

**Local Government and National  
Development:  
Evolution of Local Autonomy  
in Postwar Japan**

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# Local Government and National Development: Evolution of Local Autonomy in Postwar Japan

## 1. Intergovernmental Relations and National Development

The quality of national development could be achieved through the cooperation of the various levels of the governments. It stresses the need to analyze the role and function of local government in the policy process of national development, as well as the politics of policymaking in the national government. To observe actual relationships between central and local government, the theoretical framework of intergovernmental relations (IGR) is useful even in the unitary state like Japan.

In Japan, the term IGR became popular among scholars of public administration in the 1980s. Since then, many interesting works on Japanese IGR have been published. But, most of them focus the legal and institutional aspects of central-local relationships. In this essay, we add the categories of “political decentralization” and “administrative decentralization” in order to analyze the political economy of IGR. Both are very common but are seldom adopted in the study of Japanese IGR. The former concerns the locus of policy-making power. It is chiefly defined in constitutional arrangements. Under political decentralization the regional/local entities may make significant policy choices that are not subject to review or veto by the central authority. The latter, administrative decentralization, is concerned with the authority or tasks assigned to a subordinate person or organization in the policy implementation stage. The grantor of authority, however, reserves the right to review, veto, or revoke the delegated authority and tasks at the grantor's discretion (Jun and Wright 1996: 4–5).

IGR in Japan can be divided into five historical phases within a decentralized framework.<sup>(1)</sup> The five phase descriptors and their approximate periods of prominence are as follows:

Commanded Devolution	1945–1950
Centralized Consolidation	1950s–1960s
Challenging Central Control	1960s–1970s
Collaborative Devolution	1980s–1990s
Civic Devolution	2000 and beyond

Table 1 summarizes the distinctive features of each phase. For each of five phases, four main elements are considered in the columns of Table 1: major problems, national goals or mood of voters, IGR mechanisms, and the characteristics of IGR reforms.

Table 1 Five Phases of IGR in Japan

Period	Phase descriptor	Major problems	National goal	IGR mechanisms	IGR reform
1945–1950	Commanded Devolution	Democratization	Equality	Local Autonomy Law	Political decentralization
1950s–1960s	Centralized Consolidation	Rationalization	Efficiency & economic Growth	Agency delegated functions National planning	Political and administrative centralization
1960s–1970s	Challenging Central Control	Urbanization	Quality of life	Local bylaws Public participation	Administrative centralization
1980s–1990s	Collaborative Devolution	Globalization	Accountability and effectiveness	Deregulation	Administrative decentralization
2000 and beyond	Civic Devolution	Creativity	Diversity	Public-private partnerships	Political decentralization?

Source: Koike and Wright (1998) p. 206.

By referring to these historical phases of IGR in Japan, we observe the institutional settings of local government in national development. Further, we analyze the political economy of national land development and public works. Finally, we will examine the strategies of political decentralization for governance reform in Japan.

### *Commanded Devolution during the Occupational Period*

Under the Meiji regime (1868–1945) the national government established a highly centralized authoritarian system following a continental European model. The Meiji Constitution contained no provisions on local autonomy. The Home Ministry (*Naimu sho*) appointed prefectural governors to control the prefectures and subordinate municipalities. In the “liberal” 1920s, the rise of political parties enlarged the realm of local autonomy to some degree. However, once the militarists came to power in the 1930s, central-local relations were recentralized through the creation of community associations (*chonai kai*) and neighborhood groups (*tonari gumi*) all across the nation. This created systematic hierarchical control from the Home Ministry at the top to the neighborhood groups at the bottom via prefectural and municipal governments to carry out wartime mobilization and objectives.

It was a priority of occupying forces to disassemble this centralized system and to “democratize” Japan. The headquarters of Supreme Commander of Allied Powers (SCAP) tried to import the principles of American local self-government. However, the newly created local government arrangements were not simply a transplantation of U.S. system. When SCAP included the provisions on local autonomy in the new Constitution, they encountered resistance among Japanese leaders. To ensure some degree of reform, SCAP made concessions to Japanese officials in designing institutions. Consequently, the new local government system was a hybrid of the American spirit of local self-government and Japanese style of centralized administration. The conservative leaders might oppose to the local autonomy because it should impede the national development with conformity. However, most Japanese welcomed the principle of local autonomy as well as democracy. Therefore, political leaders at-

tempted to adapt it for maintaining national control over local governments.

