# Who Traded Away Democracy? Business-Backed Legislators during the Democratic Backsliding in Japan 1936-1942.

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# Abstract

This study examines how economic elites respond to democratic backsliding, focusing on Japan from 1936 to 1942. Using an original dataset of Diet members' biographies and board memberships, it analyzes the Imperial Japanese Army's consolidation of power and shifts in parliamentary voting patterns and affiliations during critical legislative sessions. Employing difference-in-differences and event-study designs, the research evaluates the effects of two key shocks: economic sanctions and wartime procurement. Legislators tied to sanction-hit sectors, such as textiles and petrochemicals—the weakest performers in the stock market—shifted toward anti-democratic positions, while those from procurement-dependent sectors, like automobiles, maintained stable stances. Case studies further illustrate how economic vulnerability drove authoritarian realignment, challenging the notion that sanctions uniformly pressure elites. The findings underscore how elites' changing bargaining power, rather than static preferences, shapes their resistance to or alignment with democratic backsliding, with struggling elites being the most inexpensive to coopt.


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Why do elites in democratic systems sometimes fail to uphold the institutions they are meant to protect? Why does horizontal accountability, ensured by checks and balances between the legislature and the executive, sometimes falter? Elite collaboration is pivotal to democratic backsliding (Haggard and Kaufman 2021; Levitsky and Ziblatt 2018; Grillo et al. 2024), yet its microfoundations remain underexplored due to the opaque nature of elite decision-making. This paper addresses this gap by examining how economic and political factors influence elites' decisions to support or resist authoritarian transitions.

Japan's pre-war experience offers a unique lens to study these dynamics. Approximately 70% of Japanese legislators were business leaders, making them part of the political and economic elite. Following the failed coup in 1936, the Imperial Japanese Army intensified efforts to undermine parliamentary democracy, fielding allies in the 1937 election but suffering a major defeat. No elections occurred between 1937 and 1942, during which the army incrementally aggrandized the executive through legislation suppressing dissent, limiting accountability, and reducing electoral competitiveness. In this context, vertical restraint by voters played a limited role, while elites became key accelerators of democratic erosion.

This study analyzes the behavior of legislators tied to economic sectors through board memberships, exploring how their interests shaped their responses to authoritarian pressures. By examining 10 key legislative events where the army's agenda conflicted with democratic principles, the analysis sheds light on critical moments when elites chose between defending democratic institutions and supporting the army's agenda. Two major economic shocks—sanctions on import/export-dependent industries and expanded wartime procurement—serve as exogenous variables influencing elite behavior.

This paper contributes to the growing literature on democratic backsliding by addressing the understudied role of non-judicial elites in enabling authoritarian transitions (Arriola et al. 2021; Pospieszna and Vetulani-Cęgiel 2021). It highlights why horizontal restrainers, such as legislative elites, may sometimes acquiesce to executive aggrandizement (Waldner and Lust 2018; Grillo et al. 2014). Unlike voters, elites have fluctuating political capital and greater access to bargaining opportunities, shaping their decisions during crises.

The Japanese case offers a unique challenge to existing formal models that emphasize temporary compromises of democratic principles for effective crisis management (Howell et al. 2023; Gratton and Lee 2024; Miller 2021). Unlike these models, Japan's legislative changes occurred long after the initial crisis. During this period, legislators openly criticized the army's management of the Sino-Japanese War, condemning its attempts to exploit the crisis to permanently weaken democratic institutions in 1937 (Furukawa 2001). This indicates that elites were not prioritizing administrative efficiency over the preservation of democratic institutions.

The study examines two major economic shocks that disproportionately affected specific sectors. The first was economic sanctions, which heavily impacted industries dependent on imports and exports, such as petrochemicals and textiles. The second was wartime procurement, which escalated and formalized in 1939 and expanded in 1942. The former represents a negative economic shock, while the latter offered an opportunity to benefit from the regime. Analysis of Tokyo Stock Exchange data reveals that business leaders did not foresee these shocks, which caused erratic stock price fluctuations.

Methodologically, the study employs difference-in-differences and event-study designs, with ties to disproportionately affected sectors as treatments and legislators' activities during key events as outcomes. All models include legislator and event fixed effects. The findings reveal sharp contrasts between elites in sanctioned sectors and those in procurement-dependent sectors, highlighting mechanisms driving elite behavior.

Economic elites in sanctioned sectors were more likely to support military rule and adopt anti-democratic positions following the shocks. Difference-in-differences analyses show that the results for sanctioned sectors are robust across various model specifications, suggesting their alignment with the military was driven by economic survival rather than ideological motives. Event studies reveal abrupt changes for sanctioned sectors with no observable pre-trends.

In contrast, legislators tied to procurement-dependent sectors showed no significant shifts following the expansion of procurement programs in 1939 and 1942. Event studies suggest that these sectors distanced themselves from the military over time, though not responding to shocks. This finding challenges the common assumption that economic beneficiaries of war opportunistically ally with anti-democratic regimes. Notably, neither sanctioned nor procured

sectors exhibited pro-army inclinations before the shocks.

To further illustrate these dynamics, the study includes case studies of legislators from sanctioned and procured sectors, examining their political activities and the timing of economic shocks. Competing factors, such as nationalization efforts, border conflicts with the USSR, and the occupation of French Indochina, are analyzed but do not elicit as strong a response as sanctions.

These findings refine our understanding of elite collaboration in democratic backsliding. They demonstrate that the balance of power between elites and executives can be critical in determining whether elites support or resist authoritarian transitions. Authoritarian regimes do not always need to coopt or repress all elites. Instead, securing critical mass by co-opting inexpensive elites can stabilize the regime without requiring broader repression. Weak elites, particularly those weakened by economic pressures, may engage in passive collaboration, viewing authoritarian legislatures as venues for regime-opposition negotiations over rents (Reuter and Robertson 2013). Stronger elites, by contrast, may resist authoritarian pressures due to their bargaining power and demand more checks and balances—structures that regimes cannot or do not always need to provide.

The paradoxical finding that sanction-hit legislators—who suffered from the consequences of the army's aggression abroad—shifted pro-army, while procured sectors, whose primary customer was the army, did not, seemingly validates this view. This heterogeneity rules out ideological motives or rally-around-the-flag effects, highlighting economic vulnerability as a driver of elite alignment.

Moreover, this study contributes to the literature on business and politics, as well as on economic sanctions, by providing a micro-level analysis of affected and unaffected economic elites and their political actions. Micro-level studies of the political behavior of economic elites in procured sectors are rare (Szakonyi 2021) and virtually nonexistent in the context of sanctions (cf. Afesorgbor and Mahadevan 2016). While sanctions are intended to pressure economic elites to advocate for change, they may paradoxically shift the political balance in a non-democratic, militarist direction by weakening internationally connected actors' political capital. This study also suggests that legislative elites, driven by their own interests—such as

the sectoral concerns of their businesses—may be willing to trade democratic principles for rents or concessions when they lose power within democratic institutions.

The collaboration of Japanese parliamentarians during this period offers valuable insights into democratic backsliding. While public policy and civil society actors, including business leaders, play key roles in democratic backsliding, their passive collaboration remains understudied. Japan's transparent parliamentary records provide a unique opportunity to trace when and why elites ceded power to the military.

Japan's case is particularly distinctive due to its political variation. Competitive elections with universal male suffrage continued throughout the period, enabling anti-army candidates to win seats even during World War II. Unlike many authoritarian regimes, Japan's legislature allowed dissent, with some parliamentarians opposing the military until 1945. Weak party discipline meant anti-army efforts were often led by individual politicians, offering critical insights into the factors driving elite collaboration.

The following sections provide the related academic literature and historical context, discuss the data and methodology, and present empirical analyses of sanctions and wartime procurement. The paper concludes with robustness checks and case studies to support its findings.

## Legislative Elites, Horizontal Accountability, and Backsliding

Legislative elites are expected to provide horizontal accountability by checking the executive (Waldner and Lust 2018), yet their failure to prevent democratic erosion remains a key theoretical question (Miller 2021). Unlike voters who act as vertical restrainers, legislative elites have a vested interest in defending democratic institutions and possess greater resources and opportunities to resist backsliding (Grillo et al. 2024).

Passive collaboration by elites plays a crucial role in democratic backsliding, as political and economic actors often choose not to resist the gradual erosion of democratic norms. While polarization and inequality are commonly cited as drivers of electoral shift to authoritarianism (Levitsky and Ziblatt 2018), elites frequently provide tacit support for authoritarian shifts to safeguard their interests (Haggard and Kaufman 2021; Winters 2011). Rather than orchestrating

direct takeovers, elites often allow backsliding to proceed unchallenged, thereby weakening the institutions they once upheld (Lorch 2021).

A common feature of this process is executive aggrandizement, where leaders incrementally expand their powers at the expense of other branches of government, often without significant elite resistance. This passivity erodes checks and balances, undermining judicial independence and legislative oversight (Levitsky and Way 2010; Bermeo 2016). Historical examples, such as Nazi Germany, highlight how economic and political elites, passively or actively, concede to authoritarian regimes to protect their wealth and influence (Wieviorka 2009; Ferguson and Voth 2008).

This reflects Ermakoff's (2008) paradox of abdication, where elected politicians relinquish their authority despite having a vested interest in maintaining power. Business-backed legislators, for instance, could defend their interests by preserving institutions with checks and balances, yet forfeiting these to ally with opaque forces to safeguard wealth remains puzzling.

Interwar Japan provides an ideal setting to analyze elite behavior in democratic backsliding. Between 1936 and 1942, Japan exhibited classic symptoms of backsliding, including suppression of dissent, eroding answerability and punishability of the executive, and eventual electoral manipulation—all without significant electoral upheavals. The same set of political and economic elites remained in the legislature. While qualitative studies of Japan's wartime parliament exist (Furukawa 2001; Masumi 1985), this study addresses a key gap by offering a digitized dataset of voting records and biographical information, enabling a systematic analysis of elite behavior.

Existing formal models on horizontal restrainers to democratic backsliding provide valuable insights into the Japanese case, though they are not fully compatible. To explain the collapse of horizontal accountability, Miller (2021), Howell et al. (2023), and Gratton and Lee (2024) emphasize the role of crises and the dilemmas faced by restraining actors.

Howell et al. (2023) outline scenarios where restrainers' temporary objectives align with the executive, such as managing a crisis effectively. This alignment can lead to temporary delegations of power that risk becoming permanent. Gratton and Lee (2024) similarly explore the liberty-security tradeoff, highlighting dilemmas that often result in expanded executive power. These frameworks align well with cases like the United Kingdom during both World

Wars, where legislative power was successfully delegated to the executive in response to crises.

In interwar Japan, however—similar to Germany, Italy, and Spain of the same period—anti-democratic actors openly aimed to subvert democracy, and temporary delegations lacked any commitment to reverting back to democratic governance. Parliamentary Resolution 70-11/-12, analyzed in this paper's empirical section, explicitly condemned the army's attempts to exploit the crisis as a pretext for weakening legislative institutions. While the initial crisis occurred in July 1937, the legislature resisted relinquishing control to the crisis management, as reflected in speeches opposing the National Mobilization Law in 1938. If, as Miller (2021) suggests, short-term gains and partisanship drove gradual concessions, Japanese legislators were at least cognizant of the risks involved.

This paper adopts a coalitional approach to explore the dynamics of horizontal restrainers (Waldner and Lust 2018), emphasizing the importance of power balance and the heterogeneity of elites. Unlike voters, elites'political capital is not static; for economic elites in particular, their shifting influence within democratic systems may affect their willingness to resist or accommodate authoritarian tendencies.

Weak or vulnerable actors in a democracy are often more susceptible to cooptation. Arriola et al. (2021), in their cross-national analysis of Africa, demonstrated that weak opposition leaders were more likely to be coopted through offers of cabinet positions. Similarly, Timoneda (2021) argues that unproductive sectors, perceiving themselves as disadvantaged, may align with anti-democratic forces, citing examples from the United States and Spain. Lührmann and Lindberg (2019), using a global dataset, show that smaller party factions may support democratic erosion if they believe it will enhance their power or protect their interests.

Within the repression-cooptation framework (Gandhi and Przeworski 2006), weakened elites are both inexpensive to coopt and often eager for cooptation. Since authoritarian regimes do not need to coopt all opponents (Bueno de Mesquita et al. 2003), targeting vulnerable elites to form a critical mass can be a strategic and cost-effective approach.

Weakened legislative elites may risk losing power and privilege during democratic backsliding, but authoritarian legislatures often become venues for negotiating rents and concessions (Reuter and Robertson 2013). For elites whose influence in democratic systems is already diminishing

—such as those with limited campaign finance—aligning with authoritarian arrangements can seem advantageous. For many legislators, particularly those backed by business interests, democratic institutions often serve as a means to an end, making them expendable when the opportunity costs of abandoning them are low.

In contrast, strong elites may be too costly to coopt and too disruptive to repress, making neither option a viable strategy for authoritarian regimes—provided they can secure a critical mass of support from other elites. These stronger elites may favor maintaining robust checks and balances, prompting regimes to adopt an arm's-length approach instead. The Japanese case, where some legislators continued to criticize the government until 1945, suggests that this dynamic may also be relevant in certain authoritarian legislatures today.

Horizontal restrainers may fail to restrain backsliding when relatively weakened elites are coopted while stronger elites are left untouched. The "divide and conquer" strategy, a longstanding tactic of autocrats, could be effective in managing elite dissent. This paper builds on this premise, examining how these dynamics shape democratic backsliding.

## Economic Elites, Sanction, Procurement, and Backsliding

The intersection of business and politics has been extensively studied (Bonardi et al. 2005; Hertel-Fernandez 2016), but research on the political influence of legislators with business backgrounds has produced mixed results, particularly regarding their impact on roll call votes (Krcmaric et al. 2020). Evidence of business influence is most pronounced when individuals with financial sector backgrounds occupy key roles, such as central bank directors (Adolph 2013) or finance ministers (Jochimsen and Thomasius 2014). Nevertheless, it is reasonable to assume that business-backed legislators often support policies that align with their economic interests. For instance, Szakonyi (2013) documented how Russian mayors with business backgrounds shaped procurement programs to benefit their firms.

Despite this, studies exploring the broader political positions of business-backed legislators, particularly in relation to democracy, are rare. This research addresses this gap by examining pre-war Japan, where a majority of legislators concurrently served as business executives, offering

a unique perspective on how economic interests intersect with democratic backsliding.

Economic sanctions are a common tool to pressure regimes that violate international norms, including democratic principles, but their impact on domestic politics is complex. While designed to destabilize regimes by targeting economic elites, sanctions can paradoxically consolidate authoritarian power through a "rally around the flag" effect (Egger et al. 2024). They also foster environments conducive to rent-seeking and corruption, as elites exploit political connections for exemptions or preferential treatment. For instance, sanctions on Venezuela's oil sector enabled regime-connected elites to profit from smuggling networks, further entrenching regime support (Bull and Rosales 2023).

Most studies of sanctions focus on macro-level effects, but Afesorgbor and Mahadevan (2016) highlight that export-oriented sectors are more vulnerable, while non-tradable sectors face less strain. This sectoral divergence leads to varied political responses, with some elites resisting regime change while others align with authoritarian actors. Although modern targeted sanctions aim to destabilize authoritarian regimes by disrupting financial and political support structures (Egger et al. 2024), little attention has been given to how business elites, as distinct actors, specifically respond to such pressures.

Sanctions against Japan before the Pacific War provide a historical example of how sanctions interacted with active parliamentary institutions, revealing divisions among elites and their political responses. Unlike modern theories emphasizing the threat of sanctions (Drezner 2003) or the credibility of lifting them (Drezner 2024), the Japanese case illustrates an early application of wide-ranging economic sanctions (Mulder 2022). This context offers a unique opportunity to examine the micro-level political repercussions of sanctions, particularly in a setting where elite divisions and institutional dynamics were highly visible.

Conventional wisdom suggests that elites most vulnerable to sanctions are likely to resist democratic backsliding. Historically, sanctions have been designed to create economic difficulties and societal pressures, increasing the chances that affected groups will challenge the regime (Marinov 2005).

However, this study proposes an alternative mechanism: sectors devastated by sanctions or international isolation may become too weakened to resist political changes and are thus more

easily coopted. While counter to conventional wisdom, this mechanism aligns with findings that weak opposition legislators are often coopted through cabinet posts or policy concessions (Arriola et al. 2021; Lührmann and Lindberg 2019).

The case of South Africa under apartheid is often cited as an example of sanctions catalyzing business resistance to an authoritarian regime (Levy 1999). However, this resistance was led by thriving and influential mining firms, such as Anglo-American, whose financial stability allowed them to advocate for political change without significant risk. In contrast, it remains unproven whether economically weakened businesses, lacking financial prowess, have played similarly instrumental roles in democratic transitions.

Contrary to economic sanctions, government procurement programs, such as military contracts, present opportunities for economic elites to benefit from the regime and for the regime to coopt them. Arbertus et al. (2018) introduce the concept of "coercive distribution", where central authorities consolidate power or suppress dissent by distributing resources. Similarly, Rosenfeld (2020) shows that individuals dependent on government-provided material benefits, such as welfare, are more likely to support the incumbents' attempt of backsliding. Procurement programs, therefore, become a straightforward tool for governments to coopt economic elites, potentially aligning them with autocratic shifts.

However, the earlier discussion on legislative elites suggests an alternative hypothesis. While it may seem intuitive for war profiteers to align with authoritarian regimes (Fergusson and Voth 2008), their apparent dependence on the state may, in fact, be mutual. Notably, unless autocrats are confident in their ability to manage expropriated businesses efficiently, they may avoid nationalization, as seen in Japan and Germany even during World War II. Procured businesses, benefiting from government contracts, may leverage their enhanced bargaining power and economic resources to resist authoritarian centralization. Recognizing that preserving economic freedom could better serve their long-term interests—such as excessive regime control (cf. Hirschman 1970)—these businesses may strategically uphold democratic institutions as a check on executive overreach. Moreover, even if they could materially benefit from an autocrat, their economic strength would grant them significant representation in the incumbent system, reducing their need to concede to authoritarian pressures.

For both sanctions and procurement programs, the adage "democracy costs money"proves particularly apt. Democratic systems depend on resources, yet authoritarian policies that provoke sanctions often deprive businesses of the financial capacity to support pro-democracy efforts. Paradoxically, sanctions intended to weaken authoritarian regimes may instead erode the resilience of sectors most incentivized to resist, compelling them to align with the regime in pursuit of stability and survival. Conversely, procurement-dependent sectors, while materially benefiting from the regime, may paradoxically gain greater bargaining power and resist democratic backsliding, understanding that preserving economic and political autonomy aligns better with their long-term interests.

Two contrasting expectations arise. The conventional view suggests that businesses benefiting from a new regime will align with anti-democratic forces, while those negatively impacted will resist—akin to the logic of pocketbook voting. Alternatively, this study posits that weakened sectors may lack the resources to resist, whereas stronger sectors, with greater economic capacity, may afford to challenge the regime to safeguard their interests.

Ultimately, this research argues that elite action depends not just on their preferences, but also on their political capital and capacity to act.

| | Affected by Mobilizations | Affected by Sanctions |
|---|---|---|
| Conventional | Pro-Militarism, Pro-Backsliding | Anti-Militarism, Anti-Backsliding |
| Alternative | Anti-Militarism, Anti-Backsliding | Pro-Militarism, Pro-Backsliding |

# Historical and Institutional Context

After its establishment in 1890, Japan's House of Representatives (Diet) expanded democratic foundations, reaching universal manhood suffrage in 1925. The Diet held substantial power, as all legislation and budgets required its approval, making it a critical force in governance even though the emperor could appoint the cabinet, military chiefs, and bureaucrats without the consent of the Diet (Takenaka 2014). Though an unelected upper house existed, it rarely overturned policies approved by the House of Representatives or the cabinet and is not a focus of this study.

The military, while constitutionally independent from the legislature, still required Diet approval for its budgets and resource mobilization plans (Mimura 2011). Cabinets appointed by the emperor often had to rely on negotiation and persuasion to gain the Diet's support. Even the non-partisan cabinets of Admiral Takao Saito and Admiral Keisuke Okada (1932−1936) had to secure a parliamentary majority by making concessions to existing parties and factions.

Throughout the period of political instability, including political assassinations by army officers in the early 1930s, the Diet continued to convene regularly and debate government policies well into 1941. Political imprisonment remained relatively limited throughout the war, mostly targeting communists and anarchists (Shillony, 1991).

Under the Single Non-Transferable Vote (SNTV) system, multiple representatives were elected per district, compelling co-partisans to compete for seats. This structure led candidates to rely heavily on personal networks and local interests rather than party platforms for both votes and funding. Many legislators maintained close ties to businesses or landholding groups, frequently serving on the boards of companies they represented (Masumi 1985). This environment fostered weak party discipline and significant independence among legislators. Notably, legislators could independently introduce legislation, resolutions, motions, petitions, and proposals without requiring cabinet approval. Although petitions and proposals were non-binding, they provided a direct channel for legislators to communicate with the executive branch.

These legislators confronted the military when necessary. The Kato and Hamaguchi cabinets, backed by business-friendly parties in the Diet, reduced the size of the army in 1925 and the navy in 1930, primarily for fiscal reasons.

Although the cabinet could be appointed without Diet approval, the Diet retained the authority to dismiss the military-led governments. In 1937, Prime Minister General Hayashi dissolved the Diet after struggling to pass a pro-army budget but was forced to resign after his allies won just 40 of 466 seats. In January 1940, the Diet members signed a petition of no confidence in Prime Minister General Abe and his cabinet, leading to their resignation.

However, the Diet's authority weakened over time. In 1938, the legislature passed the general mobilization bill under army pressure, granting significant control over economic and social life to the military. In late 1940, the Imperial Rule Assistance Association (IRAA) was

formed to support the war effort, which led to the disbandment of all political parties, though opposition continued from newly created parliamentary groups.

Though influenced by the IRAA's endorsement of candidates, the 1942 election still saw non-endorsed candidates win around 35 percent of the votes and 18 percent of the seats. Despite the Diet's waning power, elections remained relatively free from coercion (Shillony, 1991). By the late stages of the war, however, the Diet passed all government bills with minimal debate, and speeches were pre-cleared by the army.

The army and its allies did not suppress competitive elections but initially targeted anti-army voices through police actions during the early stages of backsliding, exploiting martial law. In the later stages, it disadvantaged anti-army politicians, focusing primarily on silencing dissent from democratic forces.

Within a decade, Japan's political landscape shifted dramatically. In 1936, legislators competed for power and formed a veto player; by 1942, political parties had disappeared, leaving the Diet to approve policies that severely limited its own authority. This paradox, how legislators - largely backed by business interests and vested in preserving their power base - acceded to military pressure, lies at the heart of this study.

## Data Collection and Preliminary Research Design

This research examines how Japanese legislators responded to the army's efforts to undermine democracy, using a difference-in-differences approach. The dependent variables are the legislators' actions and voting behavior during key moments of military influence. The independent variables include legislators'affiliations with industries affected by exogenous economic shocks—either negative (due to sanctions) or positive (through military mobilization). To account for individual legislator traits and time-specific shocks, the models use both legislator and event fixed effects, with full details provided in the research design section below.

Voting behavior and parliamentary affiliations were gathered from parliamentary minutes and endorsement lists for resolutions, proposals, and questions[1]. While the minutes are available

[1] *Shūgiin Jimukyoku* [House of Representatives Secretariat], ed. *Teikoku gikai jōsō kengi ketsugian jūyō dōgi chōbatsu jihan shitsumon* [Report, Proposals, Resolutions, Motions, Disciplinary Actions, and Questions in

online, the lists are housed at the Japanese Diet Library.

Biographical data were sourced from the 11th to 14th editions of "*Jinji Koshinroku*" (1937−1943)[2], and the Parliamentary Catalogue "*Shugiin Yoran*" (1937, 1942)[3], both from the Japanese Diet Library. The data was digitized using OCR softwares (Google Cloud Vision, ABBYY FineReader) and validated by multiple research assistants.

