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Federalizing Japan: A Silent Revolution?

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Abstract

Recent decentralization efforts involving federalizing trend have shown a significant progress in Japan. This paper discusses a framework to analyze recent administrative decentralization trends, and their impact on reforms aiming at enhancing political authority and improving efficiency and effectiveness of service delivery. Three dimensions of decentralization, political, bureaucratic, and territorial dimension will be explored, and an attempt will be made to clarify the factors and inherent character of the Japanese type of federalization scheme. The discussion highlights a possible path to follow in the next ten years, based on these three dimensions.

Introduction

Decentralization has been an unfulfilled slogan in a limited circle in government. Suddenly it has become a reality in 1993. A framework to analyze recent administrative decentralization trends in the government of Japan is presented, and their impact on reforms aiming at enhancing political authority and improving efficiency and effectiveness of service delivery and regional economy will be explored. ¹

Recent decentralization efforts made by major political parties and central government agencies of Japan have shown a significant progress in 1993-98 in terms of legislative accomplishment. These efforts clearly involve federalizing trend which will replace the pattern of government: from decentralized government and centralized administration to centralized government and decentralized administration. While there is still a long way to go before a final outcome is revealed, it is worthwhile to make an interim evaluation of this trend and its implication.

Peterson succinctly puts two theories of federalism: functional and legislative theory. ² Functional theory identifies two main economic purposes of domestic government as developmental and redistributive. Redistributive

¹ Decentralization here does not refer to political one. Politics is more decentralized in Japan than Britain or France, and Japan is more like Germany and the United States. See Bradley Richardson, *Japanese Democracy: Power, Coordination, and Performance* (New Haven, Conn.: Yale University Press, 1997), pp. 245-50.

² Paul E. Peterson, *The Price of Federalism* (Washington, D.C.: Brookings Institution, 1995).

programs reallocate societal resources from the "haves" to "have-nots."³ This is more applicable to unitary state like Japan where huge intergovernmental transfers are made to have a more equal distribution of fiscal resources among regions. Legislative theory assumes that the policies shaped by the political needs of those who write the country's laws.⁴ In Japan this can be translated into the fact that bureaucracy has much influence over the policymaking because more than 80% of the bills are written and submitted by the cabinet, namely, bureaucrats.⁵ These contrasting theories can be modified to so as to incorporate different setting of a constitutional government with a strong tradition of bureaucracy, which controls almost all aspects of citizens' lives in cooperation with local governments.⁶

Decentralization deals with the distribution of tasks. In the Japanese unitary system, there is the fusion of functions and finance. This is a clear departure from federal principles. However, there is emerging a tendency toward the separation of functions in recent process of decentralization in Japan as seen in the recommendations of the Commission for Decentralization Promotion (CDP).

There are three dimensions of decentralization: (1) political dimension including cleavages between ruling conservative parties and liberal parties,

³ Ibid., p. 17.

⁴ Ibid., p. 39.

⁵ This model of overwhelming power of bureaucracy is too simple, and it has been criticized in recent years by pluralists. One dominant alternative is "patterned pluralism" where there are fairly consistent coalitions of actors with relatively predictable degrees of influence on policymaking in Japan. Michio Muramatsu and Ellis S. Kraus, "The Conservative Policy Line and the Development of Patterned Pluralism," in Kozo Yamamura and Yasukichi Yasuba, eds., *The Political Economy of Japan, Vol. 1: The Domestic Transformation* (Stanford, Calif.: Stanford University Press, 1987), pp. 516-54.

⁶ The myths and realities of Japanese bureaucracy is neatly depicted by Ellis S. Kraus, "Japan: divided bureaucracy in a unified regime," in Jon Pierre, ed., *Bureaucracy in the Modern State* (England: Edward Elgar, 1995), pp. 118-39. More favorable evaluation: T. J. Pempel, "Organizing for Efficiency: The Higher Civil Service in Japan," in Ezra N. Suleiman, ed., *Bureaucrats and Policy Making: A Comparative View* (New York: Holmes & Meier, 1984), pp. 72-106.

as well as political control of bureaucracy; (2) bureaucratic dimension including cleavages among central ministries; and (3) territorial dimension including conflicts between the center and the periphery.

While the analysis includes individual incentives, bargaining power, and strategic interactions of actors, ⁷the following discussion, partly based on my participant observation, will not account for all the process of decentralization. Rather, it will attempt to clarify the factors and inherent character of the Japanese type of federalization scheme, and to highlight a possible path to follow in the next ten years, based on these three dimensions.

1. Background of Decentralization

There has been an unprecedented advocacy for fundamental reform in Japan triggered by the long-term one-party dominance by the Liberal Democratic Party (LDP) in 1993, coupled with the following realignment of political parties which remains to be stabilized. ⁸ There are three basic issues: deregulation in government-business relations,⁹ decentralization in intergovernmental relations, and reform of politician-bureaucrat relations. ¹⁰ These three reforms are interrelated in the sense that they aim at overhauling the long standing status quo which has become an obstacle in creating more resilient economy and democratic society. Three inherent factors contribute to these issues: (1) extremely ideological dichotomy ended between conservatives and progressives over decentralization; (2) overconcentration of Tokyo area might be alleviated by means of decentralization; and (3) people's attention has shifted towards domestic issues, notably welfare and environment which are administered at the local

⁷ Masaru Kohno, *Japan's Postwar Party Politics* (Princeton, New Jersey: Princeton University Press, 1997), pp. 12-3.

