

JACOB M. SCHLESINGER

SHADOW SHOGUNS

THE RISE AND FALL
OF JAPAN'S POSTWAR
POLITICAL MACHINE

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... was waiting to be written, and not only has Jacob Schlesinger done it, ... produced a fine job of political reporting. . . . Washington lobbyists, Moscow party bosses stand back. Even Mobutu Sese Seko might be a bit envious of the best running big-time political sleaze serial of the past quarter-century."

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A "story which is told vividly in this well researched and reliable account. . . . Superb analysis of Japan's politics and economic affairs." —Akira Iriye, *Washington Post Book World*

"*Shadow Shoguns* is a lively and anecdote-rich account of the eerie parallels between Tokyo's now-battered political machine and that of New York's Tammany Hall. . . . Schlesinger masterfully demonstrates why Tanaka personified the collusive ties between Japanese politicians and Big Business." —*Business Week*

"A fascinating and penetrating tale about the Tanaka machine that dominated Japan's politics for several decades and whose demise in the early 1990s has created a political vacuum that accounts for many of Japan's current problems."

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"*Shadow Shoguns* is by far the best book in English to explain the dismal machinations of the hitherto faceless politicians of postwar Japan. The book is in a class by itself; there are none of the preachy generalizations commonly spouted by Westerners writing about Japan. . . . The understated style is so evocative that the reader can almost hear both the plucking of the samisen and the jangling of coins as they are slipped into pockets."

—Henny Sender,
Far Eastern Economic Review

"It takes a special skill to tell a tale of politics well; when the political system is Japan's stagnant and Byzantine machine, it takes even more. Fortunately, Jacob M. Schlesinger, a reporter for the *Wall Street Journal*, has enough and to spare. For those sojourners in Japan who tend to ignore the news from Nagatacho, *Shadow Shoguns* is a crucial crash course in postwar politics."

—*The Daily Yomiuri*

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*The Rise and Fall
of Japan's Postwar
Political Machine*

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A Note to Readers

IN JAPANESE, a person's family name appears first and the given name second. The American media generally reverse the order, using the family name last, in the manner of English names. For example, the Japanese press writes of Tanaka Kakuei, the American press of Kakuei Tanaka. The text of this book follows the rule of the American press. In the endnotes and bibliography, Japanese authors are also listed in the American style. However, the Japanese titles of books and articles are cited exactly as they were published.

Similarly, the official transliteration of many Japanese words requires macrons, which indicate elongation of a syllable. Under this rule, Ichiro Ozawa should be Ichirō Ozawa. Macrons are not used in the text of this book, but they are used for Japanese sources cited in the notes and bibliography.

Introduction

JAPAN'S rich and powerful flocked to Tokyo's stately Aoyama Funeral Hall on December 25, 1993. Their Cadillacs, Mercedeses, and chauffeured limousines lined the streets. The reigning prime minister, as well as all seven living former premiers, were solemnly escorted to their assigned seats inside, where the sweet mourning smells of chrysanthemums and incense mingled.

Japan's commoners arrived by foot, by subway, by overnight bus from the hinterland. Some in black suits, others in construction workers' garb, still others in wheelchairs or with baby carriages in tow, they formed a line that stretched outside the hall's steel gates, up the sidewalk a full city block, around a bend, and far onto the overgrown path that lay among the gravestones of Aoyama cemetery.

They came by the thousands, Japan's mighty and its masses, for the funeral of Kakuei Tanaka, the most commanding Japanese politician of his generation, who had died of pneumonia at the age of seventy-five. The mourners were not just bidding farewell to the man but were marking the ceremonial end of an era. For Tanaka, who had shown an impeccable sense of timing in life, also did so in death. His passing coincided with the demise of the national machine

he had built, an organization that had presided over—and profited handsomely from—Japan’s ascendance from the rubble of World War II to economic superpower.

WHEN MY NEWSPAPER dispatched me to Tokyo in 1989, I felt as if I had been sent to the new center of the universe. It was a time when many Americans harbored great uncertainties about our country’s economic viability and our future—doubts magnified by Japan’s simultaneous stunning success. Japan’s economy was growing twice as fast as America’s; its companies were taking over strategic industries, from automobiles to computer memory chips, and were buying up American landmarks and icons, from Rockefeller Center to Columbia Pictures. As the Soviet Union began falling apart, Japan became our greatest rival.

What made Japan’s ascent so unnerving to the United States was not just the notion that the Asian nation might eclipse America’s industrial might. Tokyo seemed to be doing so by providing a different, perhaps better, alternative to the American political-economic model, especially for Asia’s other rapidly developing nations. While Japan was ostensibly a free-market democracy, its politics and its economics appeared cleverly planned and intertwined, somehow impervious to the messiness of competition and conflict so common in the West. A symbol of this harmonious continuity was the Liberal Democratic Party, or LDP; while free parliamentary elections took place, from 1955 on only this probusiness, probureaucracy party ever won. Those best convinced of the potency of cooperation within, and between, Japan’s government and business worlds dubbed the whole concoction “Japan Inc.” The term connoted a system that ran cleanly and efficiently, more like a corporation than an elected government. In the mythology that evolved, Japan Inc. was both superhuman and ahuman. It had no dynamic personalities, but was managed by a mysterious horde of interchangeable blue-suited automatons.

By the time I left Tokyo in 1994, however, the Japanese juggernaut had stalled. The economy had fallen into its deepest recession since the war. Politics was wracked by sensational scandals. The people’s trust in long-successful institutions waned, while the famous unity of the leadership was shattered amid bitter disputes. The establishment’s arrogant assumptions about its immortality had been jolted in 1993, when the Liberal Democratic Party lost power after thirty-eight years in control.