The institutional framework for IGR in Japan was established by the new constitution promulgated by the Emperor (*Showa*) in 1946. The key components were four “local autonomy” articles (Ch. VIII, article 92–95) in the Constitution which took effect in May of 1947. The draft constitution submitted by General MacArthur’s staff to the Japanese (in February 1946) contained provisions designed to disperse /decentralize power to prefectural and municipal governments. Article 92 states that “regulations concerning organization and operations of local public entities shall be fixed by law in accordance with the principle of local autonomy.”

This principle became operational in Article 93, with the statement that “the local assemblies and chief executive officers shall be elected by direct popular vote.” In the process of drafting a Constitution, the Government Section of SCAP had intended to establish a system of “home rule” (Steiner 1965: 81). However, Japanese officials argued that the organization of local governments should be fixed by national law. They deleted the word “charter” from the draft and substituted the word of “regulations.” Curiously there was no controversy on this matter both in the Diet and inside SCAP (Steiner 1965: 81–84). The new Constitution supposedly established the principle of “equal partnerships” between national and local governments. However, the uniformity of local government organizations is, paradoxically, retained for the mission of developing local democracy under the central leadership.

The functions and procedures of local governments were provided by the Local Autonomy Law (LAL) of 1947. The most controversial issue was the status of prefectural governor. Against the Home Ministry’s attempt to retain the prewar system, SCAP required the provision of a popular vote for governors. As a result, the central government lost its most direct control over local administration. Municipalities also have elected mayors and assemblies and the relationships among central, prefectural, and municipal governments became “equal” and complimentary in function. The relationships among central, prefectural, and municipal governments might resemble or be roughly comparable to those among a state, county, and city in the United States. Though the “state” of Japan does not provide “home rule,” local governments may enact bylaws within the national law.

Under the provision of LAL, local governments have responsibilities for local affairs. The LAL (Article 2) authorized local governments to deal with any function except those specified national functions such as justice, crime, nation-wide transportation, postal, national universities, and national hospitals. In principle, localities may enact bylaws for all non-national functions. In sum, an effort was made, not entirely successfully, to establish substantial political decentralization under the new Constitution through a local autonomy strategy.

Citizens were invested through the right of direct democracy in both prefectures and municipalities, such as the enactment of bylaws (indirect legislation), inspection of expenditures by the inspection commissioners, dissolution of assembly, and recall of public officials. Although the autonomy of Japanese local government is relatively limited, such grass-roots empowerment subsequently enabled some “bottom-up” policymaking through citizen participation.

### ***Abolition of the Home Ministry***

In prewar Japan, the Home Ministry was a giant organization responsible for administering major domestic affairs such as law enforcement, construction, public health, employment, and elections. While controlling local government through appointed governors, the Home Ministry repressed the freedom of speech and political activities of citizens. It was a natural consequence that SCAP judged the Home Ministry as “guilty” and condemned it to “death” from the standpoint of the promotion of democracy and local autonomy.<sup>(2)</sup> Following the abolition of Home Ministry, the police function was transferred to the National Public Safety Commission, discussed later. Affairs concerning local administration were transferred to the Office of Domestic Affairs in the Prime Minister’s Office. The responsibility for local finance was held by the Local Finance Committee under the jurisdiction of Prime Minister’s Office. National election affairs was to be administered by the National Election Administration Committee.

The most interesting phenomenon is that former Home Ministry officials attempted to organize an independent agency. SCAP, however, refused to recognize the need for a central office for local autonomy (Akizuki 1995: 341). Since government bill were authorized in the Cabinet Meeting, proponents of local autonomy insisted on the need for a Home Affairs Minister to protect local government from arbitrary directions of various ministries in Cabinet Meetings (Steiner 1965: 304). In 1949, the Local Autonomy Agency (*Chiho Jichi Cho*) was established by the combination of the Office of Domestic Affairs and the Local Finance Committee. The Local Autonomy Agency was reorganized in 1952 and renamed to the Autonomy Agency (*Jichi Cho*). Subsequently, it became the Ministry of Home Affairs (*Jichi Sho*) in 1960 with addition of Fire Defense Agency. It was not accident that the restoration of Home Ministry was revived in the process of recentralization in the 1950s. Gradually the Ministry of Home Affairs increased its supervisory power over the local government in accordance with the rapid development of the national economy.

### ***Financial Autonomy of Local Governments***

The recommendations of a tax study group in 1949, known as the Shoup Mission, were influential in changing the fiscal relations between the national and local governments.<sup>(3)</sup> At first, the group emphasized the necessity of separating national and local functions. Then, to strengthen the fiscal autonomy of local governments, it proposed a new local tax system. Historically, local finances were heavily dependent upon national coffers. The Shoup Mission therefore recommended the transfer of national functions to local governments, and the consolidation of grants-in-aid into block grants as a part of general revenue for local government. For that purpose the Mission recommended a new instrument called the Local Equalization Grant. At the same time, the Mission suggested an independent local finance committee to manage the new equalization grant. The Shoup Mission also recommended a new residential tax and an income tax on both residents and corporations. The aim, of course, was to solidify the financial base for local government.

