

Intergovernmental Relations in Japan: Models and Perspectives

Michio Muramatsu

Abstract

This paper argues that changes in intergovernmental relations in Japan in the post-war period are best understood in terms of an *integrationist* as opposed to a *separationist* model. While the latter model emphasizes the benefits of autonomy for local governments and of competition among them, the former stresses the benefits of minimizing coordination problems and building capacity through the sharing of staff and responsibilities among different levels of government.

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Foreword

This paper was prepared for a project on Local Government Development in Japan. The project was organized by the World Bank Institute under the auspices of the Program for the Study of Japanese Development Management Experience financed by the Policy and Human Resources Development Trust Fund of the Government of Japan.

The principal objectives of this Program are to conduct studies on Japanese and East Asian development management experience and to disseminate the lessons of this experience to developing and transition economies. Typically, the experiences of other countries are also covered in order to ensure that these lessons are placed in the proper context. This comparative method helps identify factors that influence the effectiveness of specific institutional mechanisms, governance structures, and policy reforms in different contexts. A related and equally important objective of the Program is to promote the exchange of ideas among Japanese and non-Japanese scholars, technical experts and policy makers.

The papers commissioned for this project cover a number of important issues related to local government development in Japan. These issues include: the process of controlled decentralization; increasing political inclusiveness; redistributive impact of local taxes and transfers; allocation of grants; municipal amalgamation; personnel exchanges; personnel policies; agency-delegated functions; and local policy initiatives.

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Intergovernmental Relations in Japan: Models and Perspectives

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Introduction

Developments in intergovernmental relations in post-war Japan can be divided into roughly three periods, although the dividing lines are rather blurred. The first period spans the late 1950s and the early 1960s. During this time, economic growth was the highest priority of the national government. Economic development carried with it both negative and positive consequences. Environmental degradation and social tensions racked Japanese society while rising incomes and greater leisure time were most welcomed. The second period extends from the mid-1960s to the mid-1970s. During these years, important political changes occurred, particularly in local elections, the attitudes and behavior of the electorate, and the policies of the major political parties toward local politics. In the third period, which began in the late 1970s and continues today, Japan has confronted two major issues: fiscal pressures and the impact of internationalization on the economy and polity. The roles of the central and local governments in Japan have changed significantly over the course of these three periods.

These changes are best understood in terms of an *integrationist* as opposed to a *separationist* characterization of the Japanese system. According to Kjelberg and Dente (1988) there are "two competing ideological perspectives of contemporary local self-government: a) the autonomous model (wide discretion, limited range of tasks and minimum interference by central government) and b) the integrated model (large range of tasks, intertwining of local and central government competencies, and central steering through partnership)." An important difference between the two models is in the implementation mechanism, which can be operated either through national field agencies or through local governments. In the Japanese case, central-local relations demonstrate the characteristics of the integrationist model just defined with local governments performing dual functions. In this respect, the Japanese case could be regarded as a variant of the European model. In the related discourse of Japanese political science, however, most scholars have emphasized the strong administrative intervention of the central bureaucrats in the affairs of local governments and defined the Japanese system as centralized, which differs from any European model.

Under the separationist model, the functions of the central and local governments are clearly defined by national law. The functions of the central government are categorically carried out by the field agencies of the central government itself, rather than through the delegation of functions to local governments. Since the functions of local governments are clearly specified, they are not supervised by ministries of the central government as long as the functions are regarded as local, thereby instituting local autonomy. These local governments are under the judiciary. Parliament, however, can make laws to change the power and role of local government in case of a conflict of interest with the central government. In addition, local authorities have no powers beyond those given in parliamentary statutes.

This description of the separationist model basically rules out any ambiguity of responsibility between the two levels of government—they are mutually exclusive in performing their respective functions, unless national laws set new mandates for sub-national governments. When the central government decides to change the power structure of central-local governmental relations, however, local governments may be at a disadvantage, precisely because they have no voice in the central government. This pattern is seen in the United Kingdom because of the absence of an institution such as a Ministry of the Interior representing the opinions of local governments.

In the integrationist model, the division of central-local functions is blurred, because the delegation of central governmental functions to local governments is common and loosely defined. In the typical legal formula of this model, many functions belonging to the central government are delegated to local government. Furthermore, prior to the reforms of 1999, many loosely defined functions were stipulated as a block in Article 2 of the old Local Government Act. As will be explained later, this meant that local governments could initiate new policies more easily than is the case in the separationist model.

