive elements of the population and thereby creates a kind of aristocracy of labour” (Holliday, 2000, p. 710). Under the category of “productive welfare capitalism”, Holliday (2000) further classifies Japan with South Korea and Taiwan as a “developmental-universalist” productivist form of welfare capitalism, in which social policies are either sacrificed in favour of the needs of economic growth or developed to serve economic objectives.

According to Holliday (2000)’s idea of productive welfare capitalism, social policies are generally “productive” in East Asian developmentalist countries. But owing to the speciality of housing as a component of the welfare state, housing often becomes a key field of state intervention for economic purposes. Housing studies scholars picture housing as the “wobbly

pillar” under the welfare state (Harloe, 2008; Torgersen, 1987) or as the “cornerstone” of the new welfare state (Lowe, 2004; Malpass, 2008). These apparently contradictory metaphors are all tenable because they are two different ways of thinking about the relationship between housing and welfare state (Malpass, 2008). The image of housing as the wobbly pillar derives from a conventional view of the welfare state as a set of public goods and services, of which housing is recognized as a special welfare state component. The dual character of housing as both a market commodity and a social welfare product as well as its nature of no fairly clear standard left the housing sector prone to be a residual welfare sector (Harloe, 2008, p. 2; Torgersen, 1987). The cornerstone image comes from that the expansion of home ownership could increase the economic capacity of households and potentially compensate for diminishing in other social welfare components (Ronald & Doling, 2012).

The dual character of housing as a market commodity and a social welfare product, as well as the captive intense nature of housing has offered the developmental state immense opportunities to manipulate housing for economic purposes. In developmentalist countries, the housing sector contributes to economic growth mainly through playing the economic role and the social welfare role (Doling & Ronald, 2010; Ronald & Doling, 2012). On one hand, housing construction is pushed forward as a means of directly contributing to economic growth through motoring the construction industry and stimulating domestic demand. On the other hand, home ownership as an “asset-based welfare” (Doling & Ford, 2007; Torgersen, 1987) increases the welfare capacity for families, thus offsetting the burden of the state for citizens’ well-being (Ronald & Doling, 2012; Ronald & Kyung, 2013). Kemeny (2005) vividly describes such an interchange as “the really big trade-off”.

In summary, in developmentalist countries, the ideology of developmentalism assigns absolute primacy to national economic growth objectives. Under such a political context and also due to the special role of housing in the welfare state system, housing has been

aggressively manipulated to contribute to the developmentalist objectives through playing the economic role and the social welfare role. The proportion of these two roles are adjusted according to the changing social-economic situation, so as to maximum the housing sector's performance in contributing to the developmentalist goals.

4.3 The Evolution of the Japanese State and its Housing: Incremental Changes and Critical Junctures

The Japanese state, similar to other states, is not static but evolves with the changing domestic and international circumstance. Here, the transition of the Japanese state is important because it implicates the change in the institutional foundation of the state and the associated change in the way housing was manipulated to contribute to economic growth.

The section uses historical institutionalist analysis to understand the evolution of the institutional foundation of the Japanese state and the consequent change in the role of housing development in the state.

The developmental state can be thought of as being composed of three layers of institutions: the ideological institution of developmentalism as the central tenet; a set of political-economic institutions and their relationships at the middle level; and a public policy profile on the surface. These institutions evolve in different patterns and continuously interact with each other. Dividing up based on Roland (2004)'s idea of fast-moving/slow-moving institution, the ideology of developmentalism is a slow-moving institution, which changes slowly and incrementally; the social and political systems, policies, and regulations are fast-moving institutions, which change in sharply and in big steps.

During the post-war period, the Japanese state has been influenced by external economic ideologies and crises. Keynesianism and neoliberalism are the two most influential economic

ideologies that have dominated the capitalist world in terms of economic thinking, policy making, and even virtually every corner of the social-economic life in different historical periods after the Second World War. The influence of these two ideologies on the Japanese state was incremental but long-lasting. In contrast, the external crises urged the state turning sharply in a much shorter period of time.

As mentioned before, at time of crises, institutions are more easily to change because the old institutions do not work and new institutions need to be found to tackle the new challenges. Hence, there are two blended threads of change in the Japanese state – the incremental influence caused by Keynesianism and neoliberalism and the sharp turns triggered by external crises. The following sections discuss how these external ideologies and crises have shaped the Japanese state and the role housing development played in the state. This chapter only outlines some of the broad parameters while specific details are left to the next chapter.

4.3.1 The developmental state under Keynesianism

During the first thirty years of Japan's post-war period, Keynesianism constituted the dominant paradigm for understanding the determination of economic activity in the capitalist world. Keynesianism maintains that the level of economic activity is determined by the level of aggregate demand created by households, businesses, and the government (Blinder, 2008). Capitalist economies are subject to periodic weakness in the aggregate demand generation process, resulting in unemployment and economic crises. Under such an understanding of the mechanism of economic activity, monetary and fiscal policies are important because they can stabilize the demand generation process. Keynesian economists urge and justify a government's intervention in the economy aiming to stimulate business activities, achieve full employment, and reduce deflation.

Influenced by Keynesianism, the Japanese developmental state showed some similarities to Keynesian states. The state policies heavily skewed to industrial policies of production and trade to generate social wealth. The regional policies redistributed wealth drawn from production and trade between tax-rich main metropolitan areas and relatively poor areas (Hill & Fujita, 2000). The unemployment rate was deliberately maintained low. Japan turned to a relatively egalitarian society. The majority of people perceived themselves as in the social mainstream. However, these policies were fundamentally aimed at national economic growth rather than the Keynesian social well-being. It is developmentalism that drove these Keynesian-like policies.

The housing policies during this period showed some similarities to a Keynesian welfare state, as evidenced by the government-fostered home ownership through providing long-term, low-interest, and easily attainable housing mortgages. But unlike the housing sector as a prime beneficiary of government-induced economic growth under Keynesianism (e.g., Florida & Feldman, 1988), the Japanese housing sector was more like an industry infrastructure used to contribute to the developmental goal. The standard of the quality of housing was deliberately kept low so that housing could be provided at less cost. The housing policy system discriminated against rental housing and social housing (Hirayama, 2006).

4.3.2 Neoliberalism and the neoliberal turn of the state

From the late 1970s, the economic ideology that dominated the capitalist world started shifting from Keynesianism to neoliberalism. Such a shift happened under the background of signs of a serious crisis of capital accumulation and that Keynesian policies were no longer working (Harvey, 2005, p. 12). Neoliberalism proposes that human well-being can best be achieved by “liberating individual entrepreneurial freedoms and skills within an institutional

framework characterised by private property rights, free markets and free trade” (Harvey, 2005, p. 2). It opposes state interventions in social and economic affairs and applauds reliance on market mechanisms.

Apparently, the tenet of neoliberalism exactly contradicts with developmentalism, which legitimates the dominate power of the state. Similar to the way in which Keynesianism was absorbed, the developmental state accepted the superficial form of neoliberalism while has kept the tenet of developmentalism. There has been a decentralization and deregulation of power and increased private sectors’ participation in social and economic activities but without the state necessarily losing the overall control. In the developmental state, neoliberalism is a “selective” liberalization of political economy (Hill et al., 2012). This process looks like the developmental state’s response to the new social economic order. The motivation was still to achieve the developmentalist goals to the maximum.

Japan has been gradually adopted market-based reform measures from the 1980s and further embraced neoliberalism after the 1989 economic crisis, as evidenced by the privatization of public corporations, decentralization of power, expanded inequality among local governments, and increased unemployment rate and income inequality. However, the underlying ideology of these reforms decidedly differed from the western neoliberal states. Neoliberalism and its underlying market-rational individualism have never had real purchase as an ideological basis of government reform in Japan (Ohtake, 1999). State officials have promoted neoliberal reforms under the developmental rationale that freer markets are necessary for upgrading the national economy (Hill et al., 2012, p. 2). This rationale exactly followed the tenet of developmentalism.

In Japan, deregulation and privatization of the housing system has been at the forefront of neoliberal prescriptions for socio-economic development (Forrest & Hirayama, 2009). The

government has been retreating from the direct provision of housing. Instead, the private sector has been increasingly participating in housing construction and provision. However, the private sector's participation was strictly guided and governed by the state. These transformations showed the state's strategies to use housing to boost economic growth under the neoliberal context. The purpose accords with the ultimate goal of economic growth in developmentalism.