Economic shock timing and affected sectors were identified using *Toyo Keizai* magazine (1937−1943)[4] and stock market data as well as commentaries from Osaka Stock Partners (1937-1944)[5]. Government procurement data comes from the Army's Designated Factories and Plants list (1940, 1942)[6] and the Navy's Managed Factory List (1942)[7] , housed at the Ministry of Defense Archive.

Biographical variables include legislators' place of birth, age, education, prior occupations, political career, aristocratic ties, and military service. Economic interests are crucially proxied by board memberships in private firms or interest groups, as recorded in "*Jinji Koshinroku*". In the absence of conflict-of-interest regulations, many legislators simultaneously held executive positions.

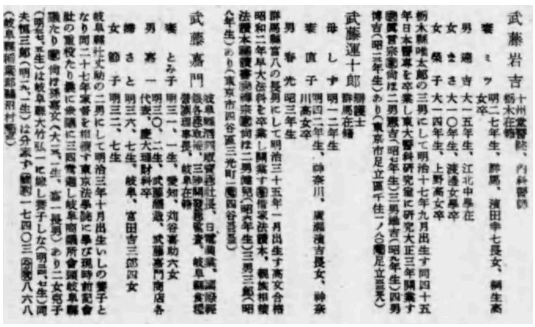


Figure 2: *Details of Jinji Koshinroku 14th Edition (1943)*.

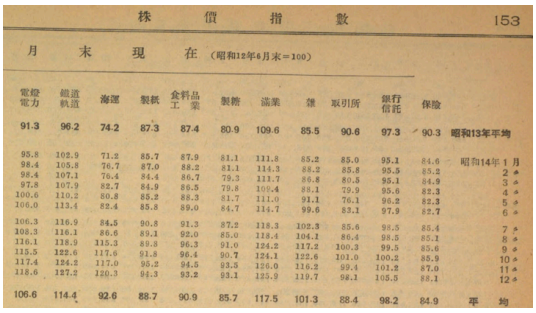


Figure 3: A page from *Kabushiki Nenkan* (1942)

Imperial Japanese Diet] Multiple volumes. 1928-1945.

2 *Jinji Kōshinjo*, ed. *Jinji Kōshinroku* [Biographical Record]. Multiple volumes. Tokyo: Jinji Kōshinjo. 1903−2009.

3 *Shūgiin Jimukyoku* [House of Representatives Secretariat], ed. *Shūgiin Yōran* [House of Representatives Handbook]. Multiple volumes. Tokyo: Shūgiin Jimukyoku, 1898−.

4 Tōyō Keizai Shinpōsha, ed. *Kabukai Nijūnen* [Twenty Years of the Stock Market]. Multiple volumes. Tokyo: Tōyō Keizai Shinpōsha. 1924−1944.

5 Nomura Tokushichi Shōten, Nomura Shōten, and Osakaya Shōten, eds. *Kabushiki Nenkan* [Stock Market Yearbook]. Multiple volumes. Tokyo: Hōbunkaku, 1912−1944

6 Ministry of War, ed. *Shitei Kōjō Sagyōjō Meibo* [List of Designated Factories and Plants]. Multiple volumes. 1940,1942.

7 Ministry of Navy, ed. *Gyōshu Betsu Kaigun Kanri Kōjō Meibo* [List of Navy Manged Factories by Sectors]. 1942.

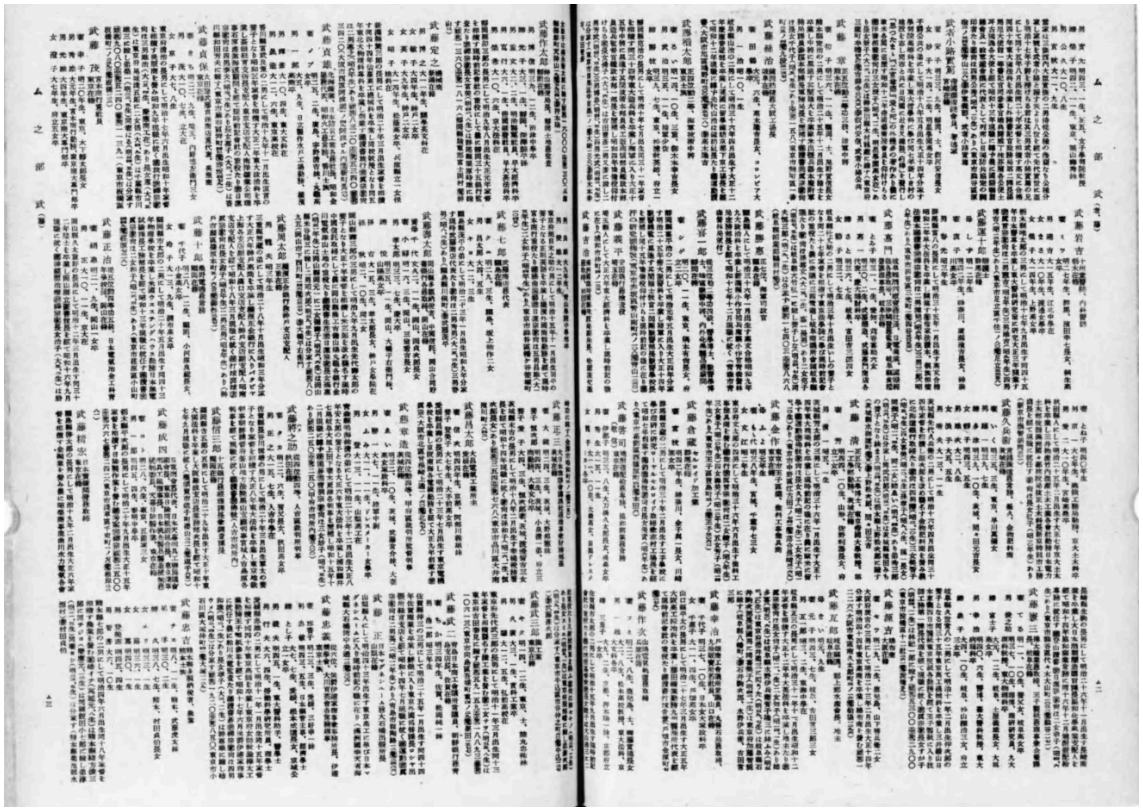


Figure 1: *A page from Jinji Koshinroku 14th Edition (1943)*.

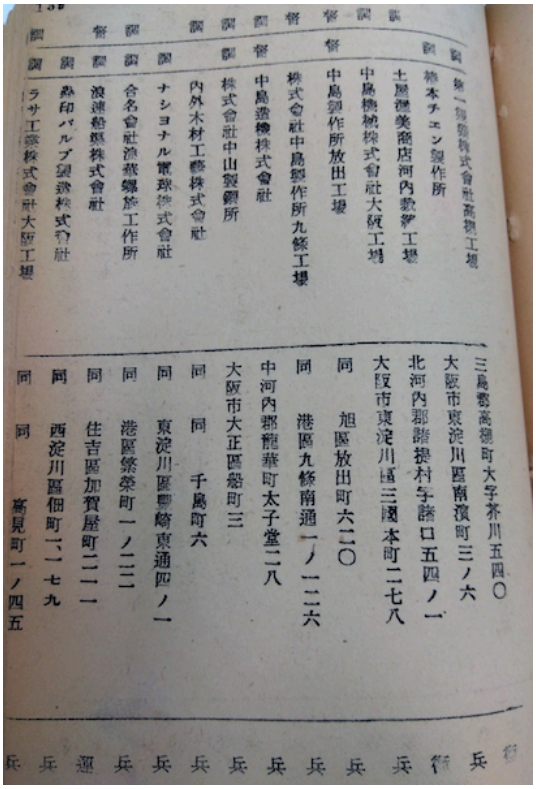


Figure 4: *A page from Army Designated Factories and Plants List (1942)*.

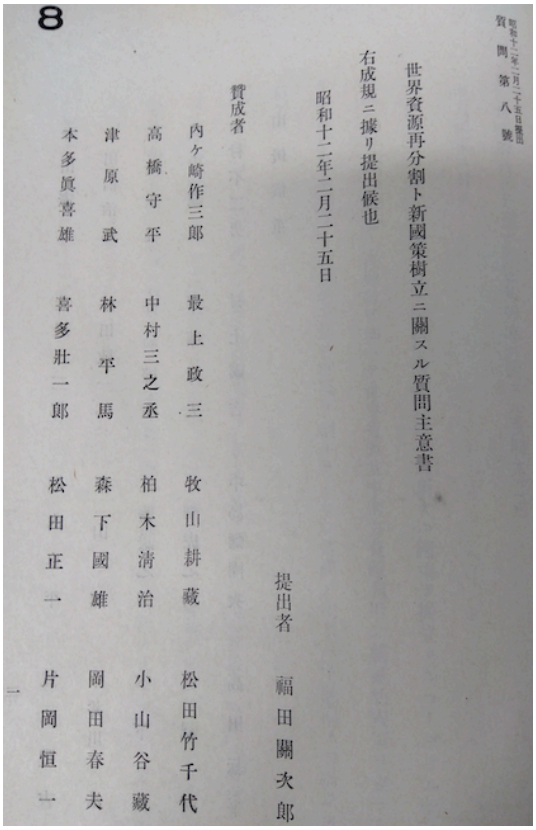


Figure 5: A page from Endorsement List of Parliamentary Motions, Proposals, and Questions (1937)

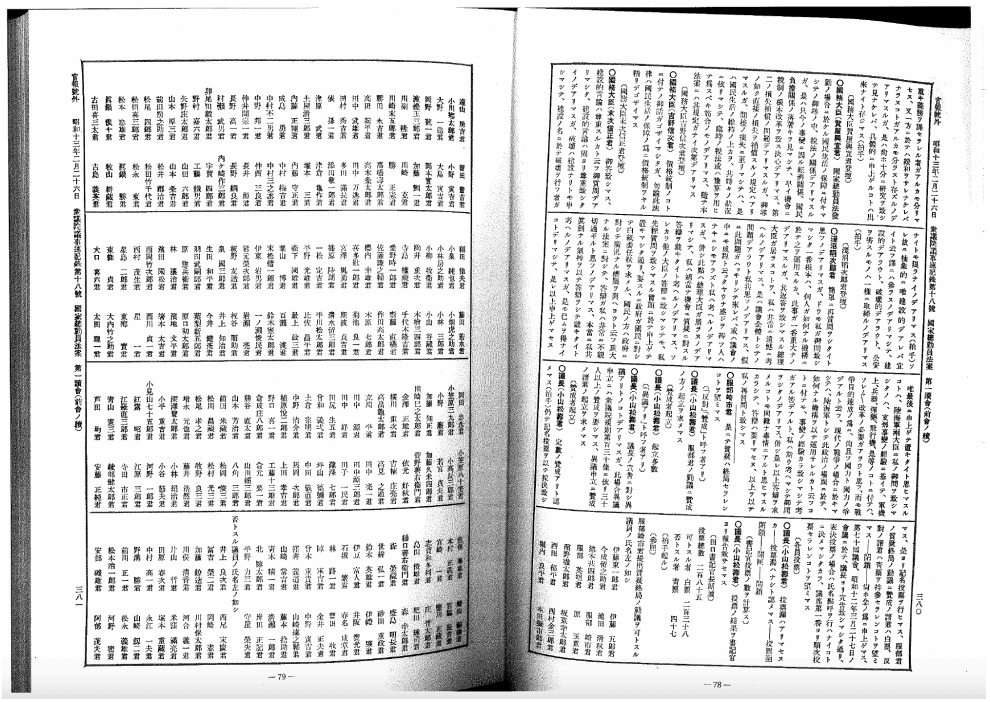


Figure 6: *A page from Parliamentary Minutes: Roll Call (1938)*.

# Dependent Variables; Pro-Army, Anti-democratic actions or Anti-army, pro-democratic actions

The army and its allies repeatedly violated democratic principles, particularly after the imposition of martial law in 1936, heightening tensions with the Diet by suppressing dissent and undermining parliamentary oversight. In this context, the research examines visible, cross-party resistance or acquiescence to army-backed proposals as the dependent variable. After the army faction's failed coup in February 1936, an October leak of its reform plan revealed proposals to restrict suffrage, abolish impeachment mechanisms, prevent parties from forming a government, and weaken parliamentary checks on the executive, posing a direct threat to democracy (Furukawa 2001). In response, legislators blocked key military-backed bills, including those on military secrecy and electricity nationalization, and decisively defeated pro-army candidates in the 1937 election. However, no elections were held between 1937 and 1942. During this period, the army achieved most of its anti-democratic goals, not through formal institutional changes, but by gradually co-opting the initially anti-army majority formed after 1937. This study seeks to trace and explain this shift.

A significant challenge in this research is the limited documentation on legislators' positions regarding anti-democratic cabinet proposals. Controversial government bills rarely reached open votes, as the Diet typically blocked them in committee. For instance, the Hayashi's cabinet, known for its anti-democratic stance, tabled 38 bills, passing only 11, while the remaining 27 lapsed without formal rejection. Similarly, the highly contentious 1938 General Mobilization Bill never came to a public vote, leaving no record of individual support or opposition.

In contrast, legislator-initiated bills, motions, resolutions, and questions were more likely to go to open votes. These proposals were circulated in advance and included endorsements listing the names of supporting parliamentarians. These endorsements provide the primary source of information on who supported or opposed democratic principles. Additional insights come from records of pro-army politicians who splintered from moderate groups in 1937, 1939, and 1940, with their affiliations documented for each session.

This study uses six instances where legislator-tabled activities revealed individual political positions and four instances where parliamentary group splits and reorganizations highlighted legislators' attitudes regarding democratic principles. Detailed explanations of each case are beyond the scope of this paper; instead, brief descriptions and coding are provided in Table 1, with fuller accounts available in Online Appendix A. Additionally, the analysis limited to either legislator-tabled activities or group-splits are provided in the Robustness Checks.

All resolutions, motions, questions, and legislations analyzed in this study in Table 1 share a common thread: they address cross-party resistance or collaboration in suppressing dissent and weakening democracy. Resolution 70-11/-12, Legislation 73-19/-20, and Legislation 74-28/-29/-30/-31 stand out as rare moments of cross-party unity against military and police suppression. On these occasions, multiple parliamentary groups submitted identical proposals on the same day, striving for unanimous endorsements—a goal none of the groups fully achieved. In contrast, resolutions expressing gratitude to soldiers or commemorating imperial anniversaries consistently received unanimous endorsements. Most other resolutions and legislations in this period displayed partisan divides, influenced by proposers' affiliations, making these examples rare instances of cross-party alignment before the dissolution of political parties in 1940.

Motions, once infrequently used during the dominance of political parties, gained prominence

as the army infiltrated parliamentary processes and weakened party influence on legislation and resolutions. These motions became battlegrounds for the struggle between the army and parliament. Motion 75-1 aligned with the army's demand to expel an anti-army parliamentarian. Motion 76-1/-2 and related Questions 76-5/14 criticized unconstitutional government funding of pro-army legislators, and Motion 77-1 attempted to force Prime Minister General Hideki Tojo to address critical wartime questions. These motions, with clearly defined proponents and opponents, marked a rare departure from the norm during this period—the first such clarity since the motions regarding the 1930 London Naval Conference.

Although Japanese political parties exhibited weak discipline, cross-party collaborations in parliamentary proposals and questions remained rare until 1939. Individual legislators only needed 20 endorsements to table proposals, often limiting broader cooperation. However, party splits during the studied period consistently revolved around attitudes toward the army and party democracy. In April 1937, Prime Minister General Hayashi's criticism of party resistance to the army led to the dissolution of parliament, prompting splinter groups to form from all the major parties. By 1939, major parties experienced further fragmentation as pro-army factions, such as the Nakajima and Yanai factions, broke away from moderates[8]. In 1940, the army-backed Konoe cabinet formed the Imperial Rule Assistance Association (IRAA) with the aim of creating a one-party state, drawing collaborative members from all political factions and thereby dissolving them, while dissenters formed the new opposition groups Dōkōkai (Liberal) and Koua Dōmei (Hawkish but anti-IRAA).

The 1942 election marked another turning point, as the army actively endorsed candidates via IRAA and supported their campaigns. This endorsement process was not unilateral; legislators actively sought or rejected army backing, revealing strategic calculations (Furukawa 2001). Notably, the Ministry of Interior, aligned with the army, graded incumbent legislators using a ranking system that does not align with the final list of endorsed candidates. This grading system is analyzed further in Online Appendix B.

[8] The party splits in 1937 and 1939 were gradual processes that did not coincide with the exogenous shocks analyzed in this paper, such as the start of the Second Sino-Japanese War (July 1937) or the initial sanctions wave (1940). This lack of overlap ensures they do not confound the difference-in-differences analysis. Legislators initially in pro-army factions are coded as 1 in later splits, though some transitioned to anti-army factions (coded as 0).

To mitigate concerns regarding the arbitrary selection of events, I conduct placebo tests using other resolutions, proposals, questions, motions, and open votes from the 76th to 79th parliamentary sessions, covering the period between the dissolution of major parties and the 1942 election, in Online Appendix C. While earlier sessions contain numerous partisan proposals, a complete digitization of these records is still underway.

Another criticism could be that each event may appear idiosyncratic and difficult to compare. Since few pieces of legislation were tabled repeatedly, it is impossible to identify identical cases. As outlined, earlier parliamentary events primarily involved resolutions and legislation defending dissent against the army. In contrast, later events focused on motions and questions challenging the army's attempts to ousting legislators or infiltrate parliamentary and electoral process. This progression reflects the army's gradual success in undermining democracy, as legislators lost the ability to pass anti-army legislation to protect dissent, shifting the focus to more fundamental issues of democratic governance. Throughout this process, the army made no effort to conceal its anti-democratic stance, and the emergence of pro-army factions in each instance signaled the compromises legislators were forced to make in democratic principle. I argue that this selection represents the most comprehensive attempt to capture events related to the suppression of democratic dissent, given the incremental nature of backsliding.

The coding process is detailed in Table 1. Legislators who passed away, were expelled, suspended, or recalled are excluded afterwards, with only those attending parliamentary sessions included. There were no assassinations or executions of legislators during the studied period.

Japanese democratic backsliding is often attributed to institutional weakness (Berger 1977). However, institutions are endogenous. For instance, the judiciary was strengthened through legislative efforts, such as Legislation 73-19/-20, and repeatedly ruled the IRAA unconstitutional, compelling it to reorganize and cease functioning as a political party. The Supreme Court also ruled against the army's electoral manipulation, ordering a re-election in Kagoshima's 2nd district as late as 1944. In contrast, the army's veto power over cabinet formation was revived in 1936 during the turmoil following the failed coup. These developments highlight how institutional arrangements resulted from strategic interactions between the executive and legislature, challenging deterministic explanations of institutional weakness.

Table 1: 10 occasions studied in this paper

| Date | Event description and coding |
|---|---|
| 1937.3.22 | Resolution 70-11/-12 to Exterminate Human Rights Violations |
| Criticized suppression of dissent by police/army. Endorsers coded 0, non-endorsers 1 | |
| 1937.4.30 | 20th General Election (PM Gen. Hayashi) |
| Anti-democratic factions split from major parties. Pro-Hayashi:1, Anti-Hayashi:0. | |
| 1938.2.21-3.4 | Legislation 73-19/-20 Prosecutor Office Bill; Court Composition Bill |
| Promoted judicial independence and criticized interference. Endorse:0, otherwise:1 | |
| 1939.3.11 | Legislation 74-28/-29/-30/-31 Amendments to Code of Criminal Procedure |
| Aimed to prevent unwarranted detention of dissent by police. Endorse:0, otherwise:1 | |
| 1939.5.30 | Split of Two Major Political Parties |
| Seiyukai fully split into pro-Army and neutral factions, while Minseito gradually followed suit. Nakajima, Yanai, or other pro-Army factions are coded as 1, and all others as 0. | |
| 1940.2.3 | Motion 75-1 to refer Rep. Takao Saitō to the disciplinary committee. |
| Army pressured legislators to expel him after his anti-army speech. Endorse:1, otherwise:0 | |
| 1940.10.11 | Formation of Imperial Rule Assistance Association (IRAA) |
| Pro-government legislators consolidated power to suppress dissent and support the war effort. IRAA members: 1, others (eventual Dokokai, Koua-domei, or independent): 0 | |
| 1941.2.15<br>1941.2.27<br>1941.2.28 | Question 76-5 on the Current Situation and Governmental Leadership<br>Question 76-14 on the National Polity and IRAA<br>Motion 76-1/-2 on the Use of the second reserve budget to support IRAA |
| Criticism of government suppressing parties other than IRAA. Endorse any:0, otherwise:1. | |
| 1941.11.18 | Motion 77-1 to conclude questioning of the State Ministers of Tojo Cabinet |
| Attempt to suppress critical questioning against PM Tojo. Opposed:0, Supported:1 | |
| 1942.4.4 | The 20th General Election: Endorsement by IRAA |
| Army backed endorsed candidates, obstructed others. Endorsed:1, non-endorsed:0 | |

## Summary Statistics: Profile of Parliamentarians

Figures 7 and 8 present summary statistics for the 1,086 members of the House of Representatives across three parliamentary terms that coincided with the crucial period of democratic backsliding (1936–1942)[9]. The legislators had an average age of 50.8 years, and 14% of them would pass away before the war's end in 1945.

Figure 7 highlights that 69.4% of legislators were business executives, either owning or holding board memberships in businesses. These connections were crucial for financing their campaigns, underscoring the importance of aligning with business interests. Additionally, about one-third of legislators were members of industrial interest groups, such as industrial or employers' unions, although their specific sectors are often unclear. 69.3% of legislators had attended university, but graduation rates appear to have been relatively low. Professions such as lawyers, teachers, journalists, soldiers, and bureaucrats were well-represented among the legislators, though no single profession dominated. Most legislators complemented their careers with board memberships in private firms or affiliations with interest groups.

Figure 8 outlines all the economic sectors represented by more than 10 legislators. Sectoral definition follows Osaka Stock Partners' small categorization in 1937, with *Sanctioned* and *Procured* categories added as sectors of interest.

The definitions of *Sanctioned* and *Procured* sectors are detailed in the subsequent empirical sections. Briefly, 17.4% of legislators had business interests in sectors adversely affected by economic sanctions, while 9.7% were board members of firms listed in the 1942 army and navy procurement records. These groups serve as the treatment groups in their respective empirical analyses within this paper.

Newspapers, mostly local newspaper, are overrepresented, but a wide range of sectors are represented in the Diet. Out of those sectors in Figure 8, only electricity sector experienced nationalization.

Table 2 reveals that many party affiliations and career variables, which one might assume would indicate an ideological or personal affinity towards authoritarianism, do not necessarily

[9] The 1932-36 parliamentary term is excluded from analysis because Minseito, the ruling party during this period, maintained relatively strict party discipline. 1936 election had high turnover rate as well.