Historical Development of the Japanese “Integrationist” Local Government System

After two decades of trial and experimentation, a formal local government system was introduced around 1890 in Meiji Japan based on arrangements then prevailing in Germany. Germany was a natural choice as a model, because both countries became nation-states in the 1880s, after long feudal periods. The system tended towards central control in several respects. The Ministry of the Interior controlled the meso-level prefectures by appointing the governors; they, in turn, controlled the municipalities. The minister of the interior, governors, and mayors thus formed the administrative hierarchy. Between prefectures and municipalities, there was a district government known as a *gun*. Local governments (small cities, towns, and villages, hereafter municipalities) carried out national functions within the legal framework of agency delegation in addition to their own business which, except for large cities, was not much more than civil registration and the management of schools. Under the practice of agency delegation, mayors were legally required to work as agents of prefectural governors and central ministers. The local and central governments worked together to implement public policies in a considerably centralized system. Mayors were elected at the local councils; council members were elected by the public although the right to vote was still limited to those who paid a certain amount of tax. The political parties gradually mobilized the residents, using local councils to enhance local democracy and to express local interests to the central government. There was progress toward decentralization in the 1920s, as manifested in the extension of suffrage to all adult males and the abolition of *gun*-level government to loosen central control over municipalities. Wartime mobilization, however, completely recentralized the country.

The reforms of the Occupation introduced American democratic elements into Japan. First, both governors and mayors were to be publicly elected, which made prefectures and municipalities completely self-governing bodies. This constituted a dual representation system of mayors and governors both based on direct election by the people and newly empowered local assemblies or councils. Second, the Ministry of the

Interior was abolished. Third, many direct democratic methods, such as recall and initiative, were adopted.

Several characteristics of the prewar integrationist model remained, however. First, as pointed out by Kurt Steiner (1965), the practice of agency delegation was retained. Under this system, major programs of the central government were delegated for implementation to prefectural and municipal chief executives who could, in principle, be removed for non-compliance by central government authorities. Second, the Ministry of Home Affairs was set up in 1960 as a successor to the pre-war Ministry of the Interior, although its character was not quite same as that of the latter in the prewar period.

In this way, Japan mixed the pre-war integrationist model with the American separationist model in a distinct manner. Over time, the basic features of this model have remained constant despite many attempts to pull the system one way or the other. An early example of the attempt to re-configure the system was the US-dispatched mission of Dr. Carl Shoup in 1949 to examine central-local relations and local finances. He and other Americans urged a clear definition of government functions (the principle of making administrative responsibility clearer) and the distribution of these functions to appropriate government bodies, with due priority to the municipalities, then to prefectures, lastly to central government. However, this recommendation, which would have cast the Japanese system much more clearly along separationist lines, was not implemented.

On the whole, the inter-government system continued to feature strong centralized elements. This was thought to be conducive to the needs of catch-up modernization that was pursued by political leaders with great determination into the early 1970s. It was thought that the goal of modernization could best be achieved through a hierarchical system of inter-government relations in which the central government should take the lead. This was not uniformly popular, of course. Many Japanese political scientists and political leaders complained that the new system of local government did not fulfill their expectations of greater democracy. On the other hand, some political leaders were not satisfied with, in their words, "over-democratization." For example, in the years immediately after the Occupation, Japanese political leaders reformed the local governmental system to centralize the police and education functions. Their aim in doing this was to adapt the new system to Japanese soil. Over time, however, the Japanese mixture of separationist and integrationist elements proved to be sufficiently flexible to satisfy public opinion. The conservatives gradually made their peace with the postwar system. Later, the leftists also discovered that they could exploit the new system to promote their political power at the local level, and then extend their influence to Tokyo.

The Japanese local government system has been institutionalized in a manner that delicately intertwines political and administrative linkages. The traditional linkage has been that of bureaucratic control over local governments, an interpretation which has led many to consider Japan to be a centralized form of government (Ide, 1972). Bureaucrats have clearly been important actors in the Japanese system and decisions made at the central ministries concerning economic growth have had an enormous impact on the political, economic, and social life of the local communities. Bureaucratic domination forms the basis of a conceptual description of the Japanese model popular among Japanese political scientists which may be called the Vertical Administrative Control (VAC) thesis. However, there is another school—the Lateral Political Competition (LPC)

thesis which regards bureaucratic forces as major but not necessarily dominating factors in central-local relations. Political factors are equally, if not more, important.

The second thesis essentially states that "politics should be brought back in" considering it unlikely that the national government's ambitious plan for regional economic development in the 1950s and 1960s could have worked so efficiently if political elements, such as the Conservative Party, had not been very strong. The consolidation of the two conservative parties into the Liberal Democratic Party (LDP) in 1955 created the kind of conservative strength that was needed to promote economic growth. In this thesis, the policy initiative at the local level, within the context of competition among localities, is regarded as an important ingredient of Japanese central-local relations. In addition, the process of decisionmaking concerning local policies at the national level (involving political parties) should be one important dimension of the analysis of Japanese local government. The conservative political party established its power in relation to both the opposition parties and also the national bureaucracy in the 1950s to some extent. As a consequence, it has penetrated the bureaucrat-dominated institutional linkage of central-local relations. In this way, a reciprocal consultation system emerged between locally elected politicians and bureaucrats, both at the center and at the periphery in the process of implementing policy decisions. Similarly, certain political practices of the national-local linkage in the so-called 1955 regime came to prominence (Muramatsu, 1998). Among these practices was the rivalry among central ministries competing for local resources. The LPC thesis reveals the essence of post-war politics, namely, an increase of party influence, a development long ignored in Japanese political science.

