Japan: deepening social crisis underlies political turmoil

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It is common knowledge that the Japanese economy is in crisis. Articles and commentary regularly follow the indices of Japan's slump and the precarious state of its banking and financial system. Analysts nervously debate the economic policies of the government. They are acutely aware that a further sharp decline of the world's second largest economy, a major financial collapse or a free-fall in the value of the yen, will reverberate internationally.

But, the mass media, both inside and outside of Japan, has little or nothing to say about the impact of Japan's protracted economic recession on the lives of ordinary working people. Millions of individuals have been hit by the slump that followed the collapse of the speculative 'bubble' economy of the late 1980s. A mood of unease and uncertainty pervades the society which was hailed only a decade ago as the prime example of successful capitalist development.

Already there has been a profound political impact. Just a month ago the voters turned out in higher than expected numbers for the Upper House elections to vote against the conservative ruling Liberal Democratic Party (LDP) and its Prime Minister Ryutaro Hashimoto. The LDP won only 44 of the 61 seats it had hoped to gain, humiliating Hashimoto and forcing him to resign. Foreign Affairs Minister Obuchi Keizo has been installed in his place.

Politics is no longer running in predictable grooves. For four decades the LDP won every election and the Socialist Party of Japan (SPJ) formed the official opposition along with other minor parties. But in 1993, after a long string of corruption scandals, the LDP began to fracture, leading to a non-LDP government for the first time since the 1940s.

In the succeeding five years the political landscape has changed dramatically--the leading opposition party, the Democratic Party, is led by a former LDP politician; the SPJ, now called the Social Democratic Party, is a small and declining faction; and the Stalinists of the Communist Party of Japan have doubled their parliamentary strength for the first time in years.

But perhaps the most revealing indices are the figures on voter turnout. Only 58 percent of voters cast a ballot in the latest poll. But even this was a large increase over the 44 percent who voted in the previous elections. Around half the electorate is clearly fed up with official politics and all of the political parties, and sees no point in voting at all.

The massive abstention reflects widespread disgust at the ongoing and expanding corruption scandals in the highest circles of government, the state bureaucracy and corporate Japan. But this general alienation has been reinforced by economic uncertainty, falling living standards and the failure of governments to address the basic needs of working people. These were powerful ingredients in the fall of Hashimoto.

On July 31, the day that Obuchi was installed in office, the government announced that the official unemployment rate had hit a post-war high of 4.3 percent. In any other country, such a figure would be cause for government celebrations. Among the major industrialised nations, only the US has a comparable level of joblessness. But in Japan, the opposite is the case.

Official unemployment statistics in all capitalist countries grossly underestimate the actual level of joblessness. Those who are too discouraged to look for work, including large numbers of housewives and students, are never counted. As well, those who are working just a few hours a week are listed as 'employed'.

But in Japan the connection between official jobless figures and social reality is even more tenuous. A recent article in *BusinessWeek* magazine made the point very graphically by citing the case of a homeless man, Masao Ohashi, 52, who sleeps in a cardboard box under a Tokyo expressway and survives on two meals a day of crackers and rice.

'Yet as bizarre as it seems,' *BusinessWeek* notes, 'the Japanese government considers Ohashi employed. It regards anyone who workes more than one hour in the last week of a month as having a job. The last time Ohashi worked, was June 28, when he earned $US59 by spending several hours moving a company's desks from one office to another.'

Estimates put the actual jobless figure at 10 percent or higher, once an allowance is made for the government's definition. Many are older, middle-aged workers, but there are also high levels of youth unemployment. About 15 percent of Japan's 1.2 million college graduates this year are still looking for work.

In the past, many full-time workers had certain guarantees under Japan's system of life-long employment. Large corporations, in particular, sought to engender a loyalty to the company by providing some job security and other benefits. 'Life-long employment' took the place of government unemployment benefits and other welfare payments, which are very limited in Japan.

