JRI Research Journal
Japan Research Institute

Vol.9 No.20

August 19, 2026

Policy Recommendations for the Takaichi Administration on Regional Revitalization：

The Need for an Urgent, Integrated Vision Incorporating a Regional Future Strategy, the Second Capital Initiative, and Local Governance Reform

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This is an English version of Japanese report ” 高市政権の地方創生：地域未来戦略、副首都構想、地方自治制度改革を踏まえた全体ビジョンの策定を急ぐべき ”

Regional Future Strategies Are in Motion; Implementation Is the Next Test

The government’s recently released “Basic Policy on Economic and Fiscal Management and Reform—the so-called “Honebuto”—sets out a policy direction for regional revitalization grounded in the administration’s broader growth strategy. Specifically, it identifies measures such as: (1) advancing Regional Future Strategies; (2) implementing strategic industrial cluster plans that extend beyond prefectural boundaries; (3) expanding Regional Future Grants; (4) pursuing regulatory and institutional reform through the special zones framework; and (5) supporting study and employment opportunities for young people, taking into account the implementation status of the Act on Promotion of Regional University and Industrial Revitalization.

These measures are generally consistent with the policy direction the government has pursued to date, and there is little in them that appears misplaced. Some observers had worried that the Takaichi administration might show less commitment to regional revitalization than the Ishiba administration. Yet the inclusion of a broad set of policy initiatives in the “Honebuto” suggests that such concerns were largely unfounded.

That said, the agenda still faces substantial challenges. First, while the overall direction of the Regional Future Strategies is appropriate, policymakers must confront the fact that similar cluster strategies in the past did not always deliver sufficient results. Successful regions tend to share several characteristics: they specialize in distinctive local strengths; they do not merely produce high-quality goods and services, but actively communicate their value nationally and globally; they make effective use of local universities and related institutions; and they have leaders capable of driving the region forward with the speed and discipline of a startup. The priority, therefore, should not be prolonged deliberation or planning, but execution.

The special zones framework also requires a more ambitious approach. In many cases, past deregulatory measures have remained incremental and narrow in scope. Going forward, Japan should allow more fundamental regulatory reforms capable of serving as catalysts for regional economies, and should use the special zones framework as a gateway to broader regulatory reform. Regional Future Grants, meanwhile, must be carefully evaluated to ensure that they do not become a simple vehicle for indiscriminate subsidies. This risk deserves particular attention under an administration that has signaled a preference for expansionary fiscal policy. In addition, reforms should enable regional universities to function as "local think tanks." For example, as universities across Japan, including regional institutions, face financial constraints, the government could support tax incentives and financial products that encourage local funds to be invested locally in ways that revitalize regional universities. Appropriate regulatory reforms related to university asset management should also be considered.

A Second Capital Initiative Grounded in the National Interest

The "Honebuto" also explicitly calls for the development of a second capital as part of efforts to advance disaster prevention and mitigation and strengthen national resilience. The core objectives are: (1) ensuring the continuity of national and social functions; (2) building a more multipolar and decentralized economic structure; and (3) deploying policies that support economic growth through the use of institutional tools, including regulatory reform. For Japan, a country prone to natural disasters and facing the ever-present risk of a Nankai Trough earthquake, establishing a region that can substitute for capital functions is an urgent national task. The proposal also contributes to addressing the long-standing challenge of excessive concentration in Tokyo.

At the same time, as various regions put themselves forward as candidates for second capital functions, the regional revitalization dimension has at times been placed too much in the foreground. It remains unclear whether all candidates fully recognize the importance and responsibilities of assuming command-and-control functions for the nation in a crisis. Securing secondary capital functions is not a "privilege"; it is a responsibility and obligation to protect the country. A single prefecture or ordinance-designated city may also lack sufficient functional capacity on its own, which makes deeper discussion of inter-prefectural cooperation essential. Moreover, the government's 34th Local Government System Research Council is currently debating "administrative structures and local governance systems in metropolitan areas." The secondary capital initiative should be linked to this broader debate. It should not be treated as a stand-alone discussion; rather, it should be pursued alongside reform of Japan's local government system as a whole.

The "Honebuto" states that various institutional and regulatory tools, including regulatory reform, should be used in the second capital. To make this meaningful, the newly designated second capital should be positioned as a genuine testing ground and experiment for regulatory reform, with effective use made of special zones and related mechanisms.

Finally, it is important to look beyond discrete policy measures and consider overall optimization. From this perspective, there is a strong need to formulate a comprehensive vision for regional revitalization and for correcting the excessive concentration of population and functions in Tokyo, taking these considerations fully into account.

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