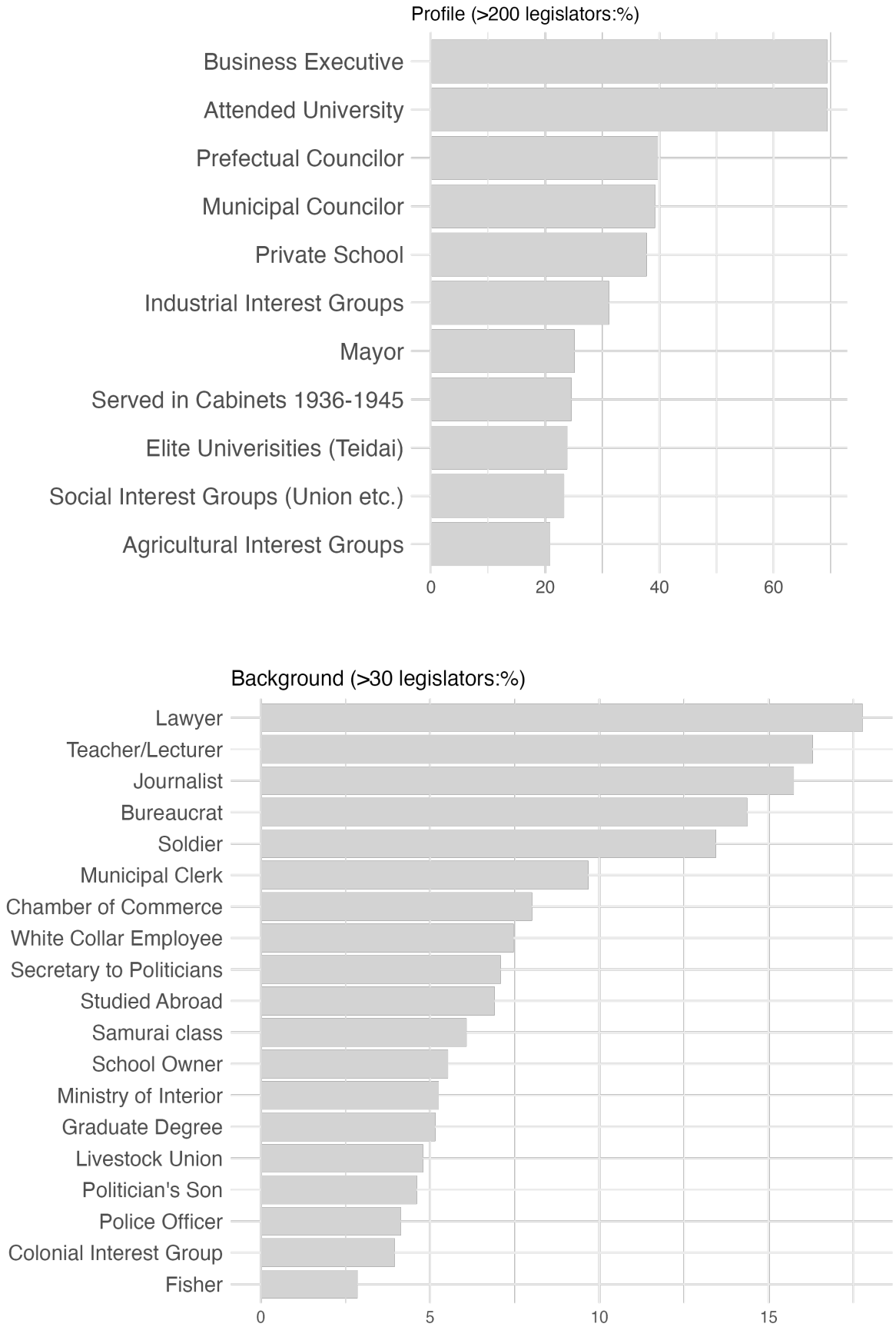
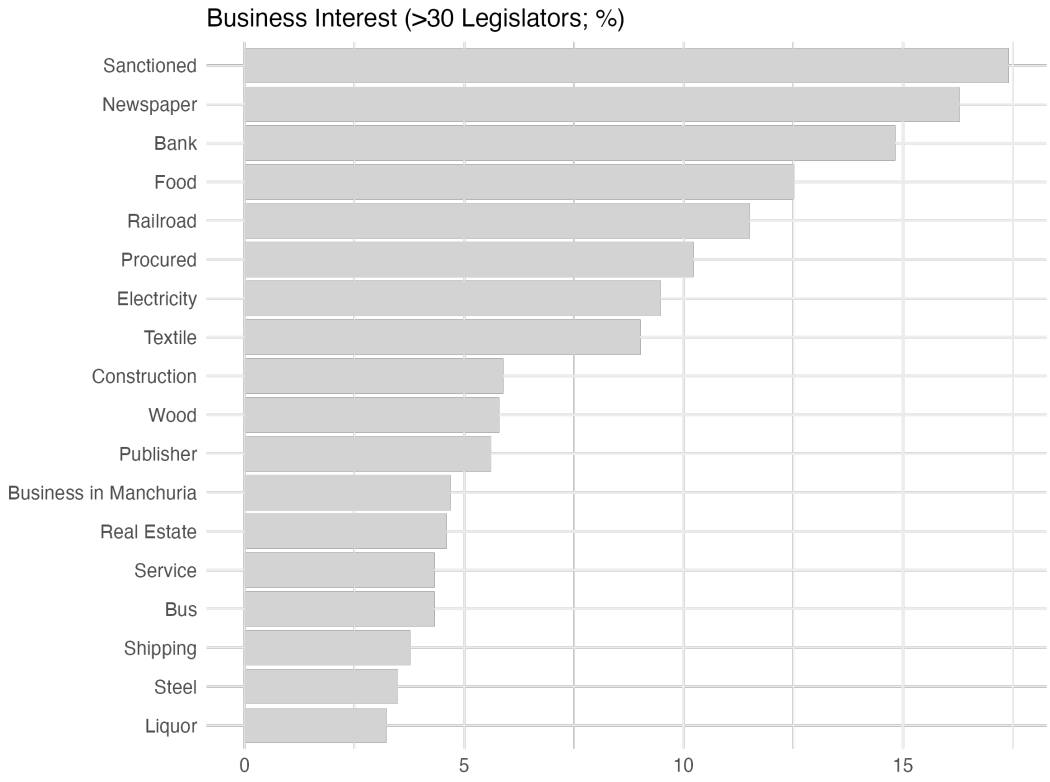



Figure 7: Background of the Legislators 1936-42



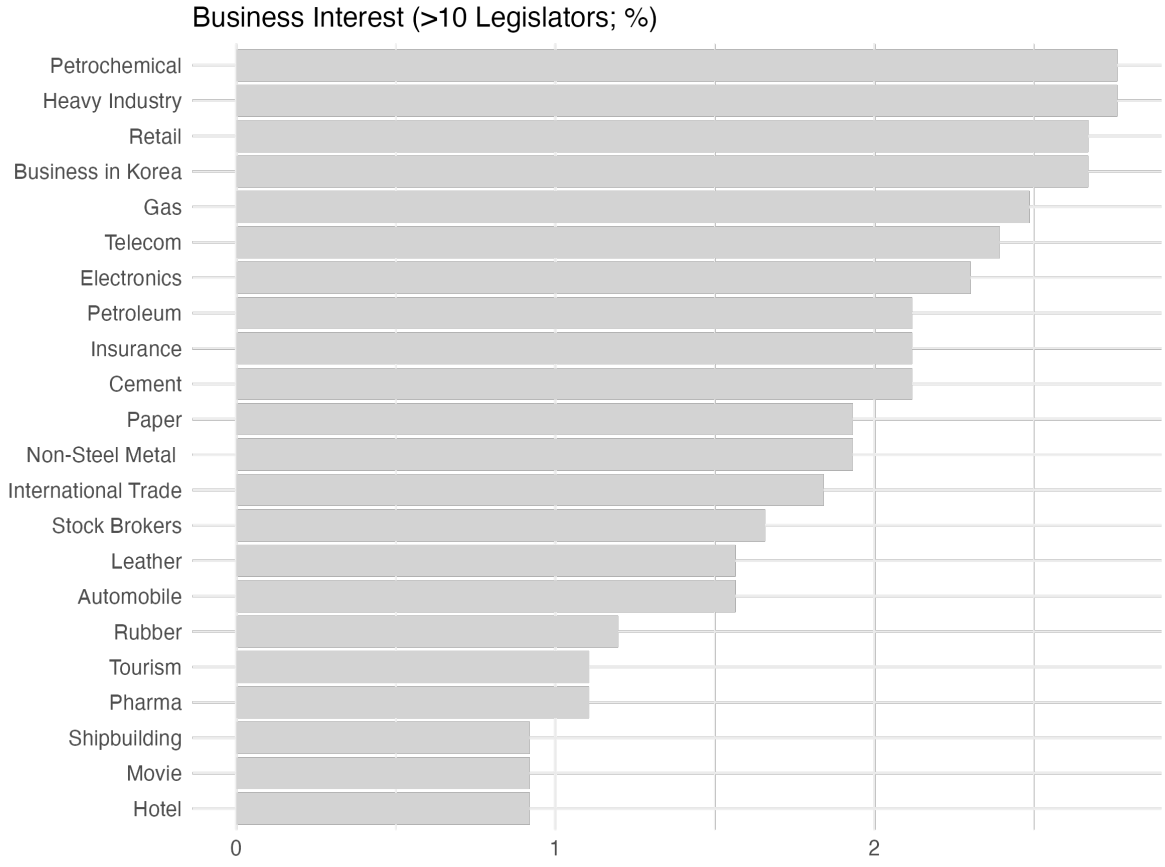




Figure 8: *Business Board Membership of the Legislators.*

correlate with attitudes towards democracy in 1942. The data shows that support for the army transcended traditional partisan lines and was not consistently associated with prior military or police experience.

Figure 9 presents a network analysis of legislators from the 1942 election. In the diagram, dark square nodes represent legislators who ran as independent candidates opposing the army, and light circle nodes denote those who were endorsed by the army. The connections and positions within the network are based on shared affiliations, such as university attended, prefecture of origin, *shizoku* (samurai) status, workplace, ministry, prefectural council membership, occupation, or military branches. The analysis suggests that social networks did not have a significant influence on legislators'attitudes toward democracy in 1942.

Figure 10 highlights connections based solely on business affiliations and interest group memberships within the same sector, revealing a distinct clustering pattern. This suggests that economic interests—whether funding electoral campaigns or legislators'own stakes—may have played a greater role in shaping attitudes than friendships or personal networks..

| 1942 Election | IRAA (Army) Endorsed | Independent (Anti-Army) |
|---|---|---|
| Former Seiyukai party (Conservative) | 87 | 85 |
| Former Minseito party (Liberal) | 112 | 70 |
| Military experience | 26 | 41 |
| Police officer | 14 | 15 |
| Worked at Ministry of Interior | 22 | 18 |
| Born before 1890 (First election) | 159 | 176 |
| Lawyer | 49 | 59 |
| Studied in the US | 10 | 8 |

Table 2: 1942 army endorsement: Background of Incumbents

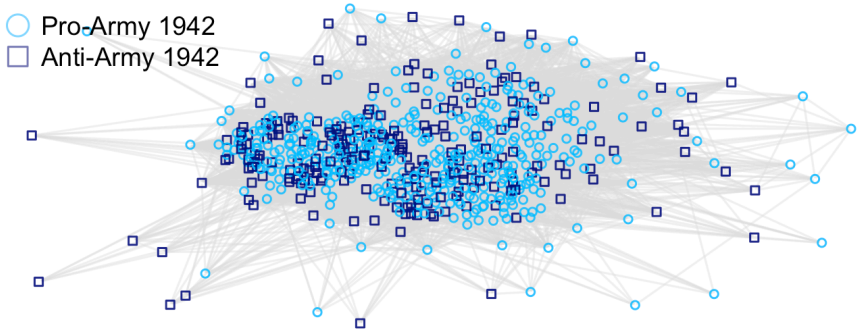



Figure 9: 1942 army endorsement - Network Analysis using Career, Background, and Birthplace

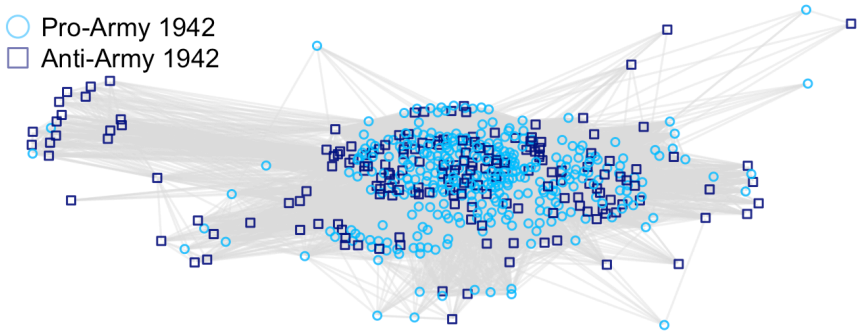



Figure 10: 1942 army endorsement - Network Analysis using Business and Interest Group Affiliations (line denotes the same sectors)

Figures 11 and 12 display the t-test results for coerced business categories and pro-army attitudes in the 1937 and 1942 elections, focusing on legislators who served during the 1937−1942 legislative term. The results indicate that business executives generally lacked pro-army inclinations in 1937 but exhibited a weakly significant pro-army tendency in 1942. Interestingly, executives associated with both the Procured and Sanctioned groups displayed anti-army tendencies in 1937. However, their attitudes diverged in 1942, with legislators tied to sanctioned sectors showing significant shifts toward Pro-Army stance.

Figure 13 demonstrates that the initial share of pro-army legislators was comparable between the procured and sanctioned groups, at roughly half the proportion observed among business owners in general. This share was also lower than that of non-business owners.

Since party factions are part of the dependent variable, perfect balance across the treatment groups is not expected. However, Table 3 indicates that the pre-treatment balance of partisanship for both the sanctioned and procured groups in 1936 appears satisfactory.

This section confirms the following: (1) Japanese pre-war legislators were deeply embedded in the business sector, (2) a substantial number of legislators were impacted by either economic sanctions or procurement programs, and (3) business-backed legislators, particularly those affected by sanctions, appear to have shifted their positions between the 1937 and 1942 elections. The subsequent sections explore these findings further using a difference-in-differences design with legislator and event fixed effects.

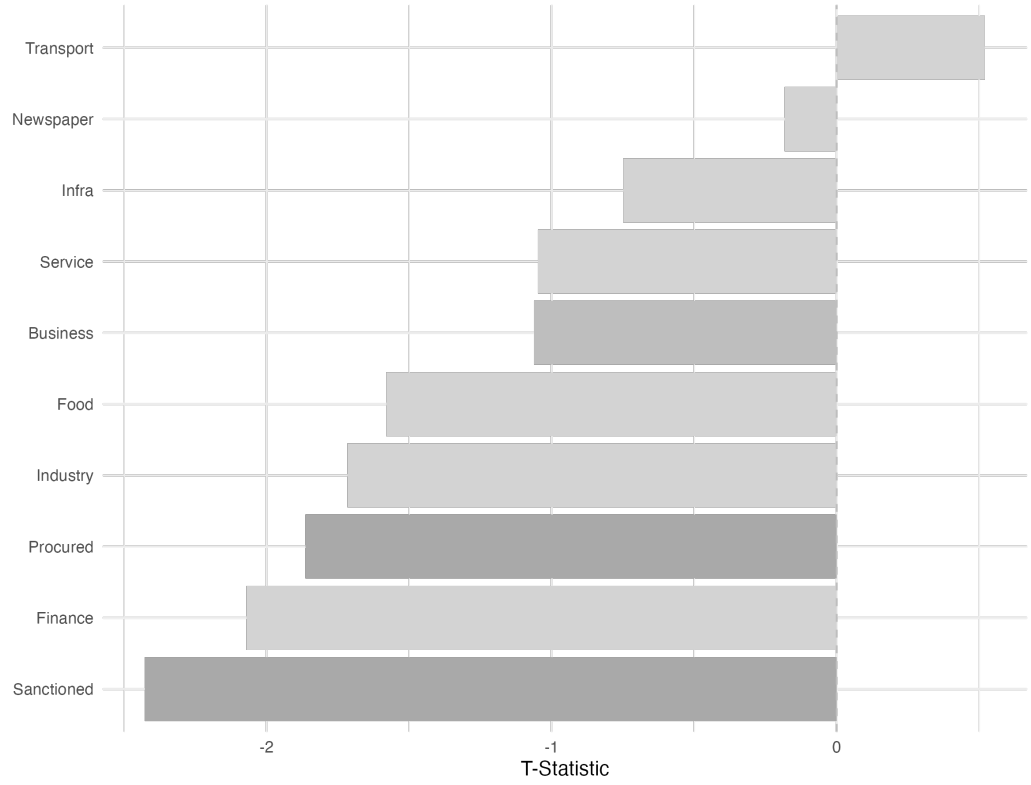



Figure 11: Business-Related Variables: T-Test Results for 1937 General Hayashi Coalition

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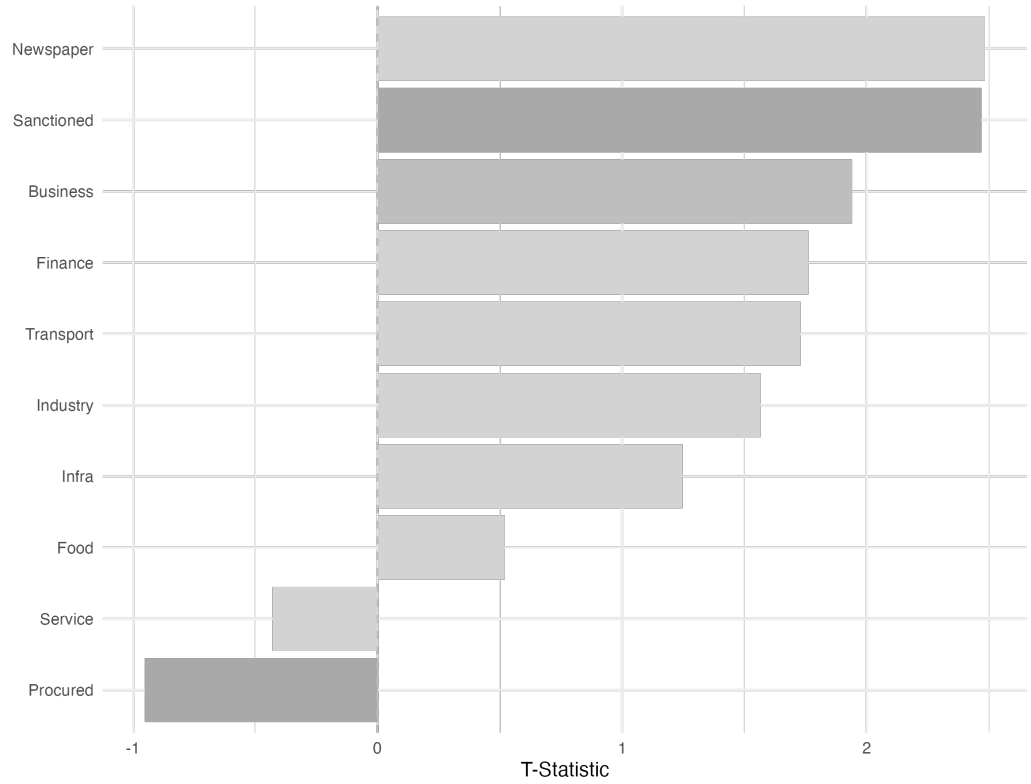



Figure 12: Business-Related Variables: T-Test Results for 1942 Army Endorsement

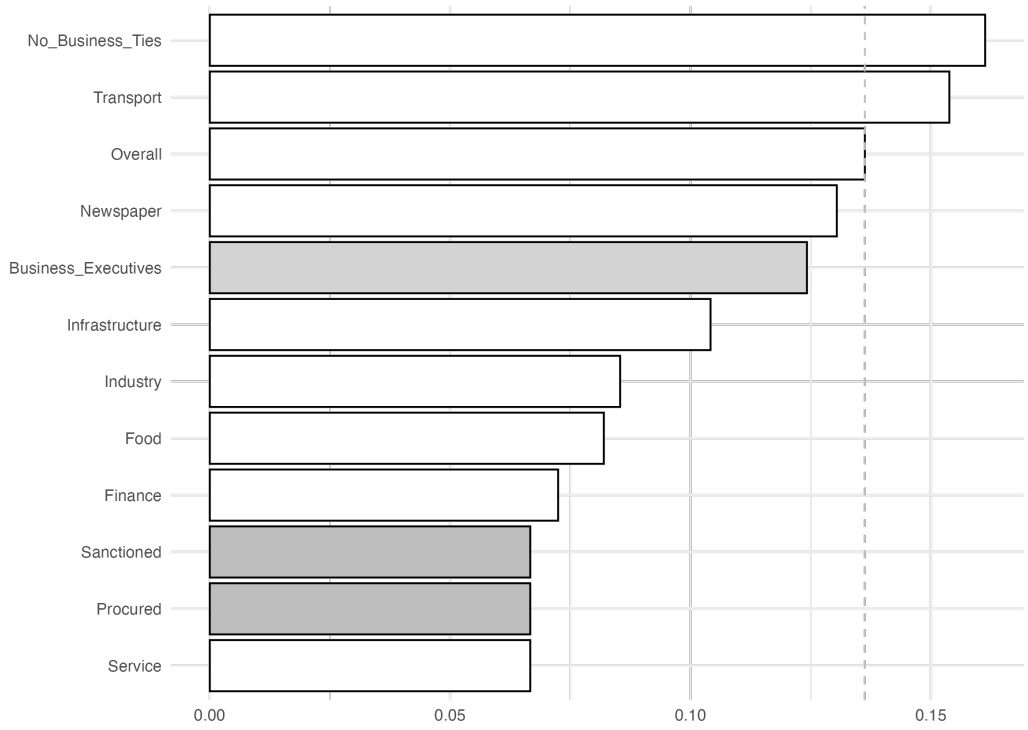



Figure 13: The Share of Pro-Army (Pro-Hayashi) Politicians in the 1937 General Election; by Coerced Business Categories

Table 3: Legislators present in 1936: Initial Party Balance Test

| Legislator Status | Sanctioned | Procured | Neither |
|---|---|---|---|
| Seiyukai party (Conservative) | 38 | 24 | 203 |
| Minseito party (Classical Liberal) | 33 | 26 | 196 |
| Others | 7 | 3 | 28 |

## Empirical Analysis 1: Economic sanction

This section investigates the impact of economic sanctions and disrupted trade relationships on Japanese legislators representing tradable sectors. It specifically examines whether these legislators opposed or supported the army's power consolidation before and after the sanctions.

Following Japan's military expansion in China and Southeast Asia, Western powers, including the United States, imposed economic blockades and embargoes against Japan, as shown in Table 4. While sanctions by the League of Nations, the United Kingdom, and the Netherlands had limited market impact, two key sanctions by the United States—Japan's most significant trading partner—triggered substantial market turmoil. In response, the Japanese government implemented drastic measures to stabilize the stock market, such as banning short-selling and directing major banks to purchase stock indices.

Figure 14 illustrates the Tokyo Stock Market Index as reported by *Toyo Keizai* monthly magazine between 1937 and 1942. The solid lines mark the two major US sanctions highlighted in Table 4, while dashed lines indicate four war-related events: the start of the Second Sino-Japanese War by Japanese attacks (1937/7/7), Germany's invasion of Poland and Japan's declaration of neutrality (1939/8/31), Japan's defeat by the USSR at Khalkhin Gol (1940/5/21), and the attack on Pearl Harbor and initial Japanese expansion (1941/12/7). Notably, the Battle of Khalkhin Gol coincided with the onset of gradual US sanctions.

Despite substantial government intervention in the stock market, US sanctions triggered sharp declines in stock prices. Although stock prices also reacted significantly to major war-related events, Osaka Stock Partners' monthly report did not document any corresponding government interventions during these instances.

The timing of the severe U.S. trade ban caught political and economic elites off guard (Furukawa 2001), as evidenced by the sharp decline in stock market prices and the government's panicked response. There appears to be no preparation made by the affected sector[10].

[10] The 1942 Annual Review of the Textile Union noted their prior expectation of continuing trade during the war through neutral countries, as they had successfully done with China.

