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Japan's snap election: A sign of economic and political crisis

By Peter Symonds

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Japanese Prime Minister Shinzo Abe yesterday announced a snap national election after disastrous figures released Monday showed that the economy was officially back in recession, marked by two successive quarters of negative growth.

One quarter's contraction of an annualised 7.2 percent had been expected, as it followed the lifting of the sales tax from 5 to 8 percent in April and a slowdown in consumer spending. However, the latest fall of 1.6 percent for the third quarter of 2014 came as a shock, throwing Abe's economic policies into complete disarray.

Just as the slump in Japan is another indication of the rapidly worsening breakdown of global capitalism, so Abe's sudden election announcement points to the deepening political crisis facing the ruling classes around the world.

Abe came to power in December 2012 touting his "Abenomics" and promising to restart the economy after two decades of stagnation. From the outset, however, the government's economic agenda has been mired in contradictions.

Abe's Liberal Democratic Party (LDP) backed the sales tax hike passed by the previous Democratic Party of Japan (DPJ) government. It even pushed for higher increases, in a bid to

bring down the budget deficit. At the same time, the “first arrow” of Abenomics, consisting of government stimulus measures designed to kickstart the economy, only added to the massive public debt, which amounts to more than 200 percent of gross domestic product.

Abe’s “second arrow” involved the Bank of Japan adopting a version of the US Federal Reserve’s quantitative easing—a massive injection of funds into the financial system to try to end the cycle of deflation. This high-risk monetary policy has weakened the yen, increased exports and provided a massive boost to share prices, initially at least. But the resulting rise in import prices has only compounded the fall in consumer spending and added to recessionary tendencies.

In announcing the poll yesterday, Abe postponed another increase in the sales tax from 8 to 10 percent, originally due in October 2015, for another 18 months so as not to drive the economy further into reverse. He justified the election by declaring that he needed “to listen to the voice of the people,” given that there were “divided opinions” and “also resistance” to the government’s economic policies.

Abe faces opposition to the sales tax postponement from “fiscal hawks” within the LDP and business circles who fear mounting public debt will undermine confidence in the Japanese financial system. Sharp divisions in ruling circles were also evident in the Bank of Japan’s decision last month to expand quantitative easing—with a five-four split in the vote by the bank’s governors.

Abe is clearly preparing a populist pitch in the election campaign by seeking a mandate to postpone the unpopular sales tax hike and casting himself as a battler against entrenched interests. The posturing has a hollow ring, not least because Abe himself has declared that he has no intention of permitting any further sales tax postponement.

By focussing the election narrowly on the sales tax, Abe hopes to deflect opposition to the government on other issues. These include the deepening social crisis facing workers and youth, his government’s remilitarisation, including its constitutional “reinterpretation” to allow “collective self-defence,” and the government’s preparations to restart the country’s nuclear plants, shut down after the Fukushima disaster.

On the economic front, Abe has made clear that he intends to press ahead with his “third arrow” of so-called structural reform. Such “reform” is the watchword of governments internationally for a deepening assault on the working class. The LDP has foreshadowed a list of such measures, which include:

* Establishing six special strategic zones where government regulations, including labour laws, will not apply and other concessions will be made to investors. The zones, in which “burdensome rules” will be lifted for business, will test out policies that will be applied throughout the country.

* A “debate” on further dismantling the lifelong employment guarantee for workers. Already the proportion of employees in low-paid, part-time and temporary work has risen dramatically, from 26 percent in 2000 to 38 percent of the workforce.

* Slashing corporate tax from an effective rate of about 35 percent to the “twenties”—a huge concession to big business that will be paid for by making further inroads into social spending.

Abenomics has already widened the gulf between rich and poor. While the wealthy elite has profited as quantitative easing has driven up share values by 65 percent since Abe assumed office, wages have continued to slump. Between 1997 and August 2014, real wages fell by 9 percent, including 2 percent under the Abe government.

Abe has called the snap election knowing that the renewed deterioration of the economy will continue to erode his electoral support. Support for the cabinet has fallen from 66 percent in April last year to 44 percent this month, according to the NHK public broadcaster. By calling the election now, Abe is hoping to get another four years in office to drive through his austerity program.

The LDP also calculates that the opposition is unprepared for the election. According to one estimate, the DPJ is only in a position to run candidates for 134 of the country’s 295 electoral districts. The DPJ’s standing in the polls is less than half that of the LDP, a consequence of its broken promises to expand social spending after it took office in 2009. If the DPJ did assume power after the election next month, it would, like the LDP, seek to impose the burden of the economic crisis on working people.

The political crisis in Japan, the world’s third largest economy, is an expression of the impact of the global economic breakdown on social and political relations around the world. The deepening assault on the working class is paralleled by sharply rising geo-political tensions as the major powers seek to offload the crisis onto their rivals.

These tensions are particularly acute in East Asia, where the Abe government has consciously sought to remilitarise Japan, revive the reactionary traditions of Japanese militarism and confront China, in league with the US and its aggressive “pivot to Asia.”