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Ruling and opposition parties avoid tradeoffs in manifestos

Key takeaways

- The major parties have issued their policy platforms ahead of the start of the general election campaign.
- There are many similarities across the documents, but none more than the lack of details about how the parties would pay for their new programs.
- Most importantly, the LDP manifesto shows the total embrace of Prime Minister Takaichi Sanae's economic policy program, signaling that the prime minister herself will not pivot on fiscal policy absent extraordinary market pressure.

Ahead of the dissolution of the House of Representatives on Friday, 23 January, the ruling and opposition parties have released their campaign manifestos, outlining the policy stakes for the 8 February general election. **While there are clearly nuanced differences between the parties – and the manifestos are useful in seeing how their guiding philosophies are strikingly different – the reality is that there is widespread tolerance for using fiscal policy tools to advance industrial and social policy goals.** There are many ideas for how to spend, but fewer ideas for how to curb the increase in deficit spending and address the reality of rising debt-servicing costs and market concerns about fiscal sustainability. **The upshot is that whoever leads the government after 8 February will have to navigate the tensions between voter expectations and economic realities. No party has shown a willingness to grapple with these tradeoffs.**

LDP

The Liberal Democratic Party's (LDP) manifesto is a testament to Prime Minister Takaichi Sanae's grip on the party. **The party has adopted her policy [vision](#) wholesale**, centering her call for a "strong economy" using "responsible fiscal

expansion” to “increase incomes, improve consumer sentiment, boost business profits, and increase tax revenues without raising tax rates.” **While the document gestures towards fiscal sustainability, there is no question that the LDP is running on a platform of deploying fiscal resources to “address various risks and social challenges.”**

Takaichi’s biggest fiscal policy proposal may have little to do with substance and more to do with how the government spends, as **she is adamant that the government needs to move away from a budgetary model whereby the government assumes that substantial amounts of spending will be left for annual supplemental budgets and where spending is allocated for a year at a time.** If a victorious Takaichi were to press ahead with this change, it would court conflict with the finance ministry – which the prime minister may welcome, given the ministry’s unpopularity with the broader public – and could in the near term be a justification for using the delay in passing the FY2026 [budget](#) to introduce more of the prime minister’s priorities into the budget.

Comparing campaign manifestos

The ruling and opposition parties are different in important ways but none is clear on how to fund their proposals.

Party	Economic Philosophy	Key Proposals	Funding Strategy
LDP	State-led Growth	0% consumption tax on food (2 yrs); massive industrial subsidies; more defense spending.	Budget reforms. Higher tax revenues without tax increases. Spending reforms.
Ishin no Kai	Efficiency/Small Government	Establishment of a Japanese "DOGE"; deregulation; decentralization.	Aims for balance between growth, spending cuts, tax reforms.
CRA / Chūdō	Centrist Reform	Permanent 0% tax on food; limit defense spending increases.	Calls for new revenue sources; lacks a concrete deficit plan.
DPFP	Distributive	5% consumption tax; premium reductions; education bonds.	Spending reforms and automatic tax revenue increases.

Table: Tobias Harris • Created with Datawrapper

While the prime minister attracted attention for her embrace of eliminating the consumption tax on foodstuffs for two years – including in the manifesto as an agenda item for the prime minister’s national conference on social security reform – more important than any particular proposal in the manifesto is that the LDP is pledging to support what Takaichi described on Monday as “ending excessive austerity.”

