

**Better Governance or Just Another  
Functional Adjustments:  
Local Government Reforms in Japan**

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### **Backgrounds: Debts, Globalization, and Aging Society**

Any serious observers of Japanese politics cannot fail to notice a fundamental change in the tone of political debates in the last ten years or so. Most of the leaders in Japan, political or economic, are now talking in unison about the necessity and urgency of a fundamental restructuring of society. It was only two decades ago that the same leaders were boasted of unique strength of Japanese society. Ironically, the strength of the past has now become the weakness of Japanese society itself.

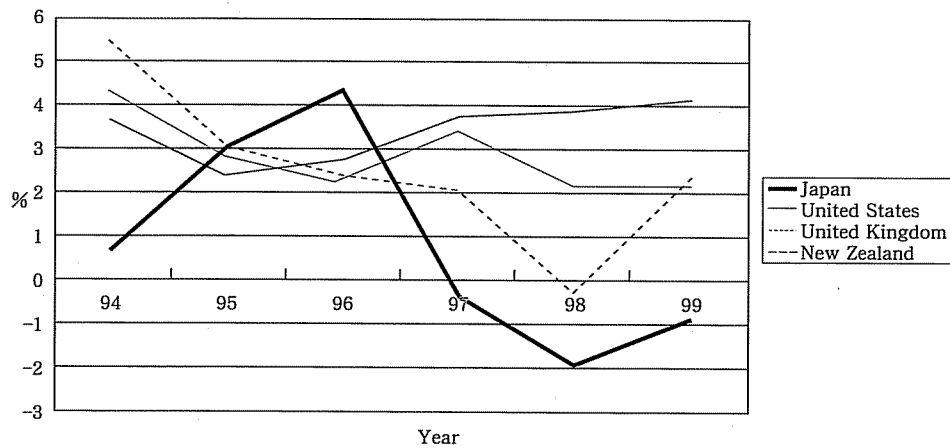
It is true that various policy initiatives elaborated through the interest accommodation among the LDP (Liberal Democratic Party), national bureaucracy, and big business had contributed to the steady economic growth in the 80s and the early 90s. After the collapse of the "Bubble Economy," however, it has become increasingly clear this "pluralistic policy-making directed by the LDP-Bureaucracy Complex" (Sato & Matsuzaki 1986) can no longer cope with a rapidly globalizing economy.

As economy globalizes, goods, services and the capital, has come to easily transcend national borders, and thus nullified many of the policy initiatives by the state (Wilson 1999; Kaneko 1999; Keohane and Milner 1996). Leading companies in Japan, once protected by the government, now demand fewer regulations, lower corporate tax, more flexible labor and wage practices, in order to survive the fierce competition with their counterparts worldwide. In fact, Japanese economy has experienced an unprecedented long period of economic stagnation since 1992 despite a series of huge public investment and the relaxation of finance. It has been clear contrast to the economic performance of the U.S., Britain, and New Zealand, all of which has succeeded to downsize the government and to invigorate the market-oriented economy (see Figure 1).

It seems that Japanese "Capitalist Developmental State" (Johnson 1997; 1982) has lost its organizational flexibility. Government failure to adapt to the changed economic environments would induce a possible de-industrialization through the restructuring of corporate activities: the shift of production centers to foreign countries, diversified procurement of industrial parts, world-wide financing, and even the shift of corporate headquarters to other countries. Each one of these would, in turn, lead to the loss of employment, declining income, job insecurity, and most of all the reduced tax revenue for the government. This certainly is a major incentive for reforms (Fosler 1998; Reish 1990).