A new financial system was enacted in 1950 but it did not include all the Shoup Mission recommendations. The large number of national grants-in-aid programs decreased significantly. However, the separation of functions among the levels was incomplete and there was little restriction on central intervention through legislative action. National grant proliferated rapidly in the following decades. To implement the recommendations of the Shoup Mission, the Local Administration Investigation Committee was established in 1949. The Committee submitted a report in 1950. It was too late, however, to achieve fundamental change of IGR in the fiscal arena. The Government was ready to recentralize after the occupation ceased. It should be noted that the Shoup Mission did contribute to the shaping of the Japanese local tax system, but a bold scheme to create local fiscal autonomy that could be a base for the promotion of political decentralization was not realized. As a result, in the following period local governance was recentralized under the slogan of "rationalization" (*gorika*).

### ***Decentralization in Education and Police***

In policy fields, the most striking changes occurred in education and police. In the prewar period, education was nationally administered to spread nationalism among the citizenry. SACP required a shift of education to the local level for democratization purposes. In 1948, popularly elected boards of education were created in all prefectures and municipalities under the Board of Education Act. Under this system, school teachers were charged with the difficult task of creating democratic education. In this period, a number of new methods and textbooks were developed. Although the old Education Ministry still existed, the education system was drastically transformed from a "top-down" to a "bottom-up" structure. However, the voting turnout of the first school election in 1948 was relatively low, only 56%. This created a backlash against the Education Ministry and strong criticism of "local autonomy" for education.

The Police system was more drastically restructured under SCAP. The Police Act of 1948 established (a) autonomous police in municipalities with more than 5,000 populations, and (b) national rural police in communities with less than 5,000 populations. The former was to be administered by local public safety commissions, the later by the national public safety commission. However, this police system, like education, was later recentralized in the 1950s.

In summary, it is important to recognize that externally imposed local autonomy was an instrument, not an end in itself for Japan and SCAP. The larger aim was democracy, and local autonomy was simply a means of dispersing power in a manner that would enhance the prospect of the former. The links between local autonomy and democracy, however, were close then. Subsequent assessments have made a strong case for Japan's democratic development base on features of local autonomy (MacDougall 1989). For the most part, however, local autonomy has meant primarily popular election of local officials. Many Japanese adopted democracy with enthusiasm. For many Japanese, however, the word democratization was synonymous with equality or equalization. Thus, those who welcomed new central-local relations

did not realize that IGR posed a contradiction between local autonomy and highly uniform local government structures.

### ***Centralized Consolidation in the 1950s***

The 1950s was the period in which the political centralization was strongly stressed by prominent Japanese political leaders. After the Peace Treaty of 1952, the government promptly reconstructed national administrative structures to revive a hierarchical governmental system for political stability and national development.

Significant issues in the 1950s were the centralization of education and police. Most municipalities did not have the financial resources to operate autonomous police forces created under the Police Act of 1948. In 1951 the Police Act was amended to provide for a local referendum on the abolition of autonomous police. Most municipalities soon approved votes for abolition and these forces were subsumed under the jurisdiction of the national rural police. After the Peace Treaty of 1952, the Yoshida Government initiated a plan to further centralize police systems. The plan had five parts: (i) to establish prefectural police, (ii) to abolish national rural police and set up a National Police Agency, (iii) the secretary of the National Police Agency should be appointed by the Prime Minister with the advice of the National Public Safety Commission, (iv) the chairman of the National Public Safety Commission should be a minister of state, and (v) the head of each prefectural police (except Tokyo) should be appointed by the secretary of the National Police Agency. Against strong opposition of progressive parties and labor unions, this proposal was enacted in 1954. This is essentially the police system in Japan today.

On education, the national government also suppressed the power of local autonomy. In 1956 the Government passed the Law on the Organization and Operation of Local Education Administration over the resistance of opposition parties. The law abolished the popular election of the member of local education boards. Board of education members became officials appointed by the governor or mayor with the consent of the local assembly. In addition, education boards in appointing the superintendent of education for prefectures and designated cities (those over 500,000 populations) needed the approval of the Education Minister.<sup>(4)</sup> It is obvious that the revised system revived a hierarchical structure in education. In fact, the Ministry of Education introduced a uniform curriculum in 1958, revived ethical education in 1959, and instituted national achievement test in 1961.