Table 4: Timeline of American and Allied Embargoes on Japan and Government Reactions in Market

| **Date** | **Event** |
|---|---|
| *1937.7.7* | *Marco Polo Bridge incident (the start of the Second Sino-Japanese War)* |
| 1938.9.30 | League of Nations authorized its members to impose economic sanctions on Japan |
| 1939.7.26 | Termination of the US-Japan Trade Agreement |
| 1939.8.23 | British export restrictions on war materials (petroleum, iron etc) |
| *1939.8.31* | *Germany's invasion of Poland and Japan's declaration of neutrality* |
| *1940.5.21* | *Battle of Khalkhin Gol (Local Japanese Defeat against USSR* |
| 1940.6−8 | US announces a series of export restrictions (steel, iron, lead, and gasoline) |
| **1940.9.26** | **US imposes a full embargo on iron and petroleum exports to Japan** |
| 1940.10.4 | Japanese government bans short-selling in financial markets |
| | Japanese government increases deposit requirements |
| 1941.2.8 | Dutch export restrictions on war materials (petroleum, iron etc) |
| **1941.7.26** | **US and UK freeze Japanese assets, ceasing all trade** |
| 1941.7.28 | Japanese government asks major banks to stabilize the stock market |
| *1941.12.7* | *Attack on Pearl Harbor* |

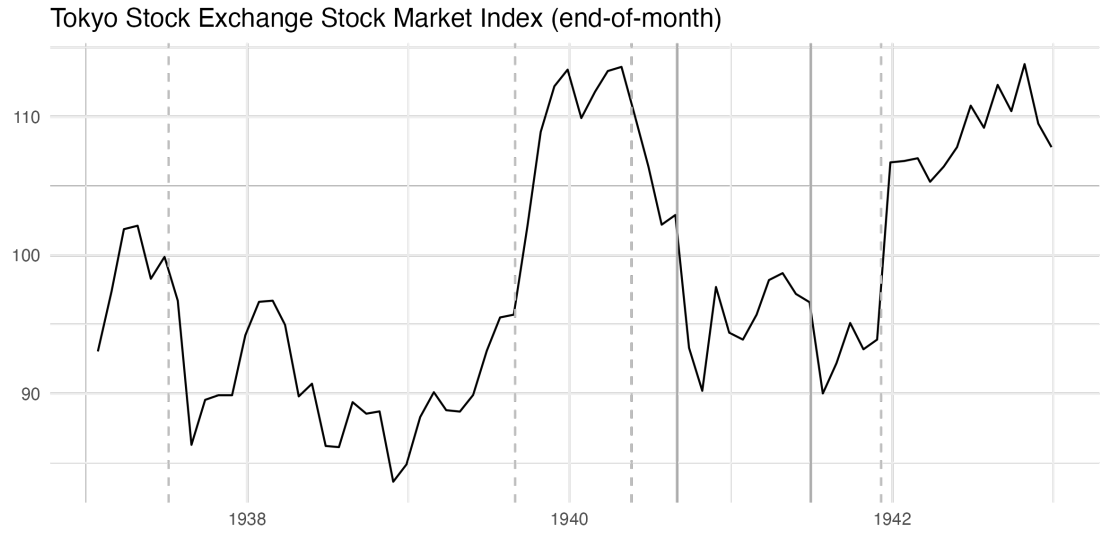



Figure 14: Stock Index: Solid vertical lines: US sanctions; Dashed lines:War-related Events;

**Sectoral Analysis of Economic Sanction**

Osaka Stock Partners'monthly reports further underscore sectoral disparities, highlighting that even export-oriented industries, such as textiles, were adversely affected by the initial bans on oil and iron exports. The contraction of yen-dollar trade further compounded these challenges.

While no sector was fully immune, targeted and tradable sectors bore the brunt of the sanctions, whereas non-tradable sectors experienced relatively less impact. Targeted sectors included steel, petroleum, and petrochemicals. Although Japan sourced some iron domestically and from its colonies, it remained heavily reliant on imports, leading to significant strain on steel firms. Petroleum was scarce even in the occupied regions before 1942.

Table 5 presents Japan's top 10 export and import products in 1938, illustrating the trade composition before the imposition of major sanctions. The data shows that Japan primarily imported raw materials, such as raw cotton (comprising nearly a quarter of imports), while exporting finished textile products like cotton fabrics, shirts, and socks.

By 1942, as shown in Table 6, overall exports had declined by half, reflecting the profound impact of the sanctions and war. Cotton textile exports, once a cornerstone of Japanese trade, dropped to just one-tenth of their previous levels, while raw silk exports nearly ceased altogether. The war-ravaged and economically strained occupied territories proved insufficient as replacement markets for Japan's textile industries, compounding the sector's difficulties.

Figure 15 illustrates the performance of stock indices of sanctioned sectors on the Tokyo Stock Exchange during the studied period. Export and import sectors underperformed consistently, with sharp declines following the sanctions. Petrochemical stocks performed particularly poorly, reflecting the severe impact of restrictions on this sector.

While most legislators'firms were not listed on the Tokyo Stock Exchange, it is reasonable to assume that their interests aligned with sectoral trends observed in the stock market. Although small firms might have reacted differently from large ones, many small businesses maintained ties with major actors in their sectors, likely mirroring similar challenges (*Toyo Keizai* monthly magazine 1940 October).

Sectoral indices were calculated at an aggregate level by *Toyo Keizai* monthly magazine, and some sectors of interest are not fully represented. For instance, numerous textile firms

were traded, leading to a fragmented textile index, while relatively few steel or trade firms were listed, resulting in their aggregation with other sectors.

Figure 16 reveals that insurance companies, despite the asset freeze, were largely unaffected by the sanctions. Their predominantly domestic client base appears to have insulated them from significant impacts. In contrast, stock exchange and brokerage firms experienced a steep decline after the sanctions. Although not an immediately obvious casualty, Japan's nascent stock market relied on foreign capital, and firms diversified investments abroad, making the asset freeze particularly damaging to this sector. Banks'shares showed a slight negative reaction, but the impact was notably less pronounced compared to that experienced by stockbrokers.

The worst-performing category immediately following the sanctions was the *Miscellaneous* stocks, which included trading firms heavily involved in international trade, presumably bearing the brunt of trade disruptions. The detailed composition of the *Miscellaneous* index remains unavailable.

Following the discussions above, I specify the following sectors as those affected by the sanctions: Textile industries (cotton, silk, synthetic), Petroleum and Petrochemical industry, Steel industry, Stock brokers, and International trade. These sectors include five of the six worst-performing indices during the period, with the exception of the insurance sector, which appeared largely unaffected by the sanctions. As the robustness check, each sectors are also analyzed separately as well.

Table 5: Top 10 export and import products of Japan in 1938 (in 1000 yen; from the Japanese Customs: customs.go.jp)

| Export | | Import | |
|---|---|---|---|
| Cotton textile | 121,413 | Raw cotton | 292,476 |
| Raw silk | 84,991 | Pulp | 28,100 |
| Nylon textile | 56,957 | Rubber | 22,811 |
| Silk textile | 24,346 | Linen | 15,622 |
| Wool textile | 21,640 | Beans | 14,723 |
| Cotton shirt | 15,167 | Soya | 14,046 |
| Liquor | 10,637 | Leather | 9,541 |
| Flour | 10,337 | Raw wool | 8,676 |
| Canned food | 9,571 | Coal | 6,688 |
| Cotton socks | 7,109 | Sulfate | 5,398 |
| Total | 774,038 | Total | 968,220 |

Table 6: Top 10 export and import products of Japan in 1942 (in 1000 yen; from the Japanese Customs: customs.go.jp)

| Export | | Import | |
|---|---|---|---|
| Linen sack | 17,486 | Raw cotton | 172,478 |
| Cotton textile | 15,062 | Rice | 45,433 |
| Silk textile | 13,506 | Rubber | 42,102 |
| Nylon textile | 12,804 | Soybeans | 25,539 |
| Wool textile | 10,154 | Coal | 24,557 |
| Locomotive | 9,269 | Raw Wool | 21,627 |
| Pottery | 5,730 | Bean powder | 21,530 |
| Electronics | 5,681 | Leather | 16,996 |
| Fiber | 5,628 | Linen | 15,725 |
| Dried fish | 5,350 | Iron | 15,231 |
| Total | 362,672 | Total | 578,185 |

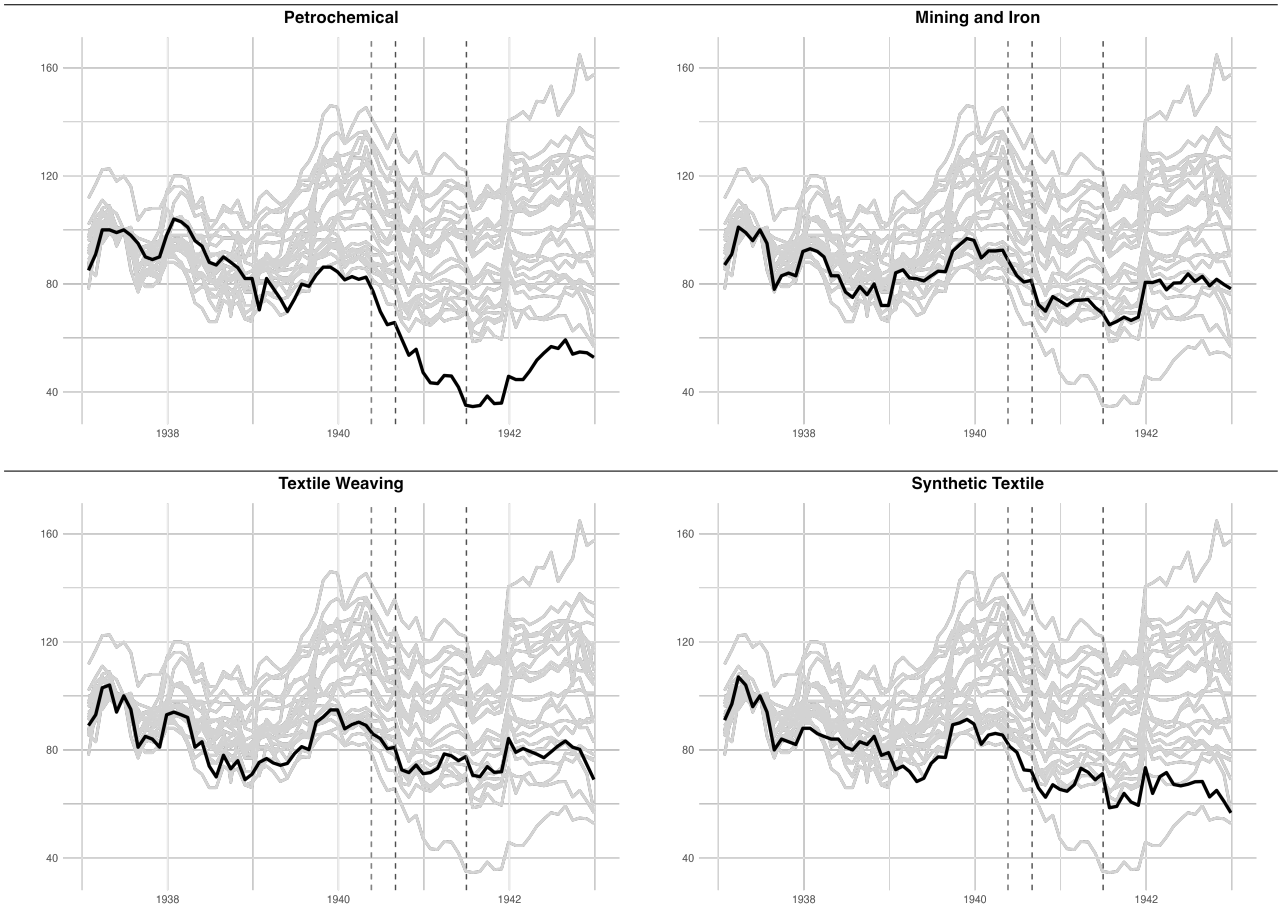



Figure 15: Stock Market Performance of Sanction-Affected Sectors (Dashed lines: US sanction timing)

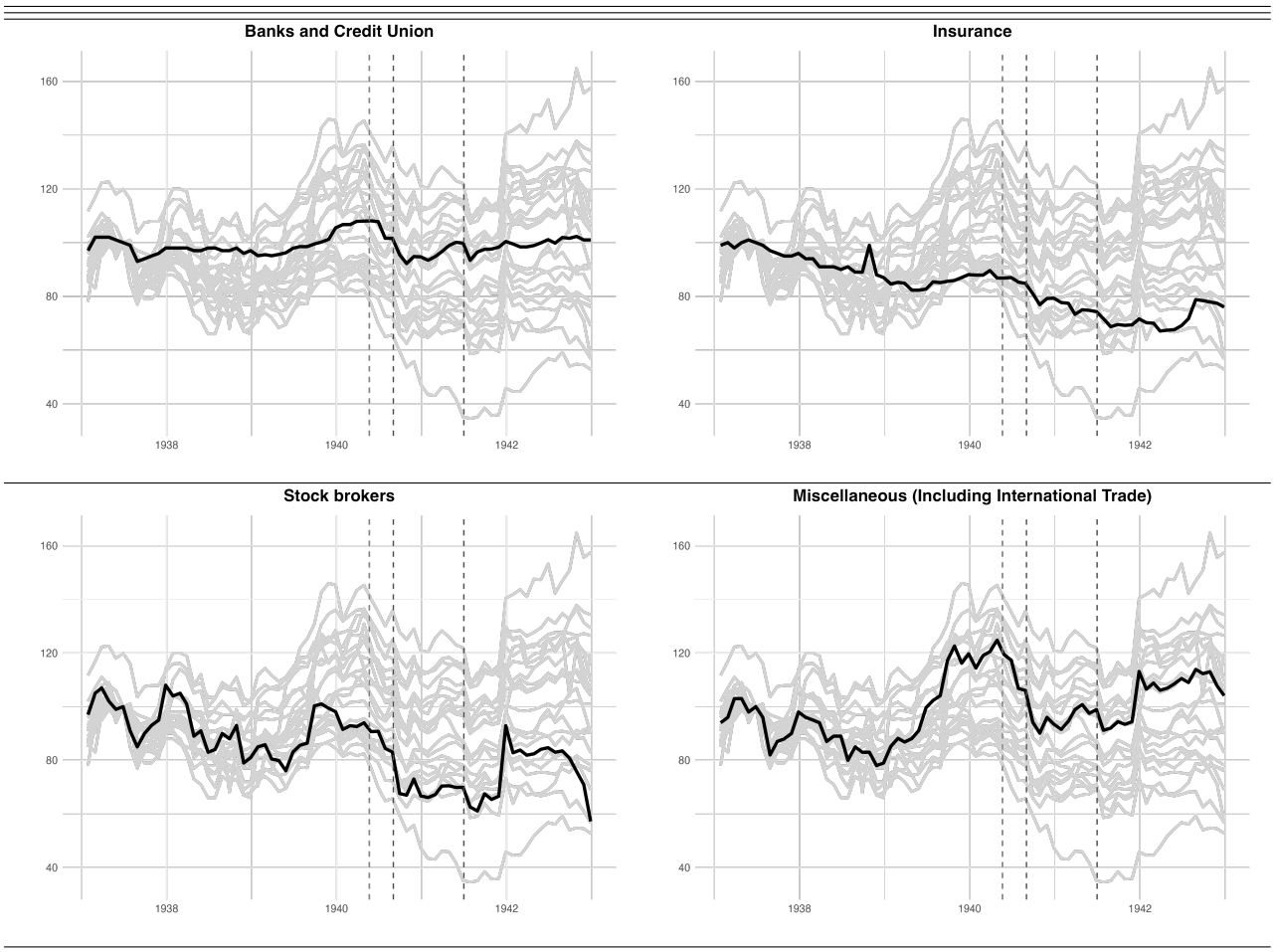



Figure 16: Stock Market Performance of Potentially Sanction-Affected Sectors (Dashed lines: US sanction timing)

**Empirical Specifications on Economic Sanction**

This section uses a difference-in-differences and event study design to analyze the political attitudes of legislators affected by embargo shocks, compared to those unaffected. The individual legislator is the unit of analysis, with the dependent variable being the pro-army, anti-democratic attitude displayed in various instances, as discussed in earlier sections.

To estimate the effects, all models incorporate legislator fixed effects and date/legislation fixed effects. Standard errors are clustered at the individual legislator level to account for potential correlations within individual records. The primary specifications at the legislator level employ a difference-in-differences framework and can be expressed as follows:

$$y_{k,t} = \gamma_k + \delta_t + \beta * Sanctioned_k * Post_t + \epsilon_{k,t}$$

Where $y_{k,t}$ is an outcome dummy variable, representing the pro-army attitude displayed by legislator $k$ at occasion $t$. $\gamma_k$ are legislator-level fixed effects, and $\delta_t$ represents time effects - effectively event fixed effects. $Sanctioned_k$ is a dummy variable that takes 1 if the legislator k experienced sanction shock during the period of this study, and $Post_t$ takes 1 if the vote or other relevant event t is after the occurrence of the shock. Graphs from the event study based on the DiD design are presented for pre-trend analysis. All event study graphs in this paper incorporate legislator and event fixed effects, with standard errors clustered at the legislator level.

As noted, earlier sanctions imposed by the League of Nations, Britain, and the Netherlands appeared to have had limited market impact. The initial phase of U.S. sanctions, including the full embargo on iron, took place between February 3, 1940 (Motion 75-1), and October 11, 1940 (the formation of the IRAA and two opposition factions). As observed in stock price trends, the sectors eventually affected were already experiencing strain during these relatively limited early sanctions.

In the main specification, mid-1940 serves as the cutoff for the pre-post distinction. However, in some Difference-in-Differences (DiD) models, I exclude the two events that occurred between the two major U.S. sanctions to create a more "pure"post-treatment period. Given the gradual nature of the shock, the event study graphs use the initial point (1937) as the reference period

for comparison.

Given the turbulence of this period, concerns may arise about shocks occurring simultaneously with the sanctions. While the Chinese war theater remained stagnant during the sanctions, the Battle of Khalkhin Gol occurred early in the period, and the Japanese occupation of French Indochina triggered the sanctions. However, these events had limited economic impact on most sectors, with affected sectors analyzed separately in the Robustness Checks. Further discussions of alternative shocks, including the failed nationalization attempts in some sectors, are also provided in the Robustness Checks section.

**Results on Economic Sanction DiD**

The difference-in-differences results in Table 7 indicate that legislators likely affected by economic sanctions exhibited a more pro-army, anti-democratic stance following the sanctions. The positive and significant effects are observed primarily after the major sanctions took effect between 1940 and 1941. Given that the outcome variable is binary (taking values of 0 or 1), the coefficients, ranging from 0.159 to 0.168, are notably large in magnitude. Models 3 and 4 exclude mid-sanction events from the analysis, while Models 2 and 4 employ double clustering of the standard errors. The results remain statistically significant across all models.

Figure 17 presents the event-study model, tracking the pro-army attitudes of legislators connected to sectors eventually targeted by sanctions over time. It clearly confirms the main D-i-D results. Notably, there is no evidence of a pre-trend prior to 1940, before the majority of sanctions were enacted.

Figure 18 breaks down the results by the constituent sectors of the *Sanction* variable. With the exception of the International Trade sector, where stock market performance could not be verified, the patterns largely align with the main findings. Targeted and poorly performing sectors, such as petrochemical, exhibit particularly strong pro-army shifts. The leading export sector, cotton textiles, displays a pre-trend but shows a pronounced shift towards pro-army attitudes once sanctions take effect, especially when compared to textile sectors as a whole. Small-scale oil sellers, who were not prioritized for oil supply compared to oil refiners, also exhibit a clearer trend. These findings highlight the timing of sanctions as a pivotal factor in

driving connected legislators' shifts away from pro-democracy positions.

Figure 19 and 20 presents placebo results for legislators tied to unaffected sectors. The insurance sector, whose stock prices were particularly unaffected by the sanctions, shows flat results as expected. The results are similar in other non-tradable or domestically oriented sectors. Newspaper-connected legislators exhibit a slight pro-army shift, but this occurs only in 1942, following the attack on Pearl Harbor.

Figure 21 illustrates that banks, whose stocks showed a mild negative reaction, exhibit a weaker but comparable trend to sanctioned sectors like textiles. To delve deeper, I divided legislators into two groups: those connected to mutual banks, typically small and local institutions, and those associated with commercial or industrial banks, which likely had exposure to the US and UK asset freezes. As expected, legislators linked to small local banks did not demonstrate a significant shift toward anti-democratic or pro-army positions, highlighting the role of international exposure in shaping political alignment.

Table 7: Summary of DiD Results: Sanction

| | Model 1 | Model 2 | Model 3 | Model 4 |
|---|---|---|---|---|
| Dependent variable: | *Anti-democratic, Pro-army action* | | | |
| Post-Sanction × Sanctioned | 0.159*** | 0.159* | 0.168*** | 0.168* |
| | (0.048) | (0.051) | (0.052) | (0.063) |
| Num.Obs. | 4834 | 4834 | 3960 | 3960 |
| R2 | 0.486 | 0.486 | 0.477 | 0.477 |
| R2 Adj. | 0.379 | 0.379 | 0.340 | 0.340 |
| Std.Errors Clustering | by: legislator | by: legislator & event | by: legislator | by: legislator & event |
| FE: period | X | X | X | X |
| FE: Legislator | X | X | X | X |
| Dropped 1940.9-41.7 | | | X | X |
| *Note:* | | | | *p<0.05; **p<0.01; ***p<0.001 |

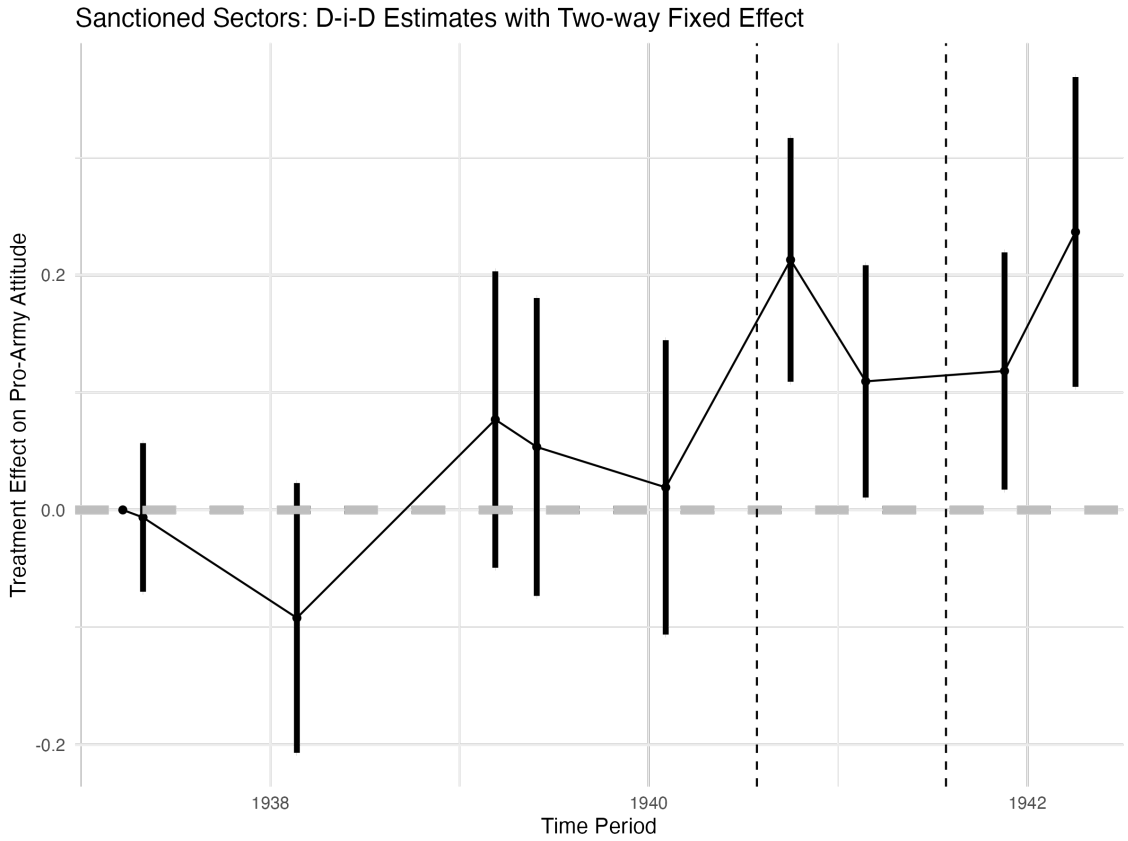



Figure 17: Difference-in-differences graph for sanctioned sectors: (95%CI)

