

Japan's election

Abe's last chance

Japan desperately needs economic reform; Shinzo Abe still offers the best chance of that

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TWO years ago Shinzo Abe ran for office vowing to end Japan's long economic malaise by banishing deflation and smashing the old habits that impeded growth. He promised to make a country suffering a collapse in confidence once again stand tall. Mr Abe won the election in a landslide, yet barely two years later he has called another.



One reason for this is painfully obvious: Mr Abe has failed to deliver on those promises. Japan is once more flirting with recession and deflation. Households feel no better off. Promised structural reforms have not happened. “Abenomics”, the prime minister’s slickly marketed programme, is looking to many Japanese like a prescription that is benefiting only the rich and big business. Mr Abe’s decision to hold a fresh election on December 14th is in part a cynical move to consolidate his power before his popularity falls further.

In political terms that gamble seems likely to pay off. Given a weak opposition, it would be a shock if his Liberal Democratic Party and its junior partner, Komeito, did not win again. But does Mr Abe actually deserve a second term? Our answer is yes—but only if he does what, in an interview with this newspaper (see [article](http://www.economist.com/news/asia/21635609-shinzo-abes-expected-victory-next-weeks-snap-election-will-leave-him-no-excuse-further) (<http://www.economist.com/news/asia/21635609-shinzo-abes-expected-victory-next-weeks-snap-election-will-leave-him-no-excuse-further>)), he says he will by finally embarking on the structural reforms that his country badly needs.

Mr Abe’s record is mixed. In foreign policy, he has had to cope with a resurgent China, which has been asserting territorial claims (see [Banyan](http://www.economist.com/news/china/21635516-confident-chinese-leader-sets-out-his-foreign-policy-store-it-not-wholly-comforting-world) (<http://www.economist.com/news/china/21635516-confident-chinese-leader-sets-out-his-foreign-policy-store-it-not-wholly-comforting-world>)). But his own revisionist jingoism has often looked dangerous: his visit to the Yasukuni shrine was a needless insult to all those Asian countries whose people were slaughtered by the war criminals that are honoured there. In Mr Abe’s Japan, newspapers are once again using the term “comfort women” for the wartime sex slaves its soldiers degraded (see [article](http://www.economist.com/news/asia) (<http://www.economist.com/news/asia>

/21635614-history-haunting-shinzo-abe-abes-demons)), hardly tactful with the rest of Asia due to celebrate the end of the second world war next year.

But economics has been at the core of Mr Abe's premiership. The start of Abenomics was impressive. Early last year the Bank of Japan launched a radical programme of quantitative easing—the first of Mr Abe's promised “three arrows”. Along with the second arrow, a big dollop of public spending, this was meant to boost consumer confidence, lift financial markets and so overcome the drag caused by a long-planned rise in the consumption tax from 5% to 8% in April this year. This strategy did not work, largely because the tax rise did far more damage than anyone expected, with GDP falling at an annual rate of 7.1% in the second quarter, and a further 1.6% in the third. Core inflation in the year to October fell to 0.9%.

The Bank of Japan and Mr Abe have rightly responded to the threat of deflation by expanding quantitative easing and postponing the next rise in the consumption tax. But, given that public debt is already over 240% of GDP, Mr Abe needs to find other ways to spur the economy. Hence the emphasis on his largely unused third arrow: structural reforms to boost productivity and thus the economy's capacity for growth.

In his first term Mr Abe forced Japan's conservative business establishment to accept some useful changes in corporate governance and dared to say that women could be useful in the workplace. But he failed to confront the farmers, energy producers and other vested interests that gum up Japan's economy. Now he promises vigorous action after the election. He says he will open up agriculture, overhaul the electricity market and liberalise the overly rigid labour market. He insists that a long-delayed trade deal with America over the Trans-Pacific Partnership (TPP) is imminent. That means taking on the farmers who have blocked the deal.

There is no alternative

Fulfilling these promises would tell the world that Japan was again open for business. But will Mr Abe do it? Cynics point out that he has expressed his enthusiasm for the TPP rather less enthusiastically to domestic audiences than to foreign ones. But he did begin this term in office with considerable flair—far more than the cynics expected. Whatever his inconsistencies, Mr Abe does seem determined to make Japan great, which he cannot do without reviving the economy. Above all, he is running out of time. Unless he pushes ahead with reforms, both Japanese consumers and foreign investors will lose faith in his country's ability to recover, and disaster will follow. In *The Economist's* view he is still Japan's best bet.

From the print edition: Leaders