The Electoral Foundations of Japan's Financial Politics: *The Case of Jusen*

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Abstract

This paper locates Japan's financial policies in the context of electoral incentives. The collapse of Japan's economic bubble in 1989 exposed the rot in the banking system, hidden for decades by a Liberal Democratic Party (LDP) government intent on maintaining favor with local support groups, including small banks. In a move wholly uncharacteristic of Japan's postwar politics, the LDP ultimately forced the banks to absorb huge losses rather than require taxpayers to bail out their mortgage-lending subsidiaries (jusen). We compare the government's subsequent bank bailout scheme with past government action and find that the government's objectives have shifted from boosting bank profits to ensuring their prudential regulation. We conclude on an optimistic note about the prospects for more majoritarian politics in Japan.

THE ELECTORAL FOUNDATIONS OF JAPAN'S FINANCIAL POLITICS: THE CASE OF JUSEN

Introduction

Japanese politicians are hopelessly corrupt. Whether because of the long heritage of cronyism in Japanese political culture, or because of something in the water they drink, Japanese politicians are even more incorrigible than the average politician. Look only at the results of Japan's 1994 electoral reform. Although analysts around the world watched optimistically as Japan overhauled the electoral rules that were said to be at the root of Japan's structural corruption, the electoral campaigns under those new rules appeared to be as personalistic as ever. The Japanese public resigned itself to the thought that fundamental change in Japanese politics had eluded them once again. The Liberal Democratic Party (LDP), which had ruled continuously from 1958 through 1993, had finally been thrown out of office, only to return (in a coalition) within a year. With a record-low turnout rate of 59.65%, the 1996 General Election was tantamount to a great, collective sigh of disgust.

In this paper we take issue with this pessimistic view of Japan's electoral institutions. In examining the LDP's handling of its first post-reform crisis, we find new sensitivity to majoritarian concerns that we believe provide a harbinger of the future course of Japanese decision making. In 1996, Japanese politics came to a standstill over a crisis in the financial system. The country's seven private home-mortgage lenders, nicknamed *jusen* (*tokutei juutaku kinyuu senmon gaisha*) were all failing, buried under a mountain of unrecoverable loans, and the question of the day was who was going to pay for the mess. As much as LDP Diet Members wanted to protect both the agricultural cooperatives and the banks that had large exposure to jusen, they could not help both without the use of taxpayer money. But after testing the taxpayer waters, the LDP ultimately gave the banks a larger burden in the loan cleanup than would have

been possible under the old electoral rules. This case shows that, however haltingly and reluctantly, the LDP has taken policy measures designed to shore up electoral support in the new single member districts and for the party lists.

We show how the Japanese government's response to the jusen crisis was shaped by the new politics of post-reform Japan, specifically, by the adjustments that politicians and parties had to make after the electoral system change of 1994. We argue that the crisis marked a turning point in the basic financial regulatory structure in Japan, precisely because of the new electoral rules, and that government's response to the current crisis in the *banking* system reflects the new political logic of regulation.

The paper proceeds as follows. In Section 1, we consider the Japanese electoral rules that obtained from 1947 to 1993 and discuss the political incentives they generated. In particular, we review financial regulation under these rules and show how electoral incentives helped shape the government's financial policy and its regulatory structure. Section 2 takes a close look at the causes of the Jusen crisis, and the LDP's initial reluctance to address the problem. In Section 3, we turn to the politics of crisis management. Section 4 explains the Japanese political decision making of 1996 in light of the party's new electoral environment. We show that, however much the LDP would have liked to play "politics as usual," it was pushed in a different direction. As parties and individual politicians continue to adapt to the new rules, we expect the LDP's room for maneuver to narrow even further in the future.

1. Financial Politics in Japan under SNTV

1.1. Postwar Electoral Rules and their Policy Consequences

For most of the postwar period, Japanese voters chose their representatives in multi-member districts (MMDs) ranging from 3 to 5 representatives in each district.[1] What separates

these electoral rules from a proportional representation system is that the district magnitude was quite small (4 seats per district, on average), and that each voter cast a single, nontransferable vote (SNTV) for a candidate on the ballot. One can easily see that, under these rules, any party seeking to gain or maintain a legislative majority had to field multiple candidates in most districts.

For our purposes, what is most noteworthy is the intra-party competition that this system engendered. Unable to rely on a party label to compete for votes, members of the Liberal Democratic Party busied themselves building up their personal followings within their respective districts. One consequence of this personal vote strategy was the reliance on faction bosses for party endorsements, financial help, and party and cabinet posts (Thayer 1969; Baerwald 1986; Ramseyer and Rosenbluth 1993; Cox, Rosenbluth, and Thies 1998). Another consequence was campaign expenses out of all proportion to what most parliamentary systems experience. Parliamentary systems, after all, give party members an incentive to cohere to avoid no-confidence votes and untimely elections. All else equal, party leadership is relatively strong and members are able to work together in competing for votes under a unified party banner. But in Japan, the multi-member districts countervailed the parliamentary system's effects on party strength, as co-partisan backbenchers found themselves competing against each other. This militated against a coherent electoral platform for the LDP and party members instead used a money-intensive strategy to build loyalty to themselves (Calder 1988; Cox and Thies 1998).

The policy upshot of a personalistic vote-division strategy was business coddling and trade protectionism. Each backbencher used the policy measures at his disposal—regulation, tax policy, budget allocations—to keep his organized support base happy.[2] This meant lending administrative support for business cartels, and limiting foreign competition to the extent

possible with trade barriers of various kinds. Of course, an important consequence of a cartelized industry is that consumers pay the bill in the form of higher prices, reduced supply of goods and services, and restricted choice in the marketplace. Stories of Japanese paying considerably more at home for domestically produced goods than those same products cost abroad are by now well known. So too are the high prices that Japanese consumers pay for domestically produced rice and other agricultural products. In the financial sector, the costs to consumers took the form of absurdly low interest rates on deposits, minimal financial services, and a severely restricted set of options for investing their money.

To keep voters from translating their dissatisfaction about high prices and poor services into electoral rebellion, LDP politicians essentially bought electoral support with the campaign money they extracted from satisfied business supporters. Through expensive networks of constituency organizations, politicians subsidized such things as sports tournaments, flower arrangement clubs, and junkets to hot springs. As consummate—but not atypical!—politician Michio Watanabe once quipped, he kept a white tie in his right pocket for weddings, a black tie in his left for funerals, went to as many as possible, and left a large sum of money at each.

