

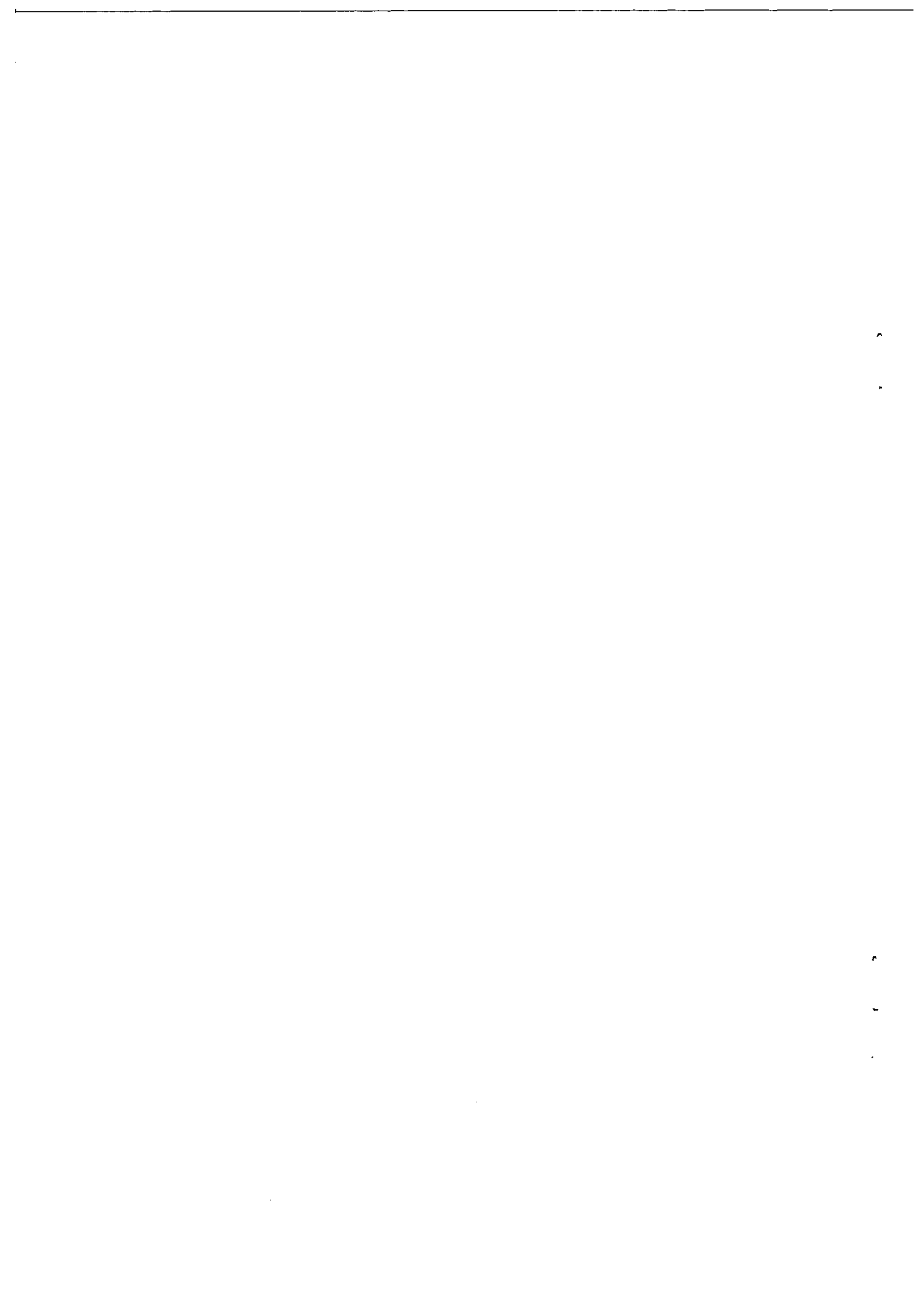
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Democratic Motivation and Bureaucratic
Consequences : Administrative Reform
in Japan

by

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Abstract

This paper discusses administrative reform in Japan, focusing on major post-war reforms which are characterized as being based on democratic motivation with bureaucratic consequences. Firstly, the concept and the background of administrative reform in Japan will be explored, followed by a brief history of reforms undertaken to date.

Secondly, three unresolved issues are discussed: accountability, performance management, and decentralization.

Thirdly, the politics of administrative reform is analyzed. Also it will be clarified that a political recruitment process inhibits developing an effective political authority.

Introduction

Administrative reform has been an unfulfilled slogan for a long time even in government dominated by one-party. While it is true that the long-standing institutional practice of bureaucratic dominance is failing, there is a clear congruence between officials in the central executive bureaucracies and in political positions.

Fiscal crisis in Japan after the "bubble" burst in the early 1990s requires the central government to launch massive administrative reform efforts, which for the most part encompass deregulation, reorganization of central ministries and public corporations, fiscal structural reform, and decentralization. These are resisted not only by politicians and interest groups, but inherently by bureaucrats, who have an interest in maintaining their role and status and also to have expertise in steering public policy. However, also emerging are two other distinct features that may impact on bureaucracy: accountability and performance management.