Both the bureaucracy and political parties are important to an understanding of Japanese inter-government relations. Negotiation and bilateral exercise of influence is more common in Japan than in the countries of the separationist model. The Ministry of the Home Affairs is supposed to be a national spokesman for local interests *vis-a-vis* the other central ministries, while tries to it also control local governments. In the Japanese two-tier system, prefectural governments serve as intermediaries for the two-way communication of the interests of the central and local government. Through this process of bargaining among the levels of government, local governments are able to take part, and they may be able to exert influence in the policymaking of the central government. On the whole, Japanese central-local relations are similar to those seen in European continental countries, rather than to the separationist model of Anglo-Saxon countries. In the Japanese integrationist model, the shift of emphasis from VAC to LPC can be explained by the increasing importance of the election campaigns for public office. Local governments have initiated many programs through the election of chief executives and members of assemblies or councils. Administrative control from the center has been indispensable and complementary.

In the early 1970s, Japan experienced a case of political conflict between the central and local governments. This was the period characterized by divided opinion about a number of political and policy issues, such as pollution and other environmental problems, and Japan was searching for the solutions. However, even before the 1970s, there were many such conflicts concerning central and local governments related to economic problems. Local communities sought to preserve their own business interests and way of life, while the national government was trying to nationalize the economy and the standards of the public services. In the 1970s, conflicts inherent in central-local

relations became apparent when the high value placed on economic growth by the Japanese national government was rejected or criticized by local communities with differing policy priorities. Furthermore, local policy initiatives had a reverse impact on national policy outcomes during this time. Local governments dominated by the opposition parties were successful in the late 1960s and early 1970s in criticizing the growth-centered policies of the national government. Crucial here were the so-called *residents' movements* and the increase of leftists in local governments (McKean, 1981). In this period, Japanese local government responded by expanding its role as policymaker in environmental, city planning, welfare, and many other policy areas on its own, as well as in its role as an agent of the central government. The decade of the 1970s was a transitional period for local governments.

In the 1980s, however, the Japanese government faced a new issue: financial difficulties. The Second Provisional Administrative Reform Commission (SPARC) assumed the responsibility for tackling this issue, and it succeeded to a significant degree in attaining its goal through the privatization of large government corporations and other measures. In contrast to the previous decades, when both national and local governments expanded public expenditures, they were now urged to prioritize and down-size such programs. SPARC also recommended decentralization as a way to rationalize expenditures and reduce fiscal pressures, a recommendation that gained further momentum when the Decentralization Promotion Committee was established in the 1990s.

The Integrationist Model in Practice: The Case of Area Economic Development

In Japan it is the mixture of political and administrative elements that has contributed to the maintenance of the coherence and the integrity of the national community. If the role of politics is to maintain the integration of diverse interests, then in Japan the national bureaucracy has assumed a large part of this responsibility in relation to diverse local interests. However, the role of political parties has grown; it has always included final say in policy decisions. The burden assumed by the bureaucracy gave legitimacy to its power to participate in policymaking, its important part in budget planning, and its financial supervision over local government. Administrative bureaucrats collect information concerning what people desire through the appropriate prefectural and municipal government agencies and from other political actors. They also ascertain programs necessary to satisfy the people. The important linkage between local and central governments is provided by the process of preparing the annual budget, which requires negotiations between national and local officials. The national officials refer to it as a "hearing."

Through these negotiations, budget officials in each ministry evaluate the real necessity for each item requested by local governments and then prepare their own budget. Each ministry's tentative budget is then submitted to the Ministry of Finance, which has final authority before the cabinet considers the overall budget. Without this negotiation process, according to a central official, the national government would not have a clear idea about what local governments need. Thus, bureaucratic control by the center does not mean the neglect of local requirements. Indeed, information flows are an important element in the administrative linkage between the center and local governments in Japan. Financial flows are a second important element in the relationship.