This is not to deny any and all majoritarian cast to LDP policy. With the economy growing at double-digit rates through the early 1970s, and still much faster than other economies through the late 1980s, the LDP was able to take advantage of generally increasing prosperity, and even to institute regular tax cuts. Because everyone was getting richer, the party could get away with handing big businesses and farmers disproportionate shares of the largesse. Moreover, as a parliamentary party, the LDP leadership had several ways (e.g., control over committee assignments, endorsements, and some campaign financing) to rein in backbenchers from excessive spending, and it used them (Ramseyer and Rosenbluth 1993; Thies 1994). The

LDP leadership maintained a fairly consistent policy of fiscal conservatism and low inflation amid all the goody-mongering by the rank and file. At the macroeconomic level, then, the party leadership guarded the party's collective interests. At the microeconomic level, backbenchers intervened extensively in the market to maximize electoral support in multi-member districts.

1.2. Convoy Regulation

Postwar financial regulation was no exception to the general Japanese pattern of macro-stability and micro-corruption. After the gale-force winds of the U.S. Occupation receded, Japanese financial policy settled comfortably into the competition-restricting mode that characterized much of the government's microeconomic business management. We do not argue that the Japanese government was *able to impose* price cartels in every industry, only that LDP politicians had an incentive to help businessmen who wanted to form cartels to get some administrative help in enforcing them (Tilton 1996). In many industries (e.g., automobiles and pharmaceuticals), the businesses themselves were too divided for the cartels to work. Over time, as the interests of the firms have diverged, most cartels have failed, at least in their strongest form. Because of the fiduciary nature of banking, however, the government maintained stronger regulatory tools and was able to keep the cartels alive longer than in other sectors.

Japanese banks range from huge to tiny. A dozen or so mega-banks, with close ties to large industrial enterprises, have also been major players in international financial markets. In the 1980s, the big banks such as IBJ and Mitsubishi and Sumitomo were so successful abroad that they gave western bankers the jitters. At the other end of the scale are smaller banks, including over 100 regional banks and over 800 even smaller credit associations and credit cooperatives. Though capitalized at much lower ratios, these small financial institutions retained political influence by virtue of their strong ties to the local elite in politics, government, and

industry.

The Ministry of Finance had one of the toughest jobs imaginable: to keep the financial system stable and trouble-free, but without hurting the myriad small financial institutions that did business in every electoral district in the country.[3] Prudential regulations—such as capital-asset ratios, reserve requirements, deposit-insurance schemes, and strict disclosure rules—would have served the first purpose but would have violated the second. The Ministry of Finance instead resorted to profit-padding regulation—including regulation designed to protect each segment of the financial sector from profit-reducing competition, and rules that facilitated below-market lending between institutions—so that no financial institution would fail. The Japanese call this regulatory scheme the Convoy System (*gosoo sendan hooshiki*), evoking the image of a naval flotilla that must move slowly enough to allow the destroyers stay back to protect the slower, relatively defenseless aircraft carriers.

The particulars of profit-padding regulation featured severe limitations on both price and non-price competition. The Interest Rate Control Law of 1948, designed under the Occupation to stabilize the tottering financial system just after the war, became a fixture. By limiting price competition for deposits, banks were able to minimize their costs of funds. And to keep competition from spilling out in other ways, the MOF did banks the great favor of keeping a tight lid on new entry. This meant, to the extent possible, not chartering new banks, keeping out foreigners, and not letting Japanese securities houses issue close substitutes to deposits such as cash management accounts. It also meant keeping existing banks from opening too many new branches, or lengthening their business hours, or providing more than a limited number of ATMs, keeping them from giving away gifts in exchange for new deposits, and a host of other administrative restrictions on how they could spend their money advertising for new accounts

(Rosenbluth 1989:41).[4]

By the 1970s, Japanese banks by all appearances had become the strongest sector of the Japanese economy.[5] By the end of the decade, eight of the world's top 20 banks were Japanese (Jones 1989), and western bankers were warning of a Japanese takeover of the global banking industry. Japanese banks became prominent lenders in the U.S. and in the Euromarket, prompting the U.S. Congress to pass a bill threatening retaliation against governments not giving U.S. banks equal access to home markets.[6] In 1986, the Cooke Committee of the Bank for International Settlements (a transnational body based in Basle, Switzerland organized by ministries of finance and private banks) decided to implement an 8% capital adequacy ratio, at least in part designed to curb the international success of Japanese banks because Japanese banks would have to reduce lending or raise new capital to meet this ratio (*Economist* 1990:69).

The low capital-asset ratios typical of Japanese banks—in the range of 2 to 4% compared to 8-10% for U.S. banks—testified to the MOF's use of profit-padding to keep the Japanese financial system in good order. Raising capital requirements is more expensive for the banks and cuts into their profits and/or ability to expand market share. But profit-padding regulation places a potential burden of colossal proportions on financial regulators. If a panic were large enough, loans from the Bank of Japan and promises from the government might fail to stem a run on the banking system. The government would have to dip into taxpayer money to bail out savers, the MOF would be blamed for the disaster, and bureaucratic heads would roll. Not surprisingly, a review of postwar Japanese financial history reveals that the MOF banking officials often felt nervous about being responsible for the health of the banking system with so few safety features, and after each recession the MOF tried to introduce prudential measures: 1967, 1977, and culminating in the Banking Act of 1982. Each time, the MOF's attempts were rebuffed by

politicians interested more in local pork than in optimal efficiency (see Rosenbluth 1989: 112-131). The "convoy system" appears to have been politically motivated at its very roots.

It is easy to understand why small financial institutions would appreciate the regulatory status quo. Many were not strong enough to survive in a more competitive world. But why were the big, powerful banks—Mitsubishi, Mitsui, Sumitomo, Fuji had already become all but household names in the U.S. and Europe—hanging onto the MOF's apron strings? The answer lies in the logic of cartels. If restricting competition enables the weakest to survive, it also helps the strongest to profit more handsomely. The internationally active banks lived happily in the greenhouse with the local banks, using super profits at home to finance expansion abroad. It was not until the collapse of the bubble economy that they realized the hothouse itself was unstable, and that living in the hothouse too long had weakened their ability to survive outside. Only then did the interests of the large banks and small banks part company.

2. The Jusen Crisis – what happened and why

Others who have written about the jusen crisis have pointed out, and rightly so, that it was part and parcel of the bubble economy story (Milhaupt and Miller 1997). The jusen found themselves in such dire straits due to a combination of regulatory failure (specifically, the failure to enforce any prudential standards on jusen lending activities) and miscalculation concerning the strength and longevity of the speculation-driven land-price bubble. What caused the jusen crash, however, is only of interest to us insofar as it reflects the Achilles' heel of a regulatory structure that relies purely on convoy-type solutions where preventive safeguards would have been more effective. Of greater interest to us here are the political foundations of that regulatory structure, and how the LDP and other political parties responded to the crisis. Once it became clear that this was a bigger problem than any the financial system had encountered before, one

which could not be solved by the traditional convoy system, how did politicians react? We find that they first tried to solve it the old-fashioned way, by making consumers pay for a cartel retrofit, but that this time, the exigencies of the new electoral rules forced them to reallocate costs toward the banks, whom the LDP had always protected in the past.

