

Japanese PM calls crisis election

By Mike Head
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Japanese Prime Minister Taro Aso has called an early election for August 30, even though his Liberal Democratic Party (LDP)-led coalition seems almost certain to lose. Aso could have delayed the poll until October but his government suffered a humiliating defeat in Sunday's Tokyo metropolitan assembly election, losing its status as the assembly's largest party for the first time in 40 years.

Except for an 11-month interlude in 1993, the conservative LDP has governed Japan since the party was formed in 1955. It is now so discredited and wracked by factional in-fighting that, according to opinion polls, it faces electoral disaster, despite currently holding an overwhelming majority in the lower house of the Diet (parliament).

After two decades of stagnation since the 1989 collapse of the stock exchange and property boom, the world's second biggest economy has been shaken by the global crash that began in 2007. During the last quarter of 2008 and the first quarter of 2009, its gross domestic product declined at an annual rate of around 15 percent—twice as fast as the eurozone and more than three times as fast as the US.

In response, Japanese big business has stepped up its 20-year assault on the jobs and conditions of the working class, laying off hundreds of thousands of casualised and lowly-paid workers. The resulting discontent, particularly among the youth, who have been the worst-hit victims, has been directed primarily against the LDP, the traditional party of the corporate elite. Its opinion poll ratings have fallen to below 20 percent.

The Tokyo result was the fifth straight defeat for the LDP in local elections. The party lost 10 seats in the 127-member metropolitan assembly and ended up with 38, the lowest since it was established. Its coalition partner, New Komeito, took 23, leaving their combined total short of a majority. The opposition Democratic Party of Japan (DPJ) picked up 20 seats to bring its total to 54.

Overall, the DPJ won 41 percent of votes, compared to 26 percent for the LDP and 13 percent for New Komeito. The Japanese Communist Party also won 13 percent. The LDP had hoped for a low voter turnout, but it rose to 54 percent, up from 44 percent in the previous election four years ago, reflecting a popular desire for change.

While the media has largely attributed the LDP's unpopularity to Aso, he is the third short-term prime minister since the departure of Junichiro Koizumi in 2006. Aso, now 68, was elected to the LDP leadership on his fourth attempt, after both his immediate predecessors Yasuo Fukuda and Shinzo Abe quit within 12 months of taking office. Koizumi delivered a landslide victory for the party at the previous general election in 2005—the LDP and New Komeito won 334 places in the 480-seat house—but only by posing as an outsider challenging the party's conservative factional heavyweights.

Aso was installed 10 months ago, promising to call an early election to end the political instability. He then delayed the poll, apparently under pressure from LDP powerbrokers, but the crushing defeat in Tokyo has ended hopes of reviving the party's electoral fortunes.

Business commentators and the financial markets immediately welcomed Aso's decision to finally call the general election, expressing hopes that a DPJ victory would raise the chance of resolving deadlocks in parliament, where the opposition has controlled the upper house since July 2007 and has been able to delay legislation. "The market has started factoring in a change of government, but the longer the wait, the more the political and economic uncertainty grows," Susumu Kato, chief economist at Calyon Capital Markets Japan, told Reuters.

Aso's massive stimulus measures have failed to end the recession, while leaving a colossal debt burden. His government has announced the issuing of 44.1 trillion yen (\$US470 billion) in bonds (almost a year's tax revenue). Japan's public debt, the world's largest, was already 846 trillion yen (\$US9.1 trillion) as of March 31, and will approach 200 percent of GDP in 2010, according to the Organisation for Economic Cooperation and Development (OECD).

Despite media speculation of signs of "recovery", Japanese wholesale prices fell a record 6.6 percent in the year to June, indicating a slide deeper into deflation, with both business and consumers delaying spending. As a result, the Bank of Japan, which already cut interest rates to 0.1 percent in a failed bid to boost demand, will have to keep

bailing out banks and companies by buying commercial paper and corporate bonds and providing low-interest funds, using corporate debt as collateral.

