

The Allocation of Party Subsidy in a Predominant Party System: The Japanese Case

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Introduction

This study argues that the concentration of party subsidies in Japan is due to the cartelization of parties. Specifically, one party is dominant in terms of funding. Considering this context of party subsidies and cartelization of parties in Japan, this study focuses on the claim that junior partners who formed a coalition government with the Liberal Democratic Party (LDP) caused the repeal of the cap on the amount of subsidies.

The Japanese party system is a predominant party system. This type of party system exists “to the extent that, and as long as, its major party is consistently supported by a winning majority (the absolute majority of seats) of the voters” (Sartori 1976=2005: 173). Furthermore, “three consecutive absolute majorities can be a sufficient indication, provided that the electorate appears stabilised, that the absolute majority threshold is clearly surpassed, and/or that the interval is wide” (175-177). Giovanni Sartori argued that if “one or more of these conditions do not obtain, a judgement will have to await a longer period of time to pass” (177).

I do not know if researchers of Japanese politics consider the party system in Japan as a predominant system. However, the LDP has won elections since 2012¹⁾. Countries such as Italy, Sweden, Israel, and India were noted to have predominant party systems. While these countries experienced changes in their party systems, the current Japanese system meets the criteria for the predominant system. This is a remarkable difference from the situation in other countries and is a rare case globally.

The concentration of political resources is a characteristic of a predominant party system. Specifically, the system is characterized by access to power, access to the bureaucracy, and political funding, among other factors. Focusing on funding, in Japan, the LDP receives a large amount of money and enjoys the most of party subsidies. This is because the LDP continues predominant.

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1) LDP won elections in 2012, 2014, 2017, and 2021-.

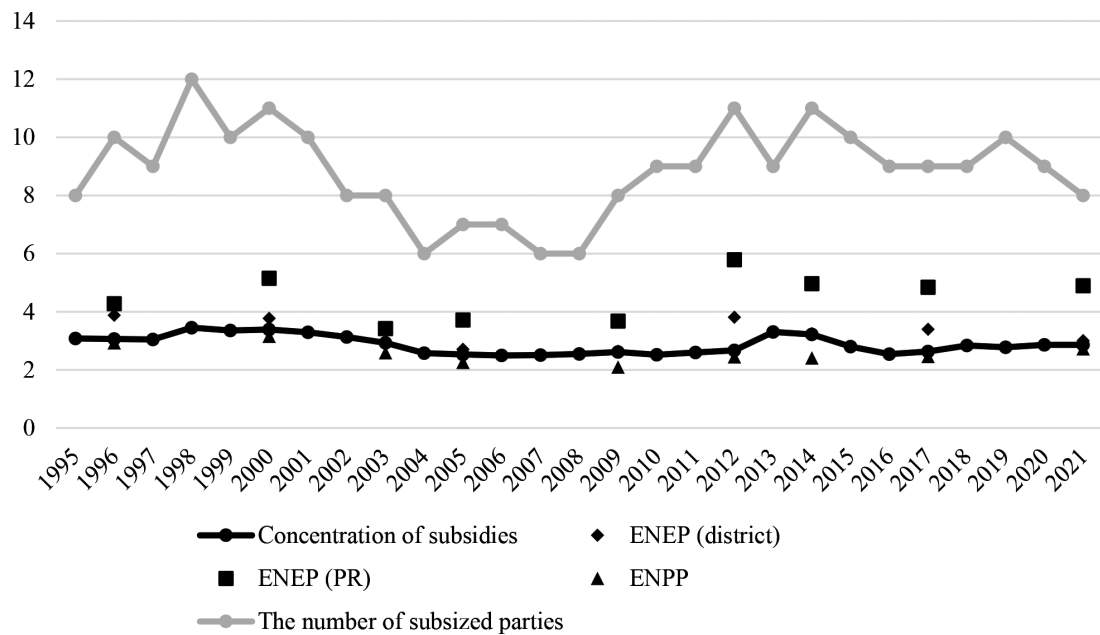
The predominance stems from the party's integration with the era. In this sense, a predominant party's resources do not come from existing rules, but from the political process. While one may argue the same regarding the concentration of political funds, the nature of party subsidies differs. Fund allocation is institutionally regulated. Meanwhile, for other resources, concentration correlates with predominance; for instance, subsidies are concentrated onto the LDP because it is the largest party. In other words, for party subsidies, parties may be able to remove the "inequality of results".

