

## Neo-Nationalism in Japan and South Korea: State Transformation, Perceptions and Rhetoric

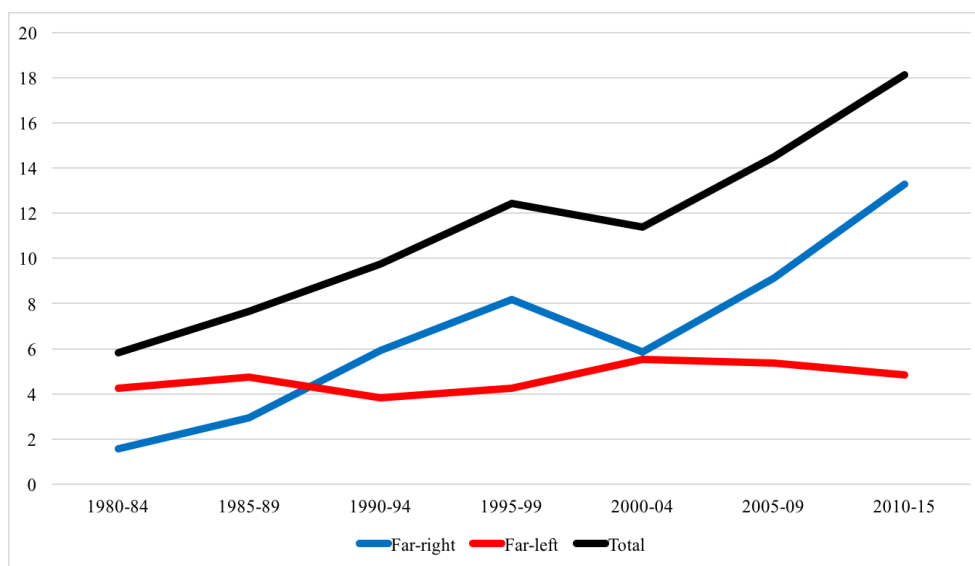
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As long as societies remain starkly divided, and as long as oligarchies remain jealous of their privileges and restraint to demands of change, the appeal of a leader or movement that promises to empower the “people” will remain (Mizuno & Phongpaichit 2009: 15).

### 1. Introduction

In this paper I address the resurgence of nationalism and populism in the contemporary globalized epoch through a comparative case-study of Japan and South Korea. My overarching research goal is to explore the relationship between the socio-economic structural forces transforming the state under neoliberal globalization (from nation-state to *capital-state*) and the revival of nationalism (from nationalism to *neo-nationalism*) measured through the electoral success of populist parties in the OECD countries for the period of 1980-2015. The global and country-specific dynamics of neo-nationalism are demonstrated in Figures 1-3.

Comparison of the voting patterns in Japan and South Korea reveals contrasting trends: decreasing (pre-dominantly) left-wing neo-nationalism in the former case along increasing (exclusively) left-wing neo-nationalism in the latter. This finding presents a puzzle: while both nation-states have undergone a structural transformation into the capital-states, as I will demonstrate through an empirical analysis further on, a counter-protective neo-nationalist movement has unfolded in South Korea only. My task is to explain this seeming anomaly.

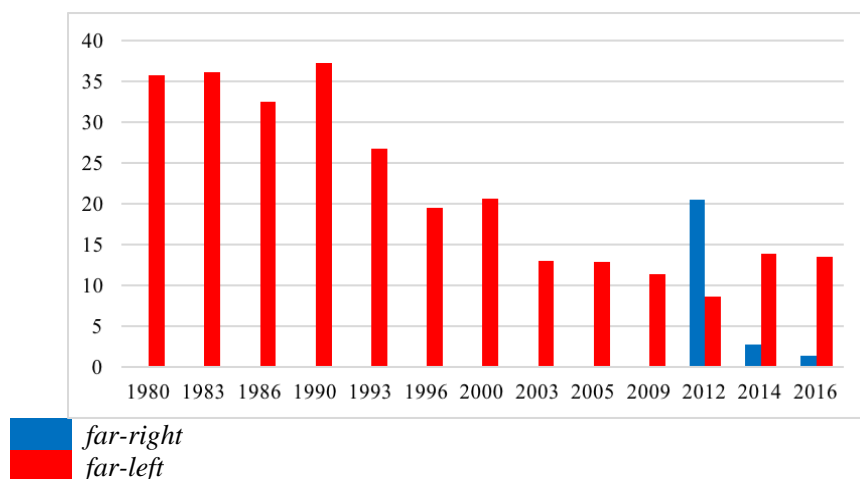


[Figure 1: Neo-Nationalism in OECD, 1980-2015, % Mean Vote]

*Note:* The mean share of the vote won by populist right and populist left parties in national parliamentary elections in 35 OECD countries. The classification of parties is based on: March (2008), Funke et al. (2016) and country-specific sources (Chile, Czech Republic, Estonia, Hungary, Iceland, Israel, Latvia, Luxembourg, Mexico, New Zealand, Poland, Slovak Republic, South Korea, Slovenia and Turkey). Since no electorally successful populist parties were identified in the US due to the bipartisan electoral system, presidential primaries for populist leaders were used as a voting measure.

Source: author’s calculation based on the “Parliaments and Governments” database (<http://www.parlgov.org>) and country specific sources (Chile, Israel, Mexico, South Korea and the United States).

Technical Appendix with the following data is available upon request: list of populist nationalist parties in OECD; list of populist leaders in the US; voting outcomes (populist right parties); voting outcomes (populist left parties); and voting outcomes (US presidential primaries).