Sections of business are looking to the DPJ to control discontent over rising unemployment, virtual slave labour working conditions and worsening poverty and homelessness. The official jobless rate rose to 5.2 percent in May, a five-year high, but youth unemployment is about twice as great. Young workers have been the first to be sacked because millions of them have been forced into low-paid temporary jobs since the 1990s.

Since the 1990s, the dismantling of the previous system of lifetime employment and the deregulation of labour laws has created an army of temporary, part-time and fixed-term workers, and so-called independent contractors, making up more than a third of the 55 million-strong workforce. Some have been employed by major corporations such as Toyota and Canon for less than half the wages of full-time employees.

Protests have developed in Tokyo in recent months because, after living in dormitories organised by labour hire firms, tens of thousands of newly retrenched young workers have become homeless. There is almost no welfare provision for laid-off workers, and only 22 percent of workers have unemployment insurance. Almost 10 percent of households have lost their National Health Insurance coverage through arrears in tax payments.

The DPJ, itself an uneasy alliance of former LDP breakaway factions and ex-members of the Social Democratic Party (SDP), has no answers for ordinary people. It is offering conflicting policies, promising to boost social programs while pursuing a pro-market agenda of slashing public spending and further deregulating the economy. The DPJ has promised a “war on wasteful bureaucracy”, while planning to redirect about 10 percent of the national budget toward building a social safety net as well as a children’s allowance aimed at boosting the plummeting birthrate.

Aso, the grandson of a former prime minister, has been criticised as out of touch with ordinary Japanese because of his wealthy background. But DPJ leader Yukio Hatoyama hails from an even wealthier family of industrialists and politicians. His mother’s father founded Bridgestone Corp, one of the world’s largest tyre makers. The DPJ leader also retains close connections to the LDP. Son of a foreign minister, Hatoyama is the elder brother of Kunio Hatoyama, who stepped down as internal affairs minister in June.

Hatoyama has sought to emulate US president Barack Obama’s amorphous appeal for “change”. He said last week it was time for a new era in Japanese politics and that the country should be inspired by Obama’s win in last year’s

US elections.

Like Obama, Hatoyama will be a mouthpiece for the interests of finance and the banks. His foreign policy is as duplicitous as that of the US president. Like his predecessor, Ichiro Ozawa, who was forced to quit over a business donations scandal in May, Hatoyama has criticised the ruling party for being too subservient to the US in its security and diplomatic policies, and has sought to exploit popular opposition to the LDP’s assistance to the US-led invasions of Afghanistan and Iraq, while at the same time committing a DPJ government to join military operations rubberstamped by the UN.

Currently holding 112 seats, the DPJ is generally considered too far behind to win its own majority but media analysts favour it to come out of the election as the largest party and to form a coalition government. Whatever precise form the next government takes, Japan is headed for a new period of political instability and social unrest. Business commentators have already warned that the DPJ’s large spending plans could inflate public debt and push up government bond yields.

“Even if the Democrats were to take power, they may be forced to pursue populist policies until next year’s upper house election, meaning that fiscal discipline could be pushed back, which would be negative for the bond market,” Naomi Hasegawa, senior fixed income strategist at Mitsubishi UFJ Securities, told Reuters.

With the entire political establishment increasingly discredited, especially among young people, the Japanese Communist Party (JCP) is boasting of recruiting 1,000 new members every month. The Stalinist party has sought to exploit rising hostility to the official establishment by criticising the social impact of “capitalism without rules” and claiming to represent Marxism, while pledging to protect, and even enhance, the interests of corporate Japan.

JCP chairman Shii Kazuo told the Foreign Correspondents Club in Tokyo in March, “We are not arguing that the role of the large corporations should be denied or that they should be regarded as our enemy.” Rather, he insisted, if the corporations fulfilled their “social responsibility according to their ability to pay,” it would help them “prosper in a sound manner” in the longer-term.

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