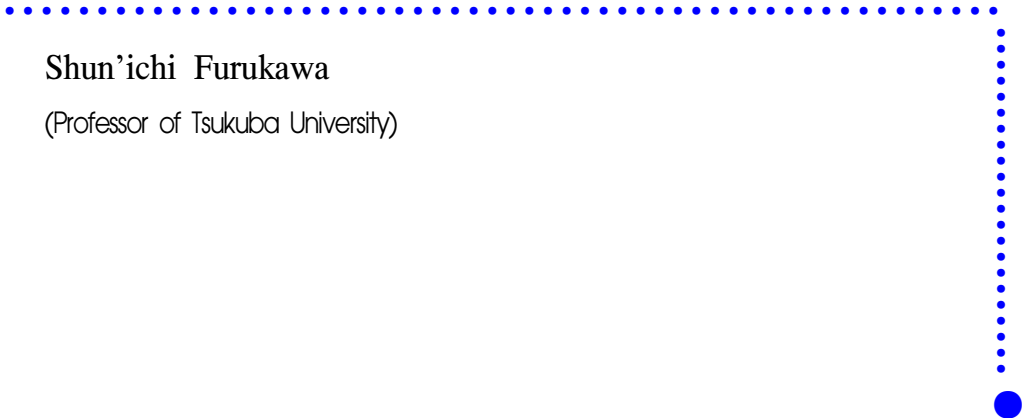


# Local Government Reform from Above and Within: Japan's Recent Experience

Shun'ichi Furukawa

(Professor of Tsukuba University)

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## I . Introduction

Local government reform is claimed as the "Third Revolution" by the chairman of the Committee for Promoting Decentralization. New legislation to decentralize administration was passed last July and hailed as a major step toward viable governability in the Japanese society. Having spent more than five years in the preparation stage, its effectiveness must be scrutinized. It is more or less an effort at the central government level, while endogenous reforms have already been made by entrepreneurial leaders at local governments in recent few years.

This paper will highlight recent developments in Japanese local government reform at the center and the periphery. This reform must then be placed in the wider perspective of overall administrative reform. Fiscal crises in Japan due to the recession in the early 1990s required the central government to launch massive administrative reform efforts. For the most part, these encompass deregulation, the reorganization of central ministries and public corporations, and fiscal structural reform. While the reforms are targeted primarily on establishing more effective decision making authority for the Cabinet and a more viable economy under a balanced budget, the issue of decentralization also emerged. Related to this move are accountability and performance-based management.

First, the concept and framework of decentralization and accountability are explored, followed by a brief description of governmental feature. Second, a brief sketch of postwar administrative reform is given. Third, decentralization schemes at the central government level and autonomous reform efforts in local governments are depicted. Special attention is paid to emerging performance-based management. Finally, these reform strategies are evaluated, and the inherent nature of bureaucratic resilience in the life of Japan's public administration, as opposed to political authority is also discussed.

## II. Concept and Framework

### **Decentralization**

Decentralization can be defined as a distribution of authority. The three principal distinctions are instructive (Pollitt et al. 1998). They first distinguish political decentralization and administrative decentralization. In political decentralization, authority is decentralized to elected representatives; in administrative decentralization, to managers or appointed bodies. Richardson (1997, 247) presents an interesting remark on the nature of decentralization in Japan: Politics is more decentralized in Japan, which is more like Germany and the United States than France or Britain.

The second distinction is competitive and non-competitive, but this is not relevant to the case of Japan. Non-competitive decentralization is a normal case, and competitive decentralization here refers to the compulsory competitive tendering (CCT) for the provision of particular service in British local government of late.

The third distinction is internal decentralization within an organization, and devolution where decentralization of authority is made to a separate and legally established organizations. There is indeed decentralization to local branches of central government. However, this type of decentralization has not yet clearly developed. 'Independent administrative corporation,' a Japanese type of 'executive agency' would suit this distinction. Presumably Japan's local governments are executive agencies of national government so far as they implement delegated functions supported by intergovernmental grants.

