

Japan's Confused Revolution

On September 2, 2009, Japan's new prime minister, Yukio Hatoyama, received his first congratulatory phone call from President Barack Obama. In their discussion, Hatoyama reportedly emphasized that the landslide victory of his Democratic Party of Japan (DPJ) on August 30 was due in large part to the "change" theme championed by Obama himself in the 2008 U.S. presidential election.¹ Hatoyama was not just flattering the U.S. president. At the time of Japan's election, Obama enjoyed 90 percent popularity in Japan—far higher than his support in the United States and about twice Hatoyama's own popularity in most Japanese polls. The Japanese public was fascinated that the American people had elected such an unlikely candidate and rejected the party in power at the ballot box. They themselves had only voted a government out of power twice before in Japanese history: in 1924 and 1947. All other peaceful changes of power were worked out in smoke filled rooms by senior politicians. That was how the conservative Liberal Democratic Party (LDP) that ruled Japan since 1955 briefly lost power to an eight-party coalition cobbled together in 1993 by Morihiro Hosokawa.

Japan has a fundamentally conservative political culture—it does not do bottom-up revolutions. Even the greatest internal regime change in Japanese modern history—the 1868 Meiji Restoration—represented the return of Imperial power after a struggle of one group of elites against another, rather than a popular rebellion from below. Yet, on August 30 it was the Japanese voters who gave the DPJ the biggest landslide in Japanese political history, with the party's ranks

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swelling from 115 to 308 of the 480 seats in the powerful Lower House of the Diet and the LDP collapsing from 300 seats to 119.

In their phone call, Obama congratulated Hatoyama on his historic victory and pledged to work closely with the new Japanese government. Senior staff on both sides, however, urged the two leaders to avoid specifics, and for good reason. The DPJ had made a number of contentious campaign pledges about blocking agreements on realignment of U.S. bases in Japan and unilaterally withdrawing Japanese naval forces refueling coalition vessels under U.S.-led counterterrorism operations in the Indian Ocean. The Obama administration's experienced Asia hands knew that the DPJ was internally divided over these pledges and therefore might be coaxed away from the most problematic ones after settling into power. For its part, the DPJ leadership was aware that the election had not been about foreign policy, that 75 percent of the public supported the U.S.-Japan alliance, and that an open fight with Obama could backfire domestically against the untested government.

This election was mainly about throwing out the LDP.

The DPJ leadership hoped that by first focusing on the personal relationship between Hatoyama and Obama and their common “change” themes, they would be able to address these issues later rather than shelving them, which would have precipitated a rupture within the party itself as well as with the leftist Social

Democratic Party (SDP) in the ruling coalition. For their part, senior U.S. officials hoped to minimize change to the alliance by emphasizing “respect” and “patience” in the short term, and then steadily socializing the new government to the reality that there is virtually no difference in the Japan strategies of the Bush and Obama administrations.² This delicate dance continues.

One thing is clear from this seismic occurrence in Japanese political history: the structure of Japanese politics and policymaking will change. That is what exit polls showed the Japanese people voted for, and it is what they will receive. The public polling, however, suggests that the new DPJ government does not have a clear mandate on foreign and economic policy, nor is there cohesion on these issues even within the party leadership. How Hatoyama and the DPJ leadership negotiate these issues over the coming months, and probably years, will matter. Japan is still the second largest economy in the world and the second largest financial contributor to most international institutions including the UN, the International Monetary Fund (IMF), and the World Bank. Japan's alliance with the United States is indispensable to the U.S. military presence in the Asia-Pacific region and to Japan's security, and stands as the cornerstone for peace and stability in a region witnessing enormous shifts in the balance of power.

The structure of international relations in Asia, the limited options for revitalizing Japanese economic growth, and the polling data on the preferences of Japanese voters all suggest that the general trajectory of Japanese foreign and economic policy will not fundamentally change in the longer term, even if there is a bumpy and uncomfortable ride for the U.S.-Japan alliance in the short term. But there is enough uncertainty now in Japanese politics that even this cannot be taken as a certainty.³ It is, therefore, important to unbundle the election result and to understand a) why the LDP was so thoroughly thrashed; b) how Japanese policymaking and the political process will now change; c) what the DPJ will likely say and do (two different things) on security policy; and finally, d) whether DPJ policies will revitalize the Japanese economy.

Why the Bums Were Thrown Out

The end of the LDP's dominance of Japanese politics was inevitable. The party was formed in 1955 out of a merger of smaller conservative parties that agreed on three broad principles: prioritize economic recovery, align with the United States in the Cold War (these first two were mutually reinforcing), and develop the minimal military defense capabilities necessary to hedge against abandonment by the United States while avoiding a debilitating debate over rearmament at home and in Asia. The party was a creature of the Cold War and, like conservative parties in South Korea and Taiwan, thrived in a bipolar international system.

