

# Party Funding after the Introduction of Party Subsidies in Japan

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## Introduction

This paper focuses on both the institutional and substantive aspects of the political party subsidy in Japan. This subsidy began in 1995 and is still in place<sup>1</sup>. The subsidy is the main source of funding for each party. For example, it accounts for approximately 60% of the annual revenue of the Liberal Democratic Party. While funding is increasingly important in Japanese politics, little attention has been paid to it. Moreover, research on political funding in Japan is mainly focused on individual politicians and elections; party funding, which has been the subject of comparative politics, is not often considered in the literature.

Subsidies from states to political parties have been introduced in many democracies. States commonly support political parties with state funding (Nassmacher 2001; Biezen & Kopecký 2007, 2014). Exceeding the distinction between old democracies and new democracies or established parties and new parties, this funding supports the organizations of parties. The system of subsidies can be distinguished into direct subsidies, such as providing funds, and indirect subsidies, such as providing electoral campaign and tax reimbursement (Alexander 1989: 12-14; Casas-Zamora

2005: 18; Nassmacher 2006: 448-450). Here, my focus is on the former. These subsidies are expected to play a role in bringing fairness to competition among political parties, and in suppressing organizations and individuals with excessive funding to intervene in politics (Scarrow 2006; Alexander and Shiratori 1994).

The state's funding of political parties is understood as a way to restrain the inequalities that can arise in a democracy. In their discussion on the cartel party model, Katz and Mair see the party subsidy to be in the self-interest of political parties (Katz and Mair 1995, 1996, 2009, 2018). The authors posit that the parties introduced party subsidies to overcome the problems caused by decreasing resources and increasing campaign costs. In terms of party subsidy, Katz and Mair (1995) say that the parties are decision makers and beneficiaries, and introduce subsidies to achieve the goal of sustaining their own institutions. The self-interest of the established parties is demonstrated by the introduction of subsidy systems, and they exclusively obtain resources.

In contrast, empirical research that tests Katz and Mair's arguments presents findings that differ from their views (Kitchelt 2000; Pierre et al. 2000; Scarrow 2006). Subsidy systems provide opportunities to get money not only for established parties but also for new parties, and the funding facilitates the emergence and formation of new parties. However, research examining the substantive aspects of funding shows that the subsidy does not facilitate the emergence and formation of new parties.

While Katz and Mair predicted a situation in which funding would be provided only to established political parties, the subsidy is also provided to new parties. Piccio and Biezen (2018) note that articles dealing with the substantive aspects have adapted an outcome-oriented approach and the emergence of new participants cannot necessarily be explained by the

effects of party subsidies. The authors argue that to grasp whether party subsidies facilitate or prevent the entry of new parties, one needs to focus on the framework of the subsidy itself. The authors examine the requirements for party subsidies in various countries and reveal that the conditions favored established parties at the time of introduction and tended to ease over time<sup>2</sup>.

Their article represented two points when considering party subsidies. First, studies have dealt only with the relationship between subsidies and new party funding. However, when using the cartel party thesis (Katz and Mair 1995) as a starting point, I need to include requirements to examine whether newcomers are excluded. From a broader perspective, the relationship between the political party subsidy system and the new parties seems to be complementary. The characteristics of party subsidies in each country can be clarified by combining both institutions and practices.

The remainder of this paper is organized as follows. In the next section, I summarize the institutional aspects and provide a framework for analyzing the revenue structure of each party in the Japanese case. Next, I deal with each of the institutions and practices. Finally, I link both institutions and practices, and describe the Japanese case. Essentially, Japan's system does not prevent incumbents from establishing new parties, but it does impose high barriers for participants from outside the Diet. In addition, once parties gain seats, they depend on subsidies for most of their income. However, funding does not seem to contribute to the organization of political parties because new parties tend to disappear within a few years in Japan.

## A Framework of Investigating Political Party Subsidies

In this paper, I discuss the characteristics of the party subsidy system in Japan. First, I deal with the institutional side, focusing on the requirements for receiving funding. In general, the requirements for receiving funding often consist of the number of votes and seats. For votes, either the percentage or the number of votes is used. Piccio and Biezen (2018) note this and point out that European countries tend to have eased eligibility requirements as the threshold for votes has been lowered and removed.

**Table 1 Eligibility criteria for public funding**

	$t_0$	$t_1$
Seats	Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Ireland, Luxembourg, Netherlands, Poland, Portugal, Serbia, Slovenia, Spain, Sweden	<i>Belgium, Croatia</i> , Finland, Netherlands, <b>Serbia</b> , Spain
Votes	Austria, Czech Republic, Denmark, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Norway, Romania, Slovakia	Austria, <b>Bulgaria, Cyprus, Czech Republic</b> , Denmark, <b>Estonia, France, Germany, Greece</b> , Hungary, Iceland, <b>Ireland</b> , Italy, Latvia, Lithuania, <b>Luxembourg, Norway, Poland, Portugal, Romania, Slovakia, Slovenia</b> , Sweden
N=29	Seats: 17 Votes: 12	Seats: 6 Votes: 23

Note: In bold - decreasing thresholds; in italics - increasing thresholds.

Source: Piccio and Biezen (2018).

Piccio and Biezen (2018) argue that the requirements have been lowered in European countries due to compromises over the formation and maintenance of coalition governments and the dictates of the Constitutional Court. This has been an exogenous factor for established parties. This means that such changes were not driven by the parties in the main positions, but by the pressure exerted on them.

Given that exogenous factors lead to lower eligibility requirements, the Japanese case falls in the opposite direction. Unlike the trend in European countries, there have been no changes in the requirements for receiving funding in Japan. Opposition parties and junior partners in coalitions are rarely pressured on party funding, and the Constitutional Court does not exist. That is, there are no exogenous factors that could change the requirements for receiving funding, and the framework in place when the system was introduced has been maintained in Japan. Based on this understanding and comparing with other countries, I clarify the characteristics of the requirements for receiving and the way of allocating funding in the Japanese system. Later, I focus on the requirements, and describe the calculation of the allocation and the total amount provisions because both are linked.

Second, to reveal the actual effect of party subsidies, I focus on the changes in the income structure of political parties that have emerged after the introduction of party subsidies. Here, I argue whether these parties use subsidies as their main source of funding, and whether the income structures of each party are maintained. Does the percentage of political party subsidies vary from year to year, or does it remain constant? Blechinger and Nassmacher (2001) refer to the Japanese case of the party subsidy, but their analysis covers the period immediately after the start of the subsidy. To the best of my knowledge, no efforts have been made to deal

with this situation afterwards. This paper draws on Blechinger and Nassmacher (2001), and calculates subsidy as a percentage of annual income for all political parties that have emerged since 1995.

Sources of funding for political parties are connected to the characteristics of each party organization and are reflected on party types. For example, a caucus party raises funds from members and aspirants who belong to the party, while a mass party is funded by fees collected from party members and donations from support groups (Duverger 1951). A catch-all party approaches diverse groups to maximize their votes and obtain funding (Kirchheimer 1966). Business-firm parties receive donations from individual entrepreneurs who led the formation of the party and from related companies (Krouwel 2006). Table 2 describes the resource structure of various party types.

**Table 2 Resource structure on party models**

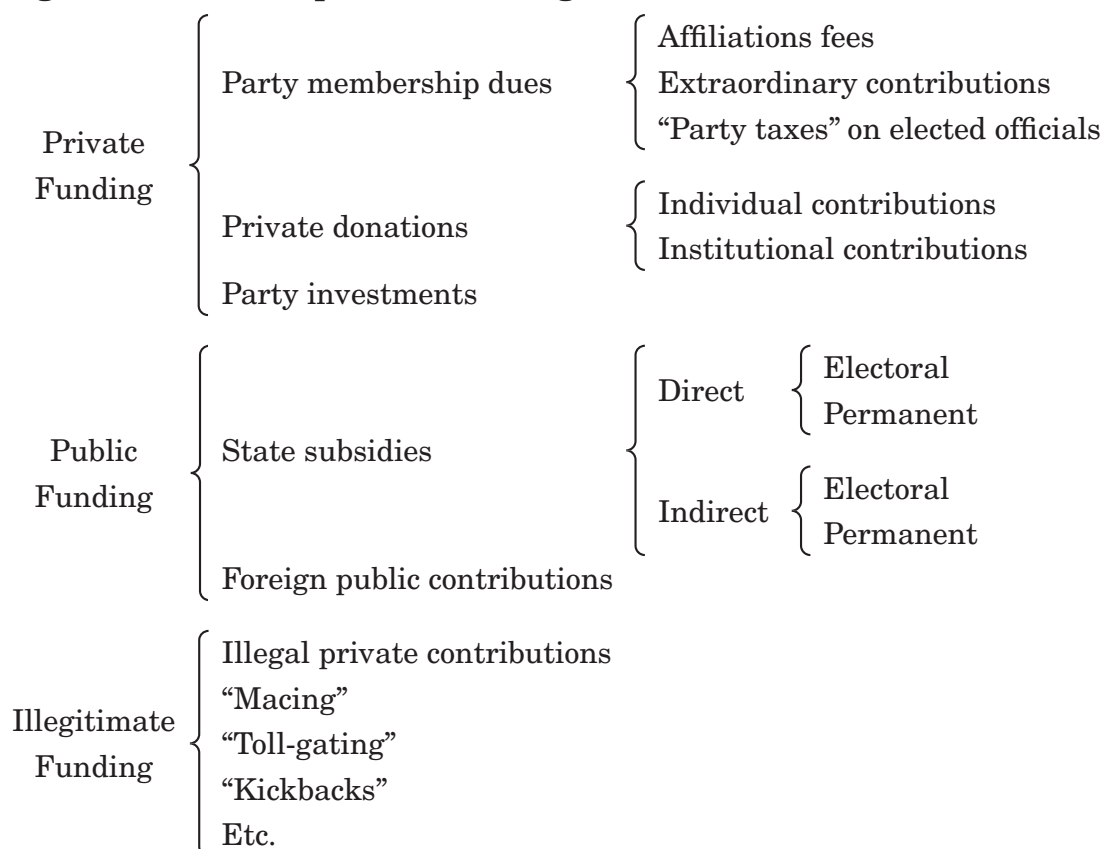
Caucus party	Mass party	Catch-all party	Cartel party	Business-firm party
Personal wealth	Membership contributions, ancillary organizations, and part press	Interest groups and state subsidies	State subsidies	Corporate and social interests, and commercial activities

Source: Adopted from Krouwel (2006)

However, political parties' income takes many forms, ranging from highly legitimized to illegitimate (Casas-Zamora 2005: 17). Even if I limit it to legitimate income, for example, besides direct funding, donations can be made by individuals or by corporations and organizations. Furthermore, there is indirect money, such as through projects conducted by political parties. This paper applies a part of the classification by Casas-Zamora (2005) and uses annual reports of party income. Casas-Zamora

distinguishes between private, public, and illegal sources of funding for politics and provides subtypes for each. According to the author, private funding comes in the form of party fees, private donations, and party projects, while public funding comes in the form of state subsidies (party subsidies) and public donations from foreign countries. This paper examines the income of each party using the three forms of private funding and party subsidies<sup>3</sup>.

**Figure 1 Sources of political funding**



Source: Adopted from Casas-Zamora (2005: 18)

The above four sources of income are used to classify each party and observe their income structure over time<sup>4</sup>. Out of the parties that emerged after 1995, I consider those that submit political finance reports, and actually have a track record of revenue and expenditure. If there was a

change in the name of a party, it is regarded as the same political party as the one before the change. A party that split, the party that existed until then, and the party that emerged in the year in question are treated differently. For the party formed before 1994 that split and a new party was formed after 1995, I only include the new party.<sup>5</sup> I calculate and classify which funding item accounts for the largest percentage of each party's annual income. When a unique case is found, I investigate the source of funding and consider the political context.

### **Institutional Aspects of Japanese Case**

In Japan, political party subsidies were first funded in 1995 and have continued ever since. Parties need to submit a notification with a base date of January 1 within 15 days following the base date to be eligible to receive the funding. When an election is held, the base date is the latter of the day following the election or the first day of the term of office of the member elected by the election.

Political parties must meet one of two requirements to be eligible for a grant<sup>6</sup>. First, the political party should have at least five incumbent Diet members. Second, the political party should have one or more members of the Diet who belong to the party, and it must have received at least 2% of the votes in the last general election of the House of Representatives and in the last or previous election for members of the House of Councilors. Each party obtains a subsidy by fulfilling one of the requirements and following procedures related to the notification<sup>7</sup>. Thus, the two requirements show that a political party must have at least one member of the Diet to receive subsidies.

Japan has higher thresholds than European countries. Over time, the number of countries that included seat holding as a requirement for



receiving benefits has decreased from 17 to 6 (Piccio and Biezen 2018: 75-76). The countries that keep it are Belgium, Croatia, Finland, the Netherlands, Serbia, and Spain. In Croatia, holding a seat is a requirement for permanent funding, while the percentage of votes is used as a criterion for subsidies regarding election expenditure. In the Netherlands, besides having one or more seats in the parliament, there must be at least 1,000 party members who are entitled to vote at party congresses and in the party, and who pay at least 12€ per year. The Netherlands has a full proportional representation system and a high number of effective political parties. Therefore, the ease of winning seats may have raised the criteria for receiving subsidies.

In contrast, for example, political parties in Sweden are eligible for subsidies when they have at least one seat in parliament or they have received 2.5% of the vote in either of the last two elections. Sweden has lower thresholds than seven other countries, including Japan, because one of them must be met to qualify for the benefit. Iceland requires that a party has at least one seat or reaches 2.5% of the vote. Countries with even lower turnout as thresholds than both countries include Ireland and Germany<sup>8</sup>. Japan has adopted the higher thresholds comparatively, as even if a party records 2% of the vote, it must still have at least one seat in the Diet.

However, from a domestic perspective, the threshold for party subsidies is lower than that for other regulations. Scarrow (2006) discusses the relationship between political party subsidies and competition among political parties, and presents a perspective comparing party requirements for elections and party funding. In the Japanese case, the electoral law sets a threshold of 2% of the votes in the most recent lower election, while the subsidy law requires a threshold of 2% of votes in the most recent lower election, or in the most recent or previous upper election. The difference

between electoral and subsidy laws is that the range of election results is the last one, or even earlier. Because the election results from up to six years ago are valid, the requirements of the subsidy law are easier to meet than those of the electoral law.

The percentage of votes is also used to calculate the amount to each party. The total amount to be allocated to each party is divided into two parts and calculated from the respective figures of the number of members and the percentage of votes. The former amount is allocated by dividing the number of members belonging to the party in question by the number of all members belonging to the parties that submitted the notification. To calculate the percentage of votes, the amount is calculated by dividing one-half of the total amounts in two, the electoral and proportional categories, multiplying these by one-fourth, and then multiplying by the party's percentage of votes cast in each election. For an upper election, the amount is multiplied by the average of the previous election and the previous two elections. Thus, effectively, when even parties have one member of the Diet, the subsidies are not zero. The funding is distributed in four annual installments.

**Table 3 Allocation calculation of subsidies**

Division		Calculation of subsidies to each party	
Divided by the number of members of Diet (one-half of the total amount) ...A		A×	$\frac{\text{the number of the relevant party}}{\text{total number of the submitted parties}}$ ①
	General election (House of	Constituency	$B \times 1/4 \times \text{percentage of votes}$ ②a
Divide by the percentage of votes	Representatives, last time) (last time)	proportional representation	$B \times 1/4 \times \text{percentage of votes}$ ②b
(one-half of the total amount) ...B	General election (House of	proportional representation	$B \times 1/4 \times \text{average percentage of votes}$ (last time and two times before) ②c
	Councilors last time and two times before)	constituency	$B \times 1/4 \times \text{average percentage of votes}$ (last time and two times before) ②d
Allocation		① + ② (sum of “a” to “d”)	

Source: Ministry of Internal Affairs and Communications

([https://www.soumu.go.jp/senkyo/seiji\\_s/seitoujoseihou/seitoujoseihou04.html](https://www.soumu.go.jp/senkyo/seiji_s/seitoujoseihou/seitoujoseihou04.html))

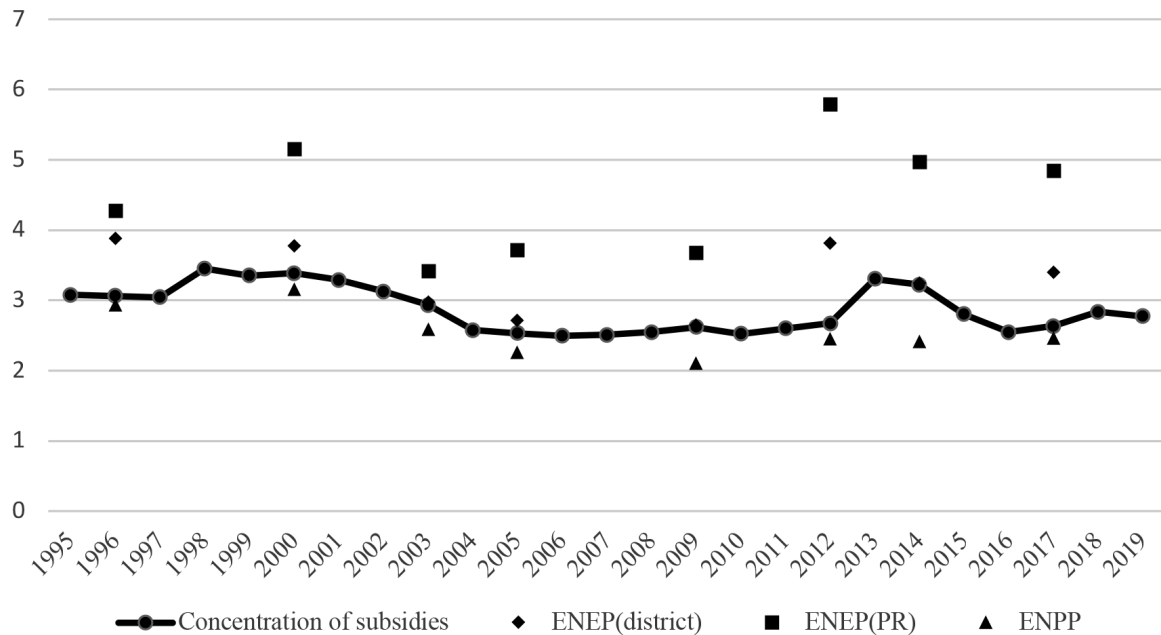
The percentage of votes cast is only for those parties that have submitted a notification regarding the grant. This means that allocations to political parties that did not do procedures are distributed to other parties that do. In other countries, subsidies are provided by multiplying a base amount by the number of votes cast, the percentage of votes cast, or the number of seats in the parliament. Therefore, the emergence of non-subsidized political parties does not increase the benefits of subsidized parties. For example, political parties in Denmark receive 29.50 DKK (4.25\$) for each vote. Meanwhile, in Slovenia, 0.33€ is paid to political parties for every 1% of votes<sup>9</sup>. Likewise, political parties in Germany are subsidized on a per-vote with each party receiving 0.85€ per vote up to 4 million votes, and 0.7€ for each vote above that. In Australia, the party that receives 4% of the votes as the first preference receives an amount multiplied by the threshold amount for each vote. The base amount is not fixed but depends on the Consumer Price Index, so it fluctuates from year to year. Generally, when seats are used to allocate funds, they are often

calculated based on the percentage of seats rather than the number of seats. In that sense, the Japanese system is one of the few cases.<sup>10</sup>

The total amount of political party subsidies in Japan is not a fixed amount of subsidy per vote, but the number of people surveyed every five years multiplied by 250 yen (approximately 2\$)<sup>11</sup>. Hence, the total amount of subsidy does not fluctuate for at least five years. Nassmacher (2006: 448) states that nearly half of the subsidy is obtained by the Liberal Democratic Party (LDP), which has the status of the dominant political party, and the other half is distributed to other parties. The tendency of the dominant party to receive a large amount of funding was also seen when the Democratic Party of Japan (DPJ) was in power.

Nassmacher (2001: 26) states that small parties can criticize distributional bias against major parties. This point overlaps with the trend, which Piccio and Biezen (2018) show, of lowering the requirements. In Japan, around eight political parties receive subsidies each year. However, due to the way allocations are done, funding tends to converge on larger parties. Figure 2 shows how many political parties the annual grants converge on by adopting a way to compute the effective number of political parties to allocate subsidies to. The comparison of the effective number of political parties shows that the convergence of allocation has been in the middle of the effective number of electoral parties and the effective number of parliamentary parties. Japanese subsidies reflect the size of votes and seats.

**Figure 2 Concentration of party subsidies and effective number of parties**



### The Effect of Party Subsidies in Japan

Here, I identify the impact of party subsidies with the share of each party’s income. Table 4 shows the items that account for the largest percentage of the party’s income. Note that all political parties have a subsidy-driven income structure. While some parties are based on donations or contributions in the first year, subsidy funding has become the largest source of annual income in the following years.