The grants-in-aid system and the system of approval of loans to local governments have allowed bureaucrats at the national level to supervise the localities. Local governments in Japan have typically raised only about 30 percent of their revenue through local taxes. For the rest of the money they need, they have to rely on the national government, and there is a large amount of transfer from the national account to the accounts of local governments. Local governments could receive more money if they succeeded in persuading the ministries of the national government of their necessities and urgencies. Therefore, local governments have to use all the means at their command to maintain contacts with the national officials concerned. This has led to a psychology of dependency on the national government. Many social scientists criticize this financial system for its diminution of local autonomy. In the financial framework of Japanese local government, this huge amount of transfer is one of the key factors to be analyzed for the analysis of local governments. However, the necessity to equalize the unevenly distributed tax resources is inherent in the logic of politics based on national elections. This process of transfer has effectively equalized the regional difference.

A third element of the central and local link is to be found within the interpersonal relationships of administrative officials. It is said that in the United States, administrative officials tend to be loyal to their own professions in the fields of education, social welfare, and law enforcement, rather than to juridical organizations. This kind of loyalty contributes to the national standardization of regulations and the delivery of services in related professions. The loyalties of administrative officials in Japan also broaden and strengthen national standards, but in a different way. In Japan, an administrative official usually remains in national ministries until retirement, but is often transferred from Tokyo to field organizations or local government. There is a special system of transfer for higher-level national civil servants from central ministries to local governments (mainly to prefectural governments). For example, an official in the Ministry of Construction will likely be transferred to a key post in that section of a prefectural government, then called back to Tokyo, and later fielded again to other prefectural governments. Through these transfers of officials, the ministry can execute the programs under its jurisdiction with relative ease. Conflicts among the ministries at the national level, however, tend to move down to the local level through this practice. Conflicts at the center accompany the delegation of functions (Samuels 1983).

Political influences are also important. The relative importance of the bureaucracy declined after the consolidation of the conservative parties in 1955. Political pressures from politicians and public officials of local governments on the budgetary process and regular administrative activities, transmitted through ruling parties, became more common and obliged the ministries to hear more about local requests. Localities have begun to use the LDP or other parties in power to channel their pressure on national administrative decisions. According to procedures established gradually since 1955 budget officers of the ministries consult with the Policy and Research Committee (*Seimu Chosakai*) of the LDP when preparing budgets. In a system of shared functions in the integrationist model, local functions can potentially suffer and may also benefit directly or indirectly from changes in national policy. In order to discuss and influence these policy changes, local political leaders used to visit both the ministries of the central government and the policy committees in the ruling parties, the *Seimu Chosakai* of the LDP in particular, to explain their needs and problems.

Under the new political structure in which the conservative party was dominant, communications among the national bureaucracy, the business circles or individual businesses, and the LDP became more efficient. Thus, it became easier to approach economic development in a more calculated way. At the same time, however, the new structure tends to be more responsive to local pressures. Whether this is desirable or not is a separate issue. The National Development Plan of 1962 (*Zenkoku sogo kaihatsu keikaku*) gave effective guidance to the developmental plan of local government in the 1960s. Initially, the government-bureaucracy-advisory commission complex, the most important institutional policymaking arrangement, attempted to follow an economic approach to the location of new industries, which required investments to be concentrated in the Pacific coast area. Parliamentarians from the rural areas responded quickly by organizing the Council on Agricultural Policy. They insisted on the political importance of the underdeveloped areas, and were deeply concerned over the disparity of income distribution among regions. As a result, the general development plan eventually emphasized not the concentration of investment, but the correction of the regional gap in income distribution. In the early policy stage, 11 economic areas were to be selected for development, but tremendous pressure from the localities raised the targeted areas to 13, and eventually to 19.

Local governments contributed to economic development by inviting new industries to local areas. By the early 1950s, four major industrial areas, Tokyo-Yokohama, Osaka-Kobe, Nagoya, and northern Kyushu, were already so congested that an expanding industry could not find enough room to construct new factories. One of the roles of the national government in the plans for economic development was to encourage local governments to invite new industries to their areas and to persuade private industry to locate there. The national government created a special national aid policy that offered grants-in-aid to local governments willing to invest matching funds to pay for public facilities such as piers for seaports, industrial roads, and the like.

The local governments had reason to lure new industries into their areas in the 1950s and in the early 1960s. In this period, local communities suffered from financial deficits caused by increasing post-war demands for welfare and by expenses for recovery from disasters such as damage caused by typhoons. Another factor is the taxation system in Japan, which encouraged local communities to invite industries that would pay property taxes, enterprise taxes, and corporation resident taxes to their areas. Thus, in 1966 about 70 percent of all Japanese cities had created local ordinances giving incentives to new industries. Typical incentives included tax holidays, free land, and guarantees regarding the availability of public facilities such as roads.

Local communities not only enacted ordinances to lure industries, but they also were active in establishing direct contacts with the large industries of Tokyo and Osaka. In addition, local officials would go to Tokyo to persuade the officials of the national government to grant special national support to their cause. Locally elected parliamentarians and local politicians, along with local public officials, went to the LDP headquarters and to the ministries of the national government. It is in this area that the LDP has been effective.