In both police and education, policymaking authority was centralized in the hands of national government. In this process, the role of prefectural government was strengthened as an intermediate body. The national government established "remote control" governance using the forty-six prefectures as in the prewar Japan (Okinawa Prefecture was added in 1972). It was considered a necessary, efficient, and rational system for the recovery of Japan.

### ***Consolidation of Towns and Villages***

The Shoup Mission recommended the consolidation of municipalities to increase efficiency of the local government system, as well as the functional reassignment of



activities among the levels of governments. As shown in the case of autonomous police, the financial capability of municipalities was vulnerable. In 1950, there were over 10,000 municipalities, and 80% had populations under 8,000. The Mission argued that a reduction in the number of municipalities was necessary to strengthen the financial capability of local government and to increase administrative efficiency. In other words, the consolidation of small municipalities was seen as a prerequisite for devolution and as preparation for future urbanization.

Following this recommendation, the Government enacted the Towns and Villages Consolidation Promotion Law in 1953 to enforce the amalgamation of municipalities with populations under 8,000. It was enforced through the prefectural government under the direction of the national Local Autonomy Agency. Prefectures formulated consolidation plans and were given a variety of financial incentives (grants and loans) to the consolidating municipalities to ease opposition and confrontation. The number of municipalities was reduced from nearly 10,000 in 1953 to under 4,000 in 1957. However, the finances and efficiency of the consolidated municipalities did not improve as anticipated. Many municipalities fell into bankruptcy. The Government enacted a Special Law on the Promotion of Local Fiscal Reconstruction in 1955. This gave the authority for overseeing local finance to the Local Autonomy Agency (later, the Ministry of Home Affairs). We could say that the Consolidation Promotion Law was a tool for political centralization. It facilitated the central control over municipalities through the prefecture.<sup>(5)</sup>

#### ***A Proposal to Abolish Prefectural Government***

During the 1950s, the Government proposed another drastic strategy to change the new local government system. In 1957, the Local Government System Investigation Council, an advisory organ of the Prime Minister established in 1952, recommended that prefecture should be abolished. In their place would be a governing institution called "regions" (*chiho*). The proposed regional agency would be established in seven or eight regions of Japan. Each would be administered by centrally appointed chief executives. This seemingly radical scheme was to rearrange the boundaries of prefectures for large-scale economic development. The National Association of Mayors and the National Association of the Towns and Villages supported this plan. The Government, however, was unable to submit a bill to the Diet because of strong opposition from the National Association of Governors and the opposition parties. The Government did not drop its effort to reconstruct prefectural system. With the support of the business community the Government introduced a bill in 1963 which aimed to establish a federation of prefectural governments. When it failed, the Government formulated a bill in 1964 to promote the consolidation of prefectural governments. It also lacked majority support in the Diet. Official efforts to "rationalize" the prefectural system were dropped but the idea survives today (Hoshino 1996).

#### ***Proliferation of Nationally Assigned Functions***

Failure of prefectural proposals marked the death knell for the political

centralization plans. The central government found an alternative strategy in administrative centralization in 1950s and 1960s. The LAL permitted broad legislative actions of central government on local matters. The central government enacted a variety of laws from the standpoint of "national development." The list included schools, roads, parking lots, and even cemeteries. Local government could enact bylaws to supplement these nationally mandated functions.

In these cases, however, many local governments with limited financial and technical resources were subordinate to the direction of sponsoring ministries. Furthermore, a mechanism for direct control over local governments was defined in LAL. These are called "Agency Delegated Functions" (*kikan inin jimu*) or ADF. This practice originated in prewar local administration. Appointed governors directed mayors through ADF to implement nationally mandated functions. In the process of postwar reform, the central government introduced the same arrangement into the relations between ministries and elected local officials.

Under the provisions of LAL, local elected officials who are delegated ADF by law are in a position of "national agents." For these purposes they are subject to the direct control of competent ministers. Elected local assemblies have no right to interfere. For the implementation of ADF, the mandamus system was specified. An elected official who fails to perform ADF tasks could be dismissed through legal proceedings. No provision in the LAL regulates the legislation of ADF by the central government. Central ministries have created them with ease and with limited justification. One result is the proliferation of ADF. The list includes many functions that are local in character: city planning, road maintenance, regional transportation, sanitation, etc. Although local elected executive and legislative officials retain political power, central ministries circumscribe or even bypass them through these national assigned functions. The growth in the number of ADF is as follows.