The LDP also stayed in power by responding to crises in public confidence, shifting leadership among the party's fiercely competitive factions two dozen times and by taking steps to redistribute wealth through stimulus packages or social welfare policies co-opted from the hapless socialist and left-of-center opposition parties. Gerrymandered districts gave the LDP a solid electoral base in conservative rural districts that also enjoyed closed agricultural markets. Big business, represented by the Federation of Economic Organizations (*Keidanren*), tolerated the inefficiencies in the rural economy and bankrolled the LDP in exchange for help against labor unions, foreign competition, and the occasional overly zealous bureaucrat. And bureaucrats played their part by making sure the economy continued humming at a fine pitch, returning the LDP to power election after election.

All of this changed, of course. By the 1970s, politicians figured out how to manipulate government budgets to enrich their districts and line their own pockets without kowtowing to bureaucrats. The new way of politics was mastered by a former army sergeant named Kakuei Tanaka, whose faction dominated the internal LDP balance of power until the ascent of Junichiro Koizumi in 2001. The Tanaka faction pioneered the use of Japan's colossal postal savings system

and other semi-public corporations to fund projects throughout the countryside. After the 1985 Plaza Accord committed Japan to reduce global current account imbalances by increasing the value of the yen, Japanese assets suddenly swelled in value, creating a “bubble economy” and huge cash flows into Nagata-cho (Japan’s Capitol Hill) with the predictable result of politicians becoming even more corrupt. Keidanren and big business grew concerned, but no longer had the same hold on the LDP because of the party’s diversified fund-raising techniques. (Big business was also more focused on moving manufacturing overseas because of the stronger yen.)

The entire “1955 system”—as the iron triangle of the LDP, business, and the bureaucracy was known—began to unravel by the early 1990s. Corruption scandals proliferated, epitomized by prosecutors’ discovery of a secret room in the house of Tanaka faction strongman, Shin Kanemaru, containing piles of gold bars, precious gems, and German bearer bond notes. The economic bubble collapsed with a precipitous drop in the value of the Tokyo stock exchange in 1990 that ushered in a “lost” decade of anemic growth and a steady loss of public confidence in the LDP and the bureaucracy.

The new DPJ government does not have a clear mandate on foreign and economic policy.

Meanwhile, the end of the Cold War sucked the old ideological oxygen out of the system. First, the ranks of the SDP began evaporating, and then it was the LDP’s turn. Many observers wrote the party’s obituary in 1993 when Hosokawa took the government away from the LDP with a coalition of LDP defectors and new center-left parties. In some ways, that really was the year the LDP died. But the party managed to

resurrect itself in a state resembling the undead, sustaining its own life by forming a coalition with, and subsequently sucking the life out of, first what was left of their old enemies, the SDP, in 1994 and then with smaller, more malleable parties beginning in 1996.

Despite this skillful coalition maneuvering, the LDP continued to lose the public’s confidence until it was again saved from the brink of disaster in 2001 by a new face for the party: the successful insurgent campaign of the maverick reformer Koizumi. He won the party presidency, and with it the premiership, by taking on the Tanaka faction and the old party bosses, vowing to destroy the party in order to bring reform, if he had to. While internationally, Koizumi was best known for his decisive and sometimes controversial decisions on foreign and security policy, such as his deployment of Japanese Self-Defense Forces (JSDF) to Iraq or his visits to Yasukuni Shrine (and, of course, his Elvis Presley imitation), at home it was the death blow he dealt to the Tanaka faction style of LDP

politics by dismantling and privatizing the postal savings system, the engine of Tanaka's empire. What followed next was a clash of titans, won by Koizumi only after he ejected dozens of members of the LDP who opposed postal privatization by running fresh new candidates against them in their own districts. The public loved it, handing Koizumi 300 seats in the August 2005 election—Japan's largest electoral landslide up to that point.

When Koizumi left office in September 2006 as he had promised to do from the beginning, he had the highest popular support ratings of a departing prime minister in Japanese history.⁴ His successors—Shinzo Abe, Yasuo Fukuda, and Taro Aso—all fell within a year. They lacked Koizumi's charisma and especially his luck. Abe was particularly star-crossed when it was exposed on his watch that the government had years earlier lost track of 50 million pensions, a revelation that cost the LDP control of the Upper House of the Diet in July 2007 elections, handing the DPJ a perch to slow down legislation and throw the Diet into paralysis. Koizumi's successors also failed for another reason: they no longer represented change. Where Koizumi had defied faction bosses and ejected opponents of reform from the party, his successors returned to traditional faction-based cabinets and welcomed the anti-reform defectors back into the party's fold. The devastation wrought on the Japanese economy by the international financial crisis alone might have been enough to cost the LDP the election, but victory would have been elusive even without the crisis. Koizumi had brought Japanese politics forward, but his successors seemed to be letting it slide back to an era the Japanese voters had already rejected.

To be sure, the DPJ deserves credit for winning. They fielded charismatic candidates, apportioned seats carefully to avoid internal squabbles or competition with other opposition parties, and capitalized on popular resentment of the bureaucracy's mismanagement of pension funds and the economy. But these tactical successes only assured the scale of the opposition's victory. The most important thing the DPJ had to do to win in August 2009 was not make mistakes as the LDP ship slowly sunk below the waves.