In this way the New Industrial Cities Construction Act of 1962, based on the National Development Plan of 1961, provides a typical example of how the political route to central policy decisions has worked. The prefectures that wanted to be designated

as *new industrial cities* fought a battle of petitions. The new law promised to give special national aid and borrowing privileges to the designated areas to help them realize their plans for regional development. The national bureaucracy played an important role in guiding the local governments in defining the terms for inviting industries to locate in designated areas. But the administrative linkages alone, although important, did not reach groups of local constituencies as efficiently as the political linkages through the party structure were able to do.

The participants in the making of decisions on economic development were conservative politicians, central ministries, business groups, and groups from local areas. Other political parties and pressure groups, such as labor unions, tended to be excluded. The catchy phrase "direct relations with the center" (*chuo chokketsu*) was used by LDP candidates in local election campaigns to show their ability to get more benefits from Tokyo. There were many political consequences of the spread of industries in the new regions.

As a result of the closer relationships between the LDP in Tokyo and its local organization, local political decisions came to be influenced more strongly by Tokyo. For instance, in the 1957 election, Governor Shibata of Chiba prefecture had to switch from the JSP (Japan Socialist Party) to the LDP in order to pursue his program of economic development. The Tokyo LDP intervened in the 1962 election. Shibata, who was sympathetic to the preservation of agricultural land, was denied the LDP nomination. He ran as an independent but lost the election. Such closer relations between central and local governments made it possible for local politicians to exert influence over central decisions.

It is noteworthy that in this period specialists and experts in economics and planning increased in number and importance (but perhaps not in power) within the bureaucracy. At the national level, the Economic Planning Agency (*keizai kikakucho*) gained in prestige and power during this period. When conflicts among the central ministries over the leadership and jurisdiction of the New Industrial Cities Construction Act of 1962 stalemated, the Economic Planning Agency acted as a third party and assumed the contested jurisdiction (compare the recent decline of the same agency). The local governments were modernized in the sense that they acquired trained statisticians, planners, computer specialists, and others whose skills were indispensable in making master plans for development.

The opposition parties and their affiliated groups were excluded from the political process of economic development in the 1960s. Their exclusion, however, did not stop them from becoming interested in local communities. Of course, the reasons for their interest differed. The Socialist Party and the Communist Party became active in community affairs after the confrontation over the renewal of the Security Treaty with the United States in 1960. The treaty renewal was one of the most serious political issues in the post-war Japan, and public opinion was sharply divided. Those in the opposition attributed their inability to block the renewal of the treaty to the failure of their political ideas to reach the people in the local communities. They hoped that politicization and/or democratization of the electorate—that is, the fostering of an active concern with problems of national importance—would redound locally to the benefit of the opposition. Asukata Ichio's decision in 1963 to descend from the national to the local level by running for mayor of Yokohama was one of the first significant moves. *Communal democracy* was the guiding slogan by the opposition leaders such as Asukata or Minobe (Tokyo governors, 1968-1980) in this period, and in some sense it has achieved notable success.

The discernible community power structure in some areas changed. Newly developed areas experienced variable power shifts from traditional loci of influence, such as local notables and capitalists, to the new industries and the groups they patronized. Certainly the traditional bases of power were not rendered completely impotent by the incursion of the new industries, but political momentum moved away from them.

The New Age for Japanese Local Governments: Pollution and Welfare Programs

The late 1960s saw some important transitions in economic and political life in Japan. Rising prosperity was accompanied by a plethora of social and environmental problems. There was a strong feeling of failure in local governments regarding their efforts to target big industries. The expected increases in tax revenues did not materialize. Then came the problems of industrial pollution. These problems produced *residents' movements* to protest against pollution. Victories for the opposition parties in local elections in the highly urbanized areas proliferated and the political atmosphere changed radically. The terms of the discussion of development versus conservation, the issues that candidates emphasize in local election campaigns and popular attitudes toward the opposition parties had changed. The change in local campaign issues was an important index of changes in local politics. The opposition parties emphasized their own position of "direct relationship with the people," in contrast to the "direct relationship to the central government." Furthermore, conservative candidates shifted the focus of their campaign from growth-oriented to life-oriented issues. These political adjustments resulted in the broadening of people's involvement in politics. Also, the new policies received the endorsement of the New Left and the conservative administrations in big cities gradually acceded to new progressive imperatives. Two factors defined this new era of local politics: the mushrooming of residents' movements, and the increase in opposition control of local government. These are the highlights of central local politics in the 1970s.

In Japanese political culture, the people are often characterized as passive and obedient to government authorities. Therefore, the radicalism of expanding residents' movements in the 1970s took the national and local public officials by surprise. The residents' movements directed their initial attacks against industries that caused air and water pollution. But gradually they extended their criticism to local governments that cooperated with the companies and had the power to do something about environmental problems. Local governments were quick to change their attitudes towards the problem of pollution; the central government reacted much more slowly.

