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The aim of the paper is to compare the decision making process on VAT increases in Japan in 1988 and 2012. While Prime Minister Takeshita Noboru managed to achieve this difficult task without breaking the unity of the Liberal Democratic Party (LDP), Prime Minister Noda Yoshihiko’s endeavors ended in a series of defections from the Democratic Party of Japan (DPJ). By using the example of VAT increase, I draw broader conclusions on the differences between the traditional decision making processes in the LDP and the strategy employed by Noda administration.

I argue that Noda tried to emulate the consensus-seeking practices (nemawashi) of the LDP, but he could not rely on unofficial policymaking mechanisms to preserve intraparty harmony. In order to convince LDP backbenchers to VAT increase in 1988 Prime Minister Takeshita made a maximum use of his position as the leader of the largest LDP faction and his personal influence among the Japanese politicians and bureaucrats. While the LDP had elaborated a clear set of principles for behind-the-scenes negotiations, the DPJ started experimenting with decision making mechanisms only after having assumed power in 2009. Lack of transparency of advance screening process and arbitrary decisions imposed by the DPJ Policy Research Committee Chairperson Maehara Seiji met with opposition from the anti-mainstream groups in the ruling party and triggered a series of splits.

Role of Nemawashi Practices in the Liberal Democratic Party

The LDP ruled Japan almost unceasingly from its establishment in 1955 until alternation of power in 2009. Only in 1993-1994 it lost power for ten months, but even then it remained the largest party in the Diet. Over the decades the Liberal Democrats created a stable set of official and unofficial rules of policy coordination on four levels: in the government, between the government and the ruling party, in the LDP, and with the opposition parties. While inter-ministerial negotiations were conducted by the bureaucrats, the parliamentary tribes dealt with consensus-seeking activities between the government and the ruling party, and the factions sometimes played a significant role in ensuring discipline of rank-and-file lawmakers on the party level. Additionally, the LDP had to some extent respect the voice of the opposition to ensure swift legislative process in the Diet. It was unthinkable for the controversial bills to be passed without concerted power-balancing efforts in all four of these spheres.

Japanese bureaucracy was characterized by strong sectionalism. The civil servants remained loyal to their home ministries more than to the government as a whole. They jealously protected their own privileges and tried to prevent external interference into the matters under their supervision. The issues that involved several ministries required meticulous negotiations between the interested parties. The
discussed policies were usually watered down to make them palatable to all the concerned ministries. These consensus-seeking activities were symbolized by the rule of incrementalism. In order to avoid inter-ministerial turf battles, the budget was compiled on the basis of expenditures from the previous budget without thoroughly examining the suitability of old programs.\(^1\) Balance-keeping efforts were a prerequisite in making decisions in virtually all legislative fields. Only the matters that had been agreed upon through these time-consuming processes were submitted for the authorization by the administrative vice-ministers’ council and subsequently adopted as a cabinet decision.

Concurrently, similar consensus-seeking activities were conducted on the level of the ruling party. Over the decades the LDP institutionalized the rule of advance screening (jizen shinsa) of all bill projects by the party decision making bodies. Any new law could be adopted as a cabinet decision and submitted to the Diet only if it had first gained the approval by the Executive Council (Sōmukai) and the Policy Affairs Research Council (PARC, Seimu Chōsakai). Especially the PARC became an arena where various interest groups tried to influence the policymaking through their representatives in the Diet. It was composed of policy divisions (bukai) that corresponded to different ministries, as well as research commissions (chōsakai) in charge of general policies, special committees (tokubetsu iinkai) that dealt with separate problems, and subcommittees (shōiinkai) or project teams (purojekuto chimu) for detailed issues.\(^2\) The meetings of each PARC policy division were attended by a group of lawmakers who specialized in an individual legislative field. These informal clubs of politicians who represented the interests of distinct ministries were called “parliamentary tribes” (zoku giin).\(^3\) The most popular were the policy divisions of agriculture, construction, as well as commerce and industry, which were the most related to the pork barrel politics.\(^4\) LDP politicians usually strived to provide assistance to the conservative electorate in their constituencies through large-scale infrastructural projects or protectionism towards farmers.

