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**Japan's Local Governance at the Crossroads:  
The Third Wave of Reform**

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# JAPAN'S LOCAL GOVERNANCE AT THE CROSSROADS: THE THIRD WAVE OF REFORM

Local governance today is a contested issue worldwide. In the 1990s local or sub-national governance gained greater salience under the forces of globalisation, technological advancement, deregulation and administrative reform - all of which present enormous challenges to local communities and the ways in which they can be governed effectively. Calls for reform of Japan's political system have featured prominently throughout the 1990s, as rhetoric and, to a limited extent, as policy. In Japan's highly centralised political system, local governments have struggled for autonomy from the national government. The reform movement of the 1990s has done more than simply advance the push for greater local autonomy. It has forced local governments to begin improving their performance while taking greater responsibility for local affairs. Unlike in earlier periods, reforms from the 1990s have been simultaneously top down and bottom up.

## **Introduction**

Local governance is today a contested matter worldwide. The decentralisation of government has always been a subject of intense debate in industrialised democratic states, since it involves the contentious issues of grassroots political participation and power sharing between levels of government. In the 1990s local or sub-national governance gained greater salience under the forces of globalisation, technological advancement, deregulation and administrative reform – all of which present enormous challenges to local communities and the ways in which they can be governed effectively. Central governments and local governments each have strengths and weaknesses in meeting these complex challenges. Thus, how and how much administrative power central governments will devolve are key issues in local governance around the world and are at the core of heated battles. With political life invigorated by a renewed emphasis on local action – as in the popular mantras of ‘think globally, act locally’ and ‘think locally, act locally’ – the public's expectation of the division of responsibility between the national and sub-national levels of government is shifting. Evidence is mounting that popular demand for reform can force national governments to hand over greater responsibility for local affairs to local governments. These demands can also force local governments to fulfil their own mandates more efficiently.

What do we find in the case of local governance in Japan? Certainly, calls for reform of Japan's political system have featured prominently throughout the 1990s, as rhetoric and to a limited extent as policy. Some degree of decentralisation has been intrinsic to this reform. Because decentralisation must involve some reconfiguration of responsibility between the national and sub-national levels of government, at its core is an intense struggle between political players for control. In Japan's highly centralised, unitary political system, local governments have struggled continuously for autonomy from the central government, seeking more responsibility for local affairs and more financial independence. From the early 1990s, in the face of serious economic downturn and political venality, the purpose of political reform has had two distinct strands – to improve the efficiency of government at all levels through streamlining for maximum cost effectiveness, and to cleanse the political system of corruption. The reform movement of the 1990s has therefore done more than simply advance the push for greater local autonomy. It has also forced local governments to begin improving their performance while taking on greater responsibility for local affairs. Unlike in earlier periods of reform at the local level, Japan's political reforms from the 1990s have been simultaneously top down and bottom up.

This paper identifies three phases in postwar local government reform, outlining briefly the features of the two earlier phases as a backdrop to understanding the current phase. In the current stage from the 1990s, a powerful new mix of forces from outside and inside Japan has activated more strident popular and official support for local government reform. Domestic forces were triggered largely by the ousting of the Liberal Democratic Party from 38 years of national rule in 1993. This enabled a small but crucial shift in political will as a few exponents of decentralisation finally reached positions of power in the central government. Legislation was introduced from the mid-1990s to transfer some central government functions to local governments. However, the entrenched interests of central ministries and agencies have continued to ensure that transfer of authority to local governments has not matched the legislation's original intent. We see transfer of administrative burden without transfer of control. Despite the centre's foot-dragging, political and economic imperatives for reform have enabled local governments to gain some responsibility for managing local issues and have forced many local chief executives to act more transparently and accountably. Local governments are nevertheless still hamstrung, particularly by tight central control over local government finances.

## **Earlier phases of local government reform**

### ***The first phase: early postwar***

Unlike many industrialised democratic states, Japan does not have a long tradition of power sharing between the national government and units below it. During the Meiji period (1868–1912), the ruling oligarches set Japan on a course of national modernisation to build a strong centralised state – one in which the central government was all powerful and regions and smaller local areas followed the blueprint prepared by their central masters. After centuries of disunity, a centralised system of government was seen as crucial to the task of national unification.

After Japan's defeat in World War II, the Allied Powers recognised that this system was part of the structure that had propelled the development of both a militarist government and an intense ultranationalist war effort. One of the Occupation's first reforms was political decentralisation to empower local administrative units and break the centre's tight grip. The aim was to sow the seeds of grassroots democracy to deliver stable, peaceful civilian government. The postwar constitution of 1947 enshrined the principle of local autonomy, giving constitutional status to local self-governance (Chapter VIII, Articles 92–95), unlike the Meiji Constitution, which did not mention local government. Measures to institutionalise this principle involved a series of laws including the Local Autonomy Law of 1947. Under these laws local chief executives and assembly members are elected by a direct popular vote and have some, albeit very limited, jurisdiction over local matters. Under the prewar system, local officials were appointed by, and fully responsible to, the central government.

