

Part II The Japanese government's response to COVID-19

Chapter 6 Economic measures

The spread of the novel coronavirus that suddenly hit the world had a tremendous impact on Japan's economy as a whole. In an economic situation that Prime Minister Shinzo Abe described as “the greatest postwar crisis,” the government implemented a series of emergency measures aimed at both preventing the spread of infection and minimizing economic damage.

As the number of new infection cases increased, peaked, then began to decrease, the government introduced a succession of emergency economic measures, starting with the first package implemented in February 2020. On April 7, the Cabinet adopted emergency measures on a project scale of ¥108 trillion, or about 20% of the nation's real GDP in 2019, at the same time as the declaration of the state of emergency. With the additional measures decided on May 27, Japan implemented the world's largest-class economic measures on a project scale of ¥230 trillion.

“Economic revitalization will continue to be the No.1 priority of the Abe administration.”

On May 25, Prime Minister Abe thus expressed his enthusiasm for economic measures at a news conference in which he announced the nationwide lifting of the state of emergency.

This chapter gives an overview of the series of economic measures taken by the government in response to COVID-19, and clarifies facts about the background and developments behind the decisions on those measures.

1. Emergency economic measures during the initial response phase

1.1. Emergency measures

1.1.1. First emergency response

On February 13, 2020, the government's COVID-19 response headquarters formulated and announced “urgent response measures for the novel coronavirus” as “measures that should be urgently taken for the time being, giving priority to protecting the lives and health of the people.” This was the first emergency economic measure by the government in the COVID-19 crisis.

The measures were compiled at the instruction of Prime Minister Abe in

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consideration of the fact that the Foreign Ministry’s announcement of travel restrictions for China at the end of January forced many Japanese companies and their local bases to suspend operations, and had an across-the-board impact on domestic firms trading with China, inbound consumption and supply chains. The budget for the above emergency response measures was allocated by reclassifying a part of the budget for “Comprehensive economic measures to create a future with security and growth” decided by the Cabinet on December 5, 2019 as COVID-19 countermeasures. The total amount was ¥15.3 billion. The contents of the measures were mainly divided into 1) support for returnees; 2) strengthening domestic infection countermeasures; 3) strengthening border measures; 4) emergency response to affected industries, etc.; and 5) strengthening international cooperation.

Outline of the first emergency response measures

(1) Support for returnees, etc. <ul style="list-style-type: none"> • Support for accepting returnees (¥2.34 billion) • Life and health management support (¥320 million) by the Defense Ministry, etc. 	¥3 billion
(2) Strengthening measures against domestic infections <ul style="list-style-type: none"> • Strengthening testing and medical system (¥3.06 billion) • Set up outpatient service for returnees/contact persons and consultation centers (¥510 million) • Research and development of test kits, antiviral drugs, vaccines, etc. (¥1 billion) • International vaccine research and development support project (¥1.07 billion) • Mask production equipment introduction subsidy (¥450 million), etc. 	¥6.5 billion
(3) Strengthening border measures <ul style="list-style-type: none"> • Measures necessary to prevent the spread of infection when symptomatic cases occur (¥3.02 billion) • Strengthening the quarantine system (¥340 million), etc. 	¥3.4 billion
(4) Emergency support for affected industries, etc. <ul style="list-style-type: none"> • Setting up call centers (¥490 million) • Employment adjustment subsidy (¥100 million), etc. 	¥600 million
(5) Strengthening international cooperation, etc. <ul style="list-style-type: none"> • Contribution to the enhancement of testing systems in Asian countries (¥1.65 billion) • Support through NGOs (¥100 million), etc. 	¥1.8 billion
Total	¥15.3 billion

1.1.2. Second emergency response

Following the formulation of the first emergency response measures, the Expert Meeting on the Novel Coronavirus Disease Control stated on February 24 that the nation was at a “critical juncture over the next one to two weeks” as to whether there is going to be a rapid expansion or containment of COVID-19 infections. On February 26, Prime Minister Abe announced a request to cancel, postpone or reduce the scale of large-scale events, and on the following 27th, he announced a request to close elementary, junior

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high and high schools nationwide. It was clear that this would cause great financial damage to parents forced to take leave and event-related companies, and it was expected that the impact on regional economies, including small businesses, tourism-related companies, agriculture, forestry and fisheries, and other small and medium-sized enterprises would become more serious as people's movement and activities enter a self-restraint mode. In an NHK opinion poll conducted from March 6 to 8, public anxiety about the future of the economy was growing among 90% of the respondents, 60% answering they were "very concerned" and 30% that they were "somewhat concerned" about the impact on the Japanese economy.¹

In response to this situation, the government announced its second emergency response measures on March 10, and after compiling the package, which included 1) measures to prevent the spread of infection and the establishment of a medical care provision system; 2) response to issues that arise from the temporary school closure; 3) response to reduction of business activities and employment; and 4) emergency measures in response to changes in the situation, it put in place financial measures in the order of ¥1.6 trillion via government-affiliated financial institutions as cash flow measures. The budget scale for the second emergency response measure was raised significantly from the first package to ¥430.8 billion.