Keynesianism and neoliberalism affected the Japanese state in the same way. The state imitated the Keynesianism-like and neoliberalism-like policies while kept its own developmentalism. However, it is important to notice that the timing and depth of the influence of Keynesianism and neoliberalism to the state as well as its housing sector is related to crises. The following section explains how the state has been shaped by crises.

4.3.3 Crises and the change of developmental pathways

In a “punctuated equilibrium” model of the evolution of the Japanese state, crises mark the critical junctures when sharp turns happen. Hence here raises the question that which crises to be considered as critical junctures. Existing studies on Japan's post-war political economy have generally agreed upon the most critical state regime shift is the one triggered by the 1989 economic crisis (e.g., Fujita, 2011; Pempel, 1998), though most of these studies do not involve concepts in historical institutionalism. Here, I further include two other crises – the first oil crisis in 1973 and the global financial crisis in 2008. The reason is that I have observed changes in the way housing development contributed to economic growth after these crises. Although at a lower level of criticalness than the 1989 one, these crises are worthy of attention in this research. In addition, the end of the Second World War is arguably a critical juncture. The start of Japan's rapid economic development period in mid-1950s is

also considered as a critical juncture because it was the time when the prototype of the Japanese state model was established and all later changes were based on this model.

Immediately after the War, facing the desperate social and economic situation, the state prioritized rebuilding the lost industrial capacity. Limited fund and resources were almost fully injected to industrial development. Housing reconstruction was ignored because it was not the priority sector of industrial production. In the mid-1950s, when the industrial production recovered back to the pre-war level, the state established the institutional arrangements for the rapid economic growth. Japan's postwar developmental state regime has the following characteristics: a stable political-bureaucratic elite run the state; relations between public and private sectors are guided by a planning agency; state income distribution is relatively egalitarian; and state economic intervention is based primarily on market incentives (Johnson, 1982). Under such a state regime, the state led mass housing construction and dominated the provision of housing mortgage. Housing was expected to contribute to economic growth through driving the construction industry and increasing social stability.

The third critical juncture is the first oil crisis happened in 1973. The upsurge of the oil price interrupted the high-speed economic growth and triggered the industry restructuring from energy consumption to high-technology sectors. The state strived to maintain the level of economic growth through expanding social welfare and housing development became one of the key strategies. The state drove housing construction in the era without housing shortage.

The last two critical junctures are the economic crisis happened in 1989 and 2008.

Particularly, the 1989 economic crisis stands out as the most critical juncture in Japan's post-war history. The two crises were placed together because as Fujita (2011) argues, both of them were caused by global imbalance and pushed the state shifting to similar directions.

Under a neoliberal context, the state policy transformed toward a neoliberal-like tendency as evidenced by privatization, deregulation, and the accentuated market's role. However, the developmentalist tenet remained. The motivation of the transformation was the aspiration for economic growth, not the liberal spirit.

After the 1989 economic crisis, the state encouraged the private sector to engage in urban development for economic stimulus. New urban development projects were justified by literally responding to the social demand for better quality of life. After the 2008 crisis, the state continued to push ongoing shift further. The justification for continuous urban development further included the environmental issue and concerns on an aging society, which were emerging popular topics in the international world and domestic society respectively. Housing development as a major component of urban development was pushed forward.

4.4 Discussion

The chapter employed the political economy and historical institutionalist framework to analyze housing development in post-war Japan. It referred to the developmental state theory to understand Japan's macro-political economy and the idea of productive welfare capitalism to understand the role of housing in the state. Two key concepts from historical institutionalism – critical junctures and fast-moving/slow-moving institutions were used to trace the evolution of the state in responding to the changing international economic ideologies and external crises during the post-war period. Two economic ideologies and five critical junctures were taken into consideration. The influences of Keynesianism and neoliberalism are more concerned with gradual but ultimately transformative processes. The five critical junctures – the end of the Second World War, the start of the high-speed

economic growth, the 1973 oil crisis, and the two economic crises in 1989 and 2008 respectively triggered the sharp turns of political institutions and policies.

In the post-war period, the Japanese state has experienced immense transitions, adapting to the changing social circumstances and external crises. The ideology of developmentalism, which aspires economic growth has continued, while the specific way to achieve that aspiration has experienced several sharp changes. Similarly, the principle of housing-for-developmental goals has almost continued but the strategies to fulfill that principle has changed dramatically. These changes reflect the state's switch of rational choice to maximize the housing sector's contribution to economic growth when rapid change of social-economic situation happened. Still, the state's choices were not purely rational but constrained by its culture and worldview. While this chapter has devoted to theoretical discussions, the next chapter further provides empirical evidence.

Chapter Five: Housing Development in Post-war Japan: An Empirical Analysis

This chapter uses theory-guided narrative to provide empirical evidence on the evolution of the Japanese state, the consequent change in the role of housing within the state, and the transition of the institutional context of the housing market. The theoretical discussion in the previous chapter simplifies reality and drives the construction of the narrative. The narrative is assembled through a combination of governmental policies, planning documents, statistical surveys, and secondary sources. The flow of historical events is divided into five periods of continuity punctuated by the five critical junctures. The following three broad sets of research questions guide the narrative in each period.

- What were the institutional arrangements for the state to achieve economic growth?
- How housing was manipulated to contribute to the goal of economic growth and why such a manipulation was selected?
- How the market mechanism of housing demand and supply was shaped?

5.1 The End of the War to the Mid-1950s: Postponed Post-war Housing Recovery for the Priority of Industrial Recovery

5.1.1 Post-war reconstruction: prioritize rebuilding the lost industrial capacity

The Second World War had been devastating and cost Japan dearly in both human and material resources. Japan was in a desperate situation during the immediate post-war period. In 1945, the industrial capacity was approximately 10% of what it had been in 1930 (Sorensen, 2002, p. 139). At the end of the War, most Japanese cities were smouldering ruins. The nation was facing extensive food shortages and many people were on the brink of starvation. More than one-sixth of the nation's housing had been lost and homelessness were widespread (Dore, 1958, cited by Forrest, Kennett, and Izuhara, 2003).

The American-led occupation - General Headquarters (GHQ) governed Japan indirectly from the end of the War to 1952. The occupation aimed to democratize and decentralize Japan through reforming its political institutions, so that the totalitarian control and military aggression would be eliminated. However, the central governmental bureaucracy's value and desire of centralization, which were slow-moving institutions, cannot be altered overnight. Through controlling finance, duties, and personnel, central officials retained their absolute power over local affairs (Allinson, 2004, p. 72).

Under such a political context, the post-war reconstruction was essentially a central government-led activity. In order to rebuild the national economy in the most productive and efficient manner with scarce resources, the priority production program (*Keisha seisan hoshiki*) gave absolute priorities to the "priority sectors" of industrial development - electric power, coal, steel, and chemicals (Okazaki, 2001), which were assumed to have the capacity to promise quick returns and enhance the productive capacity of an economy.

5.1.2 Housing recovery yields to industrial recovery

Under the desperate social-economic situation in the immediate post-war period, housing reconstruction was obviously a heavy burden. The central government, who strived to prioritize rebuilding the national economy, showed a negative attitude toward housing recovery. Under the democratizing of Japan's economic institutions run by the GHQ, cooperation mainly funded by the government was given orders to be closed. The Housing Corporation (HC) (*Jutaku eidan*) was no exception. The HC was a private-public partnership cooperation that had provided mass housing during the War time. It was established in 1941 with the adoption of business from *Dojunkai* - a foundation established and funded by the Home Ministry aiming at providing mass housing in the pre-war period (Kuroishi, 2014). The

GHQ's command to close the HC was not non-negotiable as housing was an important necessity for the public, but the central government had no petition for that command (Ohmoto, 2005). Moreover, according to the meetings minutes of the construction committee of the House of Representatives in 1949, the construction committee suggested to exempt the HC from closing but the Ministry of Finance declined the request because of "financial difficulties" (Ohmoto, 2005). Finally, the HC was closed in 1951.

The central government had no clear vision on housing recovery and acted passively. "Financial difficulties" was only an excuse for the delayed housing recovery. The fundamental reason was the central government's desire to recover industrial development as soon as possible. During the post-war economic recovery period, housing construction was limited to the building of emergency shelters and workers' housing, which were essentially a component of the industrial recovery. Despite severe housing shortage and the spread of homelessness, housing construction for the general public was ignored. The pre-war industrial production had regained by 1953 but severe housing shortage remained. The vacancy rate was as low as 1.3% in urban areas in 1953 (Statistics Bureau of Japan, 2012). The speed of production recovery sharply contrasted to that of housing recovery.

