

7

TEAM WEAKNESSES, TACTICAL FLAWS AND POLICY DEFECTS

Some of the political conditions that are negative for structural reform in Japan are givens, like well-entrenched policymaking structures in which forces opposed to reform are embedded. On the other hand, some factors in the political environment can be positively manipulated to deliver reform outcomes. This chapter continues the examination of structural obstacles to reform, but it also elucidates deficiencies in Koizumi's economic team and its approach which have limited the achievements of his administration. Finally, it offers an explanation for the reduced effectiveness of external aid in the form of *gaiatsu*.

— The technopol serves in government but has no power base and therefore wields little policy authority

The technopol, Takenaka Heizô, may have been officially appointed to the post of Minister of State for Economic and Fiscal Policy and Minister of State for IT Policy, but he lacks political power to implement his reform proposals. His formal powers are limited. As a minister of state, he is granted

for the sake of 'strong coordination', authority over the heads of related administrative organs, such as to request materials and explanations, to recommend and request reports on measures taken under such recommendations, and to make proposals to the Prime Minister who has power to control and supervise the administrative branches.¹

These powers amount to little more than the right to demand information and explanations from ministries and to make recommendations to the prime

minister. Takenaka's own remarks are illustrative of this point. He has commented that '[t]he organization at Kasumigaseki (home to the central government bureaucracy) and Nagatacho (the center of the political world) is gigantic...I have come to realize that to do even one thing often involves more problems than it is worth'.² Much of his energy is spent in trying to get agreement with other ministers in charge of economic portfolios such as the Finance Minister, the State Minister for Financial Affairs, the Health, Labour and Welfare Minister, and the Economy, Trade and Industry Minister, but he finds that he does not have the power to assert his authority over these other ministers, let alone their ministries. As a MOF official claimed, 'Takenaka had little sense for how bureaucracies work. He thinks that once you say "Do it" the bureaucrats will follow his instructions, but that is not how it works'.³

In reality, reformers in Koizumi's administration like Takenaka can only work through the executive (namely the prime minister) as they have no independent power base, unlike 'normal' ministers who, providing they follow their ministries' policy directions, have their own ministries backing them up. If Koizumi sides with his other economic ministers, Takenaka finds himself totally isolated. When Takenaka wanted to abandon the ¥30 trillion ceiling on the issuance of new government bonds following the 11 September 2001 terrorist attacks in the United States, Koizumi sided with Finance Minister Shiokawa's insistence that the ceiling be adhered to, leaving Takenaka out in the cold.⁴

Takenaka has even less influence over high-ranking LDP policymakers in the PARC, who have attacked his understanding of the economy and strongly objected to his attitude towards public works, which Takenaka describes as 'evil'.⁵ Takenaka also alleges that the Nagatacho system (namely the LDP) has been exhausted and it is this exhaustion that has created the opposition to Koizumi's policies.⁶ In pitting himself against the 'resistance forces', Takenaka has the same problem as Koizumi, only more so because he is not a member of the LDP or a Diet politician. He operates outside the PARC-bureaucracy policymaking system and increasingly finds himself isolated from these two power structures.

Takenaka has also become the target of a kind of populist xenophobia. Personal attacks against him border on the hysterical in their venom about his motives in sponsoring market reforms and his pet saying: 'listen to the market' (*mâketto ni kike*).⁷ According to one 'theory',

a conspiracy led by U.S. capital is ruining the Japanese economy because of the presence of 'traitors' like...Takenaka...[who] as an 'agent' of U.S. capitalism, has allowed American banks and investment firms to pick over the bones of the Japanese economy. The result...has been an economy that has slipped into an 'Anglo-Saxon recession' or more aptly a 'Takenaka recession'.⁸

Other criticisms have been directed at Takenaka's professionalism as an economist and as a policymaker. Mizuno describes Takenaka's role as extremely important because he is in the position of possibly committing a fatal mistake in financial and fiscal policy, but at the same time Mizuno attacks Takenaka's incorrect financial strategy created on the basis of armchair economic theory. Mizuno lists seven major offences committed by Takenaka in his role as Minister of State for Economic and Fiscal Policy in addition to the wrong advice he gave to the Obuchi Economic Strategy Council with respect to managing bad debt between 1999 and 2000.⁹ Even Takenaka himself admits that, although he has laid out ideal policies based on economic principles, they have not produced excellent results.¹⁰ The contents of the economic policies he has promoted have been denounced as 'thin',¹¹ while Takenaka has been personally criticised as 'doctrinaire and full of empty theories' (*kûri kûron otoko*),¹² as having a limited knowledge of the bad debt problem and not being interested in this issue,¹³ as 'still an economic commentator rather than an economic policymaker',¹⁴ and as a 'smooth-talking, policy vacuous, trend-following darling of the media'.¹⁵

— Disunity is appearing in Koizumi's economic team

One of the main deficiencies of Koizumi's economic team is that it is too large and too disparate, and involves a plethora of advisory councils that Koizumi relies on to generate, legitimate and push forward various reform proposals. Each of these councils has its own terms of reference, which in some cases overlap with those of other councils.

For example, the three advisory panels to the prime minister with an interest in regulatory reform, and particularly in the concept of 'structural reform special zones'—namely the Council for Regulatory Reform, the CERP and the Urban Redevelopment Headquarters—have not been able to agree on how the policy proposal for these zones should be advanced. The CERP is calling for tax incentives for investment and business startups in the zones. On the other hand, the Council for Regulatory Reform opposes the idea of 'introducing tax

incentives in only limited districts', defining such a measure as bringing in a 'doling-out policy'.¹⁶ Meanwhile the Urban Redevelopment Headquarters has advocated measures to relax the ratio of building volume to lots and other restrictions but only in big cities such as Tokyo and Osaka, together with proposals to promote areas around train stations throughout Japan. This kind of scheme is reminiscent of one formerly pushed by the LDP's construction 'tribe' and the Ministry of Land, Infrastructure and Transport.¹⁷ The differences and inconsistencies in the proposals from the advisory bodies are causing delays in the implementation of policy, confusion about which set of recommendations should take precedence and a policy showdown amongst the various panels concerned.