Many efforts have been made after the war. The first reform was fostered by the Occupation Forces as a part of Japan's democratization policy. Economic growth necessitated modernizing government management in the early 1960s. This reform effort made little progress partly because of the high growth which led leaders to be less inclined to overhaul the whole governmental structure and process. A great fiscal burden, however, loomed in the mid-1970s due to the sudden economic downturn triggered by the oil crisis in 1972. After the failure to initiate a 'general consumption tax,' the

government had to launch a comprehensive and significant nationwide reform.

While constant efforts were made even in the so-called bubble years, no substantive accomplishment was made. After the nation experienced three successive coalition governments from 1993, political leaders called for more control on bureaucracy and streamlining of the government. Currently, a major reorganization of the central government is under way, and management reforms in local governments too are prevalent. The current reform effort was also made necessary to mitigate the tax rate increase resulting from the consumption tax rate increase.

This paper discusses administrative reform in Japan, focusing on major post-war reforms. Firstly, the concept and the background of administrative reform of Japan will be explored, followed by a brief history of reforms until now. Secondly, three unresolved issues are discussed: accountability, performance management, and decentralization. And thirdly, the politics of administrative reform is analyzed. Also it will be clarified that a recruitment process of politicians inhibits developing an effective political authority. Three dimensions taken note of are: the relationship between policy-makers and the bureaucracy; internal working forms and organizational dynamics of public administration; and the relationship between administration and civil society (Pierre 1995).

1. Concept and Background

First, the concept of administrative reform in Japan has to be defined. It is sometimes used interchangeably with "administrative reorganization." This is not limited to Japan. In the United States, administrative reform has been often associated with executive reorganization (March and Olsen 1983). A more succinct definition is provided by Caiden "the induced systemic improvement of public sector operational performance" (Caiden 1991, 1).

In the Japanese context, a noted practitioner identified four areas which the Japanese administrative reform has come to include (Masujima 1996). The first area is a reform of administrative management where policy is made. One example is the First Provisional Administrative Reform Committee (1961-64) whose recommendations were made without any direct reference to politics and policy. Similar examples can be found in

various reorganization acts in the United States since 1939, which stressed program coordination, efficiency, and planning.

The second area is a reform of basic national policies, which include free national health services for the elderly, construction of a nation-wide bullet train network, and agricultural grant system, to name a few. These areas were clearly stated in the reform efforts of the early 1980s.

The third area is deregulation for the purpose of restructuring the economy in a new global market. It was included in the report of the Second Administrative Reform Promotion Committee (*Gyokakushinn*) in 1988.

The fourth area is perhaps unique to Japan as the country was forced to synchronize its system with more citizen-oriented global standards. The third *Gyokakushin* (1990-1993) tried to enhance citizen's sense of personal enrichment.

Thus Masujima's typology reflects a historical development of postwar administrative reform, and displays a comprehensive coverage of policy and political issues.

A further set of objectives of administrative reform is proposed by a Japanese scholar; it is the promotion of organizational effectiveness and attainment of national development goals (O'uchi 1995, 260). O'uchi is influenced by Quah, an expert in public administration in developing countries, who once defined as 'deliberate' attempts to change both the structure and procedures of the public bureaucracy, and the attitudes and behavior of public bureaucrats involved, in order to promote organizational effectiveness and attain national development goals (Quah 1976). The issue here is that national development goals may be variant over time. Organizational effectiveness can be promoted by decentralization, planning and budgetary process reform, and evaluation. National development goals, however, have to be decided by a political authority, and are very value-oriented and democratic in nature.

Here, it is worthwhile to take note of the broader concept of administrative reform by Siedentopf. It would be even more relevant to Japan's case: more than administrative simplification or managerial improvement to take into account the role of the modern administrative state to shape and reshape society and to guide, regulate, and control economic and social developments (Caiden and Siedentopf 1982, xi).

The definitions of administrative reform in Japan, formulated by the

practitioners and scholars, include not only management reform, but also major policy changes. The purpose of summarizing the concept of administrative reform is to highlight the broader nature of the Japanese experience. The discussions above try to show a conceptually diversified definition of administrative reform in Japan (Wright and Sakurai 1987, 128). It is not meant to show another uniqueness of Japan, but to confirm a broad range of policy issues included in the past administrative reforms.

The second issue to be discussed here is the relationship between policy-makers and the bureaucracy. The thesis of a comparative dominance of bureaucracy (Johnson 1982, 1995, Wolferen 1989, Tsurutani 1998) has been attacked by pluralists (Muramatsu and Krauss 1987). While the analysis of corporatism has presented a critical review of the above two schools (Pempel 1982), no conclusive evidence is given to politico-bureaucratic relationships. The more recent 'rational choice' school tries to analyze the relationship based on the principal-agent theory (Ramseyer and Rosenbluth 1993). Here is presented a comparative dominance of ruling parties over bureaucracy. These relationships are diverse in the political arena of administrative reform. Basically the initiatives have always been taken by politicians with bureaucrats' cooperation and resistance. The outcome was often of a modest and piecemeal nature. The following analysis will provide a look at the resilient bureaucratic nature of administrative reform.