These legal and institutional changes can be regarded as the first wave of postwar reform of central–local relations. Because this was an externally driven reform, imposed largely by the US, its roots did not run deeply. Many of these reform measures were twisted or reversed a few years later to return administrative power to the hands of the central government.<sup>1</sup> Strong opposition, especially from the political left, could not hold back the return of conservative political dominance at both national and local levels, and with this came a flagrant re-centralisation of government. Japan's rapid economic takeoff in the 1950s and 1960s served to legitimise this reversal by creating broad tacit acceptance of a centralised state as the essential means to national economic strength. Voters were generally satisfied with the results. Under these circumstances, central players were able to entrench their interests in a political system so resilient that it has sturdily withstood attempts for reform across half a century.

***The second phase: the 1970s***

Toward the end of the 1960s, Japanese voters were no longer satisfied with their government. Rapid economic growth had produced dire social consequences, which conservative politicians preferred to ignore. The people were aggrieved by substandard housing in rapidly expanding urban centres, poor health and safety standards for blue- and white-collar workers, inadequate medical services and, above all, industrial and other forms of severe pollution that threatened their well-being, and in some cases their lives. Citizens' movements began to spread across Japan in protest at the government's failure to take remedial action, but the conservative politicians kept their attention fixed on economic growth. Progressive political parties (mainly the Socialist and Communist parties) found themselves unable to take on the powerful, rigid conservative regime at the national level. So, with support from the citizens' movements, they effectively challenged conservative political parties at the local level. Progressive leaders were elected in large urban industrial centres such as Yokohama and soon the huge metropolises of Tokyo and Osaka saw the ascendancy of progressive governors (Steiner, Krauss and Flanagan 1980). After the 1975 unified local elections, one-third of Japan's population had progressive local governments (Takabatake 1975: 194): the second wave of local reform was underway at the grassroots level.

In the eyes of many, conservative rule had failed to deliver effective government beyond economic growth, and the progressive administrations offered some prospect of attention to social policy, at least at the local level. Many of the progressive local chief executives undertook bold social welfare initiatives, such as providing better medical services and more child-care centres. Strict controls were established to combat industrial and other pollution. These policy reforms made major improvements to the lives of urban and other industrial workers and their families.

Unlike the first phase, this was bottom-up reform, forced by a dissatisfied public and spearheaded by progressive leaders of local administrations. Like the first phase, although less blatantly so, it was about creating a more democratic political system. Its purpose was to invoke government that would be more responsive to the needs of the people. By refusing to respond to a deeply discontented public and pursuing its preoccupation with developing the economy at palpable cost to the well-being of a large majority of the people, the central government had opened up political space for local administrations to step in with reform.



Progressive local leaders not only pursued innovative policies, they mounted a serious challenge to the national government and its unyielding authority over local administrations. The issues of local autonomy and the relationship between local and central governments came under the spotlight. Newspaper headlines drew constant attention to vigorous citizens' movements and the striking new policy initiatives of progressive local leaders. Case studies of local policymaking in this period suggest that the Japanese state was less centralised than many observers assumed. These studies claim that local governments and their chief executives had significant leeway in policy matters, as demonstrated by their ability to introduce new policies and other reform measures in local administrations. At least one local government (Settsu city) had the temerity to challenge the national government on its methods of calculating local subsidies, eventually filing a suit against the national government.<sup>2</sup> In their own way, the progressive local administrations set domestically unprecedented examples of what public administration could achieve, and by doing so helped force the national government to revise some of its strategies to match the new popular policy directions.<sup>3</sup>

Ironically, perhaps, the reform that the local governments engendered can be seen as partly self-defeating for them. The central government's ability to minimally accommodate these domestic pressures weakened the thrust of the second reform wave. A crucial shift in the nation's economic circumstances enabled the central government to draw the people back on side (or at least contain their dissent) while making only minimal concessions to reform. During the bubble economy of the mid-1980s, many localities had excess cash and heavily embarked on construction of gymnasiums, halls, sporting arenas, roads, bridges and golf courses. The public had therefore had fewer grievances and less reason to challenge the central government's political status quo.

The political space served up to the local progressives by the unaddressed public dissatisfaction of the late 1960s and early 1970s began to dissipate. By the end of the 1970s, as the reform movement lost momentum, most of the progressive governors and mayors had retired from office or had chosen not to seek re-election. The national economic boom and the central government's subdued response enabled the centre to rein in the pressure for reform and, importantly, to retain its tight hold on the local administrations. Citizens' movements against the government's policies continued, but in an attenuated form. Voices calling for local reform were still present in the 1980s and early 1990s, and were coming from different quarters.