2.1. Why Jusen?

The seven jusen companies were established between 1971 and 1976 as joint ventures by Japanese city banks, securities firms, trust banks, regional banks, and credit banks as vehicles to move into the home mortgage lending market. Jusen were non-depository lending institutions, propped up by capital contributions and loans from other financial firms, and not subject to the same regulatory oversight as were those firms.[7] Financial regulation at the time provided sufficient profit-padding protection to banks that there were not in any hurry to seek out new avenues of business directly—they did very well by fostering long term relationships with large corporate borrowers who were restricted from seeking capital elsewhere. Still, the burgeoning demand for housing loans after a decade of super-fast economic growth provided sufficient impetus for the banks, with MOF's backing, to dip their toes into this area (Oguni 1995; Milhaupt and Miller 1997). The joint venture route allowed the founding institutions to share the risk with their cartel-mates—and with one exception (Dai-ichi Housing Loan), no jusen had any single shareholder with a double-digit percentage stake in its business (see Table 1).

[Table 1 About Here]

2.2. Why Did Jusen Get into Trouble?

By the 1980s, Japanese corporations were taking much of their borrowing business to the Euromarket where they could get better deals. This cut into the profits of the major banks, and they responded by moving directly into home mortgage lending, stealing business from their own

jusen subsidiaries. Now squeezed for profits, the jusen, in turn, responded by lending money in ever-increasing amounts to real estate development corporations (see, e.g., *Economist,* 4/27/96, S24).

There were three problems with this rearrangement of lending responsibilities. First, the jusen were relegated to the highest-risk niche of the corporate lending market. Many of their clients were dubious credit-risks, and indeed were "introduced" to jusen managers by the founding institutions themselves. In other words, they were sloughed off on the jusen by banks unwilling to extend them credit directly.[8] Jusen were not managed by entrepreneurs with a vision for how to make these firms work, but by banks who used them to gamble on the real estate market. This created a serious moral hazard problem if there ever was one.

Second, especially toward the end of the decade, most of the jusen lending was purely speculative, riding on the land-price and stock-price bubbles that overtook the Japanese economy between 1988 and 1990. Loans were made on the presumption that asset values would continue to rise indefinitely at astronomical rates.

Third, and most critically, the jusen were not subject to the same regulatory standards as were deposit-taking lending institutions. Their capital-asset ratios were microscopic, which left them leveraged to the eyeballs and absolutely dependent on the timely payback of these speculative loans to risky borrowers. Since the collateral for these loans was usually the expected value of the as-yet-undeveloped properties themselves, any deflation of the land-price bubble would cause the jusen to collapse.

Over the summer of 1991, parent financial institutions hammered out plans to deal with the growing mountain of bad debt that their jusen subsidiaries were carrying. With each parent institution taking more or less the same measures as each other, the banks lowered the interest on

the money their subsidiaries owed them, and ordered jusen to hold loans from other (non-parent) banks at current levels. These were reasonable measures to help the jusen survive a small drop in asset prices.[9] But they did nothing at all in the event of an asset price free-fall. As luck would have it, the bottom was lower than anyone expected.

In the spring of 1992, Sanwa Bank's research department wrote a top-secret internal memorandum pondering what to do about the growing problems of the jusen subsidiary it shared with several other banks, Nichijukin (*Nihon Jutaku Kinyu*). By March 1992, according to this report, 31.4 percent of the Nichijukin's ¥3.3 trillion in loans were on a delayed -repayment (defined as over six months late) schedule. None of this was disclosed to the public, and Nichijukin in fact posted an official profit for the 1991-1992 fiscal year. Nichijukin avoided writing off the bad loans by lending money to effectively bankrupt real estate firms to enable them to make interest payments. On the basis of this grim situation, the Sanwa memorandum recommended taking "drastic measures" (*bapponteki na shori*) of writing down the loans or even shutting down Nichijukin before matters got much worse.[10]

To say that the jusen were unregulated (or under-regulated) is not to say that the government was unaware of their tenuous position, or of the dangers of speculative lending for the financial system as a whole. As early as March 1990, MOF issued an administrative order that clamped down on real-estate-related loans in an effort to slow down increases in land-prices.[11] But for some reason, the jusen were not covered by this order, despite the fact that there were already a number of real estate firms that were unable to pay interest on their jusen loans; by 1991 most of the big borrowers stopped payments altogether.[12] Then, inspections of loan portfolios between September 1991 and August 1992 revealed that the share of non-performing assets held by the seven jusen was substantial enough for serious concern (*Japan Times* 2/5/96).

So the MOF certainly knew (1) that the jusen were in trouble, and (2) that they were not obliged to curb their profligate ways by the 1990 ministerial order.

In the meantime, the jusen problem had expanded beyond the jurisdiction of MOF regulators. In the heady days of the land bubble, agricultural cooperative banks poured enormous amounts of money into the jusen. The cooperatives were established originally to serve the credit needs of farmers, but with the decline of agriculture and the wealth of the remaining farmers (and former farmers) who still used the cooperatives, they were bloated with deposits and in need of new lending opportunities. In 1980, the Agriculture Ministry "designated the jusen companies as one of the 'other financial institutions' to which the cooperatives could lend" (Milhaupt and Miller 1997:30). They continued to lend huge sums even as the bubble was bursting, increasing their exposure from ¥1.9 trillion in 1989 to ¥4.9 t rillion in 1991 (Goto 1996:37).[13] By 1992, the cooperatives had lent upwards of ¥5.5 trillion to the foundering jusen.

The government's first response was consistent with the traditional convoy system. Presumably because it feared the spread of a financial panic when they were little prepared to deal with one, the government acted instead to shore up loans to the ailing jusen institutions. In February 1993, MOF Banking Bureau Director-General Nobuyuki Teramura and the Agricultural Ministry's Takaoka Manabe (Economic Bureau chief) signed a memorandum paving the way for continued agricultural loans to the jusen. The MOF "guaranteed"[14] that both banks and agricultural cooperatives would recover their loan principal, but required that both reduce their interest demands (*Japan Times* 2/5/96; Goto 1996:37; Yuasa, Hirano, and Kumamoto 1996:158-161). Founding banks would forgo all interest, other banks would receive only 2.5 percent, and cooperatives would receive 4.5 percent.[15] This amounted to a write-off of only 530 million yen ($4-5 million) for the cooperatives. More importantly, it encouraged

agricultural cooperatives to keep pouring money into the jusen, secure in the belief that they would be paid back with interest.