2. History of the Administrative Reform

In the postwar period under the new constitutional governing system, four phases can be identified as: the democratic phase (1945-50s), the management-oriented phase (1960s-70s), the liberalistic conservative phase (1980s), and the post-modern phase (1990s).

The Democratic Phase(1945-50s)

The defeat in World War II brought a fundamental change to public administration. The postwar reform was guided by the same logic of the Hoover Commission of the USA. It was aimed to promote efficiency and democratic orientation in government.

The Ministries of Interior, Army, Navy, and Munitions were abolished,

and two new ministries of Labor and Construction were created. The Ministry of Interior in charge of police, local administration, and public works, was separated into some eight different organizations. The legal status of bureaucrats was changed from 'servant of the Emperor' to 'civil servant'. Strong controlling powers of the Cabinet Legislative Bureau were moved to two new more democratic-oriented agencies: the Administrative Management Agency, and the National Personnel Authority.

Later the Ministry of International Trade and Industry (MITI) was reorganized from the Ministry of Commerce and Industry. Another major change was the establishment of public enterprises, namely the Japan National Railway, the Japan Telephone and Telegram Corporation, and the Japan Tobacco and Salt Monopoly, all of which were separated from the central ministries.

It was the Occupation Forces that encouraged the Japanese government to launch the next step of reform by setting up the Government Ordinance Advisory Committee which drafted the Report on Reform of the Administrative System (1952). It called for the overall reorganization of central departments to form one Prime Minister's Office and nine Ministries. Coincidentally, Mr. Ryugo Hashimoto, the father of the Prime Minister Ryutaro Hashimoto (1996-98) was a central figure in charge. The plan encountered fierce opposition from the ministries slated, and ended up with one office and eleven ministries. This organization was only revised in 1960 by the Ministry of Home Affairs into the existing configuration.

For various reasons, not many of the 1952 recommendations were implemented. Consequently, agencies with the ministers of state flourished and began to fill the gap during unprecedented socio-economic changes afterward. The Self-Defense Agency was followed by two agencies, namely that of Economic Planning, and Science and Technology in the mid-1950s. Environmental degradation prompted the creation of the Environmental Agency in 1971, and soaring land prices and the need for a comprehensive national land development policy was associated with the establishment of the National Land Agency in 1974.

Currently, there is one Prime Minister's Office, and a total of 12 Ministries and nine Agencies with portfolios of Ministers of State constituting the central government.

The Second Phase: Management-Oriented (1960s-70s)

The First Provisional Commission for Administrative Reform (PCAR) (1961), modeled after the second Hoover Commission (Jun and Muto 1998, 197), engaged in a comprehensive evaluation of government administration. It was established on the recommendation of the Advisory Committee on Public Administration (*Gyosei Shingikai*), an advisory body to the Director-General of the Administrative Management Agency. Afforded a legal basis, it consisted of noted people from business, academia, bureaucracy, and labor. The Provisional Commission's recommendations were, even by today's standard, comprehensive and professional. They ranged from reforming the ministries to changing the functional relationships between central and local governments, and to reforming the civil service. One important point was to improve the coordination between ministries by establishing the Cabinet Office (*Naikaku Fu*), which also appears in the report of the most recent Administrative Reform Committee in 1997.

Even today, it is refreshing to read the Commission's recommendations, perhaps because most of the recommendations were not actually implemented as expected, and many issues remained unresolved.

Several of those few issues resolved were the reduction of the size of central bureaucracy, the elimination of one bureau in each ministry, and the merger of several public corporations decided in 1964. Perhaps the biggest impact of the first PCAR was the institution of a mechanism to control the size of the national civil service. While the Law on the Fixed Number of Personnel of Administrative Organs of 1969 was successful in constraining the growth of the national bureaucracy thereafter, this accomplishment was evaded by a corresponding increase in the local civil service and special public corporations that followed. The increase in local governments was harnessed by the delegation of many functions of national government to local governments as "agency delegated functions" where the chief executives thereof act as agents of the central government's cabinet ministers.

The Third Phase: Liberalistic Conservative (1980s)

As Caiden once described the political aspect of administrative reform as "power politics in action" (Caiden 1969), the experience of Japan in the 1980s can be characterized as a process of 'political liberalism' which the

conservative government pushed forward (Ohtake 1994). This reform addressed five major problem areas: expenditure and employment reductions, deregulation, devolution, privatization, and reorganization (Wright and Sakurai 1987).