Outline of the second emergency response measures

(1) Improvement of infection spread prevention measures and medical care provision system <ul style="list-style-type: none"> • Measures to prevent the spread of infection at public health centers and nursing care homes (¥10.7 billion) • Comprehensive mask supply and demand measures (¥18.6 billion) • Strengthening PCR testing systems (¥1 billion) • Development of medical care provision system (¥13.3 billion) • Acceleration of development of therapeutic drugs (¥2.8 billion), etc. 	¥48.6 billion
(2) Responding to issues arising from temporary school closures <ul style="list-style-type: none"> • Support for parents to take leave (subsidy ¥155.6 billion, emergency small-lot funding for individuals in special cases ¥20.7 billion) • Strengthening after-school children's club systems, etc. (¥47 billion) • Responding to the suspension of school lunches (¥21.2 billion) • Promotion of teleworking, etc. (¥1.2 billion) 	¥246.3 billion
(3) Responding to reduction in business activities and employment <ul style="list-style-type: none"> • Expansion of special measures for employment adjustment subsidy (¥37.4 billion) • Powerful measures to support cash flow (¥78.2 billion) • Response for the tourism industry (¥3.6 billion) 	¥119.2 billion
(4) Quick response emergency measures, etc. for situational change <ul style="list-style-type: none"> • Contribution (¥15.5 billion) for emergency assistance by the WHO, etc. to countries hit by the outbreak 	¥16.8 billion
Total	¥430.8 billion

1.2. Emergency measures to deal with livelihood insecurity

On March 18, in light of growing concerns about the economic downturn, additional emergency measures “to deal with livelihood insecurity” were decided on, and an expansion in special case emergency small-lot funding for individuals, deferment of utility bill payments, deferment of national tax and social security premium payments, and deferment of local tax collection were also implemented.

In particular, loans for special cases of emergency small-lot funding with repayment exemption were set with a ceiling of ¥200,000 in order to respond to livelihood insecurity for households such as individual proprietors who needed loans for the urgent and temporary maintenance of their livelihoods because they had lost income due to suspension of their business, regardless of whether or not schools were closed. It was also indicated that loans would be made more quickly in cases where recipients lacked the funds for immediate living expenses.

2. Emergency economic measures and the first supplementary budget

2.1. Background to the emergency measures and formulation of the first extra budget

On March 18, Prime Minister Abe announced the implementation of “emergency measures to cope with livelihood insecurity” and stated that “necessary and sufficient economic and fiscal measures commensurate” with the magnitude of the reduction in global economic activity associated with COVID-19 were necessary, and that, in order to formulate concrete measures, he would conduct intensive hearings with a wide range of experts from all levels of the public. As a senior official of the Ministry of Economy, Trade and Industry recalls, “When we started the intensive hearing, we didn't have a complete menu of measures,”² ideas on economic measures had not been settled at this point, and the intensive hearings were conducted by the government to gather hints on formulating economic measures.

Intensive hearings were held seven times from March 19 to 27, and were attended by a wide range of participants, including not only business executives from each industry, but also freelancers, individual proprietors, students seeking employment, and economists. On the government side, in addition to Prime Minister Abe and other related ministers, Fumio Kishida, chairman of the Liberal Democratic Party's Policy Research Council, and Noritoshi Ishida, chairman of Komeito's policy council, participated. Government officials examined economic measures to be implemented in the future based on the knowledge and information obtained in the hearings.

Then, the day after the final hearing was over, Prime Minister Abe told the

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government's COVID-19 response headquarters meeting on March 28, "Preventing an increase in seriously-ill patients is the highest priority, but after that, we will restore the Japanese economy to a solid growth trajectory again," and revealed his intention to consider measures for preventing the spread of infection and economic recovery in tandem. He subsequently instructed Yasutoshi Nishimura, minister in charge of COVID-19 response, to compile within the next 10 days measures 1) to prevent the spread of infection; 2) to maintain employment and business continuation; 3) for the recovery of economic activities involving the public and private sectors as a next step; 4) to build a robust economic structure; and 5) for preparedness for the future as the five pillars of emergency economic measures, indicating his intention to promptly submit to the Diet a supplementary budget for fiscal 2020 (The first extra budget).

On March 31, the Council on Economic and Fiscal Policy³ was held to discuss the content of emergency economic measures. At this meeting, private-sector members of the council presented a set of draft plans comprising measures for an "emergency support phase," the stage where efforts to contain the infection will be accelerated and the government will protect employment, households and businesses, and measures for a "V-shaped recovery phase," the stage for an offensive to stimulate demand and promote social change, advocating the necessity of creating new benefits to small and medium-sized enterprises and micro businesses including individual proprietors. On the same day, proposals for economic measures independently compiled by the LDP and Komeito were also submitted to the government, requesting it to consider further expansion of employment adjustment subsidies, building a safety net for individual proprietors including freelancers, and creating grants that could be used by local governments at their discretion.⁴

