

Major parties in Japan move closer to “national unity”

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The extent of the political crisis produced by the March 11 earthquake and tsunami is underscored by the ongoing efforts of the ruling Democratic Party of Japan (DPJ) to persuade the opposition Liberal Democratic Party (LDP) to join the government.

Appeals for “national unity” to address the disaster mask real fears in ruling circles that without a grand coalition popular anger could erupt in politically dangerous ways. Opposition will continue to grow as the government seeks to impose the economic burdens of reconstruction onto working people in the form of tax rises and cutbacks to public services.

Prime Minister Naoto Kan is continuing to woo the LDP. He is preparing to set up a reconstruction planning council that will include officials from opposition parties. “We will go beyond the differences between the ruling and opposition parties in pushing forward with this council,” he declared this week.

Last month, Kan offered three ministerial posts to the LDP, including that of vice prime minister to opposition leader Sadakazu Tanigaki, effectively proposing a grand coalition in the name of combating what Kan termed Japan’s greatest crisis since World War II.

Tanigaki rejected the offer, but his carefully worded reply—“I am still undecided”—indicated he was facing pressure from within the LDP for such a move. A senior LDP figure in the upper house, Kenji Kosaka, declared last weekend: “It is an unprecedented catastrophe and what the people want now is speedy politics.”

The LDP’s caution reflects the dangers of a grand coalition for the party and the political establishment as a whole. If a grand coalition of the two main parties became discredited in the eyes of the population, the discontent would inevitably find outlets outside the parliamentary

framework, posing a threat to the profit system.

Nevertheless, Tanigaki took a significant step towards coalition on Monday by abandoning the LDP’s previous strategy of using its majority in the upper house to force the DPJ to hold early lower house elections. Instead, he urged the DPJ not to dissolve the lower house, but to stay in the office. Lower house elections are not due until August 2013.

The DPJ is also seeking the LDP’s support for a law to expand the number of cabinet ministers, which could help persuade the LDP to enter the government. DPJ Secretary General Katsuya Okada declared last week that because of the huge disaster, “we must respond with national unity and it is entirely possible that we would have a party with experience join in.” The LDP was in power for most of the past 50 years, and oversaw Japan’s development of a nuclear power industry.

Both political parties are well aware of the popular discontent and anger that lie just beneath the surface of daily life. The reasons are not hard to find: shop shelves in prefectures hit by the earthquake and tsunami are still empty, Tokyo residents face power shortages, tens of thousands of people are in evacuation centres struggling to obtain basic necessities, continuing fear of radiation from Fukushima’s stricken nuclear plants, and the list goes on.

The hostility extends to both major parties. An opinion poll conducted by *Yomiuri Shimbun* last weekend showed that 50 percent of respondents wanted Kan to step down by the end of the current Diet session on June 22. Only 16 percent agreed that he should stay until the next general election in 2013.

Moreover, 61 percent of the respondents were dissatisfied with the government’s response to the Fukushima nuclear crisis. While there was a slight improvement in the Kan cabinet’s approval rating—up from just 24 percent to 31

percent—the government’s overall disapproval rating was still at 56 percent.

Even more significant was the widespread rejection of both major parties, with their approval ratings at about 20 percent each—compared to 49 percent who supported no existing party.

Both the DPJ and LDP share a similar austerity agenda. In the name of freeing up funds for reconstruction, the LDP has insisted that the DPJ must eliminate \$36.7 billion in spending, such as childcare allowances, from the 2011 budget. Last week, Kan declared “all possibilities” were on the table, including an increase in the highly unpopular consumption tax.

The DPJ was calling for a consumption tax rise well before the March 11 earthquake, in order to repay the country’s astronomical public debt, now standing at more than 200 percent of gross domestic product (GDP). Last July, the DPJ suffered heavy losses in the upper house election after calling for a national debate on increasing the consumption tax.

Now, seeking to exploit public sentiment in favour of “rebuilding,” the DPJ has prepared a plan to increase the 5 percent sales tax to 7 percent. Such a tax hike would not, however, be a temporary measure to pay for reconstruction but would inevitably become a permanent feature.

Because of falling tax revenues, the Japanese government this year must finance 41 percent of the \$1 trillion budget by issuing bonds. This does not include the tens of billions of additional dollars needed for reconstruction.

The losses from the earthquake and tsunami are officially estimated at up to \$286 billion. This excludes ongoing economic losses due to radiation contamination of food supplies and fishing grounds, as well as substantial tourism losses. In addition, extensive damage to factories and infrastructure has disrupted key industries.

Although economic analysts have optimistically claimed that rebuilding will stimulate growth, the prospects are far from certain. Japan is in all likelihood already in recession. After a 0.3 percent contraction in the last quarter of 2010, a survey of economists by the *Nikkei* newspaper has forecast an official figure of 0.6 percent negative growth in the first quarter of this year. The same survey predicted an even deeper contraction of 2.6 percent in the current quarter—with the most pessimistic economist forecasting a 7.1 percent

drop.

Speaking in Washington on Monday, International Monetary Fund chief Dominique Strauss-Kahn warned of a grim outlook for the Japanese and world economy, noting that a “large part of the Japanese economy has been destroyed.” He added: “We’re still hesitating [on our predictions], depending on what may happen on the nuclear side of course.”

Since the March 11 earthquake, the Bank of Japan has injected a massive \$439 billion into the country’s financial system. But its capacity to further boost the economy has largely been exhausted. Martin Schulz of Fujitsu Research told the BBC that after the central bank had injected almost 10 percent of the GDP into the economy, “it is unlikely that we will hear anything new.”

The recession will be exacerbated by the Kan government’s plan to impose restrictions on electricity consumption in Tokyo this summer. TEPCO’s nuclear reactors in Fukushima previously supplied 10 percent of the energy for the Kanto region, which includes Tokyo and one third of the country’s population. TEPCO has been conducting anarchic rolling blackouts for the past month to avoid severe outages. But as summer approaches, Kanto’s usage is predicted to reach 60 gigawatts, compared to TEPCO’s maximum capacity of just 45 gigawatts.

Under Kan’s proposed decree, firms using 500 kilowatts or above are likely to be asked to reduce up to 25 percent from their summer peak last year—greater than the 15 percent cut during the 1974 oil crisis. Small businesses and households are also likely to face power restrictions.

As the brunt of the economic crisis produced by the March 11 earthquake and tsunami is imposed on working people, opposition will inevitably grow. The formation of a “national unity” government is aimed at containing and suppressing this popular discontent.



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