Unprecedented economic growth in the 1960s and 1970s prevented the ruling party and the government from launching major reform initiatives. Then came two oil crises in the 1970s which led to the Second Provisional Commission for Administrative Reform (*Rinji Gyosei Chosakai, RINCHO*) in 1981. As the existing deficit amounted to over 30% of the government's general annual revenue, fiscal austerity had to be remedied as soon as possible. However, institution of a 'general consumption tax' or 'sales tax' was rejected in the previous election. The ruling party had to tackle administrative reform in order to restructure the fiscal system, and this 'fiscal restructuring without a tax increase' was most strongly requested by the business community. The RINCHO too was given a legal basis, and consisted of nine members who were appointed by the Prime Minister with the consent of both Houses. It lasted for two years, and five reports were submitted (Masujima 1995).

Efforts were not motivated purely by reform-minded intentions; they also arose from a political ambition to mobilize the crisis to favor aspiring politicians in the race for the Prime Minister. Yasuhiro Nakasone was particularly ingenious to make the best use of this chance to achieve his goal as the Minister of State in charge of administrative reform. Politically speaking, fiscal reform was imminent. Success would enhance the opportunities of his political career. He also had the goal of dismantling the major labor unions, particularly represented by the Japan National Railway Labor Union.

A large number of staff also were instrumental in developing theoretical and realistic recommendations. The Administrative Vice-Minister of the Administrative Management Agency was appointed to the head of the secretariat. This arrangement ensured a close relationship between the Commission and the Agency.

The Liberal Democratic Party (LDP), the ruling party for more than 25 years, formed a new institution: the Government-LDP Joint Headquarters for Administrative Reform. It was headed by the Prime Minister, and consisted of all Ministers of State and executive members of the LDP. This

mechanism also turned out to be most effective. Ryutaro Hashimoto, (Prime Minister from 1996-98) was a key figure in this organization, and it appears that his interest in administrative reform may have been cultivated during this period.

The Ministry of Finance joined in the endeavor to cut spending in order to balance the budget. Its cooperation greatly enhanced the concerted actions of the bureaucracy which would otherwise normally be against the reform. The Ministry of Home Affairs was also cooperative with the RINCHO in promoting cutback management and devolution. These two ministries are closely connected in public finance of central and local government. Other functional ministries showed a mixed attitude. While the ministries in charge of three would-be-privatized corporations were not very enthusiastic about the privatization, the Ministry of Transport found it an opportunity to rid itself of the deficit incurred by the Japan National Railway. The Nippon Telephone and Telegraph Corporation made the best use of this privatization scheme as a means to take firm hold of management capabilities and discretion to elude bureaucratic control by the Ministry of Posts and Telecommunication. The Japan Tobacco and Salt Monopoly Corporation was reluctant, but no exception was allowed. Finally, the privatization of the three biggest public corporations, and a significant cutback in management was accomplished.

Mass media particularly favored the reform in which two leading figures were instrumental: Prime Minister Nakasone, and Toshio Doko, Honorary Chairman of the Federation of Economic Organizations. Nakasone played a critical role in helping the administrative reform an idea whose time would 'arrive' (Wright and Sakurai 1987, 129). Doko's belief in small government defined the scope of administrative reform. His commitment was derived from the prospect of the fall of the welfare state which would circumvent a nation's vital socio-economic development. He embodied traditional Japanese values of frugality and responsibility, which impressed the citizenry.

The evaluation is mixed. Wright and Sakurai acknowledge the results favorably after surveying reforms from 1981-86 (Wright and Sakurai 1987). Even though the cutback management and privatization were major victories of administrative reform, other accomplishments were limited.

Particularly, the cases of effective policy making in the cabinet and appropriate central-local relations were lacking. It would not be incorrect to conclude that the inherent nature of policy making changed little under the conventional politico-bureaucratic relationship.

RINCHO was succeeded in 1983 by the Administrative Reform Promotion Committee (Gyokakushin) which ended in 1986. This Committee was also chaired by Toshio Doko, and was to promote and implement the recommendations of RINCHO.

Shrinking government expenditures were fostered during this period. Deregulation was also enhanced, but outright eliminations or alterations were minimal: 500 or so out of more than 10,000 licensing, permits and inspections.

Devolution was another disappointing aspect. Whereas the importance of revised intergovernmental relations were clearly stated in the recommendation of RINCHO, real devolution did not take place, except for welfare reform to devolve implementation to municipal governments. These imperfect results later led to the call for more decentralization in the early 1990s.

Executive power and central coordination were only two of the several organizational concerns of the RINCHO. While the creation of a new central coordination unit by merging functions of the former Administrative Management Agency and the Prime Minister's Office, the new Management and Coordination Agency (MCA) has not been in a position to exert an effective coordinating function in the central bureaucracy. It had to be aided by the powerful Ministry of Finance which influenced MCA's policy orientation as was the case for MCA's predecessor. Another achievement is found in the abolishment of regional and field offices of the central government. As a result, the number of employees decreased by almost 20,000 at the regional/field offices, and at central organizations by 2,000. It was not, however, a striking reduction with over 800,000 employed in the national civil service.