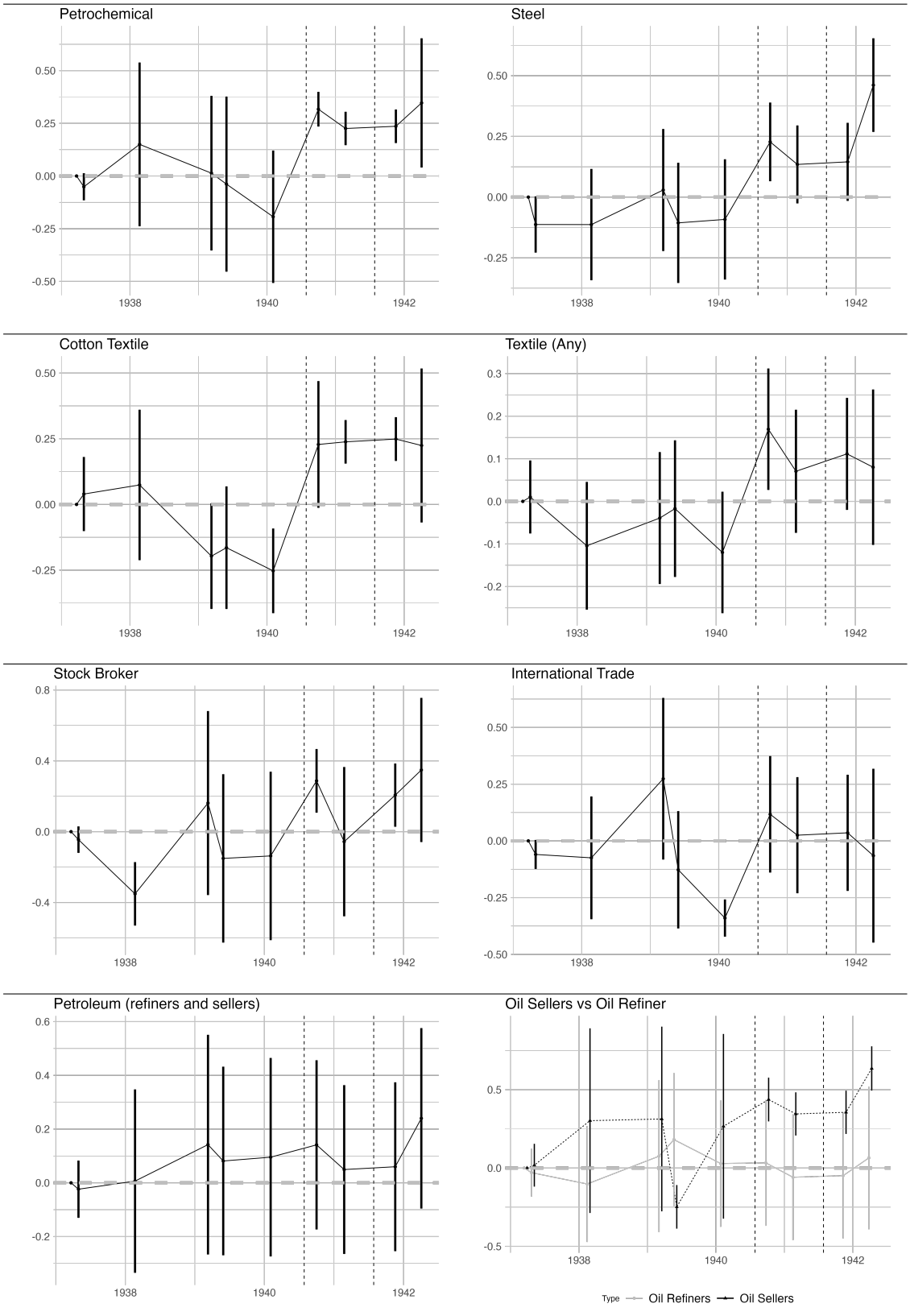



Figure 18: Pro-army attitude in various sanction-hit sectors

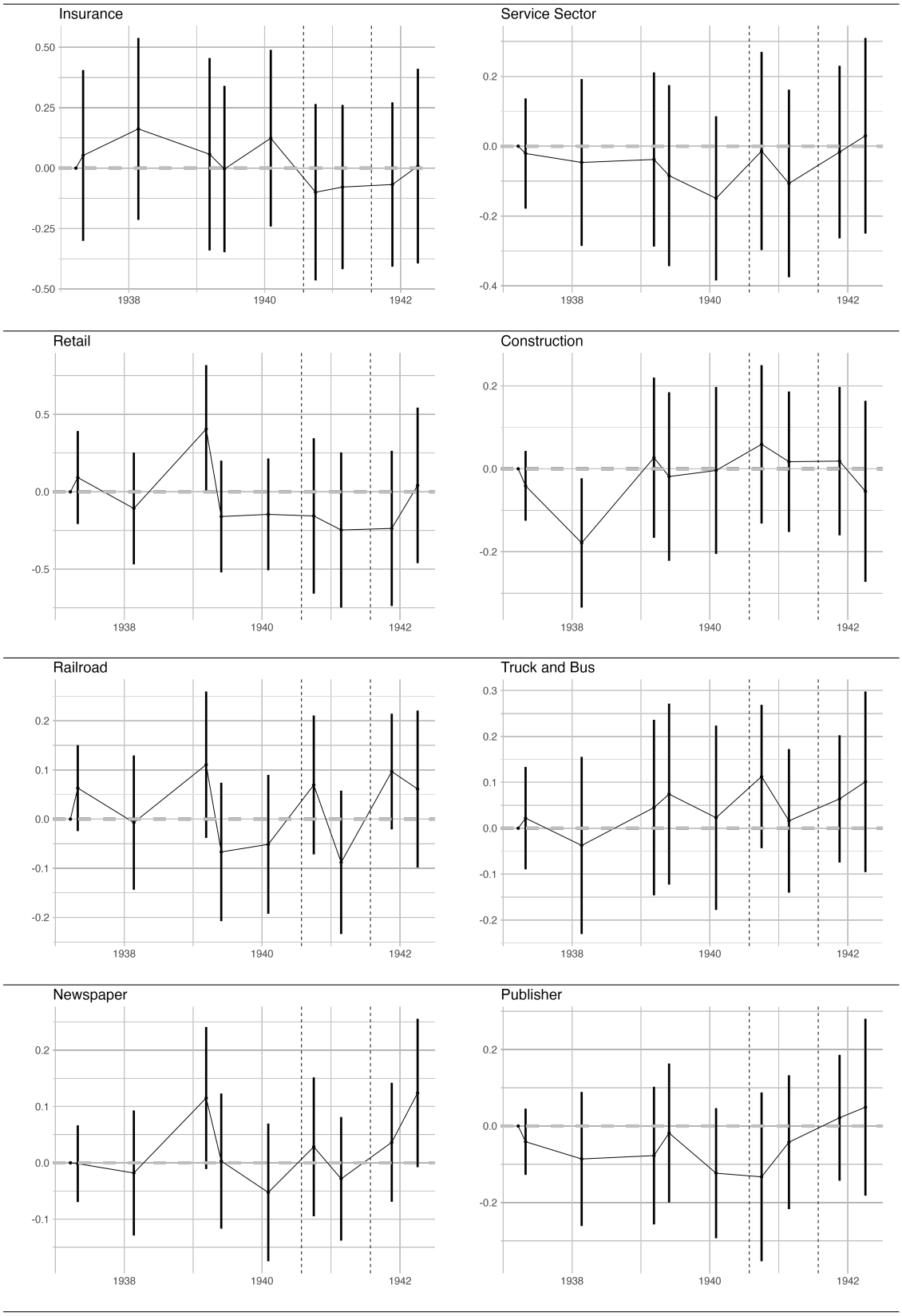



Figure 19: Placebo: Pro-army attitude in various unaffected (non-tradable) sectors

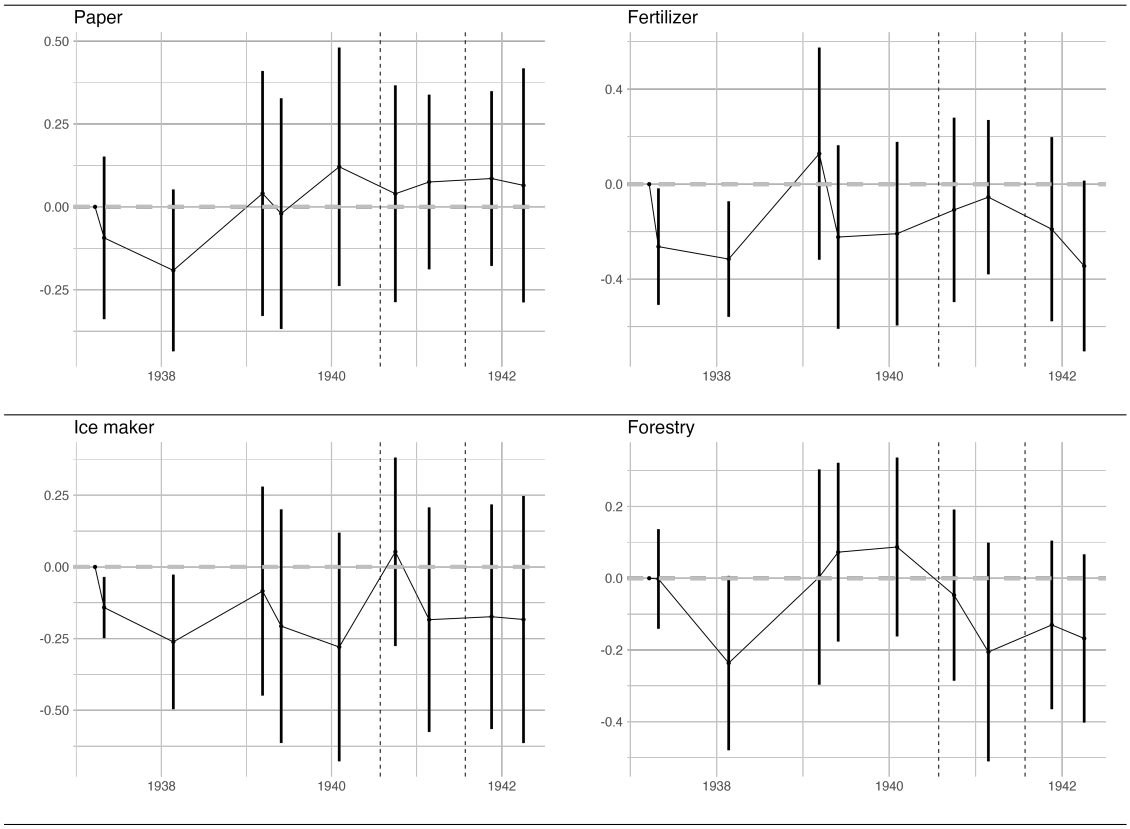



Figure 20: Placebo: Pro-army attitude in various unaffected (not heavily traded) sectors

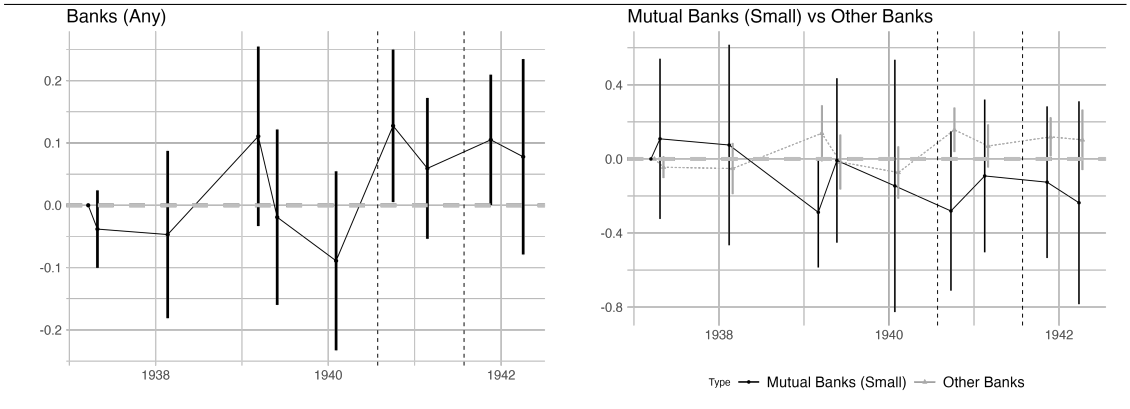



Figure 21: Sectors that are not categorized as ”Sanctioned” but show similar trends

## Empirical Analysis 2: Wartime Procurement

This section examines the political stance of legislators whose businesses were impacted by wartime mobilization efforts, focusing on whether they supported or opposed the army during this period.

Following the outbreak of the Second Sino-Japanese War in July 1937, Japan faced severe resource shortages that significantly disrupted both its economy and military operations. Although the army sought to exert control over key weapons factories, the preamble to the 1942 Navy Designated Factories and Plants List reveals the army's limited capacity to manage these firms effectively. Even among Class A (army-controlled) factories, only one army-contracted staff member was assigned to oversee operations at three factories, underscoring the personnel shortage.

During this period, there was no nationalization or expropriation of military industries, nor did the army or navy place representatives on company boards. Instead, firms were compensated for revenue losses caused by reduced access to civilian markets. These compensations were calculated based on financial records from the preceding three years.

To investigate how procurement program affected legislators positions, I digitized copies of the 1942 Navy Designated Factories and Plants List and the 1940/1942 Army Procurement Contractors List, archived at the Ministry of Defense. These records contain data on 2,428 firms contracted by the army and the navy. Using this dataset, I verified whether any legislators held board positions in firms supplying products or materials to the military. The 1940 list is only available for the army, but 868 firms were added between 1940 and 1942, which suggest that the most of the procured firms were added long after the outbreak of the Second Sino-Japanese War in July 1937.

Before the modernization in 1939, triggered by the start of World War II in Europe, procurement processes were conducted on an ad hoc, arms-length basis without a unified system (Miwa 2015). Despite Japan's declaration of neutrality in the European conflict, military procurement programs were significantly expanded following the 1939 shock.

Certain sectors, such as pharmaceuticals, automobiles, and heavy industry, were disproportionately represented in the procurement lists compared to firms listed on the Tokyo Stock Exchange. As these sectors do not entirely overlap with the procured firm dataset, they are analyzed separately

for their unique contributions to military supply chain.

Figure 22 displays the Tokyo Stock Exchange sectoral index for procurement-affected industries. Most sectors show minimal or negative reaction to the initial mobilization shock following July 7, 1937, likely due to the infantry-based nature of the Second Sino-Japanese War, with limited naval and aerial engagements. Military industries did not appear to benefit significantly during the early stages of the war, and this 1937 shock is excluded from the difference-in-differences analysis.

In contrast, stock prices in related sectors respond positively to the onset of World War II in Europe (August 1939) and the Pacific (December 1941). The food sector, however, shows little reaction to any of these shocks. The stronger responses from industrial sectors to the later shocks likely reflect the expansion and formalization of procurement programs during this period. As these shocks were unanticipated by actors, they are treated as exogenous in this analysis.

Table 8: Percentage of Different Sectors in the 1942 procurement list

| | |
|---|---|
| Weapons, Machinery, Tank, Ship, Munitions | 63.3% |
| Airplane parts and related goods | 13.1% |
| Food | 6.6% |
| Clothing (Leather/Linen/Wool) | 4.6% |
| Sanitation / Medicine | 3.1% |
| Transport Machinery | 1.8% |
| Textile (Cotton/Silk/Synthetic) | 1.1% |

**Empirical Specifications: Wartime Procurement**

This section uses a difference-in-differences analysis, similar to the previous section, focusing on legislators with interests in mobilized sectors as the treatment group. The primary treatment is defined by board memberships in firms listed by the Army and Navy.

$$y_{k,t} = \gamma_k + \delta_t + \beta * Procured_k * Post_t + \epsilon_{k,t}$$

Where $Procured_k$ is a dummy variable that takes one if the legislator k experienced mobilization shock during the period of this study, and $Post_t$ takes 1 if the vote or other relevant event t is after the occurrence of the shock. As in the previous analysis, $y_{k,t}$ is an outcome dummy variable,

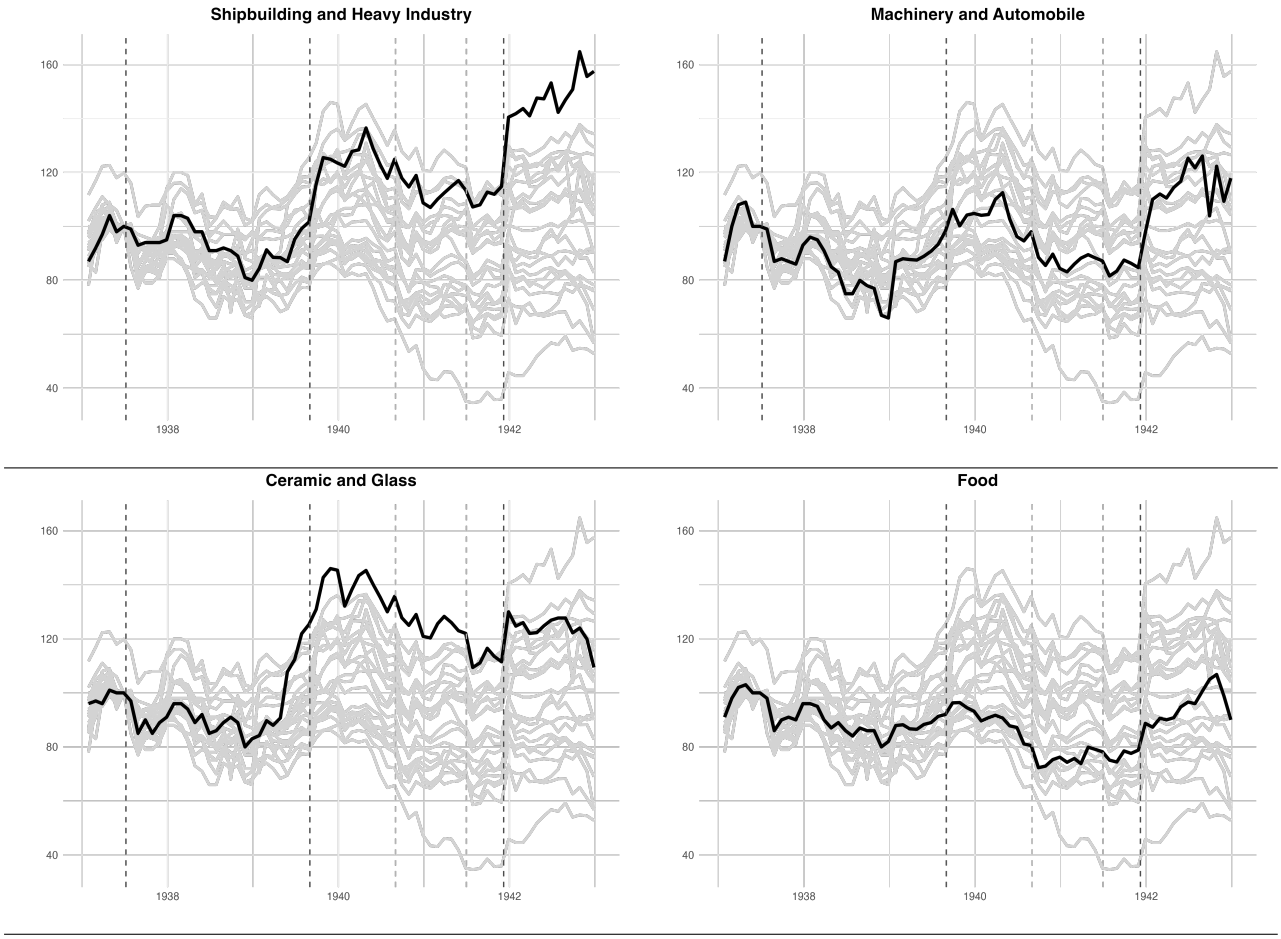



Figure 22: Stock Market Performance of Procured Sectors

pro-army attitude shown by legislator k at an occasion t. $\gamma_k$ are legislator-level fixed effects, $\delta_t$ are event fixed effects.

Due to limited data on early-stage procurements, pinpointing the exact timing of an exogenous shock is challenging. However, most firms saw a significant surge in orders following the German attack on Poland in August 1939 and the subsequent expansion of procurement programs, as well as the Japanese attack on Pearl Harbor—events they did not anticipate. This analysis prioritizes the event study graph, as it provides a detailed examination of temporal trends.

**Empirical Results: Wartime Procurement**

The results in Tables 9 and Figure 23 indicate that legislators connected to firms in the 1942 procurement programs show no significant pro-army or anti-army trend following the expansion of procurement programs, despite the substantial business opportunities these programs created with the army and navy.

Figure 25 reveals an intriguing pattern: while none of the sectors in question display clear results in the difference-in-differences analysis, they exhibit a downward trend in pro-army attitudes as the war progresses. Figure 24 compares industrial firms on the procurement list with those not listed. Although the pre-trend is erratic, the findings align with tendencies observed in the sectoral analysis. Given the null results in the main difference-in-differences models, further investigation is unwarranted. However, the graphs suggests that legislators connected to firms in the procurement list did not display any significant pro-army shift during the studied period.

Table 9: Summary of DiD Results: Procurement

| Dependent variable: | Model 1 | Model 2 | Model 3 | Model 4 |
|---|---|---|---|---|
| | *Anti-democratic, Pro-army action* | | | |
| War × Procured | 0.048 | 0.048 | −0.021 | −0.021 |
| | (0.049) | (0.049) | (0.080) | (0.040) |
| Num.Obs. | 4834 | 4834 | 4834 | 4834 |
| R2 | 0.483 | 0.483 | 0.483 | 0.483 |
| R2 Adj. | 0.376 | 0.376 | 0.376 | 0.376 |
| Std.Errors Clustering | by: legislator | by: legislator & event | by: legislator | by: legislator & event |
| FE: period | X | X | X | X |
| FE: Legislator | X | X | X | X |
| Shock: 1939.8.31 | X | X | | |
| Shock: 1941:12.7 | | | X | X |
| *Note:* | | | | *p<0.05; **p<0.01; ***p<0.001 |

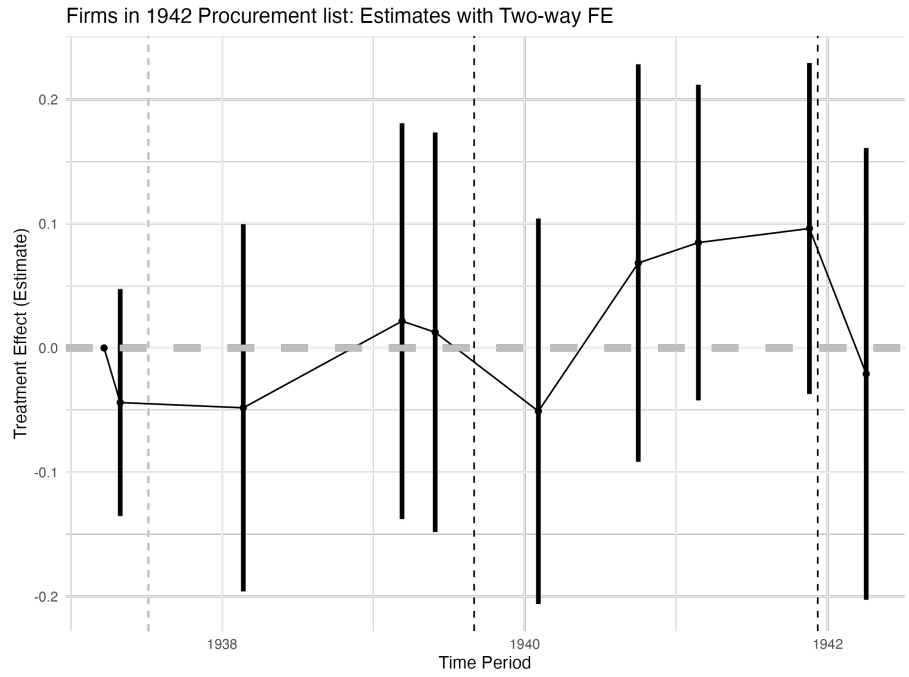



Figure 23: Event study graph for procured firms

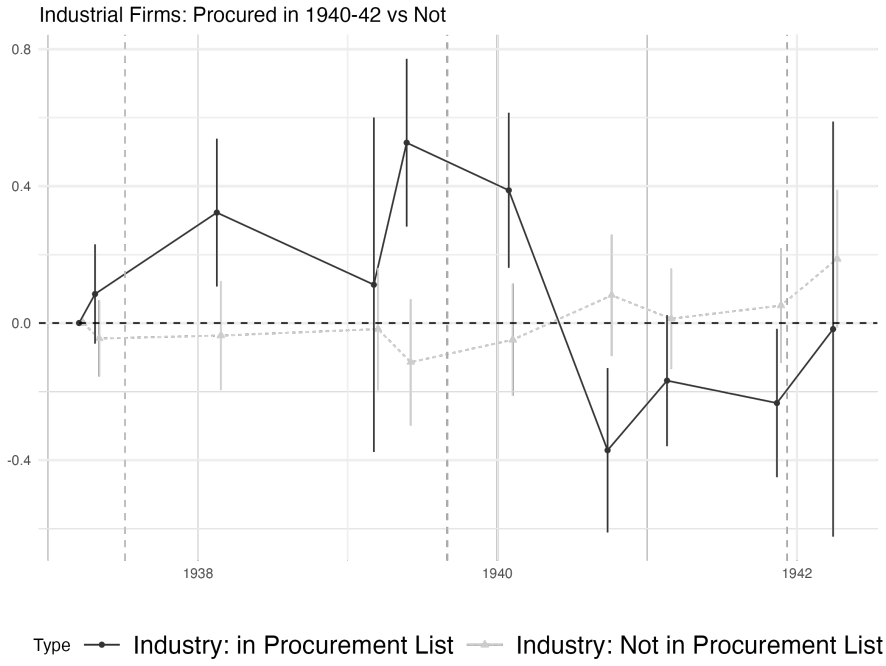



Figure 24: Event Study graph for legislators tied to procured industrial firms compared to industrial firms without procurement contract