5.2 The Mid-1950s to 1973: Rapid Mass Housing Construction for Urban Workforces during the High-speed Economic Growth Period

5.2.1 Strain every nerve to boost economic growth

Recovery from the War was followed by a nearly 20-year high-speed economic growth. From the mid-1950s to 1973, Japan's economy developed at a striking pace with the average annual GDP growth reaching as high as approximately 10%. The economic miracle cannot be explained without referring to Japan's economic bureaucracy (Johnson, 1982). The political

configuration that enabled the high-speed economic growth - as summarized by Johnson (1982) – primarily consisted the following elements: governmental officials unilaterally devised social and economic goals, state policies targeted at specific industries that deemed critical to economic growth and international competitiveness, and growth achieved through manufacturing production and export.

This growth model was financed through a centralized financial system governed by the banking bureau of the Ministry of Finance (MoF), which controlled the Bank of Japan and the banking sector (Aoki, 2001). Guided by the MoF, money flowed from household savings in post offices and other financial institutions into state institutions, and then channeled into borrowing firms in specified “strategic” industries through a small number of main banks operating under the administrative guidance of the MoF and the Bank of Japan (Aoki, 2001). In this way, the capital accumulation to sustain the high-speed economic growth was achieved through low-cost domestic debt. However, underlying such financial strategies were the expropriation of households’ savings and the suppression of consumption, a meagre resource allocation for the urban environment, and little expenditure on social capital and welfare (Fujita, 2000; Nagamine, 1986; Sorensen, 2002).

Although the provision of welfare services reduced the capital available for industrial development, the state recognized that to some degree, providing social welfare was indispensable for the high-speed economic growth. The “Income Doubling Plan” (*Shotoku baizo keikaku*) formulated by the Cabinet Office in 1960 declared that “social welfare is the driving force of economic development; establishing a welfare state by expanding social welfare institutions is the foundation for the development of liberal economic institutions” (Economic Planning Agency, 1960, p. 97). During the high-speed economic growth period, social policies were expected to contribute to economic growth through playing both the economic role and the social welfare role. Providing welfare services contributed to domestic

demand growth while also indirectly to social stability, which was a foundation for the high-speed economic growth.

5.2.2 Housing development for social stability

From the beginning of the 1950s, the central government enacted housing policies to set up post-war housing reconstruction. The so-called “three pillars” of post-war housing policy were systematized by: the Government Housing Loan Corporation (GHLC) Act of 1950, the Public Housing Act of 1951 and the Japan Housing Corporation (JHC) Act of 1955. The following explains how these “three pillars” spoke out the government’s intention of using housing development to drive economic growth.

The GHLC, established under the GHLC Act, was fully funded by the government. It primarily concerned with providing long-term, low-interest, and easily attainable mortgages for the acquisition or construction of housing. Before 1965, the availability of housing mortgage finance was restricted to public sources through the GHLC. Banks were not allowed to lend money for housing mortgage loan, so that housing would not compete with industries for capital. Meanwhile, the private financial sector was unwilling to provide long-term mortgage for the high risk of interest rate rise during the high-speed economic growth period. The GHLC thus became the dominant source of housing mortgage loan.

The Public Housing Act of 1951 aimed to provide low-rent housing for low-income households. Under the Act, public housing was subsidized by the central government and constructed, owned, and managed by local governments. However, direct provision of rental housing by the public sector has been positioned as a residual measure. Little assistance for the construction of private rental housing and absolutely no rental subsidies existed. The ratio of public housing was kept at as low as approximately 7% (Hirayama, 2006, p. 19).

Furthermore, an obvious disparity in the physical condition of housing between the owner-occupied sector and the rental sector existed. It was next to impossible to obtain a good quality dwelling in the rental housing market. The Public Housing Act essentially encouraged home ownership rather than supported low-income household for renting housing.

The JHC, founded under the JHC Act, aimed to supply housing in large volume in metropolitan regions. Japan's urbanization was featured by the rapid growth of its three principal metropolitan regions of Tokyo, Osaka, and Nagoya. During the rapid economic growth period, the population of the three metropolitan regions increased rapidly and has exceeded 45% of Japan's national population from 1970 (Statistics Bureau of Japan, 2013a). Due to the huge influx of migrants, housing shortage was particularly severe in metropolitan regions. The JHC lead housing construction in the form of *danchi*, which means multi-storey apartment buildings. It was at the first time that apartment buildings were constructed on a large scale in Japan. Obviously, building apartments is much cheaper than building the same amount of single-detached housing. The most typical layout of apartment building was the so-called "2DK", which means two bedrooms, one dining room, and one kitchen, with a total area of only approximately 35m² (Ronald, 2009, p. 562). Building such small apartments enabled the JHC to address the issue of housing shortage at a lower cost and with less time.

Later on, the JHC developed new towns, which consisted of not only housing blocks but also matched living facilities and infrastructures. The new towns were generally located at suburban metropolitan areas where land was much cheaper and more easily attainable than that in inner cities. Those new towns were purely giant bedroom towns for the working class who commuted long hours to work in inner cities. The JHC had never attempted to balance the job-housing ratio and turn the new towns to self-sufficient cities. The reason is obvious. Building suburban dormitories were much easier and faster than building self-sufficient cities. The aspiration to maintain the speed of economic growth did not allow more time and

fund for housing provision. Sorensen (2002, p. 185) comments that these housing projects resembled more an emergency shelter programme for refugees than a careful city planning programme.

During the high-speed economic growth period, housing played a mix of economic role and social welfare role. On one hand, mass construction of housing was a strong driver of the construction industry. On the other hand, the housing policy system, which encouraged home ownership through the provision of GHLC loans while discriminated at rental housing and subsidized housing, played an important role to foster social stability (Hirayama, 2006, 2007). The land and housing prices rose much more rapidly than income and consumer prices, indicating that owner-occupied housing could generate considerable capital gains for the owner. Owner-occupied housing was regarded as an effective form of asset accumulation, which can offset dependence on public welfare, improve household economic stability, secure the household's livelihood in their old age, and enhance wealth exchange across generations (Hirayama, 2006, p. 21; Ronald & Nakano, 2013, p. 454). Hence, home ownership and the expectation for it had contributed to increase social stability (Hirayama, 2006; Ronald, 2004). The strong social stability was evidenced by the popular phrase "*Ichoku so churyu*", which means that all 100 million of the national population tagged themselves as the middle-class.

Under the absolute priority for economic growth, housing policies were developed to sustain the growth of the national economy rather than improve residential quality of life. The housing policies were successful in a sense that the state's intention was achieved. The home ownership rate raised to around 60% in the late 1960s (Statistics Bureau of Japan, 2011). By the early 1970s, housing stocks exceeded the number of households in each part of the country (Oizumi, 2007). The national vacancy rate raised to 5.5% in 1973, which seemed to be a number approximate to or slightly above the market equilibrium level. The issue of

housing storage became a past and Japan turned to a home ownership society. However, such a housing policy system and housing provision model were grounded on the increase of land and housing price and continuous economic growth. Later historical periods have witnessed the collapse of this system and the transformations of the role housing played in the state.

5.3 1973 to the Late-1980s: Housing Construction to Expand Domestic Demand during Moderate Economic Growth Period

5.3.1 Increase domestic demand by construction and the expansion of social welfare

In 1973, the Organisation of Petroleum Exporting Countries (OPEC) suddenly began to raise the oil price. By 1974, the oil prices quadrupled. Japan, a country with scarce natural resources, was hard hit as it almost wholly depended on imported oil for its energy supplies. The crisis urged Japan's industrial structure shifting from the old growth sectors of heavy and chemical industries to the new growth sectors of precision machinery, electronics, automobiles, and finance (Sorensen, 2002, p. 259). The structural shift of the Japanese economy had obvious effects on maintaining the speed of economic growth. After a sharp but brief decline immediately following the crisis, Japan's economic growth resumed and its relatively outstanding economic performance maintained. The average GDP growth rate was 5% in the 1970s and 4% in the 1980s, which was unparalleled in the developed world. The crisis marked the end of the era of Japan's high-speed economic growth and a period of moderate economic growth began.