Yet, why does the bias in party subsidies remain? This study argues that this is because small parties other than the LDP (including those that have ceased to exist) created the current system to obtain funds, which resulted in the predominance of the LDP. This means that the logic of the cartel party theory worked more strongly than the logic of the predominant party system. The removal of the cap on party subsidies enabled each party to rely on subsidies and share incentives to maintain the current system. This has resulted in the bias in the subsidies allocated to them. Furthermore, the cartel-like behavior of the former governing parties facilitated the later bias in allocations, especially the LDP's predominance in party subsidies. In Japan, the introduction of the party subsidy system, elimination of the cap on the amount of subsidies allocated to political parties, and dependence on subsidies are systematically facilitated the cartelization of political parties in terms of funding. In turn, this has resulted in the bias in subsidies toward a small number of parties. In other words, the concentration of party subsidies is not only a consequence of the predominant party system, but also of the cartelization of political parties.

Institutional aspects and outcomes in the Japanese case

The amount of the subsidy allocated is determined by the number of Diet members and percentage of votes cast in parliamentary elections. Although the subsidy amount per vote is not determined, the subsidy is generally allocated proportionally to the number of effective political parties. Besides effective numbers of electoral and parliamentary parties, Figure 1 shows the relative concentration of subsidies for each party by calculating the effective number of parties to annual amount of subsidies received by each party in Japan. The effective number of parties is less than four in the electoral districts and approximately two to three in the Diet. For subsidies, the number of parties is often less than 3. Japanese party subsidies distribute funds fairly, without considering the characteristics of the party organization, such as the length of time a party has been active or the number of party members (Piccio & van Biezen 2018; Norris 2005).

Figure 1 Party subsidy concentration and the effective number of parties²⁾



However, we can take another view: the emergence of a dominant party causes bias in subsidies, as subsidies increase or decrease according to the number of incumbents and number of votes won. For example, in 2021, eight parties received subsidies, while the concentration value was 2.8 when the effective number of parties was considered for the subsidies. Thus, funding is concentrated in the hands of two to three parties. This indicates bias along the party lines of power. Indeed, Sartori (1976=2005: 178) noted, “in the predominant systems, the disparity of resources between the party in power and the parties out of power is likely to be greater than in other pluralistic systems.” This reflects the inequality in subsidies in the predominant party system.

The concentration of political party subsidies leads to unequal funding among political parties. While there are qualitative regulations regarding the receipt and disbursement of funds for election campaigns, there are almost no quantitative restrictions on the total amount of funds. Furthermore, few restrictions are applied for party subsidies, and each party is free to decide how much money to use. The state supports the freedom of political parties to the extent possible and recognizes their character as private associations. However, given the bias in subsidies and absence of spending caps, public subsidies can contribute to resource inequality among political parties. This situation is a consequence of political cartelization through party subsidies.

2) This was based on Asai (2022).

Reducing the criteria for party subsidies

Two predominant views exist on the position of party subsidies: they contribute to the maintenance or development of democracy, and they have the opposite effect. The former is based on the premise that political parties are indispensable to the practice of democracy. This is expected to ensure fair competition among parties, regardless of their resources, prevent wealthy supporters and groups from exerting excessive influence, and increase transparency in political financing. By contrast, the latter is a critical view in the context of cartel parties (Katz and Mair 1995; 2009; 2018). Established parties attempt to obtain resources with the primary goal ensuring their own survival. These attempts discourage the emergence of new entrants and lead to the preservation of established parties' traditional positions. The fairness of inter party competition, and openness and diversity of politics are weakened by the system of party subsidies as long as it favors established parties. Party subsidies can both increase or decrease party competition.