There are two notable points. First, the subsidy system provides the parties with much larger funding than each party’s own resources. In fact, subsidies account for close to 80-90% of the total income for all political parties. When the political party subsidy system was introduced, there was a cap on the amount of money that could be allocated to each party, which was limited to two-thirds of the previous year’s income. In 1995, some political parties had reduced funding through this provision. However, the provision was abolished. Since the following year, no cap has been imposed



Party	2013	2014	2015	2016	2017	2018	2019
Democratic Party of Japan (DPJ~DP~NDP)	PS	PS	PS	PS	PS	PS	PS
The New Renaissance Party	PS	PS	PS				
Your Party	PS						
Liberal Party (People's Life First)	PS	PS	PS	PS			
Japan Restoration Party	PS	PS	PS	PS			
Unity Party	Debt						
Vision of Reform	PD						
The party for Japanese Kokoro (The Party for Future Generations)		Others	PS	PS			
The Assembly to Energize Japan Party of Hope (Koike)			PS			Debt	
The Constitutional Democratic Party of Japan						PS	PS
Party of Hope (Matsuzawa)						PS	
The Party to Protect Citizens from NHK							Debt
Reiwa Shinsengumi							PD

Note: "PS" means Party Subsidy, "PD" means Personal Donations.

Next, I list the parties for which subsidies were not the largest source of funding in their first year of existence and identify the differences in the proportion of private financial resources and subsidies. The DPJ was formed in 1996. In that year, it had an income of 4,131,718,363 yen (37,805,090\$), most of which was borrowed. There were two types of loans, one from the bank and the other from the party leaders, that together added up to 40.66%. The party also received subsidies, but in 1996, it was only 436,981,000 yen (3,998,362\$) or 15.43% of the total income.

However, in 1997, two years after its formation, the percentage of subsidies amounted to 76.15%, or 2,736,239,000 yen (25,036,499\$). While its business income nearly tripled from the previous year, the subsidies

made up a much greater part and changed the income structure. The loan was made only in 1996 and was a measure to support the party's finances in its first year (Ushiro 1999; 138-140). The percentage of grants was 58.78% in 1998, 81.96% in 1999, and has been above 80% since 2002. For example, it was 90% in 2019<sup>13</sup>.

The Liberal Party (LP), formed in 1998, was a new party led by Ichiro Ozawa, who had disbanded the New Frontier Party (NFP). In the first year, the largest source of income was from private sources, which falls outside the scope of this paper. In 1998, the party received 6,505,327,983 yen (59,681,908\$), of which 44.09% came from political party subsidies. Notably, 45.70% came from transfers from NFP. Ozawa, who was serving as the leader of the NFP, decided to use his power as a leader to split the party. Besides the decision to split the party, he seemed to have decided on how to handle the funds held by the NFP and carried them over to the new party he created. Therefore, transfers were made from the NFP to the Liberal Party, which was the main source of funding for the first year. While party fee and business income were recorded, the fact that grants were the largest source of funding means that the income in the first year had a personal and limited nature. The percentage of subsidies was close to 90% in 2000 and 2001.

The Conservative Party, which emerged in 2000, borrowed 30.24% of its funding from participating members, and this was the largest source. However, since grants also accounted for 29.04% of the total, I can understand that grants already accounted for a certain percentage of the total income in the first year. Comparing the figures between the two sources, the business income was 201,120,000 yen (1,845,137\$), while the grant was 428,955,000 yen (3,935,366\$). There were no party funds, just a donation of 35,300,000 yen (323,853\$) from a support group.



In 2005, the LDP split over the privatization of the postal system led by Junichiro Koizumi, and the People's New Party (PNP) was formed, led by Shizuka Kamei and others. At the time, the PNP was supported by organizations that were supporters of the LDP. It was organized mainly by former employees of the post offices, who had declared their opposition to the privatization of the postal service and had come to the support of the National New Party. The PNP received a donation from these employees. Of the annual income of 261,451,620 yen (2,398,638\$), 190,355,000 yen (1,746,376\$) or 72.81% was provided by this organization. Thus, unlike other political parties, the PNP had a support group. However, contributions were not maintained and were subsequently exceeded by grants. The organization continued to donate to the PNP, but it was smaller than the grant. Although there were differences from year to year, the percentage of grants remained relatively high. PNP received more than 200 million yen (1,834,862\$) from the organization in 2010, but the subsidies were 396,500,000 yen (3,637,614\$).

The New Renaissance Party (NRP), which was then known as the Japan Renaissance Party, was formed in 2008<sup>14</sup>. Most of the income at that time came from the funds provided by its branches. Incumbents and candidates serve as branch leaders in Japan. Therefore, funding provided by branches were effectively donations from incumbents and candidates. This party did not receive a grant in the first year. In the following year, the funding reached about 80% of the annual income. NRP was funded mainly by grants, although some donations were received from party branches and support groups of key members.