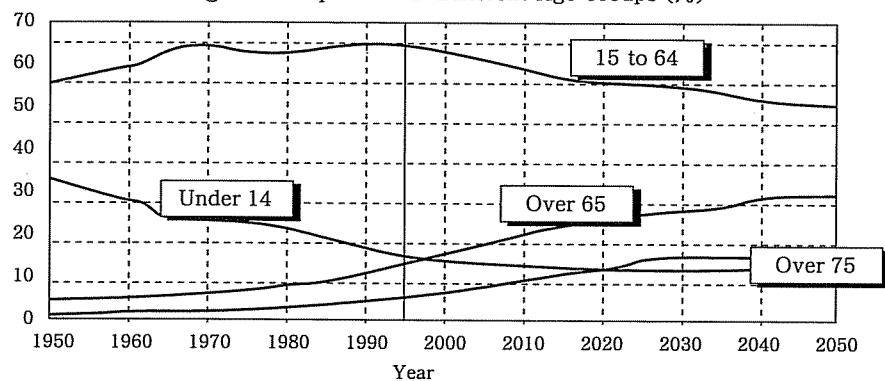
Another incentive for reforms comes from the demographic structure of Japan. As shown in Figure 2, Japan is a rapidly aging society. The population of the aged (over 65) now stands at 17.5% of the total population of 126,143 thousands, and it

Figure 1 Economic Growth of Selected Countries



(Source: Ministry of Finance, 1999)

Figure 2 Population of Different Age Groups (%)



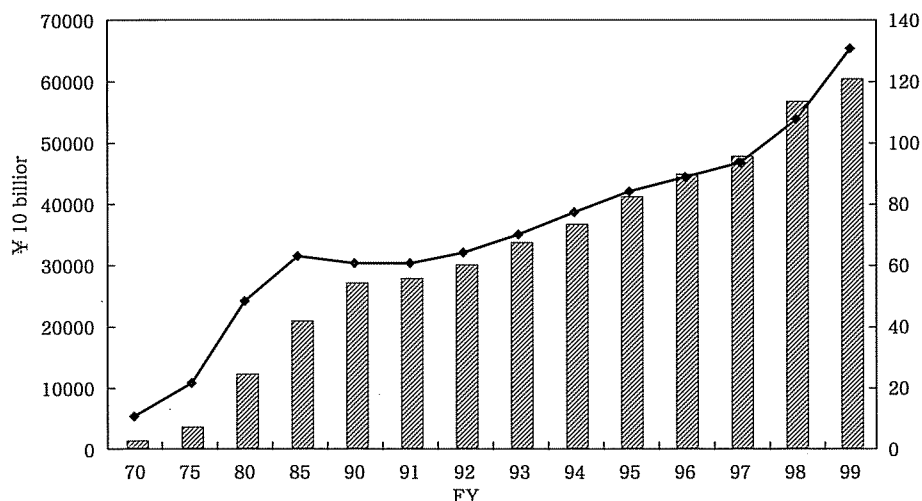
(Source: Ministry of Health and Welfare, 1997)

will reach to 28.2% and 35.2% in 2025 and 2050 respectively. On the other hand, the people in the active production age are expected to decrease from 69.5% in 1997 to 59.9% in 2028 and to 54.6% in 2050. Moreover, the total population is expected to decrease to less than 100 million in 2050.

These figures simply imply the decreasing revenue for, and the rapidly increasing spending by the government, if the present structure of governance is maintained. Furthermore, the number of the aged unable to take care of oneself, would be almost tripled between 1993 and 2025. This would incur the government additional welfare costs other than ordinary pensions and health insurance. Without a fundamental reform of governance, the changing structure of population would bring unbearable financial burden on the active production age group in the 21st. century.

Lastly, we can easily detect still another, if not the last, reason for reforms. As can be seen from Figure 3, the total amount of national and local debts is over ¥600 trillion (¥446 trillion for the national government and ¥176 trillion for the local

Figure 3 Balance of Long-Term National and Local Debts



(Source: Ministry of Finance, 1999)

government) in the fiscal year of 1999, which was more than 130% of Gross Domestic Product in the same year. Comparable figures for other industrial countries are 54.2% for the US, 55.2% for the UK, 63.3% for Germany, 67.4% for France, and 118.5% for Italy, respectively. Clearly, Japan has been faced with a serious fiscal problem, for the debts basically deprive the governments (national and local) of much needed financial resources from their budgets. In fact, the national government now spent 24.2% of its ¥81,860 billion budget only for reimbursing the government bonds and paying their interest in 1999 fiscal year. From this perspective, too, it is inevitable that a fundamental restructuring of the government has become a central issue.

