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# The Rise and Fall of "Reformist Governments": Hosokawa and Hata, 1993–1994

Takashi Inoguchi\*

## Introduction

On 18 June 1993, in front of Prime Minister Kiichi Miyazawa, a no-confidence bill was passed by a vote of 255 to 220 in the House of Representatives. It was not the first time an incumbent Prime Minister received a no-confidence vote in the National Diet. In this case, however, the incumbent party lost its majority in the House of Representatives in the general election of 18 July 1993. In the election's aftermath, the Liberal Democratic Party (LDP), still the largest party, opted for opposition without inquiring too deeply into the possibility of coalition. The LDP was in fact outmanoeuvred by a coalition consisting of the Japan New Party and the New Party Sakigake. In August they formed a coalition government with all the other opposition parties, except for the Japan Communist Party. It put an end to the 38-year-old history of the LDP as an incumbent ruling party without interruption.<sup>1</sup>

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<sup>1</sup> The heyday of LDP rule has been analysed in terms of policy function and reaction function in Inoguchi Takashi, *Gendai Nihon seiji keizai no kozu (The Contemporary Japanese Political Economy)* (Tokyo: Toyo keizai shimposha, 1983). See also Takashi Inoguchi, "The Political Economy of Conservative Resurgence under Recession: Public Policies and Political Support in Japan, 1977–1986", in T.J. Pempel, (ed.), *Uncommon Democracies: One Party Dominant Regimes* (Ithaca: Cornell University Press, 1990), pp. 189–225. The LDP politics towards the end of one party dominance in 1993 was analysed in Inoguchi Takashi, *Nihon: keizai taikoku no seiji unei (Japan: The Governing of an Economic Superpower)* (Tokyo: University of Tokyo Press, 1993).

The new coalition government consisted of the Social Democratic Party of Japan, the Democratic Socialist Party, the Clean Government Party, the Renewal Party, the Japan New Party, and the New Party Sakigake. The last three were composed largely of those ex-LDP members who left the party committed to "reform" of the 1955 system.<sup>2</sup>

Both sets of politicians found the reformist movement most convenient to serve their purposes. First, those activists of the Takeshita faction who had to distance themselves from the allegedly corrupt LDP politics. They formed the Renewal Party. Second, those LDP politicians whose career had been circumscribed by the excessively large and bureaucratized party organization.<sup>3</sup> They formed the Japan New Party, the New Party Sakigake and so on. They were largely backbenchers. They were joined by totally new politicians who wanted to become parliamentary members *ex nihilo* by jumping on the bandwagon of reformism. Both groups were supported by the electorates whose distrust in LDP politicians reached new heights.<sup>4</sup> Thus reformism can be considered reformism from bottom up in the sense that reformist sentiments of the electorates were siphoned by these two kinds of politicians most successfully.<sup>5</sup>

"Reform" in fact meant a number of things. First, it maintains that the Japanese political system is too prone to scandal and should be reformed.<sup>6</sup> This has been evident, especially since 1989 when the Recruit scandal was revealed during the legislative efforts of a consumption tax bill. Second, the sentiment was strong that the Japanese economic system had gone wrong and that disentangling it and deregulating it may be the wave of the future especially amidst the longest recession since the collapse of the bubble economy.<sup>7</sup> Third, the view was gaining some support that the Japanese state should be able to act in a

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<sup>2</sup> Tanaka Naoki, *Nihon seiji no koso (Envisioning Japanese Politics)* (Tokyo: Nihon keizai shinbunsha, 1994).

<sup>3</sup> Inoguchi Takashi and Iwai Tomoaki, *Zoku-giin no kenkyu (A Study of Policy Tribes)* (Tokyo: Nihon keizai shinbunsha, 1987).

<sup>4</sup> Kabashima Ikuo, "Shin hoshu jidai no makuake" (Opening of a New Conservative Era), *Mainichi shimbun*, 20 July 1994.

<sup>5</sup> Takabatake Michitoshi, *Nihon seiji no kozo tenkan (Structural Transformation of Japanese Politics)* (Tokyo: Sanichi shobo, 1994).