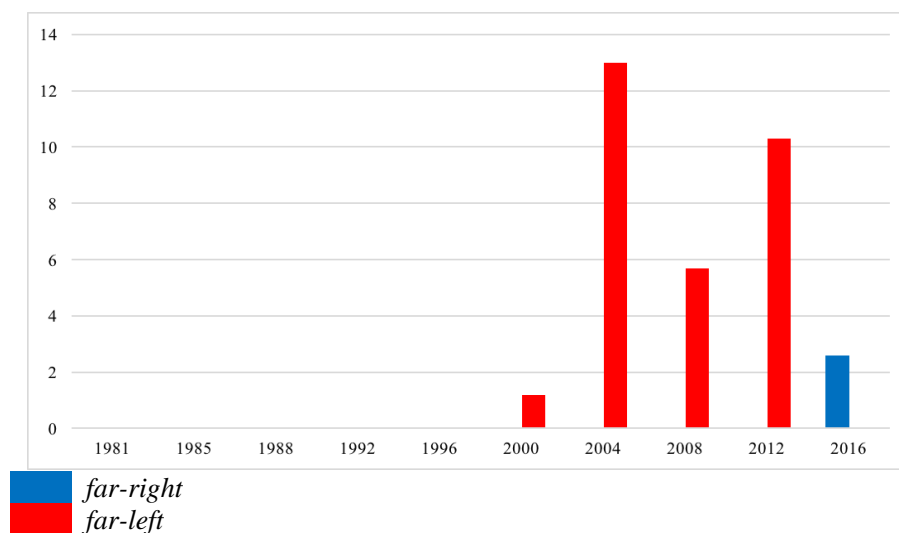


[Figure 2: Neo-Nationalism in Japan, 1980-2015, % Vote]

Note: I add the year 2016 for illustrative purposes only since my scope is 1980-2015. The years represent individual parliamentary elections (House of Representatives). The parties that gained parliamentary seats are:

- far-right: Japan Restoration Party (JRP); the Party for Japanese Kokoro received only 2.65% in 2014 (as the Party for Future Generations) and 1.31% in 2016 without gaining any seats;
- far-left: Japan Communist Party (JCP); Democratic Socialist Party (DSP); Japan Socialist Party (JSP).

Source: author’s calculation based on the “Parliaments and Governments” database (<http://www.parlgov.org>).



[Figure 3: Neo-Nationalism in South Korea, 1980-2015, % Vote]

Note: I add the year 2016 for illustrative purposes only since my scope is 1980-2015. The years represent individual parliamentary elections (National Assembly). The parties that gained parliamentary seats are:

- far-left: Unified Progressive Party (UPP) and Democratic Labor Party (DLP);
- far-right: the Christian Liberal Party received only 2.6% in 2016 without gaining any seats.

Source: author’s calculation based on the country-specific sources.

## 2. Theory and methodology

The current paper is a spin-off from my dissertation project which consists of two major parts. First, I contribute to the debate on the state transformation by developing and measuring the concept of the capital-state – defined as a polity serving the private needs of corporate capital over the public needs of citizens – that is replacing the nation-state. Second, using a comparative and within-case study analysis I test the hypothesis that neo-nationalism has unfolded as a protective knee-jerk reaction against this process. By voting for populist nationalist parties, nations reassert themselves against the deep structural dislocations and socio-economic grievances triggered by the capital-state. In this section I briefly present my theoretical framework, elaborate on the idea of neo-nationalism, and describe methodology adopted in the paper.

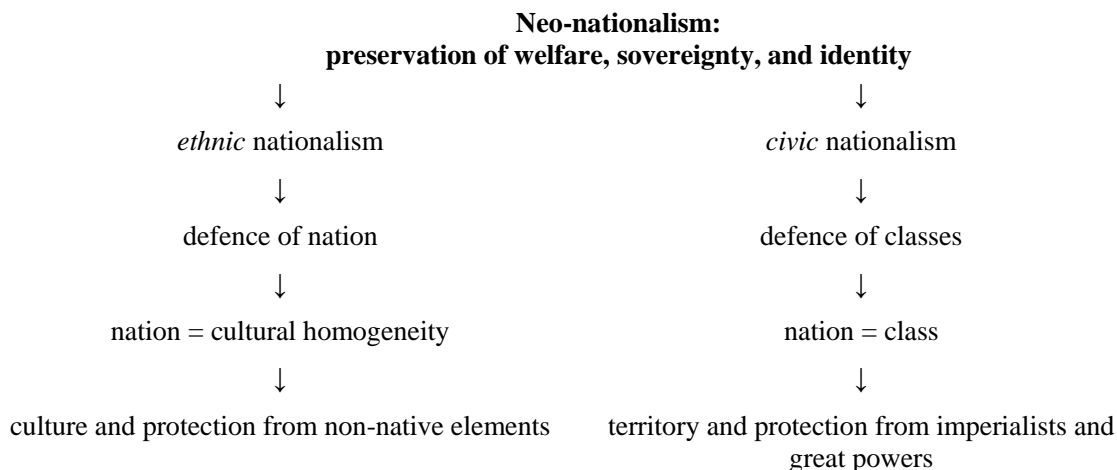
**“Transformation-protection” framework.** I develop my conceptual framework by updating and broadening Karl Polanyi’s study of the “great transformation” – the attempts to disembed the economy through the “myth of a self-regulating market” (Polanyi [1944], 2001). Polanyi’s analysis is useful for several reasons. It provides a critique of market liberalism, and most notably its principle that economy is self-regulating and should be treated as separate from the rest of society. It reveals that commodification of money, nature, labour and society is ultimately destructive. It also shows that counter-movements will inevitably develop to re-subordinate the economy to society.<sup>1</sup> Admittedly, Polanyi’s work applies well to the current phase of neo-liberal globalization as there has been a similar move towards a utopian self-regulated market economy under the aegis of neo-liberalism and market fundamentalism. One limitation of this analysis, however, is that it focuses on the European and American societies. Studying the experiences of Japan and South Korea, then, is an opportunity to test the applicability of Polanyi’s ideas.

I make a step further and scale up Karl Polanyi’s framework with a few modifications to develop the conception of the capital-state. By understanding the *capital-state* (independent variable) as the nation-state re-embedded on the market terms, I posit the model to demonstrate its explanatory power for the phenomenon of *neo-nationalism* (dependent variable) across the world.<sup>2</sup> My working theory is that the rise of neo-nationalism– viewed from a Polanyian perspective as a form of counter-protection or “double movement” – is caused by the rise of the respective capital-states. In turn, populist-nationalist entrepreneurs have been successful in mobilizing political constituencies because of this socio-economic re-embeddedness under the conditions dictated by the market.