Within the government, there were no special departments with the role of uniformly managing and supervising discussions on economic measures related to the novel coronavirus, and each of the parties involved such as the health ministry, METI and the LDP individually sought to expand measures under their respective jurisdictions, with the Prime Minister's Office ultimately selecting, compiling, and adopting the measures. A senior METI official recalled that "the government was in a state of tremendous competition" for compiling the emergency measures, describing how various proposals were made to the Prime Minister's Office through various routes including via Chief Cabinet Secretary Yoshihide Suga, COVID-19 minister Nishimura, LDP policy chief Kishida and Komeito, then eliminated.⁵ Discussions on these economic measures were also carried out integrally with discussions on budgetary allocation from the outset, and the content of measures and the budget were examined at the same time. Saying that "the person who explains the most needs to think the most," a senior Finance Ministry official explained that the Prime Minister's Office played a major role in formulating the budget for COVID-19 measures, especially for large-sum programs.⁶

Through the above process, and as a result of intensive hearings, on April 7 the government formulated its emergency economic countermeasures on COVID-19 at the unusual speed of 10 days after the prime minister's instruction, based on proposals from

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each ministry and agency, the Council on Economic and Fiscal Policy, and the recommendations from the LDP and Komeito, and the measures were approved by the Cabinet together with the first supplementary budget.

The emergency economic measures and the first supplementary budget were not necessarily examined and formulated in anticipation of the declaration of a state of emergency from the outset. However, as one Prime Minister’s Office staffer recalls, “what had been firming up 80% to 90% was adjusted so that it would correspond to a state of emergency.”⁷ Eventually, both the economic measures and the state of emergency were announced as an integrated package. In fact, Prime Minister Abe, at a news conference announcing the state of emergency, emphasized that the emergency economic measures and the first supplementary budget were measures for a Japanese economy facing its greatest crisis since the war “to protect employment and livelihoods to the utmost” and that they were the result of mobilizing all possible policy resources to survive the crisis.

2.2. Outline of emergency economic measures and the first supplementary budget

The outline of the first supplementary budget approved by the Cabinet on April 7, 2020 (post-April 20 alteration) is as follows.

Overview of the first supplementary budget

(1) Improvement of infection spread prevention measures and medical care provision system, and development of therapeutic drugs <ul style="list-style-type: none"> • Securing Avigan (¥13.9 billion) • Research and development of therapeutic agents, vaccines, etc. (¥51.6 billion) • Temporary regional revitalization grants for COVID-19 response (¥100 billion) 	¥1,809.7 billion
(2) Maintaining employment and business continuation <ul style="list-style-type: none"> • Expanding special measures for employment adjustment subsidy (¥69 billion) • New benefits for small and medium-sized enterprises (¥2,317.6 billion) • New benefits for all people nationwide (¥128,080.3 billion) 	¥19,490.5 billion
(3) Recovery of economic activity by public and private sectors as a next step <ul style="list-style-type: none"> • “Go To” campaign project (¥1,679.4 billion) 	¥1,848.2 billion
(4) Building a robust economic structure <ul style="list-style-type: none"> • Subsidy for promoting domestic investment in supply chain measures (¥220 billion) • Promoting digital infrastructure for early execution of public investment (¥17.8 billion) • Project for supporting digitization by small and medium-sized enterprises (¥10 billion) 	¥917.2 billion
(5) Reserve funds for COVID-19 countermeasures	¥1,500 billion
Total	¥25,565.5 billion

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The emergency economic package and the first supplementary budget included measures aimed at securing Avigan and research and development of vaccines and so on from the perspective of preventing the spread of infection, improving the medical care provision system, development of therapeutic drugs, and temporary regional revitalization grants, which were later used by local governments to effectively pay compensation for business operators who complied with the request for closing their shops.

From the perspective of protecting employment and keeping business viable, employment adjustment subsidies were further expanded to cover so-called non-regular workers, and when employers did not dismiss workers but maintained employment, a subsidy of nine-tenths of the furlough leave allowance paid to employees for small and medium-sized enterprises (four-fifths prior to expansion) and three-quarters for large companies (two-thirds prior to expansion) was provided.⁸ Furthermore, on May 1, a new Subsidy Program for Sustaining Businesses was created for the purpose of supporting business continuation for individual proprietors including freelancers and small and medium-sized firms affected by COVID-19, and providing a source for recovery. Under certain conditions, benefits equal to the reduction of revenue from the previous year – for up to ¥2 million for small and medium-sized firms and ¥1 million for individual proprietors – were provided.⁹ A senior Finance Ministry official said that “protecting employment and keeping business viable” was a pillar of the measures alongside preventing the spread of infection, because business continuity was indispensable for maintaining employment and the two measures were inseparable.¹⁰

From the perspective of recovery in economic activity involving both public and private sectors as a next step, a budget for the “Go To” campaign project was set aside as a key measure. Regarding this Go To campaign, its time of implementation was not specified in the emergency economic package, but according to a senior Finance Ministry official, when the emergency measures were being compiled, the government was hoping to launch the campaign for the long holidays in early May. However, this was given up on at an early stage due to the spread of COVID-19, and although the government then looked into implementing it nationwide in time for the summer vacation season, this idea came to be considered problematic by early April.¹¹ The official said it was difficult to implement COVID-19 economic measures in the absence of accurate predictions on the developments in the status of infection, since the social situation could drastically change from the time the measures and budget were being discussed to when the measures were implemented with the approved budget.¹²

One of the features of the first supplementary budget was that, with a view to building a robust economic structure, expenses for promoting digital infrastructure and subsidies for promoting domestic investment projects for supply chain measures were also included. Due to the global COVID-19 pandemic, production supply chains (materials, intermediate goods, finished products) and logistics built across national borders were artificially disrupted. As a result, the shortage of medical supplies and

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equipment essential for emergency response, including masks, gloves and disinfectants, became an especially serious problem in Japan. In order to overcome such problems, the above subsidy program was created to support Japanese companies that decentralize their overseas production bases, bring manufacturing bases back to Japan, and develop production system for products with a high concentration of domestic manufacturing bases. It offered subsidies of up to ¥15 billion to companies that met certain conditions for efforts to strengthen their supply chain. Due to a series of moves by other countries to regulate the export of medical supplies such as masks and protective clothing, strengthening domestic supply chains was an important measure, and Prime Minister Abe stated in the Upper House Budget Committee on April 29 that it was important to secure a domestic supply chain for key supplies related to the health of the public, such as masks. The application period for this subsidy was from May 22 to July 22, and during this period a total of 1,670 applications (excluding those for advance screening) were received, and 57 of the projects subject to advance screening were adopted on July 17.

In response to the state of emergency issued on April 7, business closure requests were implemented one after another in prefectures subject to the declaration starting with the Tokyo Metropolitan Government's announcement of a request for the closure of target facilities on April 10. Multiple prefectural governments provided their own compensation for business operators requested to close their shops.¹³ However, as mentioned above, there was no expense related to "compensation for business closures" in the emergency economic measures or the first supplementary budget decided by the Cabinet almost at the same time as the declaration of emergency. Prime Minister Abe was negative about the government offering compensation, saying that no country in the world was providing any such compensation. In this regard, a senior Finance Ministry official explained that compensation for the temporary business closures in the strict sense was impossible in the first place because it would be difficult to calculate the losses that the business operators incurred by closing their shops. Furthermore, the government, since measures to support business continuity such as the new Subsidy Program for Sustaining Businesses had already been readied, deemed it unnecessary to provide additional compensation, the official said.¹⁴

In a poll conducted by NHK from April 10 to 12, the number of respondents who "positively evaluated" the government's emergency economic measures exceeded the number of respondents who did not "positively evaluate" them. But regarding the pros and cons of government compensation for the losses incurred by business operators due to the stay-home measures, 76% said they support the government providing such compensation and 11% said they oppose such compensation, suggesting that the government's idea over the issue had not sufficiently reached the public.¹⁵

2.3. Amendment of the first supplementary budget

2.3.1. Change of the cash handout program and the first extra budget

In the first supplementary budget adopted by the Cabinet on April 7, “new benefits to all people nationwide” was one of the measures taken from the viewpoint of protecting employment and business continuity. On the same day, the government decided to provide a “temporary living support” handout of ¥300,000 for each household that expected to see its annual income fall by a certain amount or more. However, only 10 days later, on May 17, the government suddenly abandoned its original decision and instead announced that it would provide a uniform ¥100,000 each in “special fixed amount benefit” to all citizens. With this decision, it was necessary to rearrange the extra budget bill that had already been adopted by the Cabinet, which was an extremely unusual move.

The framework for the “temporary living support” benefits was finalized at a meeting between Prime Minister Abe and the LDP policy chief Kishida on April 3. The government decided to incorporate this program into the emergency economic measures, making it one of the pillars for “protecting employment and keeping business viable” along with employment adjustment subsidies and the new Subsidy Program for Sustaining Businesses. Under these circumstances, it was on the evening of April 14 that the situation surrounding the program changed completely. LDP Secretary-General Toshihiro Nikai suddenly announced to the media that “there are pressing calls for measures like a uniform ¥100,000 cash payment” and indicated that the party would strongly press the government to consider such a program. Nikai said that such a uniform cash handout to all the people was necessary “to reassure the public.” Behind the move, however, was a public criticism that the requirements for eligibility to the “temporary living support” benefits were complicated and hard to understand.¹⁶

It was Komeito, the LDP's junior partner in the ruling coalition, that responded sharply to Nikai's statement. Komeito had insisted on the need for a ¥100,000 cash handout for all citizens as of March, but when the government announced the decision on the “temporary living support” benefits, Noritoshi Ishida, the party's policy affairs chief, indicated that the party would condone the idea, saying that he understood the decision was reached through the discussion between Prime Minister Abe and the LDP policy chief Kishida. However, when Nikai said the LDP would call on the government to implement a uniform ¥100,000 cash handout, Komeito also indicated that the party would once again call for the uniform ¥100,000 payment.

According to the Komeito website, the party's leader Natsuo Yamaguchi, visited the Prime Minister's Office on the morning of April 15, the day after Nikai's statement, and pressed Prime Minister Abe to make a decision on a uniform ¥100,000 cash handout for all citizens irrespective of income, saying that a speedy implementation of such a program would “no doubt win the public support.” Yamaguchi later made phone

calls to Abe in the afternoon of the same day and the morning of the following day, telling the prime minister that “it would be too late if you wait for the formulation of the second supplementary budget” to implement the cash handout and that if Abe made the decision now, the program could be incorporated into the first supplementary budget before it clears the Diet later in the month, thus making it possible to quickly distribute the money.¹⁷

In order to cancel the “temporary living support” benefits program and carry out a uniform ¥100,000 cash handout instead, it was necessary to rearrange the first supplementary budget bill already adopted by the Cabinet, and the Prime Minister's Office was initially reluctant to take such a step. There were some LDP lawmakers who, while indicating support for a uniform ¥100,000 cash handout, said that such a program should be implemented later – after pushing the already decided first extra budget through the Diet and distributing the planned “temporary living support” benefits.

On April 16, Prime Minister Abe eventually decided to rearrange the supplementary budget, cancel the “temporary living support” benefits, and provide a uniform ¥100,000 each for all citizens. Regarding the background to this decision, a member of the Prime Minister's Office staff recalled, “He decided that the damage from pushing through as it was would be greater than the damage from overturning a decision once taken.”¹⁸ A senior METI official also said that, since a uniform handout of ¥100,000 for all citizens would require a much larger budget than the ¥300,000 benefits for households expecting reduced income, there was no other choice but to cancel the ¥300,000 benefits program if the government was “going ahead with the ¥100,000 handout no matter what.”¹⁹ According to another official at the Prime Minister's Office, Prime Minister Abe said at the time, “When the society is depressed with frustration, you have to make a political decision”²⁰

Prime Minister Abe held a news conference on the following day, April 17, saying, “In order to survive the fight against the virus, it is crucial that we share a sense of unity with the people (...) it is with this thought that we have decided to provide a uniform ¥100,000 to every person throughout the country.” He explained the special fixed-amount benefit program by linking it to the nationwide expansion of the state of emergency announced on the same day, calling for further cooperation by the public in the state of emergency.

On April 20, after the reorganized supplementary budget was adopted by the Cabinet to pay for the special fixed-amount benefits, the budget was submitted to and deliberated on by the Diet on April 27, and three days later, on April 30, the extra budget cleared the Diet at an unusually rapid speed.²¹

2.3.2. Mechanism for the special fixed-amount benefit

The special fixed amount benefit was a program that uniformly provided ¥100,000 each to all persons recorded in the Basic Resident Register as of April 27, 2020, and the Internal Affairs and Communications Ministry, which was responsible for the

program, put its operation in the hands of local governments. In order to receive the cash handout, it was necessary for the recipient to apply and it was not paid out unless you did apply, the underlying idea being that people who did not need the cash would refrain from applying for the program.

It was possible to apply for the benefits online using the My Number card, but the government had not prepared any specific mechanism to link the application information received by the government with the resident information managed by the local governments, the specific processing method of how to distribute the benefits based on the online application information being left up to each local government. Therefore, while some local governments set up their own system linking application information with resident information, others did not have such a system and manually identified specific residents from the application information and then checked with the Basic Resident Register to verify the status of payment for the special fixed-amount benefit. According to a Cabinet Secretariat official, the government initially considered an electronic application via a method that did not use the My Number ID card, but due to a political call by the Internal Affairs and Communications Minister Sanae Takaichi, it decided to use the My Number card. Looking back, the official said the decision caused the confusion especially among the latter group of local governments.

As of September 11, benefits of some ¥12.65 trillion, which corresponds to approximately 99.3% of the project budget allocated to the special fixed amount benefits, had been paid out.

3. Measures for resuming economic activity and the second supplementary budget

3.1. “New lifestyle” and industry-specific guidelines for resuming economic activity

In May 2020, when discussions began for lifting the state of emergency, the issue was how to resume economic activities while at the same time preventing the spread of infection.

At the Growth Strategy Subcommittee of the Industrial Structure Council at the METI held on May 1, discussions were held on a “new method” that “balances prevention of the spread of infection and economic activities,” and it was pointed out that a post-coronavirus business style should be considered all the while advancing current policies.²² At the meeting of the expert panel on the same day, the need for a new lifestyle premised on a society living with COVID-19 was pointed out.

The policy then taken by the government was to request each industry to formulate guidelines for infection prevention measures, and to encourage companies to voluntarily work on anti-infection measures in accordance with the guidelines. Behind this policy was a value judgment that, since the companies taking measures to prevent

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infection would be a kind of proof of credibility for their customers as they conduct business activities, methods encouraging self-help by the firms and mutual industry assistance for their business activities would be more suitable than forcing them to take anti-infection steps through regulatory measures.

Acting on this intention of the government, the panel of experts on May 4 emphasized the necessity of creating guidelines for each industry after showing practical examples of a “new lifestyle,” and recommended basic ideas and points to keep in mind in preparing the guidelines. Specifically, the experts said that each industry, according to the kind of service being provided in the sector, should make an assessment of the risk of contact infection and droplet infection – the main infection routes for COVID-19 – for both employees and customers, and consider countermeasures against the risk. The panel also highlighted the examples of infection countermeasures that are common to all industries, such as wearing masks and disinfection.

In response, the government's COVID-19 response headquarters decided on the same day to promote “voluntary infection prevention efforts” such as creating guidelines for each industry and type of facilities.

The “new lifestyle” presented by the panel of experts was criticized by some, who said that the government “is telling you what to do and what not to do in all the small things people do.” On this point, one of the experts recalled that they put the “new lifestyle” into the recommendations to provide a basic idea for creating guidelines in each industry, but that it was a failure that they did not make a clear distinction between the proposals for industry guidelines and those for individual behavior.²³

Example of practicing "New Lifestyle"

(1) Basic infection prevention measures for each person

Three basics for preventing infection:

① Keeping physical distance, ② wearing a mask, ③ washing hands

- Keep a distance of two meters as much as possible, or at least one meter, between two persons
 - Chose outside rather than inside if you are to play
 - Avoid standing right in front of each other during conversation as much as possible
 - Wear a mask when you go out or talk inside even without any symptoms
 - Wash your hands and face first when you get back home, followed by changing clothes and taking a shower as soon as possible
 - Carefully wash your hands with water and a soap for approximately 30 seconds (also possibly with hand sanitizer)
- ※ Pay more attention to your health, especially when meeting those who may have a high risk of serious symptoms, such as the elderly or people with chronic diseases.

Infection prevention related to traveling

- Refrain from traveling to and from where the infection is prevailing
- Refrain from traveling upcountry or for leisure. Business trips only when it is unavoidable
- Keep a record of the people you meet and the time of meeting in case you get infected
- Carefully follow how the infection is prevailing locally

(2) Basic lifestyle for daily life

- Wash and sanitize hands frequently
 - Make sure to observe coughing etiquette (by covering your mouth)
 - Ventilate frequently
 - Keep physical distance
 - Avoid gatherings in crowded places, close contact settings and closed spaces**
 - Check your health condition and measure body temperature every morning
- Do not force yourself to go out, and stay home if you have symptoms of fever or cold



(3) Lifestyle for each scene of daily life

Shopping

- Use online shopping
- Shop by yourself or in a small group, at off-peak hours
- Use electronic payment
- Plan your shopping in advance and shop quickly
- Refrain from touching displays like samples
- Keep a distance while lining up at the cashier

Leisure, Sports etc.

- Select places like parks at off-peak time
- Refer to videos for home muscle training or yoga
- Jog in a small group
- Keep a distance as etiquette when passing others
- Utilize booking systems for leisure
- Do not stay long in small rooms
- Keep a distance or stay online for singing or cheering others

Public Transports

- Refrain from chatting
- Avoid peak-hours
- Take a walk or ride a bike if possible

Meals

- Take away or delivery
- Enjoy meals at outside spaces
- Serve individually, avoid sharing plates
- Do not sit face-to-face, rather besides
- Concentrate on eating, refrain from chatting
- Avoid pouring drinks for others, sharing glasses or sake cups

Family ceremonial occasions

- Avoid banquets or meetings with large numbers
- Decline participation when you have symptoms of fever or cold

(4) New working style

- Work remotely and rotate commuting shifts
- Keeping a distance while commuting during different working hours
- Open and widen working spaces
- Use online meetings
- Exchange business cards online
- Wear a mask and ventilate venues in case of a face-to-face meeting

※ Infection prevention guidelines for each business sectors will be prepared by relevant organizations.

Related ministries/agencies and industry groups later collaborated to formulate the guidelines, and on May 14, when the state of emergency was lifted for 39 prefectures, industry-specific guidelines for prevention of the spread of infection – listing 81 guidelines for a total of 19 sectors – was published on the Cabinet Secretariat's COVID-19 Information and Resources homepage.

In this way, it was a characteristically Japanese approach of restricting the economic activities of businesses not by laws and regulations to prevent the spread of infection, but through the indirect “soft law” method by way of industry governance of self-help and mutual industry assistance. COVID-19 minister Nishimura said that one of the characteristics of the “Japan model” was that the nation put the infection under control “in a democratic and very liberal way,” adding that the formulation of industry-specific guidelines was a “classic case” of the successful effort to both prevent the infections and keep up economic activities in a “liberal” manner.²⁵

3.2. Preparing the second supplementary budget

At the time when discussions were held for lifting the state of emergency, additional economic measures were also considered as the period of self-restraint became prolonged.

At the time of formulating the first supplementary budget, the government did not plan to draw up a second extra budget. However, due to the spread of the infection, the government decided to extend the state of emergency, and as calls grew for additional economic measures, the need to consider further countermeasures was beginning to be recognized within the government by the time the first supplementary budget was approved by the Diet at the end of April. A senior Finance Ministry official recalled, “If you take various measures in the first supplementary budget, of course it's fine for the people who were helped by them, but there will be many others who say that they did not get any help. And when we started the discussions, there were indeed issues that needed to be addressed.”²⁶

On April 30, opposition parties called on the government for a prompt execution of the economic measures including the special fixed-amount cash handout as well as additional measures that take into account an extension of the state of emergency. On the following day, a parliamentary study group to “think about the future of Japan” advocated the formulation of a second supplementary budget featuring ¥100 trillion in “freshwater” spending. On May 8, the LDP and Komeito called on Prime Minister Abe to create new benefits for small and medium-sized enterprises and individual proprietors having difficulty paying rents due to the spread of infection, and to expand the temporary regional revitalization grants.

