

# Japan: Koizumi's popularity slumps amid debate on social inequality

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Following last September's election in Japan, the political fortunes of Prime Minister Junichiro Koizumi appeared to be riding high. He emerged victorious, with his Liberal Democratic Party (LDP) winning an absolute majority in the lower house of the Diet (Japan's parliament) for the first time in 15 years.

Koizumi called the snap election after the upper house of the Diet rejected his bill to privatise Japan Post, a key component of the government's economic restructuring program. Alongside the promotion of Japanese nationalism and militarism, the privatisation of Japan Post and other state assets has been a major policy plank since Koizumi became prime minister in 2001.

Koizumi expelled 37 upper house "rebels" from the LDP who voted against postal privatisation and ran high-profile candidates, dubbed "assassins", against them. As he had done before, Koizumi postured as an anti-establishment "reformer" and focussed entirely on the single issue of selling off Japan Post. The victory, he claimed, was a mandate to continue his economic restructuring agenda.

Six months later, polling by major newspapers shows that Koizumi's support has collapsed dramatically. A *Nihon Keizai Shimbun* poll published in early February found that his approval rating had slumped from 59 percent in December 2005 to 45 percent. Disapproval ratings rose from 34 percent to 43 percent over the same period.

The *Asahi Shimbun* pointed to a major source of opposition. Its survey last month on inequality in Japan found that 74 percent believed that the income gap between rich and poor was growing. Some 81 percent of those surveyed stated that they now worried about becoming hard up for money. In addition, 58 percent said they were unhappy with society's tendency to cast people as "winners" and "losers" according to their personal wealth.

The *Asahi Shimbun* survey has highlighted the growing public debate in Japan about the impact of market reforms and deepening social inequality. The issue has been the subject of considerable discussion in the Japanese press, parliament and more broadly. Books about rising inequality, such as *Karya Shakai (Underclass Society)* by Atsushi Miura, have become best sellers.

The discussion intensified following the arrest of Takafumi Horie, former head of the Livedoor company, in mid-January over violations of securities trading laws. He and three other Livedoor executives have been accused of issuing false information to inflate the share value of one of Livedoor's affiliated companies.

Horie, a flashy, young, Ferrari-driving businessman became rich by building a small web design firm into a network of more than 40 businesses through speculative acquisitions funded by rising share prices and stock splitting. The conglomerate posted pre-tax profits of \$US55.2 million in 2005 and, prior to Horie's arrest, was valued at around \$6.3 billion.

Horie was one of Koizumi's high-profile "assassin" candidates last year. Although he stood as an independent against one of the LDP's most influential powerbrokers, Shizuka Kamei, he had Koizumi's full support. Horie received considerable media coverage as a symbol of the "new entrepreneur" whose aggressive business style would shake up the "old Japan" and revitalise the economy.

Opposition parties seized on Horie's arrest to attack Koizumi over growing social inequality. Social Democratic Party (SPD) leader Mizuho Fukushima told the Diet in January: "He [Horie] was emblematic of the LDP's politics, which are only for the rich.... Wider gaps in society are not natural phenomena, but the result of LDP politics under Koizumi."

Seiji Maehara, leader of the main opposition party Minshuto (Democratic Party of Japan, DPJ), declared: "The prime minister's reform is even leading to the loss of fair rules and morality in society." He later told Reuters: "We stand for something completely different from the Koizumi style 'survival of the fittest' which is expanding societal gaps and failing to provide safety nets."

These remarks are entirely hypocritical. The DPJ in particular has attempted to outdo the LDP as a proponent of economic reforms, criticising Koizumi for not being sufficiently pro-market. At the last election, it called for the 100 percent privatisation of Japan Post, government spending cuts of 10 trillion yen (\$91 billion), a 20 percent reduction in government employees and a rise to 8 percent in the widely hated consumption tax.

Koizumi has responded to the debate dismissively. He has

attacked critics who highlight the “pain caused by reform” as opponents of economic restructuring. He told the media that the emergence of a gap between rich and poor was not necessarily a bad thing, adding only that “bad equality” that reduces people’s motivation to work should be avoided.