**Neo-nationalism as a counter-movement.** By “neo-nationalism” I understand the upsurge of populist nationalist discourse and political parties on either side of the political spectrum, i.e. far right and far left (Figure 4) as in my conceptualization populist nationalism is both compatible with the core ideas of class (left) and nation (right) (Mizuno & Phongpaichit 2009; Halikiopoulou et al 2012; Pauwels 2014). There are several conceptual nuances, however, between the two sides: 1) right-wing populism is more exclusionary (nativism), whereas left-wing is more inclusionary (egalitarianism); 2) the former focuses on ethnic identity, while the latter more on socio-economic issues; 3) populism trumps ideology for the right (“populists first and socialists second”), while the opposite is true for the left; 4) left-wing populism is dyadic (attacking the ruling elites), while right-wing populism is triadic (attacking the elites and the “outsiders”) (Mudde 2007; Mudde and Kaltwasser 2013; March 2017).

Nationalism thus serves as the common minimum denominator for neo-nationalist parties (other salient features include populism and radicalism). I follow Breuilly (2005: 16-17) in understanding nationalism as “a political movement for the attainment and maintenance of autonomy, unity and identity on behalf of a population.” There is an agreement among scholars that national self-determination is the primary objective of nationalist movements (Gellner 1983; Freedon 1998; Hechter 2000; Breuilly 2005). Nationalism is a coherent ideology that refers to the pursuit of autonomy, unity and identity of a nation. However, it is also a “thin” or “sticky” ideology (Hall 2011) inasmuch it does not address the questions of social justice and welfare (Freedon 1998: 751). Nationalism can be thus described as a “modern day Janus” (Nairn 1975) as it can be both progressive (inclusive) and reactionary (exclusive) (Minkenberg 1995; Hechter 2000: 6), both “democratic and authoritarian and both left-wing and right-wing” (Haywood 1992: 136). As

Halikiopoulou et al. observe (2012: 505): “Paradoxically, nationalism is the underlying feature that unites the radical right and the radical left, cross-cutting traditional alignments and mobilising support across the political spectrum.”



[Figure 4: Two Types of Neo-Nationalism]

**Full argument and methodology.** My theory implies three potential necessary and jointly sufficient causal conditions for the rise of neo-nationalism, including in the Asian context. On the objective side (objective conditions), there is a deep structural transformation of the nation-state into the capital-state. On the demand side (subjective legitimacy), nations perceive these changes as a loss of governmentality and threats to their welfare, sovereignty, and identity. On the supply side, populist nationalist leaders, parties, and movements provide an organizational outlet for channelling these insecurities and anxieties.

I test how the first two elements (state transformation and perceptions) interact in the Japan and South Korea by applying the method of difference or diverse cases (Gerring & Seawright 2008: 300) due to divergence in the dependent variable. To analyze the rise of the capital-states, I conduct time-series and correlational statistical analyses, as well as involve secondary literature to process-trace (Gerring 2006: 181) the specific historical contexts in which these transformations have taken place. Following that, I conduct survey analysis to measure the perceived inability of the state to mediate socio-economic insecurities (resulting in the loss of trust in governance and democratic institutions), which in turn opens space for neo-nationalist parties with alternative visions to restore the breach of the social contract.

### 3. Empirical comparison: the capital-state in Japan and South Korea

To recap, the capital-state is a polity with the political power tilted towards capital and characterized by the social relations being embedded in the economy, instead of vice versa, the observation already made by Polanyi in his work. While the primary objective of the nation-state is to fulfil a social contract towards citizens, the leitmotif of the capital-state is to fulfil responsibility towards shareholders; the “legitimate social purpose” is therefore challenged (Ruggie 1982). The capital-state therefore does not replace the nation-state completely; there is no sharp line dividing the two polities. Rather, there is a continuum along which various states can be rated.<sup>3</sup> Defining capital-state in terms of *intrusion*, *collusion*, and *extrusion* provides identifiable dimensions of variation which can be empirically explored. These three conceptual attributes of the capital-state refer to, respectively, welfare contestation, corporate penetration, and transnationalization.

In the context of Japan and South Korea, my “nation-state into. capital-state” thesis parallels to some extent the debate on the transition from developmental to neoliberal (or hybrid neoliberal developmental) state model, as well as a broader theoretical debate on convergence versus divergence versus hybridization under the pressures of globalization (Soderberg et al.: 2005;

Campbell et al.: 2006). While scholars agree that both Japan and Korea, seen as exemplars of state-led economy (Mathews: 1998; Park: 2001) pursued neoliberal reforms in the aftermath of the 1997 Asian financial crisis, there are diametrically opposed views about the degree and extent of these reforms. According to conventional wisdom, Korea has substantially neo-liberalized its economy (convergence) (Minns 2001; Lee & Han 2006; Lim & Jang 2006), while Japan has preserved the role of the state in managing its economic system (divergence or hybridization) (Itoh 2005; Suzuki 2012; Suzuki 2015).

While neoliberalism is an approach that prescribes liberalization, deregulation, and privatization by reducing the role of the state in managing economic activities (Harvey 2005), the premise of the capital-state is the *increasing* role of the state required for “re-regulation” on the market terms rather than complete deregulation (Block and Somers 2014). Concurrently, my measures of the capital-state differ from the measures used to capture neoliberalism in the Japanese and Korean economies, such as, for instance, independence of central banks financial regulator, foreign ownership of financial institutions, or the ties between banks and industries (Lee & Kwak 2009). The application of the capital-state analytical framework reveals that, contrary to the debates above, both Japan and South Korea have experienced similar transition towards the capital-state. The dichotomy of neo-liberal Korea (change) vs. developmentalist Japan (continuity) is not supported by my analysis. With this in mind, I turn to the discussion of comparative empirical data for each of the three attributes of the capital-state.

**Welfare contestation (intrusion).** The capital’s state logic of serving private corporate interest instead of the public good implies rolling back of social welfare or its commodification – transfer of responsibility for the provision of public goods and services to the private sector. Two indicators are significant both in the case of Japan and Korea – public expenditure on education and total public social expenditure (Table 3.1). The latter includes pensions, elderly assistance, incapacity-related benefits, spending on health and families, active labour market programmes, unemployment compensation, housing allowance and other forms of cash and in-kind support targeted at households and individuals (OECD Social Expenditure Database).