The parliamentary tribes could effectively block any decision in any legislative field thanks to an unwritten rule of consensus in the LDP decision making organs. In the PARC numerous backstage deals were made to please the opponents of new legislation. If prolonged persuasion proved insufficient to achieve a consensus, the decision was often entrusted to the policy division chair who modified the text of the controversial bill in order to make it ambiguous enough to satisfy the opponents. The chair remembered who conceded and strived to repay this debt of gratitude at a different occasion. These unofficial rules enabled preservation of intraparty unity despite strong policy disagreements.\(^5\) In case of the most controversial bill projects that were opposed by a large number of LDP members, the division chair could also temporarily suspend deliberations or send the matter to a higher organ. All the decisions made by the separate divisions or special research committees had to

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receive authorization by the Policy Research Council Board (Seichō Shingikai). They were subsequently sent to the Executive Council that officially adopted them as party decisions. Just as in the PARC, the decisions in the Executive Council were made by unanimity. In case of disagreement among members, the chairperson tried to achieve a consensus through similar nemawashi practices as in the PARC policy divisions.

Another factor that indirectly influenced decision making was factionalism. LDP factions were informal, but highly institutionalized intraparty groups cemented by interpersonal relations and political interests of their members. While the faction bosses needed loyal followers to be able to compete for the post of party leader, the rank-and-file lawmakers relied on the protectionism from their oyabun in assuming party and government offices. The factions’ role in policymaking never was too pronounced. While most of them were characterized by vague ideological leanings, factions did not possess distinct political programs. As pointed out by Gerald Curtis, “the role of LDP factions was to decide who the party’s leaders would be, not what their policies should be.” Nevertheless, inter-factional power-balancing mechanisms were sometimes used to promote distinct policies. For example, a PARC policy division chair could ask faction boss of the lawmakers who opposed to an important legislation to persuade them to the stance of the majority. Analogically, factional discipline could be instrumental for a skillful prime minister to ensure the support by rank-and-file party members for the government-sponsored bills.

Despite the fact that until 1989 the LDP possessed the majority of seats in both houses of the Diet, it could not completely ignore the voice of the opposition parties. Not only did the „forced voting“ (kyōkō saiketsu) usually meet with criticism from the public opinion, but the opposition parties could resort to a set of techniques to prolong discussions in the parliament. Regular parliamentary sessions usually lasted six months. Because the legislative process could be carried over from one session to another only by an agreement with opposition parties, the ruling party was under constant pressure of time. As a result, lack of cooperation from the opposition parties could sometimes lead to rejection of the bill. In order to avoid such situations, the members of the LDP Diet Affairs Committee (Kokkai Taisaku Iinkai) held backstage talks with opposition parties, which often consumed large amount of time and money. Respecting the opposition’s need for displaying firm protest against an unpopular bill, LDP politicians in advance negotiated which methods of resistance would be tolerated.

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9 They included door or rostrum blockade, filibuster, boycott of session, or “cow’s walk”. The “cow’s walk tactics” (gyūho senjutsu) originated from a peculiar voting system in the Japanese House of Representatives. Most laws were voted by acclamation or rising from seats, but the most important decisions, such as budget bills or international treaties, were made by submitting white (vote for yes) or blue name cards (vote for no). In such cases the names of lawmakers were read in the order of the placement of their seats in the plenary hall, and each member of the House of Representatives had to come to the podium and give his or her card to the parliament employee. In order to prolong the voting process, the parliamentarians of opposition parties walked extremely slowly, even several hours.
11 Ishikawa Masumi and Hireso Michisada, Jimintō – Chōki Shihai no Kōzō [LDP – Structure of Long-Term Supremacy], Tokyo: Iwanami Shoten, 1989, pp. 40-52; Murakawa Ichirō, Fukuoka Masayuki et
As pointed out by Kenji Hayao, the prime ministers played a passive role in the decision making system. Their role did not consist of setting forth policy agenda or determining concrete solutions to the problems, but rather of supervising enactment of the issues that had been brought to daylight by separate ministries. In order to be effective in the execution of controversial policies, the prime ministers had to possess vast personal connections in the bureaucracy, parliamentary, tribes, LDP factions, and even opposition parties. Only through informal power-balancing mechanisms could they overcome the resistance by these veto players.