The increase in leftist local governments was another index of change in local politics. Leftist local governments here are construed to be those whose chief executives were elected with either the collective or independent support of opposition parties, which included the Japan Socialist Party (JSP) and the Japan Communist Party (JCP). When the Conference of Progressive Mayors was established in 1964, the original participants, who were mainly socialists, numbered only 10. By 1975 there were 140 official members. Candidates of the opposition coalition parties have won important offices in major prefectural governments: Tokyo, Osaka, Kyoto, Okayama, and Saitama (not counting Okinawa, where the political context is unique). Many big cities had leftist mayors, including Osaka, Yokohama, Kyoto, Nagoya, Kobe, and Kawasaki.

Several traits of the leftist local governments peculiar to this period are significant in characterizing Japanese local politics. One, the LDP was not able to guarantee the victory of its candidates in major local elections. As a case in point, it poured enormous amounts of money and political energy into the gubernatorial elections of Kyoto in 1970 and Tokyo in 1971. In Kyoto the issue was economic development: should the prefecture change its policy on development from negative to affirmative? Should it re-elect the present leftist governor or elect the conservative candidate? Against Mr. Torazo Ninagawa, the leftist governor of Kyoto who had long refused to accept the economic growth programs of the center, the LDP candidate tried to campaign on the strength of the party's direct ties to the central government, pointing out the importance of development. The LDP lost.

The Tokyo election between Minobe and Hatano in 1967 was fought on the issue of development versus conservation and on the candidates' attitudes toward the central government. The LDP was defeated decisively. Similarly, in the mayoral election of Osaka in 1971 to fill the vacancy caused by the death of Kaoru Chuma, the LDP could not secure the victory of its candidate.

These election results were evidence of the strong popular criticism of the economic policies of the party in power and the conservative ties between national and local politics. Still, power did not shift to the leftists, because the conservative party was able to maintain a majority, or at least a plurality, in the prefectural legislatures and local councils, in contrast to the chief executives whose political support base came solely from the left. Continuation of past policies was ensured, not through the chief executives and administrations but through the legislatures. Ichio Asukata, then mayor of Yokohama, used to say that while getting settled into his office, he felt like a man ferried by helicopter into the midst of the enemy.

In this period we notice that local governments began experiencing political dissension within their domain: until then, open opposition to programs was discouraged. For instance, in Kawasaki City in 1972, the mayor proposed a plan to conserve what greenery remained, but the city council rejected it. When the conservatives did not object to the specific policies proposed by the leftist executive, they made political issues of the important appointive positions. Deputy mayor, commissioners of the board of education, commissioners of the board of public peace (police)—these are the positions most likely to be political issues, because the chief executive has to appoint them with the consent of the legislature.

Another important observation in this period is that the JSP, the JCP, and/or coalitions of the two parties in urban areas gained a broader constituency. This was true in two respects. They won more votes than before, and they won more votes at the local levels than at the national level. The political implication was simpler than generally supposed. These parties were trying to criticize the economic policies of the LDP and the national government by supporting the opposition parties at local elections, while being content to keep the LDP in power at the center. However, what should be stressed was that the people were able to successfully use local elections to express their views.

Finally, leftist mayors and governors often encouraged citizen participation in city policies. The Dialogue with the Citizens in Tokyo and the Conference of the 10,000 Representatives in Yokohama are famous examples. But this type of political sloganeering did not contribute much to a real dialogue between the governors and the

governed. The citizens' political involvement resulted in the establishment or activation of citizens' counseling agencies, usually as part of a public relations section of government offices, in almost all highly urbanized areas. These institutions receive complaints about administrative decisions and dispense information related to city life to citizens. They are the Japanese version of the ombudsman.

The Reverse Impact of Local Politics on the National Policy Process

National-local political conflicts had a significant impact on national policies. The policy of a slow-down in economic growth was adopted by the national government partly in response to pressures from local politics although there were other influences as well such as trade conflicts with international trading partners. Local politics also began to exercise a more direct influence in some areas. There were numerous local policy initiatives that catalyzed similar national policy actions. In the field of pollution control, some local governments passed pollution prevention ordinances that established more rigid standards of prevention than those contained in the 1970 national law, and imposed penalties as severe as imprisonment. Many local governments had independent bureaus to deal with pollution matters much earlier than the establishment of the National Environmental Agency (*kankyo cho*) in 1970. When policy innovations were made in this area, local governments were quick to pass ordinances relating to environmental preservation. More than half of the 47 prefectural governments promulgated ordinances called "ordinance of nature preservation" (*shizen hogo jorei*). The national government, in turn, passed the Environmental Preservation Law in 1971.