Against these backgrounds, the elaborate regulatory system in Japan, once considered most efficient and effective, has been called into serious question. The centralized policy-making and implementation system is now criticized as lacking in accountability, transparency, and responsiveness, resulting in an immense expansion of national functions, which have led to an unbearable level of accumulated debts. Regulations originally aimed at protecting and promoting domestic industries are now considered as impediments to many of the globalizing companies. Paternalistic national oversight (agency delegated functions, for instance) had prevented local governments and their residents from managing their own affairs. A unique electoral system (multi-member district with single non-transferable vote) is said to have played the role to keep the above system in tact, by returning enough LDP members to control the Diet.

Thus, the keywords for reforms are deregulation, decentralization, devolution, privatization, and empowerment, all of which favors smaller role for the state and larger role for private sector. In fact, for many reformers the small government is the once for all panaceas to various maladies of the present governance. The schedule

for deregulation is continuously set, and the government legislation for reducing the number of ministries and agencies from 21 to 13 was already effective from Jan. 1, 2001. The Government Commission for Promoting Decentralization (CPD) established in 1996, made public four official reports asking the Government to take bold measures to promote decentralization. These reports eventually crystallized into a series of Government legislations promoting decentralization, which has been put into effect since April 1, 2000. This paper will examine the prospect of these reforms and their possible effects

### Putting All Eggs in One Basket

Long before the CPD released the Interim Report in 1996, the Local Government Reforms had been already set in motion. For instance, *Minkan Seiji Rincho* (Committee for the Promotion of Political Reforms: CPPR) published in 1993 a book, titled *Grand Vision of Political Reforms* (CPPR 1993), in which the CPPR enumerates reform measures that would be essential for viable local self-governance. In most part, those measures are almost identical with those proposed by the government counterpart.

- (1) The enactment of a bill, which endorses a comprehensive decentralization: Decentralization Promotion Act was enacted in 1996.
- (2) The restructuring of local financial structure (often cited as 30% self-government) so as to reverse the ratio of revenue shared between the local and national government: the financial independence of the local government.
- (3) The devolution of functions from the national government to the local government including the abolition of notorious "agency delegated functions."
- (4) The rationalization of local government units: increased capabilities of local government officials and organizations including merger, and the encouragement of citizens' initiatives and self-responsibility (CPPR 1993; 172-80).

The emphasis seems to be placed on freeing the local government units from excessive national control; allowing each local government for creative responses more commensurate with varied local conditions; and encouraging citizens' active participation in local governance: the promotion of democratic local governance (CPD: 1997; 1996). However, the intention of the government commission as well as the private committee is not so straightforward. They are actually putting all eggs in one basket. While talking about the measures to bring about more autonomous, creative, and responsive local governments, they are actually aiming at curving enormous functions and powers long preserved for the national bureaucracy. In fact, they consider the local government reforms as one of the measures to achieve a larger objective of changing the existing structure of Japanese society (Wolfren 1993).

Despite the democratization of institutions after 1945, a legacy from the prewar period has been elaborately maintained. And the public, too, has unconsciously accepted the legacy as a norm: many people still feel that it is primarily the national

government's responsibility but not theirs to see it that the stability and prosperity of Japan are maintained. Bureaucrats, in turn, have created a wide variety of arrangements in order to meet their expectations. Politicians, supposedly the representatives of the people have eventually become a part of the system, providing their supporters with benefits which can be derived from it. Big business has long benefited from various forms of industrial policies administered by national bureaucracy, and therefore have accepted the legitimacy of the system itself. Thus, there has been consolidated a unique system of interest accommodation composed of politicians (LDP members, in particular), big business, and bureaucracy as a scenario writer (Dairokuno 1997; Hirose 1993; Ishikawa & Hirose 1989; Calder 1989).

If the system indeed malfunctions faced with the changed environments (economic globalization, for instance), the logical response would be to reorganize the whole system. For instance, *Grand Vision of Political Reforms* gives the following as one of the reasons why we urgently need decentralization in Japan:

Despite the substantial economic presence, the government's capability to deal with international affairs is miserable. This also comes from the centralized system of government in which politicians are interested only in obtaining various concessions. Decentralization would be more than necessary, *not only because it would produce creative local governance more commensurate with varied local conditions, but also because it would free the national politics and administration from trivial matters in localities* [emphasis added]. By so doing, Japan can make itself available for taking more active roles in the Post-Cold War international environments (CPPR 1993; 162).