<sup>6</sup> Tanaka Naoki, *op. cit.*

<sup>7</sup> Nakatani Iwao, *Nihon keizai kasseika no joken (Conditions for the Revitalization of the Japanese Economy)* (Tokyo: Toyo keizai shimposha, 1993).

much more resolute fashion and that Japan should play a positive role in the world.<sup>8</sup> This sentiment has grown especially since the Gulf Crisis of 1990-1991 when Japan's reluctant and limited (mostly financial) participation in the war was severely criticized.<sup>9</sup>

Whether the self-claimed reformers are real reformers or not is something that is not a concern here. But the kinds of things they pronounced reveal a number of unfolding dimensions in Japanese politics. Understanding of these dimensions also enables one to understand how the "reformist" government of Hosokawa was abandoned by the Social Democratic Party of Japan and the New Party Sakigake in spring 1994. This left the Renewal Party, the Japan New Party and the Clean Government Party maintaining a minority coalition government with Hata heading it, and further how Hata lost power in June 1994 and was in turn replaced by the coalition government of the Social Democratic Party, the Liberal Democratic Party and the New Party Sakigake.

In less than a year Prime Ministers changed three times. The way in which Prime Ministers changed has prompted this author to coin the term, *karaoke democracy*, to characterize Japanese politics of 1993-1994.<sup>10</sup> By that I mean the kind of democratic politics which have two major components: (1) like karaoke everyone can take a turn at the microphone and sing songs against the karaoke orchestra and yet one can treat the whole thing with indifference; (2) like karaoke everyone can sing songs reasonably well with the support of the karaoke facilities, i.e. melodies coming out from the CD and words of songs appearing on the TV in front of your eyes. In other words, (1) everyone is almost persuaded that he or she can become Prime Minister and (2) everyone can perform reasonably supported by the bureaucrats orchestrating policy legislation and implementation.

In what follows, I will explain how the reformist governments rose and fell under *karaoke democracy*. Lastly, I will touch on the prospect for Japanese democratic politics.

<sup>8</sup> Kitaoka Shinichi, *NichiBei kankei no riarizumu (Realism in Japan-U.S. Relations)* (Tokyo: Chuo koronsha, 1992).

<sup>9</sup> Inoguchi Takashi, "Japan's Response to the Gulf Crisis: An Analytic Review", *Journal of Japanese Studies*, Vol. 17, No. 2 (1991), pp. 257-273.

<sup>10</sup> Inoguchi Takashi, "Nihon seiji no mikata" (How to Analyse Japanese Politics), *Shiten (Viewpoint)*, NHK TV Programme Channel Three, 10.00pm-10.10pm, 30 June 1994; Inoguchi Takashi, "Ronten" (My Argument), *Yomiuri shimbun*, 2 July 1994. *Karaoke democracy* was commented on in *The Economist* (2 July 1994), pp. 23-24 and *The Far Eastern Economic Review* (14 July 1994), p. 11.

### Three Dimensions of Reformist Politics

It is my contention that the major symbols of self-claimed reformers lay bare the key dimensions of Japanese politics in 1993-1994. They are: (1) political ethnics, (2) the free market mechanism, and (3) a normal state.

#### Political Ethics

It is very important that the reformist movement started as a reaction to the revelation of political scandals enveloping the LDP, especially its largest faction, the Takeshita faction in 1992.

The Takeshita faction was virtually run by its deputy Shin Kanemaru since Noboru Takeshita, its leader, was forced to resign as Prime Minister because of the passage of the consumption tax law and subsequently quit the LDP because of the Recruit scandal in 1989-1990. It was a time when business boomed but the cost of living rose as well. The occurrence of politicians taking bribes with such ease and legislating the tax hike infuriated a large number of the electorate.

But Kanemaru was himself hit hard by the revelation of the Sagawa Kyubin scandal of 1992 and forced to quit politics. Since the bubble economy had deflated and people were badly out of pocket, the revelation of scandal was sufficient to make the electorate feel negatively about LDP politics.

The task confronting LDP members in general and Takeshita faction members in particular was how to project a clean image and uphold political ethics when the pervasive distrust in politicians was expressed daily in the mass media. When the *de facto* leader was arrested, many Takeshita faction members had to distance themselves from the taint of corruption. Hence the formation in spring 1993 of the Renewal Party whose members were largely from the Takeshita faction and among the most active in running the Takeshita-led or Kanemaru-led LDP politics in the late 1980s and early 1990s.