Nevertheless, no real progress was made in reforming local government after the second wave since the electorate generally had far fewer complaints than in the 1960s and 1970s.

### **The third wave of local government reform**

From the early 1990s, another shift in the condition of the national economy, this time a downturn into prolonged recession, set the stage for the third wave of local reform. Lubrication for this round of reform came after the 1993 national election with the end of the Liberal Democratic Party's 38 years of unbroken rule. In the wake of the LDP government's downfall, some advocates of political decentralisation gained positions of power within the government and were able to make their views known. Public alarm at the political corruption exposed in both levels of government added credence to the views of reformers. The recession also drove the push for cleaner, leaner government at all levels.

The end of LDP rule provided the opportunity for a few strong advocates of local government to secure influential positions in the new central government. As the Hosokawa coalition government (1993–94) and its series of short-lived successors pushed the agenda of political and administrative reform, decentralisation figured more firmly on this agenda. The end of the LDP's monopoly on power also prompted local leaders to more vigorously push for reform. The lesson they took from the LDP ouster was that the people clearly wanted their representatives to be more responsible and responsive to the needs of the people – a system that forced local governments to submit to central control was no longer tenable.

The local governments themselves felt the wrath of the electorate for funding unacceptable expenses from the public purse. In the recession the central government had to reduce its budget allocations to the local administrations, which were already exacerbating the financial difficulties that many of the local governments were already struggling because of falling local corporate taxes (a vital source of revenue for most prefectures and metropolitan cities). To make up for lost revenue, many local governments had borrowed heavily.<sup>4</sup> In times of relative economic hardship and much-discussed need for financial stringency, people were outraged at reports of local politicians' overseas 'paper tours' (*kara shutcho*) and of taxpayers' money being used for dirty political deals (*kan kan settai* – entertaining central bureaucrats to court subsidies and other favours from the centre). Residents began to watch local government expenditures much more critically and demand for government transparency grew further.

The global economy and major advances in information technology have highlighted how a centralised system slows or disables local governments from responding effectively to rapid change. Global competition in trade and commerce, and financial and market deregulation require swift policy responses at the local level to meet local needs or preferences. Hamstrung by the centre's tight grip, local governments have had very little control over what they can and can not do and have not been able to respond appropriately to many of these challenges.<sup>5</sup> Inflexibility has bred inefficiency in local government operations and meant lost opportunities and other economic costs from being slow to respond and hence uncompetitive in fast-changing situations. This adds further credence to the calls for decentralisation.

Media exposure of corruption in the central bureaucracy, assumed until then to be a bastion of propriety, forced members of the public to question not only the bureaucrats' intentions, but their ethical capacity to work on managing local matters. It was also made clear that dual responsibility for national and local affairs can present a conflict of interest for bureaucrats whose loyalties are clearly embedded in the central domain of power. Media exposure of bribery and other scandals had already brought to the public's attention the high level of corruption among the nation's politicians; indeed it had helped bring down the LDP. The image of the supposedly incorruptible, infallible central bureaucracy had been clean, but in the mid-1990s scandals in a number of ministries, including the most prestigious of them all, the Ministry of Finance, came to the public's attention. These scandals prompted rethinking of the axiom that central bureaucrats worked ingenuously in the interest of nation building. With this reappraisal, demands to decentralise authority became even stronger.

There are some distinctive features clearly marking the genesis of this third wave of local reform. Unlike the first two phases, it was not driven exclusively by external or internal forces. A mix of factors was responsible: globalisation and technological developments, political change in the central government, forces pushing anew for administrative reform, and stronger public support for decentralisation. Reform was not only advanced by politicians but was beginning to attract public support as corruption was exposed in government and bureaucracy at all levels, and as the recession increased the need for more efficient and cost-effective government. As in both earlier phases, the call was to allow local government to better represent the public's interests.

As before, there has been an unmistakable struggle for power between and within the two levels of government – the most enduring and inevitable characteristic of all local government

reform. Unlike before, the potent mix of forces driving the third reform wave have taken effect simultaneously from the top down and the bottom up.

## **Reform from above**

It comes as no surprise to find that in Japan's centralised system of government, the issue of reform concerns devolving, rather than reigning in, power from the centre. Calls for decentralisation have come up against an ardent struggle by the centre to retain power. The centre's recalcitrance has ensured that decentralisation does not mean devolution of power and responsibility, including over finance, but rather just a division of labour that gives local governments more administrative work. The centre's resistance has severely limited what reform can possibly achieve at the local level.

### ***Decentralisation as reform***

The strong push for decentralisation in the third phase of reform has had two distinct but inextricably linked purposes in aiming to improve the performance of both levels of government. One is to relieve the central government of some of its many responsibilities and the other is to make local governments responsible for their own affairs through transferring authority to them from the central government. Although the two aims are complementary, they are incompatible with the will of the centre. Since decentralisation is politically palatable with the electorate and administrative transfer is pragmatically palatable for central bureaucrats, the centre is happy to see the downloading of its administrative burden without real responsibility cast as 'decentralisation'.