Year	Number of ADF
1952	256
1962	408
1974	533
1995	561

In summary, Japan established a democratic governance by defining local autonomy in a new Constitution. However, the Government promptly revived the prewar administrative system for economic development immediately after the occupation ended. Although local autonomy was conceived as an "elementary school of democracy," the conservative government took over the functions of police and education from local government. In addition, central ministries have utilized the system of Agency Delegated Function to subordinate local public officials. It might be a rational choice for political leaders to achieve national development in a short frame. However, a hierarchical arrangement of intergovernmental relations has prevented growth of self-government at the local level. A situation of dependent local governments upon national development projects and public works is still observed throughout Japan, as discussed in the following sections.

## 2. Political Economy of National Land Development

Japan's centralized governance has its origins during the process of modernization in the Meiji era (1868–1913). In building a modern nation, the Meiji government established a highly centralized authoritarian system following a continental European model. To control the development of liberal democratic forces at local level, the government appointed prefectural governors to control regional and local governance. Further, elite bureaucrats were in charge of making national development plans in various policy fields. This style of bureaucracy-led policymaking survived during the process of democratization after the War. It was the young bureaucrats who elaborated the emergency economic recovery plans in the confused era of the late 1940s.

In 1950 the Government enacted the National Land Comprehensive Development Act (NLCDA), following the recommendation of SCAP (Shimokobe 1994: 42). The law aims "to use the land for multiple purposes, to develop land, to rationalize the location of industry, and to contribute to the improvement of social welfare." A purpose of the NLCDA is to coordinate various governmental development programs at the center. However, the NLCDA was amended in 1952 to give priority for public investment to energy and dam construction projects, which were modeled after the American Tennessee Valley Authority (Samuels 1983: 125–6). Then, the politicians and central ministries rushed to enact a variety of regional development programs. Consequently, apart from the principle of the NLCDA, the National Land Development in the 1950s remained regional and patchy, neither national nor comprehensive.<sup>(6)</sup>

In 1960 the Prime Minister Hayato Ikeda formulated the famous 'Income Doubling Plan' for economic growth. In the original Plan, the Government sought to invest mainly in the Pacific Belt according to a theory of capital accumulation. However, politicians who represented the interests of rural voters strongly opposed the original plan, saying that it would enlarge the income imbalance between the new industrial region and rural communities. In January 1961 the LDP called for the establishment of twenty new industrial cities scattered among the twenty-two prefectures and twenty-two other municipalities that had applied for regional assistance from the government (Calder 1988: 306). In August of 1962 the Government enacted the New Industrial Cities Construction Law. A few months later, the Cabinet decided to establish the National Comprehensive Development Plan (*Zenso*) as the implementing tool of the NLCDA. In December 1962, *Zenso* was established as the first plan of the national land development in Japan.

However, a comprehensive development plan was biased by politics that emerged in the process of democratization. Under the *Zenso* and the New Industrial Cities Construction Law, 13 industrial complexes were targeted for development through various fiscal incentives (later, two cities were added). Over 40 municipalities of underdeveloped regions competed in the designation race for a guarantee for economic development. Thus, not only the mayors but also the governors frequently

visited central ministries to win the race for the national program (Nagata 1996). To compensate the loser, in 1964 the Government enacted the Specified Industrial Area Development Law and designated 9 other regions.

The structure of local dependency on national land development and following public works such as road construction, irrigation, sewage, and so forth, was configured in the Second National Land Development Plan (*Shin Zenso*) of 1969 and then Minister Tanaka Kakuei's "Plan for the Remodeling the Japanese Archipelago" in 1972. The *Shin Zenso* was tailored by the Economic Planning Agency under the Sato Administration. It proposed the construction of big industrial sites throughout Japan and connecting them by a rapid transportation network. The government formulated a new National Land Development Bill for the *Shin Zenso*. However, once Tanaka revealed his bold plan it resulted in the "land speculation boom" and caused high inflation. Finally, however, the bill was killed, and the National Land Agency was established in 1974.<sup>(7)</sup> The NLA was authorized to prepare all long-range national planning instruments, and was in charge of negotiating the budget requests of the various public corporations with the Ministry of Finance (Samuels 1983:158). However, the political magnet of "regional development" has never changed. An American scholar Kent Calder notes;

... active regional policies, epitomized in the 1972 "Plan for the Remodeling the Japanese Archipelago" of the MITI Minister Tanaka Kakuei, were one important means of aiding urbanizing former rural areas, providing windfall real estate profits to politicians, farmers, and local entrepreneurs, and supplying employment to a broad range of swing constituencies prospectively, but not categorically, loyal to the LDP. As in the early 1960s, regional policies of the early 1970s thus had dual, mutually reinforcing industrial and political objectives. (Calder 1988: 308)