The remnants of any global appeal of the Japan Inc. model disappeared in the summer of 1997, when a similar political/economic crisis spread throughout Asia: first in Thailand, then in Indonesia, then in South Korea. In each case, the story was eerily familiar: the close ties between government and business, once hailed as brilliant coordination, had been exposed as corrupt, inefficient, and ultimately unsustainable, derided as "crony capitalism." The Asian financial meltdown was triggered, in part, by Japan's own long-term stagnation. The region's troubles, in turn, aggravated Japan's ongoing struggles. At the same time, Tokyo's once-proud elite continued to stumble into scandal. In early 1998, it was the revered Finance Ministry that was jolted by a series of arrests. The LDP, which had managed to claw its way back to power in 1996, suffered another stunning electoral defeat in July of 1998, and its future once again looked doubtful.

The questions raised during Japan's difficulties through the 1990s have forced a rethinking of Japan's recent history, and an intense debate about its future course. In retrospect, how smooth and effective was Japan's management of its political economy? What kind of model did Japan represent? Was it one of careful bureaucratic design, distinct from Western models? Was it culturally specific? Or was it the predictable—and ephemeral—product of unique circumstances? How destructive have the recent upheavals been to Japan's old order? Will elements of a distinctly Japanese system survive?

This book argues that the past was not so neatly crafted as it had appeared and that the old order cannot be put back together again. The starting premise is that the Japanese system was never so superhuman nor so mysterious as it had appeared. It was a smoothly run machine, all right. But it was a political machine—much like New York City's Tammany Hall or Huey Long's apparatus in Louisiana, one that would be quite familiar to students of American history. Japan's machine did, in some respects, manage economic policy with remarkable consensus and efficiency. Yet the costs required for holding the system together were huge, in the form of blatant favoritism, monumental amounts of pork, and gold-plated corruption. In many ways, Japan Inc. was a gaudy, inefficient mess.

This is the story of Japan Inc. as political machine. It chronicles the political culture of a nation obsessed with economic advancement and the distortions to democracy and capitalism that accompanied what the world called Japan's economic "miracle." It is about the ambitions of colorful, domineering politicians—the dynasty of machine bosses known as "shadow shoguns"—who skillfully rigged the seemingly faceless, selfless system for their own gain.

It is a very human story, spanning three political generations.

The founder was Kakuei Tanaka, the charismatic son of a dissolute horse trader whose fiery populism made him, for a time, the nation's most beloved politician. The second generation was the political odd couple of Shin Kanemaru, a gruff, incoherent brawler known as "the Don," and Noboru Takeshita, the wily fixer. The third generation was Ichiro Ozawa, the favored scion of the machine "family"—trained as Tanaka's political "son" and, through a complicated network of marriages, kin to Kanemaru and Takeshita. The four men managed to impose and maintain crooked boss control from the early 1970s to the early 1990s over a national legislature governing a country of 100 million people. The ruling LDP and opposition parties, the national bureaucracy, and major corporations were all subject to their manipulation. The Tanaka cabal rarely claimed titular authority, preferring to influence Japan's official leaders from behind the scenes. As "shadow shoguns," the bosses could skirt the constraints of public scrutiny and accountability. Indeed, the machine was able to survive numerous money scandals, including Tanaka's own arrest and conviction for taking bribes.

The Tanaka machine was the natural outcome of its time, an era when the entire nation unified around, and reveled in, the pursuit of prosperity. Many of the elements that gave rise to America's political machines in the late nineteenth and early twentieth centuries were also prominent in postwar Japan: an impoverished, recently enfranchised electorate that was less concerned about the lofty, unfamiliar principles of democracy than about access to the largess of the state; an absence of controversial issues, which allowed the government to attract a wide alliance of supporters and to focus on the nuts and bolts of local administration instead of wider public policies; and the dominance of one political party, which enabled a machine to count on ongoing power. Corruption was of little concern to the voters as long as they got their cut.

Cold War-era America also helped foster the Tanaka machine by virtually dictating to Tokyo its foreign policy in the wake of Japan's World War II defeat. In so doing, Washington removed from Japanese politics the difficult issues of global stability and security. The absence of such questions created an environment conducive to a machine, by elevating to supreme importance the more mundane matters of government favors and public works. The Tanaka machine, in turn, shaped a style of diplomacy that would come to irritate American leaders in later years. Japan's notoriously frustrating trade barriers were often the result of a political system designed

to cater only to narrow domestic special interests. Japan's inability to solve swiftly its banking crisis—a main source of the world's economic turmoil in 1998—became another symbol of the old order's failings. And despite the country's new rank as a global economic power, Japan's political rulers had no ability or experience to address their world responsibilities.

Having been nurtured under special conditions, the machine could not last when its environment changed in the late 1980s and early 1990s. And as the machine became threatened by external forces, internal pressures naturally mounted. Political unity was not inherent in the culture, but was the lucky outcome of sustained peace and prosperity, when there was ever-expanding wealth to share. When signs of trouble emerged—and when the machine had grown too big to satisfy all of its members adequately—the group turned out to be not a cabal of automatons after all, but an organization all too vulnerable to the normal human weaknesses of ambition and jealousy.

Sensing the precarious state of the machine, boss Ozawa turned against his "family" in 1993 and declared himself an anti-LDP, anti-machine "reformer." While his crusade has had its setbacks, he launched the process that will, over time, fundamentally change Japan's policies and its politics. The first step of that process was to shatter the assumption of eternal harmony of Japan's political elite and to show that it is possible to divide the best and brightest politicians into opposing camps. Thus, after a quarter century in which Japan's democracy was defined by the Tanaka machine's consensus, the country's politics are now being shaped by a more open competition for power, money, and ideas.