The push for decentralisation had continued into the 1980s and 1990s even after the era of progressive local leaders in the late 1970s. Local leaders such as Governor Hiramatsu of Oita prefecture, Hosokawa Morihiro (governor of Kumamoto and later prime minister) and influential national leaders such as Ozawa Ichiro argued strongly in favour of decentralisation through these decades.<sup>6</sup> Ozawa, for example, suggested establishing a new Law on the Fundamental Principles of Local Government, aimed at transferring many of the domestic tasks performed by the national government and limiting central interference in local affairs. He strongly recommended the abolition of the system of 'assigned functions', whereby local leaders undertook a range of functions on behalf of the national government (Ozawa 1993: 77, 79). Notably, though, Ozawa did not advocate local financial autonomy, claiming this would lead

to large income gaps between localities (Ozawa 1993: 88–9). So although Ozawa favoured decentralisation, his views on the thorny issue of finance were consistent with those of the central politicians and bureaucrats.

However, because advocates of decentralisation and local government autonomy are of many different political stripes and have different views on the degree of autonomy required, they do not present a united front against the centre. Advocates of decentralisation include members of local government, citizens' groups, members of the public and, perhaps critically for the movement, a small number of politicians who have been able to register their views in the national policy debate. Because they have their own interests to pursue, these ideas are sometimes irreconcilable (especially on the crucial issue of financial autonomy) and they do not seriously challenge the centre's dominance in a way that can force decentralisation as true reform.

### ***Legislation***

The centre's predominance is clear in the outcome of legislative action, which is the most important way of achieving decentralisation. In June 1993 both houses of the Diet passed a joint resolution on decentralisation. All political parties from the conservative to the communist parties supported this resolution. Under the Hosokawa and Hata cabinets (July 1993 to May 1994), the issue of decentralisation was part of the broader agenda of administrative reform, which created the opportunity for institutional changes to begin. Yet the legislation was so weak, it was virtually assured that it would be toothless.

In May 1995 the Law for Promotion of Decentralisation (*Chiho bunken suishinho*) was passed with a validity period of five years. Two months later a seven-member Committee on the Promotion of Decentralisation (*Chiho bunken suishin iinkai*) was formed.<sup>7</sup> The law did not spell out the specific details of decentralisation, but instead empowered the committee to make recommendations to the prime minister. The committee consulted widely, including meetings with local leaders nationwide.<sup>8</sup> It produced one interim report followed by five other reports between March 1996 and November 1998. The interim report set out a number of possible changes, including clearly demarcating responsibilities between the national and local governments, abolishing agency-assigned (*kikan inin jimū*) functions and establishing new rules for consultation and coordination between the national and local governments.

To the great disappointment of many local advocates, however, the recommendations in the five reports were only watered-down versions of the interim report. The centre has been

particularly obstructive in the third wave of reform. Central bureaucrats saw the committee's decentralisation attempts as part of a two-fronted erosion of their power; the second being a plan to reduce the number of ministries and agencies from 22 to 12 as part of moves to improve the efficiency of public administration.<sup>9</sup> The committee has been blamed for buckling under pressure from central bureaucrats. Critics have argued that the real issue of local autonomy was sidelined by an emphasis on transferring administrative functions but not responsibility to local governments. While this transfer satisfies the need for economic efficiency, which is a main plank of central government's administrative reform agenda (Shiratori 1998: 3), it does not vitalise the system by giving responsibility for local matters to the local administrations. Instead, it ensured that the entrenched power relations this highly centralised system sustains would not be disrupted.

Handing over power has always been the most crucial step, and naturally the real sticking point, for decentralisation of government in Japan. Facing the prospect of losing responsibility for administrative tasks and financing (i.e. their power over the nation's political system), most ministries have fought tooth and nail to protect their interests. This argument has been in the name of maintaining national standards.<sup>10</sup> The central government's constant defence of its turf is that central control is the only way of preventing inequality in poorer parts of the country, and that local governments are too weak to deliver different social services effectively and equitably on their own. To whatever extent the central justification is valid, certainly the committee's neat separation of administrative function from overall responsibility was a convenient means of avoiding the power struggle that bedevils attempts to decentralise Japan's political system.

### ***Agency-assigned functions***

The legislative changes to agency-assigned functions were the most important achievement of this phase of local reform and the main way that administrative work was devolved. This system allowed the central government to assign or allocate functions to local governments, with local chief executives having to follow commands without assuming any legal authority for the tasks they must perform. The 1947 Local Autonomy Law originally listed 128 of these functions. The centre has continued to resort to this system to relieve its own administrative load: by the mid-1990s the quantity of assigned functions had increased fivefold so that local governments performed about 80 per cent of prefectural and 40 per cent of municipal services. The centre has

used the equality argument to claim that the assigned functions system helps equalise the quality of government programs provided nationwide (Nakamura 1999: 129).

