

## “Disaster and Politics: Japan after March 11”

Wednesday, April 6, 2011

10:30am-12:10pm

The Dupont Hotel

This session evaluated the Japanese government’s response to the catastrophic earthquake and tsunami that struck Japan in March 2011. Additionally, discussion focused on the long-term impact of the disaster on Japanese domestic politics and foreign relations.

**Dr. Michael Auslin**, Panelist

*(Resident Scholar, Director of Japan Studies,  
 American Enterprise Institute for Public Policy Research)*

On **domestic politics**, Dr. Auslin expressed a less optimistic view than Dr. Tanaka. We have not seen visionary leadership yet in Japan. Far-sighted planning is an area for more grounds for hope and is likely the most important aspect of post-crisis Japanese politics.



Dr. Auslin suggested that the political cease-fire will be short-lived, because the easy part is over for Japanese politicians. In other words, it is easy to know how to respond in the immediate aftermath of a crisis. What is much harder is how to move from relief to reconstruction and to long-term planning.

Interestingly, there has been a bifurcated public response to the government’s actions. This indicates the difficulties that the Kan government will face. The last poll I read was 35%, nearly double public approval overall. On the other hand, over 70% of Japanese citizens are disappointed in the government’s response to the nuclear crisis. So, the public has adopted a nuanced attitude to how the government responded.

On **the implications for the Japanese economy**, Dr. Auslin emphasized the difficult choices that lay ahead for Japanese decision-makers.

The biggest issue for Japan is reconstruction in and among continued disaster relief and recovery operations. The government is tasked with multiple responsibilities, but **reconstruction will take on a larger and larger role, and it will be inherently political**. The issue of how, when, and where you reconstruct will be captive to political partisanship. There is no easy solution.

There are three very important questions that affect reconstruction:

- What will be the long-term effect of the ongoing nuclear crisis?
- How will Japan handle the economic and power generation impacts, especially moving into the summer?
- How will the Japanese government pay for this reconstruction?

There is no easy solution to the final question, and this is where politics emerge: Should the Japanese adopt a Keynesian approach and increase government spending, issue more bonds, and/or raise taxes? That might be acceptable if Japan were not facing an unsustainable debt picture and political gridlock over how Japan will control its 200% debt-to-GDP ratio. More borrowing might be unavoidable, but it is not politically palatable. Furthermore, if the

government does borrow, will it seek foreign buyers? Doing so would change the debt picture, where 95% of current Japanese debt is held by domestic users.

The larger question is: **how can Japan stimulate long-term economic growth?** Here, there are mixed messages emanating from the Kan government. Previously, the Kan government proposed decreasing the corporate income tax from 40% to 35%. Now, I would expect some level of tax increases. Polls show overwhelming public support for this. The head of *keidanren* said that he would be in favor canceling or postponing the corporate tax rate cut.

Therefore, on the one hand, you have public willingness to sacrifice and support the government. On the other hand, however, you have plans that may not be the correct way to stimulate long-term growth. Increasing consumption tax will suppress domestic demand. Japanese companies must become more competitive abroad; recapitalized; hire more permanent workers; become more efficient; and spend more on R&D. The odds of that happening if you increase corporate taxes are unlikely.

On **reconstruction**, there are other truly interesting questions connected to the recovery. How the government will reconstruct the northeast area will be one of the most important long-term planning operations undertaken by a democratic government in modern times. What will be rebuilt? How will it be rebuilt? Will there be certain areas deemed more germane to the broader socioeconomic health of the region? Will there be a focus on rebuilding around the major cities? This is an economically depressed area. Right now, relief efforts are being directed by a very competent bureaucrat, and there are plans for a Reconstruction Planning Conference. Those are very good signs. But we should not expect positive, early movement to translate into thoughtful long-term plans. There must be intensive analysis and, as Dr. Tanaka mentioned, visionary planning. This will tax the intellectual capital of Japan.

On **future disaster planning**, Japan may look to diversify the locations of government offices to minimize risk. Japanese disaster planning routines are among the best in the world, and this undoubtedly saved thousands of endangered lives in the recent crises. At the same time, the concentration of business and government offices in Tokyo makes Japan very vulnerable if, as geologists project, the Tokyo metropolitan area is due for a large earthquake. Secondly, the nuclear crisis reveals the inadequacy of some disaster preparedness systems, which were built for an 8.2 earthquake. Should the resiliency of these plants and other critical infrastructure be improved to account for worst-case scenarios?

On **long-term social changes**, the first change will be a strengthening and reaffirmation of the social fabric in Japan. This will include a permanent increase in Japanese volunteerism and the creation of new NGOs. Yesterday, a major corporate CEO pledged 10 billion yen to disaster relief and recovery operations, but also pledged all personal profits to be donated to victims of the quake and especially orphans. That type of social leadership from able individuals of any degree will, hopefully, become an increasing trend.

On **Japan's regional relations**, Japan has received aid from all around the world. The degree to which Japanese, from a domestic perspective, understand their interconnectedness with the world will be something to watch. How will they reciprocate?

Finally, on **security policy**, the domestic role of the SDF will change forever. 40% of the SDF were deployed within days and have been working around the clock. They are working in the worst areas of the disaster zone. This will strengthen the SDF's reputation as a pillar of society, and there will be a reintegration of the SDF into Japanese society.