⁸ For the political change in 1993, see *Ibid.*, Ch. 8.

⁹ For a comparative perspective on deregulation, see Steven K. Vogel, *Freer Markets, More Rules: Regulatory Reform in the Advanced Industrial Countries* (Ithaca, N.Y.: Cornell University Press, 1996).

¹⁰ Masaru Nishio, "Recent Trends in Decentralization in Japan," in Susumu Kurosawa et al., eds., *New Trends in Public Administration for the Asia-Pacific Region: Decentralization* (Tokyo: Local Autonomy College, Ministry of Home Affairs, 1996), pp. 2-14.

level.

Formerly, decentralization was often associated with anti-central government orientation of opposition parties. The coalition government after 1993 made the adversarial relations politically less irrelevant. It should be noted that the decentralization in Japan is not related to ethnic and racial issues. One scholar comments that Japanese experts tend to view decentralization in highly idealistic fashion.¹¹ The reader might be reminded of the words by Alexis de Tocqueville: "I cannot conceive that a nation can live and prosper without a powerful centralization of government. But I am of the opinion that a centralized administration is fit only to enervate the nations in which it exists, by incessantly diminishing their local spirit."¹² This thought has clearly influenced policy makers through political thinkers in this century.

It would be worth here to refer to three major characteristics of Japanese local government system: (1) unitary system and wide range of functions administered by local authorities; (2) fusion of tasks and finance; and (3) a tradition of frequent transfer of personnel at the executive level.¹³

The first characteristic of Japanese local administration is the wide range of function conducted within a unitary system. Despite ample employees, authority, and financial resources given to local governments, basic matters are largely dependent on central government laws and standards. It is generally thought that Japan is an extremely centralized country. Japanese local governments consist of 47 prefectures and approximately 3,200 municipalities within those prefectures. All national land belongs to both the prefecture and municipality. Governors, mayors, prefectural and municipal assemblies are elected by direct popular vote.

In the post-war era, the administrative functions of local governments have grown dramatically. To illustrate, they deal with education, social

¹¹ Akira Nakamura, "Administrative Reform and Decentralization of Central Power: A Cross-National Competition with Japan," *Asian Review of Public Administration*, Vol. 8, No. 2 (June-December 1996), p. 9.

¹² Alexis de Tocqueville, *Democracy in America*, Vol. I (New York: Vintage Classics, 1990), p. 87.

¹³ For more conventional interpretations, see Kurt Steiner, *Local Government in Japan* (Stanford, Calif.; Stanford university Press, 1964).

services, health and hygiene services, waste collection and disposal, agriculture, forestry and fishery services, commerce and industry services, urban development planning, infrastructure and public housing, police and fire protection, and local public enterprises-----in nearly every aspect of domestic administration. The size of local government can be demonstrated by the fact that two-thirds of government expenditures are local. ¹⁴

The second feature is the fusion of tasks and finance. Prefectural government in spite of its independent status with governors and assembly members elected by popular vote, are entrusted to implement national government functions under the control of competent ministers. This arrangement is called delegated function (DF) system. As far as the governor acts as an agent of national government, he is a part of that government, not the head of his own prefectural government. Such a peculiar arrangement introduced after the war was justified to enhance integrative policy implementation throughout the country seeking a quick economic recovery. It has, however, diluted the clear responsibilities of each level of government, and eroded autonomous behavior of local authorities. A rigid financial control has been used to support this fusion of functions. At present, it is roughly estimated that 70-80% of prefectural functions is this agency delegated function (ADF) category, and so is 30-40% of municipal government function.

Financially, the scale of local government is large. Nevertheless, this is made possible through huge transfer payments from the central to local governments. The result of strict central government control is local government's remarkably limited discretion over revenue. ¹⁵ While local taxes account for less than 40% of all taxes, national and local, local government expenditures amount to over 60% of the total expenditures by the public sector. The other side of the coin is that a high degree of financial security is achieved by the central government. ¹⁶

¹⁴ *OECD Revenue Statistics, 1994* quoted in Naohiko Jinno, "Fiscal Reform and a Strategy for Enhancing Local Government Revenues," in F. Horie and M. Nishio, eds., *Future Challenges of Local Autonomy in Japan, Korea, and the United States* (Tokyo: National Institute for Research Advancement, 1997), p. 209.

¹⁵ Jinno emphasizes this lack of revenue autonomy. Jinno, *op. cit.*, pp. 210-2.

¹⁶ For a concise explanation of this mechanism, Council of Local Authorities for International

The third characteristic is a tradition of frequent transfer of personnel at the executive level. There are over 800 elite bureaucrats at the center recruited as managers of local governments, including vice governors, vice mayors, and heads of departments.¹⁷ A lesser number of personnel are seconded from local to central government, usually in non-managerial positions. This practice is found in almost all ministries and agencies. Several reasons can be cited: on-the-job training for on-the-spot information, equalizing human resources, continuation of the prewar relationship before dismantling the Ministry of Interior (MOI), and fiscal dependence, to name a few.