The tax councils are another good example of divisions in Koizumi's economic team. In this case, the main dispute is between the CEEP and the Tax Commission, but here the causes of policy disagreement are more 'structural'. As already noted, the Tax Commission focuses on fiscal principles and is opposed to tax cuts, particularly prior to substantial tax reform. It wants to expand the individual income tax base by gradually cutting back on individual tax deductions. It has also rejected the option of lowering corporate tax rates on the grounds that they are already on a par with international levels. It has called for a rise in the consumption tax to provide the necessary fiscal resources for the government to fund its growing social security obligations.¹⁸

When the CEEP 'moved to establish a basic policy for tax reform, the Tax Commission opposed the plan'.¹⁹ The head of the commission, Ishi Hiromitsu,

squared off with Takenaka over underlying principles of taxation. When the state minister outlined a broad shift in the emphasis from 'neutral' to encouraging economic activity in tax reforms...Ishi rapped him, saying, 'I'm quite critical. It's meaningless. Pushing ahead with stimulus alone will leave holes in the tax system'.²⁰

The dispute has continued over the priority to be given to cuts in corporate tax rates as a way of reviving the economy advocated by the CEEP as opposed to levying corporate taxes on the basis of the size of a company's operations rather than its income, which is supported by the MOF and the Tax Commission as a revenue-raising measure.²¹ The wrangle over tax reform in mid 2002 spread to the entire package of 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002'.

The level of disputation illustrates the structural origins of much of the dissension and disagreement in Koizumi's economic team. As a group it is not

united because ministers act in their customary role as spokespersons for their ministries and thus for ministry interests. The Finance Minister consistently advances his ministry's view, as do other ministers like the Minister for Economy, Trade and Industry.²² They are often opposed to Takenaka's view and the CEFP itself, which they see as the vehicle for Takenaka's policy proposals. Finance Minister Shiokawa, for example, holds that the council should have little influence over the details of economic policy. In the same fashion, the *zaikai* representatives push policy proposals that are good for corporate enterprise.

Another long-standing area of conflict has been over the question of whether the government should inject public funds into the banks to resolve the non-performing loans issue. Yanagisawa Hakuo, who is State Minister for Financial Affairs and who heads the FSA, resists the idea of injecting public funds into financial institutions to enable them to cover bad-loan disposal, in spite of calls from the technopol, Finance Minister Shiokawa and LDP executives such as Secretary-General Yamasaki, for it to do so.²³ When Koizumi, Takenaka and the Minister of Economy, Trade and Industry agreed on a proposal to inject public funds into troubled banks at a CEFP meeting in February 2002, it was strongly resisted by the FSA.²⁴ Subsequently, the prime minister sided with Yanagisawa by arguing that the situation in 1997–98, when such an injection occurred, was exceptional, that there had been no further financial crisis and that, accordingly, there should be no policy change. Yanagisawa also has running battles with the Governor of the Bank of Japan, who argues in favour of a fund infusion for ailing banks and who criticises FSA inspections as being too lenient. Indeed, the alleged slackness of the FSA with respect to inspections has been sheeted home to its deliberate policy of trying to avoid an injection of public money into the banks.²⁵

Policy differences amongst Koizumi's economic team are inconsistencies in view that, in many cases, reflect vertical divisions within the Japanese government which are entrenched and irreconcilable. The basic problem with the CEFP is that it contains elements from both the bureaucracy–government side (that is, ministers with ministries) and the administration–executive side (that is, state ministers in the Cabinet Office), in addition to outside members. The interests of these groups are inherently dissimilar, as are their sources of authority. In some cases—the private sector members for instance—they have no authority beyond their functions in the CEFP. As Mizuno concludes, 'Shiokawa, Takenaka, Yanagisawa and Hiranuma should all support the prime

minister and fulfil their duties. However, the problem is the ability of the ministers and disagreement in the cabinet'.²⁶

— Koizumi's structural reform program is comprehensive, but its implementation is neither comprehensive nor rapid

Reform, according to Koizumi is a matter of 'steady advances' and 'steady implementation'.²⁷ In the face of structural obstacles and resistance from various countervailing forces, however, the reform achievements of the Koizumi administration have actually been piecemeal. Economist Okue Kunji, for example, awards zero marks to the Koizumi administration for accomplishing its reform program, saying that 'comprehensive measures should be implemented at a stroke, embracing reform of the country's fiscal condition and countermeasures for financial crises and deflationary pressure'.²⁸ Mizuno is equally scathing in his assessment: 'Even though Koizumi has a slogan of "structural reform without sanctuary", the situation has not changed much despite special public service corporation reforms'.²⁹ A member of Koizumi's own party has commented that Koizumi has only been a 30 per cent politician from the beginning, which means that the party cannot expect him to accomplish more than three out of 10 of his goals.³⁰

A tongue-in-cheek report card on Koizumi's performance in April 2002 awarded him two out of five for political reform;³¹ on the economy and budget, one out of five for economic revival and three out of five for restoring the nation's finances to health; on administrative reform, one out of five for postal privatisation and three out of five for reform of special public corporations; on foreign and security policy, four out of five for response to the terrorist attack on the United States and one out of five for reforming the Foreign Ministry; and for 'others', five out of five on response to the leprosy issue and one out of five for the handling of mad cow disease. Overall, the report card said: 'He makes a lot of noise and is always making excuses for lack of results'.³²

Koizumi's scorecard one month later was equally unfavourable. A total of 108 journalists covering economic and political affairs canvassed by Kyōdo News rated him 10.6 out of 20 for leadership, 5.7 out of 20 for economic policy, 10.3 out of 20 for structural reform, 6.3 out of 20 for foreign policy and 7.6 out of 20 for leadership power in handling Diet affairs and the LDP, for a total of 40.5 per cent out of 100, not even a pass mark.³³ Other unflattering

comments included epithets such as 'full of brave talk' (*kuchisaki otoko*), 'policy idiot' (*seisaku onchi*) and 'no good at personnel management' (*jinji beta*).³⁴

Differential and partial outcomes from Koizumi's reform program suggest that his own drive and commitment to particular reforms may vary. Certainly Koizumi puts privatising postal services, abolishing public corporations and reforms to government expenditure at the head of the queue. These implicit priorities are in part a reflection of his previous LDP, executive and Diet posts in the fiscal, welfare and postal areas. Koizumi's background certainly points to the fact that his primary interest and expertise lies in public sector and budget reform issues.³⁵ Moreover, as one Japanese political commentator points out, Koizumi's biggest weak point is that his lack of interest in particular policy fields manifests itself as extreme disinterest.³⁶

In evaluating Koizumi's achievements, one also has to keep in mind that the significance of his reforms may vary, as will their degree of political difficulty. Two of the most important, core reforms—deregulation designed to tackle low productivity sectors constrained by regulations and 'soaked in subsidies',³⁷ and financial sector restructuring that leads to a resolution of non-performing loans—have been conspicuous failures. One could argue that Koizumi has succeeded in accomplishing the easiest, or most 'peripheral' reforms first, like raising health insurance premiums and making modest cuts to budget and public works spending. It is questionable, however, whether these even deserve the label 'structural reform'—tackling special public corporations and medical fees are what Kanbara Eiji has called 'within system reforms' (*taiseinai kaikaku*), meaning financial and administrative adjustments that have the effect of preserving existing structures and systems, not real structural reforms that radically alter existing systems.³⁸

