

# WAITING FOR THE THIRD ARROW?

(A LA "*WAITING FOR GODOT*" BY SAMUEL BECKETT)

The House of Councillors Election 2016  
and Japanese Politics.



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# BASIC FIGURES

## 1. Current Seat Allocation

	Seats for Reelection	Total
LDP	51	117
DP	47	65
Komei	9	20
JCP	3	11
Ishin	2	7
Others	9	22
	121	242

## 2. Key Target Seats!

46 by LDP/Komei = LDP/Komei keeps majority.

57 by LDP = LDP obtains majority (first time since '89).

62 by LDP/Komei = Benchmark set by PM Abe.

78 by LDP/Komei/Ishin/Kokoro = 2/3 majority for amending constitution.

## 3. Electoral districts

1 district with 6 seats: Tokyo

3 districts with 4 seats: Osaka, Kanagawa, Aichi

5 districts with 3 seats: Hokkaido, Saitama, Chiba, Hyogo, Fukuoka

4 districts with 2 seats: Shizuoka, Ibaraki, Hiroshima, Kyoto

32 districts with 1 seat

# I. THE SECOND AND THIRD ABE CABINET

1. Prime Minister Abe in the Fourth year as PM  
⇒ PM Abe has kept his position since Dec 26, 2012.
2. No reshuffling until Sep 3, 2014 ⇒ Unprecedented!
3. Long serving ministers ⇒ Unprecedented!!
  - 1) Aso Taro (Deputy PM & Finance Minister)  
Dec 26, 2012~
  - 2) Suga Yoshihide (Chief Cabinet Secretary)  
Dec 26, 2012~
  - 3) Kishida Fumio (Foreign Minister)  
Dec 26, 2012~
  - 4) Amari Akira (Minister for Economic Revitalization)  
Dec 26, 2012~ Jan 18, 2016.

## II. WHY IS HOC IMPORTANT?

### 1. Three reasons

- 1) Possibility of a “divided” or “twisted” Diet.
- 2) Source of power for the coalition partner.
- 3) Two-thirds majority needed for amending constitution.

### 2. Configuration of Japanese political institutions

1) Cabinet + House of Representatives ⇒ Parliamentary system.

2) Independence of House of Councilors

(a) No dissolution. Fixed term for 6yrs.

(b) HOC does not select prime ministers.

3) Under a “divided” Diet, the prime minister is in trouble.

⇒ When the prime ministers forms a coalition, the HOC gives power to the coalition partner.

# III. THREE ARROWS

## 1. First Arrow: Bold Monetary Policy

- 1) March 2013. Appointment of Governor Kuroda
- 2) April 2013. Quantitative and Qualitative Monetary Mitigation
- 3) October 2014. Additional Mitigation