The decentralisation advisory committee indicated initially it would recommend this system be abolished, but later retreated under pressure from the central government. The new law is a compromise. Functions are divided into two categories: *jichijimu* (local functions) and *hotei jutaku jimmu* (entrusted functions). Local functions are those that local governments perform to meet local needs, such as city planning, school education and some welfare policies. Entrusted functions serve the nation, but because of efficiency are carried out by local governments, such as the maintenance of family registers, the census and the administration of national elections. Under the new law, about 55 per cent of the former agency-assigned functions come under the category of local functions, with the rest being entrusted functions.

### ***Central financial control***

A crucial adjunct to the centre's tight administrative control is its financial hold on local governments.<sup>11</sup> Some observers recognise this financial arrangement as the source of the political corruption and administrative inefficiency that are the system's shortcomings and advocate greater financial autonomy as essential to local government reform. To many, the absence in the committee's reports of any recommendations to change the deliberately constraining financial dependence came as a shock. Most advocates of decentralisation and reform were deeply disappointed that local governments were to remain financially dependent upon the centre and saw that local government autonomy had been fundamentally compromised.

Indeed, retaining the financial status quo presents an obvious paradox. The centre's tight financial hold over local governments has provided the structure that is largely responsible for the corruption that reform measures are, at least theoretically, to clean out. The central subsidy for local projects and the central government's control over the issuing of local bonds to raise local government finances are recognised to have fostered pork barrel politics, *kan kan settai* and *kara shutcho*. These two particular features of the financial system have been the most hotly debated issues since the Shoup Mission in 1949 recommended that local governments be provided with their own tax sources. Yet they have remained untouched by the new laws.

Transferring administrative functions to local governments without adequate resources or independence to generate them will intensify the difficulties that many local administrations

already face. Smaller administrations with weak financial bases are particularly vulnerable. The burden of extra, unfunded tasks from the centre will force many of the smaller local governments to seek strategic alliances or amalgamation with other local governments so they can more efficiently deliver services. The implementation of the nursing care insurance system for the elderly from April 2000 will test many of Japan's municipalities since they will be required to provide an important service while being virtually completely dependent on the central government for finance.<sup>12</sup>

Indeed, a number of contentious issues, such as the transfer of national personnel to local governments, remain untouched by this round of decentralisation recommendations. Their absence highlights the polemic that surrounds government decentralisation and the extent to which the centre's entrenched interests make the present system resistant to reform.

## **Reform from below**

The LDP's fall from power and other economic and political imperatives have driven many local governments to initiate reforms aimed at providing efficient and effective government that is responsive to citizens' needs and is transparent and free of corruption. Although some local governments continue to resist forces for reform, others have taken initiatives that ensure reform from below will make some difference in delivering efficient, transparent and representative local government.

## ***Freedom of information***

Japan has lagged behind many industrialised nations in making government more transparent. The first serious initiative to allow public access to information was taken not by the national government but by a small town. The administration of Kaneyama in Yamagata prefecture was the first government body in Japan to establish an ordinance on information disclosure in 1982, some 17 years before the national government passed legislation on information disclosure (Abe and Shindo 1997, Chapter 12). According to a recent Ministry of Home Affairs survey, around 20 per cent of local governments have arrangements in place to allow public access to information (*Asahi Shinbun*, 11 July 1999), although many do not allow the public to see the deliberations of local assemblies or information on issues that are not covered by these ordinances.



In Niseko in Hokkaido prefecture, a town with a population of 4,540, mayor Osaka Seiji made all kinds of information publicly available when he was elected in 1994, including access to all meetings held at the level of section chief. The town office compiles information requested by residents and makes it available as soon as possible.<sup>13</sup> Mayor Osaka has had many ideas on improving the relationship between the administration and residents to allow a real partnership to emerge. Local governments nationwide have dispatched teams to observe these initiatives (*Asahi Shinbun*, 11 July 1999).

### ***A culture of efficiency***

Budget cutbacks have forced some local governments to seek more cost-effective ways of delivering their services. A move is now underway by some local governments to adopt a culture of efficiency and client service by adapting efficient business practices from the corporate sector. Some are hiring personnel from outside their bureaucratic ranks for senior positions as they are seen to bring new ideas and work creatively outside the rigid bureaucratic hierarchy.<sup>14</sup> The move is contentious given the flow of bureaucrats sent by the central government to work at and help regulate the local administrations.