Given the strong record in Japanese politics that those parties whose politicians were tainted by big scandals tend to be punished in the succeeding election fairly substantially,<sup>11</sup> it is no wonder *de facto* leader is Ichiro Ozawa, a protégé of Shin Kanemaru until his fall in 1992 and of Noboru Takeshita until his

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<sup>11</sup> Steven Reed, "Scandals and Elections in Japanese Politics", paper presented at the World Congress of the International Political Science Association, Berlin, 24-28 August 1994.

fall in 1989. Similarly many LDP politicians felt the same way as Renewal Party members. Especially those LDP members whose electoral power bases in their respective district were not so strong felt acute anxiety as to their re-election prospects. Already in late 1992 the LDP was putting forward the idea of revising the public election law from the system whereby two to five persons are elected in one district with one non-transferrable vote (the medium-sized system) to the system whereby one person is elected in one district with one vote (the Anglo-American system).

The reasoning is that with the medium-sized system the LDP fields plural candidates among whom competition does not reflect policy differences but the extent to which personal and district needs are satisfied by LDP candidates, thus fostering the climate for higher corruption. Yet many LDP politicians not so confident in his or her re-election possibility felt all the more anxiety about losing their seats given the prospect of competing with fellow LDP candidates in the same district with only one candidate to be elected.

The LDP's proposed reform package in 1992, prompted all the opposition parties to push the counter-scheme of choosing candidates by proportional representation of parties in addition to the Anglo-American system. The opposition parties were all smaller than the incumbent party. Therefore their apprehension is that if only one person is to be elected in one district, the LDP might capture most of the districts. The opposition parties were joined by some LDP politicians who were not so confident about their electoral prospect once the Anglo-American system was adopted.

But once Prime Minister Miyazawa wanted to make some concessions towards accommodating those resisting the adoption of the Anglo-American system, then within the LDP, opposition to Prime Minister became intense for being too appeasing towards the opposition parties. Thus the Prime Minister's position was undermined from both within and without the LDP and thus led to the no-confidence bill in June 1993.

What emerges from this summary is the great significance of electoral uncertainty associated with the impact of the Sagawa Kyubin scandal and the related electoral system reform prospects on politicians's realignment patterns.<sup>12</sup> In other words, reform became everyone's slogan amidst the pervasive distrust of

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<sup>12</sup> Masaru Kohno, *Japan's Postwar Party Politics: A Microanalytic Reassessment*, unpublished dissertation, Stanford University, August 1994.

LDP politics. It resembled in a sense the Chinese Red Guard's style of waving the Red Flag in order to oppose the Red Flag. Everyone became a reformist waving the reformist flag however different their underlying motives and concerns were.

### Free Market Mechanism

The logic of this key symbol is as follows. Corruption takes place in large part because the close business-government relationship cemented over years of LDP rule. Consequently, deregulating government control and letting the market free from political regulation will alleviate the maladies of corruption. The so-called *zoku* politicians who favour business firms and bureaucratic agencies in return for political donation from the former and for legislative support for the latter were notorious for their propensity to take bribes. Public opinion critical of *zoku* politicians welcomed this line of logic as well.<sup>13</sup>

Furthermore, the logic was accepted because the collapse of the bubble economy and the consequent prolonged recession were due in large part to the insufficiently deregulated financial system's overlending. The acceptance of the logic was made easier further by the visible loss of competitiveness of the Japanese manufacturing and financial sector. Many manufacturing firms have to go abroad for direct investment because of the high costs of production at home, while the financial system does not attract foreign capital because of too many regulations. Market liberalization and bureaucratic deregulation became everyone's vocabulary.<sup>14</sup>

In addition to these two political and economic factors, an additional international factor was important to make this logic very important.<sup>15</sup> Market liberalization had been advocated by the United States government for years. But the advent of the Democratic Administration of Bill Clinton in the winter of 1993 heralded a much tougher attitude toward the snail's pace of Japan's market liberalization in a number of key sectors. The constituents of the Democratic Party and the end of the Cold War accentuated this tough attitude of the United States government on market liberalization of foreign countries.