In sum, the unfulfilled agenda of the reform has remained up until today. In fact, the government's reform mentality was constrained by the bubble which balanced the national budget in the early 1990s. While efforts were constantly pursued by the successive commissions, major zeal faltered.

The Post-Modern Phase: irrelevant strategy, unintended outcome(1990s)

In the meantime, deregulation became a major issue in conformity with the globally expanded market. It was requested both by the business sector and other countries, notably the United States. Then, the burst of the bubble came in the early 1990s.

The Administrative Reform Committee was established in 1994 by law for a limited period of three years as an institution for conducting inspections on the state of deregulation and other administrative reforms in government. While the Committee was instrumental in enhancing deregulation and accountability issues including the draft of the Information Disclosure Bill, it lacked political momentum as a driving force to change the bureaucratic status quo.

Scandals of high ranking bureaucrats in major ministries and failures of public policy, particularly banking, harnessed distrust in the once-respected incorruptible bureaucracy. Public opinion polls revealed a call for correcting the policy process of bureaucratic discretion which was regarded as a source of these scandals. It also meant to change the politico-bureaucratic relationship. In the political arena, these public opinions were loosely translated as 'administrative reform.' It became a political issue for both ruling and opposition parties alike in the 1996 Lower House Election. The largest party, Liberal Democratic Party (LDP) promised the overall reorganization of central ministries and agencies, reducing by half the number thereof.

By a slim margin, the LDP managed to hold a majority in the 1996 election. Then Prime Minister, Hashimoto boldly proceeded as he promised in the campaign. Three main issues had already been established under the former coalition government: deregulation, accountability, and decentralization (Nishio 1996). After the 1996 election, three ruling coalition parties agreed to draw a plan for reorganizing the ministries and agencies. The plan included a provision that the institution to initiate a proposal would be placed directly under the control of the Prime Minister, and a bill would be presented to the 1998 Ordinary Diet Session. The government established the Administrative Reform Council on November 21, 1996, but

this was not given a legal basis. The Council consisted of the Prime Minister himself as Chairman and the Director-General of the Management and Coordination Agency as Acting Chairman, with 13 members, again from business, academia and labor (IMA 1998). This is an unusual composition, and the deliberation of the Council was led by these two figures.

Although administrative reform was one of the six reforms promised by the Administration, it was the widest in scope, and its progress was related with other reforms: economic, public finance, and social security, to name a few. Four points were emphasized: simple and efficient administration, enhancement of people's own initiatives, accountability, and quality of services. However, discussion centered on reorganization of the central government; and other issues were left to the bureaucrats in the Secretariat.

The Administrative Council proposed a reorganization into one Office, and twelve Ministries in December 1997. Based on this recommendation, the Law of Reorganization of Central Ministries and Agencies was enacted in 1998, and the reorganization is expected to be implemented in the year 2001. Agencies with heads as Ministers of State would be either consolidated with existing ministries or included in the newly established Cabinet Office. Even though some ministries will be either consolidated or renamed, the basic structure remains almost the same. Bigger ministries would be too huge to control unless substantial functions are devolved to local governments. The disappointing devolution results to date confirm such fears. The strategy was to enhance the capability of the Cabinet by the reorganization. The possible result would be a weaker political authority over the bureaucracy. 1

Perhaps the most controversial aspect of the Hashimoto administrative reform program is 'agencification.' The idea is derived from the United Kingdom, but the real thrust is little understood, and few organizations would be deemed agencies by the UK standard. Job security would remain almost the same as the current civil service, due to strong opposition from labor unions and the bureaucrats. This would negate the purpose of agencification to motivate performance and reward as well as the flexible implementation of public service delivery.

This administrative reform does not end without the overhauling of the civil service which is now being deliberated by the Civil Service System Research Council which is expected to submit a final report in 1998. The

Interim Report suggests that the real overhaul of the central bureaucracy would essentially be a patchwork (Civil Service System Research Committee 1998).

So far, most recent administrative reforms have revealed a strategic failure in enhancing political leadership over bureaucracy. This is another reform motivated by democratic control of bureaucracy, with the opposite consequences.

3. Three Unresolved Issues

Three unresolved issues have to be addressed here to demonstrate the resilient nature of bureaucracy vis-à-vis politics. They are accountability, performance management, and decentralization.

Accountability and Civil Society

More important than the reorganization is the accountability issue. Due process and the free access to information has been called for in Japan's public administration for years. While the role of the judicial branch maintains a low profile, with relatively few lawyers, more involvement of the judicial process in government is demanded. This is seen in the enactment of the Administrative Procedure Law modeled on the US example. The law was enacted in 1993, and hailed as revolutionary in the life of public administration in Japan by many experts, particularly in the public law discipline. The law legally authorizes "transparency" in government and "administrative guidance," which has been believed to be an effective tool for bureaucratic dominance over the private sector. People can require the government to explain in writing the content and the reason for the guidance which used to be communicated orally. Discretion as to operations dealing with applications is limited by the law, too (Uga 1995).