The Local Government Reforms is clearly considered as a measure to break the formidable governing system. So much so that most of expected effects of reform measures are not confirmed with substantial evidence, and has remained at the level of logical possibility. As Christopher Hood points out, "Indeed, it is often observed that the faults of existing arrangements, which are relatively concrete and observable, tend to be more visible than the failings of alternative systems which are not currently in use." (Hood 2000: 189). Therefore, one must be very cautious about expected effects of proposed reform measures. Here arises a series of questions. Are the proposed reform measures indeed able to assure more autonomy to local governments, and more efficiency and creativity to central government? What would be the last result of those reforms on the whole governing system as well as on the lives of the people? Before answering those questions, we have to look into the assumed problems in Japan.

### Assumed Problems

There seems to exist a wide consensus that Japan does need a genuine decentralization. The Constitution of 1947 clearly stipulates, "local public entities shall have the right to manage their property, affairs and administration and to enact their own regulations within law" (Article 94). At present, there are 47 prefectures, 694 cities, 2,558 towns and villages with their own unicameral parliaments and with governors,

mayors, and other heads directly elected by popular vote. Furthermore, such measures as the legislative initiative, petition and the recall of local public officials have been introduced to ensure the democratic operation of local government. At least institutionally, the arrangements for "citizens' self-government" have been clearly guaranteed by the Constitution and the Local Autonomy Act.

The self-government as a "corporate body," however, had been blurred by the existence of notorious "agency delegated functions," by which the national ministries can extensively delegate many of their functions to governors, mayors, and other heads of local governments. Those heads of various levels of local governments, in this case, act not as the heads of autonomous local entities but as agencies of the national government to implement its policies. Before the reforms, there were 561 instances of "agency delegated functions" (379 for prefectures, 182 for other local entities), and nearly 70–80% of functions at prefectural level were agency delegated functions, whereas the ratio for the municipalities was 30–40%. Indeed, local government officials devoted much of their time for implementing those national functions. The national ministries could control the activities of local governments and shift their burdens to local entities as well (Muramatsu 1994).

Moreover, financial arrangements for local entities have made the local milieu less favorable to local self-governance. Table 1 below shows the composition of local finance in 1996 and 1998 fiscal year. Local governments in Japan heavily rely on the national government. Over 30% of local government revenue comes from the national government, whereas the local government as a whole can only raise about 35% of its revenue.

Furthermore, on a tax revenue basis, the national government controls about two third of the total tax revenue, the local government one third. On a spending basis, however, the ratio is reversed to 2 to 1 for the local government by a huge scale of money transfer from the national to local government in the form of formula block grants and categorical grants. Since those categorical grants cover such basic services as welfare, education, construction, community development, and even running expenses, the local government has to respect the standards and guidelines set by the national ministries. (Abe, Shindo et al. 1994).

**Table 1** Composition of Japan's Local Finance (%)

Type of Revenue	1998 Fiscal Year Unit: ¥100 million	Composition (%)	
		FY 1998	FY 1996
Local Tax	359,222	34.9	36.6
Formula Block Grants	180,489	17.5	16.7
Miscellaneous	174,219	17.6	16.7
Categorical Grants	157,451	15.3	14.6
Local Bonds	151,356	14.7	15.4
Total Revenue	1,028,689	100.0	100.0

(Source: The Ministry of Home Affairs, *White Paper on Local Self-Government*, 2000)



The scale and composition of local governments' revenue and expenditure are controlled by *Chiho Zaisei Keikaku* (Local Government Financial Plan). Local Allocation Tax Act requires that the national government present with the Local Government Financial Plan, and it be approved by the Diet every fiscal year. The basic framework of local finance, and therefore the local governance, is effectively controlled by the national government. Until the reforms, Local Tax Act also prohibited local entities to introduce new tax levies other than those specified in the Act without permission from the Ministry of Home Affairs. Under the provisions of Local Tax Act, prefectural governments were allowed to draw their major financial resources from resident tax and corporate business tax, while other local entities depend mainly on resident and real estate levies. Local government bonds were also tightly controlled in fear of local financial fiasco; local entities had to get approval from the Ministry of Home Affairs. It was not, therefore, easy for any local entities to find their own resources to finance new policy programs on their own initiative. All in all, the structure governing the local government finance was not so favorable to local governments' policy initiatives, and tended to prepare an environment in which the local entities tend to follow the lead by ministries rather than try to work out an innovative policy programs by themselves.