The 1973 oil crisis also aroused debates on the rationality of state welfare. After years of welfare expansion during the high-speed economic growth period, Japan established an enriched social welfare system. The year of 1973 was even declared by the Cabinet Office as the "First Year of the Welfare State Era" (*Fukushi gannen*). However, the existence of the

new welfare era was soon challenged by the oil crisis. The sudden slowdown of economic growth caused the decline of tax revenue and thus brought huge fiscal difficulties to sustain the welfare system. There had been debates on reforming the social welfare system. But the reform did not happen until the late 1970s due to a number of reasons including the influence of the post-war Keynesianism and political pressures (Tata, 2007, cited by Tanaka, 2009). Welfare spending thus expanded greatly during the 1970s and the overall government debt levels increased dramatically. To some degree, the expanded provision of welfare services contributed to economic growth in the 1970s through boosting domestic demand.

By the late 1970s when the political pressure for social welfare reform was alleviated, also due to the growing concern on the scale of the public sector deficit and inspirations from Thatcher and Reagan's neoliberal policies, the Economic Planning Agency published "Social and Economic Seven Years Plan" (*Shin keizai shakai 7-kanen keikaku*). The plan proposed to build a "Japanese style welfare society" through revitalizing the traditional Japanese spirit and practice of mutual help and emphasizing the role of individuals, family, and local communities in providing social welfare. Such a welfare approach showed a transition from a Keynesian welfare state to a neoliberal one. The traditional Japanese spirit was borrowed as to justify the new social welfare system to the public.

The idea of a Japanese style welfare society was implemented from the beginning of the 1980s. The reform of the social welfare system was along with a series of policies to restore governmental finance. The new government led by the new Prime Minister Nakasone initiated the so-called "administration reform" (*Gyosei kaikaku*), including reform of insurance and pension arrangements, reduction of the size of the government, curtailment of public expenditure, and etc.. The measures included policies of deregulation, revitalizing the private sector, and privatizing national monopolies.

The administration reform policies cut governmental budget but meanwhile contributed to the soaring trade surplus. From the mid-1980s, Japan's huge and constantly growing trade surpluses had been receiving increasing pressures from the international world. The government had to promise to cut its trade surpluses through a two-fold response - increase import and boost domestic demand. In the Comprehensive Economic Policies (*Sougou keizai taisaku*) published by the Cabinet in April 1986, the major remedy for trade friction was identified as using private sector resources to stimulate growth in domestic consumption mainly through public works, housing, and construction (Ministerial Council on Economic Measures of Japan, 1986). Since that the increase of public works would meanwhile increase governmental financial burden, the government heavily emphasized urban and housing development as the remedy for the trade friction. The government stressed on deregulation and relaxation of planning controls to promote more intensified urban development.

The measures to stimulate domestic demand together with the administration reform have complemented the developmental industry's push to restore profitability (Hebbert & Nakai, 1988) and thus contributed to the continued economic growth in the 1980s. However, these measures was arguably unsustainable. The latter half of 1987 witnessed the development of Japan's bubble economy with an abnormal upsurge in stock and asset values fuelled by expansionary monetary policies, financial deregulation, the low cost of borrowing, and other factors.

5.3.2 Continued housing development to expand domestic demand

Although national housing demand was met by the early 1970s when number of dwelling exceeded the number of household in each part of the country, housing construction remained at a high level because housing was chosen as a means to spur domestic demand and absorb

surplus capital. Housing has the capacity to quickly and easily boost domestic demand. Further consumption growth through refining and updating the product is constrained by the rate of technological innovation and uncontrollable, while improving housing, which is essential containers for consumer durables and has strong ripple effects into related industries, is the key strategic variable in stimulating domestic demand (Hebbert & Nakai, 1988). Particularly, as Japanese housing was notable smaller and in lower quality than any other countries with comparable living standards, policies on housing improvement can easily be justified to the public.

From the Third Five-year Housing Construction Plan (*Daisanki jutaku kensetsu kanen keikaku*) implemented in 1976, the government shifted the aim of housing construction from “securing the amount to improve the quality” (MLIT, 2005a). Such a shift showed good reasoning at first glance because the problem of housing shortage was already solved. However, the government’s statement was essentially an excuse to justify continuous housing construction in the era of no housing shortage. The government’s effort to improve the quality of housing was not through improving the existing low-quality housing but through building more new housing, though in better quality than the existing one. The old low-quality housing was still there with households living in. Even worse, the continuous construction of new housing lowered the relative market value of existing low-quality housing. Households living in the existing housing unavoidably suffered from capital losses.

From the 1970s, the state sought to encourage housing construction and acquisition of home ownership through expanding housing welfare. The government expanded the GHLC loans, placing more stress on encouraging acquiring home ownership with the GHLC mortgages. The GHLC launched a series of new loan systems. For example, the step-repayment system, in which the amount of repayments was lowered during the first five years, started in 1979. A two-generational loan system, in which children can take over their parents’ mortgage, was

established in 1980. The provision of supplementary loans in addition to basic loans began in 1985. Among the new starts in owner-occupied housing, the average percentage of GHLC-financed housing, which was 18.8% in the 1960s, rose to 25.6% in the 1970s, and to 47.6% in the 1980s, and then to 49.3% in the 1990s (Hirayama, 2010a).

From the early 1980s, affected by the gradual shift of the international economic ideology from Keynesianism to neoliberalism and the international pressure of surplus trade and governmental fiscal difficulties, there had been a privatization of public-sector real estate. In 1981, the JHC was reorganized to the Housing and Urban Development Corporation (HUDC), gradually retreating from directly constructing housing and turning to guide the private sector's housing development. To further encourage private investors engaging in housing construction, the government initiated planning deregulation to make urban development/redevelopment more profitable. Within urban areas, deregulation of planning control was realized mainly by increasing permitted plot ratios. While in urban fringes, which were the main target of planning degranulation, the central government's policies made it easier for the local government to interconvert the two fundamental zoning categories - "Urbanization Control Areas" and "Urbanization Promotion Area", so as to allow more and more urban development (Hebbert & Nakai, 1988).

Overbuilding and speculative investment were the main feature of Japan's housing market in the 1970s and the 1980s. The residential land price rose over 280% between 1985 and 1990 (MLIT, 2016b). The national vacancy rate ran up to 9.4% in 1988. In terms of spatial effects, the excessive construction pushed forward suburban sprawl. Take the Tokyo Metropolitan Area (TMA) for example, in 1960-65 the 20-30 kilometre band had the fastest growth rate, then in 1965-75 this passed to the 30-40 kilometre band, in 1975-80 to the 40-50 kilometre band, and in 1985-1990 to the 50-60 kilometre band (Sorensen, 2002, p. 206). As the TMA is a mono-centric metropolitan region from a macroscopic point of view, such a scale and speed

of sprawl was incredible. Considering that the five-year rate of population growth rate in TMA fell to 6.13% during 1975-1980 and further to below 6% during the 1980s (Statistics Bureau of Japan, 2013a) along with the slowdown of economic growth, the aggressive housing construction under conditions of inelastic land supply and loose planning control can easily be imagined.

5.4 The Early-1990s to 2008: Housing Construction for Economic Revitalization in the “Lost Decade”

5.4.1 Stimulate economic revitalization by turning to innovation and services

The bubble economy collapsed at the beginning of the 1990s and marked the sharpest social, political, and economic turn in post-war Japan. The 1990s is often referred as Japan’s “lost decade” for the prolonged deep recession characterized by minimal or even negative real growth in GDP, rising unemployment rates, and reduced real incomes. On one hand, the economic crisis triggered the political crisis toward the discrediting of the government and has led to widespread appeals for a more radical decentralization (Sorensen, 2002, p. 288). On the other hand, the central government had been controlling the local government through redistributing tax. But its redistribution ability decreased rapidly due in part to declining tax revenues and also the significantly increased spending on economic pump-priming efforts (Sorensen, 2002, p. 288). In addition, the Japanese people, who suffered from inflated housing and commodity costs and poor public services during the bubble economy, were deeply dissatisfied with the developmental policies emphasizing production and trade at the expense of better quality public goods and services (Fujita, 2011; Sorensen, 2002, p. 289). They turned to call for a better quality of life.

The financial and political pressures pushed the central government to decentralize and gear the goal from economic growth to quality of life. However, the ideology of developmentalism, which is a slow-moving institution, cannot be changed overnight. The interaction of the slow-moving institution of developmentalism and the fast-moving institutions of policies drove state policy change toward ostensibly decentralized and pursuing for better quality of life but the fundamental aspiration of economic growth remained.

From the 1990s, the central government led policy changes from production and trade to innovation and services (Council on Science and Technology Policy, 2001). It emphasized innovation in science and technology in areas such as nanotechnology, medical, information, and environment, as well as services in health and welfare. The central government literally emphasized better quality of life in responding to public sentiment by increasing welfare in health and services, spending on public works, and boosting housing and urban development. The purpose behind was to restart economic growth.