<i>Indicator</i>	<i>Japan</i>		<i>South Korea</i>
public education	0.801**	0.675*	
public social expenditure	-0.970***		0.925*

The positive relationship between the first indicator and neo-nationalism is counter-intuitive, as I hypothesize that efforts to institute free markets to commodify public goods, such as education, would entail resistance from neo-nationalist parties. This should be especially salient in Japan and Korea with predominant left-wing neo-nationalism traditionally oriented towards a more egalitarian and inclusive society. A further look at the second indicator, however, seems to resolve this puzzle for Japan. As the total amount of social expenditures more than doubled within three decades in the country as per OECD (from 10% in 1980 to 23% in 2011), the support for neo-nationalist parties decreased steadily from 35% till 11% in 2009, with a major increase in the 2012 general election due to an electoral success of the new far-right Japan Restoration Party.

<i>VARIABLE</i>	<i>MEASURE</i>	<i>COEFFICIENT JP</i>	<i>COEFFICIENT SK</i>
<i>1) INTRUSION</i>			
private education	% GDP	-0.848	0.784
public education	% GDP	0.801**	0.675*
private health	% GDP	-0.411	-0.744
public health	% GDP	0.411	0.744
public social expenditure	% GDP	-0.970***	0.925*
house pricing	change ratio	0.434	-0.446
<i>2) COLLUSION</i>			

corporate subsidies	% state support	0.018	-0.906*
corporate tax	%	0.751***	-0.397
labour flexibility 1	reg. contracts	0.143	-0.739*
labour flexibility 2	temp. contracts	0.656*	-0.739*
trade union density	ratio	0.805***	-0.686**
<b>3) EXTRUSION</b>			
cost to export	USD/container	0.145	N/A
time to export	number of days	-0.073	N/A
income inequality 1	top 1% share	-0.137	0.779
income inequality 2	top 10% share	-0.779***	0.806*

[Table 1: Capital-State and Neo-nationalism in Japan and South Korea, 1980-2015: Correlation Coefficients]

<0.10\* <0.05\*\* <0.01\*\*\*

Note: Measures for labour flexibility are OECD summary indicators calculated as follows:

- (1) protection for regular contracts: (a) procedural inconvenience + (b) notice and severance pay for no-fault individual dismissal + (c) difficulty of dismissal;
- (2) protection for temporary contracts: (d) fixed-term contracts + (e) temporary work agency employment.

Sources: OECD statistical databases, 2016 KOF Index of Globalization, World Values Survey, The UNESCO Institute for Statistics, WHO global health expenditure database, World Bank, World Wealth & Income Database.

In case of South Korea, the relationship remains positive. The data I collected shows that Korea witnessed a 5-time increase in total social expenditures from 2.7% in 1990 to 10.1% in 2015, while neo-nationalist parties (the “progressive movement” including the Democratic Labour Party and the Unified Progressive Party) gained 10 times more seats in the country’s National Assembly following the historical electoral breakthrough of DLP in the 2000 general election. At first glance, this runs against my theoretical expectation that a generous welfare system would prevent Polanyian “double-movement” manifested in voting support for neo-nationalist parties.<sup>4</sup> However, this finding also suggests that other characteristics of the capital-state are more relevant to understand the dynamics of neo-nationalism in the country. Analysis of the collusion and extrusion parameters confirms this proposition.

**Corporate penetration (collusion).** I conceptualize collusion as the entanglement between the political (public) and economic (private) spheres. In my conception of the capital-state corporations need a robust state political apparatus to lobby for their interests, promote pro-business legislature, and receive important government subcontracting deals. Politicians, in turn, need corporate donations to finance their political campaigns.<sup>5</sup> “Entrepreneurial” financial managers and technocrats who serve the interests of the shareholders replace professional national-oriented bureaucrats in office. This resonates with Crouch’s (2004) argument that the sovereignty of the state is being replaced by the sovereignty of the market.

Nearly all collusion subcomponents reflect strong correlations for the South Korea case, with trade union density and corporate welfare having the highest statistical significance.

<i>Indicator</i>	<i>Japan</i>	<i>South Korea</i>
corporate subsidies	---	-0.906*
corporate tax	0.751***	---
labour flexibility 1	---	-0.739*
labour flexibility 2	0.656*	-0.739*
trade union density	0.805***	-0.686**

The results corroborate my theoretical argument that the capital-state is characterized by the shift of balance of power from the state and people to capital. In South Korea, this is epitomized in the shift from the “developmentalist alliance” between the state and big business (*chaebol*) – the

configuration known as “Korea, Inc.” (Lee & Han 2006) or “embedded autonomy” (Evans 1995) – towards a more independent and assertive chaebol. Previously, the Korean developmental state was dominant over business: it set industrial targets, directed lending, and provided selective investment for chaebol (D’Costa 1994: 55; Hall 2004: 79). As Lee (2012: 9) observes, “the Korean state’s autonomy and control over *the economy embedded in its economic nationalism strategy* was central to the nation’s economic success that was achieved in a relatively short period of time” [italics added]. In the wake of the 1997 financial crisis, however, South Korea introduced structural adjustment programs under the auspices of IMF which undermined the state’s autonomy in formulating public policy and gave private business more leverage through such policies as deregulation of finance and labour (Lim 2009). In addition, democratization brought about more competition among the political elites who became dependent on chaebol for funding (Noland & Pack, 2003: 69). In sum, the formula “the government leads, and the chaebols follow”<sup>6</sup> had been turned around (Lee & Han 2006: 310).