In response, the government and the ruling coalition decided on May 12, after the Golden Week holidays, to formulate a second supplementary budget and get it

approved at the 201st regular session of the Diet, which was still in session. On May 14, Abe instructed Finance Minister Taro Aso to formulate a second extra budget. At the day's meeting of the Advisory Committee on Basic Action Policy, four economic experts participated as new members, but these experts were not involved in the formulation of the extra budget. Both the expert panel and the advisory committee mainly made recommendations and advice on infectious disease control, and the discussions there were not necessarily a major factor in planning economic measures. The agenda discussed by experts and the economic policy agenda did not merge, and "there was no venue for a single story to be created," a government official recalled.²⁷

The LDP Policy Research Council subsequently compiled a proposal for the second extra budget and submitted it to Prime Minister Abe on May 21. In the proposal, the LDP council said "the situation has already changed" from the time of formulating the "emergency economic measures for the novel coronavirus," which were the basis of the first extra budget, pointing out the need to update the basic scenario with a view to a longer-term "U-shaped" recovery rather than a "V-shaped" one. Based on this premise, concrete measures such as an expansion of the employment adjustment subsidies and the Subsidy Program for Sustaining Businesses, establishment of a rent support system, and enhancement of cash flow support were proposed, and it was noted that large-scale "reserve funds" for an emergency needed to be readied.

At the time, the number of new infection cases had fallen significantly, and there were opinions within the government that questioned whether further measures of this scale would be necessary.²⁸ But the government adopted a second supplementary budget bill based on the proposal on May 27, two days after the state of emergency was completely lifted. The outline is as follows.

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Overview of the second supplementary budget

(1) Expansion of employment adjustment subsidy	¥415.9 billion
(2) Strengthening measures for financing support <ul style="list-style-type: none"> • Loans for small and medium-sized enterprises (¥8,817.4 billion) • Loans for medium-sized and large companies (¥452.1 billion) • Utilization of capital funds (¥2,369.2 billion) 	¥11,639 billion
(3) Creation of rent support benefits	¥2,024.2 billion
(4) Strengthening medical care provision system, etc. <ul style="list-style-type: none"> • Emergency comprehensive support grant for COVID-19 (¥2,237 billion) • Distribution of surgical masks to medical institutions (¥437.9 billion) • Development of vaccines and therapeutic drugs (¥205.5 billion), etc. 	¥2,989.2 billion
(5) Other support <ul style="list-style-type: none"> • Expanding temporary regional revitalization grants (¥200 billion) • Additional benefits for low-income single-parent households (¥136.5 billion) • Strengthening the Subsidy Program for Sustaining Businesses (¥1,940 billion) • Others (¥636.3 billion) 	¥4,712.7 billion
(6) Reserve fund for COVID-19 countermeasures	¥10,000 billion
Total	¥31,817.1 billion

From the perspective of protecting employment, the employment adjustment subsidy was expanded (the daily upper limit of ¥8,330 raised to ¥15,000, and the applicable period extended from the end of June to the end of September), and a new benefit that employees could apply for without going through their employees was created.

From the perspective of business continuity, virtually interest-free and unsecured loans were significantly expanded, and rent support benefits were created to subsidize business rents. In addition, for small businesses that took measures such as dealing with supply chain damage, improving the telework environment, repairing ventilation equipment for COVID-19 countermeasures, disinfecting and cleaning, and taking measures to prevent droplet infection, a new subsidy for sustaining small-scale businesses (COVID-19 special response type) of up to ¥1 million was newly established. This was aimed at promoting the creation and maintenance of businesses that were desirable for future economic development by subsidizing businesses suitable for a society of living “with coronavirus.”

In relation to cash flow support, the extra budget featured the crisis response loan scheme, as well as an extension of the deadline for the capital participation scheme for private financial institutions based on the Act on Special Measures for Strengthening Financial Functions.

The second supplementary budget also included a reserve fund of ¥10 trillion.

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Considering that the reserve funds set aside in fiscal 2009 and 2010 after the Lehman Shock were ¥1 trillion each, and the reserve funds in the second supplementary budget for fiscal 2011 following the Great East Japan Earthquake were ¥800 billion, the size of the ¥10 trillion reserve fund in the extra budget was clearly extraordinary. The opposition camp criticized the enormous size of the reserve fund as “a problem from the perspective of fiscal democracy,” but the ruling and opposition parties finally agreed that the government would explain in advance how the fund is going to be used.

On June 8, Finance Minister Aso gave a financial speech in the Diet, stating as follows (Underline by the author).

The novel coronavirus has had a tremendous impact on the domestic and overseas economies. We will continue to raise the level of socio-economic activity while promoting efforts to prevent the spread of infection, but it is expected that it will take time to completely regain the daily lives. Under these circumstances, we must continue to firmly support the people and businesses in difficult situations, protect employment, business and livelihoods, and prepare for the next epidemic. Based on this idea, in order to bolster the first supplementary budget for fiscal 2020, we have prepared a second supplementary budget for fiscal 2020 with a fiscal expenditure of approximately ¥73 trillion and a project scale of approximately ¥117 trillion.