At the same time, Koizumi has downplayed social polarisation, telling the Diet: “Statistics haven’t confirmed that the income gap has widened.” His comment flies in the face of mounting evidence that a decade of accelerating market reforms have been responsible for rising unemployment and poverty.

The formal measure for social inequality—the Gini coefficient—has risen dramatically. According to the latest survey by the Health, Labor and Welfare Ministry in June 2004, the Gini coefficient for Japan reached 0.4983 in 2002, up from 0.297 a decade ago. While the change may not appear significant, the coefficient starts at zero, where all earners have the same income, and finishes at 1, where one person has all the income. A coefficient of 0.5 indicates that the top 25 percent earn 75 percent of all income.

The number of Japanese households dependent on welfare benefits has surpassed 1 million for the first time since World War II. In 10 years, the number of households receiving benefits has risen by a massive 60 percent. The figure has risen by 35 percent in the last five years.

Household savings have fallen dramatically, with 24 percent of households having no savings at all. The figure has risen by 12 percent in the past five years despite Japan’s much-touted economic recovery. One in five households now have an annual income of just 2 million yen (about \$17,000) or less.

Under Koizumi, the top income tax rate has been cut from 70 percent to 37 percent, boosting the wealthiest layers of society. The shortfall in government revenue and mounting public debt has given rise to calls by big business for the government to slash social spending and government jobs and raise the consumption tax to at least 10 percent.

Huge changes to the Japanese workforce over the past decade have contributed to growing social polarisation. Legislation has undermined Japan’s system of lifelong employment by increasingly allowing firms to hire poorly paid part-time, casual and contract workers in place of full-time employees. The destruction of full-time jobs has been compounded by a decade of low economic growth, large numbers of bankruptcies and a shift of industrial operations, particularly to China.

In a country where “lifelong employment” acted as a social safety net covering everything from health care and housing loans to a retirement fund, the impact has been devastating. Over the past 10 years, the number of full-time jobs has fallen by about 4 million while the number of part-time jobs and “freeters” has risen by about 6.5 million. “Freeter” is a new term in the Japanese language referring to those hired out by contract labour agencies.

An article entitled “Koizumi’s kingdom of illusion”

published last year by Australian academic Gavan McCormack described “freeters” as “reserve army of labor, able to be moved out, exploited and cut loose and sacked when it suits employers, who are not required to make any provision for their health and welfare. They earn about half the salary of regular workers, or over a lifetime about a quarter; they are the new poor.”

A 2004 survey by Recruit Company’s Works Institute found that the average yearly income for freeters was just 1.67 million yen as compared to 2.26 million yen for temporary workers and 5.31 million yen for permanent workers. If freeters, many of whom are forced to live with their parents, were considered as independent households, the Gini coefficient would be even higher.

Rising levels of poverty have led to a number of disturbing social trends. The suicide rate from 1997 onward has risen from approximately 22,000 to 30,000 per year. In 2004, there were more than 32,000 suicides or about 90 a day, nearly double the rate in the US. Many are middle aged or elderly males who end their life because of financial difficulties.

Another indicator is the increasing number of elderly people in Japan’s prisons, which are now having to install wheelchair ramps and handrails in bathrooms, and employ nurses to assist feeding elderly prisoners. The main reason for the increase is the growth in first-time offenders over the age of 60. Elderly crime rates are rising despite a drop in overall crime, particularly for crimes of poverty such as shoplifting and pick pocketing.

According to criminologist Nabuo Komiya, many of the elderly are committing petty crimes to be put behind bars, where they have shelter and three meals a day are guaranteed. A prison official told the *Mainichi Shimbun* he had heard stories of pensioners constantly skipping out on restaurant bills until they were caught, convicted and jailed.

The fact that such issues are being publicly aired and discussed in Japan is itself significant. During the postwar boom, social inequality was virtually a taboo topic despite its continued existence. The public debate on “winners” and “losers” is an indication of the extreme social and political tensions that are building up just below the surface.



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