Also, it was deemed necessary to launch legislation for government information disclosure. The Administrative Reform Committee established in December 1994, submitted its opinion on this issue to the Prime Minister in December 1996. The bill was submitted to the Diet later, but disagreement over the coverage of the organizations remains. Government's information disclosure was first proposed in 1983 by the Fifth Report of the second RINCHO. It took more than ten years before a serious government deliberation began (Kaneko 1998). It is paradoxical to note that all of

Japan's 47 prefectures have instituted information disclosure, and so have hundreds of municipal governments. Scrutiny of local administration has improved thanks to this procedure.

Civil service ethics is another issue. Executive bureaucrats once believed to be immune from bribery have been found guilty in major law suits recently. The draft of the bill includes a standard code of ethics for civil service in addition to general restrictions on relationship with private business as stipulated in the provisions of the existing Civil Service Law. The bill is still pending.

These acts of legislation are to bridge the gap of the bureaucracy and the private sector. An authorization of non-profit organizations (NPO) is another legislative innovation in the Japanese public administration where government has monopolized its authority to determine the public interest. In the past, few NPOs were allowed to incorporate. Their legal basis was limited by the Civil Code for over hundred years. Such incorporated organizations were required to secure funds that smaller NPOs normally can not afford. In January 1995, the Great Hanshin-Awaji Earthquake gave rise to cooperation by a large number of volunteers, and the effectiveness of such activities caught the attention of policy makers. NPOs are now one of the viable means for implementing programs in the public interest in cooperation with the public sector (Gidron, et al. 1992). This turning point is embodied in the Law to Promote Specified Nonprofit Activities of 1998. There are twelve authorized types of NPO: health and welfare, social education, community development, environment, culture, arts, human rights, international cooperation, and so forth. Prefectural governments hereby serve as competent authorities for certifying those NPOs seeking incorporation, and to assist these NPOs in the activities in line with their purpose.

The law will take effect in December 1998. An often cited public-private partnership would be enhanced by this law in spite of a lack of tax exempt status with the incorporation, as is often the case in other countries. Local governments are expected to provide assistance and to develop cooperative relationships with these NPOs.

Performance Management: Neglected Aspect

While performance management is a latecomer to Japanese public

administration, the practice is spreading particularly among local governments. Changes are occurring in central ministries, too. This is a response to criticism by the citizens. A General Accounting Office to conduct audits for the national legislature was proposed, and resulted in broadening the function of the Parliament and the National Board of Audit. In addition, the 1998 legislation for administrative reorganization includes provisions to require every ministry and agency to initiate policy evaluation, and to establish an organization in charge.

It is, in fact, the strategy of the Management and Coordination Agency (MCA) to have existing administrative inspection incorporated into policy evaluation. The function was once challenged in 1997 in that it lacked credibility being an internal form of audit by the bureaucrats against bureaucrats. A separate institution such as US General Accounting Office was proposed by the leading opposition party, and the Inspection Bureau of the MCA would be merged with this new organization. To enhance performance management is necessary for the inspection function of the MCA to survive.

Although 'executive agency' is resisted in the central government, the new trend of management (New Public Management) is well received and accommodates voters' preference for entrepreneurial and innovative leaders in local governments. Citizen-based government has appealed to voters and the mass media. While the central government is inherently in a difficult position to streamline the decision process, governments at the periphery can be guided by the chief executives who are dominant in local politics.

Representative examples are "result-oriented" management. While evaluation efforts are still insufficient in Japan, several innovations are under way. 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 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 *Reinventing Government* (Osborne and Gaebler 1992). 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 3,200 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.

The initial stage has cost US\$2 million. It is reported that the results were striking. In the first year, 268 projects were abolished, 142 were restructured, with a saving of over US\$50 million. The second year the corresponding figure was a US\$30 million savings.

The overall effects are not limited only to the savings, but extend 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. Other prefectures have begun to join this shift toward performance management.

Administrative reform at the local level has a limit, however. For one thing, basic legal and financial structure is set by national laws, and a local government has smaller discretion in affairs entrusted by the central government. While fiscal hardship compels local reforms, once implemented, these reforms would be evolutionary.

Decentralization

Decentralization here does not refer to a political one. Politics is more decentralized in Japan than Britain or France, and Japan is more like Germany and the United States (Richardson 1997, 245-50). Recent administrative decentralization trends aim at enhancing political authority of local government and improving efficiency and effectiveness of service delivery.

Decentralization has shown only modest legislative progress between 1993 and 1998. While these efforts tried to involve a federal style arrangement, the current status is a minor change of intergovernmental relations.

Three major interrelated characteristics of the Japanese local government system can be identified as: (1) a wide range of functions administered by local authorities in an unitary system; (2) the fusion of tasks and finance; and (3) a tradition of frequent transfer of personnel at the executive level (Furukawa 1998).

