

Japan: Ruling LDP in disarray

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Japanese Prime Minister Taro Aso appointed two new cabinet ministers on July 1 in the latest move to shore up his Liberal Democratic Party (LDP) government. With rock-bottom opinion poll ratings and the worst economic slump in more than 60 years, the government is in disarray in the lead up to a general election due to be held before mid-September.

Aso appointed 48-year-old Yoshimasa Hayashi, a US-educated former defence minister, as economic and fiscal policy minister, replacing Kaoru Yosano, who retains two other ministries, finance and banking. Yosano had held three posts since taking over as finance minister from Shoichi Nakagawa, who appeared to be drunk at a G7 media conference in February.

Motoo Hayashi was appointed chairman of the National Public Safety Commission, a post that was held by internal affairs minister Tsutomu Sato.

The limited expansion of the cabinet was far short of the expected major revamp to try to boost public support for Aso, which is less than 20 percent according to some recent polls. A number of LDP factional leaders are seeking to dump Aso in order to retain office in the looming lower house election.

Finance Minister Yosano is one of the few LDP heavyweights in cabinet still attempting to rally the party behind Aso. In an interview with the *Financial Times* in June, Yosano pleaded: “When I contested Mr. Aso for the presidency, almost everybody supported Mr. Aso. All those who backed Mr. Aso then have a responsibility to support him now.”

Aso is the third prime minister since the 2006 retirement of Junirchiro Koizumi, who managed to last five years. Koizumi’s immediate successor, Shinzo Abe, stepped down after just one year, having lost the LDP upper house majority in elections amid mounting public opposition to Japan’s

logistical support in the Indian Ocean for the US-led war in Afghanistan. Yasuo Fukuda replaced Abe just as the US subprime crisis was escalating, and soon had to step down as well.

When Aso was elected LDP president last September, replacing Fukuda, the original plan was to hold an early election to capitalise on the initial support for a new leader. But Aso was hit by the global financial crisis, which has shaken the export-led Japanese economy to its foundations, with predictions that it will shrink 6 percent this year. The opinion poll ratings for Aso fell to single digit levels in February, before recovering to around 20 percent, largely due to scandals involving the opposition Democratic Party of Japan (DPJ) leader, Ichiro Ozawa.

Ozawa, accused of taking donations from Nishimatsu Construction, was forced to resign and he was replaced by Yukio Hatoyama in May. However, Aso’s government was then rocked by similar scandals. Trade Minister Toshihiro Nikai was accused of receiving funds from the same company, while Finance Minister Yosano also came under attack for soliciting corporate donations.

Meanwhile, a fresh scandal hit the DPJ. On June 30 its new leader, Hatoyama, was forced to publicly apologise after his political fundraising body falsely reported donations, including from deceased people, that had actually come from his own pocket.

As a result, the entire political establishment is increasingly discredited. In polls conducted by *Mainichi Daily* last month, only 15 percent preferred Aso as prime minister—down six points from May. While 32 percent chose Hatoyama as preferred prime minister, that was down from 34 percent in May. Significantly, 46 percent rejected both leaders.

Despite the overall disaffection, support for the DPJ outstripped that for the LDP, which has ruled Japan almost continuously for more than half a century. A Kyodo News

survey last month showed that 47.8 percent were for DPJ and just 18.7 percent for the LDP. An overwhelming 70.6 percent disapproved of the LDP government—up 10.4 points from May.

According to Jiji Press, the DPJ's landslide victory in Chiba city mayoral elections in June "deepened a sense of crisis" in the LDP. Last Sunday, the DPJ-backed candidate won Shizuoka gubernatorial election, dealing another blow to the LDP. Any further losses in the upcoming elections for the Tokyo Metropolitan Assembly on July 12, will fuel the calls within the LDP for Aso to step down.

A senior LDP Diet member Koichi Kato told the *Financial Times* that fear of a potential electoral disaster would spell "almost the end of the party". No one in the LDP could turn the situation around, Kato explained, but many young LDP lawmakers' desperate idea was: "Anybody is better than Aso."

LDP secretary general Hiroyuki Hosoda told members last Thursday to end the "inappropriate" push for Aso to step down, urging them instead to focus on winning the lower house election.

The LDP is hoping for a crisis in the unstable DPJ, which was formed by various breakaway factions from the LDP and former members of the Social Democratic Party (SDP). The DPJ is more like a tactically organised electoral platform, with openly conflicting policies. Its electoral promises to spend 20 trillion yen on social programs are at odds with its stated pro-market agenda of cutting public spending and deregulating the economy.

There are also tensions between the DPJ and other opposition parties. Hatoyama declared in June that the DPJ would form a coalition with the Social Democratic Party (SDP) and Peoples New Party for one year only. Both parties responded by rejecting an alliance with the DPJ.

The SDP's main appeal to voters has been to defend the pacifist clause in the constitution, which is an obstacle to the dispatch of Japanese troops overseas. The DPJ, however, supports the deployment of Japanese forces if the intervention is based on a UN resolution.

The Peoples New Party, on the other hand, was formed by former LDP lawmakers who were expelled in 2005 by Koizumi for opposing the privatisation of Japan Post—the

country's largest public financial institution. The party's stance conflicts with the DPJ's pro-market demand that Japan Post's financial services (savings and insurance) be handed to the private sector.

Behind the political crisis of both major parties—the LDP and the DPJ—is the rising social discontent over falling living standards. The *New York Times* wrote on June 30 that a wave of protests by young Japanese workers this year, albeit still on a small scale, is something not seen since the radicalisation of the 1960s. "Since the 1960s, when youth protests turned violent, even the mildest form of protests by young people has been viewed as taboo. But the pain of recession is changing that, giving rise to a new activism among Japan's youth, who have long been considered apathetic," the newspaper warned.

In the first quarter of this year, the economy shrank 14.2 percent on an annualised basis, and youth unemployment rose to 9.6 percent in April. Young people are likely to be sacked first, because millions of them have joined the low-paid temporary workforce created in the 1990s.

Facing the biggest ever fall in tax revenue—13 percent from last financial year—and with the government debt to hit 197 percent of gross domestic product (GDP) in 2010, Aso's government plans to issue 44.1 trillion yen in bonds—almost equal to the annual tax revenue—to cover stimulus packages. The budget deficit this year will hit 8.1 percent of GDP—up from 3.9 percent last financial year.

With Japanese banks already holding \$US6.2 trillion (575 trillion yen) in government debt, the government plans to transfer the burden onto the back of working people by doubling the consumption tax to 10 percent in 2011.



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