

Changing Laodicean Politics in Japan-II: What China Can Learn from Japan's Experience

SUGANUMA Unryu

Key words : Laodicean Politics in Japan, LDP, Japanese Politics, Iron Triangle, and DPJ

The Iron Triangle in Japan

Since WWII, the iron triangle (politician, bureaucrats, and big businesses) group had two common goals: anti-communism ideologically and catching up with the West economically. By the end of 1989, the two common goals of the iron triangle: Japan as the second economy superpower and the tearing down of the Berlin Wall, were accomplished.¹ In addition, the power and the vision of this group were entirely lost in 1989 when a series of scandals was uncovered.²

In Japan, politics costs money, therefore, attracting vulnerable politicians, who have corrupted the political system. The political party must be the ruling party in order to enable to set up the national budget (by building roads, railways, schools, and highways) which is eventually going to benefit for the ruling party's members, bring taxpayers' money into their districts. These pork barrel projects are based on the patron-client relationships (between central politicians and local assembly politicians) ultimately providing strong positions for the incumbent politicians to be re-elected in the future.³ Therefore, money and politics have never separated each other in the Japanese political system. When the public exposed corruption (by abusing taxpayers' dollars) of the senior LDP politicians at various times through more than a half century of LDP rule, the party responded with various *Seiji Kaikaku* (political reform) including electoral reform and regulatory reforms. Yet, political corruption in the Japanese style revealed the deep links among both parochial interests and the business community, the LDP-dominant and faction-ridden party system, and an intransigent bureaucracy. Along with the *yakuza* [Japanese mafia] and radical right-wings, the secrecy of the "M-Fund"⁴ and the disappearance of the "Diamond,"⁵ all were involved in the corruption of the iron triangle in Japanese politics.

When the economy was booming, everyone was fine. Nevertheless, when the economic miracle stopped, a number of Japanese voters placed their blame on a system of heavy state in-

tervention, on behalf of particular industries and an export-oriented economy. When many Asian countries, such as Thailand, the Philippines, South Korea, and Malaysia, faced financial crises during 1997-98, the Japanese government could not help these Asian countries because of their own domestic financial chaos. Losing this golden opportunity in 1998 turned out to be a huge risk for Japanese politics going forward. For Japan, it was a heartbreaking way to drop from geopolitical power, not only in geopolitical strategies but also geoeconomic tactics in the Asian region. More than ten years after the Asian financial crisis, the domination of China's influence became palpable in the twenty-first century. Why did the Japanese disease in the 1990s fail to be cured at all? How has Japanese disease broken the fundamental structure of the iron triangle? In the end, why did the LDP lose its appeal to Japanese constituencies?

Political Scandals Break LDP Unity

The 1990s was a period of political instability in Japanese politics; the average length of a prime minister's office was just over one year in office during 1990-2000.⁶ When the bubble finally exploded in the late 1980s, all negative facts originally covered by the booming economy were revealed in the public. First, a series of political corruption scandals for many senior LDP politicians was exposed. As the Recruit scandal⁷ spread inside the LDP, it included some heavy-weight politicians, such as former prime ministers Takeshita Noboru and Nakasone Yasuhiro. Following the Recruit scandal, the Sagawa Kyubin scandal in the early 1990s involved bribery of LDP Deputy Prime Minister Kanemaru Shin and other top LDP leaders, leading to demand even within the LDP for greater regulation of political funding and electoral system reform.⁸ Second, as the political corruption was made public, the intra-fight within different factions in the LDP escalated. One of the biggest factions (i.e., Tanaka faction) in the LDP faced a power struggle between two groups: Hata Tsutomu and Obuchi Keizo.⁹ Ultimately, some forty-six defectors from the LDP joined other minority parties to create a non-LDP new government. This led to the end of the 1955 system,¹⁰ and finally as the eight-group coalition government including the three LDP breakways headed by Hosokawa Morihiro replaced the 38-years of LDP monopoly in 1993. All of these developments have involved one man – Ozawa Ichiro, DPJ Secretary General, whose book (1993), *Nippon Kaizo Keikaku* [Blueprint for a New Japan: The Rethinking of a Nation], emphasized political reform, neo-liberal economic system, and an active role for Japan in international affairs.¹¹ As the “shadow shogun,” Ozawa muscled his supremacy single-handedly leading the DPJ to win the 2009 election.¹²

Table 4: The Result of the Single-Seat Constituencies of the Lower House Elections

(Inside of the parentheses indicates %)

	2009 Election	2005 Election	2003 Election
Liberal Democratic Party	64 (21.3)	219 (73.0)	168 (56.0)
Democratic Party of Japan	221 (73.7)	52 (17.3)	105 (35.0)
New Komeito	0 (0.0)	8 (2.7)	9 (3.0)
Japan Communist Party	0 (0.0)	0 (0.0)	0 (0.0)
Social Democratic Party	3 (1.0)	1 (0.3)	1 (0.3)
New Conservative Party			4 (1.3)
Club of Independent			1 (0.3)
Liberal League			1 (0.3)
People's New Party	3 (1.0)	2 (0.7)	
New Party Nippon	1 (0.3)	0 (0.0)	
New Party Daichi			
Your Party	2 (0.7)		
Independent	6 (2.0)	18 (6.0)	11 (3.7)
Total	300 (100.0)	300 (100.0)	300 (100.0)

Source: Kohno Masaru, "Senkyo Kekka kara mita Mishuto Assho, Jiminto Taihaino Koze," in *2009-nen: Naze Seik en Kotai Dattanoka*, p. 29. *Asahi Shimbun* [Daily Asahi], 31 August 2009, p. 8.

In the 1990s, *Seiji Kaikaku* (political reform) has been a popular slogan for Japanese politicians, in particular for members of the LDP. But, it is largely rhetoric without any substance. Those who have the most political clout are part of the political elite who have benefited from their power, retaining political might through the political system. Those who have mastered political muscle have rewarded themselves well in the system. Any *real* reform of the political system would threaten these elites. The only change of these political structures has previously been through vacancies created through age or death.¹³ Yet, under Hosokawa's leadership, a bill of political reforms – electoral system – passed in the Lower House in November 1993. The package included a reduction of Lower House members, the establishment of the single-seat districts,¹⁴ the prohibition of corporate donations to individual politicians, and the creation of the state subsidies to political parties.¹⁵ As many experts predicted,¹⁶ the single-seat electoral system was a favorite for the two-party system (see Table 4 and Table 5).

Status-Quo of Bureaucracy

Since the zenith of Japan's power in past few decades, many analyses¹⁷ have focused on the influence in policy and political decision-making by bureaucrats. Historically, Japanese bureaucrats came from the *samurai* class, originating from the Tokugawa era. After the Meiji Restoration, the bureaucratic system spread through the whole nation due to the expansion of

political participation from the local and national levels. Eventually, the bureaucracy gained an image of neutrality and fairness through the modernization of Japanese society. When a national parliamentary system was introduced during the Meiji era, the bureaucrats obtained strength and legitimacy through the political system.¹⁸ Since WWII, the bureaucratic system has played a crucial role in guiding the Japanese economy, in particular during the 1980s, as market globalization and economic liberalization fired up. During the LDP one-party rule, the bureaucrats usually made an annual budget plan, established a business guidance, and created a national vision. It was a “bottom-up” bureaucratic system; politicians merely signed off on or acknowledged any documents prepared by bureaucrats.

Table 5: The Result of the Proportional Representation of the Lower House Elections

(Inside of the parentheses indicates %)

	2009 Election	2005 Election	2003 Election
Liberal Democratic Party	55 (30.6)	77 (42.8)	69 (38.3)
Democratic Party of Japan	87 (48.3)	61 (33.9)	72 (40.0)
New Komeito	21 (11.7)	23 (12.8)	25 (13.9)
Japan Communist Party	9 (5.0)	9 (5.0)	9 (5.0)
Social Democratic Party	4 (2.2)	6 (3.3)	5 (2.8)
People’s New Party	0 (0.0)	2 (1.1)	
New Party Nippon	0 (0.0)	1 (0.6)	
New Party Daichi	1 (0.6)	1 (0.6)	
Your Party	3 (1.7)		
Total	180 (100.0)	180 (100.0)	180 (100.0)

Source: Kohno, “Senkyo Kekka kara mita Mishuto Assho, Jiminto Taihaino Kozu,” in *2009-nen: Naze Seiken Kotai Dattanoka*, p. 29. *Asahi Shimbun*, 31 August 2009, p. 17.

Meanwhile, the bureaucracy still does its best to maintain the status quo, and bureaucrats have fought hard to resist the cutting back of their authority. On the other hand, politicians from the LDP do not know how to make the government work better without the power of bureaucrats. In the Japanese bureaucratic system, the most formidable and well-known bureaucratic stronghold is Ministry of Finance (MOF), formerly *Ookura-sho* (大蔵省). However, the credible and reliable beliefs were totally destroyed in the process of the reforming banks and financial system. Traditionally, the MOF’s supervision can be described as *Goso Sendan Hoshiki*, a convoy approach, referring to the MOF making sure that no financial sector is left behind or no financial sector moved forward to endanger the viability of others. Based on the convoy approach, the government cushioned the impact of economic shocks on borrowers; therefore, political leaders had trust bureaucrats who supervised the banking system.¹⁹ “Pork barrel poli-

tics, mediation with the bureaucracy on behalf of client groups, and influence over discretionary administrative decisions relating to the allocation of funds and policy enforcement – in essence, *zoku* politics – grew to become primary mechanism by which the LDP assured that appropriate resources and benefits were channeled to the “right” societal interests.”²⁰

Political leaders were largely responsible for Big Bang financial reform, which finally broke down the framework of the bureaucratic system in Japan. In November 1996, by using slogans such as: “free, fair, and global,” Prime Minister Hashimoto Ryutaro launched the “Japanese Big Bang,” referring to the 1986 deregulation of London’s financial markets, which ultimately blew the framework of the MOF convoy system out the water.²¹ While head of the MOF often became a potential candidate for prime minister,²² the bureaucrats of the MOF usually found their second or third careers (*Amakudari*, literally: descent from heaven) in the banking sector after retiring from office.²³ One of the major reasons for *amakudari* is because bureaucrats must retire at a relatively early age around mid-40s or early-50s, they need to have the second career and beyond guaranteed. While MOF bureaucrats are in power to supervise banking and financial sectors, they typically use their power to find their second or third careers in the private sector. By the middle of 1990s when the economy was becoming a mess, a bureaucrat did not have a number of temporary *amakudari* destinations arranged for post-retirement employment.

Some experts consider Japanese corporate finance as “bank-centered financing,”²⁴ the financial institute in the 1990s became one of the crucial factors to broaden the Japanese disease. When a financial firm fell into management difficulty, under the supervision and behind the scenes, the MOF would arrange for a rescue plan – often merge one financial firm with another in order to prevent market panic. Since the sharp drop in the value of real estate, much land suddenly fell in value. By the middle 1990s, the banks held unprecedented amounts of non-performing loans, but the MOF never released this information. In the other words, political leaders did not understand how much the non-performing loans have been kept by the banks secretly.²⁵ As the Japanese Big Bang was processed since 1996, and the aggressive attacks by the hedge funds, financial institutions began to fall apart in November 1997: Sanyo Securities suspended its operation for bankruptcy protection; Hokkaido Takushoku Bank was not able to secure funding in the interbank market, and Yamaichi Securities still might collapse as it had suffered huge losses. The domino effect occurred in the second strongest economy in the world: the bubble burst, and the market plunged into recession. While the MOF drafted the bill for politicians by bridging the bank scheme for the resolution of bad loans in 1998, the Long-Term Credit Bank of Japan (LTCB) could not survive without the public funds.²⁶ In the end, LTCB and Nippon Credit Bank (NCB) were nationalized in 1998. There were nearly 20 city banks in Japan before

the 1990s, today only three city banks: Mitsubishi UFJ, MitsuiSumitomo, and Mizuho, have survived the Japanese Big Bang. Former Bank of Japan Governor Fukui Toshihiko admitted 15 years later that the Japanese government actually used \$3 trillion to bailout the bad assets of the financial crisis.²⁷

To be sure, the failure of political leaders to aggressively tackle a serious non-performing loan in the Japanese banking sector has resulted in prolonging the Japanese disease and the mismanagement of macroeconomic policy by the bureaucrats. As senior LDP Japanese politician stated, Japan could be bankrupted if the bureaucrats had controlled political system.²⁸ Furthermore, the 1990s bubble economy has proved incapable of finding a new growth formula to end the stagnation and decline by bureaucrats. As the Japanese disease continues to expand like mushrooms, “a growing dissensus between a big business and bureaucratic institutions, and the processes of liberalization, internationalization, and government deregulation are reducing the bureaucracy’s ability to impose its definition of national interests on the business community and on the society.”²⁹

Business Community

After the miracle economy reached double-digit growth (averaging 10 percent a year) in the 1960s as the government planned to double national income over a ten-year period, the Japanese economy continued to perform better than those of their industrialized counterparts, despite severe oil shocks. Similarly, in the 1980s, the Japanese economy adapted quickly to appreciation of yen and regained their international competitiveness for exports. However, the Japanese economy has performed markedly disappointingly since the 1990s. Even though large amounts of public funds have been infused into economy, it has failed to generate sustainable economic growth.

Big business is supportive of deregulation reform while political leaders are not sincerely making reform. Because of strong *Gaiatsu* [foreign pressure]³⁰ from the United States since the 1980s, the Japanese business community began to respond to the American requests. The popular phrase among the Japanese community was *Kisei Kanwa* [deregulation], referring to a relaxation of regulations. President Ronald Reagan wished that Japan emulated the Western industrial nations (because President Reagan had close ties with Prime Minister Nakasone Yasuhiro personally), but the lack of progress toward Japanese deregulation has only frustrated the American politicians. In 1995, under the umbrella of the Administrative Reform Commission, a Deregulation Subcommittee (later renamed Regulatory Reform Committee in April 1999) was formed. Miyauchi Yoshihiko, Chairman and CEO of ORIX corporation, Director of Keidanren³¹

and Vice Chairman of Keizai Doyukai,³² headed the Regulatory Reform Committee. In the progress of the regulatory reform, two forces have been the major obstacles. One is that bureaucrats are unwilling to cooperate with regulatory reform because the reform itself intends to eliminate the bureaucratic influence of policy-making. The other is that the LDP is reluctantly cutting off a relationship between LDP rule and bureaucratic reign.³³ In order to succeed regulatory reform requires strong responsibility on the part of political leaders. Within a ten-years period, an average eight prime ministers served just over one year in the office; residual bureaucratic influence against regulatory reform has never stopped. As a result, substantive reform has never been carried out completely in Japan, rather administrative reforms were superficial.

Lessons from Japan's Experiences

As Gerald L. Curtis notes, foreign pressure is often effective in getting the Japanese government to make a policy decision because it drives the issue into the political arena where views of political leaders are used to compromise, deal making, and getting things done.³⁴ Since Japan successfully achieved its national slogan, "catch up with the West," to double its national income in 1968, American naïve scholars spread the possibility of the phenomenon of "Japan as number one" in the end of the 1970s-1980s. These eventually led to reforms in the Japanese system as a result of American pressure.

First, Japan should not give in to *gaiatsu*, in particular from the United States. *Gaiatsu* has been the key word to reform Japan's political economy. The appreciation of Japanese currency since the 1980s dramatically pushed the Japanese bubble economy into the peak. "In Tokyo in the early 1990s, it was said that property prices wouldn't crash because in mountainous Japan there was so little usable land relative to size of the population."³⁵ The consequence of the bubble economy resulted in the 1985 Plaza Accord that forced up the Japanese yen due to the huge trade surplus with the United States.³⁶ The Japanese yen rose from around 240 to a dollar to about 200 by the end of 1985. By 1987, it had doubled in value vis-à-vis the dollar (1 dollar = 150 yen).³⁷ Moreover, the yen went from 80 to 120 yen per dollar between 1993 and 1995. Consequently, the drastic appreciation of yen has accelerated the Japanese property (e.g., land) values which ultimately ended with the burst of the bubble economy in the 1990s. This expanded the Japanese disease deeply and widely. Today, the Chinese government should not appreciate *Renminbi* radically due to American pressure even though China has a huge trade surplus with the United States.³⁸

Second, based on the *gaiatsu* from the United States, regulatory reform is another issue, such as the privatization of the Nippon Telegraph and Telephone (NTT) Corporation case,³⁹ Japan

National Railways (JNR), and Japan Tobacco (JT) under Nakasone Administration. Even Western scholars have admitted the regulatory reform as Anglo-American practice, containing “free enterprise” ideology.⁴⁰ The Japanese government should find a way to adapt an Anglo-American model with “Japanese characteristics,” but political leaders did not achieve it during the progress of the regulatory reform. Regulatory reform has merely provided a huge opportunity for the involvement of the corruption of a group of the iron triangle -- among bureaucrats, business elites and top political leaders. For many occasions, the LDP has relied on “reformist” politicians and/or increased numbers of non-bureaucrats to translate reform objectives into policy instruments.⁴¹ However, the LDP is unlikely to become the reform party even though an individual or non-bureaucrat attempts to take a reformist position and become involved in the policymaking process. Since the Lehman Brother Shock in 2008, the Chinese government takes great precautions to practice an Anglo-American model, which must contain “Chinese characteristics.”

Third, Japanese management style had succeeded by emphasizing the long-term market, seniority-based wage structures, and lifetime employment. However, this Japanese style of management has broken down utterly. The Japanese disease has created a huge gap between the rich and poor, destroying the fundamental basis of Japanese enterprise as “a social group,” which is a key element in the Japanese society. Since the Meiji era, according to Nakane Chie, the group is itself family-like and pervades even the private lives of its employees, for each family joins extensively in the enterprise.⁴² The promise of lifetime employment has ended as LDP regulatory reform has proceeded.⁴³ According to governmental statistics the number of the non-lifetime-workers (contract, temporary, and dispatched workers) reached 17,210,000 in 2009.⁴⁴ They are not covered by unemployment insurance, which represents a big hole in the safety net because they constitute 33 percent of the workforce in Japan.⁴⁵

As a result, a great phenomenon occurred among youth Japanese since 2008 after the Lehman Brother Shock. The proletarian novel, *Kani Kosen* [The Crab Factory Ship], by Kobayashi Takiji who passed away more than 75 years ago, became one of the bestselling novels in Japan. *Kani Kosen* portrays a ship’s crew forced into harsh labor under a sadistic captain. Within a few months, more than 300,000 copies sold, and one third of the readers were Japanese youth in their 20s. Kobayashi published *Kani Kosen* in 1929, but it was re-discovered by the 21st century Japanese youth, who are especially feeling the pain of an economic downturn. In addition, membership in the Japanese Communist Party (JCP) has doubled, with more than 15,000 new members since September 2007. About 20 percent of new members are under the age of 30.⁴⁶ According to the JCP about 1,000 new members are joining its ranks every month.⁴⁷ For more than 21 years, the JCP first time has increased its members about 415,000 (latest count), and its

newspaper *Akahata* [Red Flag] has reached 1.7 million readers.⁴⁸ Ironically, when the Chinese youth in the communist system are not interested in Communism, the Japanese young people in the democratic system are crazy about Communism.

Fourth, the ephemeral administration is a vital element in the progress of reform of the Japanese political economy. Successive political leaders (eight prime ministers during 1990-2000) often failed to grapple with the hard choices confronting the domestic opposition forces to ensure economic success. With the absence of consensus within the party regarding the nature of reforms, there was no immediately urgency for changing the traditional system since the prime minister only served just over a year in the office.⁴⁹ It was too short for any prime minister to deliver his own policy programs; therefore, there are no apparently sustainable policies or continuing strategies from the Japanese government. For instance, the Hashimoto administration (1996-1998) emphasized tightening of fiscal policy, but Obuchi administration's (1998-2000) fiscal policy was about loosening, and then the Koizumi administration (2001-2006) went back the tightening of fiscal policy.

Fifth, domestic instability eventually affects international geopolitical influence. The Asian financial crisis has provided the golden chance for Japan to lead Asian nations out from the disaster. However, the Japanese financial system itself has to face the Anglo-American model of the "Big Bang." The political instability and chaotic financial systems in the 1990s, let Japan's leadership once again disappear from top news in the newspapers. The turning point was the Asian financial crisis. When many Asian countries were looking for "the leader" in the Asian region, the Chinese government headed by Zhu Rongji was there to defend its currency to help Asian nations during the crisis.⁵⁰ Japan could not take the leadership on the international stage as the domestic political instability resulted in losing battle.

Sixth, the LDP is not an inclusive political party, but an exclusive organization which has increasingly been generating radical views by the Japanese version of neo-conservatives,⁵¹ not accepted by a majority of the Japanese voters. After the Mori administration (2000-2001), Nonaka Hiromu, who held the number two position of the Japanese government as chief cabinet secretary, logically should have become the next prime minister in 2001. That is, Nonaka, who could be the top leader in Japan, is as significant as America's election of Barack Obama in 2008 since the Nonaka family is originated from the *buraku* or *burakumin*, which is not my misspelling of Barack (Obama).⁵² The fact of the matter was that Nonaka did not even get into the stage of a candidate for Japanese prime minister because he originated from the buraku. One opponent of Nonaka as prime minister candidate is Aso Taro (former prime minister). "We are not going to let someone from the buraku become the prime minister of Japan, are we?" Aso

stated it in the closed-door meeting in 2001.⁵³

After more than 230 years of American history, finally the United States has a black American as the 44th President. In Japan, everyone is staying away from the buraku problem, one of many taboo issues, and not even taking Aso's comment as a scandal. It is unthinkable that the buraku can be the prime minister, nor any other minorities including *zainichi* Korean (Koreans who have been living in Japan for generations) can be "Japanese Barack Obama" anytime soon.

Seventh, the family dynasty in the LDP has increased voter' distrust of politicians and their political laodicennism. Many *Botchan* [spoiled sons] inherited politics as family properties, not because Botchan is good, but because the reputation of the family is well-known in the constituency. The more political dynasties continue to grow, the less people are interested in politics. On the eve of the 2009 election, 112 LDP Lower House members (total 480 members), about 37.8 percent of the chamber, are directly blue-blood kin in political dynasty. In the Aso Taro cabinet, the last administration of the LDP, 11 out 17 ministers belong to political family dynasties.⁵⁴ Since the 1990s, 9 out 11 prime ministers: Miyazawa Kiichi, Hosokawa Morihiro, Hata Tsutomu, Hashimoto Ryutaro, Obuchi Keizo, Koizumi Junichiro, Abe Shinzo, Fukuda Yasuo, and Aso Taro, all inherited their family's political roles. Because these family dynasties continue to expand, talented people basically cannot join politics anymore. Under the name of "democracy," the political corruption is continuing to play out in Japan. These third-rate politicians only make third-rate political decisions. No wonder Japanese politicians have never played a significant role in global politics.

Ironically, the former Prime Minister, Koizumi Junichiro, announced that he would not run in the 2009 Lower House re-election in September 2008. But, Koizumi recommended his 27-year-old son, Koizumi Shinjiro, to take his seat to run for election simply because Koizumi inherited this political seat from his family at age 27. During the campaigning in the 2009 election, Japanese voters gave former Prime Minister Koizumi Junichiro a cold shoulder as he tried to promote LDP candidates by addressing crowds of voters.⁵⁵

Sadly, political dynasties are also beginning to appear in Chinese politics too. The former and current vice president of China, Zeng Qinghong and Xi Jinping, are all from revolutionary family dynasties. Similarly, on 20 July 2009, Hu Jintao promoted three "princelings" including the son of Liu Shaoqi, Liu Yuan, to general rank, the highest military rank in PLA. If China follows in Japan's steps to inherit politics as family properties, the politics in China will obtain similar results from those in Japan.

Conclusion

Some experts state, “Japan now lacks a beacon or control tower in government”⁵⁶ since the decision-making process is based on the “bottom-up” system – the drafting of most bills is by bureaucrats. This significant development ended the LDP’s rubber-stamps as Hatoyama took power. The 2009 election has offered a glimmer of hope to those who have been adversely affected by structural reforms. As soon as the DPJ won the election in August, the nightmare of bureaucrats just started. The Hatoyama Administration declared “war” with bureaucrats by calling *Seiji shudo* [Taking the leadership by politicians or Escaping the Bureaucracy]. The purpose of the “top-down system” by the DPJ is to make political system more responsive by ending more than a century of de facto rule by elite career bureaucrats. In 1886 when the Meiji government took back the power from the Tokugawa Shogun, Japanese bureaucrats began to control the process of political decisions. Since then, regular meetings by top bureaucrats at each ministry and agency usually makes decisions about government policy issues before the Prime Minister calls his cabinet meeting. As Hatoyama was sworn as Prime Minister of Japan on 16 September 2009, the administrative vice minister regular conference held their *last* meeting on 14 September 2009. This symbolized an end to the 123-year-old practice by Japanese bureaucrats in Japanese politics. Furthermore, National Personnel Authority President Tani Masahito, who opposes reforming the national public civil service system, resigned on 11 September 2009, 5 days before the DPJ took power in Tokyo’s Nagata-cho, the political heartland (Japanese version of Capitol Hill). “A half year of Hatoyama has produced more change than an entire year of Obama,”⁵⁷ states Karel van Wolferen, a professor of comparative politics at the University of Amsterdam.

During the six months since the DPJ took power in September 2009, significant challenges have been shouldered in the DPJ. While Hatoyama has stopped some power of bureaucrats’ control Japanese politics, disclosed the Japanese-U.S. secrecy packs, and cut pork barrels in Nagata-cho etc., there are mountainous works for the DPJ to finish. Hatoyama’s own political donation scandal and Ozawa’s money scandal have made the popularity of the Hatoyama Administration around 20 percent,⁵⁸ the danger zone in Japanese politics. Moreover, the Japanese economy has hit its 12th month in deflation,⁵⁹ the Japanese disease has continued infecting Japan’s wounds since the 1990s. After his 8.5 months office, Hatoyama announced the resignation on 2 June 2010 due to the problems of the Okinawa-Futenma base’s relocation and political funds scandal. From the peaceful revolution to the Japanese disease, from laodicean politics by voters to elected non-party candidates by the Mutoha-so voter, the Japanese have been frustrated with politics for more than two decades. Can the DPJ deliver the promises stated during the

2009 campaign with the expectations of Japanese voters extremely high? Time will tell everything! At least, DPJ has four years to fix some problems within Japanese politics since WWII, maybe as far back as the Meiji era.

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Endnotes

- 1 Under the influence of the top bureaucrats, political leaders of LDP and the top business leaders would negotiate secretly to make what would become final decisions if opinion on issues differed among the group. Once a decision was made, it was processed to the Diet through discussion and vote, which people would call the democratic procedure. Because the LDP has majority votes in the Diet, the outcome is positive. Shiozaki Yasuhisa, "Change in the Japanese Policymaking Process," in *Governance For A New Century*, p. 54.
- 2 A series of serious scandals includes the 1989 Recruit scandal with both Ministry of Labor and Ministry of Education, and the 1995 AIDS tainted-blood scandal with the Ministry of Health and Welfare. See, Takashi Inoguchi, "Japanese Bureaucracy: Coping with New Challenges," in *Japanese Politics Today: Beyond Karaoke Democracy?* edited by Purnendra Jain and Takashi Inoguchi (New York: St. Martin's Press, 1997), pp. 92-107.
- 3 Kitaoka, *Jiminto: Seiken-to no 38nen*, p. 28. Igarashi Jin, *Gendai Nihon Seiji* [Contemporary Japanese Politics] (Tokyo: Hassaku Sha, 2004), pp.91-103.
- 4 The M-Fund is worth \$500-billion, which originated from stealing properties from Asian nations by the imperialistic Japanese army during WWII, has been controlled by LDP kingmakers to buy the elections. Sterling and Peggy Seagrave, *Gold Warriors: American's Secret Recovery of Yamashita's Gold* (London: Verso, 2003), p. 6. After publishing the book, the lives of the authors have been threatened; they are currently hidden in Europe. Charlmers Johnson, Norbert A. Schlei, and Michael Schaller, "The CIA and Japanese Politics," *Asian Perspective*, vol. 24, no. 4 (2000): pp. 79-103.
- 5 The disappearance of the diamond refers to the black money, according to the Japanese journalist, which

- reveals the corruption among LDP, right-wings, and business community for more than a half century. Katsunori Tateishi, *Yami ni Kieta Daiyamondo* [The Disappearance of the Diamond in the Dark] (Tokyo: Kodansha, 2009).
- 6 From the last decade of twentieth century to the 21st century, Japan has had eight prime ministers within the ten years. **Kaifu Toshiki** (1989-1991; total 818 days), **Miyazawa Kiichi** (1991-1993; total 644 days), **Hosokawa Morihiro** (1993-1994; total 263), **Hata Tsutomu** (1994; total 64 days), **Murayama Tomiichi** (1994-1996; total 561 days), **Hashimoto Ryutaro** (1996-1998; total 932 days), **Obuchi Keizo** (1998-2000; total 616 days), and **Mori Yoshiro** (2000-2001; total 297 days).
 - 7 Recruit is a human resources company in Tokyo where Ezoie Hiromasa was the leader. Ezoie provided cash and cheap stock (from a Recruit subsidiary, Cosmos) to many businessmen, bureaucrats, and politicians before Cosmos went public in 1986. As Cosmos's share price skyrocketed after the initial public stock offering (IPO), the average profit by individuals in the Recruit scandal received more than 60 million yen. The Recruit scandal eventually brought down the Takeshita cabinet in 1988.
 - 8 In the Kanemaru scandal, the public prosecutors found some 3 billion in anonymous bond certificates, tens of millions of yen in banknotes, and some 100 kilograms in gold bullion from his various offices, town houses, and suites. The Sagawa Kyubin case implicated several former civil servants in local governments, top businessmen of serious bribery of construction companies. Pempel, *Regime Shift*, p. 140. Herbert F. Weisberg and Aiji Tanaka, "Change in the Spatial Dimensions of Party Conflict: The Case of Japan in the 1990s," *Political Behavior*, vol. 23, no. 1 (2001): p. 87.
 - 9 Tanaka Kakuei, former prime minister (1972-74), did not allow anyone from his own faction to become the prime minister. This eventually led the intra-fight within Tanaka faction.
 - 10 The 1955 system refers to the year when the two political parties: *Jiyu*, liberal party and *Minshu*, democratic party, were merged into a party, called the LDP. Also, the 1955 system means two big political parties: LDP representing conservatives, and JSP representing liberals, who have competed with each other, bringing a two-party structure to Japanese politics starting in 1955. Regarding the 1955 system see, Gerald L. Curtis, *The Japanese Way of Politics* (New York: Columbia University Press, 1988), p. 18.
 - 11 Purnendra Jain, "Much Ado About Nothing? The Limited Scope of Political Reform in Japan," in *Japan – Change and Continuity*, edited by Javed Maswood, Jeffrey Graham, and Hideaki Miyajima (London: RoutledgeCruzon, 2002), p. 14.
 - 12 Alex Martin, "Ozawa Looming as 'Shadow Shogun,'" *Japan Times*, 21 November 2010, p. 3. Tanaka Kakuei was "Shadow Shogun," a behind-the-scenes clout that lasted long after his prime ministership ended, such as the creation of the Nakasone Administration. Ozawa Ichiro was the number one disciple in the Tanaka faction. As his mentor, Tanaka behaved toward Ozawa well by arranging a marriage with his own daughter, Nakiko. But she rejected the arrangement due to her high marriage standards. Even today, Ozawa has visited Tanaka's tomb in Niigata Prefecture annually on the date Tanaka passed away.
 - 13 Jain, "Much Ado About Nothing," p. 9.
 - 14 The new electoral system combined single-seat districts (300 seats) and a proportional representation (180 seats) tier. Prior to the 1993 electoral system, Japan adopted a medium-sized multi-member district electoral system. The old system allowed multi-candidates to run the electoral district. Most districts had 3-5 slots (or some districts with 1-6 slots) in which politicians contested the top vote winners. Sometimes, the same party raced against each other in the same district because more than one candidate from the same party could be elected. Based on population, the number of seats was allocated to a particular district. The candidate's individual style prevails over party platform, policy stance, and polit-

- ical ideology. In other words, money was able to buy votes. In the past, many politicians, such as Prime Minister Hatoyama Ichiro in 1965 and Tanaka Kakuei in 1973, attempted to replace the medium-sized multi-member district electoral system, but these attempts failed. Ushiro, *Seiken Kotai he no Kiseki*, pp. 26-59.
- 15 Jain, "Much Ado About Nothing? The Limited Scope of Political Reform in Japan," p. 15.
 - 16 Kitaoka, *Jiminto: Seiken-to no 38nen*, pp. 303-505. Ushiro, *Seiken Kotai he no Kiseki*, p. 47.
 - 17 Chalmers A. Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982). Karel van Wolferen, *The Enigma of Japanese Power* (London: Macmillan, 1989). Chalmers A. Johnson, *Japan: Who Govern? The Rise of the Developmental State* (New York: W. W. Norton and Company, 1995). Takashi Inoguchi, "Japanese Bureaucracy: Coping with New Challenges," in *Japanese Politics Today: Beyond Karaoke Democracy?* edited by Purnendra Jain and Takashi Inoguchi (New York: St. Martin's Press, 1997), pp. 92-107.
 - 18 B. C. Koh, *Japan's Administrative Elite* (Berkeley: University of California Press, 1989), pp. 11-12.
 - 19 Jennifer Amyx, "Reforming Japanese Banks and the Financial System," in *Japan – Change and Continuity*, p. 57. The trust of bureaucrats basically broke down after the 1990s. For example, the bureaucracy has lost an estimated 50 million pension records as was revealed publicly in 2007. Nakagawa Hidenao, *Kanryo Kokka no Houkai* [The Collapse of the Bureaucratic Nation] (Tokyo: Kodansha, 2008).
 - 20 Lonny E. Carlile, "The Politics of Administrative Reform," in *Is Japan Really Changing Its Ways? Regulatory Reform and the Japanese Economy*, edited by Lonny E. Carlile and Mark C. Tilton (Washington, D.C.: Brookings Institution Press, 1998), p. 77.
 - 21 Two reasons for the Big Bang: to use of 1,200 trillion of Japanese personal assets and to prevent a "hol- lowing out" of the Tokyo financial market, had been the main reasons for Hashimoto's decision. Takeo Hoshi and Anil Kashyap, *Corporate Financing and Governance in Japan: The Road to the Future* (Bos- ton: MIT Press, 2001), p. 275 and p. 289. Nakakita Toru, *Nihon Ginko, Shijoka Jidai no Sentaku* [Bank of Japan, The Choice of Market Economy Era] (Tokyo: PHP Kenkyujo, 1990), p. 201.
 - 22 Since WWII, the heads of the MOF becoming the prime minister included Ishibashi Tanzan, Ikeda Ha- yato, Sato Eisaku, Tanaka Kakuei, Fukuda Takeo, Ohira Masayoshi, Takeshita Noboru, Miyazawa Kii- chi, Hashimoto Ryutaro, and Hata Tsutomu. Kyodo Tsushinsha Shakaibu [Local News Edition of Kyodo News] ed., *Hosai Rensa: Chogin, Nissaigin Funshoku Kessan Jiken* [Chain Reaction: The LTCB, NCB Window-Dressing Fiasco] (Tokyo: Kyodo Tsushinsha, 1999), an appendix. Regarding ex-bureaucrats issue see, "Daniel I. Okimoto, "Ex-Bureaucrats in the Liberal-Democratic Party," in *Inside the Japanese System: Readings on Contemporary Society and Political Economy*, edited by Daniel I. Okimoto and Thomas P. Rohlen (Stanford: Stanford University Press, 1988), pp. 187-190.
 - 23 The bureaucratic *amakudari* is not special case for the MOF, but it spreads all over the Japanese bu- reaucratic system including all other ministries and agencies. Koh notes that three ways of *amakudari*: the arrangement by ministry and agency, the invitation by private firms (where they need a bureaucrat's expertise, experience, and contacts), and the reward for past service rendered to a firm. Koh, *Japan's Administrative Elite*, p. 243.
 - 24 Hoshi and Kashyap, *Corporate Financing and Governance in Japan*, p. 1.
 - 25 Kyodo Tsushinsha Shakaibu [Local News Edition of Kyodo News] ed., *Hosai Rensa: Chogin, Nissaigin Funshoku Kessan Jiken* [Chain Reaction: The LTCB, NCB Window-Dressing Fiasco] (Tokyo: Kyodo Tsushinsha, 1999), pp. 233-234.
 - 26 *Ibid.*, pp. 31-67. Kinyu Saisei Kenkyukai [The Study Group of Revitalizing Financial Sectors], *Kinyu Kantoku Cho* [Agency of Financial Supervision] (Tokyo: Takarajima, 1999), pp. 87-8. S. Javed Mas-

- wood, *Japan in Crisis* (New York: Palgrave Macmillan, 2002), pp. 47-8. On 10 March 1998, LTCB had already received about 177 billion yen capital injection from the government, but this injection did not help an alliance arrangement with Swiss Banking Corporation (SBC). Regarding Japan's financial Big Bang, see Kano Tadashi, *Kinyu Saihen* [Restructure of the Financial Sector] (Tokyo: Bunshun Shinsho, 1999). Nishimura Yoshimasa, *Kinyu Gyosei no Haiin* [The Defeating Reasons for Financial Administration] (Tokyo: Bunshun Shinsho, 1999).
- 27 Ohmae Kenichi, a conservative economist, predicts that the American government might need \$5 trillion to \$10 trillion to clean up the subprime loan crisis. It took Japan for 15 year to stabilize their financial system. However, the Japanese disease has not been treated completely. Kenichi Ohmae, "What is Needed to Make the U.S. Financial Bailout Plan a Success," *Japan Times*, 2 October 2008, p. 15.
- 28 Nakagawa, *Kanryo Kokka no Houkai*, p. 24.
- 29 Curtis, *The Japanese Way of Politics*, p. 248.
- 30 It will be likely succeed when a strong and powerful domestic lobby groups echo with foreign demands and pressure.
- 31 Keidanren is representative industry body, and actively promoted the principle of reform and deregulation. Keidanren leaders believe that deregulation can solve Japan's economic depression, trade friction, yen appreciation, and technological challenges. Lonny E. Carlile, "The Politics of Administrative Reform," in *Is Japan Really Changing Its Ways*, p. 89.
- 32 Keizai Doyukai is also representative Japanese industry body.
- 33 For instance, while the Emperor resided as the political authority in Kyoto, Tokugawa Shogun governed the country in Tokyo during the Edo Bakufu. Maswood, "Regulatory Reform in Japan: Issues and Prospects," p. 43.
- 34 Curtis, *The Japanese Way of Politics*, p. 247.
- 35 Bill Powell, "Bubble, Bubble, Toil and Trouble," *Time*, 22 March 2010, p. 28.
- 36 Inoguchi, "Japanese Bureaucracy: Coping with New Challenges," p. 93. Inoguchi also notes that the Japanese government implemented the *Maekawa Report*, which is the outline of the measures for market liberalization. The liberalized plan enabled banks to move into the housing loan market that ultimately created the government's bailout of home financial institutions, known as *Jusen* during 1995-1996. It costs 672 billion yen of taxpayer's money, about 1.3 percent of the 1995 Japanese GDP.
- 37 During the Bretton Woods System, the exchange rate between a dollar and yen was set a dollar = 360 yen. On 15 August 1971, President Richard Nixon suspended the convertibility of the dollar into gold unilaterally or "Nixon shock," a dollar moved to around 315 yen. In 1971, the fixed exchange rate system set yen/dollar at 308. After the collapse of the Smithsonian system, the yen rose over 12%, to 260. The Plaza Accord was the result of several rounds of secret negotiations among the G-5 (Japan, the United States, France, West Germany, and the United Kingdom) earlier in 1985. The purpose of the Plaza Accord was that Japanese exports would be more expensive and hence sell less in the United States as a result of the strengthening of the yen. Hoshi and Kashyap, *Corporate Financing and Governance in Japan*, p. 220. Kyodo Tsushinsha Shakaibu, *Hosai Rensa*, p. 16. Jonathan R. Strand, "Plaza Accord," in *Encyclopedia of Modern Asia*, edited by David Levinson and Karen Christensen. Vol. 4. (New York: Charles Scriber's Sons, 2002), pp. 526-7.
- 38 As of the Plaza Accord in 1985, the American trade deficit toward China was merely \$6,000,000, and it mushroomed by 2009 to a U.S. trade deficit of \$226.8 billion, about 38,000 times larger. However, during this period, the Japanese-US trade deficit only shrank 3 percent. *Nihon Keizai Shimbun*, 6 April 2010, p. 1.

- 39 Because President Ronald Reagan, who had close ties with Prime Minister Nakasone Yasuhiro, had earlier pressed Japan to import more American products in order to reduce American huge trade deficit, Prime Minister Nakasone intervened with Nippon Telegraph and Telephone (NTT) Corporation to buy four supercomputers from Cray Research International based on in Minneapolis. Thereafter, two of the supercomputers sold to the Recruit. It is said the Recruit company received a “favorable arrangement” for NTT in purchasing two American-made supercomputers. Steven R. Weisman, “What’s Next in Recruit Scandal? 15 Years in Court,” *New York Times*, 29 June 1989 (access date: 26 March 2010; <http://www.nytimes.com/1989/06/29/world/what-s-next-in-recruit-scandal-15-years-in-court.html?pagewanted=1>).
- 40 Lonny E. Carlile and Mark C. Tilton, “Regulatory Reform and the Developmental State,” in *Is Japan Really Changing Its Ways*, p. 4.
- 41 Maswood, “Regulatory Reform in Japan: Issues and Prospects,” p. 43. Shiozaki, “Change in the Japanese Policymaking Process,” in *Governance For A New Century*, p. 59.
- 42 Nakane Chie, “Hierarchy in Japanese Society,” in *Inside the Japanese System: Readings on Contemporary Society and Political Economy*, p. 9.
- 43 Asahi Shimbun “Henten Keizai” Shuzai-han, *Ushiwareta Nijunen*, pp. 16-22.
- 44 *Asahi Shimbun*, 23 February 2010, <http://www.asahi.com/business/update/0222/TKY201002220370.html?ref=rss> (access date: 28 March 2010).
- 45 Jeff Kingston, “Winning Was the Easy Part of Hatoyama’s DPJ,” *Japan Times*, 13 September 2009, p. 3.
- 46 “Communists Looking Better Lately,” *Japan Times*, 24 February 2009, p. 15.
- 47 By the end of 2009, LDP, whose membership has dropped from 5 million during its heyday to below 1 million, has seen a massive exodus. “JCP Basks in Discontent as Students Assail Capitalism,” *Japan Times*, 22 April 2009, p. 3. *Yomiuri Shimbun*, 7 May 2010, p. 4.
- 48 The official website of the JCP, <http://www.jcp.or.jp> (access date: 28 March 2010). In addition, a video of Shii Kazuo, party chief of JCP, is broadcasted in YouTube, where most Japanese young people are accessing channels. A “manga” version of *Das Kapital* by Karl Marx became one of the favorite Christmas gifts in Japan. It sold more than 6,000 copies in the first few days in December 2008. Moreover, *Kani Kosen* became a TV drama in Japan by 2009.
- 49 After Koizumi Administration (2001-2006), three prime ministers (366-days Abe Shinzo, 365-days Fukuda Yasuo, and 358-days Aso Taro) served within three years when the peaceful revolution overthrew the LDP in September 2009.
- 50 Barry Naughton, “China: Domestic Restructuring and A New Role in Asia,” in *The Politics of the Asian Economic Crisis*, edited by T. J. Pempel (Ithaca: Cornell University Press, 1999), pp. 210-213.
- 51 Yamaguchi Jiro, *Sengo Seiji no Hokai* [The Collapse of the Post-WWII Politics] (Tokyo: Iwanami Shoten, 2004), pp. 49-52.
- 52 The *buraku* or *burakumin*, are descendants of Japanese who performed tasks including slaughterers, undertakers, and executioners. These Japanese were called *eta* (defiled mass) or *hinin* (nonhuman) who were forced to wear telltale clothing, becoming segregated into their own neighborhoods. During the Tokugawa era (1603-1867), the government officially made the buraku an outcasts class. The word of buraku existed as far back as the 13 century in Japanese history. However, in 1871, the Japanese government officially liberated the buraku, just a few years after the 13th Amendment abolished slavery in the U.S. Norimitsu Onishi, “Japan’s Outcasts Still Wait for Acceptance,” *New York Times*, 15 January 2009. Regarding politics and burakumin, see Nonaka Hiromu and Shin Sugok, *Sabetsu to Nihonjin* [The Discrimination and the Japanese] (Tokyo: Kadokawa One Tema 21, 2009).

- 53 Mari Yamaguchi, "Discrimination Claims Die Hard in Japan," *Japan Times*, 25 January 2009, p. 2.
- 54 The current leaders in the DPJ including Hatoyama Yukio and Ozawa Ichiro, all came from the political dynasty too. "Patrice Novotny, "Politics Built on Family Dynasties," *Japan Times*, 24 September 2008. "Aso, LDP Celebrity of the People," *Daily Yomiuri*, 23 September 2008, p. 2.
- 55 Philip Brator, "My Son, I give You Power over the People," *Japan Times*, 21 June 2009, p. 9. *Asahi Shimbun*, 9 August 2009, p. 34.
- 56 Jamaese M. Lindsay, "The Promise and Peril of Legislative Reform," in *Governance For A New Century*, p. 63.
- 57 Martin Fackler, "Japan Leader Aims to Root Out Bureaucrats," *New York Times*, 24 March 2010 (accessed date: 25 March 2010).
- 58 *Yomiuri Shimbun*, 10 May 2010, pp. 1-3. *Mainichi Shimbun*, 17 May 2010, pp. 1, and 3. *Asahi Shimbun*, 17 May 2010, pp. 1, and 3.
- 59 "Deflation Hits 12th Month," *Japan Times*, 27 March 2010, p. 7.