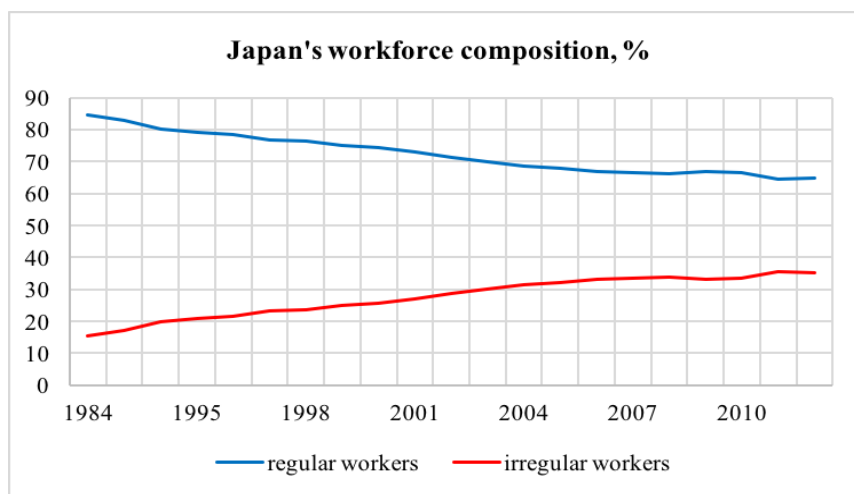
Correlation coefficients for the “collusion” subcomponents provide statistical confirmation of these developments. The trade union density in South Korea rose from 15.51% in 1980 to its peak of 18.75% in 1989 and was on decline onwards reaching the lowest mark of 9.68% in 2010. Unsurprisingly, this trend correlates well with a decrease in labour protection (indicators “labour flexibility”) as the result of economic restructuring, which brought an increase in contingent workers. As Lim (2009: 149) reports, the number of temporary workers in South Korea reached 52.9% during the Kim Dae Jung administration (1998-2003), which surpassed the figure of 47.1 for regular workers. Taken together, these three measurements shed a light on the electoral success and persistence of left-wing neo-nationalism in Korea between 2000 and 2012. The last significant coefficient is for corporate subsidies measured through business enterprise expenditure on R&D (BERD) financed by government between 2000 and 2014 (OECD Science and Technology Indicators). The statistical relationship is negative, which does not support my hypothesis for South Korea that corporate welfare would increase support for neo-nationalism or, conversely, decrease in corporate subsidies (as the data for South Korea reveals) would depress it.

One remark is in order with regards to the relationship between intrusion and collusion in the Korean case. Analyzing these characteristics in tandem explains the puzzle of a simultaneous increase in social welfare and neo-nationalism. While some scholars argue that the increase in welfare in the 1990s proves the government’s anti-neo-liberal stance, they overlook the structural link between the two trends. Although welfare spending increased, it was offset by the growth of contingent labour force. As Lim and Jang (2006: 454) point out, “increasing labour market flexibility creates a need for expanded social safety nets, which is a typical neo-liberal institutional configuration called the “augmented Washington Consensus”.” Thus, while the Kim Dae Jung government implemented a range of policies to strengthen the social safety net, including the poor-relief Basic Livelihood Guarantee System and pension coverage for the entire population (Lim 2009: 152), the South Korean welfare system still did not adequately protect lower-class people from sickness, unemployment and industrial injury (Ahn 2009). Similarly, the subsequent Roh Moo Hyun government pursued an ambivalent strategy of combining commitment to social welfare and greater labour flexibility (Lim and Jang 2006).

The statistical analysis of the collusion parameters for Japan presents a different picture. Similar to South Korea, trade union density fell sharply from 31.11% in 1980 to 17.6% in 2014, while protection of workers with temporary contracts deteriorated (indicator “labour flexibility 2”). At the same time, the country is facing the problem of the increase of “disposable workers” and “Internet refugees” – low-paid irregular workers with few benefits and no job security. As the 2011 survey by the Ministry of Internal Affairs and Communications revealed, the number reached 17.3 million people (35.4% of the workforce) compared to 20% in 1990 (Figure 5).

Unlike the Korean case, however, the correlation between these measures and neo-nationalism is strongly *positive* with less voters attracted by populist nationalist parties over time. In addition, the last significant correlation coefficient for corporate tax shows that, in contrast to my theoretical propositions, a decrease in corporate tax rates did not trigger a backlash from the population through supporting neo-nationalist parties. A look at the previous section might suggest that a two-fold increase in total social expenditures between 1980 and 2011 explains this phenomenon. However, as

Suzuki (2012; 2015) demonstrated, these figures are misleading for two reasons. First, while the size of the public sector did grow, the largest share of budget increase came from the Special Accounts with the National Consolidation Debt Fund being the largest. Second, the benefits have been skewed toward servicing the elderly, as opposed to the working age population (such as unemployment benefits). Overall, while the traditional developmental role of the state has decreased, there has not been a rise in formal and universalistic forms of welfare for the working age population, the phenomenon Suzuki (2012; 2015) refers to as the “neoliberal hybridisation of Japan’s developmental state.”



[Figure 5: Japan’s Labour Force Ratio]

Source: Labour Force Survey. Data accessed September 14, 2017 at: <http://s3.datawrapper.de/T8csg/data>.

In sum, both the quantitative and qualitative analysis of the Japan case presents a puzzle for my theory: channelling discontent through neo-nationalist parties has been decreasing despite the transformation of Japan into the capital-state manifested in such trends as the lack of a strong comprehensive welfare system, government deregulation of the labour market during the Obuchi and Koizumi administrations (the notorious “Dispatched Manpower Business Act”) and corporate cost-cutting, resulting in the rise of precariat and Japan’s “lost decade” (Osawa & Kingston 2015). The question to ask here is why, in contrast, to South Korea, there has not been a counter-protective movement against this re-embeddedness of the economy on market terms? I will address this issue in the upcoming section of the paper after analyzing the last set of parameters.

**Transnationalization (extrusion).** Another ramification of the rise of the capital-state includes transnationalization of a state’s upper class as a result of local political elites serving global corporate interests. While the industrial capitalist class was tied to national space, constructing national identities to strengthen legitimacy and hegemony, the capital-state produces a new type of transnational corporate elites not bound by national and territorial constraints.<sup>7</sup>

In the present comparative analysis only one measure produces a highly significant statistical result under this component of the capital-state: the top 10% income share. Since the restructuring of the nation-state into the capital-state creates not only social stress for “have-nots,” but also opportunities for the “haves,” I use this measure to capture the “dual society” in which the internationalized and more socially mobile sector of population is separated from the non-internationalized one. While I use income as the primary indicator, a gap in earnings also implies a gap between lifestyles, value systems, and even modes of belonging. For instance, the upper class can provide their children with the best private tutoring which ordinary people cannot afford, which goes in contrast with the less privileged strata of population – such as the poor, semi- or unemployed – with slim chances of upward mobility. Such growing diversity and heterogeneity can affect the



national identity and social cohesion. As Osawa & Kingston (2015: 62) argue in the case of Japan, “The rise in relative poverty and the greater awareness of socioeconomic disparities also threaten the myth of social cohesion (and of a homogeneous one-class system) that postwar Japanese have been so attached to.”