**Introduction of Consumption Tax in 1988**

Establishment of consumption tax was one of the most controversial issues in Japan in the 1970s and 1980s. The new tax was conceived by the Ministry of Finance (MOF) as a way of reducing a growing budget deficit, and it immediately met with an extremely negative reaction form the public. When introduction of VAT was first mentioned by Prime Minister Ōhira Masayoshi in 1979, it caused such a popular upheaval that the LDP failed to receive majority of seats in the election to the House of Representatives. For this reason, the plans of establishing consumption tax were shelved for years. Even as popular prime minister as Nakasone Yasuhiro (1982-1987) was forced to renounce this difficult task. Nevertheless, Takeshita Noboru, who assumed the post of prime minister in 1987, treated introduction of VAT as one of the priorities of his cabinet. During his general policy speech in the Diet he acknowledged the importance of consulting on this issue with “each party, each parliamentary club, and each social group” in order to “achieve an agreement based on open discussion.”

Takeshita possessed vast connections in the bureaucracy. As he had been minister of finance for many years – in 1979-1980 and 1982-1986 – he boasted authority especially among the MOF civil servants. This experience helped him a lot in finding a solution acceptable to all the ministries. The introduction of VAT was promoted by the MOF that considered it as the best way of increasing budget revenues. Using his personal ties with this ministry, Takeshita mobilized all of its bureaus to conduct nemawashi practices vis-à-vis other ministries. Establishment of new tax was mostly opposed by such interest groups as textile industry and retailers, which were under the jurisdiction of the Ministry of International Trade and Industry (MITI). In order to gain the MITI’s support for his plans, Takeshita promised to couple introduction of VAT with reduction in corporate tax. This concession and the pressure from the MOF sufficed to persuade the MITI to cooperation. Moreover, the MITI conducted a series of hearings with the representatives of the concerned industries under its control, which enabled the government to address their concerns through various tax and budgetary compensations.

Analogically, Prime Minister Takeshita managed to mitigate the protests of separate parliamentary tribes in the LDP. The tax reform was highly contested by the ruling party because it directly endangered the interests of many industry sectors. Prime Minister Nakasone had tried to ease the protests of at least part of the zoku by

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offering tax exemptions for the businesses with sales of less than 100 million yen per year and for selected categories of goods and services, such as transportation, food, housing, or education. Nevertheless, this arbitral choice of the exempted industries caused fierce protests by the tribes whose client businesses would have to pay the new tax. Learning from Nakasone’s failure, Takeshita tried a different approach. He offered a more equitable solution by insisting on severely limiting exemptions that depended on the type of goods and exempting only the retailers that had annual sales of less than 30 million yen. In return, in mid-June 1988 the LDP Tax Commission Chair Yamanaka Sadanori lowered the planned VAT rate from 5 to 3 percent. This solution limited turf battles between separate zoku and sufficed to please most of LDP lawmakers.  

What further strengthened the prime minister’s authority over the LDP backbenchers was his position as the leader of the largest faction. In the 1980s a so-called “general mainstream” was formed in the ruling party. Former Prime Minister Tanaka Kakuei managed to create a faction of more than 100 members, and became a power broker behind Suzuki and Nakasone cabinets. Takeshita Noboru took over the leadership of this powerful faction in 1987. Using his dominating position in the LDP, the prime minister institutionalized the cooperation between all intraparty groups. He started holding regular meetings of secretory generals of all LDP factions (habatsu no jimusōchō kaigi) that served as a place for exchange of information and opinions on the current matters and as a forum that established general direction for policymaking. On the one hand, factionalism hindered top-down leadership because the prime minister had to constantly pay attention to maintaining balance of power between separate groups. On the other hand, a skilful use of factionalism could help in ensuring party discipline. If the head of government persuaded all other faction bosses to cooperation, he could use the ties of loyalty that connected oyabun and their followers to push ahead an unpopular bill. Takeshita managed to use this mechanism to his ends. He made sure that the representatives of all factions (Kaifu Toshihiko from Kōmoto group, Katō Mutsuki from Abe group, Kawara Tsutomu from Miyazawa group, Hata Tsutomu from Takeshita group, and Fujinami Takao from Nakasone/Watanabe group) served as directors of the Special Research Committee on Tax System (Zeisei Mondai Chōsa Tokubetsu Iinkai) in the Diet. The opponents of VAT hike had to tone down their protests out of fear that their revolt would negatively influence their chances for rising in the hierarchy of the party and their home faction.  