Finally, the existence of a unique personnel management system in Japan should be pointed out. According to a recent survey (*Asahi Shimbun*, 1996), there are 950 deputized personnel working in sub-national governments. They are national bureaucrats sent by each ministries to local entities in order to see it that national policies are smoothly implemented, and to get vital information for their home ministries. On the part of local governments, they are expected to act as agents to get categorical grants and necessary information at the national level. Moreover, there has been a tendency that members of the Ministry of Home Affairs post vice governors appointed by elective governors. And it has been increasingly clear that even elective governors are taken over by former career bureaucrats of various national ministries, especially the Ministry of Home Affairs. According to a recent survey, 26 out of 47 governors are former high-ranking public officials of national ministries (*Asahi Shimbun*, 1994). In this sense, too, local entities are more or less controlled by national ministries (Nakamura 1997).

### **Proposed Measures: New Local Governance or Functional Adjustments?**

With those assumed problems in mind, the Commission for Promoting Decentralization embarked on working out a series of recommendations, which would supposedly alleviate the problems. Here I pick out several of those recommendations, which eventually found their way into a series of legislations.

From the onset, the Commission clearly declared its intention to abolish "agency delegated functions" by saying that "it consists of the core of the highly centralized administration system. In order to achieve the relationship of equality and cooperation between the national and local government in accordance with the spirit of

Local Autonomy Act, we have come to the conclusion that the agency delegated functions be abolished" (CPD: 1996).

In the revised Local Autonomy Act, all the functions performed by local entities are classified into two distinct types of functions: one is *Jichi-jimu* (AF: autonomous function), the other is *Hotei Jutaku Jimu* (LCF: legally contracted function). The AF is further divided into two different types: one not subject to the national regulation, and the other under such jurisdiction. And it was estimated that approximately 80% of the total functions of local entities would fall under AF, whereas the LCF would be less than 20% (Nishio 1997). According to the revised Local Autonomy Act, however, the ratio of AF is actually much lower (about 40%) than expected because of persistent resistance from the national ministries. In the AF category, local assemblies are able to enact their own ordinances unless against law, and the AF is in principle susceptible to the scrutiny by various local inspection bodies. Even in the LCF category, the local government can exercise a certain level of control. In this sense, the local government as an entity has increased its autonomy vis-à-vis the national government. On the surface, at least, one cannot help noticing a radical departure from the traditionally highly centralized administration system.

The story is not that simple, however. For one thing, most of the functions, whether classified as AF or LCF, are closely related to the everyday life of residents: education, social welfare, community development, emergency relief and reconstruction and so forth. In the eyes of residents, it may be more important to get those services than to worry about the autonomy of their local entities. Services are services, after all. It really does not matter, in the first place, who is responsible to provide those services. From this point of view, the quality of services, and the efficiency and effectiveness of their delivery are more important. Here comes in the issue of Central-Local coordination. One cannot deny the fact that there are many functions even in the pure AF category, which may require close consultation with the national government, let alone the LCF. In this respect, the revised Local Autonomy Act, following the Commission's recommendations, provides the general rules governing the national intervention into local administration. The basic idea behind the provision is that by setting up clear rules, standards, and procedures for national intervention, one can avoid the excessive national control.