Social welfare is another case of policy innovation. In 1960 the Sawauchi village government in Iwate prefecture adopted a policy of free medical treatment for the elderly; the village government paid for the individual share of the expenses of medical treatment, which was only partially covered by the national health insurance plan. Although it was reported that more than half of the municipalities in the nation adopted the Sawauchi village policy, the national government did not consider altering its own program of medical care for the aged until after the Tokyo metropolitan government, the popular leftist government, had done so. Many more exemplary local policy initiatives became the bases for national policies during this period. It is therefore appropriate to gauge how local politics exerted its influence nationally, using this period as a reference.

There are three channels that allow local policies to have nationwide influence. First, one locality can directly influence other localities, as in the case of agreements to prevent pollution concluded between local governments and big industries. Such is the case when the local government is expressly given legal power to act, or when the national law does not explicitly say anything about the problem. Second, one locality can adopt policies that are emulated by the central government, and then reach other localities. Such was the case of the free medical treatment program for the elderly in Sawauchi village and other local governments. Third, one locality can adopt a policy that, although rejected by the central government, is nonetheless adopted by other localities. Such was the idea of a quasi-electoral system to select the chief executive for the ward governments in the Tokyo metropolitan government. It seems that in many cases, the adoption of new policies by the leftist local governments had a strong influence on the national government. The conservative elements in local communities were compelled to

come up with a competitive political agenda to address local problems. For instance, when Tokyo adopted the policy of free medical treatment for the elderly, the local LDP politicians strongly pressured the central LDP leadership to pass this medical aid program for the elderly as a national law. Thus, mayors and governors in leftist local governments had proven their ability to govern, an ability that many Japanese did not expect to exist. They also exhibited great local autonomy, the lack of which was often lamented by political scientists and lawyers.

As pointed out earlier, some leftist intellectuals and political activists decided to bring their issues to the grassroots level in order to make the people understand their foreign policy stance, such as their disappointment over the failure to block the security treaty in 1960. The intensification of interest in effective local government by leading leftist mayors and governors was significant. The foreign policy positions of leftist leaders also exerted a major influence on central government policies, for example, Governor Minobe of Tokyo journeyed to Peking to help break the stalemate in Sino-Japanese relations. Similarly, Mayor Asukata of Yokohama refused access of city roads under his jurisdiction to American tanks and armored personnel carriers that were being repaired in Sagami-hara city. In order to show his disagreement with the presence of American bases in Yokohama, the mayor of the city took advantage of an ordinance that dealt with minimum weight of vehicle traffic by enforcing it strictly. Undoubtedly, these bold political moves affected national foreign policy, but it is not certain that those who supported the leftist administrations for their urban policies were also supporters of the left's foreign policy positions.

Fiscal Retrenchment and the Idea of Decentralization in the 1980s and 1990s

Inter-governmental relationships continued to move towards greater decentralization in the 1980s and 1990s but the principal channels of influence changed in the process. Instead of local government activism, the dominant influence came to be exercised by fiscal pressures and the challenge of liberalization or internationalization.

The main political issue in the 1980s was the budget deficit. 1981 saw the formation of the Second Provisional Administrative Reform Commission, an advisory committee under the Office of the Prime Minister, which had the immediate task of reducing government spending. This signified a change in the government's usual practice of reducing budget deficits, from raising taxes to adopting policies to reduce the size of government. Spending-cut policies worked for a while. In 1991, the government stopped issuing deficit bonds; however, as the bubble economy ran into serious financial trouble, Japanese public finance got caught up in these complications, which led to the burgeoning of budget deficits.

Under the ideology of small government, deregulation and cuts in grants-in-aid were urged and carried out. Welfare policies were reorganized, in line with the new financial reforms. In the Elderly Citizens Health Protection Law, the program providing free medical care for the elderly, was innovated, and small charges are now imposed on a daily basis. The people began to realize the limits of what the state could provide for them. At the same time, however, the national government ministries and agencies made every possible effort to substantially maintain existing levels of activities and tried to decentralize. In particular, the Ministry of Health and Welfare, in anticipation of an

ageing population, began the orderly and systematic mobilization of the localities, and health workers and volunteers were pooled. If it were not for the active participation of local governments, the national government's plans regarding welfare would not be realized. Interdependence between the center and localities expanded at this point. In the 1970s, interdependence was expressed by the national government issuing directives to the local governments through administrative linkages, while the localities indicated their wishes through political as well as administrative routes. From the 1980s, the two sides entered into a closer interdependent relationship, centered around the implementation of welfare policies.

