



Governance issues on policy measures in response to COVID-19 in Japan

Keiichiro Kobayashi
Keio University



Coordination Failure among Government Agencies

- ▶ Problem of Government Agencies in Japan
 - ▶ Compartmentalized thinking
 - ▶ Clean their own backyard, but no care about others
 - ▶ They are very good at local optimization, but no good at global optimization
 - ▶ Coordination Failure



Topics

- ▶ Fallacy of Composition on Fiscal Policy
- ▶ Loose Border Control
- ▶ Small number of cases of PCR Testing

Fallacy of Composition on Fiscal Policy

- ▶ MoF wants to improve gov't budget balance
- ▶ MoF wants to cut expenditures on COVID-19, e.g., Payment to restaurants
- ▶ MHLW wants to continue shutdown on restaurant sufficiently longer to reduce infection
- ▶ Given MoF intention, MHLW cannot pay more to the restaurants
- ▶ Given no more payment, restaurants resist to the shutdown policy and MHLW has to lift the shutdown policy prematurely
- ▶ Infection increases again
- ▶ Gov't is forced to impose shutdown policy again
- ▶ Economic cost increases and impares the government fiscal balance

Loose Border Control

- ▶ Alpha variant (December 14, 2020)
- ▶ Japan shut down the entry of all foreigners on January 14, 2021

- ▶ MHLW resisted to shut down the border, because they needed the scientific advice from the experts.
- ▶ The experts did not give advice immediately because they needed time and data to analyze the variant.

- ▶ Delta variant (India, late April, 2021)
- ▶ Japan started isolation of 10 days for entrants (Japanese and Japan residents) from India on May 28, 2021

- ▶ MHLW resisted to make stringent isolation because they do not have sufficient human resources??



Extremely small number of cases of PCR testing in Japan

- ▶ COVID-19: Many asymptomatic patients
- ▶ Incomplete information, i.e., uncertainty on who are infected ⇒ Shrinkage in economic activity
- ▶ PCR testing as economic policy: rectify incomplete information and revitalize economy
 - ▶ Test negative is useful result! We should implement PCR testing on everyone!
- ▶ Views of public health experts: purpose of PCR testing is to find patients efficiently
 - ▶ Implementing PCR tests on everyone and getting many test negative results is inefficient use of resources!
- ▶ Public health experts strictly resists to increase the number of PCR testing.
 - ▶ They never accept the idea of PCR testing as economic policy, and insists that PCR test should be restricted for the medical purposes