Because the two positions on party subsidies do not mean that one is appropriate and the other is not, theoretically neither possibility can be ruled out. Even if the impact of one is empirically confirmed in practice, it depends largely on the system design. For instance, differences among countries have become apparent. A temporal change may have occurred in the way that the system was once effective in dealing with inter-party rivalry but has since become less effective. Unexpected effects of the system may or changes in the system may be made. Thus, it is useful to distinguish between the ideological debate on party subsidies and accumulation of empirical knowledge. Empirically, both diachronic and synchronic analytical perspectives can be useful.

Piccio and van Biezen (2018) examined the eligibility criteria for political party subsidies in various countries and found that even if conditions favoring established parties were in place at the time of introduction, the requirements tend to decrease over time.³⁾ The authors also examined spending limits in elections as a system that could inhibit the emergence of new or smaller parties. In general, the requirements for receiving party subsidies include the number of votes and seats: either the percentage or number of votes received are used as a proxy for the number of votes received. Piccio and van Biezen (2018) drew attention to this point and pointed out that

3) They also examined spending limits in elections as a system that could inhibit the emergence of new or smaller parties.

the requirements for receiving subsidies in European countries have tended to be relaxed, as the threshold for votes has been lowered and the threshold for the number of seats has been eliminated (Table 1). For example, in Germany and Greece, the threshold for the percentage of votes received has been lowered. In Portugal and Sweden, the requirement for having at least one parliamentary seat has been eliminated so that people can receive subsidies even if they do not have a member in parliament (Piccio and van Biezen 2018). The examples found in these countries represent a shift from the cartel (exclusive) character of the party-subsidy system to an equal one.

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, Serbia , Spain
Votes	Austria, Czech Republic, Denmark, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Norway, Romania, Slovakia	Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, France, Germany, Greece , Hungary, Iceland, Ireland , Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Portugal, Romania, Slovakia, Slovenia , Sweden
N=29	Seats: 17 Votes: 12	Seats: 6 Votes: 23

Note: In bold - decreasing thresholds; in italics - increasing thresholds.
 Source: Piccio and van Biezen (2018).

If cartel tendencies increase over time relative to whether established parties gain an advantage over new parties, the system limits the number of parties eligible for subsidies. Piccio and van Biezen (2018) noted that the system has changed from being cartelized to an equal one, and that the criteria have decreased. A diachronic view reveals a move backward from cartelization. Party subsidies can shift toward promoting competition rather than collusion after a certain amount of time has passed since their introduction.

However, Japan has no constitutional court to impose institutional changes. In the European context, if I draw on Piccio and van Biezen's findings, the interaction of political parties around a coalition may bring about institutional change. I argue that institutional reform was initiated by political parties that formed coalitions, which in turn strengthened the cartel structure of established parties in Japan.

The distribution of political party subsidies is skewed and entrenched

(see Figure 1). The direct cause is the system used to determine the funding distribution. The amount allocated to each party is calculated by dividing the total amount into two parts: one based on the number of Diet members and the other based on the percentage of votes cast. In the calculation based on the number of members, the amount is calculated by dividing the number of members belonging to the party in question by the number of all members belonging to the party that submitted the notification. For the calculation by the percentage of votes cast, one-half of the total amount is further divided into two parts: one each for the electoral and proportional categories. Each of these is multiplied by one-quarter and then multiplied by the percentage of votes cast for the party in question in each election. For the regular election portion, the average of the last election and two previous elections is multiplied such that, in effect, the amount allocated is not reduced to zero even if one member belongs to the party. Funds are allocated four times per year (Table 2).

Table 2 Allocation calculation of subsidies⁴⁾

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

Because the percentage of votes received is only for parties that have submitted a notification regarding the grant, the portion for parties that have not submitted a notification is allocated to other parties. In Japan, the Communist Party of Japan denies the party subsidy system and refuses to receive subsidies: therefore, the party's allotment is returned to other