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<sup>13</sup> Inoguchi and Iwai, *op. cit.*

<sup>14</sup> Nakatani, *op. cit.*

<sup>15</sup> Takashi Inoguchi, "Japanese Politics in Transition: A Theoretical Review", *Government and Opposition*, Vol. 28, No. 4, 1993, pp. 445-455.

The United States government's logic is as follows: the huge trade deficit vis-à-vis Japan is caused in a fairly large part by the Japanese government's unjustifiable regulation of its economy. Since the Japanese government has vested interests in keeping a number of key sectors largely regulated, the best policy is to stir up the consciousness of consumers in the greater benefit of market liberalization. For that purpose, courting and mobilizing the consumers-cum-electorates and even the opposition parties for the support of market liberalization should be vigorously pursued.

Amongst the opposition parties, the Japan New Party and the Renewal Party portrayed themselves as a party of market liberalization, the United States government gave moral support and encouragement to them on a number of public occasions, most notably when President Bill Clinton visited Tokyo in spring 1993. President Clinton met in a most cordial and intimate fashion with some opposition party leaders, like Morihiro Hosokawa of the Japan New Party and Ichiro Ozawa of the Renewal Party, while his meeting with Prime Minister Kiichi Miyazawa was conducted in a very chilly atmosphere.

Of all the opposition politicians it was Ichiro Ozawa who expressed the free market philosophy most lucidly.<sup>16</sup> The publication of his book into English and the high level attention paid to it in Washington, D.C. was clear evidence of what he had in mind. Recognizing the need to enhance his and the Renewal Party's position and power, he tried to make the best use of the sympathy of the United States government by appealing to its two major concerns vis-à-vis Japan: market liberalization and the political role of Japan in the world. He played up these two themes along with that of political ethics. His own previous engagements with the United States government in economic and security matters in Japan-US trade and economic negotiations and in Japan's cooperation and participation in the Gulf Crisis no doubt shaped his own philosophy on Japan's policy on market liberalization and security cooperation. What is important to note is that he believes in what he says and in what that means to the LDP government and the United States government from the viewpoint of enhancing his power and position.

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<sup>16</sup> Ozawa Ichiro, *Nihon kaizo keikaku (The Plan to Reform Japan)* (Tokyo: Kodansha, 1993). See also my comparative analysis of Ichiro Ozawa's and Ryutaro Hashimoto's books. Inoguchi Takashi, "Futatsu no seisaku pakkeiji: 'Nihon kaizo keikaku' to 'Vision of Japan'" (Two Policy Packages: 'The Plan to Reform Japan' and 'The Vision of Japan'), *Yomu (Reading)*, March 1994, pp. 28-29.



The LDP government was cornered in a sense in the game of market liberalization politics by this two pronged assault: one prong being the United States government and the other Ichiro Ozawa.

All these factors lent support to reformist politicians in 1993–1994.

### A Normal State

The impact of the Gulf Crisis of 1990-1991 on Japanese thinking about international peace and security opened up the question of whether Japan should become "normal" or not.<sup>17</sup> By "normal" it is understood that Japan can participate in international security efforts like any sovereign state. This debate entailed the controversy about whether the Constitution be revised or not. The Constitution contains portions where the renunciation of use of military force for the resolution of international disputes is made explicit. The controversy has been enlivened by the perceived lack of strong political leadership in Japan's diplomatic conduct not only in the Gulf Crisis but also in the Japan-US economic talks. The issue of political leadership in crisis management, be it security or economic, was linked with the issue of political reform by reformists. What was portrayed by US, international and Japanese media of Prime Minister Toshiki Kaifu's handling of the Gulf Crisis and cooperation with the United States and Prime Minister Kiichi Miyazawa's handling of economic negotiations with the United States led many electorates to believe that political leadership would be enhanced by restructuring the Japanese state through a series of reforms. The vocabulary of democracy like accountability and responsibility was stressed.