It is apparent that the *Shin Zenso* in the 1970s established the leading role of the national government in infrastructure management. In turn, the demand of political decentralization had weakened in expense of regional development sponsored by the central ministries. Local public officials rushed to the capital city for lobbying national projects. It strengthened the single party dominance of the LDP. In the late 1970s, the government promulgated the third National Development Comprehensive Plan that emphasized "environment" and "habitation." It reflected a failure of Tanaka's "Plan for the Remodeling the Japanese Archipelago" and strong opposition against the "development." However, it became normative rather than coercive. And consequently, it legitimized the establishment of national public works planning by the central ministries, and then, it established a number of cozy triangles of politicians, bureaucracies, and construction companies throughout the Japan. Table 2 shows a comparative character of four *Zenso* (s) from the 1960s to the present. It suggests that a structure of "Construction State" has continued even in the new century.

**Table 2** Comparative Character of National Development Comprehensive Plan (Zenso)

	NDCP (Zenso)	New NDCP (Shin Zenso)	Third NDCP (San Zenso)	Fourth NDCP (Yon Zenso)	Grand Design for the 21 <sup>st</sup> Century
Cabinet	Ikeda/Sato	Sato/Tanaka	Fukuda/ Ohira	Nakasone/ Takeshita	Hashimoto
Target Period	1962–1970	1970–1985	1977– 1987	1990–2000	2010–2015
Objective	Balanced regional development	Creation of enriched environment	Comprehensive conditioning of habitation	Multi-cored, dispersed land development	Not clarified
Method	Core area de- velopment	Big project	Habitation	Exchange net- work	Participation and partnership
Investment (trillion yen)	—	130–170	370	1,000	Not specified

Source: Kitahara (1994), pp. 290–291. Revised by the author.

### 3. Public Works and Center-Local Relations

In the process of economic development in the 1960s and 1970s, it became widely recognized that the public investment in social capitals such as road, port, sewer systems, parks and dams were the responsibility of the national government to achieve regionally balanced development. Central ministries establish the long-term plans for separate project categories and local governments lobby for public works fund. Naohisa Nagata describes the budget process of public works as follows;

The public works budget process starts when ministries present the amount of money requested for public investment for the next fiscal year to the Finance Ministry. The ministries base these presentations on the request received from prefectures and municipalities for public works financing for the following fiscal year. Local governments cannot expect to receive project funding from the central government unless their requests are first incorporated into the budget proposals the respective ministries submit to the Ministry of Finance. Thus, prefectures and municipalities make every effort to forecast the central ministries' policies for the next fiscal year. They adjust the content of their funding requests in a way agreeable to the ministries to enhance the success of their funding requests (Nagata 1996: 159–160).

After the budget bill passes the Diet, ministries decide the specific allocation of financial resources and location of individual projects. There is a room for political intervention. Then, governors and mayors lobby the Diet members for special treatment in budget allocation and project selection. It is no doubt that this structure contributes to the centralization of power over regional development and increases the subordination of local governments (Nagata 1996: 160).

In the era of fiscal austerity after the oil crises in the 1970s, the Government cut national grants-in-aid for local government to achieve “fiscal reconstruction without

tax increase.”<sup>(8)</sup> However, a total amount of public works funding was maintained, because politicians and local managers pressed the Government, saying that public works are indispensable to sustain employment in the depressed areas. Therefore, the Government invented another financial measure called the “private finance utilization” (*minkatsu*) to invest more for the local regions. In 1986 the Nakasone Administration enacted the Public Finance Utilization Act (*Minkatsu ho*). The Act attempts to distribute government loans for urban redevelopment, new high-tech parks, and so forth. The fund was raised by the privatization of the Nippon Telephone and Telegraph Corporation. In receiving “PFU” fund, local government set up the “the third sector company” (*Daisan sekutaa* or *Sanseku*) that is a joint venture of local government and private firm. In 1987 the government enacted “Resort Act” for furthering “PFU” project throughout Japan. The Resort Act is designed to promote the construction of resort facilities for the welfare of people, providing government-sponsored low interest loans. Like the new industrial cities in the early 1960s, prefectures and municipalities rushed for the designation by the national government. However, the collapse of bubble economy in the early 1990s crushed the dream of regional development by constructing deluxe resort facilities. Further, it made worse the financial condition of local governments, forcing taxpayers to call for political and administrative reform. Citizen groups have criticized cozy relations among the politicians, bureaucracy, and the construction firms and began to use referendums to discontinue public works such as dams and airports. Even in the rural area, taxpayers are opposing the national development projects and public works as these are seen as wasteful and only in the interests of politicians and construction companies. Recent electoral victories of non-partisan governors in Nagano and Chiba Prefectures are the result of citizen's dissatisfaction with the established political structures. Under the watchful eyes of taxpayers, governors and mayors have been forced to improve administrative systems by introducing new public management such as program evaluation and performance management.