A typical indicator of this sentiment was a poll taken by the liberal *Asahi Shimbun* the day after the election in which 69 percent of voters said that the change of government was a good thing. This surprisingly included 46 percent of people who had voted *for* the LDP.⁵ In the same poll, 81 percent responded that they thought the DPJ had won because people wanted a change of government, while only 38 percent responded that the DPJ victory was due to its policies. Nor do the voters want to see a new governing party dominate politics the way the LDP had. They want a competitive two-party system. Seventy-six percent of respondents in the *Asahi Shimbun* poll said that they wanted the LDP to recover their competitiveness, and in another poll taken on September 7 by the conservative *Sankei Shimbun*, 66 percent of respondents said the DPJ had won

“too many seats”⁶ (this had to have included a significant number of people who had voted *for* the DPJ). In short, this election was mainly about throwing out the LDP rather than embracing the specific policy proposals espoused by the victorious DPJ.

Changes in Politics and Policymaking

Of course by throwing out the LDP, voters also hoped to change the style of politics and policymaking. When asked after the election what campaign pledge the DPJ should implement, Japanese voters overwhelmingly say the party’s promise to “change the relationship between politicians and bureaucrats.”⁷ This was also a central theme in the DPJ’s August 18, 2009 campaign manifesto and stands as the one area where the left, right, and center of the party have consensus.⁸ Bureaucracy-bashing is not only popular, it is critical to the DPJ’s efforts to solidify its base by redirecting budget outlays away from traditional LDP constituencies before the Upper House elections scheduled for the summer of 2010.

The DPJ is attempting to bend bureaucrats to its will with four major changes in policymaking. First and most important, the party has shifted the initiative on forming the national budget to the prime minister’s office by establishing the new National Strategy Unit (*Kokka Senryaku Kyoku*), headed by former DPJ leader and current Deputy Prime Minister Naoto Kan and his deputy, Motohisa Furukawa (who is one of a number of talented younger technocrats recruited by the party over the years). In one sense, the National Strategy Unit builds on efforts by the LDP to strengthen the authority and power of the prime minister’s office that began under Prime Minister Yasuhiro Nakasone in the 1980s and reached a crescendo with Abe’s 2007 proposal for legislation to form a Japan National Security Council (modeled in part on the U.S. National Security Act of 1947). Those LDP efforts, however, focused largely on security strategy and crisis management. For the DPJ, it is about the economy and more specifically about control of the budget. The new National Strategy Unit is already pouring over the bureaucrats’ proposals for the fiscal year 2010 budget, which should be approved by the cabinet in December 2009 and the Diet in March 2010.

The second major change in policymaking is the DPJ pledge that policy formation will take place in the cabinet and not within the party. The LDP Policy Affairs Research Council and its powerful policy “tribes” (*zoku*) had steadily emerged as a shadow government that deliberated major policy decisions, leaving Diet committees to fight over politics rather than the substance of legislation. The process took place within LDP headquarters and was not transparent. The DPJ argues that leaving policymaking to the cabinet

will make it clear who is accountable for decisions and will force the chief cabinet secretary to explain the government's policy deliberations in his daily press conferences (the cabinet secretary also serves as chief spokesman for the government).

The third change by the DPJ is the elimination of the Administrative Vice Ministers Coordination Meetings (*Jimu jikan kaigi*) where the top bureaucrats from each ministry would attempt to resolve interagency issues without having their political masters involved. This system basically reinforced mutual self-protection of each bureaucratic stovepipe at a time when policy challenges increasingly cut across jurisdictional lines and required better coordination. The DPJ has instead instituted regular coordination of the parliamentary vice-ministers, ensuring that the politicians themselves are doing the key cross-agency coordination.

Finally, the DPJ has promised to have at least 100 politicians in the ministries as political appointees, a promise that has caused several top bureaucrats to worry about their own jobs. In reality, very few are likely to be fired since politicians would not actually know how to run things without professionals (and there were already 70 or so politicians assigned as ministers or junior ministers). The main job of the increased politicians will be to look over the shoulders of the bureaucrats and make sure the policy process is not hidden from the prime minister.

Senior officials are now uncertain what Japanese policy will be on Afghanistan or nuclear weapons.

On the whole, these changes bode well for Japan's democracy. They should open Japan's policy process to greater public scrutiny and participation by civil society and will strengthen the hands of the politicians, meaning future governments, even the LDP, will likely retain them. Over time, the changes should also benefit competent and articulate policy experts rising up through the ranks of the political parties, improving the quality of Japanese political leadership. Moreover, the shock of electoral defeat and detachment from the government trough should also shake up the LDP. Perhaps it will even revitalize Keidanren itself, where declining industries like steel and chemicals have a disproportionate influence, reflecting the heavy industrial stage of Japanese economic development rather than the new internationalism of Japan's most successful companies. Overall, the Japanese public may finally receive the changes in governance they have wanted for over a decade.