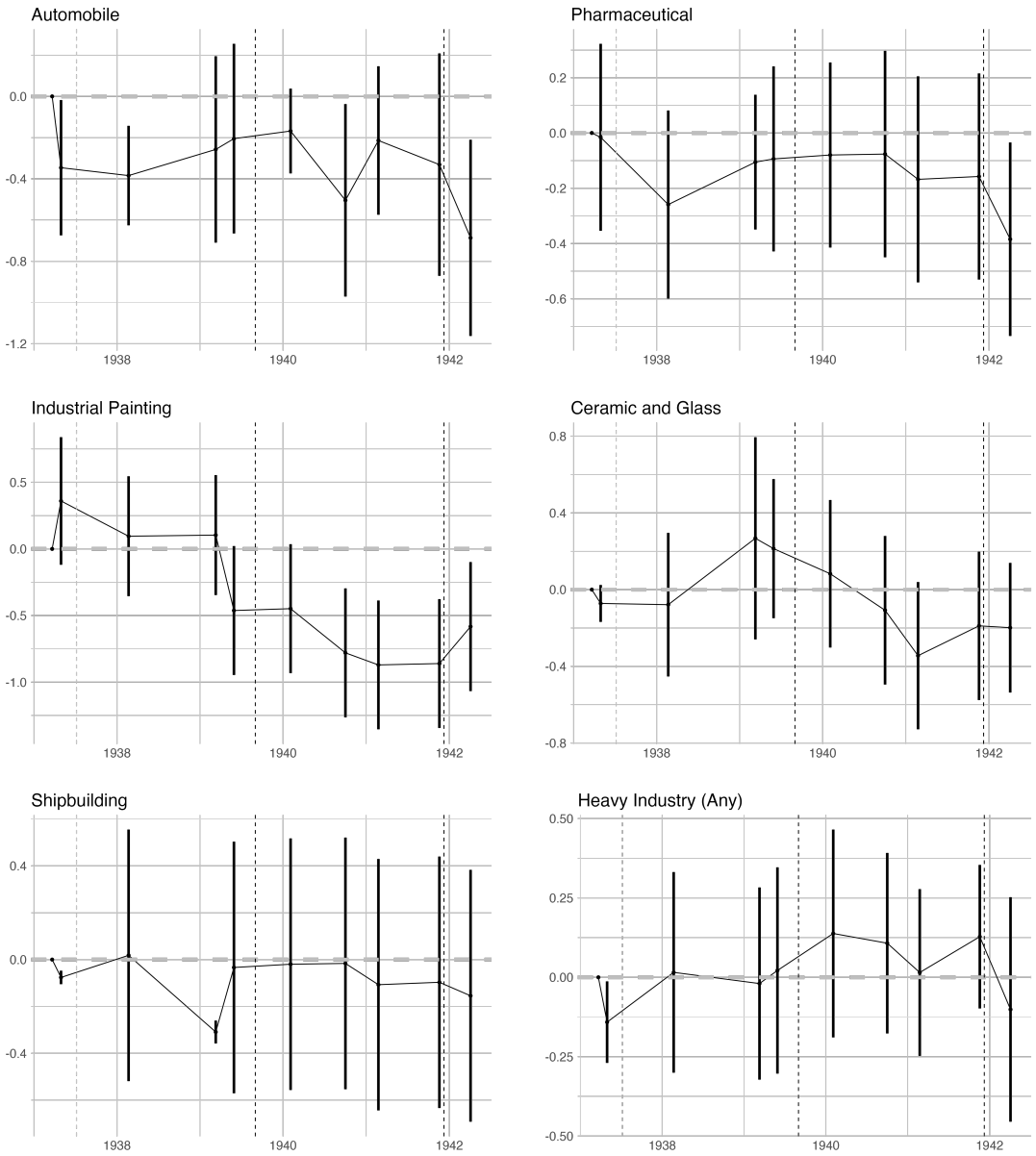



Figure 25: Pro-army attitude in procured sectors

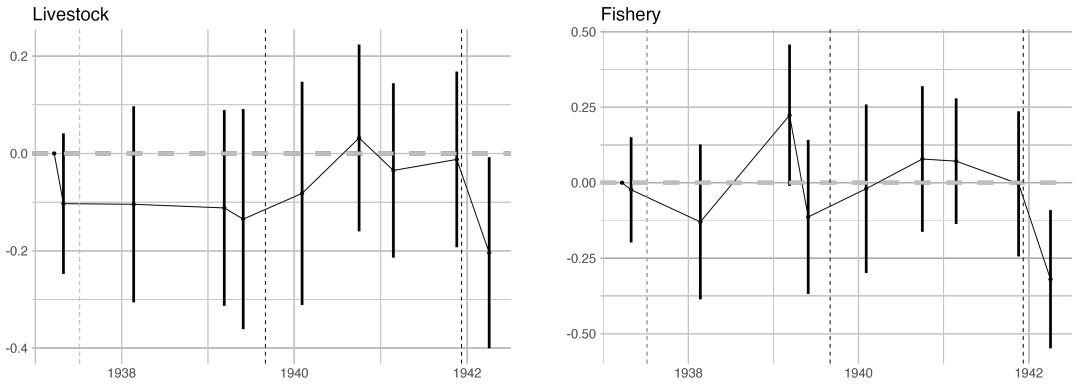



Figure 26: Pro-army attitude in potentially procured sectors

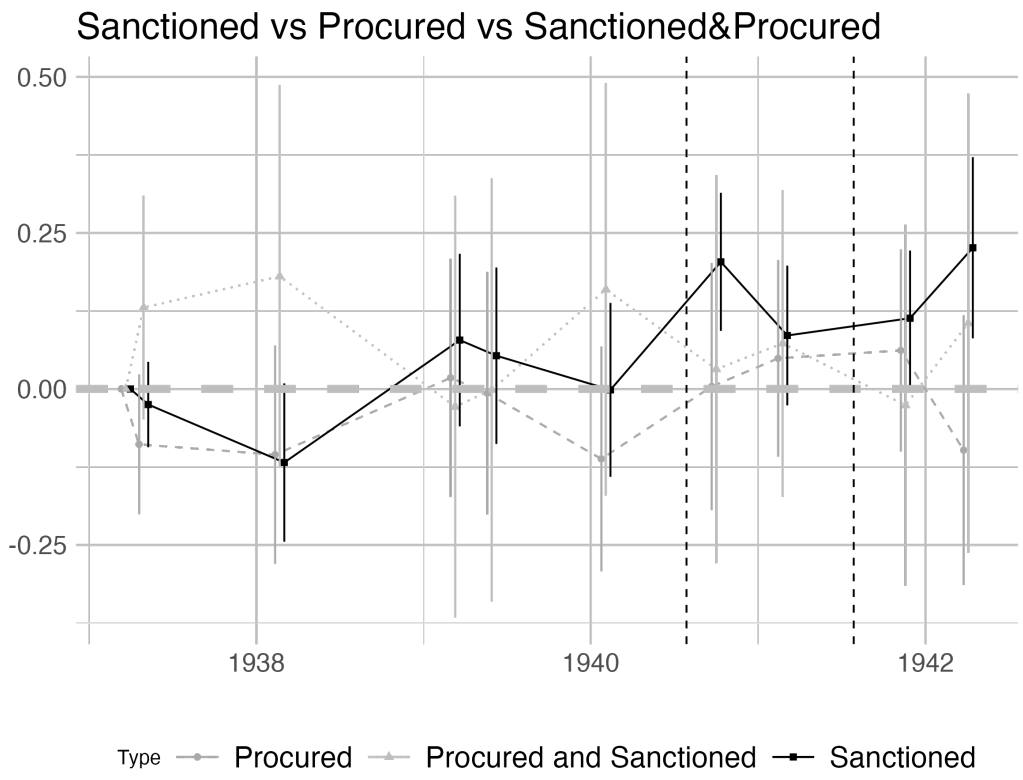



Figure 27: Event Study graph for procured, sanctioned, or procured and sanctioned firms

**Empirical Results: Sanction vs Wartime Procurement**

Figure 27 presents a horse-race analysis, comparing legislators connected to firms on the procurement list, those in sanctioned sectors, and those belonging to both categories. These effects are analyzed simultaneously. The results indicate a pronounced pro-army shift among legislators associated with sanctioned sectors, particularly following the initial phase of sanctions.

Overall, it appears that the alternative theory, rather than conventional one, explains the Japanese case better. Sectors that faced adverse consequences due to international isolation displayed a higher tendency to align with the regime, whereas sectors positioned to gain from military expansion did not change their position significantly.

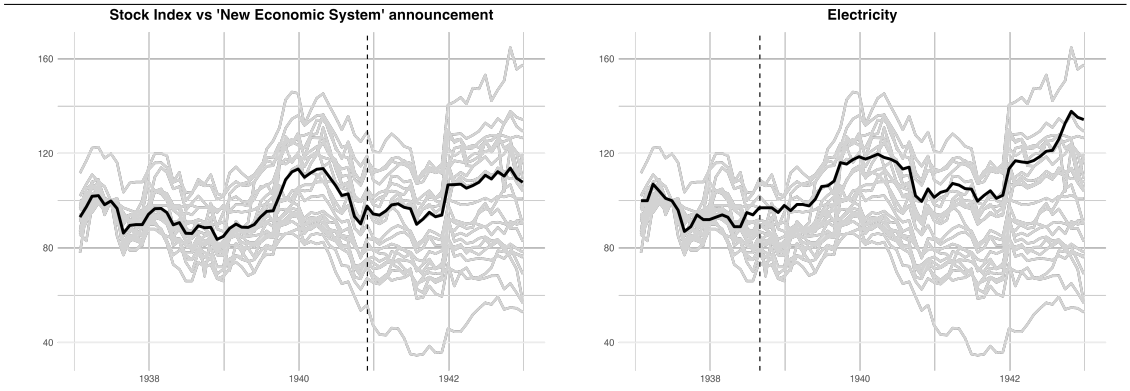
**Discussion on Alternative Mechanisms 1: Business Consolidation and National Control**

As we discuss wartime Japanese activities, one might assume extensive government-controlled consolidation during the war. However, most sectors remained under private ownership, with government-backed cartels largely operated by private firm owners ((*Toyo Keizai* Monthly Magazine, October 1941; Miwa 2015). The military did not appoint representatives to corporate boards either.

In December 1940, the Planning Agency announced *The Outline for Establishing a New Economic System*, aiming to create a robust wartime-controlled economy. However, opposition from the business community led to the removal of key clauses, such as the "separation of capital and management."The subsequent arrests of 17 Planning Agency staff for alleged state-socialist tendencies further undermined the centralization (Marshall 1967). Figure 28A shows that the stock market reacted negatively to the announcement, though the shock was minor, and no parliamentary events analyzed in this paper occurred during this confusion.

It is worth noting that legislators tied to sectors under relatively strict government control did not exhibit corresponding shifts toward anti-democratic or pro-army behavior. Two sectors subjected to stronger national control were electricity and liquor, yet neither underwent full nationalization. Hydroelectric plants and liquor distilleries were excluded from nationalization, and shareholders of private firms retained shares in the resulting national monopolies. Legislators connected to these sectors did not display distinct or consistent political tendencies, as shown in Figure 29. Instead, the graphs reveal erratic fluctuations in their political behavior, suggesting that government control alone did not drive uniform shifts in political alignment.

For other sectors, 24 control associations were established in key industries between October 1941 and January 1943 under two imperial ordinances, effectively forming cartels. However, the transfer of authority between government agencies and these associations was scaled back and delayed, and the dual structure of the associations introduced inefficiencies (Miwa 2015). As a result, the associations failed to achieve the anticipated increases in production, allowing private sectors to retain significant autonomy. Crucially for this study, these associations were formed long after the initial sanction shocks, minimizing the likelihood that their implementation or effects contaminated the results.




A B

Figure 28: Stock Market Performance and Partial Nationalization Attempt (dashed line)

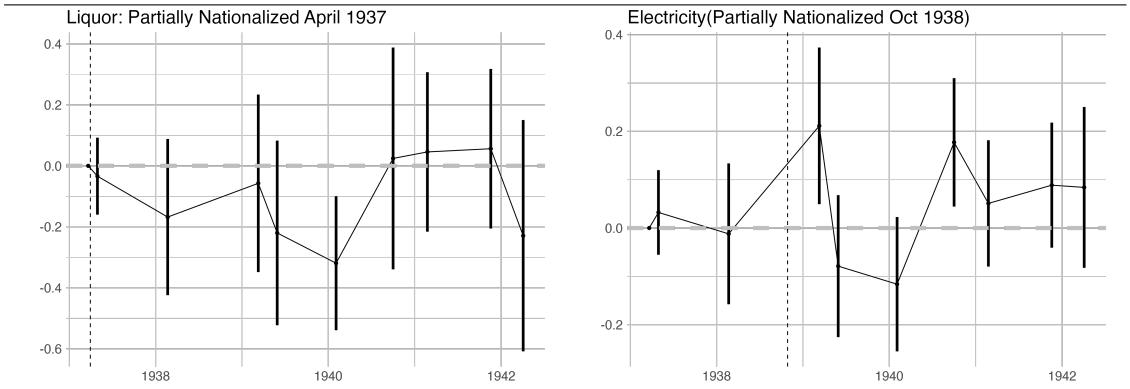



Figure 29: Pro-army attitude with partially nationalized sectors

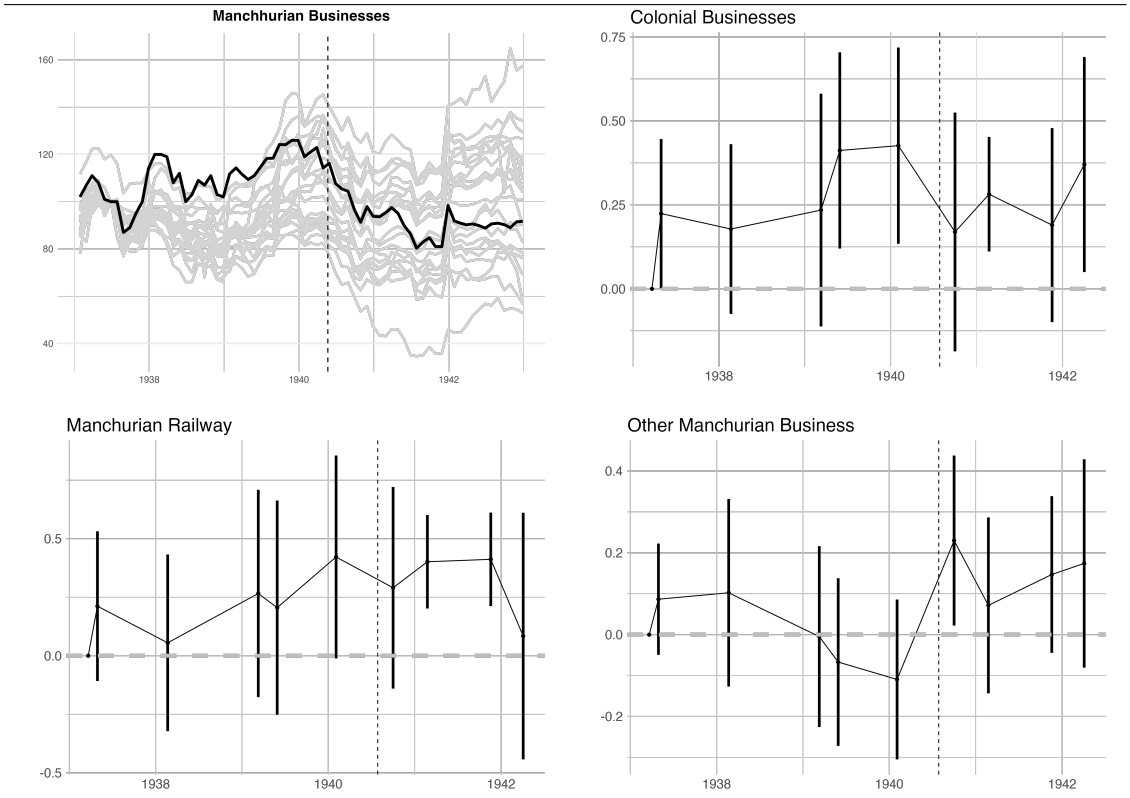



Figure 30: Stock price and pro-army attitude of the sectors affected by the Battle of Khalkin Gol (Dashed Line)

**Discussion on Alternative Mechanisms 2: Conflict Abroad**

The timing of the Battle of Khalkhin Gol coincided with the initial phase of economic sanctions, adding complexity to the analysis. As a border conflict, the battle did not directly harm major industries, but it posed a significant threat to the stability of Manchurian businesses. Figure 32 demonstrates that the battle significantly impacted the stock market performance of Manchuria-linked businesses, reflecting heightened economic uncertainty in the region. However, the political responses of legislators tied to these businesses were relatively muted compared to those associated with sanction-affected sectors. This suggests that while the battle may have disrupted certain businesses, it did not trigger the same level of political realignment observed in the sanction-affected sectors.

As previously discussed, French Indochina did not produce significant strategic materials for Japan apart from rubber, but it supplied rice. Its occupation by the Imperial Japanese Army resulted in an influx of Indochinese rice into the Japanese market, driving down prices (*Toyo Keizai*, December 1940). Although relevant stock market data for this period are unavailable,

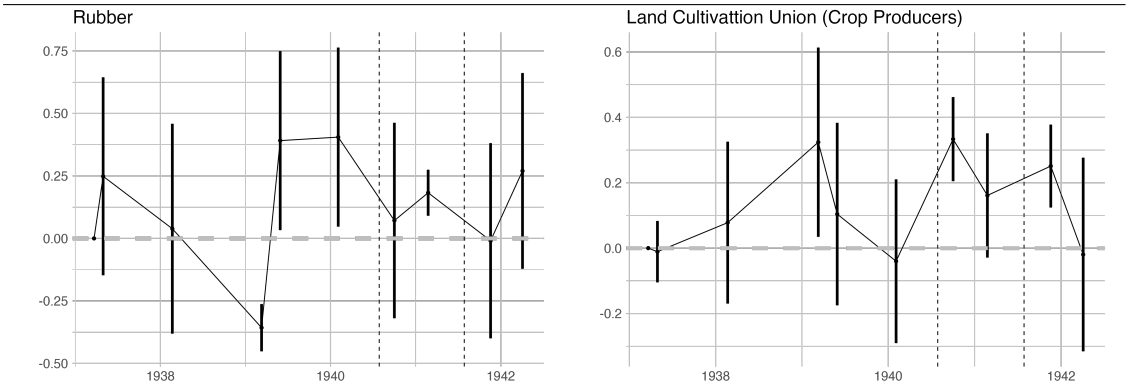



Figure 31: Pro-army attitude of the sectors affected by the occupation of Northern and Southern French Indochina (Dashed Line)

Figure 31 suggests a weak pro-army shift among crop producers. However, the pre-trend appears random, and the observed trend does not align with those in the sanctioned sectors. The rubber sector also fails to show a corresponding trend during this period. While similar dynamics may have influenced rice producers, it is reasonable to conclude that the occupation of Indochina was not the primary driver of sanctioned legislators'behavior.

## Robustness Checks

The main specifications of the difference-in-differences and event study models incorporate two-way fixed effects and restrictively clustered standard errors, leaving limited scope for additional controls to enhance robustness. Instead, Table 10 presents a subsample analysis, isolating either parliamentary factions or parliamentary actions as components of the pro-army score. This approach avoids comparisons between faction splits and roll call votes. Across all subsamples, the results remain positive and statistically significant. Additional subset analyses, such as excluding Tokyo representatives or legislators without business board membership, are shown in Online Appendix B, with similarly positive and significant results.

Table 10: Summary of DiD Results: Sanction - Parliamentary Action or Faction only

| Dependent Variable | Model 1 | Model 2 | Model 3 | Model 4 |
|---|---|---|---|---|
| | Factions Only | | Legislations Only | |
| Post-Sanction × Sanctioned | 0.197** | 0.144* | 0.113* | 0.094* |
| | (0.060) | (0.063) | (0.050) | (0.044) |
| Num.Obs. | 2113 | 2113 | 2721 | 2721 |
| R2 | 0.587 | 0.584 | 0.507 | 0.506 |
| R2 Adj. | 0.331 | 0.327 | 0.363 | 0.362 |
| Std.Errors Clustering | by: legislator | by: legislator & event | by: legislator | by: legislator & event |
| FE: period | X | X | X | X |
| FE: Legislator | X | X | X | X |
| *Note:* | | | | *p<0.05; **p<0.01; ***p<0.001 |

Online Appendix B provides additional analyses incorporating the Ministry of Interior's Grading of Incumbent Legislators (dated 1942/1/16) and the parliamentary questions criticizing the army's actions on the continent (dated 1937/3/31). As the former reflects an external evaluation rather than voluntary legislator action, and the latter is not directly linked to democratic principles, these events are excluded from the main specification. However, the results remain consistent and do not change significantly after their inclusion.

Figure 32 illustrates that no significant relationship is found between the shift toward a pro-army attitude and representing colonial or veteran associations. Similarly, variables such as studying abroad, attending university, or working in the bureaucracy or military do not exhibit a consistent trend during the observed period.