As another example, more “transnationalized” upper class people prefer their children to give up Korean citizenship or arrange a dual one.<sup>8</sup> This process may indicate devaluation of national citizenship and belonging. As Park (2014: 193) points out, “from the perspective of native citizens with single nationality, those with dual citizenship may seem to enjoy more advantages by belonging to multiple polities.”

The significant positive correlation coefficient for South Korea confirms the link between transnationalization of society measured through growing disparity in income and the rising voting support for neo-nationalist parties. However, the opposite is true for Japan: while the correlation displays even higher significance, the relationship is negative: there has been a decrease in electoral neo-nationalist support despite the increase in income gap.

<i>Indicator</i>	<i>Japan</i>	<i>South Korea</i>
income inequality 2	-0.779***	0.806*

To sum up, both Japan and South Korea have undergone a socio-economic restructuring of their developmental nation-states into the capital-states, as conceptualized in the preceding section. The collected statistical data confirm the rise of the capital-state for either case. The difference is in the outcome: there has been a rise of neo-nationalism in the Korean society, while it has been decreasing in Japan. I address this puzzle in the next section.

#### 4. Empirical comparison: perceptions of governance in Japan and South Korea

As discussed in the theoretical section of the paper, there are three parts of the causal equation in the capital-state – neo-nationalism dynamic: 1) re-structuring of the nation-state into the capital-state as measured above; 2) people’s perceptions of this transformation as threats to / loss of their autonomy, sovereignty, and identity; and 3) rhetoric of the political entrepreneurs resonating with these socio-economic insecurities. In this section I focus on the second part of the argument.

I hypothesize that the 1997 Asian financial crisis was the watershed moment which could have lowered the Japan’s and Korea’s public perceptions of state capacity to deliver on its social obligations, undermined trust in the elites, affected the pride of and homogeneity of the nation, and therefore made the appeal of neo-nationalism more salient. I use the following measures to capture public perceptions of governance in Japan and South Korea: (a) good governance indicators; (b) confidence in political institutions; and (c) perceptions of national identity. The results are presented in Tables 4.1 to 4.3.

<i>Year</i>	<i>Government effectiveness</i>		<i>Regulatory quality</i>		<i>Rule of law</i>		<i>Control of corruption</i>	
	<i>Japan</i>	<i>Korea</i>	<i>Japan</i>	<i>Korea</i>	<i>Japan</i>	<i>Korea</i>	<i>Japan</i>	<i>Korea</i>
1996	0.96	0.63	0.69	0.48	1.32	0.75	1.05	0.27
1998	1.07	0.33	0.56	0.31	1.33	0.73	0.93	0.34
2000	1.19	0.70	0.81	0.59	1.29	0.83	1.23	0.25
2002	1.07	0.89	0.48	0.80	1.14	0.91	0.86	0.47
2003	1.22	0.93	1.06	0.75	1.18	0.78	1.18	0.48
2004	1.42	0.94	1.15	0.81	1.26	0.91	1.23	0.34
2005	1.35	1.02	1.24	0.82	1.24	0.97	1.21	0.59
2006	1.56	1.05	1.26	0.75	1.35	0.84	1.32	0.28
2007	1.45	1.23	1.14	0.93	1.33	1.02	1.21	0.52
2008	1.46	1.05	1.15	0.73	1.32	0.85	1.31	0.37

2009	1.46	1.11	1.10	0.84	1.30	0.98	1.37	0.48
2010	1.52	1.22	1.03	0.93	1.33	0.99	1.57	0.40
2011	1.47	1.26	1.09	0.99	1.30	1.02	1.57	0.46
2012	1.41	1.21	1.14	0.90	1.33	0.98	1.62	0.47
2013	1.61	1.13	1.11	0.99	1.42	0.95	1.66	0.55
2014	1.82	1.18	1.14	1.11	1.60	0.98	1.73	0.49
2015	1.79	1.03	1.18	1.16	1.51	0.95	1.61	0.49

[Table 2: Performance of Japan and South Korea on Good Governance Indicators]

Source: World Bank (2016).

Note: Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance).

The meaning of good governance indicators is as follows. (1) *Government effectiveness* reflects perceptions of the quality of public and civil services, their independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to these policies. (2) *Regulatory quality* reflects perceptions of the ability of the government to formulate and implement policies in the private sector. (3) *Rule of law* reflects perceptions of law-abiding in society, including the perceptions of the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. (4) *Control of corruption* reflects perceptions of the extent to which public power is exercised for private gain, as well as “capture” of the state by elites and private interests.

There is a stark contrast between Japan and South Korea on all four good governance indicators. First, South Korea scores much lower across all parameters; for one indicator – control of corruption – the gap is three-fold. Second, there is a difference in trends as well between the two countries:

- *government effectiveness*: continuous increase for Japan; two-fold drop for Korea after the 1997 crisis and recovery afterwards;
- *regulatory quality*: continuous increase for Japan; two-fold drop for Korea after the 1997 crisis and recovery afterwards;
- *rule of law*: decrease in the year 2002 and continuous increase onwards for Japan; decrease in 2008 after the crisis and continuous increase onwards for South Korea;
- *control of corruption*: decrease in the year 2002 and continuous increase onwards for Japan; decrease in 2008 after the crisis and continuous increase onwards for South Korea.

With regards to the last indicator, the Corruption Perception index reveals a similar trend. Corruption is viewed in a more negative light in South Korea, while in Japan the perception has been more positive with two slight drops in 2003 and 2012 (Table 4.1 (b)).