On the other hand, there are reasons to be skeptical about the prospects for revolutionary change in the style of Japanese politics. Indeed, 46 percent of Japanese polled after the election by *Asahi Shimbun* said they doubted the DPJ

would actually be able to change politics in the end.⁹ One source of skepticism is who actually leads the DPJ: Hatoyama has proven surprisingly popular for a man once dismissed by his opponents as a “space man” because of his odd temperament. But there is no doubt that the real power behind the throne lies with Ichiro Ozawa, the secretary-general of the DPJ, principal architect of the party’s electoral victory, and therefore godfather to most of its 193 freshly elected Lower House members (though a fundraising scandal forced him to resign as party leader and prime ministerial candidate in May 2009). Ozawa once championed the idea of reform in his 1994 book, *Blueprint for a New Japan*,¹⁰ and was one of the defectors who helped briefly bring down the LDP in 1993. He has a well-earned reputation for Machiavellian political tactics, which he learned at the knee of the Tanaka faction.

In fact, looking at the new cabinet, it is not difficult to spot the reactionary residue of the old 1955 system. The new minister for banking and postal services in the cabinet is Shizuka Kamei of the Japan New Party, an LDP veteran cast out by Koizumi’s postal reform battles, now in charge of rolling those reforms back on behalf of the coalition. The major economic theme put forward by the coalition on its first day in office was an attack on the free market reforms of Koizumi and a promise to “increase the disposable income of consumers.”¹¹ In a way, the DPJ benefited from a contradiction in Japanese public sentiment: the party could attack the LDP for returning to tired old patterns of politics the public hated after Koizumi left office, *and* simultaneously scapegoat Koizumi’s reforms for the economic distress of the country, all while promising greater government handouts of a kind with Tanaka’s largesse only distributed through cash handouts and taxcuts rather than bridges and roads.

Clean government backbenchers in the DPJ were so worried about the Ozawa-centrism of the new cabinet that they demanded a seat for one of their heroes, Seiji Maehara, who eventually was named minister of land and infrastructure. They were right to be worried. Ozawa has not fully escaped the political scandal that forced him to resign as DPJ leader, and the same political fundraising investigation has threatened to take Hatoyama’s top staffer as well.¹² It would be both ironic and a great waste if the new DPJ coalition returned to closed-door corrupt politics of previous eras, not least of all because it would make it easier for the LDP to stage a comeback without undergoing its own reform and rejuvenation.

The Change Not Voted for—Foreign and Defense Policy

Only 3 percent of voters in *Sankei Shimbun* exit polls said they were primarily focused on foreign and security policies in the August 30 election.¹³ In general, Japan’s foreign and security policies have become steadily less polarized and have

shifted steadily rightward since the end of the Cold War. In government polls taken shortly before the election, 76.4 percent responded that the U.S.-Japan alliance was useful for Japan, and 73 percent said that they felt close to the United States.¹⁴ In the same polls, 66.6 percent said they did *not* feel close to China and 71.9 percent opposed the notion of a Japanese alliance with China. Support for changing the Japanese peace constitution has also steadily increased, with 51.6 percent in favor in April 2009, the most recent poll taken before the election.¹⁵

Meanwhile, in spite of a messy impasse in the Diet between the DPJ-led Upper House and the LDP-led Lower House, the two parties came together to support unprecedented new missions for the JSDF in 2009. First, in anticipation of North Korean missile tests in March 2009, the JSDF were authorized to establish their first joint command with rules of engagement that allowed the commanding officer to shoot down threatening missiles without seeking cabinet approval. Then in June, the JSDF established the first joint command overseas (in Djibouti) for anti-piracy operations, with rules of engagement that allowed the unprecedented use of force against pirates threatening third nation's vessels (putting at least one toe across the government's traditional interpretation that the constitution prohibits participation in "collective defense").

The new Japanese government presents something of a countercurrent to these general trends in Japan's strategic culture. While in opposition, the DPJ opposed Koizumi's specific decisions to send Japanese ships to the Indian Ocean after the September 11, 2001 attacks as well as Japanese ground and air forces to Iraq after Operation Iraqi Freedom. Internally, the party was divided between former socialists as well as younger progressives on the left who wanted no forces sent abroad and former LDP politicians as well as younger hawks on the right who privately favored even more robust deployments of the JSDF abroad but objected to what they saw as Koizumi's lack of consultation with the Diet. Ozawa tried to bridge these differences and find a way to oppose Koizumi by stating that he opposed all deployments by the JSDF *unless* they had a UN mandate, in which case he would support broader rules of engagement on the ground. How that contorted security doctrine would work in practice is now something the DPJ is being forced to confront.

The DPJ also finds itself in a bind about pledges made to create a "more equal alliance" with the United States, including among other things: withdrawing its ships from the multinational coalition in the Indian Ocean, renegotiating bilateral agreements to move U.S. Marines from Okinawa to Guam as well as to

The DPJ is having difficulty transitioning from campaigning to the practical demands of governing.

build a new Marine helicopter base back in Okinawa, revising the Status of Forces Agreement governing U.S. forces in Japan, and declassifying secret documents related to U.S. nuclear weapons policy in Japan in the 1950s and 1960s. Recognizing the broad public support for the alliance, the DPJ shifted the language on these demands in the policy manifesto it produced just before the election, promising only to “work towards” satisfaction in each area. The party’s difficulty in building internal consensus, however, was reflected in a parallel index it produced for internal purposes that used the original language promising to fulfill all of their demands in the alliance.