Now, with nearly three million unemployed, officially at least, the lack of government assistance compounds the difficulties and uncertainties facing workers. Unemployment insurance, which was only established to tide over the unemployed between jobs, lasts only six to twelve months, and only applies to full-time and more senior staff. Most part-time workers--20 percent of the workforce--are not covered at all.

The government has provided a modicum of funding to establish agencies to assist the jobless in finding employment, but the prospects are very limited. According to one report, thousands of unemployed managers queue every day at the government's large 'Hello Work' centre in Tokyo's Iidabashi district. Only 5 percent find a job. For industrial workers, women, young people and immigrants, the chances are even lower.

And the situation is certain to worsen. The official jobless rate is expected to reach 5 percent by the end of the year. According to the IMF's estimates, Japan's Gross Domestic Product for this year will register from zero growth to negative 1.7 percent--which would be the worst contraction in Japan's post-war history.

Because large corporations are still reluctant to completely abandon the previous policy of 'life-long employment,' there are large pools of employees with little or nothing to do. According to Minoru Ito from the Japan Institute of Labor, 'About 1.5 million more, mostly mid-level

managers, would find themselves unemployed if Japanese companies aggressively laid off workers like American companies.'

The strains of everyday life

The threat of unemployment hangs over the heads of all workers, compounding the strains of everyday life. Many families are struggling to pay off huge mortgages on houses and apartments bought at the height of the property boom in the 1980s and now worth only 30 percent of the previous value. They now owe more on their mortgage than their house is worth.

Despite Japan's economic woes, there is no shortage of financial companies or loan sharks prepared to lend to small borrowers--at extortionate rates. Money is needed not only for mortgages but, as a result of the generally high cost of living, to cover education fees, health costs, and immediate emergencies.

An article in the *Sydney Morning Herald* newspaper by Harriet Sergeant on August 8 painted a picture of what faces ordinary Japanese if they need a loan to extricate themselves from financial difficulties. After pointing out that most banks will only lend money to landowners, she explained:

'The alternative is a visit to one of the prospering loan companies, which borrow money from the banks at about 3.25 percent and lend it out a 30 percent. These are everywhere; they advertise on prime-time television; their large neon signs blink enticingly at intersections; they site their offices on the upper floors of a building to ensure privacy; and nearly all of them are going in for the profitable 'No Man' machines.

'These machines are found in most convenience stores and are seductively easy to use. Beneath the cartoon logo, a sign promises, 'If you want more money just feel free to take it. We will help you as fast as we can.' They work like a cash dispenser, except all you need to receive an instant loan of 50,000 yen is the identity card carried by all Japanese'

Companies often encourage defaulters to borrow from others to pay off loans. As a result, people are often in debt to as many as half a dozen companies at a time, 'moving down the line to loan sharks usually run by gangsters and offering illegal interest rates of more than 40 percent. These companies use all kinds of tactics to retrieve their money, including violence.'

It is little wonder that a growing number of individuals, faced with what appear to be impossible financial problems, turn to suicide. By some, it is still regarded--as it was last century among the samurai class--as a means of restoring family honour. According to a National Police Agency tally, 3,556 of the 24,391 who committed suicide last year did so because of economic problems--a 17 percent increase on the previous year. About 2,600 of them were men over 40.

But the pressures bearing down on working people are also manifested in other ways, not least of which is a general anger directed against politicians and government bureaucrats. One of the reasons Hashimoto earned the hostility of so many was his government's decision last April to hike the consumption tax on all items from 3 to 5 percent.

The present prime minister Obuchi, under pressure from big business at home and from the US, the IMF and others abroad, is planning a series of tax reforms aimed principally at cutting the taxes paid by the wealthiest layers of society and by corporations. The top tax rate is expected to be slashed from 65 to 50 percent. There is no doubt that such moves will add further fuel to the anger felt by many at the extravagent wealth enjoyed by a few at the expense of the majority.

Even when Japan was being hailed as the economic miracle, deep social polarisation between rich and poor, although hidden, continued to exist. Today, throngs of poor and homeless are more and more evident. Although figures are as hard to find as accurate jobless rates, there is anecdotal evidence.