### ***A culture of transparency***

Proving freedom from corruption has taken on new significance for the local administrations after the image drubbing from *kan kan settai* and *kara shutcho* allegations. One step has been to adopt business accounting practices such as profit-and-loss statements and income and expenditure accounts. By mid-1999, 135 local governments were producing income and expenditure accounts. The move has clearly been popular among local residents and has been an important means for local governments to win the public's confidence. According to a May 1999 report, many other local governments are considering adopting this system (*Asahi Shinbun*, 26 May 1999).

### ***A new breed of local chief executives***

Through the 1980s and 1990s, gubernatorial and mayoral election candidates were backed by a greater mix of political parties. These diverse political persuasions were sometimes an unlikely mix. This style of candidacy is called *ainori* (literally, sharing a ride). Large coalitions

of political parties have supported many winning gubernatorial candidates, with only nominal opposition from the Communist Party to this process. More than 80 per cent of governors in place after the April 1999 unified local elections had run as *ainori* candidates (*Asahi Shinbun*, 13 April 1999). The trend toward *ainori* is also growing among mayoral candidates: more than 42 per cent of the 122 newly elected mayors in April 1999 had run as *ainori*.<sup>15</sup> *Ainori* has severely weakened the political competition for these posts (Kataoka 1997: 215).

While the *ainori* trend continued, in Japan's two largest urban centres independent candidates with no party support were elected to the governorships of Osaka and Tokyo in 1995. Governor Aoshima Yukio in Tokyo retired after one term in 1999 and was replaced by another independent candidate, Ishihara Shintaro (formerly an LDP minister), while Governor Yokoyama Nokku in Osaka continued in his second term after re-election in April 1999.<sup>16</sup>

There is now a new generation of local government leaders who are more independent of party interference than either their conservative or progressive predecessors. They are not supported exclusively by progressive parties and do not necessarily rely on their connections with the central government (*chuo chokketsu*). The *ainori* representatives are supported by a range of parties but are not tied to any of them, nor to their rigid party lines. In most cases they act independently and can concentrate on serving the interests of their residents. In 1997 Governor Asano of Miyagi refused any support from political parties, launching a grassroots campaign, with volunteers collecting 100-yen donations from citizens. Asano, himself a former central bureaucrat of the Ministry of Health and Welfare, first ran for the Miyagi gubernatorial election in 1993 when then governor Honma Shuntaro had to resign after his arrest on charges of accepting bribes from general contractors (*zenekon*). In 1996 Asano decided not to appeal a district court ruling and complied with citizens' demands to reveal information about the prefectural government's spending on entertaining central bureaucrats (*kan kan settai*). This disclosure of information eventually led the central government to ban bureaucrats from this practice (*Asahi Shinbun*, 18 May 1999).

Some of this new breed of governors have organised themselves in an informal group called *Chiiki kara kawaru Nihon* (Japan changing from the regions). The group was formed in 1998 by Kochi Governor Hashimoto Daijiro, Mie Governor Kitagawa Masayasu, Gifu Governor Kajiwara Taku, Miyagi Governor Asano Shiro, Iwate Governor Masuda Hiroya and Akita Governor Terata Sukeshiro. Their aim is to generate strong ideas from the regions and pursue them as policy initiatives. They see political space for their actions at a time when the central government has

demonstrated its inability to effectively manage local problems, despite its overall responsibility. These governors recognise that they are well placed to take this action rather than leave matters to central bureaucrats who have repeatedly managed to perpetuate the system's tight centralisation.

## **Debates**

The debates over the reform of local government in Japan turn largely on the issues of the degree and nature of independence from central control, as we have seen. On one side are the reformers, mostly in the larger local administrations, who advocate far greater autonomy over the tasks they undertake and over their finances. Their claim is that local administrations are closer to local needs and are better able than the centre to address these needs, if only they are given the administrative responsibility and financial autonomy to do so. On the other side is the central bureaucracy, which wants to continue its control over local government to ensure equality of services nationwide. Its claim is that without the centre as a fair redistributor of the nation's wealth, the larger, better-endowed administrations may succeed, but the smaller, poorer administrations will suffer, and so will their constituents.

Because local and national priorities sometimes differ, the interests of local and central governments are often conflicting and irreconcilable. The central government claims that because local administrations seek to satisfy narrow local issues, they do not see the national context of their actions, nor do they recognise or appreciate national interests. As the centre sees it, by holding the bulk of responsibility, it can best serve the interests of the nation; but local governments sometimes serve local constituencies at the expense of the nation. The refusal of the Okinawa prefectural government to renew land leases for the US military and Tokyo Metropolitan Governor Ishihara Shintaro's pledge to seek the return of the US Air Base in Yokota to Japan or at least secure joint Japan-US use of the base with the aim of making it Tokyo's third airport are examples of these conflicts of interest. Other polemical issues such as the construction of a nuclear plant in Maki town in Niigata, a dam in Tokushima and industrial waste disposal facilities in Mitake town in Gifu have highlighted tensions between what the centre identifies as the national interest and what local citizens identify as their safety and well-being.<sup>17</sup>

A range of views sits between the two ends of the pro-local, pro-centre spectrum. Some propose the recentralisation of local government one step down from the national level. A

proposal put forward for consideration by journalists from the Yomiuri Shinbun advocated abolishing some of the many layers of local government and establishing a system configured around the city governments, as the principal level below the prefectural administrations. A local government system run from the city level rather than the national level would force some loose amalgamation of the smaller bodies in the interests of effective administration and policy. The Ministry of Home Affairs has the responsibility for local governments and is sympathetic to their demands for greater administrative and financial freedom, but is also inclined to toe the central government line.