The DPJ’s promise to move closer to Asia also sends confusing signals. Hatoyama made news after his bilateral summit on the margins of the September 2009 UN General Assembly with President Hu Jintao of China by promising to create a new “East Asian community” that would, by implication, exclude the United States. This, however, was not a new proposal¹⁶ since LDP governments had already agreed to this vision in regional summit meetings held as far back as

2007.¹⁷ Nor is an exclusive East Asia community likely to become a reality any time soon, judging from polling done by CSIS in late 2008 that demonstrated deep skepticism across the region, especially in Japan, about whether security and economic prosperity could be sustained over the coming decades without the United States.¹⁸ Indeed, from the perspective of U.S. national interests,

The DPJ has promised a return to the justice of the Japanese social contract.

more positive ties between Japan and its Northeast Asian neighbors would be a welcome development, particularly Hatoyama’s pledge not to inflame regional emotions about Japan’s historical aggression. The problem has been that the DPJ has often chosen to articulate its Asianist vision as a kind of counterbalance to the United States, a theme that worked well during the campaign when the party was trying to portray Koizumi as a U.S. lapdog, but one that now sends confusing signals to Washington.¹⁹

There appears to be general confidence in the Obama administration that the DPJ-led coalition will eventually moderate its demands, drop campaign rhetoric which clashes with reality, and seek to demonstrate competent management of the U.S.-Japan alliance. There are several factors, however, that cause senior officials like outgoing Pacific Commander Timothy Keating to confess that they are “almost certain” (emphasis added) and not simply “certain” about this outcome.²⁰ The first is the obvious difficulty that the party leadership has had bridging differences within the DPJ as well as with the Socialists in the coalition over security policy. The second is the DPJ’s obvious reluctance since the

election to drop any of its pledges to change the alliance, and its apparent decision to go ahead with specific promises to withdraw its ships from the coalition in the Indian Ocean and to establish a project team to investigate the secret nuclear arrangements from the 1950s and 1960s.²¹ Third is the sudden removal from decisionmaking of bureaucrats who have managed the alliance in Tokyo for five decades. These senior officials are now uncertain about what Japanese policy will be on Afghanistan or bases and nuclear weapons, and about the continuing influence of outside advisors to the DPJ whose primary competence has been in sloganeering over the past decade rather than national security policymaking.

Of course, the United States would recognize some of these dysfunctional aspects of government transitions. Japan, however, has not experienced a complete change of government parties in over half a century. Based on the multiple messages coming out of the cabinet on issues like bases and Afghanistan, the DPJ is clearly having difficulty transitioning from the rhetoric of a political campaign to the practical demands of governing. While appearing to make minor adjustments on Okinawa and other issues, the Obama administration is finding itself having to invest considerable time and effort to ensure that the DPJ does not take decisions that degrade alliance capabilities or send the wrong signals to potential adversaries.

In the long run, it is likely that this period will be seen by historians as an anomalous leftward drift in Japanese security policy before a sudden acceleration back toward more hard-headed realism. There is a precedent in the socialists' brief participation in a coalition government with the LDP back in 1994–1996, which was followed by the most significant advances in U.S.-Japan security cooperation in decades, including the expansion of bilateral defense guidelines to include regional contingencies and agreements on joint missile defense collaboration. One reason the socialists are proving so inflexible on security policy this time is that they remember what happened in the mid-1990s and know that they will become expendable the moment Ozawa secures enough LDP defectors or new DPJ seats to hold a majority without them in the Upper House. Ozawa reportedly sees realignment that expunges or dilutes the influence of the left as critical to securing long-term dominance over the LDP.²²

Increasing Domestic Consumption (or “Buying Votes”?)

Japan faces serious challenges to its economic performance. By 2025, the elderly will account for 30 percent of the population.²³ Productivity is declining²⁴ and the recent financial crisis has called into question the long-term viability of Japan's continuing dependence on exports for economic growth.²⁵ In its September 9, 2009 joint policy statement, the DPJ-led coalition blames

The DPJ thus far does not have a serious plan for restoring longer-term economic growth to Japan.

Japanese economic problems on “the policy blunders of the LDP-Komeito government” and “competitive supremism” (meaning too much reliance on competition to spur gross domestic product [GDP] growth). In response, the coalition has promised they will “place the ultimate priority on supporting households, increase the disposable income of the people and use this to expand consumption.”²⁶

Increasing domestic demand in Japan to correct external imbalances has been a policy goal of the United States and other nations for decades. In the near term, the DPJ’s plan to cut highway taxes as well as school fees and provide a monthly allowance of 26,000 yen to each household with a child will probably stimulate the Japanese economy.²⁷ These policies are also designed to put money in the pockets of voters before the DPJ has to go to the polls in the Upper House elections next summer, when they hope to consolidate their governing position and prevent an LDP comeback. The DPJ’s largesse will also add an additional 7.1 trillion yen to annual budget deficits at a time when Japan’s debt to GDP ratio is already the highest in the world at 172.1 percent and projected to climb to 200 percent by 2010.²⁸ The DPJ’s pledge not to raise the consumption tax above the current 5 percent level (an increase necessary to offset decreased revenue from an aging population) has further limited options for fighting a ballooning deficit problem.