Koizumi's under-achievement as a reformer also reflects the insufficient speed of reform.³⁹ Deadlines for reform are constantly being pushed backwards, with the slow tempo of change rather than public opposition to structural reform *per se* the key to the decline in Koizumi's approval rating.⁴⁰ Even prominent personnel in Koizumi's own administration make only modest claims for the pace of reform. Chairman Miyauchi of the Council for Regulatory Reform, said: 'Structural reform is going in the right direction but it has been a little slow'.⁴¹ Critics also note that the process whereby reform planning and formulation reach the point of execution is often difficult to see. Finance Minister

Shiokawa has pointed out that structural reform requires 'not only discussion but also execution' (*chintara giron bakari shite inai de jikkô o*).⁴²

The delays in Koizumi's program are allowing groups opposed to the reforms time to mobilise in defence of their positions. Because Koizumi has not been able to burn bridges with rapid reform, the opposition forces have had time to fortify them. Not only are Koizumi's reform proposals being gutted as they pass through the party-bureaucracy policymaking process, but those that do emerge in altered form get slowed as they pass through the Diet. Regardless of the coalition majority, LDP resistance, ruffled feathers amongst junior partners in the coalition and strongly voiced objections from the opposition parties have held back Koizumi's legislative program because they have created difficulties for the passage of his reform bills through the Diet. Coordination and adjustment of views in order to ensure the smooth passage of legislation are time-consuming and the Diet simply runs out of time to pass bills during particular sessions. The inability of the Koizumi administration to achieve its legislative agenda gives the impression of incompetence and of not being completely in control of the ship of state.

Moreover, not only is reform proceeding at a glacial pace but many reforms are being relegated to a future time when Koizumi may or may not be prime minister. Some policies simply boil down to commitments to review existing systems within certain time periods. As Table 1.1 indicates, many of the deadlines for reforms are set for 2003 and beyond. The longer it takes to put key reforms in place, however, the more antipathetic the environment can potentially become. Because of the delays and compromises, Koizumi is constantly being judged by his failures rather than by his successes. What Japan needs is dramatic short-term solutions to long-term problems, whereas it is getting incremental and piecemeal reform effected only by dint of extreme perseverance.

At bottom, Koizumi is gradually losing his battle with the forces of resistance in his own party. He was initially unafraid to face-off his opponents and unwilling to flinch from his commitment to change but, as time has gone by, he has shown increasing readiness to compromise and concede on the scale and timing of his reform plans in order to achieve anything at all. As a result, his claim that he is going to 'demolish the LDP' and confront the forces of resistance look more and more like an act.⁴³ For their part, the resistance forces 'are trying to outlast the Koizumi Cabinet by delaying his structural reforms'.⁴⁴

Koizumi's much vaunted claim that the 'resistance forces are now cooperating with me' is not based on their change of heart, but on the greater willingness of Koizumi and his supporters to accommodate their wishes and demands.⁴⁵ Koizumi and his economic team are watering down their proposals and even taking the party's views into account in advance of announcing policies, which amounts to pre-adjustment of policy recommendations. As a result, Koizumi is giving greater voice to the interests of the LDP in his policies, which is further compromising his structural reform program.

The origins of Koizumi's appeasement strategy lie in his weaker public support. As his approval ratings have declined, he has found it more difficult to leverage his public backing to confront resistance forces within his own party. He no longer has the people on side to act as a counterweight to those opposing him within the LDP. He now has to rely more on party brokers to advance his policies and ensure that they get through the Diet. This is antipathetic to Koizumi's individualistic style, which 'tends to bypass back-room dealmaking with political heavyweights'.⁴⁶ On the other hand, as Kawakita and Onoue point out,

even though the prime minister is chosen by election, he still has to be concerned about the party's opinion and policies, and so he has to execute policy taking into consideration what the LDP thinks. The LDP tries to limit the significance of the prime minister's revamped executive power by describing him as just a coordinator. This allows them to continue with their policies that benefit local interests.⁴⁷

Koizumi is learning a belated lesson that ignoring traditional processes of consensus formation within the LDP not only fortifies opposing forces that have grown stronger as Koizumi's own popularity has diminished, but risks bringing his reform program to a halt. He now has to rely on old style consensus-building amongst party executives and policy bosses to advance his initiatives. As Endô points out, Koizumi has to be pragmatic. If he does not have majority support within his own party, a bill will not be passed, and if he has all the ruling coalition parties combined for an enemy, it is pointless even submitting a bill to the Diet.⁴⁸ Koizumi is in the position of either achieving nothing or achieving something but with concessions to the other side. Neither option does much for his potential to bring off his structural reform revolution or for his public popularity. The former sees him as completely ineffectual, while the latter option lays him open to public criticism for compromising on his commitments. Koizumi has put himself into a no-win situation.

Furthermore, although Koizumi rejects the agenda of the Hashimoto faction which epitomises LDP 'old politics', he listens to and is influenced by Secretary-General Yamasaki, former member of the so-called YKK power clique in the LDP.⁴⁹ Yamasaki frequently acts as spokesperson for LDP executives, putting the party line to Koizumi on matters of policy. Koizumi shows increasing signs of not only listening to Yamasaki, but also relying on Yamasaki and other party stalwarts to take charge of the party-coordination process. For example, Koizumi now says 'leave it to the party to handle' and 'leave it to the secretary-general', just as former Prime Minister Mori was fond of saying.⁵⁰ In the view of one young LDP Diet member—supporter of Koizumi, this is a bad development because the party president is in fact in a superior position to the secretary-general and, what is more, Koizumi should show leadership.⁵¹ As Curtis points out, the secretary-general works for the LDP and has no formal role in government.⁵²

Koizumi also attends meetings of LDP executives who regularly argue the standard party line on policy.⁵³ As a result, Koizumi finds that he has to compromise on his reform plans because he cannot advance his policies without their cooperation. The party kingpins include PARC Chairman Asô, Chairman of the LDP's Executive Council Horiuchi Mitsuo, former Chief Cabinet Secretary Nakagawa Hidenao, Aoki Mikio, Secretary-General and 'boss' of the LDP Upper House caucus (an important figure because he is the leader of the LDP in the Upper House and therefore guardian of the legislative process in that house) and Koga, protégé of Nonaka. These executives often act as mediators between the prime minister and LDP *zoku* on difficult issues relating to structural reform. When Koizumi has trouble with the LDP, he reportedly seeks a compromise with Aoki.⁵⁴ The latter, for example, played a key role 'coordinating' between Koizumi and the *yûsei zoku* over the four postal service deregulation bills in mid 2002.