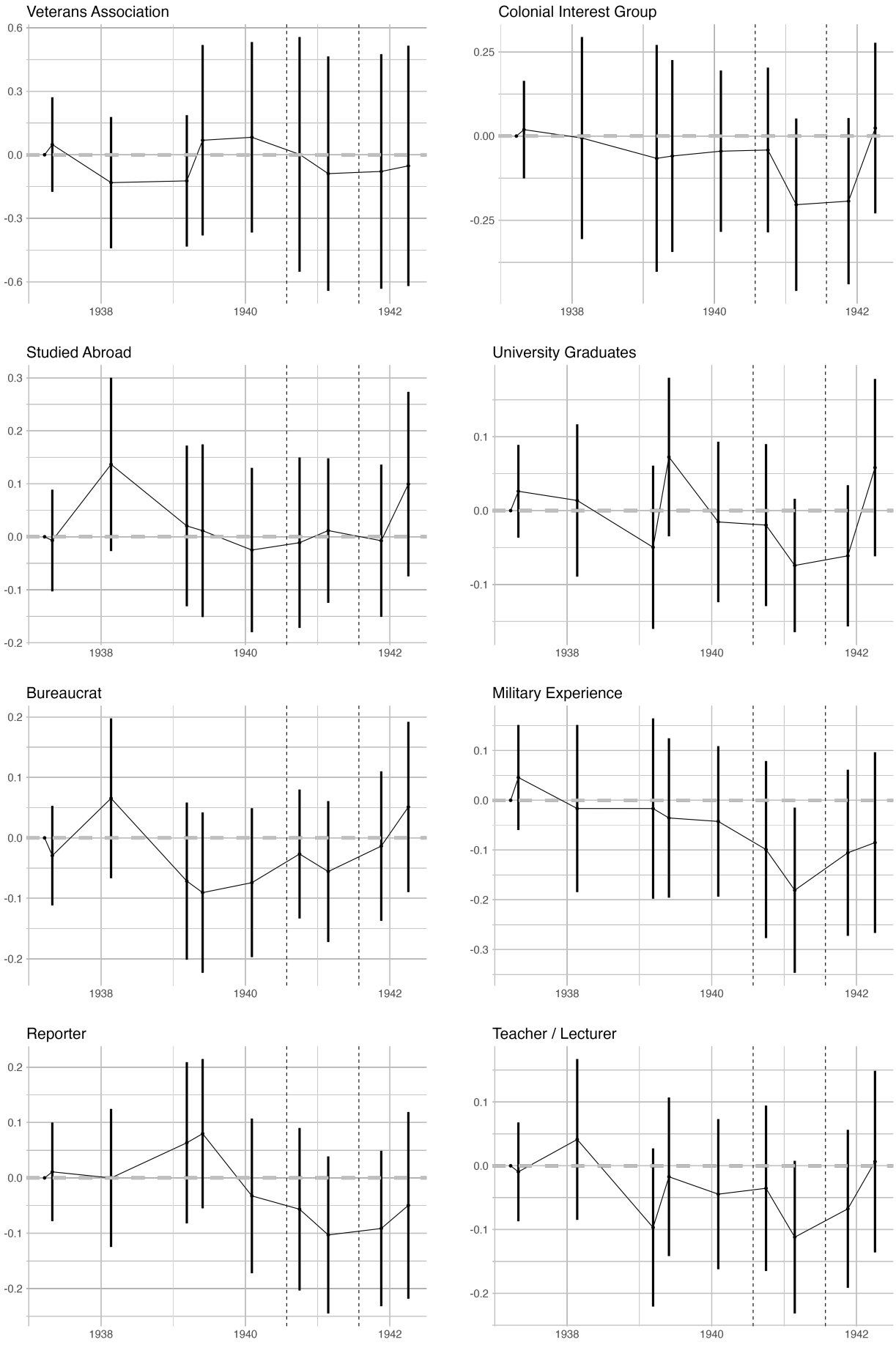



Figure 32: Pro-army attitude with (potentially) ideological factors

Figure 33 illustrates that neither the independent variables—legislators tied to sanctioned or procured sectors—nor the dependent variable—pro-army attitudes before and after the shock—exhibit clear geographical concentration. While legislators associated with procured sectors show a slight concentration in industrial areas, they are also present in rural regions, and not centered around Tokyo or Osaka.

The KS test for year of birth indicates that both the sanctions group ($D = 0.029606$, p-value $= 0.9992$) and the procurement group ($D = 0.063563$, p-value $= 0.8382$) show age distributions similar to the control group. The corresponding density plot is presented in Online Appendix C

Online Appendix D discusses the apparent lack of influence of former political parties on legislative behavior following their dissolution. Initial partisanship does not seem to affect or bias the analysis of pro-army attitudes, precluding informal party discipline in the studied period.

Online Appendix E shows the static analysis of the 1942 and the 1937 election, where I used lasso regression to assess the relative importance of sanctions and procurement contracts in each occasion. Both analysis yielded the results that those factors are one of the important determinants of position taking of legislators in April 1942, but not in April 1937.

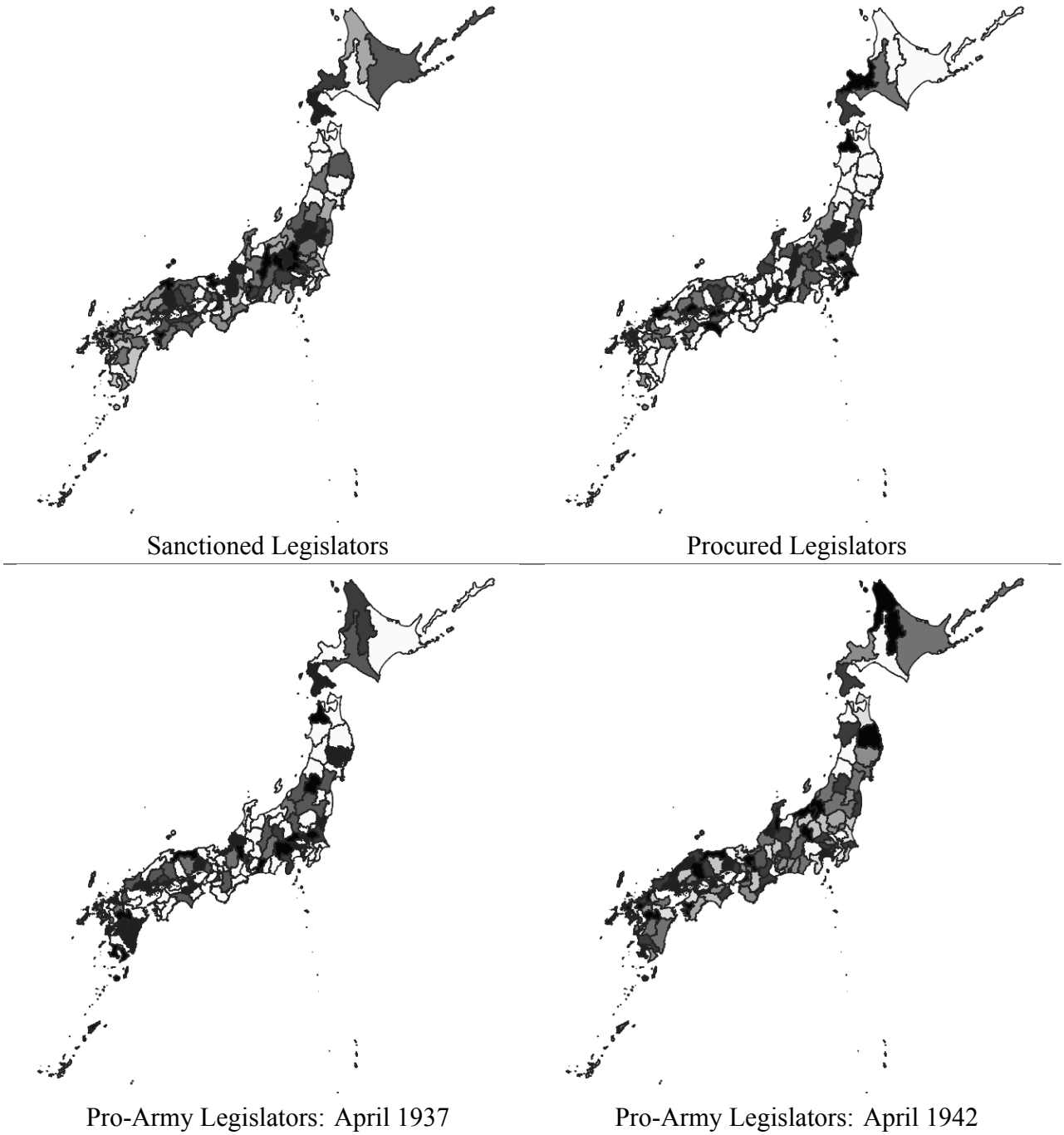



Figure 33: Share of Sanctioned, Procured, and Pro-Army Legislators per Legislative Districts

## Case Study: Rep. Kunitaro Koyama

Autobiographies by Japanese legislators are rare, and scholarly studies on wartime legislators are similarly scarce. Even for those who held ministerial positions, records of their wartime political activities are notably limited. This gap likely stems from the fact that many purged legislators returned to power in the 1952 election, making it strategically advantageous to avoid documenting their wartime collaboration. As a result, systematic case selection is nearly impossible; this section focuses instead on illustrating potential mechanisms.

Kunitaro Koyama (1889-1981) is one of the few business-backed legislators whose legacy is well-documented through two biographies by his local supporters[11][12]. His political legacy, carried on by his son-in-law, grandson, and great-grandson—who also became legislators—likely motivated efforts to commemorate his contributions.

Born into a landowning family with a father who served as mayor, Koyama graduated from a local commercial school, completed military service, and inherited a small silk weaving firm in Nagano. His management transformed the business into a thriving enterprise reliant on exports to the U.S., a success that propelled his entry into politics as mayor, prefectural councilor, and legislator by 1928. Over the course of his political career, he served as Parliamentary Secretary for the Navy in the Yonai Cabinet (1940), Vice Minister for War in the Suzuki Cabinet (1945), and Chair of the Proposal and Forestry Committee.

He frequently introduced proposals and petitions advocating for silk price supports and production promotions, highlighting the direct link between his political and business interests. For example, in 1934 he introduced *Proposal 65-97 Regarding the Regulation of Imported Used Silk Stockings* to protect domestic textile business.

Early in his career, Koyama demonstrated a commitment to democratic principles and pacifism. On February 10, 1929, he delivered a significant speech criticizing government interference in elections and led an impeachment debate against the Minister of Justice. However, beyond his mandatory roles in ministerial and committee assignments, his focus remained predominantly

[11] Naokazu Inosaka, *The Footsteps of Kunitaro Koyama: Passion for the Silk Industry and Small- and Medium-Sized Enterprises* (Ueda: Kunitaro Koyama Biography Publishing Association, 1979)

[12] "Recollections of Mr. Kunitaro: A Life of Sincerity and Action." Komoro: Publication Committee for Recollections of Mr. Kunitaro, 1982.

on advancing silk industry policies.

According to his two biographies, Koyama was a vocal opponent of the army's interference in the private economy and consistently prioritized the export market. This is corroborated by his February 25, 1937 speech, where he criticized the government's *Raw Silk Price Stabilization Facility Act*, arguing it would harm export competitiveness and denouncing totalitarian economic policies.

As a member of the Yonai Cabinet in 1940, he actively worked toward a ceasefire with Chiang Kai-shek, even flying to Hainan Island to negotiate despite significant obstruction from the military. Furthermore, he was one of the few cabinet members to openly oppose the army's efforts to expel Representative Takao Saito (Inosaka 1979; pp175-181).

Economic sanctions marked a turning point in Koyama's priorities. Despite his earlier opposition to centralized measures, he joined the Silk Textile Ration Committee in late 1941. By the same time, despite his 1929 criticisms of government interference in elections, Koyama joined the IRAA and remained silent as the government suppressed dissent. This shift aligns with his coding as pro-army in four post-sanction events in this research, contrasting with his anti-army stance in six prior events. His reelection in 1942 with army endorsement further underscores this transition.

After sanctions, Koyama made three notable speeches unrelated to the silk industry—on the National Rehabilitation Fund Act (1942), the Enterprise Restructuring Finance Provision Act (1943), and in the Budget Committee discussions (1944). The contents of these speeches indicate his efforts to secure governmental support for struggling textile sectors, emphasizing refinancing and restructuring to mitigate sanction impacts. In September 1944, Koyama proposed legislation (Proposal 85-26) aimed at defending silk resources during the war. He also negotiated the exclusion of his firm and others from the failed centralization of the silk distribution network.

Koyama's trajectory exemplifies this research's core argument: economic strength profoundly shaped legislators'democratic stances and their alignment with the army. When his business prospered, Koyama opposed the army's interference and supported democratic principles. However, economic distress during sanctions compelled him to align with the army, prioritizing the survival of his industry over democratic principles.

## Case Study: Rep. Torakichi Nakano

No biography of Torakichi Nakano (1879-1962) survives today, but two local encyclopedias provide relatively detailed accounts of his life[13] [14]. Hailing from the Aizu region, known for its strong local identity, this regional pride likely contributes to the relatively detailed accounts of his life preserved in local sources.

Nakano, born into the Kobayashi family in modest circumstances in Aizu, worked his way through Tokyo Professional School (now Waseda University) while employed. He began his career as a clerical secretary at *Otaru Daily Newspaper* in Hokkaido before becoming a police officer. His police service spanned the Hokkaido Prefectural Government, the Governorates General of Taiwan and Korea, the Tokyo Metropolitan Police Department, and the former German colonies in the Pacific during World War I.

At 35, Nakano was adopted by business tycoon and Tokyo prefectural legislator Torajiro Nakano, taking the name Torakichi Nakano. After his adoptive father served one legislative term in 1917, Torakichi ran for office in Aizu in 1920, serving intermittently until 1949. Despite campaign finance scandals in 1936 and 1948, he was in office during the critical period of 1936–1942, which this study examines. He served as the chair of the Petition Committee but did not hold any cabinet positions.

Nakano also managed businesses while in office, serving as executive director of Tokyo Electric Ceramics and director of Toyo Paint. Notably, Toyo Paint appears in both the 1940 and 1942 *Army Designated Factories and Plants List*. Tokyo Electric Ceramics, though absent from the list, likely supplied parts to the airplane industry.

He was one of the few allies of General Hayashi to survive the 1937 election and took far-right positions on numerous occasions. During the Provisional Committee on the Bill for Restrictions on the Movement of Horses in September 1937, he controversially advocated for sending Koreans and prisoners to support the Second Sino-Japanese War effort. He also called for penal measures to address juvenile delinquency.

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[13] Aizuwaka Dictionary Compilation Committee, ed. Aizu Daijiten [Aizu Encyclopedia]. Tokyo: Kokushokankokai, distributed by Buneido Shoten, December 1985.

[14] Fukushima Prefecture, ed. Fukushima Kenshi, Vol. 22: 8 (Jinbutsu) [Fukushima Prefectural History, Vol. 22: -8 (Biographies)]. Fukushima: Fukushima Prefecture, February 1972.

As a proponent of the aircraft industry, he introduced the Bill on the Issuance of Patriotic Aviation Bonds to the floor in March 1938. Earlier, in 1934, he had been a vocal advocate for the ultimately unsuccessful attempt to record nonstop cross-Pacific flights.

In 1938, however, during debates on the Electricity Nationalization Bill, he delivered a starkly anti-government speech, criticizing the timing, inadequacy of compensation, and coercive nature of the planned nationalization. His criticism of government economic policies persisted. During the Committee on the Issuance of Public Bonds to Cover General Account Expenditures for Fiscal Year 1941, he lambasted the bloated budget and even demanded salary cuts for army officers and generals.

Interestingly, his shift toward economic liberalism coincided with a pro-democratic turn. By 1939, he had left his far-right faction to join the centrist Kanemitsu faction. In 1940, he refused to join the Imperial Rule Assistance Association (IRAA) and strongly criticized the National Eugenics Bill in a speech. In 1941, he endorsed criticism of government suppression of anti-army candidates in March and demanded that the Tojo government address critical questions in November. Running without the army's endorsement, he lost his seat in the April 1942 election but later returned to Diet under American occupation in 1946. In this study's dataset, he is coded as (1) until May 1939 and (0) thereafter.

Nakano's business undoubtedly prospered under army contracts, yet he consistently opposed the army's political agenda. His motivations remain unclear but appear to align with this paper's central finding that economic independence enabled anti-army political stances.

# Discussion

While this research does not dispute the influence of culture or institutions in Japan's democratic backsliding, the fact that most legislators defended the democratic status quo in 1937 precludes a deterministic interpretation of these findings. As discussed, institutions such as the revival of the army's veto power and strengthened judicial independence were endogenous developments (cf. Negretto 2013 for similar dynamics in Latin America, Opallo 2018 for Africa).

This study adopts a coalition-based approach, emphasizing the balance of power as a critical

factor (Waldner and Lust 2018; Bueno de Mesquita et al. 2003). A sufficient number of legislators aligned with pro-army factions, enabling the military to push through anti-democratic policies without any amendments to the written constitution. While this case may not be universal, it provides a valuable opportunity to isolate the role of interests from institutional frameworks.

The threat of violent repression does not explain these outcomes. Between 1937 and 1941, there were no recorded instances of imprisonment or physical attacks on incumbent legislators. The initial events analyzed in this research occurred after the last wave of political assassinations in 1936. However, following the army's consolidation of power, repression against politicians intensified. For example, anti-government MP Seigo Nakano was forced to commit suicide in 1943, MP Yukio Ozaki was retroactively jailed for anti-army rhetoric during the 1942 election, and three anti-Tojo legislators were drafted and sent to war zones (Furukawa 2001). Before this power shift, democratic institutions shielded legislators from violence, and threats of repression did not appear to deter dissent. Indeed, legislators played a non-trivial role in ousting Prime Minister Hideki Tojo in 1944, underscoring their enduring agency within the system.

The findings strongly suggest that weakened legislators were co-opted. Although there is no compelling evidence that sanctioned sectors were directly rewarded for their political realignment—sanctioned sectors continued to perform poorly under the anti-democratic regime—case studies indicate that these legislators valued the authoritarian legislature as a platform for negotiating with the executive (Reuter and Robertson 2013). Furthermore, the heterogeneity among economic elites casts doubt on a broad "rally-around-the-flag" effect or other ideological shift.

The lack of significant movement among procured legislators suggests that their alignment cannot simply be explained by coercive resource distribution (Albertus et al. 2018) or material dependence on the government (Rosenfeld 2020). Instead, authoritarian forces may strategically allocate limited resources by targeting weaker, less costly elites for co-optation, while bypassing well-resourced groups whose cooperation is harder to secure. This dynamic, akin to Arriola et al. (2021)'s findings on co-opting opposition politicians, sheds light on a critical aspect of elite collaboration and the erosion of horizontal checks on power (Grillo et al. 2024).

Ultimately, democracy is more likely to be bolstered by a robust bourgeoisie that is both

demanding and costly to co-opt (Moore 1966).

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# Online Appendix A: Detailed Accounts of Events

## 1937.3.22 Resolution 70-11/-12 to Exterminate Human Rights Violations following 2-26 Coup d'etat

After the failed coup by army officers in February 1936, the Imperial Japanese Army (IJA) faced widespread criticism from legislators. In response, the IJA intensified its anti-democratic rhetoric, framing itself as the protector of national integrity against a purportedly corrupt political system. The newly formed Hirota cabinet, led by diplomat Hirota Kōki, yielded to military pressure (Nakamura 1979). Consequently, the army secured veto power over cabinet formation, enacted new censorship laws, and implemented martial law, granting the army influence over police actions.

In October 1936, a leaked army reform plan proposed restricting suffrage, abolishing impeachment mechanisms, and weakening parliamentary oversight, directly threatening democracy. Legislators countered by blocking key military-backed bills, including those on military secrecy and electricity nationalization, while independently passing several of their own.

Resolutions 70-11 and 70-12, both addressing human rights violations, were submitted by two separate parliamentary groups and later merged into a single resolution during the legislative process, receiving overwhelming support. Resolution 70-11 condemned the use of violence by police and prosecutors and criticized the army's unconstitutional implementation of martial law. Resolution 70-12 explicitly warned that political freedom was under threat, with a particular focus on the suppression of social groups and government interference in freedom of thought.

| 1937 Resolutions | Endorsed either (0) | Not endorsed (1) |
|---|---|---|
| Attended | 443 | 36 |

By the time the resolutions were passed, the Hirota Cabinet had already fallen, but the succeeding Hayashi Cabinet continued to implement Hirota's policies.

## 1937.4.30. The 1937 General Election and Anti-Army Majority

The fall of the Hirota Cabinet in February 1937 was driven by escalating tensions between the army and the Diet. Despite parliamentary demands for a moderate figure, General Ugaki, to form a cabinet, the army blocked his appointment by refusing to provide an army minister, as required by the stipulation that the position must be held by an active-duty officer. By leveraging this veto power, revived under Hirota, the army ensured that no officer could serve in a cabinet without its approval.

In response, the Army General Staff selected General Senjuro Hayashi as Prime Minister and proposed sweeping reforms to centralize state power and diminish parliamentary authority. The cabinet completely excluded parliamentarians and was supported by army staff, including figures such as Colonel Kanji Ishiwara. These reforms included the creation of the Ministry of General Affairs and the National Planning Agency, granting the army significant control over the economy and social policy while severely limiting parliamentary oversight (Nakamura 1979).

Major political parties opposed these reforms, refusing to bring the proposal to the parliamentary floor. While pro-army factions within the major parties and smaller fascist groups supported the reforms, they were in the minority. In retaliation, General Hayashi dissolved the Diet, citing the need to punish obstructionist members. The pre-war Diet frequently preferred legislative sabotage over direct confrontation when faced with anti-democratic motions from non-democratic governments. Pro-Hayashi legislators from major parties split off to join far-right parties or ran as independents.

The 1937 general election proved disastrous for Hayashi's allies, who secured only 40 out of 466 seats. In contrast, anti-Hayashi politicians dominated the parliament, winning 354 seats. Consequently, General Hayashi resigned just 123 days after taking office.

| 1937 Election | Pro-Army (1) | Anti-Army (0) |
|---|---|---|
| Elected | 40 | 426 |
| Incumbent Lost | 33 | 82 |

## 1938.2.21-3.4. Legislation 73-19/-20 Prosecutor Office Bill; Court Composition Bill and The 1938 General Mobilization Bill

Prince Fumimaro Konoe assumed office following General Hayashi and established a new cabinet, appointing ministers from the Diet. At this stage, the political parties exhibited limited discipline, but Konoe effectively gained the support of the Diet by accommodating influential parliamentarians through cabinet appointments.

On July 7, 1937, the Japanese army in China initiated a unilateral military campaign against the Republic of China without prior approval from Tokyo. While initially hesitant, Prime Minister Konoe retroactively endorsed the army's actions after witnessing their initial success. However, the army soon encountered supply shortages, prompting the Konoe Cabinet to propose the nationalization of critical industries and the introduction of the General Mobilization Bill.

Initially, the majority of Diet Members opposed the General Mobilization Bill. However, as the military situation grew increasingly dire, a protracted and contentious debate ensued. Eventually, the bill was presented and received approval without roll call vote in March 1938 (Furukawa 2001). The bill resembled previous proposals put forth by General Hayashi before the outbreak of the war, and it significantly curtailed parliamentary control over the mobilization of resources. While the bill was controversial, the exact numbers of those who supported or opposed it remain unknown.

In this 73rd parliament, Konoe advocated for the "one nation, one party" principle. While the failure of this fascist initiative led to his resignation in early 1938, it also heightened concerns among many legislators about executive aggrandizement.

Legislation 73-19, the Prosecutor Office Bill, and Legislation 73-20, the Court Composition Bill, were introduced by legislators not aligned with Konoe during the same month that the General Mobilization Bill was being debated.

Legislation 73-19 sought to limit the influence of the Ministry of Justice over the Prosecutors' Office and to curtail the power of the Prosecutors'Office over regional courts. Legislation 73-20 strengthened the Supreme Court's authority to oversee regional courts, thereby reinforcing judicial independence against executive interference. Both pieces of legislation reflected a strong condemnation of the executive's encroachment on the judiciary and the erosion of checks

and balances. Both passed the house with a comfortable majority with bipartisan support.

| 1938 Legislations | Endorsed either (0) | Not endorsed (1) |
|---|---|---|
| Attended | 291 | 171 |

## 1939.3.11. Legislations 74-28/-29/-30/-31 Amendments to Code of Criminal Procedure

After Prince Konoe's resignation following his failed attempt to unify all political parties, former Prosecutor General Kiichiro Hiranuma became prime minister. Concerns about the suppression of dissent expressed in Resolution 70-11/-12 in 1937 resurfaced, as Hiranuma, though opposed to war with the United States, was known for his hawkish stance against criticism of the government, socialism, or liberalism (Masumi 1985).

Legislations 74-28, 74-29, 74-30, and 74-31 were introduced to ban unwarranted detention of citizens by police and prosecutors. These bills were unprecedented and notable, as four separate groups of legislators submitted identical amendments with identical preambles, demonstrating a united front against executive overreach.

The preamble of these legislations emphasized the importance of upholding Article 23 of the Imperial Japanese Constitution and referenced widespread public anger against arbitrary detention. As detentions were frequently used against anti-government social groups and intellectuals, these amendments represented a clear pro-democratic stance. While the army was not explicitly mentioned, its growing influence over the police and prosecution following the start of the Second Sino-Japanese War increasingly jeopardized the rule of law.

| 1939 Legislations | Endorsed either (0) | Not endorsed (1) |
|---|---|---|
| Attended | 293 | 166 |

## 1939.5.30. Split of Major Parties in 1939

Following disagreements over the General Mobilization Bill and Konoe's proposal to unify all political parties, the major parties fractured into pro-army and anti-army factions, ceasing to function as unified entities. Compared to the more nuanced positions on general mobilization, attitudes toward the army were more clearly divided.