The size of local government can be demonstrated by the fact that two-thirds of government expenditures are local (OECD 1994). 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 the Agency Delegated Function (ADF) system. Such a peculiar arrangement introduced after World War II 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 the 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 fall under this ADF category, as do 30-40% of municipal government functions. A high degree of financial security corresponds to tight central control (CLAIR 1997). There are over 800 elite bureaucrats at the center recruited as managers of local governments, including vice governors, vice mayors, and heads of departments.

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. In the late 1980s, a modest revision was made to the devolution of welfare administration.

The political realignment which had already started in 1992 enhanced the decentralization trend. The Japan New Party established in 1992 initiated this trend, led by Morihiro Hosokawa, a former two-term governor of Kumamoto Prefecture in southern Japan. Political parties and groups in ruling and opposition parties advocating decentralization were gaining much attention and clout in national politics. The breakup of the ruling party in 1993, creation of a new coalition government led by Prime Minister Hosokawa, a freshmen in the Lower House, was followed by the split of this coalition in 1994, and formation of a new coalition consisting of the LDP, *Sakigake* (Harbinger), and Socialists, under which major steps towards decentralization were put forward.

The bill was approved by a majority on May 15, 1995, and the Commission for Promoting Decentralization (CPD) started. Although the law stipulates the division of functions of central and local government, the basic nature was to found the Commission. Central government is stipulated as being 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. One eminent player in the legislative process, currently vice minister for Home Affairs, notes that such idea of limiting state function is derived from federal principles (Matsumoto 1996).

After fierce interdepartmental negotiations with the Commission, four recommendations were presented to the Prime Minister in 1996 and 1997. And these recommendations were consolidated into the 'Decentralization Plan' as a decision by the Cabinet in May 1998. Legislative process is under way to enact major laws in 1999.

While the content of the Decentralization Plan is diverse, it can be summarized into two basic areas. First, an overhauling of the basic framework of existing functions of local authorities. The recommendation stressed the abolition of current Agency Delegated Functions (ADF), and a new classification of intergovernmental functions: autonomous function and entrusted function by law. It is expected that approximately 60% of the total local government functions will fall under the autonomous function, whereas the entrusted function will be less than 40%.

The second feature is less central control. Since most domestic functions are already implemented by local governments, few specific types of devolution were included. Instead, less central intervention and involvement was emphasized, and a new rule for central-local relations was addressed: (1) Central involvement should be based on law or cabinet orders based on law; (2) General laws shall be enacted for the procedure of central involvement; and (3) Fair and transparent principles shall be applied to the procedural guidelines, and a standard processing period.

The real problem is the lack of zeal of local government for decentralization. Not all local governments are willing to have more leverage in the revenue raising capacity. This is perhaps because so many of them have suffered from a lack of resources, relied on intergovernmental transfers, and fear the loss of revenue due to a decentralized fiscal system. This orientation is a real constraint to the negotiation power of the Home Ministry against the reluctance of the central bureaucracy to delegate major functions. The Ministry, representing local interests in the Cabinet, would be precarious. Akizuki correctly points out its ambivalent nature, stating

that it is an advocate of local autonomy, but that it is the most strictly institutionalized for central control over local governments (Akizuki 1995). Coherence and integrity of Ministry of Home Affairs would not be sustained in the merged Ministry of General Affairs.

With the institutionalization of a single-seat constituency for the Lower House, a balance of power in regions has turned out to benefit governors and mayors. However, this increase of power to localities cannot be easily translated into policy making power in government. This is because of the lack of a constitutional framework to guarantee the formal representation of local government in Japan's Parliament which is not comparable to the U.S. Senate or German *Bundesrat*. Nor is there allowance for any duplication of public office between national and local governments, like in France. Bureaucratic controls work more easily here. Hence, decentralization will not be fostered easily.

4. Politics of Administrative Reform

The nature of reforms in the early 1980s represented the ideology similar to that of Thatcher and Reagan. It is indeed a reform coincided with the reforms in many countries (Savoie 1995). Administrative reform by advisory committees for consensus-building by experts/professionals and representatives of interest groups have been prevalent. It is suspected in Japan that real scenarios are drafted by bureaucrats, and the implementation of recommendations are also in their hands. Where then is the political authority? This type of decision making process works well while the people's trust in government remains strong. But with the currently prevailing distrust in government, even a committee headed by the Prime Minister himself may not be workable. Disintegration of the ruling party was reflected in the process. Very often, this disintegration is a reflection of the compartmentalization of the bureaucracy. Here is another perspective which includes the bureaucratic nature of government (Page 1992).

The first point is the supremacy of bureaucracy. It is a prevailing notion in Japanese society where bureaucracy preceded democracy. Undemocratic as it may sound, those engaged in public affairs selected by the state through rigorous competitive examination, e.g., bureaucrats, are often regarded superior to those who are elected by popular vote (Kaji 1996).