Another resource at Takeshita’s disposal were his vast connections with the opposition parties. The prime minister belonged to the Diet affairs parliamentary tribe (kokutai zoku) that specialized in managing legislative processes in the parliament, which helped him in contacting with the leaders of the opposition parties. Furthermore, he nominated another representative of this tribe – Kanemaru Shin – as chairperson of the Special Research Committee on Tax System. The submission of the VAT bill to the Diet coincided with the disclosure of Recruit scandal. It was revealed that many politicians from all parties had received unlisted stocks form the Recruit Cosmos Company. While the Recruit problem compromised the government,

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17 Gotō Kenji, op.cit., p. 145.  
paradoxically it also made the opposition parties more willing to participate in discussions on new tax in order to concurrently investigate the scandal in the same parliamentary committee. Additionally, the LDP accepted the opposition’s condition to first cut taxes before introducing the controversial VAT. Most significantly, Prime Minister Takeshita managed to weaken the solidarity of the opposition parties by approaching the Democratic Socialist Party (DSP) and Kōmeitō. While the Japanese Socialist Party (JSP) forced its lawmakers who were involved in the Recruit scandal to resign and none of the Japanese Communist Party’s parliamentarian had received the unlisted stocks, the DSP and Kōmeitō remained tainted in the scandal as much as the LDP. Under these circumstances, they agreed to restrain from blocking the legislative process in exchange for implementation of several welfare programs. Eventually, the bill was passed in lower house in mid-November and in upper house at the end of December 1988. The JSP tried to prolong voting through the “cow’s walk” technique, but it proved insufficient to overrule the controversial law.19

Democratic Party of Japan’s Approach to Consensus-Seeking Activities
The Democrats, who won a landslide victory in election to the House of Councilors in August 2009, promised to completely overhaul the policymaking mechanisms. They emphasized that overreliance on nemawashi practices by the LDP led to shady connections between the politicians, bureaucrats, and businessmen. They claimed that only abolition of the old decision making system would enable conducting far-going economic reforms, such as abandonment of extensive public works projects and introduction of a new welfare policy. As a result, the Hatoyama government (2009-2010) denied the necessity for extensive consensus-seeking activities on all four levels: in the government, between the government and the ruling party, within the DPJ, and with the opposition. Nevertheless, this radical approach caused intraparty frictions, serious problems with inter-ministerial policy coordination, and antagonization of the biggest opposition party – the LDP. As a result, prime ministers Kan Naoto (2010-2011) and Noda Yoshihiko (2011-2012) started gradually reverting to more moderate institutional solutions.

Under the banner of politician-led government the Democrats wanted to deprive the bureaucrats of their ability of finding consensus despite harsh inter-ministerial turf battles. Prime Minister Hatoyama Yukio abolished the administrative vice-ministers’ council and instead entrusted inter-ministerial coordination to the three political appointees in each ministry – ministers, vice ministers, and parliamentary vice ministers. The matters that exceeded one legislative field were to be discussed at the cabinet committee meetings attended by the prime ministers and selected ministers from the corresponding policy areas. The bureaucrats were prohibited to hold press conferences, contact with civil servants from other ministries, and in some ministries even to attend the meetings of their political superiors. As it quickly turned out that politicians could not handle all of inter-ministerial coordination alone, after Hatoyama’s resignation in June 2010 the DPJ softened its anti-bureaucratic stance. Prime Minister Kan Naoto and Chief Cabinet Secretary Sengoku Yoshito asked the civil servants to attend the three political officials meetings and to conduct inter-ministerial coordination on the level of administrative vice-ministers and bureau chiefs.20 Following the Great East Japan Earthquake, in March 2011 inter-ministerial

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liaison council (kakufushō renraku kaigi) was established to deal with general coordination of disaster relief activities. Under the Noda administration the meetings of the council were institutionalized. Since September 2011 it convened once a week and handled all issues that exceeded the competences of one legislative field.

