

Japan's finance minister resigns

Mike Head
29 January 1998

On January 27 Japan's finance minister, Hiroshi Mitsuzuka, became the third top official forced to quit Prime Minister Ryutaro Hashimoto's cabinet since it was reshuffled last September.

In scenes unprecedented in postwar Japan, Tokyo prosecutors raided the Ministry of Finance the day before Mitsuzuka quit, arresting two senior officials on allegations of accepting bribes from major Japanese banks. Fifty officers from the Public Prosecutors Office marched into the building under the glare of TV lights, with media cameras flashing.

Mitsuzuka formally resigned to take responsibility for the two officials, accused of receiving more than \$100,000 worth of lavish entertainment from four banks in return for tipping them off about planned inspection visits by the Ministry.

Until now the Ministry, regarded as the most powerful official agency in Japan, has been immune from investigation and prosecution. In 1979 and 1996, for example, worse scandals erupted, but prosecutors were barred from access. In the first instance, accused Ministry officials were not sacked, but promoted. One, Yasuo Matsushita, is now the governor of the Bank of Japan.

In recent weeks however, the Ministry has been criticized in business circles for failing to warn of the debt crisis threatening the banking system. Already this year, two key financial institutions—the Daichi Kangyo Bank and Yamachai Securities—have revealed crippling bad loans that had been hidden by corruption. On January 12 the Ministry admitted that in total the banks hold 76 trillion yen, or \$900 billion, in bad debts, almost three times the estimate issued in December.

The Ministry's admission undermined Hashimoto's opening address to a new session of parliament, delivered on the same day. Hashimoto pledged emergency measures to stimulate growth and restore confidence in the financial system. "It is my

unwavering determination to avoid at all costs a worldwide financial or economic panic originating in Japan," he declared.

Following the Ministry's revelation, the financial markets delivered a vote of no confidence in Hashimoto's package. The Nikkei share index fell sharply. Hashimoto's 30 trillion yen proposal became the latest in a long line of unsuccessful attempts to end the stagnation which has dominated the Japanese economy since 1989.

Enormous bad debts have resulted from the collapse of share and property values in the late 1980s, compounded by financial crises throughout Asia. Japanese banks are heavily involved in the region. For example, the country's nine biggest commercial banks are the main creditors to Indonesia's now bankrupt financial and manufacturing industries, with \$34 billion in loans outstanding.

Just before Hashimoto delivered his January 12 speech, a prominent business newspaper group, Nihon Keizai Shimbun, published an opinion poll showing public approval for the Hashimoto government dropping to a record low of 30.4 percent, a little over half its rating when it was first formed two years ago.

When Hashimoto, a life-long veteran of the ruling Liberal Democratic Party, came to office he was promoted by the business media as a tough nationalist who would stand up to increasing economic pressure from the United States. However he has presided over continuing recession.

At the same time his coalition partner, the Social Democratic Party, has discredited itself in the working class and all but collapsed after embracing the policies of the LDP, its former postwar rival, including calls for increased consumption taxes and the maintenance of US military bases. From the 1940s to the early 1990s the SDP was the main parliamentary opposition party, commanding widespread support among workers.

Hashimoto is only clinging to office because his parliamentary opponents are also in turmoil, and as yet no party exists that fights for the interests of the working class. Earlier this month the official opposition, the New Frontier Party (Shinshintō), broke into warring factions.

None of the other parties command any greater public support than Hashimoto. Most are led by former LDP leaders, including former LDP secretary-general Ichiro Ozawa. Backed by sections of business, Ozawa is reportedly counting on the downfall of Hashimoto under the weight of the worsening economic crisis. He is seeking to become part of a new ruling coalition by backing former LDP prime minister Kiichi Miyazawa.

Any new regime emerging out of these machinations will aim to restore the fortunes of the Japanese transnationals at the expense of their US and European competitors, and the working class.

Japanese workers and their families are already facing falling living standards, reflected in a 2.1 percent fall in household spending during 1997, and the lowest birthrate ever recorded. An official index of anxiety over job prospects has also risen to just less than the record set during the December 1982 “second oil crisis.”



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact