

## 8

### KOIZUMI'S FAILED REVOLUTION

This book has analysed the politics of Koizumi's structural reform program against a general framework of hypotheses that posit the political conditions for economic reform. The study has thrown into stark relief the obstacles to reform that persist in Japan and which serve to override the many positive political conditions for reform that Koizumi has enjoyed. Despite widespread acknowledgment that radical reform is urgently needed, and despite a proactive, pro-reform administration, Japan represents a case where economic reform is being attempted or initiated, but the process remains superficial, partial, incomplete and unconsolidated.

To those steeped in the assumptions of parliamentary democracy, particularly of the Westminster variety, such lack of progress for a leader bent on reform is paradoxical. Surely, given Koizumi's commitment to a genuine program of reform, he should have much more to show for his efforts. The combination of sincere reform intentions plus limited outcomes can only be understood against the background of Japan's unique, and to Westminster eyes, unusual structure of policymaking.<sup>1</sup> The Japanese model of policymaking deviates from the Westminster system in that the power of the executive is undermined by two alternative power structures: the party and the bureaucracy. They prevent the prime minister from exercising his rightful and proper authority and are thus the main factor stopping Koizumi from exercising strong and effective leadership.<sup>2</sup>

Even those who were previously key players in the traditional policymaking structure acknowledge the source of Koizumi's difficulties. Former MOF Administrative Vice-Minister, Sakakibara Eisuke, has called it the 'party/bureaucracy complex', which, according to Ishizuka, 'lies at the heart of the LDP's old-style politics...[and is] Japan's No. 1 enemy'.<sup>3</sup> A former MITI Administrative Vice-Minister has reached much the same conclusion

Although Prime Minister Junichiro Koizumi is now advocating structural reform, the dual power structure made up of the government and the ruling coalition parties is unfortunately reducing the nation's capacity to make correct judgements of economic and social conditions and to create appropriate policies.<sup>4</sup>

Koizumi is endeavouring to rid Japan of the institutional legacies of the high growth era and to convert Japan from an interventionist declining state into an expanding market-led economy. He is a genuine reformer who does not carry the usual LDP baggage. Likely alternatives as prime minister are all covert supporters of the *status quo* wearing the cloak of reformist rhetoric. Under their stewardship the 'old economy' and 'old politics' would quickly emerge triumphant.<sup>5</sup>

Nevertheless, Koizumi's attributes will fail to make the difference. In attempting to realise his reform goals, Koizumi is pitted against too many opposing power structures that represent profoundly anti-reform interests. As a result, the Koizumi administration's reform outcomes will not be all that distinguishable from those of his predecessors. Authoritative executive leadership is needed for the Japanese government to carry through programs of deregulation, fiscal reconstruction and other policy changes necessary to restore the economy to growth.<sup>6</sup> But, because Japan's political system is structured to undermine the power of the executive, prime ministerial leadership lacks power as an engine of reform.<sup>7</sup> Ineffective government thus compounds Japan's economic recession. As a result, solutions to economic problems continue to be delayed and postponed.<sup>8</sup> Koizumi needs a stronger power base from which to subdue rival power centres. In other words, Japan needs structural reform of its political system before it can embrace structural reform of its economic system. As former Prime Minister Hosokawa emphasises, 'The structure of power must change'.<sup>9</sup> At present Japan has a dysfunctional political system<sup>10</sup> that is incapable of achieving real reforms in spite of a reforming prime minister.

Japan's economic future cannot, therefore, be understood without comprehending its political system, the reason for its chronically weak executive and the reason why it is proving structurally resistant to economic reform. Because the political system is a drag on the economic system,<sup>11</sup> Japan's economic crisis is in reality a political-system crisis. Although Koizumi's performance in achieving his structural reform agenda and in reviving the Japanese economy should be evaluated separately,<sup>12</sup> there is no doubt that the two are linked, particularly in the longer term. As Takenaka has observed: 'Structural reform is the key to fundamentally solving the problems besetting the Japanese economy'.<sup>13</sup> Furthermore, 'Koizumi's prescription is the only scenario in which the Japanese economy can survive'.<sup>14</sup> Economic reform is thus critical to the recovery of the Japanese economy, but the political system is not delivering the needed changes.

In sum, evaluating the prospects for the success of Koizumi's economic reform program requires an understanding of the political conditions that may favour or hinder these reforms. Reformist leaders in democratic systems may not have the support of power blocs who are in a position to obstruct reforms, whether this power is formally defined in constitutions or rules, or informally exercised by convention. In Japan's case, a necessary condition for reform is for the executive to be able to exert its primacy in the policymaking process over entrenched policymaking structures in which forces opposed to reform are embedded. Koizumi's push for reform faces the *de facto* veto power of bureaucrats and LDP politicians.

Revamping the executive branch must remain an important goal of Japan's political reform process. Although the coalition party configuration in the Diet assures passage of government legislation and thus supports a more assertive executive leadership, the checks on the power of the prime minister and cabinet are independent of parliamentary majorities, and lie in the ascendancy of the bureaucracy and party sub-groupings. Koizumi has not been able to achieve the establishment of an executive-led policymaking mechanism that circumvents the LDP and the bureaucracy and which has the power to impose its will on both these traditional policymaking structures. As Nakatani points out, Koizumi has 'failed to overhaul the decision-making process, the most important element of structural reform'.<sup>15</sup> A top-down power structure will require changes to entrenched policymaking norms and conventions, as well as the beefing up of independent policy advisory structures to support both the prime minister

and cabinet ministers. Sugimoto, for example, mistakenly argues that an increased role for individual Diet-member policy experts is a solution to excessive *zoku* power within the LDP.<sup>16</sup> But the most appropriate solution in a parliamentary cabinet system is to restore the rightful powers of the executive. If individual politicians develop their policymaking abilities, these could be put to the use of the executive by their selection as ministers or deputy ministers.

If Koizumi can bring about this kind of political transformation he will have laid a solid foundation on which any reform-minded executive can build. But, if he fails, his likely successors may turn to a kind of populist xenophobia that conveniently lays the blame for Japan's economic troubles on outside forces and which uses nationalism as a force to gain public support in the absence of constructive policies. There have already been manifestations of this, with allegations that Japan's economic problems are really the United States' fault and symptomatic of a US conspiracy to take over the Japanese economy by buying up its assets cheaply.<sup>17</sup> As the economic crisis takes a higher social toll, the risks of xenophobic reactions rise.

Given the mutual exclusivity of LDP interests and structural reform, a necessary condition for reform may be removing the LDP from power. The LDP represents the bloc votes of outdated, inefficient and protected industries which have drained the fiscal coffers dry and which cannot withstand the kind of market reforms that Koizumi is trying to institute. In this light, some are advising that Koizumi should split from the party and lead a new opposition force in the Diet with a strong public mandate to effect reform.<sup>18</sup> This might also unravel the tight nexus between the LDP and the bureaucracy that protects vested interests.<sup>19</sup> The bureaucracy would lose its political base and main protector in the LDP.<sup>20</sup> As Miyauchi has commented, Koizumi 'is trying to change the LDP from within, but probably in vain...It seems more reasonable to me for him to leave the party'.<sup>21</sup> In an article in the *Sankei Shinbun* on 4 April 2002, Nakatani argued along similar lines that

Koizumi should leave the LDP, which is full of antireform politicians, and create a new political party with proreform lawmakers. He should then dissolve the Lower House for a snap election. After an election, he should establish a stronger Cabinet with the same views as the ruling party. Unless the ruling party and the Cabinet have the same policy stance, the overlap of power will continue to trouble the nation.<sup>22</sup>

Although Koizumi's power base in theory remains stronger if he stays in the party, which is the largest single party in the Diet and which is supported by

more Japanese people than any other,<sup>23</sup> it is highly unlikely that he will be able to remain immune to the political pressure that party stalwarts will increasingly bring to bear on him if he stays within it. If he is 'captured' by the party and is forced to compromise too much on his program, he is finished as a reformer. As Nakatani observes, 'the Koizumi Cabinet could revert to the traditional Japanese politics controlled by vested interests'.<sup>24</sup> Shiozaki adds that he wants Koizumi to destroy the LDP before he, Koizumi himself, falls.<sup>25</sup>

One suspects, however, that Koizumi is content to be a 'reformer within the system' and that he prefers his LDP base over his commitment to reform. If the latter took priority he would show more courage in delivering ultimata to his own party: reform or else! The 'or else' would entail calling a general election to try and obtain stronger public endorsement for his reform program, establishing a pro-reform party of his own and gathering like-minded politicians from the LDP and opposition parties around him. When his public support was sky high, such a scenario was a real possibility, in which case, the Koizumi administration might have represented an opportunity for significant partisan realignment in Japan. This would have seen market reformers from the LDP, DPJ, Liberal and Conservative parties join up to confront the forces of conservative socialism. Because all these parties contain elements that span the market-interventionist spectrum, it might have been possible for such a shift to occur along economic lines, especially between parties' senior and junior members.<sup>26</sup> The fact that Japan's party system has changed from a semi-permanent single ruling party system to a semi-permanent coalition party system in the 1990s also makes partisan realignment easier. Japan could have finally acquired a party that represents the broad mass of urban, consuming voters, particularly as the reformers would represent mainly urban constituencies. It would take such an event to create the much vaunted but aborted 'regime shift' of the early 1990s.<sup>27</sup>

With the decline in Koizumi's popularity, however, splitting from the LDP has become less likely because Koizumi is on less sure ground within his own party and also amongst the opposition. There is less kudos for other Diet politicians to hitch themselves to the Koizumi star if he is no longer a star.<sup>28</sup> At the crucial moment it would appear that Koizumi was not prepared to lay his political life on the line by calling an election based on a reform platform,

potentially sacrificing his links with mates in the LDP, striking out on his own and gathering like-minded reformers around him. In this respect, Koizumi failed the test as a true reformer.

Even if Koizumi fails, his efforts will not have been totally been in vain. His administration has had a significance that is only now becoming apparent and will become even more so in retrospect. First, Koizumi has shown in stark terms the *de facto* power of the LDP and the bureaucracy as discrete and independent sources of power in the policymaking process and as a major blockage to reform of the economy. His experience undoubtedly signifies that the dual LDP-bureaucracy structure of power is incapable of contemplating and carrying out reform. Koizumi has, therefore, driven home how the traditional policymaking system is contributing to 'Japan sinking' (*Nihon chinbotsu*).<sup>29</sup> As long as this traditional machinery of government grinds on, no reforming prime minister, even one in the Koizumi mold, will be able to achieve substantial reform. Japan's current policymaking structure is incompatible with a thriving Japanese economy.

Second, leaders without public appeal and public support who cannot relate directly to the Japanese people through the media will be short-lived and at a severe political disadvantage. As Kitaoka suggests: 'The style of politics in which politicians speak only to insiders is...coming to an end'.<sup>30</sup> Curtis reaches the same conclusion, arguing that politicians henceforth will have to follow Koizumi's lead in being able to manipulate the media rather than manipulate the LDP factions.<sup>31</sup> Moreover, strong signs are emerging that leadership attributes are very important in attracting votes. As Kabashima and Imai's research has underlined, voting behaviour is being increasingly influenced by the image of the leader rather than the policies of each political party.<sup>32</sup> Kabashima recently claimed: 'if a party appoints a young and talented person outside of Nagata-cho to the top, the party can leap forward'.<sup>33</sup>

Third, Koizumi has provided a strong example of a new style of prime ministership. He has operated as a top-down leader and exploited new powers of policy initiative centring on executive structures. For instance, he has made a lot more use of the CFP than either of his predecessors. So he has effected political structural reform in a modest way and paved the way for a further strengthening of this system under a like-minded leader.

Overall, however, Koizumi is just a transitional politician. Although definitive judgment on his structural reform program cannot be passed because it is still work-in-progress, and although Koizumi shows great will and determination to change Japan, he is a structural reformer who will not achieve structural reform. What he has done is show the way for future leaders to follow. As one Japanese policy researcher commented, Koizumi 'will be the man who starts the job of reform, but he won't be the one to finish it'.<sup>34</sup>

A scholar of Japanese history, Kaku Kôzô, has observed that,

even in a time of crisis in Japanese history, a new hero does not emerge easily. The only times Japan succeeded in reforming quickly were the Meiji Restoration and the Taika Reform of 645AD, which shifted centralised power out of the hands of individual families. The point in common between the two reforms was *gaiatsu*: invasion from the Korean peninsula for the Taika Reform and Matthew Perry's 'black ships' for the Meiji Restoration. Only after the Japanese have no way out of their trouble does a revolution break out. Then the people in power abandon their immediate interests and reform. These 'ships' will come soon. The Japanese do not feel a crisis until it is upon them.<sup>35</sup>

## NOTES

- <sup>1</sup> See the author's forthcoming article entitled 'Japan's Un-Westminster System', in *Government and Opposition*, Winter 2003.
- <sup>2</sup> Curtis made a similar observation in 'Tokushû: Shidôryoku Fukyô', p. 81, as has the *Nikkei*: 'policy decision-making system under leadership of prime minister's official residence is not working well due to strong pressure from the ruling coalition and bureaucracy'. *Nikkei Weekly*, 14 June 2002.
- <sup>3</sup> *Nikkei Weekly*, 13 May 2002.
- <sup>4</sup> Quoted in *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020426wo12.htm>>.
- <sup>5</sup> The fear for people like Eda Kenji is that, if Koizumi resigns, the 'old power' will return and spread public money (*yosan no baramaki*) around to push a temporary recovery of the economy. Once there is a return to this policy, Japan will never recover. 'Koizumi Shushô', p. 129. The same fear is shared by LDP Diet member Ôhara Ichizô, who argues that '...the alternative is much worse. If the Koizumi administration is brought down, Japanese politics will once again be in the grip of the anti-reform forces. This outcome will make it almost impossible for Japan to break out of its economic slump'. *Asian Wall Street Journal*, 20 June 2002.
- <sup>6</sup> As Takenaka observes, 'strong political leadership is essential to fight against vested interests'. 'Japan Takes on Challenges', p. 3.
- <sup>7</sup> Gerald Curtis has commented: 'Unfortunately, the state of Japanese politics is ineffective government...[and] ineffective leadership'. See *Japan: Crisis or Reform*, p. 10.

- <sup>8</sup> Curtis, 'Tokushû: Shidôryoku Fukyô', pp. 82–3.
- <sup>9</sup> Quoted in *The Japan Times Online*, <<http://www.japantimes.co.jp/cgi-bin/geted.p15?eo20020520mh.htm>>.
- <sup>10</sup> Sheard, for example, argues that 'the key to understanding why we are where we are in this cycle of...potential crisis in Japan really has a lot to do with the politics of the situation and the dysfunctionality of the whole policymaking apparatus'. *Japan: Crisis or Reform*, p. 6.
- <sup>11</sup> Curtis goes as far as to suggest that Japanese politics is a drag on the country. *Japan: Crisis or Reform*, p. 11.
- <sup>12</sup> As Kobayashi observes, there is a 'misconception that structural reform would mean instantaneous economic recovery. The difficulty that Japan is facing in its reform effort is unprecedented in history and the effect of such a reform effort will not become visible until several years later, as experienced by Western nations in their reform processes'. 'The Koizumi Administration', <[http://www.glocom.org/opinions/essays/200206\\_kobayashi\\_one\\_year/index.html](http://www.glocom.org/opinions/essays/200206_kobayashi_one_year/index.html)>.
- <sup>13</sup> 'Japan Takes on Challenges', p. 2.
- <sup>14</sup> *Financial Times*, <<http://news.ft.com/ft/gx.cgi/ftc?pagename=View&c=Article&cid=FT3OGVY6BZC&live=true>>.
- <sup>15</sup> *The Japan Times*, 16 April 2002.
- <sup>16</sup> See his Chapter 6 on 'Proposals for Politicians to Develop Policymaking Abilities', in *A Study of LDP Policymaking Abilities*, pp. 29–33.
- <sup>17</sup> See the article cited earlier by Takasugi Ryô, for example, in the May issue of *Bungei Shunjû*.
- <sup>18</sup> Kobayashi, 'Koizumi Shushô', *Politico*, May 2002, pp. 46–7.
- <sup>19</sup> Former Prime Minister Hosokawa claims that his own cabinet announced 'nearly 100 reform programs in the month after its inauguration. We met strong resistance from bureaucrats, but were able to implement reforms quickly since there were no lawmakers with vested interests in the ruling coalition who supported the bureaucrats'. Quoted in *The Japan Times Online*, <<http://www.japantimes.co.jp/cgi-bin/geted.p15?eo20020520mh.htm>>.
- <sup>20</sup> Kan Naoto comments that, because the Koizumi Cabinet is an LDP administration, it cannot be expected to resist the *zoku giin*-bureaucratic complex. 'Kono Kaikaku wa Watashi ga Taosu', pp. 337–8.
- <sup>21</sup> Quoted in *Financial Times*, <<http://news.ft.com/ft/gx.cgi/ftc?pagename=View&c=FT3XAVB51D>>.
- <sup>22</sup> *The Japan Times*, 16 April 2002.
- <sup>23</sup> Former Prime Minister Nakasone has even gone as far as to advise Koizumi to bring resistance forces like Nonaka and Kamei Shizuka into his cabinet in order to carry out his reforms.
- <sup>24</sup> *Japan Times*, 16 April 2002.
- <sup>25</sup> Quoted in Tawara et al., 'Koizumi ga Tâoreru mae ni', p. 122.



- <sup>26</sup> Stockwin also notes that the distinction between the traditionalists and the modernisers in nearly all parties coincides with differences of interest and outlook between the generations. J.A.A. Stockwin, 'The Japanese General Elections of June 2000: Revolution or Ripple', unpublished manuscript, n.d., p. 19.
- <sup>27</sup> T. J. Pempel, *Regime Shift: Comparative Dynamics of the Japanese Political Economy*, Ithaca, NY, Cornell University Press, 1998.
- <sup>28</sup> See also the comments on this in Curtis, *Japan: Crisis or Reform*, p. 10.
- <sup>29</sup> Curtis makes a similar analogy. He refers to 'a large edifice that sits atop a weak and collapsing foundation'. 'The Koizumi Administration', p. 294.
- <sup>30</sup> 'Can Koizumi the Demagogue Become a True Leader?', p. 289.
- <sup>31</sup> 'The Koizumi Administration', p. 293.
- <sup>32</sup> Kabashima Ikuo and Imai Ryôsuke, 'Evaluation of Party Leaders and Voting Behaviour—An Analysis of the 2000 General Election', *Social Science Japan Journal*, Vol. 5, No. 1, April 2002, pp. 85–96.
- <sup>33</sup> Quoted in Kawano, 'Dete koi!', p. 13.
- <sup>34</sup> BBC News | ASIA-PACIFIC | New Japan cabinet causes stir, <[http://www.bbc.co.uk/hi/english/world/asia-pacific/newsid\\_1297795.stm](http://www.bbc.co.uk/hi/english/world/asia-pacific/newsid_1297795.stm)>.
- <sup>35</sup> Quoted in Kawano, 'Dete koi!', p. 15.