Year	Japan	South Korea
1995	67	43
1996	70	50
1997	66	43
1998	58	42
1999	60	38
2000	64	40
2001	71	42
2002	71	45
2003	70	43
2004	69	45
2005	73	50
2006	76	51
2007	75	51
2008	73	56
2009	77	55

2010	78	54
2011	80	54
2012	74	56
2013	74	55
2014	76	55
2015	75	56

[Table 3: Corruption Perception Index of Japan and South Korea]

Source: Transparency International.

Note: Perceived level of public sector corruption (scale from 0 (highly corrupt) to 100 (very clean)).

The data about confidence in political institutions convey a contrasting trend as well. While the Korean people appear to have had less trust in their state capacity and a higher perceived level of corruption (as shown in Tables 4.1 (a) and (b)), paradoxically, they have had higher trust in political institutions such as parties, parliament and the government overall compared to the people in Japan. Along with that, there has been higher perception that the country is run for the sake of a few big interests. This suggests that in Korea political institutions are viewed as more legitimate to express popular discontent.<sup>9</sup>

Year	Government		Big interest		Parties		Parliament	
	Japan	Korea	Japan	Korea	Japan	Korea	Japan	Korea
1981-84	NA	NA	NA	NA	NA	NA	27.8	66.8
1990-94	NA	NA	NA	NA	NA	NA	28.3	33.9
1995-99	30.0	43.8	58.8	82.2	17.2	24.8	24.2	31.0
2000-04	25.4	28.9	59.7	87.8	16.5	10.1	19.7	10.2
2005-09	29.1	45.6	NA	NA	16.8	24.2	21.4	26.2
2010-14	24.3	49.5	NA	NA	14.8	26.1	19.8	25.5

[Table 4: Confidence in Political Institutions in Japan and South Korea]

Source: World Values Survey

Note: Reply in % for “a great deal” and “quite a lot” (vs. “not very much” and “none at all”) to the statements about parliament, parties and government. Reply in % for “Run by a few big interests.” (vs. “Run for all the people.”) to the statement: “Country is run by a few big interests looking out for themselves or that for the benefit of all the people.”

Finally, the perceptions of national identity have varied among the two countries as well (Table 4.3). While more Koreans have been proud about their nationality than Japanese, the rate dropped sharply after 1999 allegedly in the aftermath of the 1997 crisis, albeit it increased after the 2007 crisis. This resonates with Park’s (2004) argument about the impact of the Asian financial crisis on identity formation and social inequality. As the author observes (p. 149), “The two consequences, seemingly unrelated to each other, are in fact two different effects of the same causes, the one being symbolic or cultural and the other material.”

Year	Japan	Korea
1981-1984	28.7	44.4
1990-1994	26.8	45.2
1995-1999	25.3	N/A
2000-2004	21.1	17.4
2005-2009	20.9	19.0
2010-2014	25.1	23.6

[Table 5: Perceptions of National Identity in Japan and South Korea]

Source: World Values Survey.

Note: Reply in % for “very proud” (vs. “not very proud” + “not at all proud”) to the question: How proud are you to be [Nationality]?

In sum, the analysis of the perceptions of legitimate governance reveals that while the transformation into the capital-state under neoliberal globalization has affected both Japan and South Korea, only in the latter case did the people perceive this restructuring as a crisis of democratic representation and a threat to their welfare, autonomy, and identity. This finding sheds a light on the puzzle why neo-nationalism measured through the parties’ electoral support has been on the rise in South Korea and declining in Japan despite similar “fertile breeding ground.”

A pertinent question here is what drives this difference in perceptions between the populations of Japan and South Korea. While this remains outside the scope of the paper, a possible explanation is suggested indirectly by Hanada (2010) via an in-depth interpretive discourse analysis of Japanese national identity in 2010. The study reveals the prevalence of peaceful values, the virtues of mutual aid and self-sacrifice which make change of the current system unthinkable. Perceptions and interests are therefore shaped by identity, which highlights the salience of intersubjective social relations (Hopf & Allan 2010). As Hanada (p. 163) concludes: “A sense of grievance in Japanese society attributable to the grim byproducts of neoliberal capitalism can be alleviated by reciprocal assistance among the masses.”<sup>10</sup>

Civil activism in Japan in the wake of “triple disasters” lends support to the above finding. As Allison (2015: 52-53) points out, despite the state of social precarity there is an increasing number of bottom-up initiatives to provide alternative means to families, and workers and communities, such as a nationwide movement to establish “regional living rooms” or citizen-driven advocacy for Japan’s non-nuclear future. These and many other developments add a nuance to my theoretical argument: the Polanyian “commodification – counter-movement” dynamic creates opportunities for more active citizens’ participation in public governance (Figure 6). The transformation to the capital-state is mediated through local experiences with people exercising various forms of agency. Apart from support for neo-nationalist movements, these can take other individual, community, municipal and national-level forms, which resonates with Wright’s (2016) idea of “eroding capitalism.”<sup>11</sup>

		Goal of strategies	
		Neutralizing Harms	Transcending Structures
Target of Strategies	Macro-political	<i>Taming Capitalism</i>	<i>Smashing Capitalism</i>
	Micro-social	<i>Escaping Capitalism</i>	<i>Eroding Capitalism</i>

[Figure 6: “Double-movement” from the Bottom-Up]

Source: Wright (2016: 8) (original title: “Four Strategic Logics of Anti-Capitalism”)

#### 4. Conclusion

I have argued that Karl Polanyi’s intellectual arsenal, including the ideas of embeddedness, commodification and double-movement, is a powerful toolkit to understand the inter-related issues

of state transformation and the resurgence of nationalism in the globalized world. My comparative argument together with control variables on the demand and supply side is summarized in Table 4.4.