5.4.2 Continued housing development for economic recovery

For economic stimulus, the central government further pushed housing policies toward the mass construction of owner-occupied housing and encouraged the acquisition of home ownership. The government's measures were particularly worthy of attention because continued housing construction was boost in the era with an already high vacancy rate of approximately 10%. Furthermore, after the bubble, the housing price has been declining constantly and hence housing was no longer being perceived as a perpetual asset worthy for investment. At first sight, it seems impossible to drive housing construction under such a housing market condition. But the central government made it possible. The housing policies

discriminated at old housing while encouraged acquiring new housing. As the investment value of housing no longer existed, the use value of housing was emphasized.

Geography was the key for the government to achieve its purposes. In contrast to the suburban housing development before the bubble economy, the 1990s onwards had witnessed the hot spot of the regional housing market shifting from the suburb to the inner city. The government created such a shift to reduce the marketability of old housing, which was largely located in the suburb, and increase the marketability of the new housing, which was largely newly constructed in the inner city. The institutional measure included revisions of planning regulation, advertisements for a new residential life of living in the city center, and financial incentives.

From the mid-1990s, the method to calculate building height and floor area ratio (FAR) were gradually changed, suddenly allowing much larger buildings to be built on given sites.

Furthermore, a more aggressive way to weaken the regulatory restrictions was the designation of special zones, which were exempted from restrictions on building height and FAR. For example, the “Cityscape-guide Districts Planning System” (*Machinami yudogata chiku keikaku*) was implemented from 1996, specifying that local municipal and stakeholders can negotiate and decide what can be built. The “High-rise Residential Building Promotion District” (*Koso jukyo yudo chiku*) System was implemented from 1998. In the designated special zones, if residential land use was no less than two thirds, a re-designated FAR ration can reach 400% to 500% (MLIT, 2005b). In 2002, the government moved further by initiating the “Urban Renaissance” (*Toshi saisei*) policy. In the designated zones, the private developer can even propose its own plan for construction without considering the current restrictions.

The relaxation of planning regulations was justified by and associated with promoting the novel lifestyle of “living in the city center” (*Toshin kyoju*), which differed from the suburban lifestyle prevailing in the high-speed economic growth period. “Living in the city center” was described as a charming lifestyle with numerous merits such as much less commuting time, convenient living facilities within walking distance, safer residential environment, so that it could bring a better quality of life (MLIT, 2003). However, the underlying purpose was to direct people to the city centre and thereby increase the marketability of the new housing there, rather bring a better quality of life to people.

Housing finance policies also accelerated further housing construction. There was a sharp relaxation in housing mortgage in the 1990s. After the bubble, the Japanese bank set a historically low interest rate, thus enabled the private financial institutions providing housing loans with low interest rate. During 1993-1994, the mortgage rate reached a historically low number of 4%. In 1995, the rate further decreased to 3.75%. Importantly, the mortgage discriminated at old housing while favored new housing. For example, while the longest repayment period for a GHLC loan was generally 35 years for new housing, the number was only 25 years for second-hand housing; Furthermore, the GHLC did not finance the purchase of housing over 25 years old (Hirayama, 2005). The tax deduction system also discriminated at old housing. Purchasing housing older than 20 years old cannot receive tax deduction.

Institutional measures as mentioned above led to the significant difference in marketability between old housing and new housing. Hirayama (2005) observes a much server housing price decline in the suburb than that in the inner city after the bubble economy. In the era of slow or even negative growth, regional development was like a zero-sum game. Revitalizing the inner city inevitably led to the decline of the suburb. Even worse, many of the suburban cities were essentially residential towns without industrial foundations. The decline of the local housing market was a great blow to these areas. It accelerated population ageing and

decline in the area and led to a chain effect of the close of shops, hospitals, schools, and other living facilities. Although the local municipalities have been trying to develop industries and revitalize their cities, without financial supports from the central government, what they can do was extremely limited. The local residents have to suffer an increasingly inconvenient daily life, the deterioration of the residential environment, a continuous depreciation of their housing property, and more. Obviously, the central government's commitment to increase the quality of life was symbolical. The ideology of developmentalism has seldom been changed.

The institutional measures shifting the spatial structure of the regional housing market were aligned with the influence of neoliberalism. From the 1990s, the housing system has been radically reorganized toward privatization and deregulation. The "three pillars" of the post-war housing system – the GHLC Act, the JHC Act, and the Public Housing Act no longer exist. The GHLC, which had been a central instrument in expanding middle-class home ownership, was undergoing reform and ultimately abolished in 2007 mainly because of the huge financial burden for the government. The Housing Finance Agency was established as the successor to the GHLC, however, the successor withdrew from the primary mortgage market and thereafter only dealt with the secondary market of mortgage securities. The rapid expansion of mortgages that private banks supplied filled the large void in the housing loan market after the abolition of the GHLC. However, unlike the GHLC that provided all borrowers with mortgages under relatively homogeneous conditions in terms of interest rates, loan limits, and guarantee fees, private banks discriminated at borrowers (Hirayama, 2014). This has increased the difficulties, burden, and risk for lower-income households to acquire housing loans. The HUDC, which was the successor of the JHC, was reorganized into the Urban Development Corporation in 1999, and again into the Urban Renaissance Agency (URA) in 2004. Instead of undertaking housing provision and urban development by itself, the URA's role was limited to supporting redevelopment projects carried out by the private

sector. In the revision of the Public Housing Law in 1996, the upper income limit for tenants of public housing was lowered. Simultaneously, the government curtailed the subsidies for the construction of public housing (Oizumi, 2007, p. 49). The public housing was further residualized in Japan's housing system.

The neoliberal turn of Japan's housing system showed increased engagements of the private sector in providing housing and mortgage. However, the motivation behind was to stimulate economic growth, rather the neoliberal ideology of laissez-faire. The central government maintained control over the local housing market through institution measures including planning regulations, public opinion leadership, and housing finance policies. These responses can be understood as the developmental strategies under the economic and political context of neoliberalism and the decreased central government's direct control power over local affairs during the economic recession.

Despite the fact that Japan experienced its worst and most prolonged recession in the 1990s and 2000s, the Japanese large cities have seen an extraordinary boom of high-rise residential development in the city center and along major transit corridors. The boom was driven by governmental policies and consequently led to the rise of vacancy rate in the suburb. The vacancy rate in remote and small cities has also been increasing due to the continuous population outflow to large cities. The increase of vacancy rate in both large and small cities contributed to the national vacancy rate rising to 13.1% in 2008 (Statistics Bureau of Japan, 2012).

5.5 2008 Onwards: Continuous Housing Construction to Stimulate Economic

Development in the Prolonged “Lost Decade”

5.5.1 State regime shift toward emphasizing on service for economic recovery

After nearly 20 years of economic lethargy, the global financial crisis in 2008 triggered another recession for Japan. Japan's annual GDP growth rate reached a historically low rate of minus 5.5% in 2009 since the end of the War (The Cabinet Office, 2010). The 2008 onwards looks like an extension of the "lost decade". The state has been continually pursuing economic growth through services and urban development under a neoliberal context. As Fujita (2011) argues that the 1989 crisis catalyzed state transit transition toward a new direction and the 2008 global crisis continued to push ongoing shift further. Due to the new international and domestic situations, new strategies to boost urban development and provide services have to be found out.

When Japan felt the serious impact of the crisis, the cabinet prompted a stimulus package of 81 trillion yen, almost 2% of Japan's GDP, injected into the economy (Prime Minister's Office, 2009a, 2009b). The state raised the slogan of "investing for the future" as the direction of its growth policies, which emphasized "low carbon society" and "medical services for older people and children" (Prime Minister's Office, 2009a). As the state legitimacy now depended upon the political commitment to bring a better quality of life for the public, the state policy showed the political will to tackle the challenges of global climate change and the domestic social issues of declining birth rates and an aging population. These policies symbolically indicated the state's commitment to the politics of better quality of life but were essentially aimed to boost domestic demand.

5.5.2 Further continued housing development for economic recovery

Urban development became the outlet for the growing capital surplus and the key to stimulate economic recovery again through expanding domestic demand. Taking advantage of the rising environmental conscientiousness across the global and the increasing domestic social

concerns on the declining birth rates and aging population, the justification for new urban developments turned to the environmental issue and concerns for children and older people. Concepts like “environmental model cities” (*Kankyo moderu toshi*), “environmental future cities” (*Kankyo mirai toshi*), and “smart cities” (*Su-ma-to shi-te*) were frequently used to label new urban developments. However, behind those labels was still the state’s consistent desire for growth and development.

