

Koizumi's "landslide" win in Japan's election

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Japanese Prime Minister Junichiro Koizumi has emerged victorious from last weekend's election with his Liberal Democratic Party (LDP) winning an absolute majority in the lower house of the Diet or parliament for the first time in 15 years. Koizumi inflicted a defeat, not only on the opposition Democratic Party of Japan (DPJ), but also on rebels from his own party.

Koizumi called the snap election last month after the upper house rejected his bill to privatise Japan Post—a massive \$US3 trillion financial enterprise. He expelled the 37 “rebels” from the LDP, stood high-profile candidates or “assassins” in their seats and appealed to the electorate to give him a mandate to press ahead with the legislation.

The privatisation of Japan Post is regarded as pivotal to the entire agenda of economic restructuring. Not only would the sale make huge sums available to the private capital market, but, just as significantly, it would cut off the government's ready access to cheap loans. As a result, present and future governments will be compelled to make deep inroads into public works programs, rural subsidies, social services and healthcare.

The election result will enable Koizumi to bulldoze through the postal privatisation. The LDP won 296 seats in the 480-seat lower house—up from 249—and its coalition partner, New Komeito, took 31 seats. With a total of 327 seats, the ruling bloc will dominate the chamber's committees and has the two-thirds majority needed to override the decisions of the upper house. Only 18 of the LDP rebels retained their seats.

The DPJ was the bigger loser, winning just 106 seats, down from 175. DPJ leader Katsuya Okada resigned his post, declaring: “The biggest reason for our defeat is that we lost a lot of seats in urban areas where we were supposed have major support.” The Social Democratic Party (SDP), the main rival to the LDP throughout the postwar period, is a parliamentary rump with just seven seats, up from five. The Japanese Communist Party (JCP) held onto their nine seats.

Koizumi triumphantly told the media: “I have destroyed the old LDP. It has become reborn as a new party.” The LDP traditionally drew its support from rural areas, which it assiduously maintained through substantial subsidies and construction projects. The DPJ, formed mainly from factions that split from the LDP in the 1990s, appealed to sections of the urban middle class by demanding an end to the rural bias and pressing for free market reforms as a means of resurrecting the economy.

Koizumi's victory was greeted enthusiastically in financial

circles. Immediately after the election, the Nikkei stock market index jumped by 1.2 percent to 12,926.57—breaking 12,900 for the first time in four years.

Takeo Fukui, president of Honda Motor, declared: “We support the change from the old Japan to a new Japan. That's why we are in the pro-Koizumi camp”. Kensuke Hotta, chairman of Morgan Stanley Japan, commented: “Old Japan has been consigned to history. The new Japan... is embracing capitalism, individualism and conspicuous consumption.”

The implications were spelled out by Hidenao Nakagawa, the LDP parliamentary affairs chairman, who compared the victory with those of Margaret Thatcher in Britain and Ronald Reagan in the US in the 1980s. “This trend has come to Japan 20 years later,” he said.

Nakagawa's comments are a measure of what is in store. For more than a decade since the collapse of share and property values in the late 1980s, Japan has been in the economic doldrums. Successive stimulus packages have failed to boost economic growth. For some time, sections of the corporate elite have been frustrated at the limited character of economic restructuring and have been demanding far-reaching market reforms to boost the Japan's competitiveness against its rivals.

In the wake of last weekend's victory, Koizumi will be under pressure not only to sell off Japan Post but to implement the type of slash-and-burn economic policies carried out by Reagan and Thatcher. At the same time, his government will inevitably resort to the same ruthless measures as its counterparts to crush any opposition, particularly from workers, as jobs, social services and working conditions are slashed.

While there is considerable euphoria in the financial press about Koizumi's victory, no one has offered any explanation as to how he pulled off the political confidence trick—to get people to vote for an economic agenda that will inevitably have a devastating impact on their living standards.

Over the last decade, there has been a deepening alienation among broad layers of Japanese voters, particularly young people, to the entire political establishment. In previous elections, the participation rate has slumped and various “independents” have been able to win significant votes.

The reasons for the discontent are varied. Layers of the urban middle have been hit hard by the collapse of property prices. Economic stagnation has resulted in the highest levels of unemployment in the postwar period. Among young people there

is widespread disgust with a society that offers them no future.

Koizumi took the LDP leadership in 2001 in opposition to the party's entrenched factional system. He has exploited his maverick image to the hilt to garner support for his right-wing economic and political agenda. Koizumi has nevertheless generated significant opposition to his efforts to resurrect Japanese nationalism and militarism, especially to his decision to commit Japanese troops to the occupation of Iraq.

