

**Japan's too-frequent elections: barrier to fiscal reconstruction and structural reform?** by Masato Kamikubo

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Japanese Prime Minister Abe Shinzo hosted the G7 Summit May 26-27 in *Ise-Shima*, Japan. Participating countries agreed to adopt policy measures to promote sustainable development of the world economy, including structural reforms and flexible increases in public spending. British Prime Minister David Cameron and German Chancellor Angela Merkel had cautious responses to public spending increases proposed by Abe, emphasizing fiscal discipline and the importance of structural reforms, underscoring the differences between Japanese and the European ways of thinking.

Japan has by far the worst budget deficit among advanced countries. Why then does Abe place so much weight on increased public spending, rather than financial reconstruction or structural reform? The answer reflects differences between Japan's political system and those of European countries, in particular that of the UK.

After David Cameron took office in May 2010, there was no national election in the UK until the general election of May 2015. Shortly after its inauguration in 2011, the Cameron government passed a law fixing the parliamentary term of office at five years, and eliminated the prime minister's power to dissolve Parliament. Since then, Cameron has forced through severe fiscal austerity legislation, including an increase in the value added tax (equivalent to the Japanese consumption tax), a 19 percent across-the-board reduction of budgets of all ministries, and economic policies involving various schemes such as 1) activating the housing market, 2) aggressively attracting overseas firms and investment by reducing the corporate tax rate to the EU minimum and 3) conducting quantitative easing.

According to the "[UK Polling Report](#)" the approval rating of the Cameron government hovered at a low level due to the unpopularity of fiscal austerity; this allowed the opposition Labour Party to gather a huge majority. However, due to the law fixing the term of parliamentary sessions, the Cameron government could patiently persuade the public about the benefits of financial reconstruction without worrying about a snap general election. In due course, Cameron's financial and economic policies began to show results and his party's ratings have risen. The Cameron government rapidly recovered its approval rating and scored a dramatic upset win in the 2015 general election.

In Japan, on the other hand, there have been three national elections since 2012, when Abe returned to the presidency of the Liberal Democratic Party (LDP). At that time, the Abe government set out the "Abenomics," economic policy consisting of three facets (monetary easing, fiscal stimulus, and structural reform). "Monetary easing" and "fiscal stimulus" aim at improving the competitiveness of export companies by lowering the interest rate and thus inducing a devaluation of the yen. This was favored by the public, and the "[approval rating of the Abe Cabinet](#)" rose above 60 percent. However, Abe's "structural reforms" failed to eliminate vested interests, the so-called "bedrock regulations," and was criticized for poorly conceived content. The underlying reason for this failure: the rapid succession of elections forced reform to be postponed because of fears of objections from vested interests.

In addition, in every election, economic stimulus measures were given priority over fiscal reconstruction, so reconstruction made little progress. Then in December 2014 a snap general election of the House of Representatives was called so that the consumption tax increase from 8 percent to 10 percent, planned for October 2015, could be postponed. Now, just before the House of Councilors election in July 2016, the consumption tax increase, which was planned for April 2017, was again postponed, this time until 2019, a delay of two years.

In the final analysis, the reason why financial reconstruction and structural reform, as promoted in the UK, has not been taken up in Japan is tied to the number of elections. Following abolition of the prime minister's power to dissolve Parliament, the UK government can deal calmly with its policy work for the full five years of its elected term. Financial reconstruction and structural reform are not popular, and take time to promote, but the UK government has time to orchestrate the outcomes. In Japan, on the other hand, House of Councilors and House of Representatives elections are held frequently and intervals between ballots are short. The Japanese government tends to avoid fiscal austerity, which is unpopular with the people, and structural reforms, which take a long time to achieve. As a result, it repeatedly increases public spending and promotes monetary easing to win elections. This does not even allow time for the people to understand the importance of a policy.

Abe's claims at the G7 Summit that the global economy was approaching a crisis were criticized by both domestic and international media, which pointed out that he was using the G7 to promote his economic policy, including fiscal expansion and postponement of the increase of the consumption tax. These are not the only issues on the minds of Abe and the LDP. Even with excellent politicians, realization of a sound economy and structural reform will be difficult without first resolving a key issue in Japan's political system: too many

elections. If Japan is to tackle financial reconstruction and structural reform in the manner of the European countries, including the UK, it is time to focus on the system governing elections for the House of Councillors and House of Representatives.

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