The DPJ has alarmed big business with pledges to ban all day laborers, spot dispatch, and registered dispatch workers. Part-time labor has risen from 16 percent of Japan’s workforce in 1985 to over one-third today, with a serious detrimental impact on social cohesion, worker training, and productivity. The DPJ proposal, if implemented, would make Japan the only member of the OECD (Organization for Economic Cooperation and Development) to ban short-term contract labor, and the resulting inflexibilities in the labor market would likely either drive up unemployment or offshore manufacturing by Japanese corporations. International bankers were also stunned at proposals from Minister of State for Financial Services Shizuka Kamei to establish a three year moratorium on debt for small and medium sized industries, which could prompt a major credit crunch if implemented.

The DPJ’s extremely ambitious pledge to cut greenhouse gas emissions by 25 percent from 1990 levels by 2020 (compared with 20 percent by the European Union) also has business leaders warning that they will move offshore, though the proposals have won praise from environmental leaders internationally. The ambitious pledges to cut emissions also clash with the party’s promise to cut

highway taxes at home, which most economists expect would increase automobile use and, therefore, greenhouse gas emissions. Overall, the change in government has brought a number of former union leaders into the Japanese cabinet while simultaneously severing big business's traditional connections to the ruling party.²⁹ Business leaders in Japan, like alliance managers in Washington, expect the DPJ to move in their direction over time, but appear to have the same uncertainty about how smooth or how long that transition will be.³⁰

What is largely lacking from the DPJ vision thus far is a serious plan for restoring longer-term economic growth to Japan. For all the DPJ's criticism of Koizumi's radical free market ideology, the fact remains that Japan grew at an annual rate of 2.1 percent while Koizumi was prime minister, which was higher than the OECD average and well above Japan's anemic annual growth rate of the previous decade. Over the same period, he reduced non-performing loans from 8.4 percent of GDP to 1.8 percent for good measure. The 15.2 percent decline in Japan's GDP since the financial crisis struck was not the fault of Japanese corporations, the Japanese people, or Koizumi. It did, however, make anti-globalization and anti-capitalist campaign themes effective, and opened the way for the DPJ to shift the balance of Japanese economic policy toward distribution.

For decades, Japan's economy had both remarkable growth rates and fairness. Thus far, the DPJ is promising to shift the relative balance toward distribution rather than economic performance. In doing so, they are reflecting much of the decency in the post-war Japanese social contract that many voters feel had been lost since the 1980s (though by comparison, Japan's Gini coefficient, a measure of economic inequality, increased by just 0.02 from 2000 to 2005, a much smaller increase than the OECD average).³¹ Hatoyama has tried to capture this sentiment with repeated references to "fraternity" (*yuai*), a concept developed by the pre-war philosopher Richard Nikolaus von Coudenhove-Kalergi and translated into Japanese by Hatoyama's grandfather, to describe a new vision transcending both socialism and capitalism. The concept resonates with the Japanese public and helps Hatoyama bridge the gap between the conservative and socialist wings of his coalition for now (much like Ozawa's formula on security). Whether it will survive the inevitable collision with fiscal and macroeconomic reality is another question.

A New Quality of Leadership?

In the late 1980s, as the corruption and insularity of Japan's ruling elite began to chafe, directors Takahito Hara and Tetsuya Nakashima began a series of popular films titled, *You Idiots! I'm Really Mad!* [*Bakayaro: Watashi Okkote Imasu!*]. The movies consisted of sketches of different hapless but well-behaved

Japanese citizens being given the run-around by bureaucrats, politicians, or other officious characters, with the victim in the end finally exacting revenge in some form, and then yelling out “you idiots!! I’m really mad!!” Japan’s August 2009 election was the ultimate episode of “*bakayaro!*” politics.

The DPJ has promised a return to the justice of the Japanese social contract that existed when the nation could afford both high economic growth and equitable distribution, to a time when nationalists hoped Japanese superior economic performance would wean the nation from strategic dependence on the United States and secure a renewed leadership position for Japan in Asia. Those dreams will be extremely difficult for Japan to recapture based on the DPJ’s policy agenda as it now stands, and may be gone forever.

The question is whether the DPJ or the next generation of leadership will react by tapping into popular resentment of Japan’s fate with demagoguery, hypernationalism, and retreat from the world, or whether they will put forward

The question is about the next cohort of Japanese leadership after Hatoyama.

a confident and ambitious vision of Japan’s role that harnesses the untapped strengths in Japan’s national character. The DPJ government shows elements of both: its populist criticism of globalization, U.S. bases, and Japan’s bureaucracy represent the politics of resentment, while the party’s moves to open politics to broader participation, empower women and civil society, and debate surrounding broader

roles for the JSDF present opportunities to harness new sources of dynamism and national power in Japan.

