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# Factional Dynamics of the Liberal Democratic Party

Takashi Inoguchi\*

## Introduction

Shin Kanemaru was arrested for the alleged violation of the income tax law in March 1993. The amount of money he hid from the tax office was unprecedented in the modern Japanese history of corruption.<sup>1</sup> Why was it necessary for him to collect such a large amount of money? Was it a matter of personal greed or was it because he, as “executive director” of the largest faction of the Liberal Democratic Party, was “structurally” forced to play a dirty role to maintain its influence within the party? Alternatively, was it for him to use in case of a possibly forthcoming large scale party re-alignment much talked about of late? This article is an attempt to shed some light on how the factional dynamics within the Liberal Democratic Party generated such large scale corruption. Since I focus on factional dynamics in my account and analysis, the larger context in which LDP politics has been conducted must first be considered.

First, it is important to note that the political sector, as distinguished from the bureaucratic sector, does not play a predominant role in public policy formation and implementation.<sup>2</sup> Political parties developed as opposition parties

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<sup>1</sup> See, for instance, *Asahi Shimbun*, 28 March 1993.

<sup>2</sup> For a more detailed characterization of Japanese politics, see Inoguchi Takashi, *Nihon: Keizai taikoku no seiji unei* (Japan: The Governing of an Economic Superpower), (Tokyo: University of Tokyo Press, 1993).

vis-a-vis the bureaucratic authoritarian government since the 1870s.<sup>3</sup> They were not given much power constitutionally except in the Imperial Diet. By contrast, Japanese state bureaucracy has been, up to the present day, the self-appointed guardian and moulder of society via policy formation and implementation and by their regulatory apparatus and discretionary power.<sup>4</sup> Its self-appointed role originated in the local bureaucracy staffed by warriors-turned-bureaucrats during the Tokugawa period (seventeenth till mid-nineteenth centuries).<sup>5</sup> Modern Japanese bureaucracy inherited the legacy of this bureaucratic ethos and “modus operandi”. Its ethos is the self-claimed non-partisan neutrality to promote the national interest and to use a wide range of discretionary power to adroitly adjust public policy to changing policy environments. This is not to say that politicians do not play a role in policy formation. The high ranking politicians of the LDP do direct and guide policy formation like any other democracy, especially in such policy areas as foreign policy, tax and budget, and law and order.<sup>6</sup> Also many key leaders of the LDP do exercise a significant influence in such policy areas as commerce, construction, agriculture, transportation, and taxation, mostly at a micro-policy level, using the Policy Affairs Research Council and other interventionary channels of the LDP.<sup>7</sup> The *zoku* phenomenon of committee-based LDP politicians wielding influence in micro-level policy formation often means that they play the role of reinforcing politically the direction of public policy as envisaged by a respective ministry while enjoying the dividends of working for the bureaucratic-business-political vested interests. It represents a self-assertive political influence, but this is often possible only when working together with bureaucracy and business. It is undeniable that the political sector (Nagatacho) has been confined to a significantly limited role due largely to the traditional bureaucratic dominance in the public policy arena. Furthermore, the rise and self-assertion of the private business sector, as distinguished from the public sector

<sup>3</sup> Masumi Junnosuke, *Nihon sei to shiron* (Treatise on Japanese Political Parties), 8 vols., (Tokyo: University of Tokyo Press, 1968-1981).

<sup>4</sup> See, for instance, Bernard Silverman, *Cages of Reason: The Rise of the Rational State in France, Japan, the United States, and Great Britain* (Chicago: University of Chicago Press, 1993).

<sup>5</sup> Tsuji Tatsuya et al, (eds.), *Nihon no kinsei* (Japan's Early Modern History), 18 vols., (Tokyo: Chuo koronsha, 1992), especially Vol. 3.

<sup>6</sup> Takashi Inoguchi, “Elections and Public Policy”, *Papers in Japanese Studies*, No. 2, (Singapore: National University of Singapore, 1989).

<sup>7</sup> Inoguchi Takashi and Iwai Tomoaki, *Zoku giin no kenkyu* (A Study of Legislative Tribes), (Tokyo: Nihon keizai shimbunsha, 1987).