The hope that underlay this "plan" was that land prices would recover and that currently non-performing loans would become recoverable. There was no real basis for this hope, but the LDP understood that the government could not afford to bail out the entire jusen industry without a substantial infusion of public funds, and it was in no mood to open that political can of worms. When the LDP lost power in a June 1993 no-confidence vote, and failed to regain its position in the ensuing election, politicians of all parties were diverted by political reform debates, so the jusen problem was left to fester.

Still, it is worth asking why MOF and the banks would have agreed to the 1993 memo, which seems to have taken the cooperatives off the hook, at substantial costs to the banks themselves. It has been argued that the cooperatives had the banks over a barrel, in that they could ruin the jusen by withdrawing their funds, forcing the banks to clean up the mess alone (Milhaupt and Miller 1997:37). But we think it more likely that it was the LDP that was over the cooperatives' barrel—as we shall explain below. As long as the MOF was only given resources to run a convoy, its best hope was to keep the vessels afloat with as much tar paper and pitch as it could muster.[16]

3. The Political Response

3.1. Cleaning Up Jusen by Bailing out Agricultural Cooperatives

3.1.1. The Plan

On June 6, 1995, Finance Minister Masayoshi Takemura and Banking Bureau Director Yoshimasa Nishimura admitted to the Diet Budget Committee that the magnitude of the bad loan problem was worse than had previously been realized (see Table 2). They pledged to take

measures to shore up the system, but the media was unimpressed with the lack of details, and accused the government of stalling.[17]

[Table 2 About Here]

In several all-day meetings in December 1995, heavyweights in the LDP's agricultural "tribe" met with party leaders and MOF officials to demand that the agricultural cooperatives be spared their portion of the cleanup costs. "It isn't fair," they insisted, "that the unwitting savers in the cooperatives should have to pay for the mistakes of fat-cat bankers and their spend-thrift clients." But this was in fact beside the point, because the bailout plan was structured to save the agricultural cooperatives as *institutions*. Guaranteeing the savers' deposits would have been a cheaper affair. What was at stake for the LDP politicians was not so much the deposits as the agricultural cooperatives themselves, which had become useful—and in some cases indispensable—parts of their personal support networks (*koenkai*). Moreover, many if not most agricultural cooperatives were headed by local political bosses, with direct patron-client ties to LDP Diet Members (Domon 1996; Sato 1998). Since Article 33 of the Agricultural Cooperatives Law mandates that cooperative directors are *personally* responsible for compensating the cooperative in the event of negligence, these powerful individuals had ample reason to put pressure on "their" LDP representatives to get them off the hook. Thus, a bailout of the agricultural cooperatives was crucial to the co-op directors, and the backing of the cooperatives was crucial to LDP candidates.

LDP leaders and MOF officials would later testify before Diet questioning that they negotiated "as hard as they could" (*giri giri made*) with the agricultural bloc but ultimately were forced to make concessions to the cooperatives. This refrain became an object of ridicule in the media and by the opposition.[18] But it reflected the cold political realities of an LDP that relied

more now on agricultural backing than in the last twenty years, thanks to the departure of many of its more urban members to the opposition in the 1993 party split. The government reduced the agricultural cooperatives' allotted portion of bad loans from ¥1.1 trillion to ¥530 billion, and arranged to make up for the balance with taxpayer money.

Thus it was that Socialist Prime Minister Tomiichi Murayama got stuck with the politically treacherous job of submitting a budget that included ¥685 billion of taxpayer money to help sop up the jusens' ¥6.4 trillion in unrecoverable loans. To handle the rest of the problem, parent banks were to write off all of the ¥3.5 trillion in their outstanding loans to jusen, and other banks were to write off ¥1.7 trill ion, out of the ¥4 trillion they had lent. The agricultural cooperatives, on the other hand, were asked to write off only ¥530 billion, out of the ¥5.5 trillion the jusen owed them (Mabuchi 1997:16-17).

3.1.2. The Legislative Battle

The opposition parties, led by the New Frontier Party, were quick to pounce on the government's new plan, decrying the use of taxpayer money to clean up a terrible mess that should not have been allowed to happen in the first place. They had public opinion on their side. In a poll taken by the *Asahi Shimbun*, 90 percent of the respondents opposed the use of taxpayer money to absorb the jusens' bad loans. The media was also uniformly critical of the government's disingenuous efforts to dodge blame and for its failure to disclose information about how the jusen mess was mishandled.

It is hard to imagine a more propitious set of circumstances for the New Frontier Party (NFP), a year-old, hodge-podge opposition party in search of a mission with electoral appeal. Instead, the Jusen Problem will long be remembered as a colossal failure for party leader Ichiro Ozawa and his compatriots, though it wasn't for lack of trying. On March 4, 1996, after several

weeks of demanding that the government give a full accounting of its decisions and explain why other solutions were not attempted, dozens of NFP politicians began a three-week sit-in in the Diet, blockading the entrance to the budget committee room. They brought their bedding and made themselves as comfortable as they could on the Diet's marble floors, refusing to leave the premises or engage the government in further discussion until the government provided full disclosure.

The problem—and public opinion perceived it correctly—was that the NFP had so little to offer by way of alternatives. This was not so much for lack of vision as for lack of agreement. To be sure, some within the NFP had wanted to complain about the excessive political power of agricultural cooperatives and to discredit the entire convoy system that allowed jusen to play the destructive role that they did. But other party members were beholden to the same status-quo groups that the reformists wanted to expose. When NFP leaders suggested that they attack the LDP's protection of agricultural cooperatives at the expense of the public, NFP member (and former Agriculture Minister) Masami Tanabu and others threatened to form their own Diet Members' League protesting the persecution of farmers.[19]

The resulting compromise within the NFP—the decision to push the LDP-led coalition for a legislative as opposed to administrative solution to the Jusen Problem—showed that the urbanists had the upper hand in party decision making. Forcing the LDP to bring the clean-up details out into the public glare of Diet proceedings was what the agricultural cooperatives most hoped to avoid, because it would force Diet Members to weigh agriculture's electoral help against the potential damage of public outrage.

Nonetheless, keeping the party from splitting required the NFP to soft-pedal its criticism of agricultural cooperatives in their Diet interpellations and they were all but mute on the ills of

convoy regulation. When the microphones were at their lips and the spotlights were on their faces, NFP members said what their party heterogeneity permitted: they simply carped about the government's use of taxes. Even here, in protesting the use of taxes for the jusen cleanup, the NFP had limited credibility. Ozawa was infamous for having supported the so-called "welfare tax" that the Hosokawa administration levied in 1994.[20]

So how else should the government clean up the jusen problem if not with tax money? The NFP had little to say in answer to this question. Instead, they blamed the LDP for bad faith and the MOF for shielding the LDP behind bureaucratic silence. The MOF, meanwhile, finally disclosed some of the jusen paper trail but kept most of the documentation to itself.[21] Lacking in any of these disclosed materials, of course, were leads to LDP politicians' involvement in jusen-related corruption.