Reformists presented a number of schemes towards that goal. They included enhancing of Prime Minister's Office and the reduction of central government bureaucracy. The Japanese Prime Minister does not have a large staff of his own. Staff are mostly recruited from the central government bureaucracy. The result is that the Prime Minister is more than usually constrained by bureaucrats. The Prime Minister does not enjoy independent sources of information and independent assistance for policy assessment and judgement. Moreover, the Prime Minister and elected politicians are perennially handicapped by bureaucrats when the Cabinet Legislative Bureau and the Finance Ministry's Budget Bureau

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<sup>17</sup> Takashi Inoguchi, "Japan Role in International Affairs", *Survival*, Vol. 34, No. 2 (1992), pp. 71–87, Takashi Inoguchi, "Japan in search of a Normal Role", *Adelphi Paper* No. 275 (1993), pp. 58–68.

require the bill's consistency with existing laws and the feasibility of budgeting since only bureaucrats are fully empowered with such expertise and information.

To remedy this imbalance of power, the reformists proposed: appointing many elected politicians into the position of vice minister; appointing Prime Minister's staff independent of bureaucratic recruitment; and increasing the staff and the budget of the Prime Minister's Office.<sup>18</sup>

The reform package dealing with political ethics includes four laws pertaining to political donations, electoral system, subsidy to political parties, and redistricting of House of Representatives districts according to the changed electoral system. These laws have thus some elements which were argued sometimes by reformists to be conducive to greater exercise of political leadership.

The reform package legislated restricted political donation to individual politicians rather than to political parties. Thus the party headquarters enjoys more leverage over party members as they can control allocation of such money. This is regarded as conducive to creating political leadership. Political parties of centre-right persuasion have tended to be grassroots-oriented and thus the headquarters' power has tended to be significantly curtailed by intensely district-oriented politicians.

The changed electoral system is also regarded as conducive to greater exercise of political leadership. House of Representatives elections are to be conducted by the Anglo-American system of choosing one person in one district. This encourages the creation of a two-party system, it is argued, because the system enables the party headquarters to have greater leverage over party selection of a candidate in a district.

Subsidies to political parties in proportion to their parliamentary size and their expenditure are also seen as conducive to greater exercise of the authority party headquarters.

In the area of foreign relations, the issues of United Nations Peace Keeping Operations and Japan's aspiration to become a permanent member of the United Nations Security Council kept the debate alive throughout the 1993-1994 years. Japan's participation in the United Nations Transitional Authority in Cambodia in running free election and forming a democratically elected government was seen as a step forward even if some interpreted it as accompanied by a timid half

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<sup>18</sup> "Seikan ryonmen kara Shusho kantei kyoka" (Enhancing Prime Minister's Office from Both Sides of Politicians and Bureaucrats), *Ashahi shimbun*, 9 October 1994.

a step backward.<sup>19</sup> Prime Minister Kiichi Miyazawa's speech in the United Nations General Assembly in 1992, nothing Japan's aspiration-cum-determination to become the Security Council's next permanent member subsequently helped reformists' plea for a normal state.

Yet all these do not seem to create a normal state. Rather the issue of a normal state seems to have been raised in order to shake the LDP government whose position had been undermined by its Cold War era mentality of relying on the United States for security and global market access but resisting its demands without breaking its often parochial outlook on world affairs.

### **Two Steps Forward, One Step Backward**

Thus the reformists scored a triumph in 1993 by making the best use of the three key terms: political ethics; market liberalization; and a normal state. The next question is: how did it collapse so abruptly in spring 1994 after the passage of the political reform legislation?

Basically, the reformists moved two steps forward in a fashion that aroused anxiety in many parliamentarians and in order to counter the two steps forward by the reformists the opponents moved one step backward.

It was in late 1993 that the political reform package was legislated. This represents two steps forward. Yet anxiety was also aroused. The Hosokawa government was perennially plagued by revelations of further divisions within the coalition as to what is to be done next and what is to be the general direction of policy.

Then rumours circulated that Prime Minister Morihiro Hosokawa was tainted by potential scandal. Furthermore, Prime Minister Hosokawa said a clear "no" to the United States government in early spring of 1994 in their economic negotiations, not bowing to the United States government demand to set out numerical targets for market liberalization in a number of sectors. And most importantly, Ichiro Ozawa's influence was felt by some coalition partners to be unduly large.