Koizumi also relies on the consensus-building skills of Aoki and Koga for help in handling Diet affairs and for dealing with the coalition partners. Both politicians have close ties to the New Kômeitô and to the Conservative Party and are well versed in Diet affairs. Aoki and Koga exercise what Saikawa calls 'coordinating power'.⁵⁵ While Koga and Asô have become collaborators, however, they are not in the reform faction. Their strategy is simply to support the Koizumi administration in order to protect LDP electoral interests which are

tied to Koizumi's popularity. If this falls much below 40 per cent, the incentives to collaborate with the Koizumi administration will diminish considerably.⁵⁶ Since Aoki also has close relations with Mori, a mentor to Koizumi, the trio has come to play a significant role in tackling key issues.⁵⁷ Koizumi's closeness to Mori and Aoki has led to the charge that the prime minister is controlled by Mori and Aoki.⁵⁸

The rise in the influence of these LDP stalwarts has accompanied the demise of Kato Kôichi and the decline in the influence of Yamasaki because of his repeated fumbling of Diet affairs.⁵⁹ It was under the influence of these stalwarts that Koizumi dismissed Tanaka Makiko, at great cost to his own popularity.⁶⁰ Observers now detect three primary power axes in the LDP: the Koizumi-Yamasaki axis, the Mori-Aoki axis and Nonaka-Koga axis. It is suggested that the future political situation will be determined by how the New Kômeitô and Conservative Party link up with one or other of these axes.⁶¹

Koizumi's most striking compromise has affected the proposed privatisation of postal services. The Koizumi Cabinet initially approved the bills over PARC committee opposition, which meant that the bills proceeded to the Diet without having received the prior approval of the party, although the agreement of Nonaka was informally secured. The withdrawal of his opposition to the submission of the bills at the time was reportedly due to his belief that the terms and conditions of private sector entry into the mail delivery business were so restrictive that it was highly unlikely private firms would enter the business. In addition, Nonaka was counting on the assumption that pressure to privatise postal services would stop with the passage of the four bills. There was no commitment in the legislation for the planned public corporation to be privatised. Nonaka expected that Koizumi would not seek to proceed further with privatisation of postal services if the bills passed the Diet.⁶² This explains his anger when he heard Koizumi's remark accompanying the submission of the bills in which he said: 'I deem the bills to be the first milestone on the road toward the privatization of postal services' and 'I don't regard the establishment of the Postal Public Corporation as my eventual goal'.⁶³

Koizumi was subsequently forced to tone down his rhetoric and backpedal on some of the more controversial aspects of his plan⁶⁴ in order to appease the conservatives in his own party and facilitate the passage of the bills through the house. Koizumi specifically agreed to 'lower his head' to the boss of the

yūsei zoku, Nonaka.⁶⁵ This was the price the LDP exacted for allowing the bills to proceed formally through Diet processes.⁶⁶ At Koizumi's first attendance at the debate in the Lower House Standing Committee on Public Management, Home Affairs, Posts and Telecommunications that was considering the bills, he claimed that his earlier 'milestone' reply was no more than his 'pet theory as a politician', thus conceding the point to the LDP's postal policy clique.⁶⁷ In order to appease opponents within his own party and gain the support of the two coalition partners, he agreed to pursue the issue of privatisation only after the postal system was reorganised into an autonomous public corporation in 2003 as planned.⁶⁸ With respect to his earlier proposal that preparations for privatisation should be started soon after the creation of the postal public corporation in April 2003, he commented: 'it is too soon to [talk about] what form [the postal public corporation] will take several years from now'.⁶⁹

Ultimately, bypassing the PARC process made little difference to the outcome on the postal bills. The bills ended up being amended through an informal negotiation process that took place alongside the deliberations of the Lower House Standing Committee and involved Koizumi, the PARC chairman, the chief cabinet secretary and the secretaries-general of the three ruling coalition parties. Koizumi accepted the LDP's request that revisions compiled by the LDP *Sōmu Bukai* be made to the bills, although not all of the postal tribe's objections were accommodated.⁷⁰ Koizumi was keen to secure some sort of victory with the passage of the bills in order to show the public that he could really achieve an important reform. The old guard, and specifically the *yūsei zoku*, were concerned about not appearing to defeat Koizumi's reform program entirely in view of the possible electoral consequences.⁷¹ In the end, however, Koizumi's plan for postal privatisation was so compromised that it only served further to undermine his reputation and credibility as a reformer. The Executive Director of Yamato Welfare Foundation, Ogura Masao, charged that since Yamato Express had decided not to enter the postal business, many other private companies would follow Yamato's example. In his view, Koizumi had been duped by the postal 'tribe' into accomplishing a meaningless reform since private companies had to get permission from the ministry to do everything, which would discourage them from participating in the postal service and competing with the new public corporation. In particular, private companies would have to get a ruling on what constituted a letter (*shinsho*) and the ministry had the right to order what they could and could not do.⁷²

Accommodation of LDP wishes can also be seen in relation to the tax measures incorporated into the 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002'. The wide gap between Koizumi's insistence that structural reform was the most effective measure for economic recovery and the coalition parties' insistence that anti-deflationary measures were urgently needed to shore up the economy⁷³ was bridged by proposals for tax cuts as part of the proposals for tax reform. Because of the Koizumi administration's antipathy to restarting the fiscal gravy train, the LDP old guard has jumped on the bandwagon of anti-deflationary policies. Such measures are seen as disguised economic stimulus packages which can be used for electoral purposes. The pork-barrellers in the LDP are adept at turning economic adversity to political advantage, as they did in the 1990s when the fiscal gravy train got up tremendous speed with stimulus package after stimulus package providing rich pickings for LDP politicians and their supporters. As with straightforward economic stimulus packages whose impact on the economy is highly dubious, economic commentators suggest that cutting taxes 'to shore up weak domestic demand is nothing but a shot in the arm and the effects will be short-lived'.⁷⁴

The CFP June policy draft on tax reform ended up incorporating part of the prime minister's drastic tax reform agenda at the same time as giving consideration to the ruling parties' demand for urgent deflationary measures.⁷⁵ After a meeting with leaders of the three ruling coalition parties, Koizumi agreed to cut taxes starting in January 2003, three months earlier than the start of the new fiscal year, in spite of his reluctance to contemplate early tax cuts because of his pledge to keep the issuance of government bonds under ¥30 trillion for fiscal 2002. In fact, Koizumi used his capitulation on tax cuts as a way to strengthen ties with ruling coalition officials.⁷⁶ The proposed cuts affected R&D spending by corporations and parent-to-child monetary gifts.

