

Japanese government in turmoil after tax bill clears upper house

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Japanese Prime Minister Yoshihiko Noda faces the prospect of calling an early election, with his Democratic Party of Japan (DPJ) likely to lose office, after pushing through legislation to increase the country's deeply unpopular consumer tax.

On August 10, the bill passed the upper house of the Diet (parliament) and became law, having cleared the lower house in June. It will raise the regressive sales tax from 5 percent to 8 percent in 2014, and 10 percent in 2015.

Noda cut a deal with the main opposition parties—the Liberal Democratic Party (LDP) and its partner, the New Komeito Party—that control the upper house. They agreed to vote for the bill, and also help the DPJ defeat a no-confidence motion in the lower house last week.

In return, the LDP and New Komeito called on Noda to hold early elections, which could amount to political suicide for the DPJ. Noda promised to dissolve the lower house of parliament, and call elections “soon.”

At first, the LDP had insisted on a specific election date. But this changed after a closed door meeting between Noda and LDP chief Sadakazu Tanigaki late last Wednesday night, provoking media speculation over what was promised. In any case, elections, which were not due until August 2013, appear likely in the coming months.

The sales tax hike has been consistently opposed in public opinion surveys by 50 to 60 percent of respondents. One of the key promises that brought the DPJ to power in 2009—ending five decades of virtually uninterrupted LDP rule—was that it would not initiate a

tax rise for at least four years. The DPJ lost control of the upper house in 2010 in part because then Prime Minister Naoto Kan publicly supported a sales tax hike.

The DPJ has been seriously weakened by divisions over the sales tax. Among the six parties that initiated last week's no-confidence motion against Noda over the tax increase was the new People's Life First, formed by ex-DPJ power broker Ichiro Ozawa, who split from the DPJ last month along with 50 other lawmakers.

Another two DPJ MPs quit the party on the day of the no-confidence motion and voted for it. Former Prime Minister Yukio Hatoyama and five other DPJ lawmakers did not show up for the vote. Hatoyama was closely aligned with Ozawa but has remained in the DPJ. The government defeated the no-confidence vote with the assistance of the LDP and New Komeito.

The divisions within the DPJ on the tax increase reflect the concerns of sections of big business that are likely to suffer due to falling consumer spending. There are also fears that the new law will add to the country's economic stagnation, which in turn is fuelling opposition in the working class.

Bloomberg reported an initial “apron protest” against the tax on August 9. A few hundred housewives “beating pans with ladles and shouting slogans [were] criticising a government plan to double Japan's 5 percent consumption tax.” One protester told *Bloomberg*: “Ordinary people like us have a limited amount of money we can spend each month... Ninety-nine percent of the public will have to cut back on what they buy.”

Popular hostility to the tax reform and other austerity measures is part of a broader alienation that has developed over two decades to the entire Japanese political establishment.

The latest *Jiji Press* survey for July found only 21 percent of respondents supported Noda's cabinet, while 60 percent opposed it. Overall support for the DPJ was an abysmal 6.7 percent, while the LDP recorded just 12 percent. New Komeito was on 3.1 percent. Other parties polled around 1 percent or less. A staggering 71 percent supported no party at all.

The DPJ came to power in 2009 on vague promises of "change" after half a century of LDP rule. It has subsequently broken all its election pledges, including to introduce limited social benefits, such as child allowances and free school education, and adopt a foreign policy more independent of the US. Hatoyama resigned in 2010 after he failed to get US agreement to move an American military base off Okinawa.

The underlying social tensions will only worsen as the government implements the demands of big business for deeper austerity measures in order to reduce the country's huge public debt, which now exceeds 200 percent of gross domestic product. Japan Chamber of Commerce and Industry chairman Tadashi Okamura told *Sankei* that sales tax "reform is inevitable" and "the passing of this law [is just] a first step."

The *Wall Street Journal* welcomed the tax hike as the "biggest step in years" to tackle Japan's public debt, but warned that "analysts say more tax increases and benefit cuts are needed to address budget shortfalls." The article said the measures provided an example to other G8 countries of "how it is possible for advanced democracies—struggling to curb government borrowing and adjust fiscal policies that have allowed their citizens to live beyond their means for years—to cut government borrowing."

On the contrary, the Japanese example further demonstrates, as in Europe, that the deepening assault on the social position of the working class is generating

widespread opposition that will inevitably turn to resistance. Moreover, the inability of Japanese governments to secure popular support for the corporate agenda of austerity means that the ruling class will resort to increasingly anti-democratic methods of rule.



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