The Sunrise Party of Japan had business income which was slightly higher than the subsidies in the first year. This was donated by members and had few supports. In the next year, while the donations remained, its

income was accounted for by grants.

The Liberal Party, launched in 2016, is a political party based on the Japan Future Party, which was formed in 2012.<sup>15</sup> According to its 2012 report, “other income” accounted for the largest share of annual income. It was a compensation for the debt they had assumed in establishing the new party. The donations and contributions they received were small. In the following year, the party, known as the People’s Life Party, earned 1,048,642,976 yen (9,620,577\$). Of these, there was 787,870,000 yen (7,228,165\$) in subsidies, or approximately 75% of the total income. Since then, the income has continued to be mainly from grants, with the figure remaining above 85% for the period 2014-2016.

The Japan Restoration Party (JRP), the national party of One Osaka, was established in 2012. This party won 54 seats in the 2014 general election for the House of Representatives. The party’s income consisted mainly of donations and loans with no grants. Donations were made by members of Congress who were elected in the general election held in 2012. The results of that election were used to calculate the subsidy, and the party was given 2,956,205,000 yen (27,121,146\$). This was 72.12% of the total, while donations were less than 1% in 2013. The parties that split from the JRP showed a similar trend.

Yuriko Koike who serves as governor of Tokyo launched the Party of Hope in 2017, which competed in the general election. The party was active only during elections, but it received more than 500 million yen (4,587,155\$) in subsidies. This is because DPJ members of the House of Representatives switched to the Party of Hope, and subsidies based on the number of members were allocated. The Constitutional Democratic Party of Japan (CDP) was also launched in 2017 and is the largest opposition party as of 2021. CDP also relies on grants as its largest source of income, with more

than 80% of its annual income.

The new parties among those submitting reports are The Party to Protect Citizens from NHK and the Reiwa Shinsengumi (RS) in 2019.<sup>16</sup> Since only one year's report is available for each, I only describe the characteristics here. The former was subsidized by 70 million yen while borrowing a large amount of money in its first year, just like any other party. In contrast, the latter has raised nearly 500 million yen (4,587,155\$) in individual-based donations, although the grant amount is almost the same as that of The Party to Protect Citizens from NHK. Note that the party's donations, which were less than 50,000 yen (458\$), have accumulated to more than 300 million yen (4,587,155\$). To date, donations by individuals have not been widespread in Japan. However, the case of RS may show the emergence of political parties based on individual donations.

There are two types of changes in the income structure of political parties, except RS: the loss of sources in the first year and the subsidy of funding beyond existing sources in subsequent years. Political parties have received more subsidies than they can raise on their own in Japan. As a result, many political parties rely on subsidies and resemble each other in funding. The income of political parties becomes fixed, but currently, sources of funding other than subsidies do not apply.

## **Conclusion**

In terms of funding, the political parties that have emerged since 1995 have two things in common. First, political parties are primarily funded by grants. Second, the income structure of political parties only changes to be subsidy-based. The reason for this is that private resources are lost after the second year, or if the parties keep them, the amount is less than the subsidies. Of course, funds transferred during splits and loans by founding

members cannot be a permanent source of funding. Besides this, donations and contributions are declining for all political parties. This implies that political parties cannot sustain or expand their party fee payments or business income. Some new parties were successful in raising funds from their supporters in their first year, but not in maintaining them.

From the above, I can point out the following two points: First, the subsidy system ultimately facilitates the consolidation of each party's income structure. Under the current law, the amount of money allocated is calculated based on the results of national elections and the number of members of the Diet, and there are no measures that favor small parties. In addition, major parties are heavily funded. This means that a large amount of money is available as grants.

Since 1995, funding granted to the first and second parties has remained above 80% of the total amount. As Nassmacher pointed out (Nassmacher 2006: 44), parties other than the LDP and DPJ only obtain 20%. Combining the findings of this study with those of the author, because of their smaller allocations compared to the major parties, small parties have the potential to criticize the current system, while they seem to be less criticizing the current system because they are supported by subsidies. It is working to maintain the status quo.

Second, new parties are being formed without their own sources of funding. As already mentioned, the high percentage of grants indicates that the amount allocated is large compared to private sources. However, private sources are very small compared to grants. After the second year, almost all parties are funded by subsidies. Considering this, political parties have been established without securing party members to pay party fees or support groups to make donations. Furthermore, people who form political parties are likely to recognize that they can do so even without financial resources.