The CFP also watered down its draft tax policy by rewriting some expressions in the final stage of the compilation process.⁷⁷ Takenaka justified this by saying: 'Before obtaining Cabinet approval, the panel needs to obtain understanding from the ruling parties and the government agencies concerned. We made fine adjustments to the expressions'.⁷⁸ In reality, however, Koizumi discovered that his declining popularity had weakened his executive power and that of executive agencies like the CFP on taxation policy. As the *Nikkei* observes,

as if connected with the decline in cabinet support rates, the ruling coalition and bureaucracy have strengthened pressure on the CEFP. It can be said that the move [to incorporate tax cuts into tax reform proposals] by the government and ruling parties hints at signs the policy decision-making system under the initiative of the prime minister's official residence is coming to a standstill.⁷⁹

Indicatively, the entire package of policies making up the 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002' were subject to a formal agreement between the executive and party entitled 'Present Economic Revitalizing Policies—Acceleration of Measures Tackling Deflation—(Agreement between the Government and the Ruling Parties)'⁸⁰ prior to the announcement of the package in June 2002. The agreement incorporated a number of LDP old favourites. Under the heading 'Advancing Economic Revitalisation Policies', it included measures to promote urban and regional revitalisation and technology development strategies, both of which could be exploited as justification for lavishing public expenditure, including public works expenditure, on various beneficiaries and regions. Not surprisingly, the policies were viewed by critics as a watered down version of the CEFP's initial objectives.⁸¹

Draft fiscal policy for 2003 met a similar fate. In what was widely perceived as capitulating to pressure from the ruling parties and related ministries, the CEFP backed off from its earlier position on slashing particular government expenditures. The initial budget guidelines advocated cuts in public works spending, social security outlays and foreign aid allocations. Yet in the final draft, there was reference only to 'further prioritization (of important projects) and improved efficiency', 'review of overall expenses' and 'review of the size'.⁸² The basic problem was that Takenaka, who played a central role in drafting the document, met opposition from LDP politicians, who pressured him into toning down the phraseology of the original document. For example, 'scaling down the public works budget' was redrafted as 'promoting more efficient use' of public works outlays.⁸³ The LDP did not approve the budget reforms during its Executive Council meeting, although it did give its assent to the document being endorsed by the cabinet on the proviso that the party would continue to have a 'free hand' in discussing specific items of expenditure.⁸⁴ The Chairman of the Executive Council, Horiuchi, asserted publicly that the party reserved the right to discuss the contents of the policy outline freely. In addition to the spending cuts, the LDP was also concerned that the budget did not include

sufficient measures to support the financing of small business. As a result, the package was reworded to include phrases such as 'efforts will be promoted to smoothly implement fiscal loans and investments' for smaller firms.⁸⁵

Another pivotal issue between the prime minister and his party is the question of a cabinet reshuffle. Koizumi is considering such a move in September 2002 because of his increasing inability to defy repeated demands for the appointment of new ministers from the senior factional hierarchy now that the cohesive power of his administration is waning. However, reorganising his cabinet is not risk-free. Changing the cabinet line-up might be seen by the public as a compromise with the 'forces of resistance', consequently bringing down cabinet support rates even further.⁸⁶ Former Prime Minister Nakasone has pressured Koizumi to create a 'heavy duty cabinet' (*jūkō naikaku*) by enlisting LDP heavyweights such as Koga, Aoki and Asō, thus unifying the party and cabinet. This view is also supported by a majority of LDP members.⁸⁷ In order to head off the criticism that he is capitulating to the LDP anti-reform reactionaries, however, Koizumi has asserted that he intends to appoint politicians favouring his reform policy line as cabinet members and party executives.⁸⁸

Pressures for a reshuffle, like Koizumi's increasing inclination to rely on party kingpins to get his policies successfully through the party and the Diet, are testimony to the fact that Koizumi has failed completely in his bid to reform the LDP's faction system. The factions remain as strong as they were at the start of his administration. Koizumi in fact retained in his cabinet several ministers from the December 2000 Mori Cabinet: Hiranuma as Minister of Economy, Trade and Industry, Sakaguchi from the New Kōmeitō as Minister of Health, Labour and Welfare, Fukuda as Chief Cabinet Secretary, Yanagisawa as State Minister for Financial Affairs, and Katayama Toranosuke as Minister of Public Management, Home Affairs, Posts and Telecommunications. The last appointment was highly significant insofar as Katayama worked on Hashimoto's failed bid for the LDP presidency, continues to receive full support from the Association of Special Postmasters, has stopped short of supporting the privatisation of the government's postal businesses and in fact openly opposed it, and is clearly one of the resistance forces and a member of LDP 'old guard'. Furthermore, Koizumi's cabinet, while supposedly appointed on the basis of non-factional considerations, strangely had good factional balance, with the Hashimoto faction (the largest in the LDP) having as many as the Mori faction (Koizumi's own faction).

— *External help hasn't helped*

Foreign pressure, to the extent that it has been applied to the Koizumi administration, has been largely powerless, neutered, frustrated, resisted and blunted. In fact, the absence of true *gaiatsu* is bemoaned as the principal reason why economic reform will not be achieved in Japan under Koizumi.⁸⁹

The ineffectiveness of external pressure as a factor propelling Koizumi's structural reform revolution has several causes. First, policy issues thrown up as part of Koizumi's structural reform program are not ideal targets for external pressure. As already noted, they are not in areas where external actors stand to gain directly. Moreover, these areas go to 'the very heart of Japan's state-controlled economic structure'.⁹⁰ Incremental shifts in policy (which is a standard Japanese response to *gaiatsu*) will not suffice.

Second, Koizumi's structural reform revolution is primarily being driven by domestic pressure (*naiatsu*), which means that the major impetus for reform is coming from inside Japan (Koizumi and his cohorts) not outside it. *Gaiatsu* is irrelevant where the Japanese executive is already on the side of external forces in agreeing that structural reform is necessary. The United States as the traditional agent of *gaiatsu* faces the same problem as Koizumi—how to get the LDP and the bureaucracy to agree to the needed reforms. The targets for pressure are actually insulated within the Japanese policymaking process.

Third, because of the weakness of the Japanese economy, there are very few bargaining chips that can be leveraged or threats that can be applied that would be appropriate or powerful enough to move the Koizumi administration. The US government can hardly say to the Japanese government 'reform or else'. All the US side can hope to do is influence the situation in a general sense, by providing suggestions, support, exhortations and advice on specific reforms and by exerting a modicum of influence.