In April 1994 the Social Democratic Party abruptly declared its withdrawal from the coalition government, as did the New Party Sakigake. A minority coalition government headed by Tsutomu Hata of the Renewal party was formed

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<sup>19</sup> Takashi Inoguchi, "Japan and United Nations Peace Keeping Operations", forthcoming in *International Journal*.

shortly after that. The frustration of these two parties was that their voices were not well reflected by the Hosokawa government's policy. Once the reform package was legislated, they quit the coalition. The LDP, the largest party, adopted a wait-and-see attitude. Thus a minority coalition government consisting of the Renewal Party, the Clean Government Party, and the Japan New Party was formed. But it was only a matter of time before the Hata government fell. It remained in power for two months.

By that time it was very clear that the Social Democratic Party was worried about the other two key words: market liberalization and a normal state. They were lucidly argued by Ichiro Ozawa of the Renewal Party. The SDP were frightened by the prospect of remaining in the coalition government. They thus went out first. Then they discovered that the LDP was not particularly unhappy about the possibility of forming a coalition with the Socialists. After all they are the largest 2 parties and most importantly the 2 parties which worked together as the incumbent and the major opposition for 38 years. Much of these 38 years was the era of the Cold War and more importantly the era of Japan's "peace and prosperity in one country".<sup>20</sup>

On the two key words, the positions of the LDP and the SDPJ turned out to be not very different. Both wanted to see market liberalization to move slowly and in a step at a timely fashion. Also both wanted to see the Japanese state remain a civilian power of a sort rather than a normal state full of the risks of shouldering too much responsibility.

The discovery of the same policy inclination on these economic and security agendas made both parties natural allies. The Socialist Prime Ministership was born out of this understanding in June 1994.

Although somewhat confusing and bewildering, it should not be very difficult to see the contrasts:

Hosokawa said no to the bilateral protectionism suggested by the United States government in 1994. After all the reformist coalition government was for market liberalization. On the other hand both Miyazawa and Murayama somehow

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<sup>20</sup> As to Japan's foreign policy, see Takashi Inoguchi and Daniel Okimoto, (eds.), *The Political Economy of Japan Vol. 2: The Changing International Context* (Stanford: University Press, 1988); Takashi Inoguchi, *Japan's International Relations* (London: Pinter Publisher / Boulder: Westview Press, 1991); *Japan's Foreign Policy in an Era of Global Change* (London: Pinter Publisher, 1993). The nature of global changes are fully analysed in Inoguchi Takashi, *Sekai hendo no mikata (How to Analyse Global Changes)* (Tokyo: Chikuma shobo, 1994).

concluded agreements with the United States government in 1993 and 1994 respectively. They both agreed with the United States government. It represented at least bilateral deals, if not outright bilateral protectionism.

International security efforts were addressed under Miyazawa and Murayama for Cambodia and Rwanda despite their respective constituencies' much more inward looking pacifist policy preferences. A few hundred Self Defence Force officers and soldiers were sent to Cambodia and Rwanda respectively against all kinds of warnings opposing them. Under Hosokawa and Hata no new major change was seen in this policy realm in the more outward looking and activist line perhaps except for the more straightforward apologies expressed for the debt of the past of World War II and for the unconditional extension of the Non-Proliferation Treaty.

### **Reformism for Inside Out**

If the reformist governments of Hosokawa and Hata represent two steps forward and one step backward in terms of political reform legislation, then a less reformist government under Murayama represents reformism from inside out. By reformism from inside out I mean the outlook which sees the policy tasks from inside and yet those tasks are intended to cope with and adapt to the basic forces confronting Japan.

The following two tasks are regarded as most important: (1) optimal taxation in light of the growing need to adapt to the steadily ageing society and its proportionately increasing demand for medical and welfare expenditures; and (2) optimal institutional division of labour between central and local governments.

(1) Optimal taxation is not easy to determine. The frustration of the electorate over one of the longest recessions since the first oil crisis of 1973-1974 together with Murayama's need to please them has led the government to reduce income tax for the next three years. The Finance Ministry is not necessarily happy about tax reduction when it is not accompanied by tax hike schemes to meet the demand for the steady increase in expenditure. Yet in the longer term one needs to satisfy the electorate's preferences at least at first. Otherwise, whatever tax hike schemes might be conjured up would not be sustainable politically.