This reflects the fact that political parties are not organized by social movements or groups, but rather by the party switching of incumbent members in Japan (Yamamoto 2010). Under the system, any incumbent member of the Diet, regardless of whether he or she has his or her own funds, can obtain stable and large funding by determining how and when to form the organization. When incumbents can foresee receiving a grant, they can easily establish a new party because they do not need to prepare funds. This means that the threshold for them to form a new party is low. This point leads to the view that the political party subsidy system encourages the formation of new parties (Iwasaki 2011).

Due to the Japanese political context in which new parties do not have extra-parliamentary organizations as their base, and the institutional feature that subsidies are not allocated if they do not have seats in parliament, new entrants from outside are limited to a few cases, such as The Party to Protect Citizens from NHK and RS. The subsidy system has not been effective in encouraging new entrants to challenge the system, while new parties that have gained seats in the Diet are easily dependent on it<sup>17</sup>. However, given the environment in which new parties are likely to be established by incumbent lawmakers, it is possible to see this as having the effect of encouraging the formation of new parties. The cases observed in this study are most new parties established by incumbent legislators. In this sense, the subsidy system facilitates the entry (or, strictly speaking, the formation) of new parties. Whether this result supports the cartel party thesis remains for further discussion.

1 Japanese Political Party Subsidies Act has not been translated to English.

2 Piccio and Biezen (2018) also refer to spending limits in election as institutions that could prevent the emergence of new and small parties, and investigate these limits.

- 3 Casas-Zamora (2005) divides state subsidies (political party subsidies) into direct and indirect subsidies. Further, these subsidies are distinguished as election-related and permanent subsidies. The author posits that Japan's political party subsidy system exists only on a permanent basis. In practice, however, there is an indirect subsidy in the form of public elections, where election campaign costs are partially covered by public fund. Election public management has continued to this day, with several revisions. Some argue that it was introduced in 1925 (Mieda 2018). Alexander (1989) organizes public subsidies in various countries and identifies Japan's public subsidies as having started in 1976. Their understanding seems to be based on the "preferential tax treatment for individual donations" introduced in the Political Funds Control Law of 1976. In Japan, direct public subsidies to political parties began in 1995, although there are different views on the matter.
- 4 I have analyzed political parties up to 2015 using revenue sources based on party types as a framework (Asai 2021). Here, I add to those findings and extend the period to 2019.
- 5 From Five and the Liberal Party (1998) are examples of this.
- 6 In this paper, subsidy and grant are used synonymously.
- 7 The Japanese Communist Party (JCP) exists from before 1995 and has not received any subsidies despite meeting the requirements for receipt. This party has been a critic of the party subsidy. Meanwhile, the income of JCP has been decreasing over time.
- 8 Political parties in Ireland are required to reach 2% of the vote and register as a political party to receive funding. In Germany, parties that receive 0.5% of the vote in the most recent European Parliament or federal elections, or 1% of the vote in state legislative elections, are eligible to receive the grant.
- 9 On the share of subsidies in political parties in Denmark and Slovenia, see Detterbeck (2005), and Krašovec and Haughton (2011), respectively.
- 10 According to IDEA, seven countries (Cote d'Ivoire, Japan, Lithuania, Maldives, Netherlands, Solomon Islands, and Thailand) use the number of seats in parliament to calculate their allocations.
- 11 This is a survey of all persons and households, including foreign nationals, in Japan. The population used to calculate the amount of distribution includes people who do not have the right to vote in national elections. This has sometimes been criticized from a legal perspective.
- 12 This table shows the sources of income that account for the largest percentage.
- 13 DPJ merged with the Party of Hope in 2017 and later changed its name to the National Democratic Party.

- 14 It is a different political party from the one of the same name formed in 1998.
- 15 That party had repeatedly merged with and split from other parties over a short period of time before.
- 16 The Party to Protect Citizens from NHK was a minor party that sought to eliminate subscription fees for national broadcasting corporation (NHK), but won a seat in the 2019 Upper House election. Reiwa Shinsengumi is a minor party created by the actor who played the Shinsengumi in the drama. The Shinsengumi was a group of samurai who existed at the end of the Edo era.
- 17 Although it can depend on the definition, party subsidies do not seem to be contributing to the organization of political parties as new parties have disappeared one after another.

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