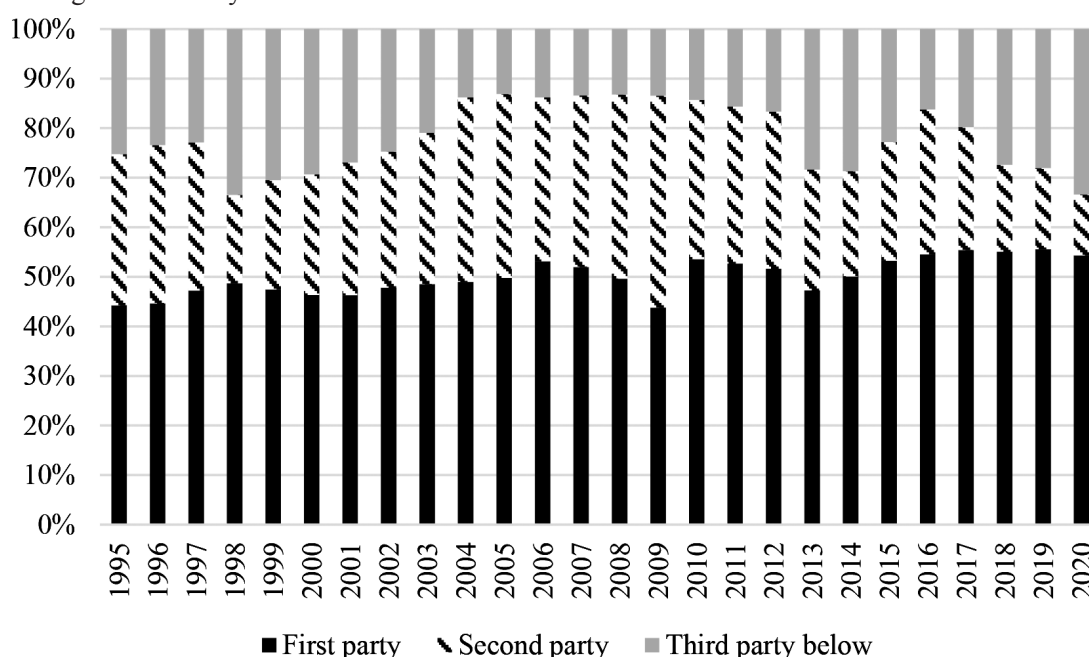
4) This was cited from Asai (2022).

parties' subsidies. Each party is subsidized proportionally according to its strength, ensuring the equality of opportunity for the parties in the Diet.

Here, I focus on the inequality of outcomes that accompanies the equality of opportunity. The concentration of grants also results in unequal amounts of available funds. For example, the LDP spent \$15,291,694 per year (1995-2020) on personnel expenses from grants, compared to \$4,170,462 (1997-2017) for the DPJ and \$695,077 (2013-2020) for the Ishin. In addition, Japanese political parties are allowed to carry over their subsidies; as of 2020, the LDP has \$166,818,480, the Constitutional Democratic Party of Japan (CDP) has \$13,901,540, and the Japan Innovation Party (JIP: Nippon Ishin) has \$9,036,001⁵⁾. Thus, equality of qualifications creates substantial bias.

The LDP receives nearly half of all party subsidies, with other parties sharing the remaining half (Nassmacher 2006: 448). A similar trend was observed between 2009 and 2012 when the Democratic Party of Japan (DPJ) came to power; it received about half of the total amount of subsidies. Figure 2 shows the percentages of first, second, and third parties and below in the distribution of party grants from 1995 to 2020 (Asai 2023). The amount received by the first party has remained at around 50% of the total (Nassmacher 2001: 26); after 2006, the amount allocated to the first party exceeded 50% in most years. According to Nassmacher (2001), smaller parties can criticize major parties for the bias in the distribution of subsidies.