(both the political and bureaucratic sectors), has been working to further limit the role of grass-roots politicians for the last two decades. While the public sector stagnated in terms of its budget (especially its size amenable to political discretion) as a percentage of GNP, the private sector thrived. Market liberalization in the 1980s accelerated the relative growth rate of the private sector.<sup>8</sup>

Second, the framework of LDP politics has not changed very much for the last two decades. By framework I mean the “modus operandi” politicians use in playing their role. Their activities focus primarily on district activities tailored to micro-level networking toward re-election.<sup>9</sup> By that I mean both the “daily activities” to cement and enhance “supporters’ organizations (*koenkai*)” in their districts, such as attending weddings (some 10 times per month) and funerals (some 26 times per month) as well as political money collection both at district level and in Tokyo.<sup>10</sup> Given the inevitable competition among LDP politicians in each district exacerbated by the multi-member district electoral system, whereby two to six persons are elected in some districts by a one-vote margin, LDP politicians have to resort to winning electorates’ “hearts” without stressing policy and ideological differences among LDP politicians in the same districts. As Tip O’Neill, a democrat from Massachusetts, was fond of saying: “All politics is local.” Japanese politics is one of the best examples of this kind of politics. Since one of the strong policy tenets of Japanese state bureaucracy is to improve the welfare of people with public policy equally applied to all strata, sectors and regions, public works and subsidies tailored to those relatively backward segments play an important role in not allowing the local population to feel that they are marginalized or alienated by government. This bureaucratic policy has been in perfect harmony with the grass-roots-oriented LDP politics in districts. It is arguable that the one party dominance by the LDP in Japan has lasted so long in part because of this continuous and large scale policy-derived financial flow from higher income segments of Japanese society.<sup>11</sup>

<sup>8</sup> Martin Jänicke, *State Failure: The Impotence of Politics in Industrial Society* (Oxford: Polity Press, 1990).

<sup>9</sup> Inoguchi and Iwai, op. cit., especially Ch. 2 on LDP politicians’ time allocation to various activities in their districts and in Tokyo.

<sup>10</sup> Iwai Tomoaki, *Seiji shikin no kenkyu* (A Study of Political Money), (Tokyo: Nihon keizai shimbunsha, 1990).

<sup>11</sup> Takashi Inoguchi, “The Political Economy of Conservative Resurgence under Recession: Public Policies and Political Support in Japan, 1977–1983”, in T.J. Pempel

Third, the Japanese economy was somewhat artificially expanded by the Japanese government's acquiescence to the *higher yen policy* and the financial market liberalization policy which the US government wanted to see Japan adopt as part of the effort to reduce the US trade deficit and enhance US competitiveness. The Japanese government was apprehensive on two fronts: (a) In mid-1980s the continuation of its high interest policy throughout the recessionary first half of the 1980s might prolong the recession much further and (b) non-acquiescence to the US government's call for policy coordination and market liberalization might lead to the further deterioration of US-Japan relations.<sup>12</sup> What happened was (a) the yen-dollar agreement (1983), (b) the Maekawa report (1985) calling for domestic demand expansion, further market liberalization, and greater global contributions and (c) the drastic interest rate lowering in 1987 as part of macro-policy coordination, which continued in effect until the early 1990s. The result was the bubble economy – a sudden expansion of money placed in the hands of the Japanese.<sup>13</sup> Japanese business firms got so much profit not from their business but from issuing equity and other kinds of bonds in an unrestrained fashion. Very naturally, politicians were able to collect an unprecedented amount of money from business firms. Political money amassed by politicians surpassed the amount of money Japanese politicians used to handle for their "daily activities" especially for their factional activities.<sup>14</sup>

In what follows, I will analyse, given the three above background factors, how factional dynamics got into the equation, amplifying the malaise of the LDP to an unprecedented degree.

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(ed.), *Uncommon Democracies: The One-Party Dominant Regimes* (Ithaca: Cornell University Press, 1990), pp. 189-225. John Zysman had argued in a similar fashion in comparison to the cases of France and Italy in his graduate seminar on political economy of industrialized societies, University of California, Berkeley, when I was briefly visiting in early March of 1993.

<sup>12</sup> Ueda Kazuo, *Kokusai shushi fukinkoka no kinyu seisaku* (Monetary Policy under International Imbalance), (Tokyo: Toyo keizai shimposha, 1992).

<sup>13</sup> See Bill Emmott, *Japan's Global Reach* (London: Century Business, 1992).

<sup>14</sup> US Ambassador to China, Stapleton Roy, argued with me at a conference in southern China in late March 1993, in a similar fashion. He pointed to a similar mechanism set in motion in Iran in the latter half of the 1970s by the US government policy of encouraging Iran's lower oil price policy, producing a lot of oil and thus in return allowing Iran to amass weapons, which turned out to be beyond the capability of the Iranian political system.

### Three Phases of LDP Factionalism

It is often said that the LDP government is a coalition of factions.<sup>15</sup> But since the LDP was founded in 1955, one can discern the following three phases of factionalism: 1955 to 1974, 1974 to 1992, and 1992 to the present. 1974 is the year Prime Minister Kakuei Tanaka resigned from office. 1992 is the year the Takeshita faction (the largest faction) split into two, much smaller factions. Factionalism at each phase is characterized as follows: minimum-winning coalition; wall-to-wall coalition; and person-to-person coalition.