Those rules are (1) technical advice, recommendation and inquiry; (2) prior consultation, agreements or consents; (3) demands for redress and directions for improvement in the AF category; (1) technical advice, recommendation and inquiry; (2) prior consultation; (3) permission, approval, licensing; (4) directions; (5) surrogate execution in the LCF category. Moreover, the revised Act makes clear the principles governing the national intervention: (1) when asked by local entities, the national government must give in written document clear reasons for national intervention or the refusal of agreement or consent thereof; (2) the national government must make public the intended demands and directions, when applicable to more than two local entities; (3) the national government are obliged to set up the clear standards for approval or disapproval, and to make those standards public. The national government is prohibited to treat particular local entities unfairly for the

reason that they don't accept the demands or directions from the national government; (4) when accepted, the national government ought to start processing applications without delay; (5) in case of disagreements, either the national government or local entities can request a newly established committee to settle such disagreements.

Given those arrangements, one might say that the local entities would have more autonomy than before vis-a-vis the national government. Even so, there are several points to be raised about those arrangements. First, it should be pointed out those institutional arrangements would not work in the vacuum. Many factors such as power and financial relationships between the national and local government, the size of local entities, citizens' perception toward the both levels of government, and their level of participation, etc., would influence the actual working of those arrangements.

For instance, small local entities tend to be financially weak and to rely most of their financial resources on the national government. In fact, most of the local governments (73.6%) can only raise less than 30% of their revenue by themselves. The number of local entities which can raise more than 50 % of their revenue is only 219 (6.6%). And this situation would not be improved by the expected reforms, given the tight fiscal condition in Japan. Under this circumstance, it is quite imaginable that small local entities now with more legal autonomy would refrain from asserting themselves in the relationships with the national government for fear of losing categorical grants. The situation might be different for larger and financially strong local entities; they would be able to take advantage of the proposed reforms and enjoy the autonomy accorded to them. It seems likely that there would appear the polarization of local entities: ones which welcome the proposed reforms and others which do not.

Citizens' perception of local entities and the level of their participation, too, would make a substantial difference in terms of local autonomy. With more citizens interested in the local affairs and actively participating in the local governance, local entities would be able to mobilize their sense of local governance to fend off the excessive national intervention. The same institutional arrangements, which are originally intended to increase the autonomy of local entities, would work either for or against it depending on those factors. (Matsumura 1994; 238-49)

For instance, in December 1991, Provisional Council for the Promotion of Administrative Reform, the precursor to the Commission proposed to designate cities or a coalition of municipalities with more than 200,000 and above in population as "pilot local government," to which the national government would delegate a whole range of administrative powers. Under this framework, the designated pilot government would enjoy a wide variety of functions transferred from the national government, and would be allowed to spend national subsidies for projects that the local government see fit (Nakamura 1997). It was hoped that this new arrangements would create a number of autonomous municipalities in Japan's highly centralized system of local government (*Asahi Shimbun*: August 29, 1994).

The Management and Coordination Agency in charge of this project at that time expected a large number of applications to be submitted. However, a total of 15

communities presented their applications by the deadline of September 1, 1993. Apparently the project failed to arouse interests among local governments. One of the major reasons for the failure was unwillingness on the part of national ministries to delegate administrative powers to local governments. National bureaucrats have had an inherent tendency to see local governments merely as their agencies, and to have a strong disbelief in their capability to administer policies (Nakamura 1997).

From the point of local bureaucrats, however, the project appears to be a subtle attempt to mold local governments to become congruent with the national policy and to be compatible with the existing patterns of central-local relationships. Moreover, many local officials feel that the pilot project will not allow the local entities to deviate from the current political and administrative framework (Uchida 1993). As this case makes it abundantly clear that the success of a radical decentralization in Japan very much depends on the willingness of national bureaucracy to allow the local entities unprecedented degree of discretion and administrative powers.

Without the willingness on the part of the national bureaucracy and/or the counter power of local entities, any attempt to bring about a genuine decentralization would be doomed to failure.

Here comes in the second issue of financial independence of the local entities, since the most effective counter power to national encroachment would be the financial independence of the local entities. As far as the local entities are capable to raise enough financial resources to run most of their programs, they would not need to look to the national bureaucracy for subsidies or grants, which would eventually curtail the autonomy of those local entities.