2. Recent Developments in Decentralization

The local government system of Japan was greatly reformed after the war under the strong influence of the Allied Occupation. Prefectures were changed from the agents of the national government to local self-governments. The chief executive of prefectures and municipalities were elected by direct vote, and the Ministry of Interior was dissolved into several ministries and agencies in 1947. Although the new system underwent almost annual changes during its first ten years, it is reorganized as being established by 1960 when the Ministry of Home Affairs (MOHA), with the responsibility of coordinating intergovernmental relations, was set up in a much smaller capacity than the abolished MOI which had a supervisory position over most domestic functions.

The following three decades of high economic growth have brought constraints on local governments and the society: an overload of supervisory role of central government, and of implementing responsibility of local governments. More and more communities have begun to perceive rigid central control over their management onerous, and sometimes detrimental, even though ample financial resources are provided in the form of intergovernmental transfer so that the implementation should be done

Relations (CLAIR), *Local Government in Japan* (Tokyo: CLAIR, 1996), pp. 52-4.

¹⁷ A survey by the Management and Coordination Agency, August 1996, as quoted by the *Asahi Shimbun*, April 2, 1997. This figure does not include the non-elite cadre. If included, more than 1,000 positions are identified to be set aside for these central government bureaucrats.

according to the directives from the center. Meanwhile, local capacity to deal with urban problems have improved so much that a slogan "Age of Localism" was strongly advocated by governors and mayors to imply the advantages of local initiatives in late 1970s through 1980s. Nevertheless, urban concentration, particularly in Tokyo Metropolitan area progressed too much during the bubble economy. Decentralization was regarded as one of the effective policies to vitalize the localities and to bridge the gap between Tokyo and other regions.

Many proposals and recommendations have been made by the Local Government System Research Council (LGSRC), an advisory board for the Prime Minister, and by six intergovernmental associations.¹⁸ Most of the proposals have not been implemented because all central ministries and agencies except MOHA have not been willing to accept the proposals. Lack of political leadership was another factor. In fact, many politicians at the national level found it preferable to have centralized administration, which they can easily exert influence from the center.

It must be emphasized that past recommendations concerning the central-local relationship were closely connected with administrative reform initiatives by the national government due to the fusion of governmental functions. Actions started in 1981 when the Provisional Commission for Administrative Reform was established. Despite five reform agendas were submitted, substantial changes were not implemented for decentralization. Three commissions were formed to follow up. In December 1989, the Government accepted the "Report on the Relationship Between National and Local Governments" of the Second Provisional Commission of Promotion of Administrative Reform (PCPAR), at the same time, the Cabinet decided the "Guideline for Promoting the Reform of the Relationship Between National and Local Government." This Guideline stipulates 142 items of individual reform related to the consolidation and rationalization of subsidies, the abolition and mitigation of regulations, and the transfer of authority. These individual policy items were incorporated into the Law Concerning Reorganization and Rationalization of the Relation Between National and Local Government Concerning Administrative Practices,

¹⁸ This includes six major intergovernmental lobby, represented by governors, mayors and members of three types of local governments: prefectures, cities, and towns and villages.

enacted in 1991.

Further, the third "Report on Administrative Reform for Promoting Internationalization and Improving the Quality of Life" of the Third PCPAR was accepted. In addition, a special scheme for promoting decentralization, known as the "Pilot Municipality System" modeled after the Swedish case, was started.

Despite these developments, actual decentralization did not take place to the extent as expected. To the contrary, retaliatory actions from central bureaucracies emerged. The issue was finally put forward to the political arena.

The political realignment which had already started in 1992 enhanced this decentralization trend. The Japan New Party established in 1992 initiated this trend, led by Mr. Hosokawa, a former two-term governor of Kumamoto in southern Japan. Both Houses of the Diet passed a resolution on the promotion of decentralization in June 1993. Political parties and groups in ruling and opposition parties advocating decentralization were gaining much attention and clout in the central politics. Affirming the position for decentralization was perceived a must in anticipation for the general election for the Lower House. The content of the resolution was not new. It addressed two things: enhancing the role of local government in order to bring about a more affluent society in every community, and enacting a legislation to promote decentralization. The events that followed after the resolution included the breakup of the ruling party, new coalition government led by Mr. Hosokawa, a freshmen in the Lower House, the split of this coalition in 1994, and a new coalition consisting of LDP, *Sakigake* (Harbinger) and Socialists, under which major steps towards the decentralization scheme were put forward.

After the collapse of the LDP's dominance over central government in the immediate election of the Lower House in July 1993, the coalition government forcibly advanced the orientation of this decentralization. First, it decided the fundamental principles of administrative reform in February 1994, including the reform of the central-local relationships within 1994, and the establishment of an organization within the government for this purpose: a working committee for decentralization in the administrative reform promotion headquarters in May 1994. This committee, composed of major cabinet ministers, commissioned eight learned individuals. In fact

these people were also connected with the epoch-making report released by the national associations of local government in September 1994.¹⁹ They are also involved in the 24th Local Government System Research Council (LGSRC), another advisory organization to the Prime Minister, and closely connected with the MOHA.