#### Minimum-winning coalition

For the two decades from 1955 to 1974, the LDP was a party of strong personalities. The LDP was a party of the Center-Right created in order to prevent the Left from taking power. Party bosses were able to retain their independent fiefdoms within the party despite their mutual animosities. They collaborated because of their abhorrence of a Left Wing government if the Center-Right forces were split in two. Factions were personalistic and clientelistic. Strong personal ties were stressed and adhered to. When it came to choosing the Party's president and also, given the LDP's majority in the National Diet, the Prime Minister, it was natural that a factional boss with a majority within the parliamentary party was winner. Whether it was selected by voting or by consultation (*hanashiai*), the principle of minimum-winning coalition was vindicated. For the two decades, from 1955 to 1977, all Prime Ministers' power rested on a minimum-winning coalition.<sup>16</sup> Two or three factions got together to produce a Prime Minister. Prime Ministers, moreover, tended to be from the largest faction. Tanzan Ishibashi (r. 1957 to 1958 for two months) was the only Prime Minister who was not from the largest faction. He constructed a minimum-winning coalition against the largest faction, the Kishi faction. The rest, namely, Ichiro Hatoyama, Nobusuke Kishi, Hayato Ikeda, Eisaku Sato, and Kakuei Tanaka were the bosses of the largest factions. Those factions within a minimum-winning coalition grabbed cabinet minister and party executive posts, while those not within a coalition did not demand cabinet minister and party executive posts. The difference between

<sup>15</sup> Michael Leiserson, "Factions and Coalitions in One-party Japan: An Interpretation Based on the Theory of Games", *American Political Science Review*, Vol. LVII No. 3 (1968), pp. 770-787.

<sup>16</sup> Inoguchi Takashi, *Keizai taikoku no seiji unei*, 1993, Ch. 6.

mainstream factions and anti-mainstream factions was starkly demarcated. Financing political activities was made largely on a factional basis. Many parliamentarians were reliant on factional bosses for the allocation of money. Party headquarters were not sufficiently institutionalized to help finance campaigns and daily activities very much. It was only from the mid 1960s that the LDP headquarters started to record its activities in detail.

### Wall-to-wall coalition

With the passage of time strong personalities passed away. By the mid-1960s dominant figures like Ichiro Hatoyama, Ichiro Kono, and Banboku Ono had died. Furthermore, the largest faction became dominant in the early 1970s. Three successive Prime Ministers, Hayato Ikeda, Eisaku Sato and Kakuei Tanaka, were produced by the predominant faction. Although their factions were not totally identical, they inherited much of their immediate predecessor's factional basis. By 1972, when Kakuei Tanaka won the Presidency, the largest faction was increasingly predominant. Factional bosses fought bitterly amongst each other, but they normally grabbed cabinet minister and party executive posts. Every faction joined a coalition, hence the term a wall-to-wall coalition.<sup>17</sup> Underlying this tendency was the drive of the largest faction, the Tanaka faction, to expand its factional membership size in an attempt to thwart the prosecution of Kakuei Tanaka for his role in the Lockheed scandal. By increasing its size to that of manifest predominance, the Tanaka faction intended to control the LDP even after Tanaka's downfall. Yet, the largest faction was unable to produce a Prime Minister because of the effect of the Lockheed scandal. Consequently, the non-predominant factions produced most of the subsequent Prime Ministers. The only exception was Noboru Takeshita (1987–1989), the rest, namely, Takeo Miki, Takeo Fukuda, Masayoshi Ohira, Zenko Suzuki, Yasuhiro Nakasone, Sosuke Uno, Toshiki Kaifu and Kiichi Miyazawa, came from non-predominant factions. However, the predominant faction came to control the party headquarters, especially its finance. And through it the successive control of the Party Secretary-General. With this continuous control of party finance at headquarters, the Tanaka faction constituted at one time 140 parliamentary members out of a total of 300 members of parliament. When Noboru Takeshita usurped Kakuei Tanaka, some anti-Takeshita and pro-Tanaka parliamentary members split from the

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<sup>17</sup> Ibid.