Figure 2 Subsidy allocations

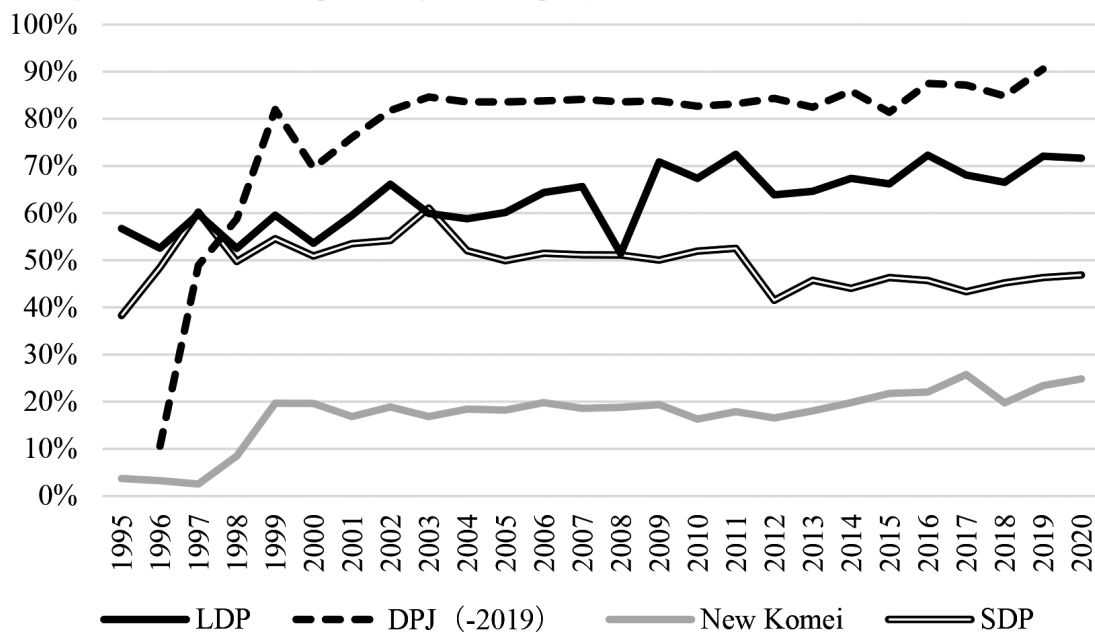


5) All these values are approximate.

This overlaps with findings of Piccio and van Biezen (2018). Although not a requirement for receiving the subsidy, if unequal aspects of political party subsidies are recognized, disadvantaged parties may seek to change the existing system. According to Nassmacher (2001: 16), one may critically view the distribution of subsidies in Japan.

However, established political parties have not criticized the current allocation method for political party subsidies in Japan, and there has been no movement to change the system. Thus, it seems that they tolerate this allocation bias. This is because all parties depend on subsidies. Figure 3 shows the share of subsidies in the annual revenues of parties that have received subsidies for more than 20 years. The LDP and DPJ have continuously recorded more than 50%; in the case of the Social Democratic Party (SDP), it is more than 40%. Komeito has the lowest value among the four parties listed here (approximately 20%). Still subsidies are the main source of revenue for political parties.

Figure 3 Subsidies as a percentage of each party's annual revenues⁶⁾



A similar trend emerges in Europe. For example, in countries such as Spain, Hungary, and Belgium, subsidies have reached their high 70s as a percentage of party revenue. Of the 18 countries studied by Piccio and his colleagues, 11 exceeded 50%; in the three countries of Canada, Germany, and the Netherlands-party spending accounted for a larger share of party

6) This was based on Asai (2022).

revenue than subsidies. In European countries, subsidies accounted for a growing share of party revenues, rising 68.3% in Ireland and 37.1% in Italy 1990-2012 (van Biezen and Kopecký 2018: 86-89). Comparing old parties with new parties showed that the share of subsidies increased over time. Further, using 1990 as the boundary between old and new parties, the authors find that new parties have a higher share of income from private donations than established parties (van Biezen and Kopecký 2018).

As shown in Figure 3, the Japanese value is 51.12%; however, the average value increases when new parties are added. All parties that emerged after the introduction of the party subsidy system had income structures based on subsidies. The parties that emerged after 1995 have been primarily funded by party subsidies for most of their existence.

The only change in income is toward a focus on party subsidies and not on voluntary funding. This pattern arises because private funding at the time of party formation is either lost after the second year or, if maintained, is limited to an amount that does not reach the level of subsidies. The decrease in funds from party members and supporters stems from the inability to sustain or expand party fee payments and business income. Some newly emerged parties have succeeded in raising funds from their supporters in their first year but have not been able to sustain or expand their financial resources.

