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By Morinaga Takuro

[*With Japan's snap election campaign in full swing and scheduled for 9/11, this timely critical article by UFJ Institute senior analyst Morinaga Takuro looks deep into the social and economic implications of the competing 'reform' agendas that presently define Japanese politics to reflect on Japan's emerging underclass. Coverage of Koizumi's "postal privatization" election in the overseas press as well as much of the Japanese media has, by contrast, largely held to script. A chorus of business voices, particularly overseas investors and their advisors, apparently see Koizumi as the embodiment of fiscal austerity, open markets and vigorous growth.*

It is a view that reiterates the Premier's mantra of reform and ignores Japan's steadily rising debt (the world's largest in per capita terms) and the lamentable failure to boost the hopes and productivity of a shrinking and ageing population by stressing education and knocking down the barriers that confront Japanese women in the workplace and society. Indeed, it is ironic that Koizumi's boosters often compare him to Ronald Reagan, but without asking Reagan's 1980 question: "are you better off than you were four years ago?" Koizumi has had several months more than four years in government, so Morinaga asks the Reagan question on behalf of the "hidden underdogs," especially the rapidly growing number of part-time workers who have fallen victim to corporate downsizing. He doesn't believe they are better off, and their declining incomes coupled with the continuing profusion of 100-yen and 99-yen shops are among the indicators that suggest he's right about them and many others. Morinaga also notes that many Japanese, including many of the underdogs, seem ready to give Koizumi their support. He finds the phenomenon similar to the 1920s, when the government of Hamaguchi Osachi brought much misery but retained office by posing as the force for reform. Morinaga might also have noted the contemporary example of lower-income Bush supporters enamored of his tough image even as the Bush regime's policies weaken the public services and programmes that so many of them rely on. Koizumi projects a similarly tough image, both toward his opponents in domestic politics as well as toward neighbouring nations, notably the poisoning of relations with China and South Korea. Morinaga rightly worries that winning the September 11 election might see Koizumi become even "more dictatorial," and so argues that now is the time to go beyond slogans and ask tough questions about what reform really means. Japan Focus]

The administration of Prime Minister Koizumi Junichiro took off under the banner of reform. His supporters often say that his reform plans changed the structure of the Japanese economy and gave it a boost. But is that really so?

The Koizumi Cabinet was instituted in April 2001. In fiscal 2000, before Koizumi became prime minister, Japan's nominal gross domestic product stood at about 510 trillion yen. In fiscal 2004, it was about 506 trillion yen. Actually, the economy contracted.

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Another important economic indicator is employee remuneration, comprising salaries and bonuses paid to company workers.

In terms of nominal value, in fiscal 2001, remuneration dropped 1.2 percent from the previous year. The year-to-year drop was 2.3 percent in fiscal 2002, 1.0 percent in fiscal 2003 and 0.1 percent in fiscal 2004. In other words, not once did it go up since Koizumi took office.

Despite these factors, many people seem to have a favorable impression of Koizumi's economic policy, citing examples such as a rise in bonus payments for three straight years.

Why cite these? I think this is the tricky part of Koizumi's reform.

Generally speaking, widely reported bonus statistics are based mainly on surveys of major companies. The fact is they do not reflect the actual situation at smaller companies. Furthermore, even among people who work at major companies, part-time employees are excluded from these statistics.

According to a "comprehensive survey of the actual situation concerning diversified working styles" compiled by the Ministry of Health, Labor and Welfare, the ratio of part-time workers, which stood at 28 percent in 1999, rose to 35 percent in 2003. During this time, Japanese society underwent a drastic change.

It is also said that the unemployment rate declined. However, behind the trend is the fact that many people who lost their full-time jobs as a result of corporate downsizing and bankruptcies are working as part-timers because they are unable to land full-time jobs.

According to the labor ministry report, 40 percent of part-time workers earn a monthly salary of less than 100,000 yen before tax. Another 40 percent make between 100,000 yen and 200,000 yen a month.

In a short time, Koizumi reform has given rise to "hidden underdogs." On the other hand, some people made a fortune just by moving money from one account to another. A clear line is being drawn between winners and losers.

Then why are so many people who are about to fall into the ranks of losers supporting Koizumi's "reforms"?

Looking back to the late 1920s, one notices a similar situation. At that time came the emergence of the Cabinet of Hamaguchi Osachi.

He advocated a policy of austerity and streamlining of industries under the slogan of "fighting conventional forces."
Even though the economy fell into deflation as a result of lifting the ban on gold exports, public support for Hamaguchi did not fall. Voters were drawn to the prime minister, who stressed the need for reform and pleaded with the public to tighten their belts today for a brighter tomorrow.

The harsher the situation, the stronger the citizen psychology to seek a dramatic change and a "strong reformer," history shows.

This time, the prime minister dissolved the Diet because his pet postal privatization bills were rejected.

Lawmakers who demanded that the bills be revised were made into "rebels."

Koizumi refused to listen to even minute differences of opinion and mercilessly lashed out at them. His intolerant style could even be termed dictatorial. However, as he becomes more dictatorial, there is the danger that his support may grow. This kind of situation could develop if voters mistake a dictator for a strong

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reformer.

If Koizumi wins the general election, he will come to have even greater power. If that happens, no one will be able to stop him. Is it really right to give him so much power?

Voters should make a careful judgment.

The prime minister is trying to spread the idea that it is the overall right or wrong of postal reform that is the focus of the election.

But whether one is for or against the postal privatization bills submitted by ruling parties and whether one is for or against postal privatization itself are not the same. Koizumi should not mix the two.

Were the "rebels" actually opponents of reform? What are opposition parties saying about reform? Now is the time to seriously study how reform ought to be brought about.

Takuro Morinaga is a senior analyst at the UFJ Institute and the author of "Nenshu 300-man yen Jidai o Ikinuku Keizaigaku" (Economics for surviving in an age of annual incomes of 3 million yen) and other books. This article appeared in IHT/Asahi Shimbun, August 31,2005 and at Japan Focus on August 31, 2005.

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