In November 1994, the report concerning the promotion of decentralization was submitted to the Prime Minister by LGSRC, and the coalition parties started "the Decentralization Project Team of Ruling Parties." Finally, the government decided the "fundamental Principles for Promoting Decentralization" on 25 December 1994. The principle clarified the position of the government to submit a draft of laws related to the promotion of decentralization, specifically including the establishment of a commission, during the next ordinary session of the Diet.

Responsibility to draft the bill was bestowed on the Management and Coordination Agency (MCA), with the cooperation of MOHA. It was speculated that MOHA could be precarious if placed in charge of the legislation because of its power for overall coordination of intergovernmental relations in the cabinet, susceptible to reactions by other ministries and agencies. The decision by the Prime Minister was an ingenious way to circumvent the possible opposition of domestic agencies

The bill was submitted to the Diet on 28 February 1995. After being amended in part, it was approved by a majority on 15 May, 1995, and went into effect on 3 July, when the Commission for Promoting Decentralization (CPD) started.

Major points of the Law are as follows. First, the division of functions of central and local government. Central government is primarily responsible for (1) functions related to the existence of the country; (2) unified rule for the country and local self-government; and (3) nationally planned and implemented policies. Local governments are in charge of independent and comprehensive management of community services.

Second, the CPD was established in the Prime Minister's Office, and composed of seven members. It is entrusted to conduct investigations and deliberations concerning basic matters pertaining to the promotion of

¹⁹ Committee for Promoting Decentralization, *Local Autonomy for the New Age*, September 16, 1994.

decentralization, to advise the Prime Minister about specific guidelines in order to formulate the Decentralization Promotion Program (DPP), to monitor the status of the implementation of policies based on the Program, and to express the opinions based on an evaluation of the results. The Prime Minister must give serious respect to the opinions and advice of CPD, and he must report to the Diet.

Third, DPP shall be made in conformity with the basic policies of decentralization. It should be made public, in addition to reporting to the Diet, in order to obtain the understanding and cooperation of the people. Fourth, the statutory period of the law is five years as the decentralization is at the stage of implementation.

While the wording of the first point is still ambiguous in the Law, it can be regarded as a clear statement of limiting the function of central government, leading to federalization. One eminent player in the legislative process notes that such idea of limiting state function is derived from federal principle.²⁰

In December 1996, the Commission published the first recommendation to the Prime Minister and the Diet to call for an overhauling of basic framework of existing functions of local authorities. There are three types of local government functions: inherent, administrative, and delegated functions. The recommendation stressed the abolition of current agency delegated functions (ADF). The current system shall be replaced by two new types of functions: autonomous function (AF, *Jichi Jimu*) and legally contracted function (LCF, *Hotei Jutaku Jimu*), which is contracted out from the central to local governments based on the appropriate laws. The AF may be classified into two types, one not subject to the national law regulation, and another under such jurisdiction.

The striking difference is the extent of autonomous function. At present, it is roughly estimated that 70-80% of prefectural government functions fall under the ADF category, and 30-40% of municipal government functions. It is expected that approximately 80% of the total local government functions will fall under AF, whereas the LCF will be less than 20%.

The second feature of the recommendation is less central control. Since

²⁰ Hideaki Matsumoto, "The Turning Point of Arguments over Decentralization," *Chiho Jichi* (Local Autonomy) No. 578 (Jan. 1996), pp. 2-14.

most domestic functions are already implemented by local governments, a specific devolution was not included in this recommendation. Instead, less central intervention and involvement was emphasized, and the new rule for central-local relations was addressed: (1) Central involvement should be based on the law or cabinet orders based on the law; (2) the general law shall be enacted to the procedure of central involvement; and (3) the fair and transparent principles shall be applied to the procedural guidelines, and a standard processing period.

While three recommendations followed in 1997, a basic orientation remained the same. They complemented the first recommendation: They (1) concluded the rearrangement of almost all the ADFs; (2) depicted basic ideas of intergovernmental fiscal relations; (3) proposed new organizational scheme dealing with central-local conflicts; (4) proposed abolition of local affairs officers of unemployment and social insurance; and (5) emphasized more democratic and efficient management of local authorities.

The second point would lead to more accountable fiscal management. Though definite tax revenue transfer from central to local governments was not clarified, it was agreed that there shall be less national categorical grants and fiscal control, including the abolition of permit to issue local bonds and raising new taxes not specified in the national local tax law.

The third point deserves a special mention. In an unitary state where public authority of central government is overwhelming, it would be difficult to think of establishing a commission in government to deal with petitions and requests from both central and local governments. The commission will propose a compromise for the parties. The procedure may involve a lawsuit dealt by the Higher Court, if the parties are not satisfied with the compromise. Such arrangement would place local government in a more independent status. It is interesting to know that this type of commission was most strongly resisted by the central bureaucracy. While rearranging functions might be just a renaming, objections and conflicts of intergovernmental issue would be a nightmare for central bureaucrats who have rarely experienced resistance from below.

The fourth point refers to officers working under the governor, but appointed by the central government. This system has been susceptible to criticisms because of such ambiguous arrangement, which dates back to half

a century ago.

Since the decision making process of CPD is characterized by the consensus-building between the members and each ministry and agency, the recommendations are regarded as an agreed agenda for central government to foster the DPP. It is highly likely that the bill will be passed.