Based on the above, I draw observations. First, Japan's party subsidy system has resulted in a fixed revenue structure for each party. The subsidy-centered revenue structure of all parties demonstrates that the amount of grants received by each party is larger than that of any other item. The current system does not provide large funding to smaller parties. Large funds are granted to each party for its ability to raise money.

Furthermore, since 1995, the funds granted to the first and second parties have remained above 80% of total grants. Smaller parties have the potential to criticize the current system in that their allocations are smaller than those of major parties. However, they are not likely to act critically in the current system as the grants support party funding.

Second, new parties are formed without their sources of funding. A high percentage of grants implies a very small amount of private funding; moreover, the allocated subsidy is large compared to private funding. After the second year of their formation, all parties become subsidy driven. Thus, parties are established without securing party members who pay party fees or support groups that make donations.

New parties are formed by incumbents moving from one party to another and are not initiated by a particular social movement or organization (Yamamoto 2015). The incumbent members can obtain stable and substantial

funding by determining how and when to form a party. They anticipate obtaining grants and can easily establish new parties without the need to establish a path to secure funding. Incumbents have a lower threshold for forming new parties than actors outside of the Diet. This suggests that a political party subsidy system encourages the formation of new parties (Iwasaki 2011; Yamamoto 2015). However, Japanese politics has unique features which mean that few entrants have emerged from outside the Diet: new parties do not have extra-parliamentary organizations as their parent organizations, and subsidies are not allocated unless a party has seats. Thus, the Japanese subsidy system is actually not effective in encouraging new entrants to challenge the system, and new parties that gain seats are easily dependent on subsidies.

Until the introduction of the party subsidy system, parties were financed primarily by party fees and donations; to date, party revenues have been primarily from grants. Once a party subsidy system is in place, it is unlikely that subsidies will cease abruptly or that the amount allocated will fluctuate significantly. As long as each party meets the requirements for receiving grants, the grants will be a constant source of funding.

Repeal of the caps on grants

The Japanese system creates high barriers for new participants from outside the Diet because they must hold a seat to be eligible for the subsidy. However, once a party meets the requirements, it can receive subsidies for up to six years as long as it holds a seat. Most parties, both those that introduced the program and new parties that have emerged since then, rely on subsidies as their main source of funding. Looking at the distribution of subsidies, parties with small allocations in a situation where they want to seek to rectify the system. However, the reason why no party, other than the Communist Party which criticizes the system, raises this issue is that each party is dependent on subsidies for both its income and expenditures. Calls for a change in the status quo do not necessarily lead to an expansion of the party's interests. The existing parties implicitly agree to maintain the current system, thus creating an equilibrium. Each party secures its funding by accepting the bias.

When the system was introduced, each party's subsidy was capped. However, when the cap was removed, each party increasingly began rely-

ing on the subsidy.⁷⁾ In other words, the bias in subsidies is due to the dependence of each party, and the repeal of the cap enabled each party to become so dependent. At the inception of party subsidies, a provision limited the grants allocated to each party to two-thirds of the previous year's revenue (hereafter, the two-thirds provision). As grants were not included in the previous year's revenues, the denominator was the amount of voluntary funds collected by each party, and two-thirds of that amount was the maximum subsidy it could receive. The two-thirds provision was intended to avoid dependence on state subsidies for party revenues. The two-thirds provision was applied to the 1995 funding grant but was eliminated that same year, with the current form of the grant in place since 1996. It was only after the elimination of the two-thirds provision that political parties began seeing increasing grants as a percentage of their annual income. Thus, the choice to eliminate the ceiling led to the present bias.

During 1996-2020, the average grant received by the first party was \$104,956,627.⁸⁾ To receive the same amount of grants if the two-thirds provision had been applied, they would need to obtain \$156,392,325 in voluntary funding. Most parties cannot meet this criterion. For instance, the LDP's annual revenue averaged \$160,562,787 from 1996 to 2020, with party grants accounting for around 60% of this amount. The total of the three main voluntary sources of revenue, party fees, contributions, and business income, averaged only \$36,839,081. If the two-thirds provision had been maintained, the LDP would not have received \$104,261,550 in grants.