The Hatoyama government isolated the backbenchers from decision making to the same extent as the bureaucrats. DPJ’s counterpart to LDP PARC – Policy Research Committee (Seisaku Chōsakai) was abolished in September 2009. This move was to prevent formation of parliamentary tribes in the new ruling party. Instead, the backbenchers were informed on government’s activities in separate legislative fields at the policy councils (seisaku kaigi) held by corresponding vice ministers. The petitions from local interest groups, in turn, were collected by the DPJ Secretary General’s Office, which based on them made policy proposals to the government. This system met with protests from backbenchers who were deprived of a forum where they could gain experience in policymaking and represent the interests of their electorate. As a result, Kan Naoto reestablished the Policy Research Committee as soon as he became prime minister in June 2010.21 Theoretically, it was supposed to be only an opinion-sharing body, and the unification of decision making under the government was to be ensured by the fact that its chairperson Genba Kōichirō concurrently served as a member of cabinet. In practice, heated discussions in the Policy Research Committee forced the prime minister to postpone some of his policy initiatives, including the consumption tax increase. When Noda Yoshihiko became prime minister, he even further strengthened this organ by endowing its chair Maehara Seiji with the right of advance approval of all cabinet decisions.

While the Democrats emphasized in their 2009 manifesto the need for renouncing nemawashi practices vis-à-vis the bureaucrats and backbenchers, they did not announce similar reforms regarding factions. It was caused by the fact that formally the DPJ rejected factional divisions altogether, and many DPJ lawmakers even refused to admit the mere existence of factions in their party. While being much less institutionalized than their LDP counterparts, however, intraparty groups constituted an important element of political landscape of the DPJ. They did not disclose member lists and tolerated overlapping membership, but they still played a significant role in intraparty balance-keeping activities. For example, Prime Minister Hatoyama kept a relative equilibrium in distributing ministerial portfolios among factions when he formed his government.22 Nevertheless, the DPJ lacked such formalized forum for inter-factional discussions as the meetings of secretary generals of all LDP intraparty groups in the 1980s. Perhaps the most effective policy coordination venue in the DPJ in this regard was a so-called “troika” system composed of the most influential faction bosses – Hatoyama Yukio, Ozawa Ichirō, and Kan Naoto.23 By using his position in the party as a leader of the largest faction, which according to some estimates could count as many as 150 members, under the Hatoyama administration Ozawa was able to exert a strong influence on decision

making. After Hatoyama’s resignation, however, Ozawa faction became an anti-mainstream group and did not receive a single ministerial post in the Kan government in September 2010. Prime Minister Noda initially announced he would seek intraparty harmony, but he failed to build a stable channel of policy coordination with other faction bosses. Moreover, as a leader of one of the smallest groups in the DPJ, he had too few followers to force other groups to cooperation.

Just as on the three aforementioned levels, the Democrats initially did not deem necessary to conduct exhaustive policy coordination on the level of contacts with the opposition parties. Just as the LDP, the DPJ had its own Diet Affairs Committee, but under the Hatoyama cabinet it often resorted to forced voting rather than sought policy compromises with the opposition. Parliamentary strategy was a demanding task and most of DPJ lawmakers lacked experience in promoting government-sponsored bills. As admitted by House Management Committee Chair Matsumoto Takeaki, this insufficient know-how hindered the efficiency of the management of legislative processes.24 In addition, when the Social Democratic Party left the ruling coalition at the end of May 2010, and the DPJ was defeated in upper house election in July 2010, the Democrats lost majority of seats in the House of Councilors. As a result, they had no choice but to display a more accommodating posture towards the opposition parties, mainly vis-à-vis the LDP and Kōmeitō. In his general policy speech in the Diet in September 2011 Prime Minister Noda Yoshihiko directed towards the opposition the words about the importance of nemawashi practices: “Politics is all about working tenaciously to bring about realistic solutions to issues, while coordinating contradictory interests and values. The essence of parliamentary democracy lies in consensus building based on carefully wrought dialogue and understanding.”25