With regards to the financial independence of the local government, the Commission was not so sympathetic to the local entities. It is true that the Commission emphasized the importance of local financial independence along with the self-responsibility, in order to consolidate the autonomous local entities. However, most of the discussions were devoted to the reevaluation of the existing categorical grants, national money transfer. According to the Commission, many of the categorical grants and national money transfer have blurred the boundary between the national and local functions, and have, more often than not, functioned as a tool for the national government to effectively control the activities of local entities. Moreover, the time consuming process of applications for various grants and national money transfer has deprived local bureaucrats of their creativity.

The Commission recommended (1) a total reevaluation of national grants and money transfer including their abolition, (2) transforming those nationally controlled money into a kind of general revenue, (3) introducing sunset law for national grants if necessary, and (4) reducing the total number and size of those grants and money transfer (CPD: 1997; Chap.4, II, III, and IV). The government, however, seems to have been more concerned with the national debts than with consolidating the financial base for local governments. In fact, the Commission did not come up with a clear plan to transfer the national financial resources to local governments. Although they showed a dozens of cases in which categorical grants should be transformed into general revenue, most of their discussions were mainly focused on the

integration of several categorical grants, the relaxation of requirements for those grants, and the simplification of application procedures, and so forth. (CPD 1997; Chap.4, III and IV).

Instead, the Commission allowed local entities to introduce new tax levies not stipulated in the Local Tax Act. According to the revised Act, local entities wishing to introduce a new tax levy need to have a prior consultation with the national government, and to reach an agreement with or obtain consent from it. The approval procedure for new local tax levies by the national government has been abolished as a result. Furthermore, local governments are now allowed to introduce tax used for a specific purpose. The same can be said about the local bond. In the revised Local Autonomy Act, the national permission procedure for the local bonds was abolished, and now is replaced with a prior consultation with the national or prefectural government depending on who would issue those bonds. In this sense, at least, local entities would be given more flexibility than before to finance policy programs with their own initiative.

However, the future would not be so rosy for local entities. First, most of the local governments (90%) already spent more than 10% of their budget for only reimbursing public bonds and paying their interests in the 1998 fiscal year. It is a clear contrast to the 1976 fiscal year when only 345 (10.4%) local governments did the same (Ministry of Home Affairs, various year). The trend is clear that more and more local governments depend upon public bonds, and therefore they have to increase debt expense. It seems that public borrowing through local bonds have reached the limit. Further issuance of local bonds would, no doubt, aggravate the already fragile financial base. Secondly, despite all the favorable wordings in the recommendation, one cannot categorically deny a possibility that the prior consultation procedure would work against the autonomy for the local entities depending on the actual power relationships between the national government and the prefectural government or between the prefectural governments and other local entities respectively. Thirdly, as can be seen from the provision that "In order to keep the healthy financial condition of local entities, the local bonds not agreed between the interested parties should be reported to their respective councils," the Commission seems to emphasize the ultimate responsibility of the local entities and their residents for the issuance of those bonds (CPD: 1997; Chap. 4, V).

As can be seen from the summary of the reforms, the Commission, while according more autonomy to local entities, implicitly asks the residents of those local entities to bear more financial burden. For the Commission, *the self-governance is a synonym for self-responsibility*. It is not at all unfair, since every service has its price tag for which the user has to pay after all. However, it should be kept in mind that a new local tax, if introduced by the local entities, would become an additional burden for the residents. From this point view, it can be said that the national government are actually shifting their responsibility to local governments and to their residents. Without a fundamental reevaluation of the overall financial structure corresponding to types of services delivered by each level of government (municipal, prefectural or national), there would be a possibility that local entities would be left

with more responsibility and more financial burdens as well.

Lastly, the issue of restructuring the local government itself. It has been much discussed that one of the major obstacles to the local self-governance exists in the structure of the local government itself. Under the tradition of centralized administration, there has been little incentive for the local entities to embark on a fundamental reorganization on their own initiative. Instead, they have followed the lead by the national government whenever the reform of the local entities has come to the fore. The Commission declares that the local governments must prepare themselves for efficient and effective service delivery, since many of the functions close to the lives of the people would be devolved to those local governing units.

