

Summary

1. Preface

The authors explain the purpose of the book:

To analyze Japan's public sector through theoretical and empirical approaches.

To understand major contemporary challenges such as public debt, population aging, and decentralization reforms.

2. Introduction

General introduction to public finance theory and how it applies to Japan.

Overview of Japan's fiscal problems: persistent deficits, heavy reliance on government bonds, and rising social security expenditures.

The authors set the context for a long-term analysis of Japan's fiscal sustainability.

Part I Historical and Institutional Foundations

3. History of Postwar Public Finance

A historical overview of Japan's public finance since 1945.

How Japan managed rapid growth, oil shocks, and the economic stagnation of the 1990s.

Evolution of the tax system, expenditures, and public debt.

4. Central Government Budget and Fiscal Policy

Structure of Japan's national budget.

How fiscal policy has been used to stabilize the economy.

Issues of persistent deficits and deferred reforms.

Part II – Demographic and Social Pressures

5. Aging and Intergenerational Conflict

Japan's extreme population aging and its impact on social security programs.

Tensions between generations: the young pay more, while the elderly consume most benefits.

Increasing burden on pension, health care, and long-term care systems.

6. Restoring Fiscal Balance in an Aging Japan

Strategies to reduce the deficit:

Raising consumption taxes

Cutting social spending

Reforming pensions

Improving labor participation

Discussion of long-term fiscal sustainability.

Part III – Structural Issues and Reforms

7. The Tax System and Tax Reform

Analysis of Japan's tax structure (income tax, corporate tax, consumption tax).

Issues: narrow tax base, low consumption tax, high reliance on debt.

Proposed reforms to stabilize revenue sources.

8. Local Public Finance and the Soft-Budget Problem

How prefectures and municipalities rely on central government transfers.

The "soft-budget constraint": local governments tend to overspend because they expect bailouts.

Challenges in achieving local fiscal autonomy.

9. Decentralization Reform

Examination of decentralization policies in Japan.

Transfer of responsibilities from central to local governments.

Impact on governance, efficiency, and regional disparities.

Part IV – Debt, Governance, and Future Prospects

10. Government Debt Management and Sustainability

Japan's government debt is among the highest in the world.

Analysis of why high domestic holdings reduce short-term risk.

Long-term risks: shrinking workforce, aging population, rising interest payments.

11. Reforming the Public Sector.

Recommendations for improving efficiency and reducing costs.

Administrative reform, improving transparency, restructuring agencies.

The need for a more sustainable balance between public spending and economic growth.

12. References