**VAT Increase in 2012**

Just as in the 1980s, at the beginning of the 21st century the consumption tax hike remained an extremely controversial topic. In fact, the introduction of VAT became one of the reasons of the LDP’s historic defeat in the election to the House of Councilors in 1989. Moreover, the announcement by Prime Minister Hosokawa Morihiro of his plans of introducing a “national welfare tax” (kokumin fukushi zei), which was a camouflaged attempt at increasing VAT to 7 percent, led to a decrease in his popularity and resignation in 1994. The VAT was eventually increased from 3 to 5 percent in 1997, but the tax revenues actually fell at that time due to the Asian crisis. The electorate punished the LDP for this decision in the upper house election in 1998, which led to stepping down from office by Prime Minister Hashimoto Ryūtarō. During the lower house electoral campaign in 2009 the Libera Democrats appealed for yet another consumption tax hike to 10 percent, but they were defeated by the DPJ, whose leader Hatoyama Yukio promised to refrain from raising VAT until the end of the tenure of the elected Diet. Nevertheless, Hatoyama stepped down from office in June 2010. His successor Kan Naoto mentioned the necessity for consumption tax hike, which contributed to the DPJ’s defeat in upper house election in July 2010. Despite the evident unpopularity of VAT increase, Prime Minister Noda

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Yoshihiko, who assumed office in September 2011, was determined to cope with this issue.

Just as Takeshita Noboru, Noda Yoshihiko possessed connections with the MOF. He had served as vice minister of finance in the Hatoyama government (2009-2010) and as minister of finance in the Kan cabinet (2010-2011). While the civil servants’ influence on decision making had generally weakened under DPJ rule, the MOF managed to preserve relatively more power than other ministries. It was caused by the fact that MOF bureaucrats assisted the Democrats in budget compilation process, particularly in seeking profound savings in public works expenses. Taking into account the MOF’s special position in the government, it was difficult for other ministries to deny the MOF’s argument that VAT hike was necessary to cope with an enormous public debt, which exceeded 200 percent of Japan’s GDP. MOF bureaucrats managed to convince to this policy also Noda Yoshihiko. As a result, Noda was the only candidate for the post of DPJ leader in August 2011 who explicitly underscored the need for passing a tax reform bill until the end of the 2012 parliamentary session.\(^{26}\)

The plan of the MOF encountered strong protests from DPJ backbenchers. They established the Association Thinking Cautiously About the VAT Increase (Shōhi Zōzei o Shinhō ni Kangaeru Kai) and started collecting signatures under a petition against consumption tax hike, which was signed by 130 lawmakers. At the end of December 2011 the DPJ Tax System Research Council adopted a tentative plan that envisaged an increase in VAT to 10 percent in two stages until the FY 2015. Because the reform was not to be conducted until the end of the term of the House of Representatives, Noda could claim he did not break the promise given by DPJ Leader Hatoyama Yukio in 2009. Nevertheless, nine parliamentarians led by Uchiyama Akira left the DPJ and created the Kizuna Party. Subsequently, the Noda administration agreed to further concessions. DPJ Tax System Research Council Chairperson Fujii Hirohisa asserted that VAT would not be increased unless it was coupled with a reduction in the number of parliamentarians. Additionally, Policy Research Committee Chairperson Maehara Seiji stated that tax reform should be preceded by elimination of deflation.\(^{27}\)

This initial bill project was subject to advance screening by the DPJ Policy Research Committee. The deliberations of the DPJ Combined Social Security and Tax Reform Joint Convention (Shakai Hoshō Zei Ittai Kaikaku Gōdō Kaigi) culminated at the end of March 2012. The struggle between the opponents and partisans of the bill was so fierce that when Maehara Seiji arbitrarily cut the discussions, he was blocked by the rebels.\(^{28}\) In order to mitigate the protests, Maehara convinced the prime minister to specify in the project a nonbinding economic growth rate target (3 percent for nominal growth and 2 percent for real growth rate) that should be attained to proceed with the reform. Nevertheless, this concession proved insufficient to persuade the rebels who wanted this contingency clause to be stipulated as a necessary prerequisite for tax hike. Eventually, the Policy Research Committee chairperson ended the advance screening process despite strong protests from the members of the anti-mainstream camp. The Bill on the

\(^{26}\) Yomiuri Shinbun Seijibu, Minshu Gakai. Seikai Daikonmei e no 300 Nichi [Collapse of the DPJ. 300 Days Towards a Great Confusion of the Political World], Shinchōsha, Tokyo 2012, p. 38.

\(^{27}\) Yomiuri Shinbun Seijibu, Minshu Gakai..., pp. 80-86.