Take the *Kashiwa no ha* Smart City Project for example, this project was located in the northeast of the 30 kilometre band of the Tokyo Metropolitan Area. The area used to be undeveloped until the construction and open of the Tsukuba Express Railway with a station located in the heart of the area. The project was initiated in 2008 by Mitsui Fudosan Co., Ltd, which is one of the two largest real estate developers in Japan. The developer set three concepts - “health living and longevity”, “environmental coexistence”, and “innovate enterprises creation” to build “a new vision for the cities of tomorrow” (Mitsui Fudosan, 2014). Unfortunately, despite these fancy labels, the project was nothing different from previous urban development. Despite the “smart city” title, the project was not to build a fully functioned city. Instead, it was essentially a mixed-use urban development which consisting of residential, commercial, and office development in an area of only 12.7 km². The development was equipped with novel information and communications technologies, such as the electronic car-share system, the stand-by energy system, and the digital health monitoring system, to show its “smartness”. The project inclined to simplify the complex social issues it claimed to solve. For example, the aim of “creating innovate enterprises” was supposed to be achieved by constructing an office building for individuals and enterprises to hold events or meetings, which was obviously unfeasible. Although the three concept raised in the vision is unlikely to come true, the project was still considered a success for the developer’s perspective. It seized the opportunities brought by the state policy moving toward

environment and services. By labelling “smart city”, it has attracted public funding and support and promoted the project to the general public.

The state policies appeared to improve the quality of life through addressing environmental challenges and ageing population issue, but essentially focused on encouraging new urban development rather than improving the well-being of people. Under such a policy and political context, numerous urban development projects similar to *Kashiwa no ha* Smart City have been taking place throughout Japan. The suburb of large cities and remote areas, which have a higher rate of aged population and hence may probably need more resources and fund to tackle the associated social issues, have received little attention from the state.

The national vacant housing stock and vacancy rate are still increasing. Although the high vacancy rate is spreading nationwide, the mechanism of vacancy formation differs geographically. In remote areas, the increase of vacancy rate is directly resulted from the continuous population outflow toward large cities. The background of national population decline, economic slump, and globalization have accelerated the speed of population loss in those areas. This pattern is similar to that of the high rate of vacancy housing in typical shrinking cities in Europe and North America.

While in large cities, housing vacancy is showing a different landscape. Population is concentrating to the inner city while the suburban area is generally suffering a decline. New housing and urban developments are popping up on sites with developmental opportunities. Most of these developments are concentrated in inner cities and transit corridors. In contrast, under the background of economic stagnation and the slow or even negative regional growth, other spots concentrated with old housing are inevitably declining. The regional housing market has fragmented into “hot spots”, where new development and redevelopment are

going on, and “cold spot”, where the vacancy rate is increasing and population is declining (Hirayama, 2005).

5.6 Discussion

Thus far the chapter has traced the social and economic transition of post-war Japan, the associated shift of the Japanese state and the role of housing in the state, and the changing supply-demand relationship of the housing market. The role of housing in the state has been changing in parallel with the evolving social and economic situation. Immediately after the War, housing was expected to not compete with industrial recovery for scarce capital and material resources. During the high-speed economic growth period, housing played both an economic role and a social welfare role, contributing to the construction industry and social stability. From the early 1970s when Japan’s rapid economic growth ended, housing has been continuously playing the economic role to spur domestic demand and revitalize economy, while the economic role in difference periods differed due to the changing political and economic ideology and social-economic situations.

Critical junctures triggered by outside crises have been shaping state policies, the way housing was being centralized in the state, and the pathway of housing development. The logic of these processes is that the central government has always been seeking to maximize housing’s contribution to national economic growth through institutional measures. This logic is rooted in developmentalism and Japan’s “developmental-universalist” productive social welfare which believe that social welfare should contributes to economic growth. This belief was a slow-moving institution that has seldom changed in the past seven decades after the War.

The chapter has also explained why Japan's housing vacancy rate is so high. This questions must be answered from a historical perspective. From the early 1970s when Japan's high-speed economic growth ended, the state has been pushing housing construction continuously to stimulate domestic demand and drive economic growth. The pro-growth housing policies have been encouraging continuous housing construction in the era of little housing shortage and hence led to an oversupply of housing. Decades of overbuilding ultimately contributed to the current extremely high vacancy rate. The state has been playing a pivot role in these processes. Although the state never intends to produce plenty of vacant housing and driving the vacancy rate high, the vacant housing crisis is an inevitable result of the state's pro-growth housing policies.

Many Japanese domestic debates on the vacancy issue emphasize the effect of demographic change. The demographic composition of the Japanese society has been drastically transforming due to increasing life expectancy, delaying marriage, and declining fertility rate, which are general demographic trends happening in the developed world. The household structure is becoming increasingly variegated. The conventional nuclear family household mode is declining while non-conventional households such as one-person, elderly-only, couple-only, single-parent households are increasing. The suburban detached housing, which targets nuclear families are no longer suitable for the new household structure. Households in smaller size have more demand on small size condominiums in the inner city. However, attributing the increase of vacancy rate to demographic change is wrong. Obviously, advanced capitalist countries with similar demographic trends generally do not have such a high national vacancy rate. It was not the demographic change that drove the vacancy rate high. As this chapter has demonstrated, the state plays a dominant role on boosting housing construction in an already over-built era. The increase of vacant housing stock and vacancy

rate is a result of the interaction among the state, society, and market, with the state playing a pivot role.

Chapter Six: The Vacancy Crisis, Policy Responses, and Social Impact

In recent years, the high level of housing vacancies has attracted wide attention from social media, civil society organizations, and researchers in Japan. Furthermore, both the central and local governments have taken policy measures to tackle this issue. The chapter examines how the vacancy issue has been defined and understood in Japan, reviews and evaluates the current policies, and analyzes the social impact.

6.1 The Problem Definition and the Reason

It is only until around the mid-2000s that the vacant housing issue started to receive substantial social attention in Japan. Using the keyword of “*akiya*” (literally means vacant housing in Japanese) to search in CiNii Database, which is one of the largest academic databases in Japan, 1170 results came out but of which only 1.2% was published before 2000. However as mentioned before, the national vacancy rate exceeded 9% in the mid-1980s and 10% in the mid-1990s. These numbers were already very high if comparing internationally. Therefore, the timing of the public becoming aware of the phenomenon indicates that it was not the specific number of vacancy rate that triggered public attention.

Rather, the phenomenon of housing vacancy draws the public’s attention because of housing deterioration and the associated environment and rebuild issues. Deteriorated detached housing without decent maintenance is liable to cause negative environmental impacts. For example, problems like damages to city landscape, potential safety hazards, non-domesticated animals and homeless coming into, and becoming trash dumps have been reported by domestic mass media frequently.

The situation in vacant apartments is somehow different, as vacant apartments generally do not cause the environmental problems like abandoned detached housing does. They receive

public attention mainly for the rebuilding issue. As buildings deteriorate and become functionally obsolete, major repairs and even rebuilding are needed to keep the building in a habitable condition. However, it is extremely difficult to achieve an agreement on repair or rebuilding plans among hundreds of household living in the same building. In Japan, more than one million condominiums were over 30 years old and need rebuild (AshahiKasei, 2013), while only 230 of them either had completed or were in the process of rebuilding until April, 2014 (MLIT, 2014a). The financial issue is a major concern for apartment residents on rebuilding. As analyzed in the previous chapter, the property value of old condominiums have decreased sharply because of the shifting hot and cold spots in the regional housing market. Pouring a substantial amount of money into improving the building would generate little capital return in the future. Consequently, more and more apartments became vacant and even abandoned.

The social concern on housing vacancy in Japan is tightly related to housing deterioration. This point explains why it is the past decade that has witnessed the boom of social debates on housing vacancy. The average life expectancy of Japanese dwelling is only between 25-40 years (Ronald, 2009). Such a non-durable approach to housing, associated with cultural perceptions of transience and renewal, are embedded in the aesthetic pattern of Japanese life (Hendry, 2012). Now, the large amount of housing built in the high-speed economic growth period of the 1950s-1970s are approaching their life expectancy. Housing deterioration and the associated negative environmental impacts and rebuilding issues are rising. These issues are often associated with housing vacancy because old housing is more likely to become vacant than new housing.