3. Reorganization and Reform of Local Government

Two issues have come up with regard to decentralization. The first is a reorganization of the local government system, and the second is management reform.

In addition to democratic management of local government, a devolution to municipal government entails improved capability to handle new functions. Here is where the issue of the merger of municipalities is raised. It would enhance economies of scale in service delivery, and an increase in human and fiscal resources. Currently the average population of a municipal government is about 38,000 which is large in an international comparison. The figure is about 11,000 for towns and villages in rural areas.

There are conflicting opinions on this merger issue because larger communities will inhibit citizen participation. However, the government has pushed forward the policy of integration and merger with the help of special legislation. Amalgamation would be easier in urban areas where social and economic life has already crossed over the city limits. The obstacle lies in the mayors and members of local assemblies which would lose positions and power. A special law includes more incentives than the past laws. ²¹

Management reform has been an issue for local governments which have experienced revenue losses due to economic cycles in the 70s and 80s. This time, the longest recession in 50 years because of the bubble burst forced them to be engaged in cutback management. The Home Ministry encouraged local governments to formulate basic policy package for administrative reform in the fall of 1994. This type of guideline was dispatched in the early 80s, too. The new factor included in this 1994

²¹ Shun'ichi Furukawa, "An Evaluation of the Amalgamation of Municipalities in Japan," A paper presented at the Workshop o "Local Governments and Economic Development in Japan: Lessons for Economies Undergoing Decentralization," June 27-8, 1997, Budapest, Hungary.

guideline was more orientation for democratic management of public affairs, coupled with decentralization leading to effective policymaking. The Ministry also issued a circular in 1997 for more specific reform initiatives, including staff reduction and streamlining the organization.

In the past, 33 functions were devolved to local governments, though these were mainly welfare related, and primarily aimed at decreasing the fiscal burden of central government. The current decentralization scheme would greatly increase the magnitude of discretion. What are the implications for local governments? A welfare state is constructed through controls arranged by the central government in the forms of law, cabinet order, rules, circular, informal guidance, and particularly grants. These tools have worked very well to guarantee a standard service level. Such mechanisms are not easily sustainable under the current fiscal stress. In anticipation of smaller fund transfers by the central government, local authorities will have no choice to streamline their government.

Some representative examples are evaluation, and training of policy making skills.

Evaluation of results for more effective budgeting, policymaking, and implementation has caught an attention of decision makers in government in most recent years. While evaluation efforts are still insufficient in Japan, several innovations are under way. Performance-based budgeting (PBB) is in the experimental stage by some local authorities.

Mie Prefecture, located in the central part of the country with a population of 1.8 million, started an overall three-year endeavor to implement an integrated management based on performance measurement in 1995. After three years, the interim results are remarkable. It is interesting to know that the innovative endeavor was inspired by the translation of *Reinventing Government*.²² A consulting firm in charge of the translation was called in to assist the governor's management innovation, beginning with an intensive seminar for managers at all levels. Evaluation of over 3,000 projects and programs was implemented over two years. Suggestions by staff were also sought, and over 4,000 reached the office, with 85 actually being incorporated into the budget.

²² David Osborne and Ted Gaebler, *Reinventing Government* (Reading, Mass.: Addison-Wesley, 1992).

It took a tremendous amount of time and money to finish the first stage, involving some US\$2 million. It is reported that the results were striking. In the first year, 268 out of 3,000 projects were abolished, 142 were restructured, with an over US\$50 million savings. The second year the corresponding figure was US\$30 million savings. After three years, 202 projects and programs were abolished out of 3,200, and the total savings was about US\$300 million in the 1997 budget.

The overall effects are not limited only to the savings, but to the policy making process. Working level bureaucrats are required to be involved in the evaluation process, and budget requests. It included evaluation of current programs, prioritizing these programs to be incorporated into the budgetary process and staff allocation, and a long-term comprehensive plan compiled in 1997 together with these evaluation and budget reform. By concept, it is also related to management by objectives or quality management with employee participation.

Development of policy making skills is now most needed in local authorities which look forward to more discretion and responsibility under a new scheme of decentralization. Two things are points of interest: training and information technology.

Training of personnel has become a fad, although a good curriculum of policy making is under construction for training institutes established by local governments. Universities started to offer graduate programs for those already in the workforce. Many local governments have sent their workers to these programs.

Information technology development has been altering the way of work in most offices. The technology has impacted on the way bureaucracy functions. The intranet has been rapidly built in major ministries and agencies as well as local governments. This trend is expected to enhance the government capability for improving policy making.

4. Politics of Decentralization

These management innovations have undoubtedly a political motivation. For a chief executive, an innovation is a tool to govern, and to adapt to the new environment.

Related to three dimensions referred to in Introduction, decentralization entails three issues: (1) Who takes the initiative, bureaucrats or politicians?

(2) Which ministry will be most benefited? and (3) To which government will it be more advantageous, central or local? However, neglected in the daily discussion is the interest of citizens who are supposedly most benefited.