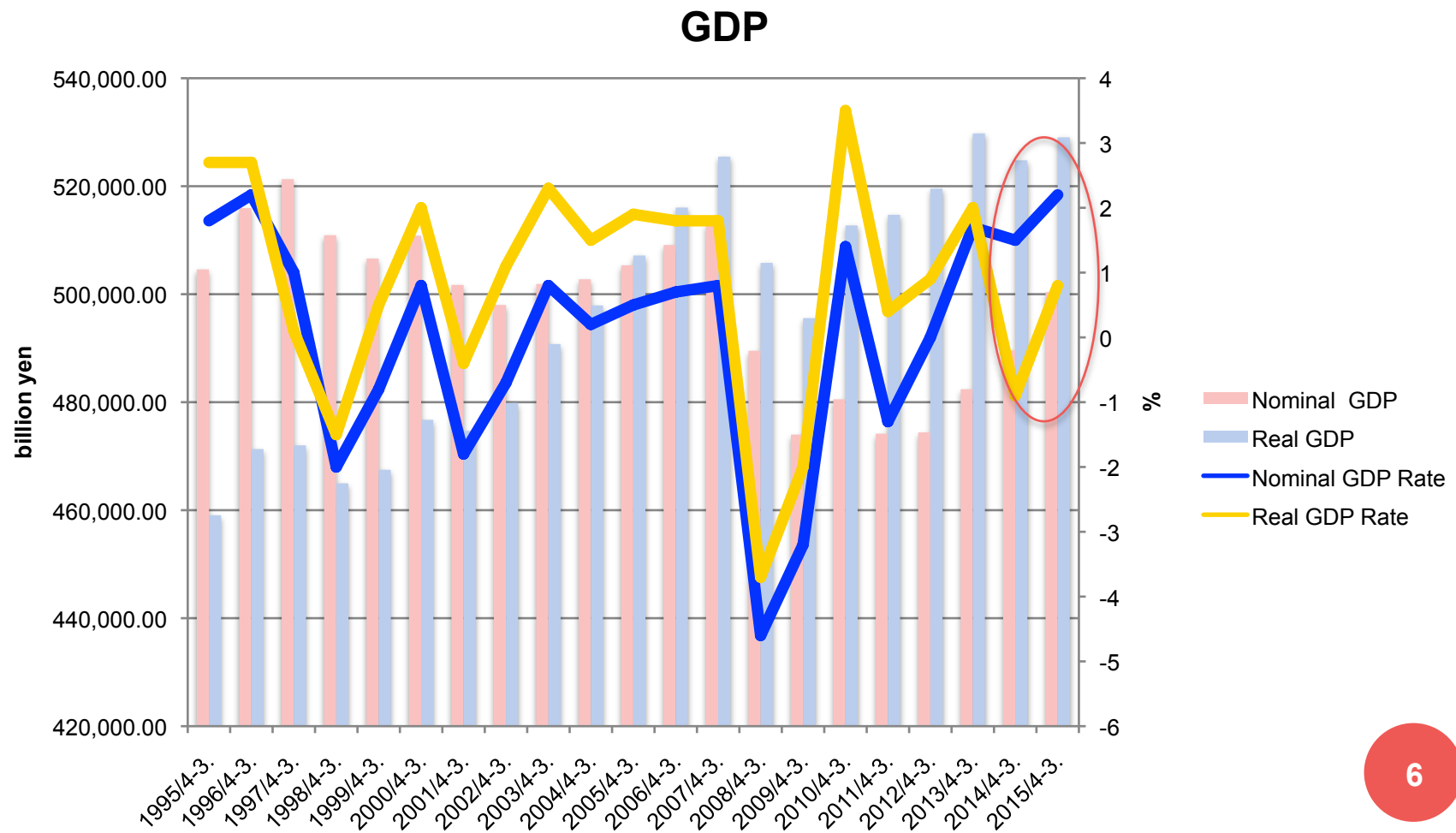
## 2. Second Arrow: Flexible Fiscal Policy⇒Austere policy

- 1) Real FY 2013 Budget:¥105.7 trillion (FY2012 Sup Budget (¥13.1 trillion) +FY2013 Budget (¥92.6 trillion))
- 2) Real FY 2014 Budget:¥100.3 trillion (FY2013 Sup Budget(¥5.5 trillion)+ FY2014 Budget(¥95.8))
- 3) Real FY 2015 Budget:¥99.4 trillion (FY2014 Sup Budget(¥3.1 trillion)+ FY2015 Budget(¥96.3))
- 4) Real FY 2016 Budget:¥100.0 trillion (FY2015 Sup Budget(¥3.3 trillion)+ FY2015 Budget(¥96.7))