Fifth, the United States can no longer exploit connections to powerful LDP figures who could 'fix' deals in which specific concessions were made to US interests. As Ayukawa observes, 'from the late 1980s to the early 1990s, there was a kind of 'push button' which American officials could press to get Japan to change in the way it wanted politically and economically, but there is no more "push button" in Japanese politics now'.⁹¹

Last, as time has gone by, the Bush administration has become more impatient and disillusioned with and critical of the Koizumi administration for lack of delivery, for not arresting deflation, for allowing the yen's value to

fall too low, and for specific policies they regard as regressive, such as the ban on short-selling in the stockmarket which was part of the February anti-deflation package. They have increasingly distanced themselves from Koizumi with the view that: 'It is not the United States that can settle Japan's reform problem'.⁹² As the *Yomiuri* commented: 'The United States has pinned high hopes on Prime Minister Koizumi's reform drive. It is now casting an increasingly cold eye at him. The *Washington Post* compared Prime Minister Koizumi to past President Gorbachev, who failed to reform the USSR'.⁹³ Doubts about the leadership of the Koizumi administration and Koizumi's capacity to solve Japan's economic problems are clearly rising in the Bush administration.⁹⁴

— *The absence of a pro-reform coalition*

The deficiencies in the economic reform team and its policies are compounded by the failure of Koizumi and his economic reform team to build a strong pro-reform coalition that would have provided impetus and support to Koizumi's reform program. This is partly a consequence of not delivering accelerated gains to winners, which might have attracted some important sectional interest groups that could have then turned around and backed the government to accomplish other aspects of its reform program. Other potential groups of beneficiaries of structural reform—consumers and taxpayers—are amorphous and, in the face of the usual collective action problems, not highly organised to promote reform.

Big business, together with its media voice—the economic press represented by the *Nihon Keizai Shinbun*—is the only special or 'concentrated' interest in Japan actively lobbying for structural reform. The reform agenda of business has included deregulation, the injection of public funds into the banks, accelerated corporate restructuring and tax reform. The Japan Business Federation (Nippon Keidanren), for example, has made strong representations on deregulation⁹⁵ and tax reform, hoping for lower corporate tax rates and other tax measures as a vehicle to unleash economic growth potential. For example, it has been lobbying for tax measures to encourage corporate investment in research and development, new plants and equipment and sophisticated IT systems.⁹⁶ It has also pushed for a cut in the gift tax, expansion of tax credits to promote housing investment and a review of real estate taxes to spur greater liquidity in the land market which it regards as helpful in dealing with deflation.

Other business organisations have pressed for similar measures. The Japan Federation of Employers Associations (Nikkeiren) has called for effective anti-deflation measures, the Japan Association of Corporate Executives, or JACE (Keizai Doyūkai), has lobbied for deregulation and tax system reforms designed to increase domestic demand, and the Japan Chamber of Commerce and Industry (Nissho) has pressed for tax cuts and additional fiscal spending.⁹⁷

Koizumi has failed to deliver strongly and positively on any of these fronts. Most of the demands from business groups have gone unheeded, except for some action on the disposal of bad loans and prospective tax breaks to promote research and development by companies, which was incorporated into the June 2002 policy package. In their despair, business leaders have teamed up with those from the United States to urge the government

to move with 'greater urgency and boldness' to push through structural reforms and get Japan's moribund economy back on a path toward sustainable growth'... According to the statement, some 60 business leaders... backed the economic reform agenda of Prime Minister Junichiro Koizumi, but expressed 'strong concerns' that difficult but necessary decisions to implement it are being delayed.⁹⁸

A June 2002 poll of members of JACE revealed that only 25 per cent of them regarded the Koizumi reforms as 'advancing', while 56 per cent were dissatisfied with the progress of his structural reforms, insisting that the administration should speed up the reforms.⁹⁹

Although big business is represented in various advisory councils of the executive, including the CEF¹⁰⁰ where the private sector representatives propose initiatives that support business interests and the development of a more competitive economy, big business as a sectoral interest group has become significantly weaker in the past decade. It is certainly ineffective in comparison with the combined weight of government ministers on the council. For example, passages pertaining to individual tax items submitted by private-sector members of the CEF, including a proposal for reviewing the structure of the burden of the income and corporate taxes, were all deleted from the basic guidelines for reform of the tax system finalised by the CEF in June 2002.¹⁰¹

Several factors have been responsible for the declining influence of the large enterprise sector in Japanese policies, and particularly *vis-à-vis* the LDP. When the party fractured in 1993, the Federation of Economic Organisations

(Keidanren) relinquished its role as a pooling body for donations from its member-companies to the party via its sponsored political funding organisation, the People's Association (Kokumin Kyōkai). The splintering of the conservative side of politics, followed by the continuous and bewildering gyrations of parties dissolving and reforming as well as moving in and out of coalition arrangements over subsequent years, impossibly complicated Keidanren's political funding function. Moreover, as Japan's economic recession became 'structural', the business downturn became more or less permanent and company restructuring costs became burdensome, the financial basis of business organisations inevitably diminished. Membership fees, donations and entertainment expenses associated with membership of the two dominant business federations—Keidanren and Nikkeiren—imposed a heavy financial burden on companies. Political donations from companies shrank commensurately—from nearly ¥10 billion in annual political donations before 1993 when Keidanren stopped arranging them to ¥3 billion in 2000.¹⁰² The decline in business political influence over the LDP accompanied the shrinking of their financial donations to the party. In 2002, the two major business federations (Keidanren and Nikkeiren) restructured themselves, merging into Nippon Keidanren as a means of reducing expenses for their member-firms.

Finally, government policies and lack of deregulation have helped to drive many producers who have wished to remain internationally competitive offshore. Putting in place structural reform policies with positive gains to big business might have turned the tide, assisted the recovery of business enterprise and restored some political clout to big business as an interest group. In the absence of such gains, the interests of the 'intervened sectors' remain in the ascendancy and business remains a weak ally for Koizumi and his reform team.

NOTES

¹ *Central Government Reform of Japan*, January 2001, p. 9.

² *Asahi Shinbun*, 20 November 2001.

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

⁶ Takenaka, 'Sore de wa Kaikaku wa Kasoku Suru', p. 98.

