

Tokyo, Nov 18 (AP) - "Japan is Back!" Prime Minister Shinzo Abe declared not long after taking office, vowing to restore his country's fading economic might. Two years later, Japan is in recession and Abe is poised Tuesday to delay a key policy and call a snap election. The news Monday that Japan's economy contracted two quarters in a row has all but extinguished the government's enthusiasm for a second increase in sales tax that is needed to get its swollen debt under control. The first increase in the tax, which went into effect on April 1, crushed consumer and business spending, causing the recession. Experts say the fragility of the world's third-largest economy makes it inconceivable the government will wallop it again. Later Tuesday, Abe is expected to announce he's delaying the tax hike planned for October 2015. He might also call a snap election to seek a renewed mandate for his all-or-nothing "Abenomics" strategy aimed at ending years of deflation and economic stagnation. Fresh elections may seem a puzzling decision given the bad news on the economy. But the ruling Liberal Democrats have a solid majority and hope to further consolidate their power at a time when opposition parties are weak and in disarray. Already, the Liberal Democrats are coaching freshman lawmakers on campaign strategies and opposition parties have been discussing possible new alliances. Pre-election debates by party leaders are in the works, and new campaign posters are appearing in Tokyo neighborhoods. Abe got a rare second term as prime minister, having stepped down just a year into his rocky first term in office in 2006-2007. His support ratings started out high, as share prices surged in early 2013. But they have fallen recently. Parliament got bogged down in squabbles over campaign finance scandals that led to resignations of two of his cabinet ministers within weeks of an early September reshuffle. By dissolving parliament for an election Abe can clear the slate and once again reshuffle his cabinet, said Michael Cucek, a Tokyo-based analyst and fellow at Temple University Japan. He described the sales tax hike and Abe's policy of lavish fiscal and monetary easing as "mutually contradictory economic programs." The decision to push ahead with April's increase in the sales tax, to 8 percent from 5 percent, has been judged a miscalculation by some of Abe's advisers, including Koichi Hamada, a former Yale University economics professor who helped draft Abe's policies. "It looks like the Japanese economy was hit by some body blow," said Hamada. Last year, Hamada lobbied for a more gradual increase in the tax rate. But he shrugs off suggestions by opposition politicians and other critics that the backsliding of the economy represents a "failure" of Abenomics. A recent central bank decision to expand monetary easing is helping, he said. "The level of the consumption tax is not so high, but the increase was rather drastic. It really counteracted Abenomics." So far, despite windfall profit gains from a weakening in the Japanese yen and stronger share prices, Japanese corporations have not delivered the sorts of wage increases needed to help households keep up with rising costs for food, utilities and other necessities. After convening a group of experts on Tuesday, Abe is expected to put the next tax hike, from 8 percent to 10 percent, off until April 2017. He is also set to announce trillions of yen (tens of billions of dollars) in new stimulus that would be focused mainly on help for struggling households and businesses. Abe is gambling that in the election, likely to be held Dec. 14, the public will reward those moves with support, despite disappointment with the recent performance of the economy. "Analysts feel Abe will want a fresh slate and renewed energy to reach his economic goals," said Stan Shamu, a market strategist at IG. "On the other hand, calling an election now could see his majority slip significantly." Abe is also betting the decision will not undermine confidence in Japan's ability to finance its public debt, which is more than twice the size of the economy. All along, Bank of Japan Gov. Haruhiko Kuroda, Finance Minister Taro Aso and international institutions such as the International Monetary Fund have

been urging faster work on repairing the country's finances. Eventually, Japan must boost taxes to cover rising costs for health and elder care in this aging society. "The Japanese government is doing a kind of Ponzi game," Hamada said. "Usually a Ponzi scheme doesn't work in the private economy, but the government always has the next generation of taxpayers to rely on," he said.