3.1.3. The LDP Reversal

The NFP sit-in prevented the LDP from passing the 1996 Annual Budget, with its ¥685 jusen-bailout price tag for taxpayers, in time for the start of the new fiscal year. Prefectural and municipal assemblies across the country adopted resolutions calling for the government to retract its plan to use taxpayer money. In the face of opinion polls that showed that 94% of the public was dissatisfied by the government's explanation of its jusen policy, some in the LDP began to panic and to press their leaders to reconsider the use of taxpayer money.[22] There were grumblings on the back bench, including statements from faction boss and former secretary general Hiroshi Mitsuzuka, about how the government might need to find some other way to cover the jusens' bad loans.[23]

Publicly, the LDP and its coalition partners stonewalled, but privately, they went to work on representatives of the founder banks and agricultural cooperatives to increase their share of

the bailout burden, so as to make the use of public funds unnecessary (*Japan Times* 3/5/96).[24] Within a day after the start of the sit-in, the government presented a "modified plan" that they said would do the trick. Banks and cooperatives would be required to streamline their businesses, cutting costs in order to become more profitable, to the tune of ¥1.5 trillion and ¥600 -¥700 billion, respectively, over seven years. This, in turn, would cause them to pay upwards of ¥680 in additional corporate income taxes, replacing th e public funds to be used for the bailout. Of course, opponents decried this new plan as smoke and mirrors, and were quick to point out the irony of making banks and cooperatives more profitable in order to increase their bailout burden. If they could add to the public treasury by cutting out the fat, the argument went, they should do so anyway, not as a *pro forma* compensation for taxpayer expenditures.

To further deflect attention, the LDP decided to place the blame for the crisis squarely on the shoulders of MOF officials. This turned out to be a smart move. The notion that the proud, cream-of-the-cream MOF bureaucrats had screwed up met with almost delirious public endorsement. Not that reforming the MOF was a new idea: it was at least fifty years old. But this was the first time that the LDP made serious noises about fundamentally restructuring the ministry and making it "more accountable" to the prime minister's office. Because the LDP was blessed with the NFP's internal dissension, it could get away with scapegoating the bureaucracy for policy missteps.[25] In an attempt to open the NFP's internal rift a little wider, the LDP called for hearings on the question of religion and politics, exploiting the uneasy alliance between the Buddhist-backed members of the NFP from the old Komei party, and the non-Komei members.[26]

Meanwhile, the sit-in dragged on into its second week. On March 13, the NFP0 presented its long-awaited alternative jusen bailout plan, but it turned out to be a non-starter. Its only real change from the government plan was that the taxpayer contribution would be replaced

by low-interest loans from the Bank of Japan ("borrow-and-bailout" instead of "tax and bailout"). The LDP had no trouble dismissing this as even more expensive for taxpayers in the long run (which was probably true), and the stalemate continued. The LDP-led coalition began working on a stopgap budget, given that it was now unlikely that the full budget could be passed in time for the April 1 start of the new fiscal year.

On March 21, Sanwa Bank, the Industrial Bank of Japan, the Long Term Credit Bank of Japan, all jusen founder banks, announced that they would take on massive losses in forgiving their loans to the jusen, and would record losses for the fiscal year as a result. But because of the delay in passing the government's restructuring program, as well as the national budget these and other founder banks were fearful of shareholder lawsuits if they were to actually abandon their rights to the loans, and preferred to simply write them off against voluntary reserves on their balance sheets (*Japan Times* 3/21/96).

The NFP's resolve finally broke on March 25. On that day, a government-backed candidate beat her NFP rival in an Upper House by-election in Gifu prefecture. By-elections are frequently looked to as referenda on whatever issue is the current focus of controversy in national politics, and this one was no exception.[27] A chastened NFP agreed to end its blockade and debate the annual budget and other jusen-related bills. The face-saving, but meaningless compromise that they extracted was a government agreement not to disburse the controversial ¥685 million in public funds until after the regulatory structure for the bailout plan had been finalized.

The NFP had been outmaneuvered, and everyone knew it. The public remained disgusted with the jusen problem, but the NFP failed to make the LDP the lightning rod for agitated public opinion. Even with this rich lode of political rot to exploit, the NFP found itself

internally tied up in knots. The public had eventually tired of its unconstructive carping about the use of taxpayer money. This was the biggest break the LDP could have wished for.

However, this is where the story took an interesting, and unprecedented turn. The NFP failed to gain any political points for it, but its ignominious retreat was followed the next day by a statement by Finance Minister Wataru Kubo that the government might modify one of the jusen-related bills so as to eliminate the need for public funding after all. Thus, the government would pass the budget with the money earmarked, but find a way to not spend that money. On April 8, the LDP proposed that a rider be attached to the budget bills promising to reduce the taxpayer burden. When the NFP cried foul, the LDP offered to transfer the ¥685 billion to the emergency part of the budget instead. Finally, the government and opposition agreed on April 10 to a provision suspending the appropriation of the jusen-related budgetary funds until after a regulatory structure had been implemented.[28]

Throughout April, May, and June, Kubo hammered away publicly at banks to pony up more money to obviate the need for public funds. Banking officials repeatedly claimed that they would be sued by their shareholders if they were to go any further, and cooperatives claimed to be on the verge of bankruptcy. On May 28, Prime Minister Hashimoto announced that the government bills would be modified to increase the contribution of founder banks (*Japan Times* 5/28/96). Finally, on June 19, one day after the Diet passed the two bills that authorized the use of taxpayer funds to bail out the jusen, the founding banks agreed to establish an additional investment fund of more than ¥1 trillion to offset the ne ed for those public funds. Over the next month, regional banks, second-tier regional banks, insurance corporations all agreed to ante up.

4. Analysis—Lessons from The Jusen Crisis

We draw two principle lessons from the jusen crisis. First, the crisis itself was a direct

consequence of the *old* politics of financial regulation. When the economic bubble burst and left the mortgage lenders sitting on a huge pile of unrecoverable debt, the MOF attempted to protect the financial system without the benefit of strong prudential regulations already in place and without a viable safety net for bank depositors. Profit-padding regulation was designed to prevent crisis but was little able to quell the storm once it arose.