The banks of the Sumida River in Tokyo are lined with the tents and boxes of the homeless. Hundreds queue up for hours to receive a free evening meal of two rice balls and a bowl of soup.

A recent article in the *Japan Times* newspaper described the plight of nearly 100 homeless people who are shortly to be thrown out of their temporary lodging facilities. They were among hundreds of homeless who used to live in makeshift cardboard dwellings in an underground concourse at JR Shinjuku Station. But in February, four homeless were killed when a fire broke out in the railway concourse, and the metro government fenced off the area. Those who were moved into the two shelter received job counselling but only 28 obtained employment. After six months in the shelters, the rest now face being thrown onto the streets again.

Urban versus rural

During the latest elections the LDP suffered a strong reversal in urban electorates--the so-called industrial belt running along the Pacific Coast from Tokyo to Osaka. One of the key issues among urban voters was the LDP's longstanding policy of directing its economic stimulus packages to public works in rural electorates, the traditional base of the conservative party.

Public works spending accounts for 8 percent of Japan's Gross Domestic Product, as compared to 2 percent in the US, and employs 10 percent of its workforce. The principal beneficiaries have been the construction corporations, local politicians and businesses, many of whom have close personal ties with the LDP. In many rural areas LDP politicians operate in much the same way as the heads of the old feudal clans, dispensing and receiving favours. Like Obuchi, a number have 'inherited' their seats from their fathers.

But Japan's economic turmoil is having its impact even in rural areas long under LDP domination. Small farmers and rural businesses have all been hit. In the city of Aomori, for example, in northern Honshu, the per capita weekly income has dived to around $US25. Demand for highly protected agricultural products has slumped as consumers can no longer afford to pay for prices three, four or five times above the international market. Around 40 agricultural co-operatives have been shut down or merged.

Aomori is heavily dependent on public works spending which constitutes 30 percent of the local economy. Unemployment is high with three job seekers for every advertised job. About 20 percent of the population is over 65. Many of the elderly are concerned over government decisions to put up the cost of medical health insurance and cut government subsidies. Others are on long waiting lists for homes for the aged.

Aomori used to be known as the LDP kingdom. For 50 years the region invariably returned LDP MPs who would ensure the flow of public works funds back to the electorate. Now there is considerable discontent. As one local farmer, who had not voted in the previous elections, commented back in June: 'I don't expect the LDP's vote to decline because the policies of the opposition parties are not much different. Many simply feel things are not going to change, so why bother.'

His comments underline the dilemma facing Japanese voters everywhere. Throughout the media, the 'economy' was proclaimed the major issue in the elections. But there are two quite different approaches. The concern of working people is for a return to the days of full employment and job certainty, decent wages, a rising standard of living and proper education and health services.

But for politicians, whether from the LDP, the opposition Democratic Party, or even the Stalinists of the Japanese Communist Party, their policies of 'economic reform' have quite a different meaning. In line with their counterparts around the world, Japanese politicians are deregulating the economy and implementing the demands of international finance

capital. The IMF's top priority is a massive restructuring of the debt-burdened banking system which will inevitably produce bank failures, a soaring rate of corporate bankruptcies, and huge job losses.

An unease exists in Japanese ruling circles about implementing policies which will inevitably provoke opposition and social unrest. For the first time in decades, photographs of homeless Japanese have made their way into the international press. Politicians and newspaper editorialists are beginning to make comparisons with the economic crisis facing Japan immediately after the war.

Some commentors may believe their own propaganda, which portrayed the Japanese worker as an automaton, faithfully serving his or her corporation without question. But the more astute politicians, or those with longer memories, can recall the social upheavals immediately after the war when Japan's economy lay in tatters, acute poverty and hunger were rife, and workers were far from docile.

Some years ago, Japan and its economic miracle used to be likened to a bicycle. As long as it kept going forward, it would not keel over. Right now the Japanese economy is at a dead standstill, and everyone is wondering what will happen when it falls over. All of the underlying social and political contradictions are once again coming to the surface.

See Also:
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Markets unimpressed by Obuchi's speech
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