Among others, the following measures are recommended: (1) the reevaluation of the existing administrative organizations and policy programs; (2) the efforts to establish an efficient and stable financial base; (3) the reevaluation of appropriate number of employees and the level of their remuneration; (4) the merger of the existing local governing units to increase the capability of those units and/or the use of a wider administrative units; (5) the revitalization of local parliaments; (6) cooperation with non-profit organizations in service delivery; (7) the strengthening of residents' initiative and referendum; (8) the promotion of citizens' open access to administrative information and so forth (CPD 1997; Chap. 6; Nakamura & Dairokuno 1998).

Above all, the Commission, while emphasizing the need to streamline, and to increase the capabilities of those entities for efficient service delivery, seems to envision an effective self-governance checked by the active citizens' participation. There seems to be nothing wrong with this idea. However, the Commission's version of local self-governance, it seems, would be possible only if the following problems are sorted out.

First, a genuine transfer of financial resources to local government, corresponding to the transfer of various functions to the local government, is essential. Without this, the devolution would only mean the additional burdens for the local entities and their citizens. Secondly, the vision of the Commission would eventually turn out to be another attempt to create an efficient local governing unit not as a democratic governing body but as an organization, since the citizens' participation is voluntary in character, and can not be planned or forced. In other words, such reform measures as the revitalization of local parliaments, cooperation with non-profit organizations in service delivery, strengthening of residents' initiative and referendum, and the promotion of citizens' open access to administrative information may be necessary but not sufficient conditions for active citizens' participation. It really depends on their perception of the indispensability of local governments to citizens themselves.

## Conclusion

It is not at all difficult to realize that the debates over decentralization have centered on the issue of the distribution of functions and financial resources between the national government and local entities. However, one of the most important

actors is missing from the scene: that is, citizens who would eventually be influenced most by the reforms. It is they who might enjoy or suffer from the final result of the reforms, whatever the end results might be.

For instance, if the emphasis of reforms is placed on more political autonomy and self-responsibility for the local entities without a substantial transfer of financial resources from the national government, that would eventually mean more financial burdens and possibly less service for the residents of those localities. And if the reduction of debts, local as well as national, and a sound financial management for local entities are emphasized, that would also lead to the same results. Only if local entities are given political autonomy with a substantial transfer of financial resources from the national government, and various encouragements to citizens' participation, citizens would have a genuine opportunity to control their own local government with responsibility. This would not be most likely the case, given the recent fiscal condition of the nation as a whole.

However, most citizens have not been concerned with the contents of debates, which would eventually decide the fate of their lives. Their reactions have been remained mostly emotional. Although they have been very critical of the national bureaucracy, and seem to have agreed on a vague idea of decentralization, which could possibly deprive the national bureaucrats of their powers, they have not imagined their own lives after the reforms. Questions such as the followings have not been seriously questioned: How much more or less should one pay for how much more or less service after the reform? How much can we decide our own fate by our own initiative after the reform? Who would be ultimately responsible for essential services after the reform? Without asking those concrete questions on the part of citizens, a large part of decentralization debates would remain in the hands of major political and administrative actors, and would become functional in character.

In fact, given the changed environments I described in the beginning of this paper, people with any political conviction — whether it may be liberal, social democratic or others — have to accept the fact that the existing structure of governance and its ideology can no longer function properly. One has to work out a new scheme of governance and its ideology essentially different from the present ones. This does not, however, mean to replace the present scheme of governance with another known scheme. The prime issue here is not the replacement of the existing structure of governance with one of the known form of governance, but to work out a new scheme which can assure the people efficient, effective, and fair service delivery over which the people have democratic control (Hood 2000: 189).

In this sense, decentralization, devolution, privatization, and deregulation are only tools to achieve the above purposes in the changed environments. There should be various ways to combine those tools to achieve the same objective depending on the history and culture of each nation (Hood 2000: 14–20). There is one thing for sure at this stage. If citizens remain apathetic to the debates over decentralization, there is little doubt that they would lose a precious opportunity to obtain a desirable form of governance with their own initiative, and that much heralded decentralization efforts for democracy would fall into just another attempt for functional

rationalization of the existing government in order to adapt to the changed international environments and changing architecture of global economy.

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