Central-local relations in the 1980s already showed a trend toward decentralization. Yukinobu Tsujiyama (1996) observes that the politics of the 1980s was dominated by the administrative reform commissions. At the end of the term of the Second Provisional Administrative Reform Commission, a succession of commissions for the Promotion of Administrative Reform followed in 1983, 1987, and in 1990. Administrative reform during this period was the focus of major government initiatives, the primary concern being how to best restructure public-private sector relations and national-local government relations so that they would be in harmony with the necessities of the new international environment. The first report of the Third Commission for the Promotion of Reform stipulated clearly the direction of authority transfers that would serve as the basis for administrative reforms (a) from "the government to the private sector," and (b) from "the national to the local governments."

In the discussion of decentralization, welfare was the focus. According to Tsujiyama, "The task of the central government, and in particular the Ministry of Health and Welfare was, while relying financially upon the local governments, to construct an intergovernmental system which would allow national governmental control from an administrative standpoint." The national government's objective was to prevent the quality of administrative services from declining, on the one hand, while also preventing the competitive expansion of administrative services, on the other. Within this framework, four types of decentralization are possible: (a) a relaxing of the agency delegation system, (b) the transfer of authority, (c) expanded use of the so-called "corporate delegation" formula, and (d) a reduction of the national government's burden of grants-in-aid. With respect to the first option, a number of laws regarding agency delegation were revised in 1980s in the field of welfare.

On the whole, the local governments expanded their authority, albeit conditionally, over welfare policy. In particular, they assumed a great proportion of the financing of welfare. As to the prospects for the elderly, in 1979 the national government bore approximately 60 percent of welfare expenditures, but by 1987, its share had decreased to around 25 percent, and the local governments' share had increased to 60 percent. Similarly, the respective responsibility of the national and local governments concerning the financing of welfare programs for children showed a reverse pattern in 1986.

In this way, decentralization progressed through the transfer of authority to local governments. It did not appear, however, that the local governments used their increased policy prerogatives entirely as they wished. One reason for this was that the local governments did not have enough resources to use their discretionary powers to the fullest extent, an example being the use of welfare facilities when demands exceeded

capacity. If local governments liberalized the requirements for acceptance into a welfare facility, and they were lower than the national standard, they would end up funding such facilities at the expense of other items in the budget. A mayor faced with such a situation was more likely to adopt the welfare standard set by national ordinance as the maximum limit, and to invite the authority of the national government to justify his decision. By doing so, it was politically convenient to make the national government bear the responsibility, for setting the standard.

A second reason was that strong leadership declined in the local governments. An increasing number of local legislatures were made up, in effect, of just the ruling parties. While only seven prefectural governors had received the endorsement of 4 of the 5 major political parties (the LDP, Socialists, Komeito, Democrat Liberals, and Communists) before the 1980s, 12 had received such multiparty endorsements in 1983, and 18 in 1987. By 1992, this number had grown to 21. Among mayors (including the Tokyo Special District Chief Executives), while 83 (18.8 percent) had been endorsed by three or more parties in 1979, 306 (45.1 percent) had received such endorsements in 1989.

The number of current LDP-affiliated mayors on a coalition base is increasing. That is one of the reasons why local governments are unable to employ their discretionary powers to their maximum advantage. The mayors of LDP are increasingly becoming the ruling party, in effect, of municipalities (including the Tokyo Special District). The LDP endorsed or supported 55.8 percent of all of the mayors in 1983, but in 1989 this endorsement reached 61 percent. In the case of prefectural governors, 25 were LDP-affiliated in 1979. By April 1992, 36 had the backing of the LDP. Our observation is that the multiparty administration in prefectures and municipalities has difficulties in setting policy priorities.

The 1990s continued to witness further attempts at decentralization. The most recent series of reform proposals started with the passing of the Decentralization Promotion Act of 1995, the establishment of the Decentralization Promotion Commission, and Cabinet approval of the recommendations of the Commission in 1999. To change the Local Government Law in line with these recommendations some 500 individual laws were revised, making this exercise the largest reform of the local governmental system in the post-war period and illustrating the surprisingly vibrant character of policy change in modern Japan.

A key aspect of the Decentralization Reform of 1999 is the abolition of agency delegation to local governments. This had often been considered in the past but had never made it out of committee as an unambiguous recommendation. This time around, a compromise was possible because, with the end of the Cold War, political differences among committee members were more easily bridged. As this recommendation is implemented (following some revisions), we might expect a significant increase in the formal autonomy of local governments since 398 out of the 561 items currently under agency delegation would be transferred to localities to be carried out, or not, as their autonomous business. This may not, however, be an unambiguously positive development for local governments since financial resources to carry out the tasks previously conducted under agency delegation are not being automatically transferred. No major change is expected in the tax system although the ability of local governments to borrow is being enhanced somewhat. Leaders of local governments have expressed their disappointment with the decentralization proposal on these grounds. However, it is

possible that in the process of revision, the laws may build pre-consultation into the system regarding both newly created legally delegated business and the autonomous business in local governments.

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