In the longer run, decoupling Japan from the United States or committing fiscal suicide in the name of redistribution are both unlikely, even if hints of both keep the DPJ coalition together for the near term. The longer the *confused* transition languishes, however, the further the content and quality of Japan’s commitment to international relevance and leadership will decline. Gauging the dynamism of the next generation of politicians in both the LDP and the DPJ in their 40s and 50s, there are reasons to be optimistic. The distinguished historian Kenneth Pyle has pointed out that Japan has always successfully reordered its domestic institutions and instruments of national power to deal with new circumstances internationally.³² This new chapter in Japanese politics will hopefully prove him right again.

Notes

1. See Office of the Press Secretary, The White House, "Readout of the President's Call with Democratic Party of Japan President Yukio Hatoyama," September 2, 2009, http://www.whitehouse.gov/the_press_office/Readout-of-the-Presidents-Call-with-Democratic-Party-of-Japan-President-Yukio-Hatoyama/.
2. See CSIS, "Understanding Japan's Elections: What the Elections Mean for Asia and the United States," *Schieffer Series*, Washington, D.C., September 2, 2009, <http://csis.org/event/schieffer-series-understanding-japans-elections-what-elections-mean-asia-and-united-states> (video).
3. See CSIS, "A Combatant Commander's Perspective on Security in the Asia-Pacific," *Military Strategy Forum*, Washington, D.C., September 15, 2009, <http://csis.org/event/military-strategy-forum-combatant-commanders-perspective-security-asia-pacific>. (hereinafter Keating remarks).
4. "Hatoyama-naikaku, Shijiritsu 75 percent: Hossokuji de rekidai nii, Nikkei yoron chousa" [The Hatoyama Administration won 75 percent Approval Rate: the Second Highest in History, Nikkei Opinion Poll], *Nikkei Shimbun*, September 18, 2009, <http://www.nikkei.co.jp/news/main/20090918AT3S1703217092009.html> (in Japanese).
5. "Minshutou-Seiken ni kitaisuru 74 percent, Asahi Shimbun yoron chousa" [74 percent Answered "Placing High Expectation on the Hatoyama Government, Asahi Opinion Poll], *Asahi Shimbun*, September 1, 2009, <http://www.asahi.com/politics/update/0901/TKY200909010400.html> (in Japanese).
6. Sankei FNN yoron chowa: Hatoyama jiki shushou ni kitai 63.8 percent, shouin wa "jiko he no hihan" 5 wari chou [Sankei FNN Opinion poll: 63.8 percent answered "placing high expectations for the prime minister-designate Hatoyama"; more than 50 percent responded: "the cause for victory was criticism towards LDP and Kominto"], *Sankei Shimbun*, September 7, 2009, <http://sankei.jp.msn.com/politics/election/090907/elc0909071135003-n1.htm> (in Japanese).
7. 87.5 percent of respondents in the *Sankei Shimbun* poll.
8. *DJP, The Democratic Party of Japan's Platform for Government: Putting People's Lives First*, August 18, 2009, p. 4, <http://www.dpj.or.jp/english/manifesto/manifesto2009.pdf>.
9. "Minshutou-seiken ni kitaisuru 74 percent, Asahi Shimbun yoron chousa," [74 percent answered "placing high expectation on the Hatoyama government, Asahi opinion poll].
10. See Ichiro Ozawa, *Blueprint for a New Japan [Nihon Kaizō Keikaku]* (New York: Kodansha International, 1994).
11. Democratic Party of Japan, *Agreement for a Three-Party Coalition Government*, September 9, 2009, p. 2 <http://www.dpj.or.jp/news/?num=17017>.
12. "Ozawa Minshuto Daihyo jinin wo hyomei," [DPJ Leader Ozawa Announced his Resignation], *Yomiuri Shimbun*, May 11, 2009, <http://www.yomiuri.co.jp/feature/20090511-674295/news/20090511-OYT1T00695.htm> (in Japanese).
13. "Sankei FNN Yoronchousa: Omona shitsumon to kaitou" [Sankei-FNN Opinion Poll: Major Questions and Answers], *Sankei News*, July 17, 2009, <http://sankei.jp.msn.com/politics/situation/090907/stt0909071754008-n1.htm> (in Japanese).
14. Cabinet Office of Japan, "Gaikou ni kansuru yoron chousa" [Opinion Poll on Foreign Policies], October 2008, <http://www8.cao.go.jp/survey/h20/h20-gaiko/index.html> (in Japanese).
15. See "Kenpo kaisei 'sansei' 51.6 percent, futatabi tasuu simeru, Yomiuri yoron chousa" [51.6 percent Says 'Yes' for Constitutional Revision: Majority Favors It, Yomiuri