In last weekend's election, Koizumi confined the campaign to the single issue of postal privatisation, which he presented as the means to open up a rosy new economic future for Japan. Backed by the media, he promoted his campaign as a struggle against "Old Japan". His "assassins" were deliberately chosen to promote the image—including a former beauty queen, a well-known female TV cooking celebrity and a young Internet company CEO—to challenge the "old fashioned" black-suited LDP rebels.

Yasuko Tokuda, an image consultant, commented to the *Financial Times*: "Mr. Koizumi's style, the way he talks and answers questions with strong answers, with that look and with such force, is a new style that makes him different from the fuddy-duddy old men that politicians used to be." Nakoki Arai, an art advertising director, declared: "People don't necessarily want to hear the truth. But they will listen to someone they think is interesting."

This superficial campaign had its impact. Not only did people vote for the LDP but there was the highest turnout in 15 years—about 67 percent, up from 59 percent in the lower house election in 2003. Daisuke Muramatsu, a 24-year-old event planner in Tokyo, was typical. He told the *Washington Post*: "I never voted before, but this time I came out to bet on Mr. Koizumi. Koizumi is riding high. I like his resolute character and his aggressive attitude. These are Japan's biggest round of reforms since the Meiji Restoration."

In part, Koizumi's ability to get away with this political fraud was because of the lack of any opposition. The DPJ's program of economic restructuring is essentially the same as that of Koizumi. In fact, the DPJ criticised Koizumi for not being sufficiently pro-market. Okada declared that Koizumi's plan to maintain some state-run postal offices was "totally inconsistent with 100 percent privatisation".

The DPJ released a "reform" package that was even more vicious than that of the government. It proposed to slash government spending by 10,000 billion yen (\$US91 billion), eliminate 20 percent of central government employees, raise consumption tax to 8 percent and abolish the Social Insurance Agency.

The DPJ made little effort to raise the issue of Iraq during the election campaign, even though there is widespread opposition. A week before the election, a telephone survey conducted by *Tokyo Shimbun* found that half of the voters wanted Japanese troops out of Iraq and 19 percent wanted an immediate withdraw. DPJ leader Katsuya Okada limply declared that he would pull Japanese troops out of Iraq—in consultation with the Bush administration.

While the SPD and JCP criticised the presence of Japanese troops in Iraq and the social impact of some government policies, these so-called socialist parties are little more than satellites of the

DPJ. The JCP formally appealed for a "joint struggle" of all opposition parties—that is, including the DJP—against postal privatisation. Far from pointing out that the DJP would be just as savage on working people as LDP, the JCP promoted the myth that the DJP represents a lesser evil.

The ability of Koizumi to sway voters is also because Japan is yet to experience the full force of the devastating pro-market onslaught that was initiated by Thatcher and Reagan two decades ago. Any visitor from Britain or the US cannot help but notice staffing levels in airports, shops and other public places that have been abolished long ago elsewhere in the name of "efficiency" and "competitiveness".

Now in the name of creating a "New Japan", Koizumi is preparing to implement "reforms" that will send the unemployment rate soaring and deepen the divide between rich and poor. In the last four years, Koizumi has already cut 20 percent from public works spending. Japan Highway, a state-run road-building company, has accumulated a massive \$US365 billion in debts and is due to be privatised next month.

This economic restructuring will now be greatly accelerated. Financial commentators point out that Japan's public debt, which has increased under Koizumi and now stands at 150 percent of GDP, is simply unsustainable. The increased public borrowings have been to maintain social services, civil servant salaries, pensions and healthcare. All of these now have to be cut back.

Kazuo Mizuno, chief economist at Mitsubishi Securities, told the *Japan Times* that Koizumi must pay for the mountain of public debt. According to Mizuno, social security costs rise by 500 billion to 1 trillion yen each year due to population growth, while the health insurance has a shortfall of hundreds of billions of yen. He argued that the government must raise the consumption tax from 5 percent to between 10 to 15 percent and cut at least 20 percent from the salaries of public servants.

Nayoyuki Yoshino, a professor from Keio University, bluntly stated that the solution to the financial problems of pensions and healthcare was to delay retirement and let "senior citizens who want to work, work."

The corporate elite in Japan clearly senses that Koizumi's election win provides a unique opportunity to press ahead with restructuring measures that have been stalled for a decade or more. Calls are already being made in ruling circles for Koizumi to stay on beyond next election.

For those who voted for Koizumi in the hope that their lot would improve in the "New Japan", there is going to be no shortage of shocks.



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