If the story ended there, we would despair of Japan managing the $1 trillion in bad bank debt that remains even after the jusen have been shut down. We would worry that Japan's taxpayers and consumers of financial services would continue to bear the costs of lax bank management indefinitely. We might even wonder at the sort of democracy that systematically shifts the costs of economic success onto the average person on the street. But the second lesson we draw from the jusen case is the source of some optimism: the Japanese government's *response* to the crisis reveals that key elements of the old politics have been discarded in the wake of the 1994 electoral reform. We devote this brief section to discussing this point.

The centerpiece of the 1994 electoral reform was to abandon the single, nontransferable vote/multimember district system in favor of a combination of single-seat constituencies and large-district proportional representation. Recall our argument from Section 1.1. that SNTV led to intraparty competition and hence personalistic electoral campaigns; copartisans could not compete with each other on the basis of party platform (since they all shared the same one) and used expensive personal machines instead. It also led candidates to target producer groups within the constituency as an efficient way to accumulate the small percentage of the vote necessary to win a seat. For example, in a 4-seat district a candidate needed to win only 20 percent of the vote (plus one) in order to guarantee herself a seat. If the number of candidates exceeded the number of available seats by more than one, she could win with even fewer votes.

It was feasible to build up that small share of the vote by carving out a support network among several producer groups or other special interests, while ignoring the sorts of issues or policies that would appeal more broadly. Thus, government policy was biased in favor of these special interests, and such general, diffuse sentiments as consumer interests were given short shrift.

The new electoral system changed the incentives for politicians markedly. Now, each candidate in a single-member district (SMD) will be opposed only by candidates of other parties—the need to divide up the party's supporters no longer exists. Thus, a candidate can campaign at least partly on the basis of party platform. A candidate's *demand* for money should diminish accordingly. Moreover, the electoral reform also promised to restrict the *supply* of campaign funds, by first restricting and then eliminating contributions from corporations or other interest groups (e.g., labor unions).

Next, in order to guarantee victory in an SMD, a candidate now must garner over fifty percent of the vote. To win the favor of half a district's voters, a candidate now is well-advised to appeal to voters generally, to out-duel rival candidates in a broad-based popularity contest—attempting to build up so much support one interest group at a time should be much less feasible. Finally, the PR portion of the new electoral system pits party against party, so now there exists a much stronger interest in protecting the general reputation of the party. Whereas under SNTV the LDP could survive a blow to its reputation because its individual candidates were still plying voters with gifts, favors, and pork-barrel policies, now 200 of 500 Lower House members will be elected purely on the reputation of the party. The greater salience of party platforms in the SMDs (as compared to the old multimember districts) only adds to the electoral value of the party's reputation with voters.

The implication of these changes for regulatory policy, we argue, is a turn toward

consumer-based (or at least consumer-conscious) regulation. The old policies of government-supported cartels, restricted choice in the marketplace, high prices, and corruption-laced business-government ties will come under more frequent and more successful attacks from consumer groups. Parties that are associated with these sorts of policies will be punished at the polls.[29] Interest groups whose influence over politicians was based on their ability to contribute huge sums of money (as opposed to blocs of votes) will see that influence wane, because their money is not as needed—and, soon, will not be permitted—under the new rules.

We do not argue that post-electoral-reform politics in Japan is 180 degrees different from pre-reform politics. Clearly, some of the old incentives remain. For example, the "popularity contest" aspect of SMD races retains some incentive for candidates to seek personal votes (Cain, Ferejohn, and Fiorina 1987; Carey and Shugart 1995; Swindle 1997). Combined with a presidential system, as in the United States, parties can remain quite weak under SMD rules. But Japan is a parliamentary system, giving party leadership more clout to keep backbenchers in line with party policy, should electoral logic require. What is crucial, we argue, is that politicians increasingly will find the old-style of personalism to be less useful than before in the search for a majority in any given district. Electoral incentives have shifted enough, we suspect, to spur policy changes as well.

The story of the jusen bailout plan meets all of these expectations. The government's first efforts to clean up the bad-loan problem, preceded the electoral reform by three years. Not surprisingly, they were typical of the convoy system, and hence of the logic of regulation under SNTV. Stronger banks and non-bank financial institutions were asked to contribute to a bailout of the failing institutions, in rough proportion not to their exposure to the problem, but to their ability to pay. Thus, the founding banks, with enormous size and worldwide assets, were asked

initially to forgive all interest payments, while the smaller—but politically powerful—agricultural cooperative banks were asked only to reduce their interest demands. When this deal failed to solve the problem and allowed it to balloon, and as the cooperatives became ever more exposed to jusen shortfalls, taxpayers were asked to pitch in so that the system and all its players might stay afloat.

But by this time, the electoral reform had been passed, and incumbent politicians and their party leaders were looking forward to the first election under the new rules. The major opposition party, the New Frontier Party, saw an opportunity to exploit the new electoral incentives by calling pubic attention to a government policy that they knew would enrage voters. And while the NFP could not capitalize on the opportunity because of the culpability of some of its own most prominent members, its efforts to arouse the taxpaying public were wildly successful. The LDP's backbenchers, as well as its coalition partners could not help but notice the public outcry, and soon began putting pressure on the government to find a way to let taxpayers off the hook.

The upshot was that the banking sector was obliged to foot the entire bill. Banks had enjoyed the fruits of the financial system cartel for decades, with the strongest getting richer the weakest guaranteed survival, and the consumers paying the costs. But now, when the system began to crumble under the weight of its built-in bad incentives, consumers suddenly found themselves powerful enough to demand that someone else pay the final tab. The LDP, with an eye to the incentives of the new system, determined that the grassroots organizational abilities of agricultural cooperatives were more important than were campaign contributions from banks. Indeed, in February 1996, the LDP felt sufficiently secure to announce that they would not accept campaign contributions from banks for at least the next year. In 1994, banks contributed

upwards of ¥830 million to the LDP; this accounted for roughly 20 percent of all corporate contributions to the party that year (*Japan Times* 1/9/96). That number increased to ¥997 million in 1995, but fell precipitously to only ¥35 million in 1996, *despite the fact that 1996 was an election year* (*Japan Times* 9/18/97).

A brief comparison of the Japanese jusen crisis with the U.S. S&L problem of the 1980s is revealing in at least two respects. First, whereas the regulatory "failure" in Japan was a function of the excessive coordination and the false promise of invulnerability inherent in the "convoy system," it was the marked *lack* of regulatory coordination that led S&Ls into trouble. Second, because U.S. regulators did not have a convoy-type option for solving their crisis, there was no way to avoid using public funds to clean up the mess. This unpleasant fact led Members of Congress to exacerbate the crisis by delaying the inevitable for a full decade. By contrast, Japanese regulators thought the convoy system could solve the problem, at the expense of unwitting consumers and taxpayers, so they moved quickly, only to find that the old system was no longer politically feasible.