## 3. Third Arrow: Structural Reform (Growth Strategy)

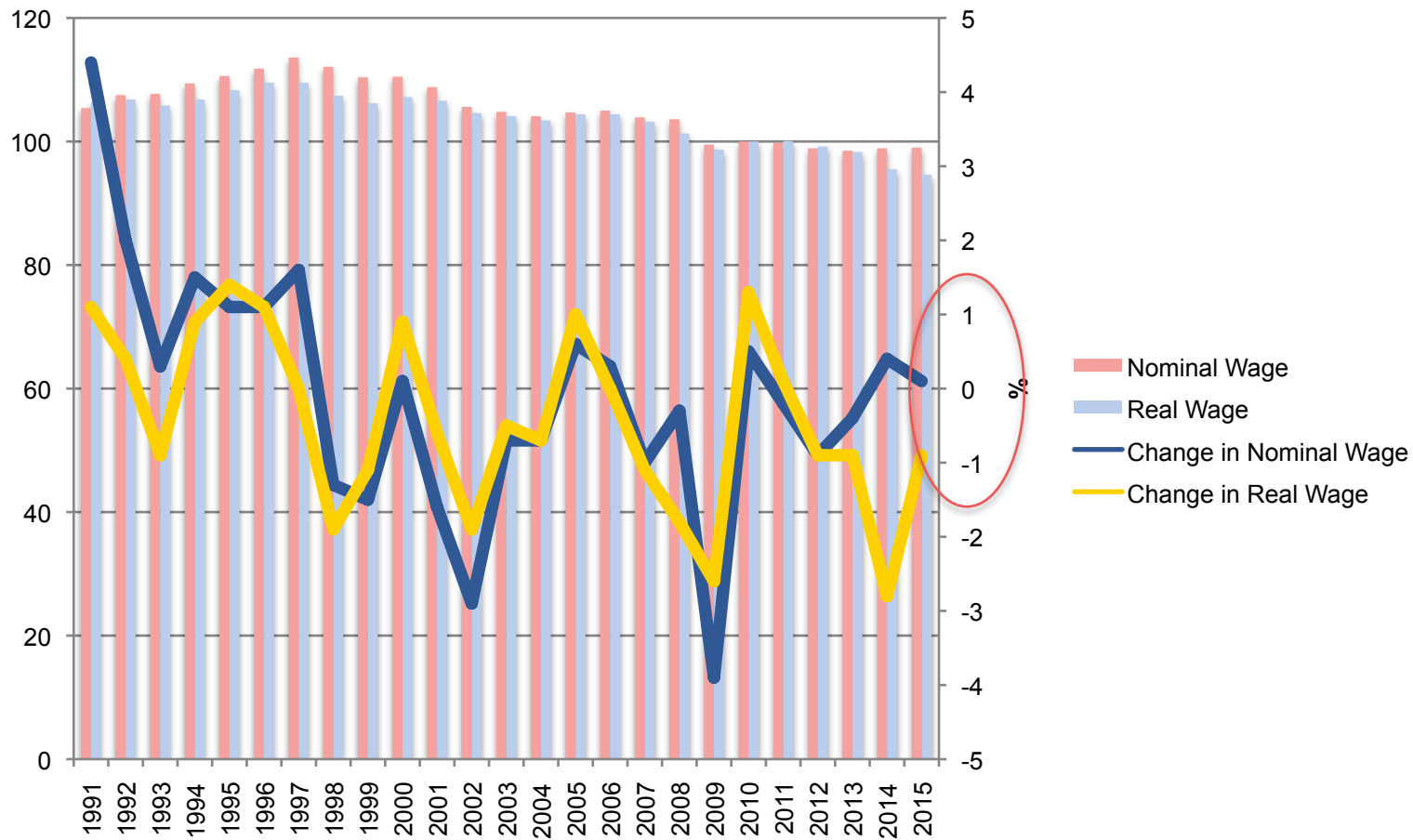
# IV. MACRO ECONOMIC INDICATORS

## 1. GDP



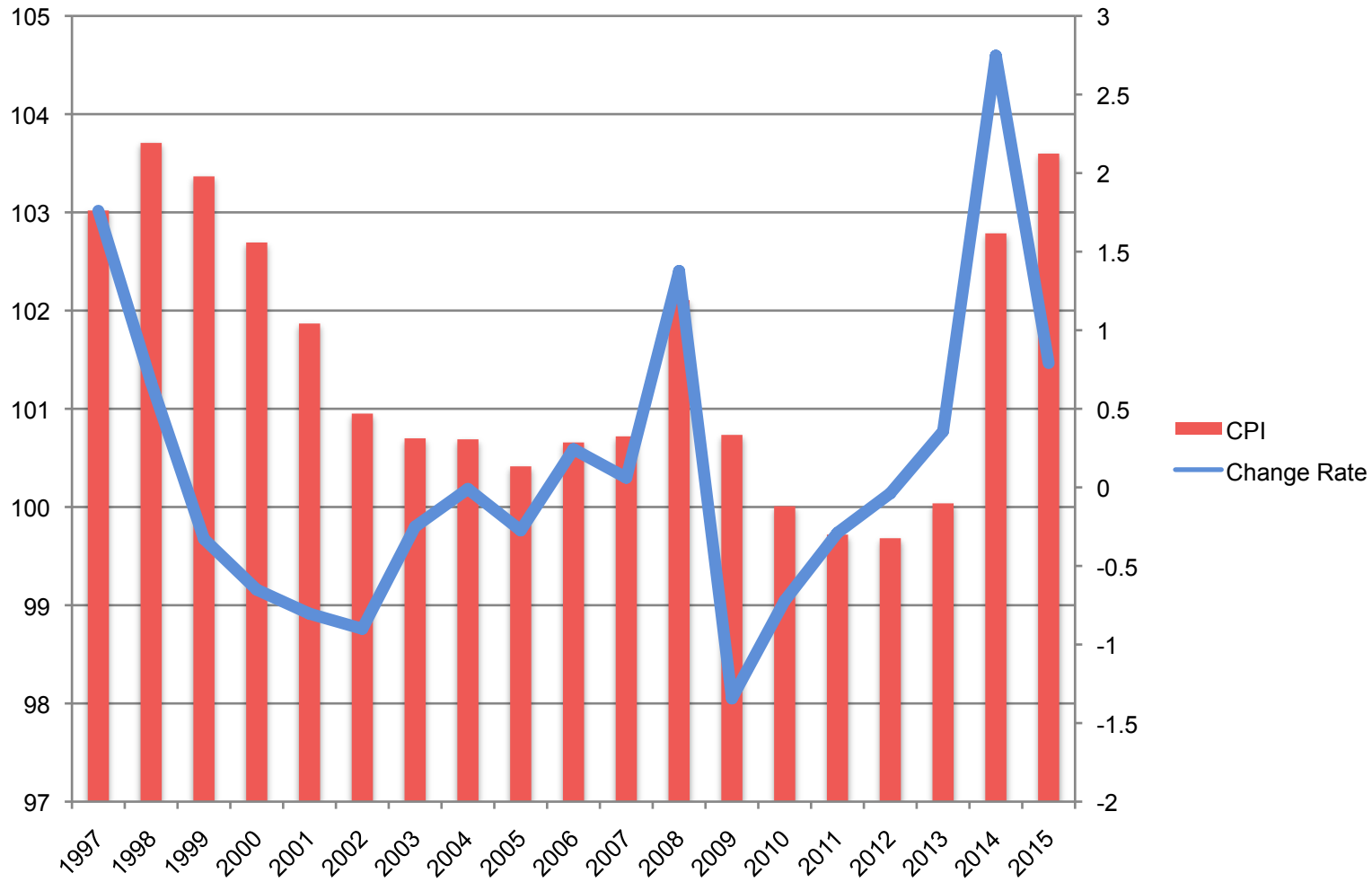
# 2. Wages

### Change in Wages





# 3. CPI



# 4. Unemployment



## **V. THIRD ARROW**

1. Tax Reforms
2. Electric Service Liberalizations
3. Agricultural Reforms
4. Corporate Governance Reforms
5. National Strategic Zone
6. Labor Market Reforms

## **VI. AGENDA 1: CONSUMPTION TAX**

1. Consumption tax raised to 8% in Apr. 2014.
2. Decision to delay 10%tax hike to Apr. 2017 in Dec. 2014.
3. Decision to further delay 10% tax hike to Oct. 2019 in May. 2016.

## VII. AGENDA 2: GDP GROWTH

1. GDP 60 trillion yen.

1) 50 trillion yen in FY15.

2) Target year not specified this time.

3) PM Abe referred to 2020 before.

2. Development of infrastructure

1) Linear Shinkansen

a) currently planned to reach Nagoya by 2027 and Osaka by 2045.

b) earlier extension to Osaka (by 8 years?)

2) More development of railway and road connecting Haneda and Narita Airports to center of Tokyo.

3. Increase foreign visitors to 40 million by 2020

4. Innovation, IOT, deregulation, increase in export of agricultural products and so on.

## **VIII. AGENDA 3: SOCIAL WELFARE**

1. Daycare: expand daycare service to accommodate 0.5 million more people.