### **Assessing reform of local government**

It is clear that an absence of consensus over reform is what has disabled the development and pursuit of a clear policy direction and, indeed, of real reform. Because a multitude of competing views have tugged at the principal questions (why reform, into what and how), the reform agenda has been constantly up for grabs. Underpinning the debates over all three questions is the irreconcilable conflict between the centre's struggle to retain power and the local administrations' struggle to attain greater independence.

- 1) Why reform at all? In the third phase of reform, economic and ethical imperatives joined the political push for reform. Demands from the public for removing corruption, and from local governments for a structure that enables effective and democratic policy, coincided in the 1990s with central government concern for the bottom line: cost effectiveness. To some extent, because of the centre's dominance this third imperative has taken on the guise of, and overtaken, the first two imperatives as the real driver of local government reform, cast as decentralisation. Although strong public dissatisfaction about the system's inability to address their concerns has been instrumental in the second and third reform phases, it is unlikely to provide the real stimulus for reform, even in conjunction with local government advocates who are active in policy and legislation. The central government has shaped the reform agenda, so that while the ethical and political imperatives concerned with democratic representation cannot be ignored or sidelined, they are not at the fore. The need to achieve efficient and effective government is the unassailable answer to the question of why reform is necessary. But the inevitable

political issue of who gains most from reform will continue to shape the reform agenda, with the continued pursuit of self-serving interests by the most powerful players.

- 2) Reform into what? This question can be partly answered by the response to the first question. Reform of any political system generally involves strengthening democratic values, establishing and pursuing consistent, achievable goals, and ensuring the capacity of the institutional structures to allow true representation of the people by removing corruption and other mechanisms that deny the voice of the majority in policy decisions. In Japan corruption and inefficiency has resulted from a system that denies local administrations financial and administrative autonomy. Decentralisation by itself will not produce reform, as improvements are required within local government as well as within central government. Although these are now underway, because Japan's highly centralised system of government has been in place for well over a century, it can not simply be tossed aside. In deciding what form of local government will best serve the Japanese people for the 21st century, careful thought is needed about the aspirations of the people at both national and local levels and consensus needs to be built in order to achieve real reform. It is a complex, prickly task.
- 3) How to conduct reform? This question can be addressed seriously only when the first two questions have been addressed. Failure to do this has helped produce the stopgap, piecemeal reforms seen so far in Japan, where popular reform and institutionalised reform are not one – indeed they seem to be in conflict. Although in the third phase, reform has been simultaneously top down and bottom up, it has still been steered by the dominant interests of those who hold political sway at the centre. Real reform – to deliver more effective, representative government – can only be achieved through conciliation and concession from both levels of government. Decentralisation will require legislative change, structural change of the government system (especially the system of financial allocation), public acceptance and, if it is to endure, the political will at both levels of government.

Because the advocates of reform have been unable to moderate their views to form a united front, effectively the centre has held sway. Yet for the first time since the 1947 Local Autonomy Law was established, large-scale legislative change has been seen. Legislation passed in July 1999 will implement a range of decentralisation plans in 2000 (*Asahi Shinbun*, 9 July 1999). The new rules governing the central–local distribution of functions have taken the decentralisation movement beyond debate into policy implementation. Reform of a tightly centralised system

of government to bring about more effective and democratic operation as well as economic efficiency can not be achieved in the five years allowed for by the 1995 legislation, judging by the record of the reform movement over the past 50 years. Although the tide has begun to turn through changes implemented from the centre and initiatives from the local administrations, progress can not but be incremental in such a labyrinthine government system with a long history of centralism.

Many argue convincingly that as long as local governments are forced to depend heavily on the central government for their financial needs, their ability to deliver effective and efficient government will remain truncated. Financial independence is set to register as the most important concern for local government reform as the decentralisation process moves forward. The administrative download that has been described as decentralisation is one small, but essential, step on the road to reforming local government.