#### 4. From Administrative to Political Decentralization in Japan

In mid of the 1990s the national government introduced a comprehensive decentralization plan as a part of administrative reforms. In 1995, the Coalition Government enacted the Decentralization Promotion Law. This is the first single piece of legislation addressing the promotion of decentralization in Japan's modern history. The law created the Committee for Promoting Decentralization to establish a Decentralization Promotion Program. The most significant proposal of the Decentralization Committee is the abolition of notorious ‘agency delegated functions (ADF) system’ that structured ministerial control over local elected officials. The Promotion Committee proposed a new classification of intergovernmental functions. These are (i) ‘autonomous functions’ of local government and (ii) ‘entrusted functions by law’ from the central government. For autonomous functions local governments may enact bylaws for which advice, recommendation, prior consultation and agreement of the central ministries are granted purely from the standpoint of central coordination.

The Promotion Committee attempted to promote decentralization by transferring most ADFs to the autonomous functions category. They minimized the number of 'entrusted functions' which are functions to be implemented by local government under the direction of central government. The central ministries strongly opposed the re-classification and the abolition of ADFs. In a significant concession the central ministries adopted the new classification, but they succeeded in keeping their core functions as 'entrusted functions by law.' To fulfill these recommendations, the Government enacted the Comprehensive Decentralization Promotion Act in 1998.

The enactment of Decentralization Promotion Act shows that the decentralization strategy becomes a main frame of governance reform in Japan.<sup>(9)</sup> However, political leaders and bureaucrats seem to be negative in providing substantial autonomy to local government. The Diet members could obtain political support in exchange of national development projects and subsidies. The bureaucracies could manage nation-wide public investment program efficiently under the centralized administrative structure. As a result, the promotion of decentralization tends to be confined in the realm of "administrative efficiency." Thus, the national government calls on local governments to gear up their administrative reform and to promote voluntary amalgamation of small municipalities.

However, as mentioned above, taxpayers are aware that the traditional "convoy" (*goso sendan*) system not only serves for the special interests, but it prevents further development of Japan in the age of globalization. Since the late 20th century, 'decentralization' has become popular among the industrialized countries. It is widely recognized as the policy prescription for the ills of 'big governments' caused by the development of welfare states. By decentralizing national authority, political leaders try to reform modern governance to be more responsive to the various needs of the client (Maynz 1993; OECD 1995).

## 5. Concluding Observations: Two Decentralization Alternatives

Decentralization strategies can be categorized into two approaches in the mode of governance reform. The first is the 'administrative decentralization approach,' shown in the process of governmental reform in postwar Japan. In this approach national government delegates authorities and resources to the local government for efficient and effective national development, retaining the right to review, veto or revoke the delegated authority. It would be rational for national government to value on conformity in the process of nation building or national development. In the process of economic development in the postwar Japan, political leaders and bureaucrats restored a hierarchical relation between center and localities to control local government for the efficiency of national development. Although local governments have required local autonomy for democratic governance, national government has only taken small steps toward administrative decentralization. It increases the discretion of local political managers and promotes citizen participation in the policy implementation stage at local level. However, all is for the national development. In the case of welfare policy, for instance, the Health and Welfare Ministry

delegated some of the functions concerning the administration of Child Care and Nursing Home for the Aged to the local government in the 1980s. However, decentralization of welfare programs is not a transfer of national responsibility to local elected officials but for the quality of national grants-in-aids programs.

The second decentralization strategy is a 'political decentralization approach' that attempts to delegate national policymaking authority to local government, giving them the opportunity of policy choices that are not subject to review or veto by the central authority (Jun and Wright 1996). One underlying theoretical assumption is a political economy of democratic governance. Like a theory of the neoclassic economy, people will move around to choose municipalities that provide better service with less tax payment. Then, local governments have to compete with each other for gaining support of taxpayers, and work hard for management reforms. The center-local government relationships should be complimentary. Political decentralization originates in the federal system like the United States, where the levels of government separate functions of governing. In Europe, some unitary states like UK adopt this 'political decentralization,' because the rapid progress of a boarder-less economy in Europe undermines the legitimacy of nation-state. We can observe similar a trend toward political decentralization in developing countries like Indonesia.