In Japan, housing vacancy is mainly perceived as an issue associated with housing deterioration, rather the phenomenon of housing vacancy itself. This is understandable because the public generally does not keep an eye on the specific number of vacancy rate

published in official statistics. Also, the public has little idea about how high a vacancy rate is too high. In contrast, the negative influences to the physical environment are visually significant and may cause complaints from the surrounding neighbourhood. The restorations and rebuilding of old condominiums relate to whether the housing is physically livable. These issues are close to the public's everyday life and hence have captured social attention.

6.2 Policy Response and Policy Evaluation

As the above discussion indicates, housing vacancy became a social issue in Japan mostly due to concerns on associated negative environmental impacts and rebuilding issue. The governments' vacant housing policies directly respond to these social concerns. To address the environmental issues, the policies provide financial supports for the reuse of vacant housing and advise the house-owner to keep minimum maintenance. On the national level, the central government has initiated the Vacant Housing Reuse Project (*Akiya saisei nado suishin jigyo*) in 2001. The project provides partially funding for the reuse (but limit to reuse for public purposes) or demolition of housing that has already caused the deterioration of residential environment, despite whether it is vacant. In 2015, the Cabinet Office has enacted Act on Special Measures Concerning the Promotion of Vacant House Countermeasures (*Akiya nado taisaku no suishin ni kansuru tokubetsu sochiho*). The Act legally specifies the local governments' responsibility to address the vacancy issue. It requires local governments to collect information on vacant housing in their jurisdictions and make efforts to develop a vacant housing database, establish measures to reuse vacant housing, supervise the owner of vacant housing to keep minimum maintenance (MILT, 2014b). On the local level, initiated by Tokorozawa City in 2007, a few local municipalities have established vacant housing regulations to advice the owners of abandoned housing to keep minimum maintenance to

alleviate the environmental impact. Moreover, some municipalities has established the Vacant Housing Bank (*Akiya Bank*) to collect and release information on vacancy in an attempt to find potential buyers.

Policies on reconstruction of apartment buildings are not vacant housing policies in a narrow sense because the target is not vacant housing. Still, these policies are reviewed here as they aim to address the issues associated with vacancy. The MILT together with local municipalities provides funding for some types of condominium reconstruction. Under the “Good-quality Building Promotion Project” (*Yuryo kenchikubutsu nado seibi jigyo*), up to two-thirds of the cost of investigation and design before and after the decision of rebuilding is funded. Under the “City Center Housing Provision Project” (*Toshin kyodo jutaku kyokyu jigyo*), up to two-thirds of the costs of investigation and design, land readjustment, and joint facilities are funded. However, both of these grants only target apartment buildings in designated areas, most of which are located in the city center. Obviously, the target only covers a small proportion of deteriorated apartment buildings. These projects essentially aim to promote inner city redevelopment, rather than alleviate the building deterioration problem.

Arguably, the governmental policies on vacant housing are highly selective. Subsidies for reuse of detached vacant housing are only eligible for those that have already caused significant environmental impacts. Subsidies on condominium reconstruction only target buildings in specific locations - inner city. Hence, it is unsurprised that these policies have failed to reduce the vacancy rate and vacant housing stock.

6.3 The Impact on Households: The Perspective of Home Ownership as Asset-based Welfare

The social impact of the vacancy issue has been long-term ignored. This section refers to the idea of home ownership as asset-based welfare to explore the social impact upon households. An asset-based approach to welfare recently appeared under the background of neoliberalism and the increase of governmental fiscal difficulties on social welfare provision. This approach refers to that the government retrenches from direct provision of welfare, while places greater responsibility on individuals for their own welfare needs through investing in assets that augment in value over time (Doling & Ronald, 2010). Owner-occupied housing is regarded as an important asset in the asset-based approach to welfare. The tremendous potential wealth tied up in owner-occupied housing increases the welfare capacity and economic security for families, thus can greatly ease the governmental burden of welfare costs.

Japan's welfare system is characterized by small-scale state welfare and an explicit reliance on home ownership (Hirayama, 2010). The post-war housing policies have fostered the expansion of home ownership and built up an ownership society. Japan's home ownership rate expanded rapidly during the high-speed economic growth period of the 1950s-1970s and remained at around 60% since then (Statistics Bureau of Japan, 2014). The home ownership rate differs greatly across age groups. Generally speaking, the rate is low among younger age groups and high among older age groups. Among household head of over 65 years old, the home ownership rate was about 80% in 2013 (Statistics Bureau of Japan, 2014, p. 16).

Similar to that in the western developed countries, from the 1980s, the Japanese government has been further retreating from directly providing welfare and turned to embrace an asset-based approach toward welfare. Affected by the policy turn, Japan's extraordinarily large older population are disproportionately cash-poor and housing-asset-rich (Izuhara, 2007).

As the research has uncovered, the pro-growth housing policies have been encouraging the construction of new housing and thereby accelerating the depreciation of old housing from the 1990s. These policies have undermined the foundation of housing as asset-based welfare,

which was set up on the assumption that house prices increase faster than inflation for all time (Doling & Ronald, 2010). In Japan, owner-occupied housing no longer produce capital gains but generate capital losses. Numerous Japanese households and particularly older households now realize that their savings embedded in their housing property are worth remarkably less than they previously assumed. The reliability of housing property as an asset was severely undermined. The older households, who have suffered from the depreciation of their housing, have to face a financial instability and a great deal of uncertainty in their old life. This is a serious problem as Japan has a relatively high home ownership rate and a high proportion of older population.

6.4 Discussion

The chapter has shown how the public and the governments have perceived the vacancy issue. The public's concerns primarily focus on the environmental impact caused by detached vacant housing and the rebuilding of deteriorated apartment buildings. The governments have responded to the public's concerns by making policies to reduce the environmental impacts and facilitate reconstructions of deteriorated condominiums. Unfortunately these policies to address the vacancy issue are inherently half-hearted due to their selective nature.

The chapter has uncovered the social impact of the vacancy phenomenon, which has been long-term ignored. The state-driven vacancy is essentially a housing-centred exploitation. It invisibly transfers homeowners' property to the state and hence strengthens the state to pursue the developmentalist goals. The overbuilding of housing has increased virtually all households' burden of housing costs. Particularly, older households, who have suffered from a sharp depreciation of their housing property, have to face increased financial instability and uncertainty.

Chapter Seven: Conclusions

The thesis has integrated a political economy perspective and a historical institutionalist approach to explore the logic of the centrality of housing development in capitalism.

Applying the framework to the case of housing development in post-war Japan, the research referred to the theory of the developmental state to understand Japan's macro political economy and productive welfare capitalism to understand the role housing plays in the state.

The empirical analysis used a "punctuated equilibrium" model to examine the evolution of the Japanese state and the change of the role of housing within it throughout the post-war period. Japan's post-war economic development was divided to five historical periods, in which the state adopted different strategies to boost economic growth and different measures to manipulate housing for economic purposes. Structured by the concepts of critical junctures and fast-moving/slow-moving institutions in historical institutionalist analysis, the empirical analysis traced the continuities and changes of the state and the consequent change in the role housing played in the state.

The keys to explain the logic of the centrality of housing development in capitalism in the Japanese case lie on the developmentalist nature of Japanese capitalism, the continuities and changes of the post-war evolution of the state, and the consequent change in the role housing played in the state. Driven by the ideology of developmentalism, the central government attempts to prioritize developmentalist goals. Social policies are expected to contribute to national economic growth rather than develop universal welfare rights for citizens. Housing policies has been no exception. Throughout the post-war period, the central government has been intervening in housing provision and consumption through a variety of measures including welfare policies, planning regulations, taxation, and others. The political logic lies in maximizing the contribution of housing toward national economic growth under distinct

social-economic circumstances in different historical periods, while the choosing of interventions also reaffirms path dependence.

The final chapter seeks to move one step forward - empirically and theoretically - from what the research has found out. Firstly, it discusses why Japan continuously focused on housing for economic purposes. Then, it speculates briefly on the future of Japanese housing, provides policy implications, and draws lessons learnt from Japan. Finally, it summarizes the academic contributions and identifies the limitation of the research.

7.1 Why the Central Government Chose Housing Development for Economic Stimulus

It is hard to resist wondering why the Japanese state has been continuously focusing on housing for economic stimulus for such a long period. One obvious reason is that housing can be easily manipulated to circulate capital and thus boost economic growth. Housing construction has strong ripple effects into related industries and thereby can stimulate domestic demand instantly. Moreover, unlike further consumption growth through refining and updating the product, which is constrained by uncontrollable technological innovation, stimulating demand through housing construction is controllable at least to some degree (Hebbert & Nakai, 1988). This ripple effect housing development can bring is similar to the general urban construction in all capitalist states.