Thus even if the direction of taxation looks at first contrary to the prospect for rapidly growing expenditure, it is because the current coalition looks at policy tasks from inside out.

(2) Optimal division of labour between central and local governments is not easy to determine. Political pressure on administrative reform, i.e., bureaucratic

deregulation and decentralization combined, has not died out yet. Deregulation and decentralization are designed to go together. Deregulation at the central level is bound to proceed. Market liberalization and globalization have led most countries to adapt to these forces. Japan is not an exception. Along with economic liberalization a lot of bureaucratic regulation has to go. Hence there is a need to substantially curtail the growth of central state bureaucracy in the longer term.

Yet bureaucratic reduction cannot be implemented unless there are those institutions that accommodate some surplus personnel at the central level. That is, local bureaucracy especially at the level of the prefecture. Hence deregulation has to proceed in tandem with bureaucratic decentralization. In other words, bureaucratic decentralization is necessary from the viewpoint of alleviating the overload of central bureaucracy as well.

Those policy areas suited to bureaucratic decentralization include education, welfare, construction and transportation. While the former two areas take up two large expenditure items in central government, the latter two areas in which a bulk of public works projects fall are indispensable to keep local economies alive and well.

At the central government such policy tasks as (1) diplomacy and defence; (2) money and finance, and macroeconomic management; (3) intelligence and coordination will be accentuated. These are intended to meet the challenges of market liberalization and globalization and enmeshment of national and international security.

Thus even if administrative reform means the reduction of personnel at the central level, it would mean the stronger focus in a number of policy areas the central government grapples with and the wider-scale shouldering of a number of policy tasks at the local government level. In the longer term this direction represents institutional reform to be conducted without much fanfare.<sup>21</sup>

When the reformism from inside out is shared more or less by the two largest parties, then the reformist governments driven by the key symbols of political ethics, market liberalization and a normal state have to go. It was reformism from bottom up in the sense that it was driven by the electorate's pervasive distrust of politicians. Once the reformism from bottom up achieved its minimum task of appeasing the electorate and achieving the minimum legislative

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<sup>21</sup> Prime Minister Murayama has been shifting his focus from bureaucratic deregulation to bureaucratic decentralization.

task of political reform, then the reformism from inside out ushered in the dramatic change of coalitions.

When one compares European and Japanese socialism, one can see immediately the great emphasis placed on foreign and defence policy by Japanese socialists compared to European socialists who emphasize primarily social and economic policy. Thus the impact of the end of the Cold War was most tangible among Japanese socialists. They lost their *cause célèbre*. Prime Minister Tomiichi Murayama represents this most eloquently. He was one of the most left-wing socialists establishing his career on his strong position against the Japan-US Security Treaty. Having lost much of it with the end of the Cold War, the Japanese socialists have become not so different from other parties.

### **Prospect for Japanese Democratic Politics**

Frightened by electoral uncertainty amidst the electorate's pervasive distrust of politicians since the Sagawa kyubin scandal of 1992. Japanese politicians of all stripes rode the bandwagon of reformism. The three key words are political ethics, market liberalization and a normal state.

It was reformism from bottom up. The self-proclaimed reformists rode the bandwagon of reformist sentiments of the electorate and took new initiatives in taking two steps forward in legislating the political reform package. But once the political reform legislation was completed the electorates reformist sentiments substantially subsided. The disarray within the coalition manifested itself more strongly. Plagued by the much larger divisions in policy preferences the key symbols of market liberalization and a normal state among the coalition partners than with the LDP, the Social Democratic party and the New Party Sakigake quit the reformist coalition, leaving the Renewal Party, the Japan New Party and the Clean Government Party in the minority government which fell within two months.

The two largest opposition parties, the LDP and the Social Democratic Party found it more comfortable to form a coalition together in terms of parliamentary size and policy preferences. In other words, on the basis of the newly found policy quasi-convergence in relation to the much more ideologically purist Renewal Party on such issues of market liberalization and a normal state, they found a formula to assure political stability. This led to the coalition government of the LDP, the SDPJ and the New Party Sakigake in June 1994 with Murayama, the Socialist, as Prime Minister.