If the provision had remained in place, each party would have had to secure more private financial resources than it does today to receive the full subsidy. The provision was introduced through mutual agreement between the ruling and opposition parties, and its elimination reversed the principle of avoiding reliance on subsidies. At the very least, there is no consistency between the 1994 and 1995 decisions, in which an agreement was reached to cap the amount to be allocated to subsidies.

The two-thirds provision was initiated by the LDP in the debate over the introduction of a party subsidy system. However, this provision was also abolished under the LDP's coalition government. A comparison of the history of the introduction of the two-thirds provision and its subsequent abolition reveals that the LDP had an inconsistent attitude. When the LDP introduced the party subsidy system, it sought to establish this provision. However, when the Political Party Subsidy Law was revised in 1995, the

7) This is based on Asai (2023), who discussed the issue from the perspective of Japanese politics, including behavior in opposition parties.

8) 1995 was excluded because the upper limit applied.

LDP, as the ruling party, voted to repeal the provision and took it upon itself to abolish the regulations it had created.

One may assume that LDP's change in attitude was because they may have prioritized their merits. The two-thirds caps grants and encourages each party to secure its own financial resources. To receive the full allocated grants, the LDP would need more than the planned amount of its financial resources. Indeed, it requested more than 12 billion JPY from its support groups to ensure revenue performance. At that time, the total amount of political donations was on the decline, and the LDP did not find it easy to secure funding. The elimination of the provision was a favorable condition for the LDP because it would curb the cost of securing funds.

Meanwhile, some reasons may explain the LDP's reluctance to make this change. First, the self-serving nature of established parties was criticized during the introduction of the party subsidy system. The LDP needed to be cautious about public opinion trends. Second, it increased its income through contributions and donations after returning to power. Of course, it would have been preferable if conditions had not been imposed. However, the party's return as the ruling party suggests that conditions were becoming more financially favorable for the LDP. Third, other parties received smaller grants in 1995. The LDP may have intended sought to create difficulties for other parties in securing funding. When the debate over the introduction of this provision was underway, the parties were aware that they would have to secure revenues equal to two-thirds of the planned grant amount to receive the full amount. Taking the initiative to change the system would be irrational for the LDP, as it would benefit other parties struggling more to raise funds than the LDP. Given these points, it does not seem appropriate to consider that the LDP actively led the institutional change by focusing on policy effects.

One may argue that the LDP did not actively change its attitude for policy reasons, but rather passively agreed to it for different reasons. In other words, the LDP may have been compelled to agree to eliminate this provision. A possible factor could be the pressure from its coalition partners, the SDP and Sakigake.⁹⁾ As Koß (2011) and Scarrow (2006) pointed out, party subsidy systems and inter-party relations are intertwined. Thus, we can assume that some change occurred in the LDP's relations with other parties over the repeal of the provision.

As noted in the previous section, the pressure to maintain the coalition

9) The SDP has used this name since 1995; before, it was known as the Socialist Party of Japan.

may have driven the changes in the party subsidy system. Piccio and van Biezen (2018) focused on points related to entitlement requirements and how allocations are calculated. Meanwhile, pressure among coalition parties may prompt changes not only in the requirements for entitlement and method of calculating the amount of allocation but also in a wide range of provisions. Accordingly, changes to the party subsidy system would be driven by coalition parties even not by the major parties within the coalition. When the two-thirds provision was abolished, the LDP, which held the largest number of seats among the ruling parties in the coalition, changed its attitude. In other words, there may have been pressure from the Socialist Party and Sakigake, which had a coalition with the LDP.

Specifically, at that time, the LDP had returned to power by forming a coalition between the Socialist Party and Sakigake. Rather, the LDP was eager to return to power and even formed a coalition with the Socialist Party, with which it had been at loggerheads for a long time. Besides this pursuit for public office, other factors contributing to the formation of the LDP's coalition government included the fact that the possibility of policy compromise was being considered, and that a human network had been formed between the parties. A senior LDP official at the time stated that the party could not have returned to power without a coalition with the Socialist Party.