Regarding the additional ¥10 trillion in a reserve fund for measures against the novel coronavirus, first, I think at least some ¥5 trillion will be needed if second and third waves strike and the situation turns very severe. Regarding the breakdown, it is necessary to look at it with a certain amount of leeway, but first, about ¥1 trillion from the viewpoint of protecting employment and living support such as employment adjustment subsidies, and second, about ¥2 trillion from the perspective of business continuity through the Subsidy Program for Sustaining Businesses and rent support benefits, and third, about ¥3 trillion will be required from the perspective of strengthening the medical care provision system such as grants for medical care and nursing care to local governments.

On top of that, I think it is difficult to predict how the situation will develop in the future in this long-term battle. Therefore, we have decided to secure an additional reserve fund of about ¥5 trillion so that we can respond promptly and adequately to take all possible measures no matter what happens.

On June 12, the second supplementary budget was approved by the Diet as proposed by the government. The total additional expenditure for the general account was ¥31.9114 trillion, the highest supplementary budget ever, and the project scale was ¥117.1 trillion. Abe said, “We will protect the Japanese economy from this once-in-a-century crisis with policies on an unprecedented and the world’s largest scale.”

However, concerns linger about the disruption of fiscal discipline caused by the large-scale spending. All of the financial resources for the second supplementary budget were covered by issuing government bonds, and the planned issue of new bonds in fiscal

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2020 would reach ¥90.2 trillion, with dependence on government bonds reaching a record 56.3%. “There are things we need to do, but there are always matters with low priorities, so the biggest challenge is to stop those, but to be honest, we haven’t really been able to do that,” a senior Finance Ministry official said, adding, “As long as we don’t have a system that evaluates the judgment calls on precisely these low priority bits, I’m afraid it will go on forever.”²⁹

Notes

1. <https://www.nhk.or.jp/kaisetsu-blog/700/423155.html>
2. Interview with a senior official of the Ministry of Economy, Trade and Industry
3. The Council on Economic and Fiscal Policy is an institution that was established based on Article 18 of the Act for Establishment of the Cabinet Office to investigate and deliberate important matters related to economic and fiscal policy, such as basic policy on overall economic management, in response to consultation by the prime minister.
4. In the proposal submitted at this time, Komeito requested a cash handout of ¥100,000 per person.
5. Interview with a senior METI official
6. Interview with a senior Finance Ministry official
7. Interview with a Prime Minister’s Office staffer
8. This measure was further expanded in June, and a subsidy of up to 100% could be received by small and medium-sized enterprises.
9. The Subsidy Program for Sustaining Businesses were expanded on May 22 to include new start-ups and freelancers. Furthermore, on June 12, as will be described later, the second supplementary budget for fiscal 2020 was approved by the Diet, and when approximately ¥1.94 trillion was added to the Subsidy Program for Sustaining Businesses, “individual business operators who filed their main income as miscellaneous income and salary income” and “businesses founded between January and March 2020,” which had previously been ineligible, were added from June 29. As of September 14, the benefits had been provided to approximately 3.32 million small and medium-sized enterprises and individual proprietors, with the total amount of benefits reaching approximately ¥4.3 trillion.
10. Interview with a senior Finance Ministry official
11. The “Go To” campaign actually started on July 22, but it was decided that travel to Tokyo and trips for residents of Tokyo would start on October 1.
12. Interview with a senior Finance Ministry official
13. For example, at a news conference by Governor Yuriko Koike on April 10, 2020, the Tokyo Metropolitan Government announced a policy to provide an infection prevention cooperation fund, paying ¥500,000 per business establishment (¥1 million if a company owned multiple business establishments) for a given business operator who complied with business cessation request.
14. Interview with a senior official at the Finance Ministry. On the other hand, a member of the Prime Minister’s Office staff said that although deep down he was willing to give compensation for operators of “izakaya” bars that agreed to close their shops, they were concerned about the pros and cons of giving public money to a “gray industry.” (Interview with a Prime Minister’s Office staffer).
15. <https://www.nhk.or.jp/kaisetsu-blog/700/427485.html>
16. In a poll conducted by NHK for three days from April 10, 50% of the respondents said that they “do not evaluate (temporary living support benefit) very much” or “do not evaluate it at all.” https://www.nhk.or.jp/senkyo/shijiritsu/archive/2020_04.html.
17. <https://www.komei.or.jp/komeinews/p107210/>
18. Interview with a Prime Minister’s Office staffer
19. Interview with a senior METI official
20. Interview with a Prime Minister’s Office staffer
21. The rearranged supplementary budget had an increase of about ¥8.9 trillion from the original budget on measures for “protecting employment and keeping business viable.”
22. Hitoshi Oshitani also attended the above-mentioned Growth Strategy Subcommittee, saying, “I think

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the most important thing when confronting this virus is how to minimize the speed of its spread while minimizing its socio-economic impact.”

23. Interview with a member of the Expert Meeting on the Novel Coronavirus Disease Control
24. Since then, and as of September 24, 2020, 169 guidelines for 23 industries have been published.
25. Interview with Yasutoshi Nishimura, minister in charge of COVID-19 response (September 15, 2020)
26. Interview with a senior Finance Ministry official
27. Interview with a senior METI official
28. Interview with a senior Finance Ministry official
29. Interview with a senior Finance Ministry official