The key actor in this was the Socialist Party. Stripped of their pet cause of anti-Americanism because of the end of the Cold War, the Socialists found themselves quite akin to the LDP's policy preferences in terms of market liberalization and a normal state. Both were cautious and moderate on these issues. Murayama pronounced that the government would pursue "gentle politics". By that he meant the government would proceed to liberalize the economy and to enhance Japan's global roles in a prudent and orderly fashion. He does not want to see the shock therapy-like market liberalization. Nor does he like to see the Japanese state become a normal state in the sense of making Japan an active state deploying military force for the settlement of international disputes. On both policy issues, the LDP and the SDPJ are not far apart.

The somewhat opportunistic but bold policy lines of the Renewal Party heralded the advent of Japan's reformist era in 1993-1994. But once it came down to the real tough issues of the speed and nature of market liberalization and the adaptation-cum-transformation of the Japanese state, then the majority favoured the coalition of the LDP and SDPJ in terms of their policy preference.

Japanese electoral politics seems to unfold in a somewhat dialectic fashion like the reformist politics of two steps forward, one step backward. It looks as if the backward step is permanent at the moment. But the global forces pertaining to security configuration, market forces, and human values will steadily lead the Japanese government to move in the direction that the reformist governments of Hosokawa and Hata proclaimed.

The following three factors will lead Japanese electoral politics to proceed roughly as follows:

First, the Socialists will shrink in parliamentary size. The steady convergence of policy preferences of centre-right parties makes it hard for the Socialists to maintain party identity. The Anglo-American system will further knock it down in the forthcoming general election. Second, the LDP will come back even if it may not achieve a parliamentary majority as it has had for most of the past 38 years. Third, a newer party which is expected to be founded with the Renewal Party, the Clean Government Party, the New Japan Party and some other smallish parties as founding partners will establish a substantial parliamentary influence.

But more important beyond the prospect for electoral politics are the three basic factors that continue to shape Japanese democratic politics.

First, the increasingly visible convergence of the electorate into centre-right ideological preferences; second, the perennial need for politicians to cope with



bureaucratic power; and third, the perennial need for centre-right parties to have a united candidate at district level.

First, the electorates's preferences will increasingly converge into centre-right positions.<sup>22</sup> All the public opinion poll data attest to this. Second, Japanese politicians have been plagued by the soft power of Japanese bureaucrats since 1890 when the Imperial Diet was convened for the first time.<sup>23</sup> To cope with the power of bureaucrats in policy formation and implementation, centre-right parties will start to think that they have to be a predominant party of a large size and to stay in power for a long time in order to let bureaucrats know that they cannot straitjacket politicians. Third, two of the empirical regularities in Japanese electoral politics are that the smaller the district size, the more united the candidates: and that the more local level at which the election is held, the more united the candidates.<sup>24</sup> Since the district size will become much smaller than the previous district size in terms of the electorates from the next general election onward, these empirical regularities will hold in a stronger form.

Given all these conditions, I suspect that after three to five general elections, i.e., in three to ten years, Japan might give birth to a new predominant party with a new set of policy priorities given the rapidly changing policy environments confronting Japan. The spirit of that possible transformation is to retain the merits of *karaoke democracy* in terms of ensuring wide political participation and political efficacy at the same time, but to remould it in a way that enables Japan more adroitly to adapt to changing environments in a more astute fashion than before.<sup>25</sup>

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<sup>22</sup> Kabashima, *op. cit.*

<sup>23</sup> Inoguchi Takashi, "Shin zoku giin taibo ron" (New Policy Tribes Be Born), *Chuo koron*, February 1994, pp. 45–56; Takashi Inoguchi, "The Pragmatic Evolution of Japanese Democratic Politics", paper presented at the conference on Democracy and Democratization in Asia, Lovain-la-Neuve, Belgium, 30 May – 1 June 1994.

<sup>24</sup> Steven Reed, *Making Common Sense of Japanese Politics* (Pittsburgh: University of Pittsburgh Press, 1993).

<sup>25</sup> Takashi Inoguchi, "Global Forces and Democratic Politics in Pacific Asia", paper presented at the World Congress of the International Political Science Association, Berlin, 24–28 August 1994.