Both the Nakajima faction within Seiyukai and the Yanai faction within Minseito allied with the army, adopting a stance critical of party politics and parliamentary democracy. Additionally, a small national socialist wing of the Socialist People's Party began turning pro-army after the passage of the General Mobilization Bill (cf. Tsurumi 2010). While the formation of these groups was relatively gradual following earlier events in 1938, and personal connections played a significant role, the growing factionalism within parties began to take on clear pro- or anti-democratic connotations as parties ceased to function as unified entities. This period also witnessed significant political realignment.

The coding is based on May 30, 1939, and cross referenced with the Ministry of Interior's grading of incumbent legislators.

| 1939 Parliamentary Factions | Pro-Army (1) | Anti-Army or Neutral (0) |
|---|---|---|
| Membership | 191 | 260 |

## 1940.2.3: Motion 75-1 to refer Rep. Takao Saitō to the disciplinary committee.

Anti-communist Hiranuma resigned after the collapse of the Anti-Comintern Pact following the Molotov-Ribbentrop Pact, and Admiral Mitsumasa Yonai succeeded him as Prime Minister. Yonai adopted a pro-parliament stance, reinstating parliamentary undersecretaries to increase the Diet's representation in the Cabinet. He opposed war with the United States and the United Kingdom, but his cabinet significantly increased taxes to fund the ongoing war in China, which had become a quagmire by this point (Berger,1977).

In March 1940, Takao Saito, a seasoned parliamentarian who had previously voiced his opposition to the General Mobilization Bill in 1938, delivered a vehement parliamentary speech that sharply criticized the rationale behind the war in China. The army strongly condemned his speech and demanded Saito's expulsion from the Diet. Despite Saito's refusal to voluntarily resign, a vote was held to decide his expulsion from the Diet, with pro-army politicians taking the lead as Prime Minister Admiral Yonai refrained from intervening.

The expulsion motion garnered a majority of votes in favor, with only seven votes against Saito's expulsion. Notably, however, a significant minority of parliamentarians abstained from the vote, expressing their opposition to the very idea of expulsion. Saito would later make a

return to the Diet after winning a seat in the 1942 election.

In contrast to the General Mobilization Bill, which involved a perceived trade-off between the war effort and the power of the parliament, this incident serves as a watershed moment where the Diet capitulated to the authority of the army.

The exact list of those who voted for the bill or abstained is unknown, but the motion to refer Saito to the disciplinary committee already had the significant amount of endorsement that signals the passage of the motion, and the list of the endorsers is used for coding.

| Motion to Expel Takao Saito | Endorsed (1) | Not Endorsed (0) |
|---|---|---|
| Attended | 183 | 264 |

## 1940.10.11: Formation of Imperial Rule Assistance Association (IRAA) and Dokokai / Koua Domei

The Yonai Cabinet was toppled by the army, which refused to appoint a Minister of Army, leading to its replacement by the second and third Konoe Cabinet. Konoe's government subsequently signed the Tripartite Pact with Nazi Germany and Fascist Italy. Konoe renewed his push for a unified government under the pretext of a national emergency.

In 1940, the third Konoe Cabinet dissolved all political parties in Japan, deeming them obstacles to effective wartime governance. Supported by both the army and the Ministry of Interior, this move marked a decisive shift toward centralized political control. There was little resistance, as every parliamentary group included members who aligned with Konoe's vision.

To replace the disbanded parties, the government established the Imperial Rule Assistance Association (IRAA), effectively creating a single-party system aimed at fostering national unity and strengthening cooperation between the government, army, and society. The IRAA absorbed or disbanded all existing political parties, taking over their roles within this new framework. It was managed by a council of government-appointed advisors and operated through a network of regional and local branches across Japan (Ōyama 1999).

In response to the army's growing influence, a faction called *Dokokai* emerged, directly opposing the army. Another group, the *Koua Domei* (Pan Asia Parliamentary Group), criticized the conduct of the war and government overreach without opposing the war itself. With political

parties banned, these parliamentary groups functioned as informal coalitions of like-minded individuals. While some were formed in 1941, most of their members had not participated in the formation of the IRAA in 1940. Despite restrictions, both groups continued to challenge government policies in the months that followed.

The coding is based on October 11, 1940, and cross referenced with the Ministry of Interior's grading of incumbent legislators.

| Parliamentary Group after 1941 | Pro-IRAA (1) | Anti-IRAA (0) |
|---|---|---|
| Membership | 322 | 112 |

## 1941.2.15-2.28. Questions 76-5/-14, Motions 76-1/-2 about IRAA

The formation of the IRAA created a situation where the executive branch supported specific political parties, a practice deemed unconstitutional by the judiciary. During the third Konoe Cabinet, the IRAA underwent several reorganizations and subtle renaming efforts.

In the 76th Diet, the 1941 supplementary budget became a highly contentious issue. A sum of 8 million yen, accounting for 1 percent of the wartime supplementary budget, was allocated to support the activities of the IRAA. Non-IRAA legislators delivered lengthy speeches criticizing this allocation as blatant electoral interference by the army and the Ministry of Interior, with several motions and questions tabled in protest.

Ultimately, while the IRAA secured funding, it was prohibited from fielding candidates in the election due to constitutional concerns. In response, the army devised another organizational shell for the IRAA, allowing it to issue endorsements in the 1942 election.

It is important to note that not all 112 non-IRAA legislators endorsed the questions and motions opposing these measures, even though they addressed critical components of democratic practices.

| Questions and Motions February 1941 | Endorsed either (0) | Not endorsed (1) |
|---|---|---|
| Attended | 74 | 366 |

## 1941.11.18 Motion 77-1 to conclude questioning of the State Ministers of Tojo Cabinet

The Konoe Cabinet fell after failed negotiations with the United States, leading to the appointment of the hawkish General Hideki Tojo as Prime Minister. Tojo continued diplomatic negotiations until November while simultaneously preparing for war (Nakamura 1979). Tense negotiations with the United States were a major concern for legislators, and there was widespread interest in the newly formed Tojo Cabinet's stance on war and peace.

The debate was initiated by a mild question from Goutarou Ogawa, a senior IRAA member and former Minister of Railroads under the previous Konoe Cabinet. However, pro-army legislator Yuki Takechi promptly tabled a motion to end the debate after just one question. This action reflects the army's aversion to parliamentary discussion and debate, which it viewed as indecisive and counterproductive.

With very little information disclosed to legislators, some voiced their disapproval. Despite this, the motion passed with an overwhelming majority, effectively ending the debate. This motion is among the last roll calls recorded in the Imperial Japanese Diet's minutes. While only 77 legislators opposed the motion, the opposition notably included some IRAA members.

Three weeks after the motion was tabled, Japan attacked Pearl Harbor and Malaya, marking the beginning of the Pacific War.

| Motions in November 1941 | Support (1) | Oppose (0) |
|---|---|---|
| Attended | 356 | 77 |

## The 1942 General Election and Pro-Army Majority

Following the attack on Pearl Harbor and the initial military successes in Southeast Asia, Prime Minister General Tojo orchestrated the 1942 general election.

Under the supervision of the Ministry of Interior, the Imperial Rule Assistance Association (IRAA) devised a categorization system to evaluate the level of cooperation between incumbent politicians and the army. The top two classifications received the army's endorsement, while new candidates were fielded by the IRAA in constituencies where incumbents did not receive

endorsement. A total of 466 endorsed candidates contested the election, ultimately securing 381 seats.

Among the incumbents, 235 received the army's endorsement, while 131 chose to run without endorsement. Notably, 62 incumbents without endorsement decided to retire from politics altogether, though many of them attempted to run.

The electoral process cannot be characterized as entirely free and fair, and the army supported IRAA candidates with funding and man power (Furukawa 2001); however, it is worth noting that anti-army candidates, including the previously expelled Takao Saito, were able to participate and secure seats. Approximately one-third of the votes and 18% of the seats were obtained by non-endorsed candidates. Importantly, this group of non-endorsed candidates encompassed some right-wing politicians who opposed army-led resource mobilization, referring to such efforts as communist endeavors.

After the election, the IRAA majority passed most of the legislation tabled or requested by the army with minimal deliberation. Even after 1942, several events highlighted clashes between the army and some legislators, particularly over issues like freedom of speech and local governance. However, absenteeism rose sharply after the election, making it difficult to identify pro- and anti-army legislators in each instance. This marks the final event analyzed in this study.

| 1942 Election | Army-Endorsed | Non-Endorsed |
|---|---|---|
| Elected | 381 | 85 |
| Running Incumbent | 235 | 131 |
| Retiring Incumbent | 0 | 62 |

## Online Appendix B: Subsample Difference-in-Differences Analysis

Table B1 presents the subset analysis of the main difference-in-differences specification. The first two models exclude legislators who were socialists or socialist-leaning, as well as those representing the seven districts in Tokyo. The latter two models focus on legislators with board memberships in businesses or those representing the first district of each prefecture, which typically includes urban areas. All results are positive and statistically significant.

Table B1: Summary of Subset DiD Results: Sanction

| Subset | Excluding Socialist | Excluding Tokyo | Business Executive Only | Urban District Only |
|---|---|---|---|---|
| Dependent Variable | Pro-Army, Anti-Democratic Actions | | | |
| Post-Sanction × Sanctioned | 0.080* | 0.094** | 0.084* | 0.112** |
| | (0.034) | (0.035) | (0.036) | (0.039) |
| Num.Obs. | 4425 | 4511 | 3252 | 4005 |
| R2 | 0.524 | 0.485 | 0.514 | 0.480 |
| R2 Adj. | 0.422 | 0.379 | 0.410 | 0.366 |
| Std.Errors Clustering | by: legislator | by: legislator | by: legislator | by: legislator |
| FE: period | X | X | X | X |
| FE: Legislator | X | X | X | X |
| *Note:* | | | | *p<0.05; **p<0.01; ***p<0.001 |

Table B2 presents the analysis including the Ministry of interior's Grading of Incumbent Legislators (1942/1/16) and the parliamentary questions cliticizing the army's action in the continent (1937/3/31). The former was not the voluntary action of the legislator, while the latter is not directly related to democracy, so they are dropped from the main specification, but added here. The results do not move significantly.

Table B2: Summary of DiD Results: Sanction; including 2 more legislative events

| Dependent Variable | Model 1 | Model 2 | Model 3 | Model 4 |
|---|---|---|---|---|
| | Pro-Army, Anti-Democratic Actions | | | |
| Post-Sanction × Sanctioned | 0.161*** | 0.161** | 0.124*** | 0.124* |
| | (0.045) | (0.046) | (0.037) | (0.048) |
| Num.Obs. | 5740 | 5740 | 5740 | 5740 |
| R2 | 0.476 | 0.476 | 0.474 | 0.474 |
| R2 Adj. | 0.388 | 0.388 | 0.386 | 0.386 |
| Std.Errors Clustering | by: legislator | by: legislator & event | by: legislator | by: legislator & event |
| FE: period | X | X | X | X |
| FE: Legislator | X | X | X | X |
| *Note:* | | | | *p<0.05; **p<0.01; ***p<0.001 |

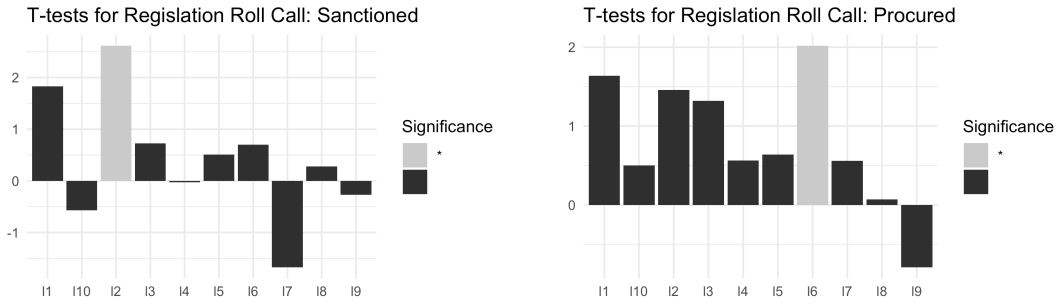



Figure C1: T test for all the legislator-tabled legislations and proposals in 77th, 78th, and 79th Diet: Procured or Sanctioned

## Online Appendix C: Balance Tests

Figure C1 presents the balance test of 76th to 79th Diet sessions, showing that both the sanctioned and procured groups exhibited statistically significant inclinations to support or oppose legislator-tabled bills in only one out of ten instances when the legislation did not pertain to democracy or the military. Legislators from sanctioned sectors showed a slight inclination to support l2, the Farmland Nationalization Bill tabled on January 24, 1942. Similarly, legislators from procured sectors demonstrated higher support for l5, the Proposal to Enhance Apprentice Training, tabled on November 19, 1941. Given the context of these sectors'circumstances, it is understandable that procurement sectors would support training policies, while sanctioned sectors would favor nationalization.

These findings align with expectations and indicate that neither the sanctioned nor procured groups acted uniformly in the post-sanction era of Japan. This nuanced behavior underscores the lack of unified voting patterns among legislators connected to these sectors.

Figure C2 presents the density plot by age group. Neither the procured nor sanctioned sectors exhibit a skewed distribution of year of birth.

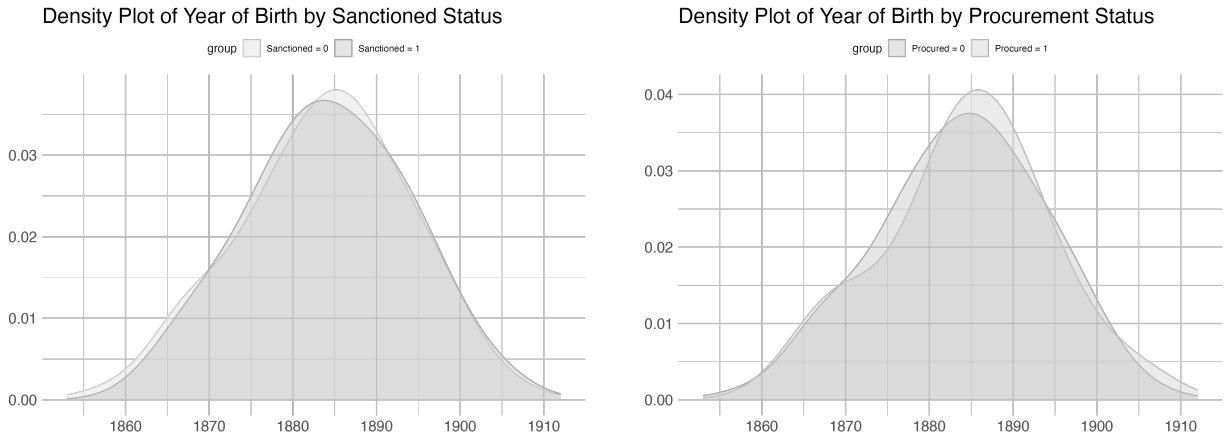



Figure C2: Density plot: year of birth

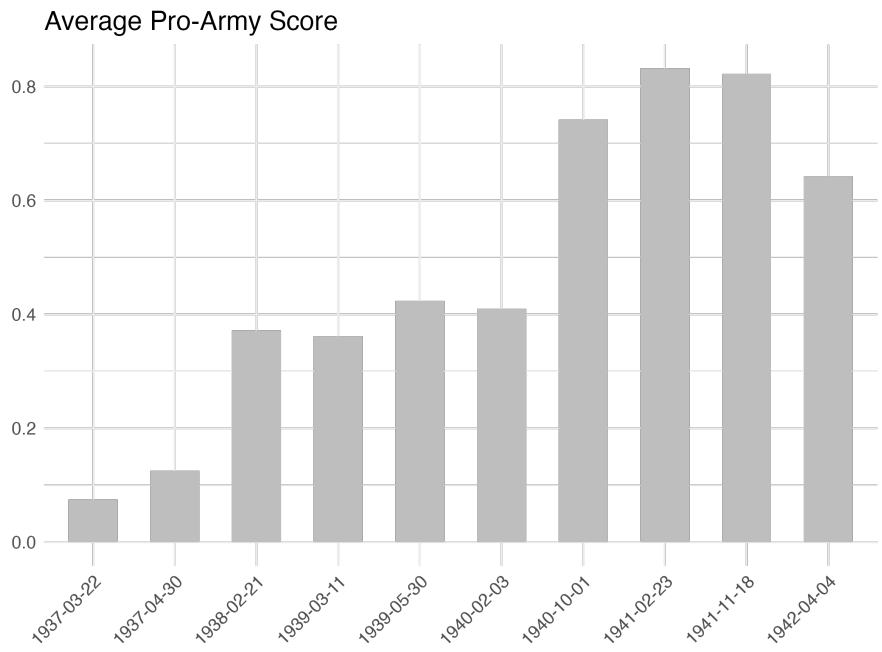



Figure C3

## Online Appendix D: Lack of Partisanship in Legislative Activities: 76th to 79th Parliament (1940-42)

Political parties in pre-war Japan, as discussed in the main text, were characterized by weak discipline and internal fragmentation. Pro-army attitudes in 1937 and 1942 also did not align with former party affiliations. However, one might hypothesize that the legacy of party socialization could have influenced legislative activities, as former party members might maintain connections even after the parties were dissolved.

Figures D1 and D2 present network analyses of legislators who co-sponsored or co-endorsed the same legislative proposals during the 76th, 77th, 78th, and 79th parliaments (1940−1942). Each node represents a legislator. Following the dissolution of political parties in 1940, the two former major parties appear to have had minimal influence on legislators'relationships in legislative activities.

These results confirm that partisanship did not significantly shape the actions of most legislators regarding their engagement with democratic backsliding.

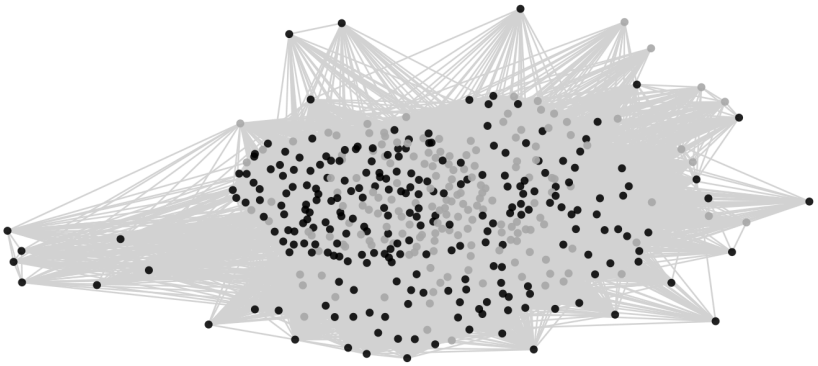


Figure D1: Former Seiyukai (Conservative) Legislators: Black

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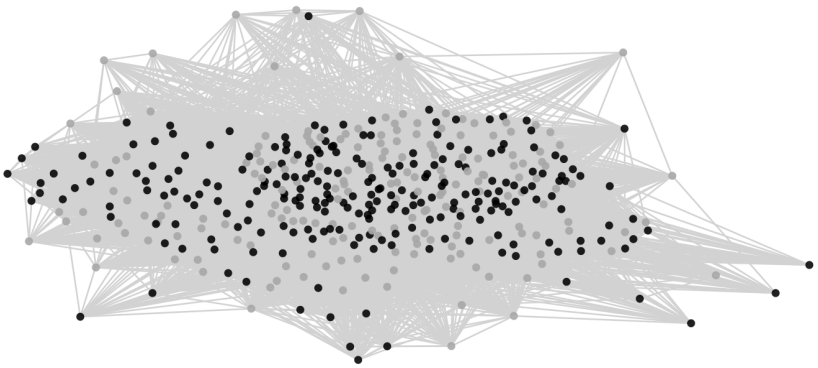


Figure D2: Former Minseito (Liberal) Legislators: Black

## Online Appendix E: Lasso Regression for 1942 Army Endorsements

One of the primary challenges of this research stems from the dataset's characteristics, which include a large number of variables (over 400) relative to the limited number of units per period (fewer than 1,100). This imbalance could increases the risk that some variables may appear statistically significant purely by random chance.

While the use of difference-in-differences with two-way fixed effects as the main specification significantly mitigates concerns about random significance, issues of overfitting and multicollinearity among variables remain. To address these concerns, Lasso regression is an appropriate and effective method. Lasso regression results can be used to assess the relative importance of different variables in predicting outcomes. This section highlights the most significant variables influencing pro-army attitudes in 1937 and 1942, providing a basis for further discussion and analysis about the importance of the main results.

Lasso can perform variable selection by shrinking some coefficients to exactly zero, effectively removing irrelevant features from the model. It enhances prediction accuracy by preventing overfitting, especially in models with a large number of predictors such as this case. It can handle multicollinearity by selecting among correlated variables, retaining the most important ones.

Lasso (Least Absolute Shrinkage and Selection Operator) regression is a linear regression technique that introduces a penalty term to the objective function to enforce sparsity in the model. The objective function for Lasso is:

$$\hat{\beta}^{\text{lasso}} = \arg\min_{\beta} \left( \sum_{i=1}^{n} \left( y_i - \beta_0 - \sum_{j=1}^{p} \beta_j x_{ij} \right)^2 + \lambda \sum_{j=1}^{p} |\beta_j| \right)$$

where:

- $y_i$ is the response variable,
- $x_{ij}$ are the predictor variables,
- $\beta_j$ are the coefficients,
- $\lambda \geq 0$ is the tuning parameter controlling the strength of the penalty.

The $L_1$ penalty $\lambda \sum_{j=1}^{p} |\beta_j|$ forces some coefficients to be exactly zero, leading to a sparse model that performs variable selection.

I applied Lasso regression to the dataset concerning the 1942 army endorsements. Out of 549 predictors, Lasso regression preserved 26 key predictors that were associated with more than 1% of legislators. Notably, ”economic sanction” variable as well as some procured or sanctioned sectors were retained through the penalization process. Table E1 suggests that these factors are indeed critical, rather than incidental, in predicting pro- or anti-army stances during this period. Table E2 presents the results of the same analysis applied to the 1937 election, retaining only six variables. As the industrial union served as a catch-all interest group encompassing various businesses, none of the sector-specific variables appear to strongly influence pro-army attitudes in 1937.

| predictor | Lasso coefficient |
|---|---|
| **Petrochemical Business** | 0.209112171 |
| Studied in China | 0.189925752 |
| Worked at Ministry of Industry | 0.167743668 |
| Chief Reporter | 0.156198965 |
| Welfare Institution | 0.151067902 |
| Coal Mining | 0.139757851 |
| Welfare Interest Group | 0.135848906 |
| Construction League (Real estate) | 0.134083787 |
| Retail | 0.131904018 |
| **Sanctioned** | 0.116420344 |
| Career in Manchuria | 0.116367857 |
| Credit Union | 0.082674104 |
| Governor | 0.075610722 |
| Plank | 0.07530458 |
| **Steel** | 0.073098367 |
| Lieutenant | 0.06197516 |
| Imperial University Graduate | 0.049498457 |
| Agricultural Union | 0.045508601 |
| General in Military | 0.044056351 |
| Keio University Graduate | 0.034124217 |
| Bank | 0.024270089 |
| Cadet School Graduate | 0.0218861 |
| Secretary to Politicians | 0.020530973 |
| Elite Bureaucrat | 0.015724306 |
| **Non-steel Metal Industry** | -0.002570235 |
| Kwansei Gakuin University Graduate | -0.002620796 |
| Nihon University Graduate | -0.009868266 |
| Judge | -0.015733836 |
| Literature Degree | -0.016082949 |
| **Pharmaceutical** | -0.080212524 |
| Land Cultivation Union | -0.083378639 |
| Doctor | -0.15438007 |
| **Automobile** | -0.2464697 |
| Public Sector Job | -0.248889943 |
| Prosecutor | -0.249994056 |
| Peasant Union | -0.38985596 |
| Labor Union | -0.772036389 |

Table E1: 37 out of 549 predictors chosen by Lasso Regression for Army-Endorsement in 1942

| predictor | Lasso coefficient |
|---|---|
| Editor | 0.07193548 |
| Colonial Business | 0.03389578 |
| Kyoto University Graduate | 0.02505424 |
| Worked at Tokyo Asahi Newspaper | 0.02183653 |
| From Miyazaki Prefecture | 0.01539855 |
| Industrial Union | -0.02130418 |

Table E2: 6 out of 549 predictors chosen by Lasso Regression for Pro-Army Faction in 1937