The LDP's primary goal of pursuing public office was reflected in its decision-making process under its coalition government. Although the LDP had more than twice as many seats as the SDP, it did not take the lead in coalition government's decision-making. The three parties collaborated to reach a consensus. The LDP also voted to abolish the two-thirds provision as a result, since it was an issue of concern for the Socialist Party. Thus, LDP's change in attitude was a consequence of interactions between the parties in the LDP's coalition, especially with the Socialist Party. Following the collapse of the non-LDP/non-communist coalition, the LDP recognized the need to build a cooperative system with the ruling party to manage the coalition government.

Pressure from partner parties

The issue of the elimination of the rule was first raised by the Socialist Party and Sakigake when their grants were reduced. The Socialist Party's grant was reduced because its planned allocation for 1995 exceeded two-

thirds of its 1994 revenue.¹⁰⁾ To avoid a reduction in the following year, it needed to increase its revenues; however, its ability to collect money was not strong and it could not expect a significant increase in its revenues. Rather, The Socialist Party (SP)'s income was gradually declining, despite occasional fluctuations. The SP then began considering the idea of eliminating the two-thirds provision to receive the full grant. Together with Sakigake, which was struggling with the same situation, the Socialist Party stepped forward to advocate for systemic reform and attempted to secure the funds by eliminating the cap. Both parties legitimized the repeal of the provision using the logic that continuing collection activities would run counter to political reforms. The first opposition party also supported the elimination of the cap. No consensus was reached among the ruling parties, and disagreement among the ruling coalition parties surfaced when the LDP opposed the repeal of the provision, and the SP and Sakigake agreed. If the remaining parties aligned themselves against the opposition's proposal, the proposal of the SP and Sakigake would be defeated. However, the LDP's priority was to remain in power. Hence, it was necessary to avoid aligning the opposition parties with their partner parties, as this would cause a rift between the ruling parties. The culmination of these factors put the LDP on the back foot. Consequently, it complied with its coalition partners' requests and agreed to repeal the cap.

Conclusion

Japanese party subsidies have not resulted in the relaxation of the criteria for access, as in Europe. The system remains as it was when it started, with subsidies provided within the parliament. Under the current system, parties have a funding structure that relies on subsidies, which also remain the main source of funding for expenditure. Thus, party funding, in terms of both income and expenditure, is shaped by party subsidies (in total).

The repeal of two-thirds provision cap, which shaped party funding, has not received much attention with respect to party funding in Japan. However, repealing the cap is an important institutional change because it defines two features of party funding in Japan today. First, parties now rely heavily on subsidies. The upper limit stipulated that the subsidy would be capped at two-thirds of the previous year's income so that the subsidy could never exceed 50% of the total. Second, parties can now obtain funds through the subsidy program, even if they have no independent financial resources.

10) The SDP was reduced by \$4,865,539.

This is especially true of political parties that emerged after the start of the program. Regardless of whether a party originated as an offshoot of an established party or as an extra-parliamentary force, it can obtain funding by achieving certain results in elections. This allows parties to operate as political parties without the presence of supporters or support groups.

The single-party dominance of funds discussed here is particularly relevant to the first point. When one only views the distribution of subsidies, the other parties are in a situation where they should seek to correct the system. However, all parties depend on subsidies for both income and expenditure, and calls for changes to the system do not necessarily increase the parties' profits. Furthermore, the dominant party is the LDP. Together with the Kōmeitō party, with which it forms a coalition, the LDP continues to secure a certain percentage of its funds. Opposing parties, in particular, are in a position to demand amendments. Yet, they are also dependent on subsidies for both income and expenditure under the current system. Thus, opposition rather chooses to maintain the status quo rather than call for a change in the system. In exchange for their viability, they allow the LDP to gain a one-party advantage in funding.

I argue that the removal of the cap made this dependence possible, which was triggered by the request of coalition parties of the LDP. In other words, cartelized (self-serving) actions in pursuit of short-term profits have resulted in the state of one-party dominance today. Today, Sakigake has disappeared, and the Socialist Party is dying. In contrast, the LDP has won election after election since 2012. Essentially, Japanese politics has returned to what can be understood as the predominant party system. The LDP's current financial dominance is, due to its electoral wins. However, from an institutional perspective, it is the result of pressure from parties that now have no political influence.

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