(Politicians vs. Bureaucrats)

First issue deals with the bureaucratic influence over the policy and the role of political parties. This issue also relates to changes in party politics after 1993. It is true that there are interactions between bureaucrats and politics, characterized by the cooperation among those sharing common expertise.²³ While the dominance of bureaucracy is declining because of its failure to adapt policy positions to new social and economic environment in recent years, it is still believed that political control over bureaucracy is historically weak in Japan. There are two control tools for political parties: (1) more involvement and initiatives in public policy making process, and (2) authorization of appointment of public offices. The first one has been partially implemented in a convergence of politicians and bureaucrats in policy making.²⁴ The influence of party power is increasing thanks to the new Constitution of 1947 which established the Diet and the cabinet at the pinnacle of government. However, many policy initiatives originate from the bureaucracy, and in some cases rank and file of parties seem to represent the interests of different ministries and agencies. This is enhanced by the close network of elected officials and bureaucracy intertwined in functional committees of the ruling party.

Since the retirement system for the "fast track" prevails, it is imperative for the central bureaucracy to find second careers in public corporations and private firms with a ministry's jurisdiction. The exclusive power of bureaucracy is declining as to secure possible positions for the retired. In the prewar era, bureaucrats in the executive positions were appointed as a members of the Privy council, a member of the House of Peers,

²³ Junko Kato, *The Problem of Bureaucratic Rationality: Tax Politics in Japan* (Princeton, New Jersey: Princeton University Press, 1994).

²⁴ Michio Muramasu and Ellis S. Kraus, "Bureaucrats and Politicians in Policymaking: The Case of Japan," *American Political Science Review* Vol. 78(1984), pp. 126-46. They argue for the convergence of two elites in policymaking, a roughly similar pattern in all advanced countries.

an executive of public interest corporations connected with government, or a member of the board of directors of major big corporations. They could also choose to get into politics, and have some prospects to be promoted in the echelon of the party.²⁵ More involvement of political parties over the authorization regarding the appointment of public office, means a declining formal power of bureaucracy which is legally under the supervision of the Diet.

Decentralization poses an interesting political issue. While it is a matter of sharing power between central and local governments, it might be a tool for the elected body to effectively control central bureaucracy by streamlining thereof. The position of political parties in this regard varies. Political changes in recent years contributed to highlighting decentralization as an emerging agenda. Not all political parties are enthusiastic about the decentralization scheme. It is natural for opposition parties to be inclined to foster decentralization as one of their priorities. In fact, the Democratic Party of Japan, a leading opposition party, claims that decentralization is the most impending policy issue. In retrospect, the resolution of the Diet in 1993 can be considered a starting point of current decentralization. One might think that most parties are for the decentralization, and the central bureaucracy is against it. This is a too simple notion. The resolution was a product of abstract political promise which could get an approval of all the parties. It accorded with the trend initiated by newly developing parties insisting more decentralization, and all the parties joined in face of impending general election. If the resolution should have addressed in details, not all the members would have been inclined to push decentralization since they belong to functional committees which are under constant influence of ministries and agencies. In Japanese iron triangles, the political role is typically taken not by legislative committee but by the specialized committees of the ruling party. Negotiations between politicians and bureaucrats are a normal way of life in the Diet where more than 80% of the bills are submitted by the cabinet, namely each of competent governmental agencies.

It is the strategy of politician oriented toward more power over

²⁵ For overall facts on Japanese bureaucracy, B.C. Koh, *Japan's Administrative Elite* (Berkeley, Calif.: University of California Press, 1989).

bureaucracy that they foster deregulation, decentralization and citizen involvement in policy making process. Decentralization is considered to be an orthodox way to circumvent iron triangle type of convergence of politicians and bureaucracy. Since this convergence is cohesive, it would be difficult even for a ruling party to dismantle the structure. Still, to address an alternative to change the power structure is an effective political catch-phrase. The coalition government in 1993-95 sought to mobilize decentralization as a tool to foster effective political control. In fact, the initiatives were made possible by major cabinet members, including the Prime Minister, coincidentally with the background of governors, mayors, or local politicians, and with enough understanding of the nature of decentralization. But not all politicians are identical in their ideology. One noted minister of state once remarked that he was not willing to push forward decentralization because it is detrimental to his power as a member of the House. There are two types both in conservative and progressive parties, and there is a deep cleavage in the approaches toward decentralization. This cleavage crosses the party line.

While a nationalist seeks a society with centralized government, a social democrat prefers decentralized administration. Conservative nationalists try to foster administrative decentralization, to strengthen the centralized government which can effectively deal with international and security affairs. Social-democrats who were in local governments opposing central control in 60's and 70's, advocate decentralized administration, as a tool to counter conservative central government. New parties tend to make extensive promises for decentralization since their inception. The largest LDP still splits on this issue.

To summarize, power configuration is complex. Decentralization requires a structural change. Democratic-oriented politicians are dissatisfied with the overwhelming power of the bureaucracy. An ideology that stresses more dominance by political party is democratic can be compatible with decentralization. Likewise, democratically controlled decentralization is conceived to be an effective tool for circumventing central bureaucracy. Since the issue of decentralization is still at the stage of planning, there no clear antagonisms among political parties. Up until now, the arguments have been mainly moving around within governmental institutions, not in or between political parties. A bill might make them to be in disagreement on which approach to take. It must be emphasized that

the single-seat constituency in the Lower House introduced in 1995 has a decisive factor. If the election should result in a ruling party oriented toward federal principle, the legislation would be easily passed. A pivotal case could occur in the new electoral system, though the writer is not optimistic about this.