- Opinion poll], *Yomiuri Shimbun*, April 3, 2009, <http://www.yomiuri.co.jp/politics/news/20090403-OYT1T00006.htm> (in Japanese).
16. "DPJ AT THE HELM / Hatoyama Emphasizes Asia Diplomacy," *Daily Yomiuri Online*, September 24, 2009, <http://www.yomiuri.co.jp/dy/national/20090924TDY02307.htm>.
 17. Ministry of Foreign Affairs of Japan, "Joint Press Statement of 7th Summit Meeting among the People's Republic of China, Japan, and the Republic of Korea," January 14, 2007, p. 4, <http://www.mofa.go.jp/region/asia-paci/pmv0701/joint070114.pdf>.
 18. The poll of 350 elites in nine Asian countries was particularly striking because 54 percent of Japanese respondents said that their security in 10 years would depend primarily on alliance with the United States, contrasted with a very small percentage, which is invisible in the chart, who thought regional institutions would be sufficient. See *Strategic Views on Asian Regionalism Survey Results and Analysis* (Washington, D.C.: CSIS, February 2009), p. 13, http://csis.org/files/media/csis/pubs/090217_gill_stratviews_web.pdf.
 19. Hatoyama blamed the U.S. model of capitalism for the financial crisis and promised the DPJ would move closer to Asia. See "A New Path for Japan," *New York Times*, August 26, 2009, <http://www.nytimes.com/2009/08/27/opinion/27iht-edhatoyama.html>.
 20. Keating remarks.
 21. See "DPJ to Probe Secret Nuke Deal with U.S.," *Asahi Shimbun*, September 14, 2009, <http://www.asahi.com/english/Herald-asahi/TKY200909140047.html>; "Beiseifu, Hatoyama-seiken Okada-gaikou ni kitai to kenen," [The U.S. Government Sees Both Hope and Concern in Okada's Diplomacy], *Asahi Shimbun*, September 16, 2009, <http://www.asahi.com/politics/update/0916/TKY200909160333.html> (in Japanese).
 22. Told to author by Ozawa lieutenants on background.
 23. See Takashi Oshio, "The Declining Birthrate in Japan," *Japan Economic Currents*, no. 68 (Tokyo: Japan Institute for Social and Economic Affairs, March 2008): 1–9, <http://www.kkc.or.jp/english/activities/publications/economic-currents69.pdf>.
 24. Japan Research Institute, "A Factorial Analysis of the Decline in Japan's Labor Productivity Through an International Comparison by Industry," September 4, 2008, http://www.jri.co.jp/english/press/press_html/2008/080904.html (news release).
 25. 16.02 percent of Japan's gross domestic product comes from trade. See IMF, *International Financial Statistics*, June 2009, <http://www.iti.or.jp/stat/2-008.pdf> (in Japanese).
 26. DJP, *Agreement for a Three-Party Coalition Government*, September 9, 2009, p. 2 <http://www.dpj.or.jp/news/?num=17017>.
 27. See DJP, "Economic and Financial Crisis Measures: Opening up a Path Towards the Future by 'Putting People's Lives First,'" November 5, 2008, http://www.dpj.or.jp/english/financial/f_crisis.html.
 28. See OECD Economic Surveys, Japan 2009, pp. 24, 75 http://www.oecd.org/document/46/0,3343,en_2649_33733_42514158_1_1_1_1,00.html. For the issue of budget deficit, see "Nihon ga kawaru, Keizai zaisei, Minshu towareru shinka" [Japan's Change: DPJ's Ability in Economic and Financial Management Will be Tested], *Mainichi Shimbun*, September 28, 2009, <http://www.mainichi.co.jp/osaka/wakaru/seikenkotai/keizai.html>. (NOTE: OECD's updated data is available. According to the new statistics, "Assuming a rise in Japan's long-term interest rate to 2.2 percent by the end of 2010, the OECD projects that gross public debt will reach 200 percent of GDP (100 percent for net debt, which would also be the highest in the OECD area)" (p. 75). While the graphic on page 74 shows roughly the amount of the debt, the exact date of gross debt (172.1) is available on p. 24.

29. Keidanren has contributed to the DPJ but Hatoyama promised to end those in one year. Business leaders also sat on the Prime Minister's Commission on Economic and Industrial Policy (CEIP) (*Keizai Zaisei Shimon Kaigi*), which the DPJ has eliminated. See "Keizai Zaisei Shimon Kaigi: 'Nihonseiji no shireitou' 8 nen-han no rekishini maku," [Commission on Economic and Industrial Policy: Command Center of Japanese Politics ends its eight and a half-year-long history], *Mainichi Daily News*, September 16, 2009, <http://mainichi.jp/select/biz/news/20090917k0000m020085000c.html> (in Japanese).
30. "Business Federation Raises Doubts over DPJ's Plan to Cut Greenhouse Gases by 25 Percent," *Mainichi Daily News*, September 15, 2009, <http://mdn.mainichi.jp/mdnnews/news/20090915p2a00m0na001000c.html>.
31. *Society at a Glance 2009: OECD Social Indicators*, OECD, Website, www.oecd.org/els/social/indicators/SAG.
32. Kenneth Pyle, *Japan Rising* (New York: Public Affairs, 2007).