- ⁷ These attacks allege that Takenaka received some unlisted stocks from McDonalds of Japan on which he did not pay local taxes (*chihôzei*) and that he did not pay his residence tax (*jûminzei*). Takasugi, 'Takenaka Keizaisô', p. 125.
- ⁸ Editor's Note, *Ottna's Eye on the Monthlies*, Office of Translation and Media Analysis, Public Affairs Section Embassy Tokyo, Japan, Vol. IV, No. 4, 7 May 2002, p. 1.
- ⁹ His seven major offences are his unachievable Japanese economy regeneration scenario based on 'empty theory', his lack of economic forecasting ability, his unrealistic and unreliable ideas proposed one after the other which reveal a lack of understanding of the actual economic and financial situation, his lack of 'will' and integrity, his inability to function as either a scholar or as a politician, which means that he proposes economic policy consistent with economic theory but his policies are full of inconsistencies and are unreliable, his ongoing ignorance of important problems in the Japanese economy such as industrial regeneration, de-industrialisation, globalisation and the impact of deflation on industry and small business, and his lack of fundamental ability as a policymaker, which means that his ideas of nurturing new technologies, venture business and new industry will not be executable. 'Takenaka Daijin', pp. 14–5.
- ¹⁰ Takenaka, 'Sore de mo Kaikaku wa Kasoku Suru', p. 98.
- ¹¹ Takasugi, 'Takenaka Keizaisô', p. 126.
- ¹² Editorial Department, "Koizumi wa 41 ren", p.99
- ¹³ Ibid.
- ¹⁴ Personal interview, *Nihon Keizai Shinbun* journalist, July 2002.
- ¹⁵ Takasugi, 'Takenaka Keizaisô', p. 133.
- ¹⁶ *Nihon Keizai Shinbun*, 26 May 2002.
- ¹⁷ Ibid.
- ¹⁸ *Nihon Keizai Shinbun*, 17 June 2002.
- ¹⁹ *The Japan Times*, 16 April 2002.
- ²⁰ *Nikkei Weekly*, 1 April 2002.
- ²¹ The *Nikkei* reports that in a June CFP meeting, Shiokawa 'presented a list of five tax-related proposals, including a cut in the effective corporate tax rate resulting from adoption of a pro forma tax that would levy local taxes on businesses on the basis of nonincome criteria, such as the number of employees'. *Nikkei Weekly*, 24 June 2002.
- ²² For example, the pro forma corporate tax is supported by both the MOF as well as by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, but it is opposed by the Ministry of Economy, Trade and Industry because it could adversely affect small business. *Nikkei Weekly*, 24 June 2002.

- ²³ Yanagisawa's position, iterated in February 2002 is that 'We can't consider it at all'. *Asahi Shinbun*, 13 February 2002. Takenaka's position, asserted at the same time, was that such a fund injection should occur.
- ²⁴ *Nikkei Weekly*, 8 July 2002.
- ²⁵ Robert Feldman, chief analyst at Morgan and Stanley Securities, 'noted that if banks' loaned assets are strictly evaluated with corporate profits and outstanding lending balance taken into consideration, "even leading banks will find it necessary to extensively increase their loan loss reserves. Should that occur, another injection of public money would become necessary". The FSA is negative about the idea of mapping out new measures, taking the position with the implementation of special audits in mind: "We have done all we could do". This is a typical case of the bureaucracy thwarting reform, citing, "We have already done that", *Nihon Keizai Shinbun*, 12 June 2002.
- ²⁶ 'Takenaka Daijin', pp. 13–4.
- ²⁷ 'Opening Statement, 27 March 2002', <http://www.kantei.go.jp/foreign/koizumispeech/2002/03/27/kaiken_e.html>.
- ²⁸ Quoted in *Nikkei Weekly*, 1 April 2002.
- ²⁹ 'Takenaka Daijin', p. 13.
- ³⁰ Okamoto, "Sutemi", p. 10.
- ³¹ By this was meant reforming the LDP.
- ³² Okamoto, "Sutemi", p. 11.
- ³³ Editorial Department, "Koizumi wa 41 ten", p. 97.
- ³⁴ *Ibid.*, p. 95. The last is a reference to Koizumi's choice of ministers, particularly Takenaka, Tanaka, Takebe and Ishihara (p. 98).
- ³⁵ See also the discussion of Koizumi's interests in Chapter 5 on 'Party-Bureaucratic Government'.
- ³⁶ Quoted in Editorial Department, "Koizumi wa 41 ten", p. 96.
- ³⁷ Endō, 'Koizumi Seiken', p. 247.
- ³⁸ 'Koizumi Seiken', p. 247. In this respect, they are, according to Kanbara, definitely not 'epoch-making', only a copy of what previous cabinets tried to do—for example, the reforms that Nakasone and former Prime Minister Takeshita Noboru accomplished. Cited in Endō, 'Koizumi Seiken', p. 247.
- ³⁹ Nishida, 'Kōzō Kaikaku', p. 86.
- ⁴⁰ As the *Nikkei* comments, the fall in Koizumi's public popularity is 'not because the public is against structural reform but because progress is too slow'. *Nikkei Weekly*, 17 June 2002.
- ⁴¹ Quoted in *Financial Times*, <<http://news.ft.com/ft/gx.cgi/ftc?pagename=View&cid=FT34KSF051D>>.

- ⁴² Nishida, 'Kôzô Kaikaku', p. 86. Curtis also refers to Koizumi's lack of a strategic sense which requires an ability to 'think through the process of implementation'. *Japan: Crisis or Reform*, p. 9. The problem, however, is that implementation strikes all the structural obstacles that have been elaborated in the previous two chapters.
- ⁴³ Editorial Department, "Koizumi wa 41 ten", p. 95.
- ⁴⁴ Matsuno Raizô, one of Koizumi's mentors, quoted in *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020426wo01.htm>>.
- ⁴⁵ Koizumi claimed in March 2002 that 'the forces of resistance are now cooperating with us...in the end, the forces of resistance came to their senses and are now cooperating based on the realization that, without structural reform, there can be no revival of the Japanese economy'. 'Opening Statement, 27 March 2002', <http://www.kantei.go.jp/foreign/koizumispeech/2002/03/27kaiken_e.html>.
- ⁴⁶ *Nikkei Weekly*, 10 June 2002.
- ⁴⁷ *Naikakufu*, p. 100.
- ⁴⁸ Endô goes on to liken Koizumi to Ozawa in terms of his neglect of consensus formation. In his view, Ozawa acted arbitrarily without consultation, avoided consensus formation and sank as a result. In a similar fashion, Koizumi has attempted to accomplish policies by 'force' and to create an image of fighting alone in a battle of the prime minister versus 'resistance forces'. 'Koizumi Seiken', pp. 245-6.
- ⁴⁹ Katô was another former prime ministerial aspirant and also former secretary-general of the LDP. Katô was also consistently brought into top-level discussions with Koizumi on an informal basis.
- ⁵⁰ Tawara et al., 'Koizumi ga Taoteru mae ni', p. 118.
- ⁵¹ *Ibid.*, p. 118.
- ⁵² *Japan: Crisis or Reform?*, p. 9.
- ⁵³ Yamasaki, Horiuchi and Asô, for example, all urged Koizumi to introduce a second supplementary budget in late 2001 and to scrap the ¥30 trillion bond limit 'in order to complete our economic stimulus policies'. *Asahi Shinbun*, 20 November 2001.
- ⁵⁴ Okamoto, "Sutemi", p. 10.
- ⁵⁵ 'Nihon Keizai', p. 25.
- ⁵⁶ Saikawa Takao, "Kaisanken" o Fûjirare, Shudôken wa Koga, Aoki e' ['The "Right to Dissolve" is Blocked, the Initiative Has Passed to Koga and Aoki'], *Shûkan Tôyô Keizai*, 15 May 2002, p. 91.
- ⁵⁷ *Nikkei Weekly*, 1 April 2002.

