

Upper house election weakens Japan's Koizumi

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Despite the ruling Liberal Democratic Party (LDP) successfully retaining control of Japan's upper house of parliament in Sunday's elections, the result has undermined the media fanfare of "Koizumi-mania" that sought to attribute mass support to new right-wing prime minister Junichiro Koizumi.

In the lead-up to the election, Koizumi campaigned as a political reformer who would defy the factional hierarchy and vested business interests that dominate the LDP and implement a radical free market deregulation of the stagnant Japanese economy. He appealed for support on the grounds that the "pain" caused by restructuring, such as increased unemployment, was necessary to stimulate growth and investment.

With opinion polls giving Koizumi an approval rating of 70 to 80 percent, his domestic and international corporate backers held out hopes that his populism would channel the alienation and frustrations of the population into support for such an economic agenda. Instead of the sought-after endorsement, however, nearly half the population boycotted the poll.

Turnout among Japan's 102 million voters was just 56.44 percent, lower than the last 1998 upper house election when the LDP suffered an electoral debacle, and the third lowest in history.

Moreover, in national proportional voting, where voters indicated a preference for a party or party candidate, the LDP received just 21.1 million votes or 39 percent of the 54.7 million cast, compared with some 16 million votes three years ago.

Confirming that the enthusiasm for Koizumi exists only among a narrow social layer, a pre-election poll by the *Yomiuri Shimbun* found that 60 percent of respondents did not trust political parties or politicians and 80 percent were dissatisfied with politics.

Yoshimichi Hironaka, the paper's political editor, warned on July 31: "Voters are still harshly judging national politics. Should the prime minister fail to manage the situation carefully, public distrust in politics may be

rekindled. Koizumi won the battle of the upper house election. But at the same time, he should be aware that his honeymoon with the public is now over."

Upper house elections are held every three years, with roughly half the seats up for re-election. On Sunday, 121 of the 247 seats in the house were at stake. The national proportional voting decided 48 seats, with the LDP winning 20. The remainder were elected in district contests in Japan's 47 prefectures. Depending on population, prefectures elect between one and four representatives.

The LDP won a total of 64 seats—20 in the proportional voting and 44 of the 73 prefecture seats—giving rise to international press reports of a "landslide". Such descriptions fail to make an assessment of the contradictory character of the result.

While it was the best outcome for the LDP in over a decade, its votes came primarily from its traditional base among small business, farmers, rural workers and the managers and employees of other protected sectors of business, such as state-owned companies, construction and retail.

Koizumi had gone into the election seeking to secure a base of support among Japan's urban middle class and sections of workers. Disgust in urban areas with previous LDP administrations, and their use of massive public spending to prop-up the businesses and rural areas that vote for the ruling party, has enabled the opposition Democratic Party (DPJ) to win a large number of urban seats on policies virtually identical to the ones now being advanced by Koizumi. Pro-Koizumi factions of the LDP attempted to hold onto or win a number of such seats and strengthen their position within the party. They failed.

Five members of Koizumi's own Fukuda faction lost their urban seats. In the 15 prefectures that elect two representatives, the LDP won only 14 of the 30 seats. In the four large urban prefectures that elect three representatives, and Tokyo, which elects four, the LDP only won one seat in each, or five out of 16.

The LDP registered its main gains in the traditional LDP-

voting, single-member rural prefectures where Japan's gerrymandered electoral system has always ensured that the ruling party has a disproportional weight in parliament. In the rural prefecture of Tottori for example, the single member represents only 492,000 eligible voters, whereas in Tokyo over 10 million voters elect only four members. The LDP won 25 seats from the 27 single-member prefectures.

The DPJ and the rightwing Liberal Party of Ichiro Ozawa, both of which campaigned on the basis that Koizumi would be incapable of implementing reforms through the LDP, increased their upper house representation by seven seats mainly on the basis of urban votes.

The DPJ's gains were also at the expense of the Social Democratic Party (SDP) and the Japanese Communist Party (JCP), which traditionally draw votes from workers. Both suffered losses due to the mass abstention and deepening alienation of the working class from the entire political system. The SDP lost four seats in proportional voting and won none in prefecture contests. The JCP, which won 15 seats in 1998, won only four seats through the proportional allocation and one in the Tokyo prefecture.

Koizumi's rise to the leadership of LDP certainly averted an electoral disaster for the ruling party. If the election had been held four months ago when Yoshiro Mori was still prime minister, the LDP would probably have won less than 30 seats. But while Koizumi's populism secured sufficient support to salvage the LDP's fortunes, the upshot has been to strengthen the position within the party and the government of open or prospective opponents of his economic policies.

Of the 65 new LDP legislators, at least 40 are members of the Hashimoto and Eto-Kamei factions that Koizumi defeated to take the leadership of the party and which are most closely linked with the protected sectors of Japanese big business.

In some cases, LDP candidates campaigned directly against Koizumi's policies. Kenji Koso, a former senior postal services bureaucrat, was elected on the proportional slate by openly opposing Koizumi's desire to privatise the postal system. Another, Kuniomi Iwai, won his seat with the backing of the Federation of Construction Contractors by campaigning against Koizumi's plan to reduce government spending on public works.

The LDP's coalition partner, the Buddhist-backed New Komeito Party, also successfully retained 13 seats—five won in the main urban prefectures and eight through the proportional voting. There is little doubt that Koizumi hoped New Komeito would suffer electoral losses so as to justify abandoning the coalition and seeking to form a new one with elements of the DPJ. With its base among urban small business and sections of workers, New Komeito is hesitant

over Koizumi's free market policies and openly opposed to his nationalist appeals for changes to the Japanese constitution's pacifist clause.

Koizumi, however, is facing a chorus of demands from Japanese and international financial circles that he ignore his tenuous position within the LDP, treat the election result as a sweeping mandate and begin implementing restructuring.

Among the bluntest dictates was the July 30 editorial of the London-based *Financial Times*. Spelling out what it dubbed a "three-step plan", it demanded the Bank of Japan loosen monetary policy to stimulate consumer demand and lower the value of the currency and that Koizumi "find a way to write bad bank debts off, fast".

The *FT* declared: "Only with an ample supply of credit and a functioning financial system will Japan's economy be robust enough to respond to deregulation. Then, Mr Koizumi can get to work on step three, inflicting the pain he promised voters in the run up to the election. With these three conditions in place, gains may follow. Without them, disaster is certain."

Underlying the tone of urgency is the rapidly deteriorating state of the Japanese economy, which is expected to be declared in recession again when growth figures are released for the June quarter. In the week before the election, the Nikkei stock index plunged to its lowest level in 16 years. Bank stocks have borne the brunt of investor nervousness amid estimates that their bad loans may amount to as much as \$US1.9 trillion. Purging such levels of non-performing loans will require corporate bankruptcies and an unprecedented financial cleanup.

Koizumi will attempt to carry out the demands of big business. On August 10, Koizumi's cabinet will issue guidelines for how much government ministries can request for their 2001-2002 budget allocations. Finance Minister Masajuro Shiokawa has already stated that public works spending must be cut by at least 10 percent. Koizumi has also declared his intention to proceed with the privatisation of state-owned companies and the large-scale closure of indebted companies, at the expense of hundreds of thousands of jobs.

But in implementing these measures, Koizumi will certainly face opposition from his factional opponents inside the LDP, whose parliamentary position has been enhanced by the election win. With little room for compromise the stage is set for a bitter internal factional struggle.



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