(bureaucratic politics)

Second issue deals with a power game within bureaucracy. Decentralization will enhance jurisdictional cleavages among central ministries and agencies which are always looking for policy frontiers to sustain their territories in the bureaucracy. This cleavage has already been extended in the deliberation process of CPD. Its planning process involved so many formal discussions between members and specialists of the Commission and each ministry or agency. It is reminiscent of internal rivalry and confrontation of central ministries over the issues which might affect their power positions. This type of process is quite rare in Japanese policy making. Normally government-sponsored commission is a consultative organization, passively hears presentations of ideas and requests from governmental organizations and parties in interest, and sums up final opinions often arranged by bureaucrats. In CPD, academics played a major role in proposing basic framework. This is quite an unique case. Some specialists appointed by the CPD, mainly former bureaucrats and journalists connected with particular governmental interest clearly represent functional ministries, and try to influence the decision of CPD. The ministries' counterattack and unwillingness to cooperate with the Commission has been widely reported. Since the reform initiatives in Japan come often from such government-sponsored commission of council, interministerial struggles is also prevalent in the deliberation thereof. Three organizations mainly constituted the Secretariat of CPD: MCA, MOHA and the Ministry of Finance (MOF). Main thrust of the process was particularly led by officials seconded from MOHA with a close cooperation with the chairman, a respected businessman. However, the process was occasionally hampered by other ministries and functional specialists representing specific interests of bureaucracy. This is another power game in the course of deliberation.

Increase in responsibility and financial resources of local governments

will naturally result in the growth of localities. The rule of the game here is which ministry will benefit most, in other words, lose least. It may sound ironical that decentralization will strengthen some powers of central bureaucracy, if accompanied by a genuine control scheme of local programs, even without rigid control of regulations and grants. The hardest hit will be organizations which have relied on categorical grants with less meaningful, sometimes irrelevant guidelines.

MOHA will be in a mixed position. It has seen its role in the tutelage of local self-government within central government. Coherence and resilience of MOHA's bureaucratic power can be seen as one of the major forces in the efforts towards decentralization over the years. Whereas the decentralization scheme has been its most prioritized agenda over fifty years, true decentralization itself has the effect of less intervention from central government, of which is a part. It is safe to say that MOHA as a leading actor in decentralization efforts, will vanguard the legislation and implementation of devolution for some time. However, one cautionary note has to be taken: reorganization of central bureaucracy.

(Administrative Reform and Decentralization)

Concurrently progressing under the Hashimoto Administration is the reorganization of central government consisting of 22 ministries and agencies. This Administration is supported by the coalition with overwhelming majority of the LDP. The central bureaucracy will be reduced to 12 ministries by the year 2001. MOHA will be merged with the Ministry of Posts and Telecommunications (MPT) and the Management and Coordination Agency (MCA). The bigger ministry will be called the Ministry of General Affairs (MOGA). This strange reorganization was necessitated by the election campaign promise of the political parties, to cut the number of ministries into half.

It is true that the political power of MOGA would be enhanced, having more than 300,000 employees in postal services, contrasted by mere 600 of MOHA and 3,600 of MCA, among 860,000 central government public service. MPT has been notorious in successfully securing interest of postal savings which is a major source of government finance and investment through public corporations and local governments. would be a countervailing power against MOF. Ironically the interest of local

government would not be enhanced corresponding to the number of employees of the new ministry. Coherence and integrity of MOHA may not be sustained any more. Politically the new MOGA, the biggest in central government, would be a countervailing power to the MOF in charge of total management of central government budget and finance.

The Ministry of Finance (MOF) is not against decentralization as long as it fosters balancing the budget without diminishing its power to control the coherent management of finance. It is one of the most influential ministries, occasionally called the invisible Leviathan,²⁶ but is now in disarray. It has been under constant attack in recent years with bribery scandals and mismanagement of banking administration dealing with the bubble burst crisis. The scandals resulted in the arrests of major ranking managers. While MOF seems to have lost the clout it enjoyed over the past fifty years, less inhibited by other ministries without contending powerful ministries of Army, Navy and Interior in prewar days, it still has the strength to steer overall public policy with its tools of budget, tax and banking. Decentralization might reduce the MOF's role in leading a comprehensive domestic policy, entailing explicit and implicit cooperation from local governments. MOF is thus skeptical of decentralization efforts.

Other functional ministries are looking for devices to counteract decentralization, such as legislation regulating legally contracted function (LCF) and autonomous function (AF). Such legislation would set a national standard for LCF and AF. If regulated in detail, LCF would be similar to the current ADF, and AF would not be as autonomous as expected. This type of legislation would be a real threat to decentralized administration, and federalization-oriented scheme would not be implemented. The power game will be conspicuous in the legislative process. The position of political parties discussed in the preceding section will be tested in this process.