Combined Social Security and Tax Reform (Shakai Hōshō Zei Ittai Kaikaku Kanren Hōan) was officially adopted by the government as a cabinet decision on 30 March 2012. The opposition by DPJ backbenchers against VAT hike bill was fuelled by violent factional struggles. As a leader of one of the smallest intraparty groups, Noda Yoshihiko could not take advantage of factional discipline to force to cooperation DPJ rank-and-file lawmakers. Moreover, he lacked a reliable forum for discussions with other faction bosses. The prime minister tried to contact with Ozawa Ichirō – the leader of the anti-mainstream camp – through the mediation by DPJ Secretary General Koshiishi Azuma, but this channel proved insufficient. In a protest against adoption of the Bill on the Combined Social Security and Tax Reform as a cabinet decision, Ozawa instructed his followers to resign from governmental and party posts. While some of the members of Ozawa faction remained loyal to the prime minister, as many as 30 DPJ backbenchers stepped down from party offices. On 30 May and 3 June 2012 Koshiishi arranged two last meetings between Noda and Ozawa, but the leader of the largest DPJ faction remained relentless.

Because in July 2010 the DPJ had lost majority of seats in the upper house, cooperation with opposition parties was a necessary prerequisite to any change in the tax system. As the VAT hike had been promised in the LDP’s electoral manifesto, Prime Minister Noda focused especially on negotiations with the largest opposition party. The LDP agreed to discuss, because it hoped that tax increase would incite a split in the DPJ and force the government to dissolve the House of Representatives. Ironically, Prime Minister Noda perceived cooperation with the LDP as a way of putting pressure on Ozawa camp. After all, if the LDP supported VAT hike, it would nullify the meaning of Ozawa’s rebellion. Eventually an agreement between the DPJ, LDP, and Kōmeitō was concluded in mid-June 2012. The Democrats managed to convince the two opposition parties to vote for the VAT hike at the cost of postponing the social security system reform.

The consumption tax increase bill was passed in the House of Representatives at the end of June 2012, but as many as 57 DPJ parliamentarians, including Ozawa Ichirō and Hatoyama Yukio, cast their ballots against the bill and 16 absented. At the beginning of July 2012, Ozawa defected from the DPJ together with almost 50 followers and established a party named People’s Life First (PLF, Kokumin no Seikatsu ga Daiichi). The legislative process ended in August 2012, when the VAT hike law was passed in the House of Councilors (6 DPJ lawmakers voted against the bill). Nevertheless, Prime Minister Noda paid a dear price to achieve his goal. In order to appease the LDP, before the final voting he had to make an additional promise that he would “soon” dissolve the lower house. Pressed by LDP Leader Abe Shinzō, he indeed dissolved the Diet in mid-November 2012, which led to DPJ’s crushing electoral defeat one month later.

Conclusions
The main aim of nemawashi practices is to push ahead difficult policies while preserving inter-ministerial harmony and the unity of the ruling party. Both in 1988

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30 Yomiuri Shinbun Seijibu, Minshu Gakai…, pp. 118-119.
31 Itō Yukako, op.cit., pp. 224-228.
and in 2012 the prime ministers had to partially concede to the demands of veto players in order to implement the tax system reform. For example, Takeshita Noboru agreed to reduce the rate of new tax from 5 to 3 percent, and Noda Yoshihiko promised to take into consideration GDP growth rate before raising the VAT. However, while the former managed to introduce the consumption tax without provoking defections from the LDP, the latter failed to convince all of his intraparty opponents to his policy agenda. This diversity of outcomes tells us much about the differences in approach to decision making in the LDP and the DPJ.

Just as Takeshita, Noda had a full backing from the MOF and managed to gain partial cooperation from the opposition parties. What differentiated him from Takeshita was the fact that he could not persuade to his policy the backbenchers of the ruling party – both parliamentary tribes and anti-mainstream factions. While the DPJ’s advance screening system resembled to some extent the LDP model, in reality it vested the right of advance authorization of all bill projects to the chairperson of the Policy Research Committee, not to the committee itself. This system enabled Maehara Seiji to arbitrarily approve of government’s decision despite strong protests from the backbenchers, but it did not provide any instruments to discipline the rebels. Unlike Takeshita Noboru, Noda Yoshihiko could not take advantage of the factional system to impose his will on the ruling party. This lack of an institutionalized method of achieving consensus through informal processes was a great weakness of the DPJ.
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