Bureaucrats are the tool of governance of the central authority, not the civil servant. It is similar to the concept of *Rechtstaats* of Germany where the predominantly judiciary trained higher civil service is an integrating force (Derlien 1995). The dominance of bureaucracy can be traced to the idea of *samurai* in the Tokugawa period (1603-1868), and the Chinese ideology of governance. After the Meiji Restoration these classes were turned into bureaucracy, and the relationship between administration and society was 'officials honored, people despised.' The power is derived from the status as a servant to the Emperor. The word 'civil servant' had little place in the traditional Japanese concept of bureaucracy (Krauss 1995) where an authorization of 'public interest' was monopolized by government. A well established civil service based on the competitive examination from prestigious universities still remains (Koh 1989). In spite of recent scandals, the bureaucracy is the only elite group in the society (Drucker 1998). The recruitment process of elected officials is quite limited in Japan, where almost 50% of the members of two Houses are sons/daughters or relatives of former members. This narrow source of talent is penalized by the overreliance of the ruling party on the bureaucracy for policy making. Hence the political authority is shared by both politics and bureaucracy.

The second point is an organizational factor. Almost always administrative reform is initiated by political motivation to enhance political leadership. Only a handful of bureaucrats join the reform effort, but these bureaucrats do so with professional and organizational motivation. A bureaucratic organization is able to negate cabinet decisions. This is possible because there are only two political appointments for each minister: chief secretary and parliamentary vice minister. Administrative Vice Minister, a supreme bureaucrat is under the civil service, and protected by law. An average term of office for Ministers of State in recent years is less than one year. It is thus difficult to implement the policy intents of the ruling parties (Pempel 1984). This type of weak organizational control is a factor to be emphasized. A radical organizational reform is also resisted by the civil service in other countries (Christensen 1997).

However, the thesis of power of officialdom (Tsurutani 1998, Johnson 1995, Wolferen 1989) should not be overemphasized. Legitimacy is in the hands of elected officials in government based on the new Constitution of 1947. An assumed notion of bureaucratic dominance is a fallacy. This

dominance is constrained by political process to the extent that legislation has to be authorized by Parliament. The nature of the process is not at all one way. The early retirement system for the "fast track" requires the central bureaucracy to find second careers in public corporations and private firms with a ministry's jurisdiction (Koh 1989). A reform of special public corporations would decrease an opportunity for "descent from heaven." Thus the bureaucracy would be a captive of politicians in the power game.

It is true that there is interaction between bureaucrats and politics, characterized by the cooperation among those sharing common expertise (Kato 1994). While the dominance of bureaucracy is declining because of its failure to adapt policy positions to the new social and economic environment in recent years, it is still believed that political control over bureaucracy is historically weak in Japan. There is a convergence of politicians and bureaucrats in policy making, a roughly similar pattern in all advanced countries (Muramatsu and Krauss 1984). The influence of party power is enhanced by the close network of elected officials and bureaucracy intertwined in functional committees of the ruling party. Administrative reform does not fall under the category of such special interests, and is susceptible to the opposition from such tribes connected with each bureaucratic organizations.

Conclusion

Administrative reform in Japan has been a history of failure in the latter half of this century. It seems that it will remain so in the foreseeable future because of the lack of political authority. It may sound strange that bureaucrats resist the decisions of the Cabinet to which their Ministers belong. They do not behave as servants to the master, but instead seem to influence the master. Ministers of State have difficulty straightening out the implementation plan of administrative reform. It is questionable how far the original intention of the Cabinet decision will be realized.

The first RINCHO was modeled after the Hoover Commission of the USA. While the recommendations were reasonable, very few of them were ever implemented. Economic growth that followed eschewed the real problems Japan was to face in later years. The Nakasone Administration was an exception in succeeding to privatize three national corporations. It is true that the then failing national railway system is now back in the black,

but the real core bureaucracy was untouched, and the prevailing management practice has not changed.

In the 1990s, the existing coalition government lacks a political authority and failed to relate the New Public Management type of practice, though a bit of it is included in the Law of Central Government Reorganization of 1998 in the provisions for a Japanese type of 'agency,' and a new policy evaluation scheme. The Administrative Committee was not afforded legal standing. The Prime Minister believed that he displayed decisive leadership by presiding over the Administrative Reform Council. Such an unorthodox process symbolizes the country's weak political authority. Effective political authority is constrained by interministerial rivalry, too. This lack of political authority is also found in the process of decentralization.

While a political realignment, and declining power of bureaucracy would lead to the comparative advantage of the political authority, the incentives, bargaining power and strategies of political parties and bureaucracy may not be much different in the next century.

Note

1. The largest amalgamation would be the Ministry of General Affairs with the Management and Coordination Agency, the Ministry of Home Affairs, and the Ministry of Posts and Telecommunication, followed by the Ministry of National Land and Transportation, consolidating Ministries and Agencies of Construction, Transport, National Land, and other regional developments. The Ministries of Health and Welfare, and of Labor would merge, and the Environmental Agency would obtain a ministerial status.

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