Finally, our claim that the electoral reform caused the LDP to recalculate its regulatory priorities in favor of consumers would be more convincing if we could compare the jusen case to other, similar cases that occurred before and after jusen. Unfortunately (from a comparative perspective, not from the Japanese government's) there was no comparable case in the financial system prior to the jusen crisis. But there have been several occasions that are comparable in terms of a key variable, namely public opprobrium over LDP policy proposals. We argue that the LDP reversed course in the face of public outrage, and we attributed this to the new electoral environment. If we are correct, then it ought to be the case that the LDP blithely ignored similar popular opposition under the old electoral regime.

Consider first the contrast between the jusen bailout and an earlier instance in which the LDP tried to push through a wildly unpopular policy. In 1988, the LDP passed a new consumption tax, which was almost universally reviled by the voting public (despite the fact that it was combined with massive cuts in income tax rates). According to *Asahi Shimbun* polls around the time the tax was passed, 80% of those answering opposed the tax and 96% opined that the debate over tax reform had been insufficient (*Asahi Nenkan 1989*, pp. 301-302). By March 1989, just before the tax was to take effect, 90% of those answering opposed the tax, and 96% demanded that it be either repealed or at least re-examined. Even 90% of self-described LDP voters thought so (*Asahi Nenkan 1990*, p. 185). The LDP might have had sound economic reasons for pushing the tax through (Ishi 1989), but clearly, doing so flew in the face of public preferences.

In the event, the LDP ignored public opinion, and went along with its plans. Public outrage did not die down, and two months after the new tax took effect, the LDP suffered a dramatic repudiation in the July 1989 Upper House election, losing its majority in that chamber for the first time in 34 years.[30] However, the Upper House is not nearly as powerful as the Lower House, and its electoral system resembles the *new* Lower House system much more closely than it did the old SNTV/MMD rules. In the February 1990 Lower House election, the LDP maintained its majority easily. Personal electoral machines made up for any general damage done to the party's reputation. Why did the LDP ignore a 90% disapproval rating in the consumption tax case (and get away with it), but scramble furiously to assuage public opinion in the Jusen case? We argue that the difference lies in the different electoral incentives facing LDP politicians in the two cases.

Note also some fundamental differences in how the government is handling the current

bad-loan crisis in the banking system. This time around, politicians have agreed that massive infusions of public funds are inevitable. But they have come with important strings attached. Whereas the LDP in the jusen case tried to raid the treasury without demanding any restructuring or jusen or information disclosure by banks, and while trying to prop up the badly overexposed agricultural cooperatives, this time, banks are allowed to accept public funds on the (unprecedented) condition that they open up their books to public scrutiny. They also must accept the risk that if their books look too badly out of shape, they may be nationalized and cleaned up forcibly or they may be forced to go bankrupt. Late in 1998, the Long Term Credit Bank was the first to be nationalized. The bank bailout plan, though much more expensive, is not nearly as unpopular as was the jusen plan. This may not yet constitute incontrovertible proof that the LDP is moving toward consumer-centered regulatory reform, but it is much more reminiscent of the U.S. S&L bailout than it is of the Jusen bailout, insofar as politicians are (1) explaining the need for taxpayer funds, and (2) demanding that recipient banks surrender a great deal of autonomy in exchange for the bailout. In contrast to the jusen case, in which the LDP's primary concern was to protect the individual *businesses* being helped (the agricultural cooperatives), now the focus is on the health of the system, and if several banks have to fail, so be it. The LDP's new sensitivity concerning the use of taxpayer funds first emerged in the midst of the 1996 jusen crisis, and it is now a constant feature of the 1998-99 banking crisis.

Policies in other issue areas have begun to show signs of a new majoritarian slant as well. In 1998, for example, the government allowed price competition and new entry in the domestic airline market to underming the profitable airline cartel (*WSJ* June 2, 1999). In 1999, the government decided to allow the retail sale of birth control pills for the first time, over the staunch opposition of the well-organized doctors' guild. It is no secret that doctors in Japan have

long profited from abortions-as-birth-control. Old politicians, it seems have begun to learn new tricks.

5. Conclusion

Our analysis of the jusen problem points to electoral reasons for why the Japanese financial system became so feeble in the first place. SNTV electoral rules produced strong incentives for LDP politicians to cultivate personal support groups without concern for party platform. Instead of formulating policies that would appeal to large swaths of the electorate, LDP politicians worked strenuously to get regulatory and other favors for well-organized supporters. The result was economic policy riddled with cozy deals for many business sectors.

Banking policy was no exception. The LDP government presided over a financial convoy system that depended on bank profits for depositor safety. Although depositors ultimately underwrote the health of the financial system with the higher prices they paid for financial services, they did not vote against the LDP because LDP politicians courted them at election time with a range of favors and constituency services. The electoral rules, with its bias towards niche strategies, failed to produce an opposition party large enough or coherent enough to give the LDP a run for its money.

We credit, at least in part, the new electoral rules for a policy shift away from the bank-coddling practices of the past. True, the LDP did try at first to stick taxpayers with the tab for cleaning up the jusen mess. But this time, to their chagrin, they did not get away with it. After being taken to task by the main opposition party, the LDP got the banks themselves to pay for the clean-up instead. So loathe were they to face the public's blistering repudiation again that the LDP dragged its feet in dealing with the even larger bad debt problem that plagues the nation's regular banks. And, before asking ask taxpayers to pay to bail out the banks, the LDP

allowed several banks to fail.[31] Ironically, the LDP's drubbing in the Upper House election in July 1998 was partly because the party could not bring itself to take decisive, but unpopular action. They were damned if they did, and damned if they didn't.

It is too early to pronounce Japan's electoral reform an unmitigated success. In the words of Gerald Curtis, one of the most astute observers of Japanese politics, "The primary features of [the old] system do not work any more, and institutional innovation to create new policy-making systems has simply not taken place. The result is a policy-making vacuum, and that is very real and very dangerous" (Curtis 1998). We agree that the new electoral rules have not yet put in place electoral competition on the basis of party platforms, and that the government has not wholeheartedly embraced deregulation as the way to appeal to voters. The Liberal Democratic Party remains a heterogeneous group of politicians willing to do almost anything to stay in power. But what it takes to stay in power has changed since 1994. Our optimistic reading of this case stems not so much from positive actions the LDP is taking, but from an assessment of what the party, uncharacteristically, could *not* bring itself to do: foist the costs of economic management wholly onto taxpayers and consumers, without any modification of the regulatory structure that caused the problem to begin with. In the short run, the result is more muddling through. We expect that in the longer run, voter wrath—now empowered by the new electoral rules—will push the party system into groups of more like-minded politicians who will formulate competing visions of the public good, with regulatory policy at the center of that debate.