The issue of transparency has become increasingly important for many local administrations and has already inspired some innovative policies. Institutionalised transparency will require local leaders to produce policy blueprints for public comment and adjust plans in light of public input. Local opposition to intrusive construction projects such as dams, waste disposal plants or nuclear power plants should be explored and reconciled rather than pushing the plan because it has come as central government fiat with all the ties that this involves. The complex mix of pressures for reform that are both domestic and external, top down and bottom up, mean that the transparency issue will remain high on the agenda of local government reform as ever more local leaders are freed from the binds of political parties. As civically minded *ainori* and independents, they are extending the boundaries of local government at a time when greater pressure for reform makes these boundaries less rigid.

## Conclusion

Reform has many meanings at the local level of politics in Japan. In the 1990s reform became more than a political feel-good term pointing to a desirable but unlikely possibility. In the 1990s it registered in some, if limited, way, on the national policy agenda. This is an important achievement since the need for reform must first register at the centre if change is ever going to occur at the local level. Reform has attracted a disparate collection of advocates, many of them still on the scene from the 1970s when local reform rode high for a very brief period. At the start of the 21st century, these same people are still seeking improvement to the way services are delivered at the local level.

Despite extensive support on a wide front, the third wave of reform has been unable to introduce the institutional structures that will give local bodies the financial and administrative autonomy that they claim is necessary for delivering government services efficiently. Reform has again confronted the tough obstinacy of the central bureaucrats who resist proposals that weaken their hold on the nation's political system. Decentralisation has begun and is a small step to reforming local government. Local governments, too, are taking ever more initiatives to introduce reform and transparency in their performance. Some minor reforms have been institutionalised in legislation, and others are set to follow. They are an important part of the momentum that will be needed to take the issues of political reform and transparency into the 21st century.

## Notes

- 1 A number of studies in English and Japanese discuss the issue of postwar reforms of local government and later reversal of these reforms. See, for instance, in English: Steiner (1965); and Isomura and Hoshino (1975) and Shigemori (1997), in Japanese.
- 2 For details, see Steiner (1980).
- 3 These issues are very well covered in Steiner, Krauss and Flanagan (1988).
- 4 For example, local taxes fell from 42.6 per cent of total local government revenue in 1989 to 37.8 per cent in 1992 and 33.9 per cent in 1994; similarly the local allocation tax (a general equalisation grant) fell from 18 per cent in 1989 to 17.1 per cent in 1992 and 16.2 per cent in 1994. To cover these shortfalls, local governments have increased their revenue through local bonds. The share of revenue from this source increased from 7.5 per cent in 1989 to 11.2 per cent in 1992 and 14.9 per cent in 1994. See Abe and Shindo (1997), p. 72; and Ogawa and Ikemiyagi (1998), pp. 225–49. For a critical approach and analysis of growing debts of large local governments, including Tokyo, see Jinno (1999).
- 5 For examples of the central government committing local governments to international obligations without prior consultation, see Nagata (1999).
- 6 For a summary of recent debates on decentralisation, see Jain (1997), pp. 5.6–5.9.
- 7 The committee was chaired by a business leader (Moroi Ken of Taiheiyo Cement) who has been on numerous central government advisory committees. The six other members were three academics (Horie Fukashi of Kyorin University, Nishio Masaru of International Christian University and Higuchi Keiko of Tokyo Kasei University) and three local leaders (Nagasu Kazuji, former governor of Kanagawa prefecture, Kuwahara Keichi, former mayor of Fukuoka city and Yamamoto Soichiro, former governor of Miyagi prefecture).

- 8 Seminars, symposiums and workshops at local centres were organised throughout Japan to discuss decentralisation. Published reports on some of these meetings include: 'Chiho bunken fuoramu '96 in Aomori', 'Chiho bunken fuoramu '97 in Iwate', 'Chiho bunken fuoramu '98 in Tokushima', all sponsored by the Nippon Foundation and proceedings published by Jichi Sogo Centre, Tokyo.
- 9 Legislation to this effect was passed in July 1999, with implementation to take place in 2001. See *Asahi Shinbun*, 9 July 1999.
- 10 See Jain (1997), pp. 5.11–5.13.
- 11 For a discussion on the financial dependency of local governments, see Jain (1989), especially Chapter 5.
- 12 For a brief review of the nursing care insurance system, see Yamasaki (1999), pp. 17–21.
- 13 See the final part of a series on 'Nihonwa kawaru ka', in *Asahi Shinbun*, 11 July 1999; also see Osaka (1999).
- 14 See the fifth and final instalment of a five-part series published in the *Daily Yomiuri*, 'Successes of Local Government Reform Hinges on Employees', 29 January 1999.
- 15 For details, see Jain (1999), pp. 117–32.
- 16 Yokoyama resigned from his position on 21 December 1999 because of charges of sexual harassment during the election campaign in April 1999. See press coverage on this in Japanese newspapers of 22 and 23 December 1999. Also, see *The Age* (Melbourne), 22 December 1999.
- 17 For these tensions and the case of Tokushima, see Jain (forthcoming).

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