The real test for decentralization will be coming after the first phase. By that time, advantages and disadvantages of decentralization will be widely felt among those people working in governments and citizens who are supposed to benefit most in having government closer to them. Some ministries will dispatch their people to local governments to implement their former programs which require expertise rested in the ministry's

²⁶ Eamonn Fingleton, *Blindside* (Boston, Mass: Houghton Mifflin, 1995), pp. 128-69.

organization. The same rule applies to MOHA. It has been a major equalizing institution of fiscal and human resources by recruiting the best and the brightest, and dispatching them to local authorities, based on the requests. The issue is how long such functions will sustain. Akizuki correctly points out the ambivalent nature of MOHA, stating that it is an advocate of local autonomy, but that it is the most strictly institutionalized for central control over local governments. ²⁷

(Central vs. Local)

The third issue relates to the political power of local government and intergovernmental lobbying group. Tarrow presents an interesting analysis of center-periphery relations. He questions the alleged dichotomy between functional representation at the center and the territorial representation at the grassroots level. Two major variables between center and periphery are identified: the 'elite coalition strategy' and the 'strength of institutional linkages.' ²⁸ It is true that national and local elites cooperate to advance national programs and share resources. Intergovernmental relations model or matrix model ²⁹are alternatives to the notion of a rigid separation between the center and the periphery in the struggle for power.

The power of intergovernmental lobby in the U.S. was once proclaimed in 1970s.³⁰ The corresponding organizations exist in Japan. Politically six local government associations have been instrumental in organizing efforts with close cooperation of central government, particularly MOHA. While it is

²⁷ Kengo Akizuki, "Institutionalizing the Local System: The Ministry of Home Affairs and Intergovernmental Relations in Japan," in Hyung-Ki Kim et al., eds., *The Japanese Civil Service and Economic Development: Catalysts of Change* (Clarendon Press, Oxford, 1995), p.365.

²⁸ Sidney Tarrow, "Introduction," in Tarrow et al., eds., *Territorial Politics in Industrial Nations* (New Haven, Conn.: Yale University Press, 1978), pp. 1-27.

²⁹ Daniel J. Elazar, "Federalism vs. Decentralization: The Drift from Authority," *Publius* 6 (Fall 1976), pp. 11-4.

³⁰ Donald H. Haider, *When Governments Come to Washington: governors, Mayors, and Intergovernmental Lobbying* (New York: Free Press, 1974). More recent research: Anne Marie Cammisa, *Government as Interest Groups: Intergovernmental Lobbying and the Federal System* (Westport, Conn.: Praeger, 1995).

true that not all local governments are in unison to advance decentralization because of financial dependence, ³¹ the power structure is now changing.

More and more former bureaucrats of both central and local governments are running for the office of governor and mayor as well as members in both Houses. This might have something to do with the declining prestige of bureaucracy. When they assume the office of local governments, they feel the need for more decision making power. It is ironical that the more specific chiefs are clamoring for more resources, the more the mother ministry is centralization-oriented. With the institutionalization of a single-seat constituency for the Lower House, balance of power in regions have turned to the benefit of governors and mayors. In fact, there have been more members of the Houses to stand for local elections than ever. This is not confined to the members of opposition parties. However, this increase of power of localities cannot be easily translated into policy making power in government. This is because of the lack of constitutional framework to guarantee the formal representation of local government in the Diet of Japan which is not comparable to the Senate of U.S.A. or *Bundesrat* of Germany type of institution. Nor is allowed any duplication of public office between national and local governments, like France. Bureaucratic controls more easily work here.

Most recent issue is how to deal with the impending fiscal crisis of the public sector. Although huge amount of debt can be weighted against a surplus in the national social security fund, it is improbable to rely on this surplus destined to be decreasing in the face of a rapidly aging society. MOF wants to retain the revenue to decrease excess debt. Decentralization must be compatible with transfers of some tax resources from central to local government. In this sense, the power struggle for tax revenue will be more fierce. Since MOF and MOHA are currently unwilling to embark on an overhaul of the entire tax system, emphasis will be placed upon decreasing categorical grants and increasing general revenue. The struggle for power is, again, reflected in the interministerial bureaucratic arena.

It is interesting to know that not all local governments are willing to have more leverage in revenue raising capacity. ³² This is perhaps because so

³¹ Nakamura, op. cit., pp. 10-11.

³² *Asahi Shimbun* (Newspaper), April 5, 1997.

many of them have suffered from lack of resources, relied on intergovernmental transfers, and fear the loss of revenue due to decentralized fiscal system.

Conclusion

Debates on decentralization in Japan center on the distribution of functions and resources within the public sector. It is not merely a distribution, however. It has an implication of how the society is to be managed in a democratic polity. If political parties assume comparative advantage over bureaucracy in the government arena, decentralization will be advanced. In turn, the trade-off is between less control, and less paternal and more independent management. In anticipation of more discretion and functions, some local authorities have already started innovations for better management and service delivery.

There is a deep cleavage among the approaches toward decentralization. Success depends on the capability of political parties to initiate reforms as opposed to the bureaucracy, which in turn will mobilize its resources to influence politicians. If part of the conservative party and social democrats can build a cooperative coalition on this issue, a progress of the reform and federalization trend will take place. If bureaucracy could effectively influence ruling parties, there would be only a superficial rearrangement, such as a logical redefinition of existing functions of local government.

Reorganization of government and political realignment will have an impact on the course of decentralization. Even here, ideology does not count. It is the long-term interest that counts for a bureaucratic organization, and it is the immediate election results that counts for political parties. The incentives, bargaining power and strategies of these actors are important. Decentralization poses an interesting test of future Japanese political process.

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