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Table 1
The Jusen Companies

Jusen Company	**Date of Establishment**	**Parent Company (ies)**
Nihon Jutaku Kinyu	June 1971	Sanwa, Sakura, Asahi, Toyo Shintaku, etc (9 institutions in the JCB group)
Jutaku Loan Service	September 1971	Daiichi Kangyo, Fuji, Mitsubishi, Sakura, Asahi, Tokai
Juso	October 1971	7 Trust Banks
Sogo Jukin	July 1971	Second-tier Regional Banks (formerly sogo banks)
Daiichi Jukin	December 1975	LTC, Nomura Securities
Nippon Housing Loan	June 1976	IBJ, Nissaigin, Daiwa Securities, Nikko Securities, Yamaichi Sec.
Chigin Seiho Jutaku Loan	June 1976	Regional banks and life insurance firms
Kyodo Jutaku Loan	August 1979	Agricultural cooperatives

Source: Oguni (1995:131)

Table 2
Seven Big Jusen's Bad Loans, March 1995

Jusen	Total (billions)	% of loan portfolio
Nihon jutaku kinyu	¥1,300	68.9%
Daiichi Jutaku kinyu	¥ 742	49.0
Nihon Housing Loan	¥1,300	57.6
Juso	¥ 666	41.0
Jutaku Loan Service	¥1,000	70.4
Sogo Jukin	¥ 716	63.4
Chigin Seiho Jutaku Loan	¥ 408	46.2
Total	¥6,140	

Source: Oguni (1995:137).

End0notes

1. These medium-sized districts date back to 1925 when three parties compromised on rules that would let each of them have some representation. (Kawato 1992).

2. See Carey and Shugart (1995) for a rank-ordering of electoral rules from the standpoint of how likely they are to generate a private-goods, as opposed to public-goods, policy orientation.

3. Banks, collectively, were one of the three largest contributors (*gosanke*) to the LDP in the early postwar decades, along with steel and the utility industry.

4. Michael Young (1984) writes that in the early years the MOF even issued directives limiting the quality of toilet paper in branch offices.

5. This assessment was based on stocks' price-to-earnings ratios and on the attractiveness of bank jobs to the best college graduates.

6. This was the International Bank Reciprocity Bill of 1978 (U.S. Department of the Treasury 1986).

7. Many jusen named former MOF bureaucrats to their top posts. This weakens the credibility of later MOF claims that the jusen were a blind spot in their regulation of the financial system.

8. Worse, many of the borrowers apparently were connected to Japan's underworld mob scene, so "get-tough" payment demands were not an option (Yamaguchi 1996; *Asahi Shimbun* 2/12/96; *Japan Times* 2/2/96; 3/1/96).

9. The EPA's 1992 White Paper, after all, explained that the economy was experiencing deflation of asset prices but that the impact on the real economy would be extremely small ["*jittai e no eikyoo wa kiwamete chiisai"*].

10. "Juusen no funshoo wo kessan," *Shuukan Asahi* (February 1996), 30-34.

11. More precisely, banks were not to lend to real estate concerns at a faster pace than their overall lending rates. (Goto 1996:36-37).

12. In February 1996 Diet testimony, former MOF Banking Bureau Director Masaaki Tsuchida chided the LDP for ignoring his suggestions way back in 1990 to revise regulations to include jusen and other nonbanks (*Japan Times,* 2/16/96).

13. This is out of a total of 8 trillion in loans in 1989 and 12 trillion in 1991 (Oguni 1995:135).

14. At least the Agriculture Ministry and the cooperatives chose to interpret the memo as a guarantee.

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15. At the time even the 4.5% for agricultural cooperatives was a low interest rate – equal to their cost of funds. As asset prices continued to fall, 4.5% became a windfall.

16. As many economists have pointed out, stronger disclosure rules and other prudential rules—which the MOF has long sought—would have given the MOF room to shut down the jusen without endangering the rest of the financial system.

17. "Gyoosei no tezumari o shimesu," *Asahi shimbun* (June 9, 1996), p. 11. The public's response was muted as well. Opinion polls prior to the July 1995 Upper House elections showed support for the government holding relatively steady. "Seiji no antei kitai tsuyomari," *Asahi shimbun* (June 25, 1995), p. 1; "Murayama naikaku shiji saikoo no 42%," *Asahi shimbun* (June 28, 1995), p. 1. "Jimin ni tohyoo 28%, Shakai 10%," *Asahi shimbun* (June 19, 1995), p. 1.

18. This phrase "giri giri made" was uttered in response to questioning so many times that, after a while, Opposition politicians began to chirp when they heard it, taking advantage of a pun in Japanese. "The giri-giri su (a play on kirigirisu, or cricket) is chirping again."

19. "Juusen kokkai kuuten demo noorinzoku to takawarai," *Sunday Asahi* (March 31, 1996), p. 28; also see Hanaoka (August 1996), p. 243.

20. Tawara Soichiro, "Dooshita? Shinshinto," *Sunday Asahi*_ (March 10, 1996), pp. 40-41.

21. A cartoon in the Asahi Shimbun portrays the NFP with a fishing rod having just caught a big fish labeled "MOF disclosure." It's a skeleton—all the meat is gone. (*Asahi Shimbun*, February 6, 1996, p. 2)

22. "Setsumei fujuubun, 94%," *Asahi Shimbun* (February 28, 1996), p. 1.

23. "Yotoo, taisei tatenaoshi," *Asahi Shimbun* (February 26, 1996), p. 2.

24. LDP Policy Affairs Council Chair Taku Yamasaki stated, "There will be no change to our basic policy of including 685 billion yen in the budget bills, but we request that the jusen founders offer additional contributions…" (*Japan Times* 2/4/96).

25. For a perceptive piece on the LDP's decision to break up the MOF, see Hiwatari 1998. See also "Ookura kaikakuan w ichinen inai ni," *Asahi Shimbun*, February 12, 1996, p. 2.

26. The Soka Gakkai, which founded and still supports the Komeito (which has now reemerged after the NFP's December 1997 breakup) is viewed with suspicion by most non-adherents, who often refer to it as a cult (White 1970; Hrebenar 1986).

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27. “All opinion polls before the election showed that roughly 70 percent of the electorate would vote with the jusen issue in mind," LDP Secretary General Koichi Kato said. "Under such circumstances, I think public understanding of the jusen issue has increased somewhat with our candidate getting the majority,” he said (quoted in *Japan Times* 3/25/96).

28. The NFP agreed to forgo further extra-legislative, obstructionist tactics, but did vote against the bill.

29. A similar argument is offered by Yayama (1998).

30. Along with the consumption tax, the LDP was hurt by a pair of scandals that forced the resignation of two consecutive Prime Ministers.

31. The most well known such decision was the failure of Hokkaido Takushoku, in 1997.