- ⁵⁸ Okamoto, "Sutemi", p. 10. Mori himself is of the view that, because Koizumi depends on the solid alliance between Mori and Aoki as a power base within the party, 'his cabinet and Koizumi's are only different teams supported by the same power structure and pursuing the same political agenda'. *Nikkei Weekly*, 8 April 2002.
- ⁵⁹ Some reports, however, charge that Yamasaki is taking the fall for Koizumi over his difficulties with the LDP on particular items of reform legislation. *Mainichi Shinbun*, 24 July 2002. Koizumi has also expressed his support for Yamasaki, saying that 'I'm grateful for his painstaking and strenuous efforts to defend me (from the criticism of LDP members)'. *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020802wo01.htm>>.
- ⁶⁰ According to one report, it was Mori, Aoki and Nakagawa. *Asahi.com*, <<http://www.asahi.com/english/politics/K2002013100231.html>>.
- ⁶¹ Kawano, 'Dete koi!', p. 12.
- ⁶² *Daily Yomiuri On-Line*, <<http://www.yomiuri.co.jp/newse/20020522wo03.htm>>.
- ⁶³ Ibid.
- ⁶⁴ *Nikkei Weekly*, 8 July 2002.
- ⁶⁵ Saikawa, "Kaisanken", p. 91.
- ⁶⁶ The LDP 'added a provision banning the corporation from closing its post offices in sparsely populated rural areas and requiring it to continue operating a nationwide network of 180,000 post offices'. *Nikkei Weekly*, 8 July 2002.
- ⁶⁷ *Mainichi Shinbun*, 12 June 2002.
- ⁶⁸ *Nikkei Weekly*, 11 June 2001.
- ⁶⁹ *Nihon Keizai Shinbun*, 17 June 2002.
- ⁷⁰ The amendments are detailed in *Sankei Shinbun*, 9 July 2002, <<http://www.sankei.co.jp/news/020709/0709sci058.htm>>. The bill outlining the conversion of the Postal Services Agency into the postal public corporation passed with amendments demanded by the *yūsei zoku*, which were mainly directed towards providing extremely generous terms under which the new corporation would operate. The revisions allowed the new postal public corporation to invest in businesses relating to postal services, while the corporation's payments to the government will be cut 'in order not to damage its business'. The other bills allowing private firms to enter the mail delivery business passed in their original form, although these already contained very restrictive terms under which the new 'market' regime would operate.
- ⁷¹ They were also keen to pass the bills so that Diet deliberations would not get bogged down, thus diminishing the prospect of a much-anticipated cabinet reshuffle.

⁷² 'Koizumi Yûbin', pp. 107–10.

⁷³ In the leadup to the announcement of 'Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2002', Secretary-General Yamasaki, for example, said: 'It is mandatory to further prop up the economy so that the economy will get solidly back on a recovery path'. *Nikkei Weekly*, 20 May 2002.

⁷⁴ *Nikkei Weekly*, 10 June 2002.

⁷⁵ *Nihon Keizai Shinbun*, 14 June 2002.

⁷⁶ asahi.com, <<http://www.asahi.com/english/politics/K2002061400552.html>>

⁷⁷ On tax reform, many items were labelled as 'up for consideration', rather than a firm commitment to implement them. *Nihon Keizai Shinbun*, 22 June 2002. For example, tax cuts scheduled for January 2003 included the following statements under the heading of corporate tax-related cuts: 'Consider improving such systems (that is, tax cuts aimed at promoting corporate R&D activities) as a special exemption system applied to cases where R&D expenses jumped', and 'consider special write-offs for capital investment in specified areas, starting with information and technology'. Under tax cuts for individual taxpayers was the following statement: 'Consider a mechanism that will prompt lifetime gifting of financial assets and housing, a large portion of which are now owned by elderly people'. *Nihon Keizai Shinbun*, 14 June 2002. Other press reports highlighted the changes forced on the CERP by the MOF and the LDP, including an earlier draft that specifically called for 'cutting overall expenditures on public works projects' in the fiscal 2003 budget. However, 'this line was deleted in the final draft and replaced with a vague phrase saying simply that there will be a "stricter selection of focus and the promotion of streamlining"'. asahi.com, <<http://www.asahi.com/english/politics/K2002062300176.html>>.

⁷⁸ *Nihon Keizai Shinbun*, 22 June 2002.

⁷⁹ *Nihon Keizai Shinbun*, 14 June 2002.

⁸⁰ <http://www.kantei.go.jp/foreign/koizumispeech/2002/06017goui_e.html>.

⁸¹ *Nikkei Weekly*, 24 June 2002.

⁸² *Ibid.*

⁸³ *Japan Times Online*, <<http://www.japantimes.co.jp/cgi-bin/getarticle.p15?nn200s0622a1.htm>>.

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ *Yomiuri Shinbun*, 18 June 2002.

⁸⁷ Saikawa, "Kaisanken", p. 91.

⁸⁸ This view was expressed in an interview with Koizumi by the *Chûô Karon* editorial department and reported in the August 2002 issue of *Chûô Karon*. *Yomiuri Shinbun*, 9 July 2002.

⁸⁹ Kawano, 'Dete koi!', pp. 12–5.

- ⁹⁰ *Financial Times*, <<http://news.ft.com/ft/gx.cgi/ftc?pagename=View&c=Article&cid=FT3XAVB751D>>.
- ⁹¹ "Koizumi Kaikaku", p. 22.
- ⁹² *Nihon Keizai Shinbun*, 6 June 2002.
- ⁹³ *Yomiuri Shinbun*, 4 July 2002.
- ⁹⁴ *Nihon Keizai Shinbun*, 15 June 2002.
- ⁹⁵ In June 2002, Nippon Keidanren issued a 72-point deregulation request entitled 'Urgent Request for Deregulation Aiming at Economic Revitalization'. Koizumi's response was limited, however, to requesting the federation to cooperate with the CERP, the Council for Regulatory Reform and the IT Strategy Headquarters. *Mainichi Shinbun*, 19 June 2002.
- ⁹⁶ *The Japan Times*, 20 May 2002.
- ⁹⁷ *The Japan Times Online*, <<http://www.japantimes.co.jp/cgi-bin/getarticle.p15?nb20020309a1.htm>>.
- ⁹⁸ *The Japan Times Online*, <<http://www.japantimes.co.jp/cgi-bin/getarticle.p15?nb20020220a1.htm>>.
- ⁹⁹ *Nihon Keizai Shinbun*, 20 June 2002.
- ¹⁰⁰ The Chairman of Orix Corporation, Miyauchi Yoshihiko, also chairs the Council for Regulatory Reform.
- ¹⁰¹ *Nihon Keizai Shinbun*, 12 June 2002.
- ¹⁰² *Nikkei Weekly*, 3 June 2002.