However, one cannot help wondering if there is any other reason, since housing arguably possesses some unique features which are different from other components in the built environment. Also, two decades of economic stagnation has demonstrated that relying on housing for economic recovery is a failure. But still, the central government has never given up its effort to boost housing construction. There must be factors other than the economic one that motivated the central government.

I speculate that another important reason is the capacity of housing as a tool to centralize regulatory authority and capital. The ideology of developmentalism not only inspires economic growth but legitimizes power and resource distribution. Developmentalism believes in the state's legitimacy of leads the nation in promoting economic change. Although the central government's efforts to push housing construction for economic recovery was proved as a failure, as this research has uncovered, these efforts have invisibly transferred households' property to the state. Thus, the central government has successfully centralized regulatory authority and power of resources distribution under the context of economic stagnation and neoliberalism.

The capacity of housing being used by the central government to centralize capital and power is embedded in the specialities of housing. The first is the dual feature of housing as both a market commodity and a welfare good. The second is the immense capital tied up in owner-occupied housing. The third is the institutional thickness of housing, indicating that the housing market can be easily manipulated by institutional factors. It is unlikely that any other item has such powerful potential as housing.

7.2 Beyond the Vacant Housing Crisis

The research has uncovered that the vacant housing crisis is embedded in the developmentalist nature of Japanese capitalism. In Japan, the ideology of developmentalism is certainly not limited to the realm of housing. It is spreading to virtually every corner of social life. For example, the social welfare system is supposed to primarily to contribute to economic growth rather than the well-being of people (Holliday, 2000). The Japanese model of urbanisation and planning has been consistently directing the majority of resources to national economic development, while spending the barest minimum on social overhead

capital (Sorensen, 2002, p. 333). The Japanese economic life was structured to boost savings and the financial system directs money from household savings in public and private financial institutions into state institutions to finance the state growth policies (Aoki, 2001).

Fujita (2011) calls for the state to change its mindset on economic nationalism to emphasis on well-being of people. However, such a change is unlikely to occur in the near future. Japan's economic nationalism is driven by the ideology of developmentalism, which is a slow-moving institutions. Slow-moving institutions such as culture and value do not occur overnight (Roland, 2004). During the seven decades of Japan's post-war period, the central government's ideology of developmentalism has changed little. Hence, it is almost certain that, housing will continue to be used as an instrument to boost economy growth and centralize capital and power. As probably no other items can replace such roles of housing, the increase of the vacancy rate is likely to continue in the future.

7.2.1 Policy implications

Although the research aimed to provide policy suggestions for addressing the vacant housing crisis, unfortunately so far it is unable to propose any concrete policy. The cause of the high level of housing vacancies is rooted in the developmentalist ideology of Japanese capitalism, which is a slow-moving institution. The vacant housing crisis is an issue far beyond the housing sector. It cannot be solved just by a couple of policies. Still, I want to provide the policy makers with a "bottom line" here.

First, the policy makers need to reconsider what are the goals for vacant housing policies.

The existing policies addressing the vacant housing issue have focused on the environmental impacts associated with abandoned detached housing and the reconstruction of old

condominiums. However, the wider social impacts on households has been ignored. Vacant housing policies should consider the affected households and address their needs.

Second, policies addressing this issue must take developmentalism into consideration. Any effort aiming at reducing the vacant housing stock without considering the value of developmentalism is likely a recipe for failure. Furthermore, vacant housing policies should be considered not in isolation, but as an integrated part of overall social policies.

Last but not least, continuing housing policies as economic policies cannot benefit economic growth in the long-term. These policies have already generated tremendous social costs, as manifested by the large volume of vacant housing spreading over the country. The policy-makers should reconsider the cost and benefit of such policy approach toward housing.

7.3 Learning from Japan

Under a neoliberalism context and an asset-based approach to social welfare, more and more capitalist countries have increasingly relied on the market in providing housing and emphasized the economic effects of housing. With decades' experience of centralize housing for economic purposes, Japan could produce some important lessons for the rest of the world.

First, Japanese experience shows that relying on housing development for economic growth is unfeasible, particularly in the long-term. After the 1989 bubble economy, the state has been increasingly relying on housing and urban development for economic recovery, but Japanese economy has shown little signs of recovery so far. Economic development is fundamentally about the development of the productive forces through continuous disruption and innovation (Storper, 2013, pp. 65, 224). Housing development may has effects on stimulating domestic demand in the short-term but cannot advance economic growth in the long-term.

The second lesson is that pro-growth housing policies appear highly problematic particularly for the long-term consequences in terms of social inequity. Housing is an important component of household wealth. Pro-growth housing policies mean that housing policies vary with social-economic situations, rather provide constant and universal housing rights to people. Thus, housing-centered social inequality is easily generated between groups of households that enter home ownership at different time. In Japan, unlike the older cohort that entered home ownership relatively smoothly during the rapid economic growth period, younger cohort households into the home-ownership market has progressively been delayed (Hirayama, 2010b). Moreover, neo-liberal policy has especially affected the housing conditions of who have been beyond the protection of conservative institutions, i.e. unmarried individuals, low-income households and those in unstable employment. (Hirayama, 2010a). Such housing-centered social inequity has also been observed in other countries in which the state aggressively intervening housing for economic purposes. For example, in China, due to the upsurge of housing price driven by the state in the past decade, it became increasingly difficult for the younger generation to enter homeownership, while those already hold homeownership have enjoyed a considerable capital gain. Economic conditions relating to home ownership have become stratified rapidly in Chinese cities. In Canada, the state has been a central player in the institutionalization of mortgage securitization, leading to the rising rates of homeownership greater spatial segregation of wealth within cities (Walks, 2016).

7.4 The Logic of the Centrality of Housing Development in Capitalism

The Japanese case indicates that, the different way that housing development being centralized in capitalism is fundamentally structured by the different dominant economic

ideologies rooted in individual capitalist states. The underlying economic ideology determines the state's value regarding what role housing should play in the capitalist state. The concrete institutional measures that centralized housing development in the capitalist state is a result of the state responding to the changing domestic and international circumstances over time. That process can be viewed as an interaction between slow-moving institutions of ideologies (both the internal underlying ideology, such as developmentalism, and external influential ideologies, such as Keynesianism and neoliberalism) and fast-moving institutions of existing political and policy institutions. The dynamic of the interaction reflects the different patterns of change of different types of institutions, also reaffirming path dependence.

The theorizing here is very tentative. Admittedly, it is immature to theorize only based on the case study of only one country. Under the framework of political economy and historical institutionalism this research has created, more case studies are expected to be conducted to improve the theorizing on the logic of the centrality of housing development in capitalism.

7.5 Limitations

All studies have limitations. For this study, the contradiction between the national scope and long historical span the research has taken and the limited time and funding to conduct the research has led to two major limitations. The first limitation is about the exclusive focus on the role of the central government. The second limitation is on the methodology of data collection.

First, the research has taken the national state as the unit of analysis and treated the state as a “black box” through which the state's intention was simply translated. The case study was a national-level analysis mainly from the perspective of the central government. Such a

perspective is obviously narrow as it has ignored other political actors and political processes on other scales and across different scales. Although the central government has played a dominant role in Japan's post-war socioeconomic development, ignoring the influence of other political actors is problematic. As urban regime analysis suggests, power is fragmented and dispersed among governments and private actors (Mossberger & Stoker, 2001). These actors have different interests and preferences from that of the central government. The interests of these oppressed groups always play an important role in institutional change (Roland, 2004). There remains the question of how other political actors including local governments, real estate companies, and civil society groups have shaped the central government's policy-making and policy implementation. The role of other political actors and their impact on housing development are expected to be explored in future studies.

Second, the research is based to a large extent on unobtrusive methods of data collection. Most of the empirical evidence was drawn from archival and secondary data. This measure of data collection benefits the research in terms that it enabled the research taking a national scope and seven decades of historical span under the constraint of time and funding for conducting the research. However, it has unavoidable bias due to the process of selective deposit and selective survival. Selective deposit occurs because biases influence what information is recorded; selective survival occurs because different archival records have different possibilities to survive the ravages of time (Palys, 2003, p. 225). The empirical analysis may be strengthened from first-hand information, particularly interviews with relevant governmental policy-makers.

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