Table 3 summarizes the different characters of administrative and political decentralization strategies.

Governance reforms in Japan have been promoted within the scope of administrative efficiency for the national development. The results have been incremental steps for administrative decentralization throughout the postwar periods. The Decentralization Promotion Committee's inability to propose the reform of intergovernmental fiscal relations reveals the strength of existing centralized political structure of Japan.<sup>(10)</sup> Most local governments still call on national subsidies for economic development and employment. Local officials desire fiscal largesse and are dependent on national financial aid, but, at the same time, demand political autonomy, discretion, and choice in how they allocate funds. Such complex, cross-pressured conditions of local public officials permit national government to reform IGR only incrementally.

However, recent changes of public attitudes on public works suggest that an eclipse of the "developmental state" happen in Japan.<sup>(11)</sup> The newly introduced public nursing care insurance for the aged law may be a trigger for changing behavior of taxpayers to search for efficient and effective local governance, for municipalities could not transfer the responsibility of delivering nursing care services for the aged to

Table 3 The Strategies of Administrative and Political Decentralization

	Center-Local Relations	Political Management	Citizen Participation	Role of National Bureaucracy	Performance Indicator
Administrative Decentralization	Conformity	Weak	Low	Control	Efficiency
Political Decentralization	Complimentary	Strong	High	Coordination	Value for money



other levels of government any more.

Political decentralization is becoming a strategy for governance reform in the post-industrialized nations. It is expected to enhance the quality of service through the competition and improvement of management like the private sector. Local autonomy will encourage taxpayers to participate in the quality management of local government. In Japan, the coming age of "civic governance" seems still remote, but there is a modest paradigm shift in the direction of political decentralization.

#### Notes

- (1) Five phases of IGR in Japan are discussed more detail in Koike and Wright (1998).
- (2) SCAP also commanded the dissolution of "community associations" (*chonai kai*). However, the *chonai kai* survives as voluntary organization even today.
- (3) The Tax Mission was directed by Dr. Carl Shoup, a public finance economist from Columbia University.
- (4) This provision was abolished in the process of Decentralization Promotion in the 1990s.
- (5) Changes in the number of municipalities by types are shown in the Table 4.

**Table 4** Numbers of Municipalities by Types

Year	City	Town	Village	Total
1883	19	12,194	59,284	71,497
1898	48	1,173	13,068	14,289
1945	205	1,797	8,518	10,520
1953	286	1,966	7,616	9,868
1957	500	1,918	1,448	3,866
1965	560	2,000	815	3,375
1995	664	1,992	576	3,232

- (6) As the Prime Minister Shigeru Yoshida believed in the market theory, he had been negative in implementing the National Land Comprehensive Development Law. However, succeeding Prime Minister Ichiro Hatoyama established the "Five Year Plan for Autonomous Economy" in 1955. It became the forerunner of Ikeda's "Income Doubling Plan" in 1960.
- (7) In the original bill, the National Land Agency was called "National Land Development Agency." However, the media strongly criticized the government's development orientation. Therefore, the Government deleted the word of "development" from the bill.
- (8) In the 1980s two high level advisory councils, namely the Provisional Administrative Reform Council (*Rincho*) and the Provisional Commission for Promotion of Administrative Reform (*Gyokakushin*), recommended the promotion of decentralization as a principle of government-wide administrative reform. The Government revised the Local Autonomy Law and related laws to delegate some ADFs to local government. On the other hand, the Ministry of Home Affairs creates the federation system of local governments (*koiki rengo*) to strengthen the administrative capability of municipalities. Simultaneously, the Ministry of Home Affairs issued a notice for local governments to formulate 'Principles of Local Administrative Reform' to reduce local public employees and promote rationalization. Consequently, administrative reform and decentralization strategy in the 1980s changed Japan's center-local relations in very modest, incremental steps.
- (9) In 1998 the Government enacted the Reorganization Act to reduce the number of

- central ministries and agencies from 22 to 13. On January 2001, the Ministry of Home Affairs was integrated into the Ministry of Public Management, Home Affairs, Posts and Telecommunications. At the same time, the National Land Agency, the Ministry of Construction, Ministry of Transportation, and Hokkaido Development Agency were consolidated into the Ministry of Land, Infrastructure, and Transport.
- (10) The Decentralization Promotion Committee schedules to submit recommendation on the intergovernmental fiscal relations until summer of 2001.
  - (11) The Government launched a policy evaluation system in concert with administrative reform. The Ministry of Land, Infrastructure, and Transport established a pilot project to evaluate the effectiveness of public works projects.

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