Takeshita faction, thus reducing its size to slightly more than 100. Yet the predominance of the largest faction did not change very much. Rather, the predominant faction raised an enormous amount of political money for the faction and the LDP, as a result of the boom in the latter half of the 1980s. Its negative feature was the revelation of the Recruit scandal of 1988–89 and the Sagawa-Kyubin scandal of 1992–93. It is no coincidence that the major scandals, the Lockheed scandal (late 1960s through early 1970s) and the Recruit scandal (mid 1980s through early 1990s), took place during a period of economic boom and inflation. The economic boom provided easy money and LDP politics was not equipped to deal with such a vast amount of money. The framework of LDP politics is that of local politics at districts with a 100–500,000 electorate with opponents often being within the same party. It is a world in which how much public works expenditure was brought to districts by this or that representative and how often and sincerely this or that representative shows his or her presence on major social occasions such as weddings and funerals really counts.<sup>18</sup>

#### **Person-to-person coalition**

With the revelation of the Sagawa-Kyubin scandal in 1992, the Takeshita faction split into two, composed of the Obuchi faction (roughly 60) and the Hata faction (roughly 30). The split brought the largest faction's predominance abruptly to an end. Factions whose size ranges from 80 to 30 co-exist nervously with an eye at a possible emerging large scale party realignment in the near future. The fluidity of factional ties has become more pronounced, so has the individual parliamentarian's own money-collecting efforts. The proposed bills regulating political money, electoral system, redistricting and election campaigning, once legislated, would have important political consequences.<sup>19</sup> First, political money flows between factions and individual parliamentarian's factional followers would be banned, hence reducing the importance of factions. Second, proposed electoral system changes from the current multi-person district system to the Anglo-American system of choosing one representative in one district, would discourage "daily activities" at a district level as factional competition at a district

<sup>18</sup> See Iwai, *Seiji shikin no kenkyu*, 1990; Takahashi Hajime, *Tsugaru senkyo* (Elections at Tsugaru), (Aomori: Kitanomachisha, 1987); and Kato Kunihiko, *Hekichi no Jiminto dono*, (The LDP at Peripheries), (Tokyo: Joho senta shuppan kyoku, 1985).

<sup>19</sup> See, for instance, *Yomiuri Shimbun*, 3 March 1993.



level would be curtailed. In terms of party configuration, this would amplify the role of the dominant party. It could favour either the LDP or some newly emerging Center-Right or Center-Left party. Third, redistricting means that a district on average would be reduced by one half or one fourth. This means that "daily activities" in a district, the need to attend weddings and funerals would be reduced. Fourth, public financing of political campaign money on a national basis would increase in importance. Since political fluidity is high, it is not certain that these bills will be approved in the near future. Nevertheless, it is clear that factional differences would be mitigated by such measures. What we will see in a more pronounced fashion is a person-to-person coalition with more emphasis attached to policy preferences. One such example is the informal coalition between Prime Minister Kiichi Miyazawa, Justice Minister Masaharu Gotoda and Cabinet Secretary Yohei Kono especially with regard to political reforms (the above four bills) and the "pacifist-cum-nationalist" foreign policy towards United Nations Peace Keeping Operations in Mozambique. Miyazawa has been reluctant to allow Self-Defense Forces to participate in other areas than Cambodia. Moreover, Gotoda was the Cabinet Secretary who undermined Prime Minister Yasuhiro Nakasone's initiative in sending SDF mine-sweepers to the Persian Gulf in 1987.<sup>20</sup> Meanwhile, Yohei Kono is a cautious politician who seems reluctant to accept bureaucrats' briefings and instructions "in toto". Although much remains to be disclosed, it is speculated that Justice Minister Gotoda has given a silent nod of approval to the Tokyo Prosecutor's Office's action against Shin Kanemaru. Prime Minister Miyazawa himself might also support these moves as his rise to the prime ministership was made possible by the Takeshita factions (and Kanemaru's) support for Miyazawa. Consequently, Miyazawa now wants to distance himself from Kanemaru. That is precisely what Yasuhiro Nakasone did when he was picked up by the Tanaka faction as prime minister when Kakuei Tanaka was found "guilty" in court in the 1980s.

## Conclusion

The large scale corruption case against Shin Kanemaru and others of the LDP allows us to examine how Japanese politics is conducted, how its factional

<sup>20</sup> Inoguchi Takashi, "Japan's Response to the Gulf Crisis", *Journal of Japanese Studies*, Vol. 17, No. 2 (1991), pp. 257-273.

dynamics have accentuated its malaise, and how its own somewhat autocratic dynamics of factions have come to the point of reducing the virtue of their existence. Some may look at it as the presence of a healthy feedback mechanism in Japanese politics. However, others may condemn the suicidal consequences of an archaic, personalistic, clientelistic, over-monetized politics. At any rate, many observers hope to see Japanese politics evolve in a direction of greater accountability, since Japan, as an economic superpower, is expected to exercise a degree of political decency and leadership.