Notwithstanding market signals, this is a manifesto that has embraced Takaichi’s argument that the government urgently needs to use fiscal tools to enable Japan to meet the challenges of the moment. While manifestos are not binding on a prime minister’s actions, this manifesto nevertheless suggests that Takaichi is unlikely to pivot willingly to fiscal consolidation after the election. **If she ends up taking a u-turn, it will be grudgingly and under extraordinary market pressure.**

Ishin no Kai

Ishin no Kai, the LDP’s partner in supporting the Takaichi government, probably changed its manifesto less than any other party, which partly reflects how little it has gained from the partnership with the LDP thus far. Its approach to economic and fiscal policy remains somewhat distinct from the LDP’s. It remains in many respects a more traditional neo-liberal or small government party than the statist Takaichi-led LDP; its manifesto emphasizes its call for a Japanese “Department of Government Efficiency” (DOGE) as the spearhead of fiscal reform, wants more balance between relying on growth (higher tax revenues), spending cuts, and tax reform for fiscal sustainability, and wants to promote growth through deregulation, liberalization, and pro-competition policies. **The problem for Ishin no Kai, of course, is that its ability to impress this approach on a prime minister enamored with state-led growth policies has been limited – though the Takaichi government has established a Japanese DOGE – and could be more limited if the prime minister emerges from the general election stronger than before.** The Ishin no Kai manifesto has a whole is a testament to the party’s awkward relationship with its partner in government, since the two parties are not cooperating in the election campaign and will be fielding rival candidates in dozens of constituencies. The party is simultaneously celebrating its part but also admitting that its role is to try to convince Takaichi to support the party’s priorities, with limited success thus far.

Centrist Reform Alliance

The Centrist Reform Alliance (CRA), or Chūdō, held a formal launch on Thursday, 22 January and released its manifesto for the general election. **The Constitutional Democratic Party (CDP) and Kōmeitō are still working through the details of their program but the manifesto they released on Thursday differs more in degree than kind.** The CRA wants to reduce the consumption tax on foodstuffs to zero permanently and lower social security premiums, though the party has gestured towards seeking out alternative sources of revenue to fill the estimated JPY 5tn hole that the tax cut would open in the budget; they want to expand investment in science and technology, though without the all-consuming focus that has characterized Takaichi’s administration; they want to deliver new benefits from young and working-class Japanese on housing and

social security. The biggest difference between the CRA and the Takaichi government may be less on what is included than what is not: while the CRA is more realistic about national security than the CDP has historically been, a CRA-led government would be less keen to raise defense spending beyond the current two percent of GDP. (The LDP manifesto is silent on the future of defense budgets, but the ruling parties have been open about the need for more.) Without more details, however, the more important signals about how a CRA-led government would act are who is leading the party, namely Noda Yoshihiko, who as prime minister fought for a consumption tax increase even though it splintered his party, and Kōmeitō's Saitō Tetsuo, whose party has been committed to fiscal sustainability.

Democratic Party for the People

The Democratic Party for the People (DPFP) also released its manifesto on Thursday, and the party's approach can be summarized in one word: "more." After campaigning in previous elections on the slogan "raising take-home pay," the party simply modified its slogan so that it now reads, "raising take-home pay even more." To some extent, this is the DPFP saying "mission accomplished," since they convinced the Takaichi government to eliminate the provisional gasoline tax and [incorporate](#) the party's proposal for raising the income tax exemption to JPY 1.78mn (among other middle class tax reductions) in the 2026 budget. **The party is therefore looking to reduce burdens on working- and middle-class households further**, calling again for reducing the consumption tax to 5% across the board, reducing social security premiums, reducing utility costs, and reducing housing costs (and taxing vacant investment properties). Beyond the party's focus on distributive policies, the DPFP also wants to invest more in education – supported by the issuance of JPY 5tn annually in education bonds – and invest more in domestic capacity in energy, food, pharmaceuticals, and semiconductors, echoing Takaichi's proposals. Despite the DPFP's apparent willingness to boost spending, party leader Tamaki Yūichirō believes that spending can be reformed in other areas to compensate for the DPFP's proposed tax cuts and benefits, though many of the details would remain to be filled in. Practically speaking, since the only way the DPFP can realize its policies is through formal or informal cooperation with the ruling parties, **it is more likely that the party would push for its tax proposals to be included – as in talks with the Takaichi government – and leave the ruling parties to figure out the details of how to pay for its proposals.**

Tobias Harris

Founder and Principal
Japan Foresight LLC
tobias@japanforesight.com
+1.847.738.4048