2. Aged care: expand aged care service to serve 0.5 million more people.
3. Minimum wage raised to 1000 yen (LDP considers this a way to promote growth).
4. Same wage for same labor (the same as 3).
5. Possible expansion of scholarship offerings.

# IX. REAL AGENDA 1: CONSTITUTION AMENDMENT

1. PM Abe very eager to amend constitution.

Jan 4. “I am going to pledge to amend the constitution in the Upper House election. I would like to deepen debates on the amendment.”

Jan 21. “We have now come to the new stage of discussing which article should be amended.”

Mar 28. “The LDP has already made a commitment to amend the constitution. It would be inappropriate for me to say that I will not tackle with this issue during my tenure.”

2. Issue: What kind of amendment?

1) Article 9 is very difficult to amend.

2) A possible introduction of “Emergency” clause.

## X. REAL AGENDA 2: PRIORITY AMONG POLICY GOALS

1. Constitutional amendment may be important, but...
2. Political capital of PM is limited.
3. Lessons from the legislation of Security-related bills
  - 1) Changed interpretation on the right of collective defense.
  - 2) Consumed huge political capital of PM Abe.
  - 3) Trade off between economic policy and the bills.
    - (a) No decent progress since the latter half of 2015.
    - (b) No Diet in the fall of 2015.
5. Real question: Constitution or Economy?