			<i>Japan</i>	<i>Korea</i>
Independent variables		Capital-state	High	High
		Governance perception	<b>High</b>	<b>Low</b>
		Nationalist rhetoric	<i>N/A</i>	<i>N/A</i>
Control variables	<i>Demand</i>	Unemployment	Increase	Increase
		Economic growth	Decrease	Decrease
		Inflation	Decrease	Decrease
		Inequality	Increase	Increase
		Globalization	Increase	Increase
		Immigration	Increase	Increase
		Asylum-seekers	Increase	Increase
	<i>Supply</i>	Electoral system	Mixed	Mixed
		Federalism	5	4
		Party competition	2 contenders	2 contenders
		Civil society	367	397
Dependent variable		Neo-nationalism	<b>Decrease</b>	<b>Increase</b>

[Table 6: Neo-Nationalism in Japan and South Korea: Demand- and Supply Variables]

*Sources:* OECD statistical databases, 2016 KOF Index of Globalization, The UNESCO Institute for Statistics, World Bank, The International Institute for Democracy and Electoral Assistance, Database of Political Institutions, UN Integrated Civil Society Organizations System database.

*Note:* I do not address the salience of nationalist rhetoric in this paper. “Federalism” refers to the degree of territorial decentralization (scale 0-6); “Civil society” refers to the number of registered civil society organizations.

I draw several theoretical and empirical conclusions based on the analysis presented in this paper. First, global economic forces are mediated through local cultural and institutional filters, and the effects are experienced locally. The analysis of the “second great transformation,” to use Polanyi’s phrase, therefore requires national studies and a comparative cross-national approach. Thus, both Japan and South Korea have been embedded in the developmentalist paradigm; in both countries high growth allowed leaders to “claim the “mantle of nationalism” (Mizuno & Phongpaichit 2009: 7) leaving little room for opposition; both suffered the decline in growth following the Asian financial crisis and had challenges to legitimacy of the political system.<sup>12</sup>

Second, the transformation from the nation-state to the capital-state in South Korea and Japan can also be considered a process of re-shaping national identities. The role of neo-nationalist parties is in the supply: they provide nationalist solutions to such restructuring which is perceived as a loss of governance, legitimacy and “state betrayal.” My hypothesis – to be taken up outside this paper – is that neo-nationalist parties and leaders are more successful if they tailor their discourse to civic or ethnic characteristics of national identity drawing on nation-specific symbols and cultural attributes. I would then expect wider usage of rhetorical strategies to attract voters and justify policies by Korea’s Democratic Labour Union and Japan Restoration Party (higher electoral support) than by Japanese Communist Party (decreasing electoral support).<sup>13</sup>

Finally, there is an inherent interaction between supply (contextual issues and perceptions) and demand (political opportunity structures and rhetorical strategies).<sup>14</sup> In other words, these conditions are *independently necessary and jointly sufficient* to produce neo-nationalist parties, leaders and movements. This leaves ample space for further theoretical modelling and empirical research.

Endnotes

<sup>1</sup> Due to obvious limitations, I omit the detailed analysis of Polanyi's work here, as well as omit the literature review pertaining to the transformation of the state under neo-liberal globalization. I do both elsewhere.

<sup>2</sup> I provide the detailed conceptualization of the capital-state and neo-nationalism elsewhere too.

<sup>3</sup> I constructed the capital-state index for all 35 OECD member-states through aggregating a series of measures (see Table 3.1 below) via the principal components analysis (PCA). According to this index (scale 0-100) Japan ranked 11<sup>th</sup> in 1980 and 6<sup>th</sup> in 2015 (from the highest to lowest degree of the capital-state), while South Korea ranked 5<sup>th</sup> in 1980 and 14<sup>th</sup> in 2015.

<sup>4</sup> Other studies have corroborated this idea. See, *inter alia*, Swank and Betz (2003) who demonstrated through the analysis of national elections in 16 European countries from 1981 to 1998 that the universal welfare state with a comprehensive system of social protection depresses the vote for radical right-wing populist parties. Similarly, Halikiopoulou (2017) argues that where state institutions offer greater protection from the risks of unemployment, the far right is less likely to succeed. Conversely, the far right is more likely to be supported where these institutions are less generous.

<sup>5</sup> As Risse-Kappen (1995a: 25) points out, "In order to affect policies, transnational actors have to overcome two hurdles. First, they have to gain access to the political system of their 'target state'. Second, they must generate and/or contribute to 'winning' policy coalitions in order to change decisions in the desired direction."

<sup>6</sup> Kim Woo-Choong, former chairman of Daewoo group, reflected this attitude well: "The government tells you it is your duty and you have to do it, even if there is no profit" (quoted in Harris 1987: 151).

<sup>7</sup> As Gill (2000: 181-82) observed: "As the state increasingly shuns "the nation" and nation-building projects to attend to the claims of global creditors, it fails to deal with the demands of ordinary people for decent jobs, health care, education, and a range of other services."

<sup>8</sup> According to one piece of anecdotal evidence, the sons of 18 high-ranking public officials gave up their Korean citizenship. Furthermore, as the Military Manpower Administration reported, the number of young Korean men exempted from the national service went up from 3,000 in 2013 to 4,400 in 2014. These men were exempted as they became citizens of the United States (mostly), Canada, Australia and New Zealand (Channel NewsAsia, September 17, 2015).

<sup>9</sup> The recent candlelight protests ousting president Park Geun-hye suggest the erosion of confidence in political institutions in South Korea as well, thus challenging the channelling discontent thesis (Kornhauser 1960).

<sup>10</sup> Another potential explanation is that the incumbent Liberal Democratic Party (LDP) headed by Prime Minister Shinzo Abe has already occupied the nationalistic ideological niche, thus leaving less political space for more extreme parties (Bix 2013). I leave this argument to be developed in subsequent research.

<sup>11</sup> The 2016-2017 South Korea's candlelight protests against business-state collusion fit this logic as well.

<sup>12</sup> At the same time, it would be premature to conclude that neo-nationalism was caused by the 1997 crisis. As Anderson reminds, there is a longer tradition in the region dating back to anti-colonial nationalist populists who had few political resources other than popular mobilization (Anderson 2009: 217).

<sup>13</sup> See Kimura (2009) and Otake (2009) for analysis of such nationalistic rhetoric by incumbent political leaders (rather than parties) in Japan (Prime Minister Koizumi) and South Korea (President Roh Moo-hyun).

<sup>14</sup> As Golder (2016: 490) observes with regards to far-right: "Grievances create the demand for far right parties, while characteristics of the supply side, such as the political opportunity structure, determine the extent to which demand is translated into far right success."

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