### **Accountability**

Accountable government can generally be fostered by decentralization. Accountability is associated with distrust in government. As such it has a democratic implication. The emergence of the accountability concept can be

attributed in part to the rise of a new public management (NPM).

Three sets of core values in public management identified by Hood (1991) clearly reflect recent issues in Japan's public sector: 1) Sigma-type values (keep it lean and purposeful); 2) Theta-type values (keep it honest and fair); and 3) Lambda-type values (keep it robust and resilient). It is undoubtedly impossible to satisfy all three value sets equally. The sigma-type values often reform objectives. The theta-type values are related to accountability and performance. Entrepreneurial government is in the area of the last lambda-type values.

There is a somewhat different set of institutions in Japan compared to that of other countries, and it can be argued that 'accountability' is a predominantly leading concept. One assessment of public sector reforms in major countries casts doubt in limiting these to three popular components: deregulation, privatization and marketization (DPM) (Lane 1997). Although this DPM framework undoubtedly influenced the form of reforms, it is not an exhaustive concern in the modern welfare state. The call for improved performance in the public sector has been made in all key public sector operations, and there is a search for new institutions guided by new institutional economics. This is one major side of state reform in Europe (Lane 1997, 9).

Accountability may pose a more difficult question in reconciling democracy and legality. Performance measurement is expected to serve both sides, and accountability is the most anticipated function served in the Japanese political context. While no overall performance management system as found in New Zealand (Boston et al. 1996), for example, exists, such a system has been politically regarded as a panacea for lawmakers in the age of coalition government started in 1993. Rightfully, Japan has been 'taking stock' (Peters and Savoie 1998) of the various measures. One should not overemphasize the new public management philosophy because it can at best serve only a few specified objectives (Premchand 1998) in the

absence of a clear-cut division of functions between central and local governments.

### **Japan's governmental feature**

Japan is based on a unitary system where 47 prefectures and 3,200-odd municipal governments exist with no unincorporated area and a total population of 125 million. The parliamentary cabinet system is a basic political institution. Three branches constitute the central government, with an independent organization, the Board of Audit. The legislative branch or parliament is often called the Diet. The executive branch is the Cabinet, and the judiciary is under the Supreme Court below which no specialized administrative court exists. Local self-government is guaranteed by the Constitution of 1947, with directly elected governors, mayors, and local assembly members.

Three major interrelated characteristics of the Japanese local government system can be identified as (1) a wide range of functions administered by local authorities in a unitary system; (2) the fusion of tasks and finance; and (3) a tradition of frequent transfer of personnel at the executive level (Furukawa 1998). Such features tend to discourage accountability orientation of the locally administered public programs.

The size of local government can be demonstrated by the fact that two-thirds of all government expenditures are local (OECD 1995). Prefectural government in spite of its independent status with governors and assembly members elected by popular vote are entrusted to implement national government functions under the control of competent ministers. This arrangement is called the Agency Delegated Function (ADF) system. Such a peculiar arrangement was justified to enhance integrative policy implementation throughout the country seeking a quick postwar economic recovery. It has, however, diluted the clear responsibilities of each level of government and eroded the autonomous behavior of local authorities. Rigid financial

control has been used to support this fusion of functions. At present, it is roughly estimated that 70-80% of prefectural functions fall into this ADF category, as do 30-40% of municipal government functions. A high degree of financial security corresponds to tight central control (CLAIR 1997). There are over 800 elite bureaucrats recruited from the central government for local managerial posts, including vice governorships, vice mayorships, and heads of departments.

### III. History and Evaluation of Administrative Reform

#### **Concept of Administrative Reform**

As in other countries, the concept of administrative reform in Japan is sometimes used interchangeably with "administrative reorganization." While Masujima (1996) and Wright and Sakurai (1987, 128) identify the broader nature of the Japanese experience, central-local relations have been one of the focal points due to the nature of governmental system. To highlight this aspect, an evaluation of administrative reform in the postwar period will be briefly discussed (for other evaluations, refer to Wright and Sakurai 1987; Jun and Muto 1998). Four distinct phases are proposed for further analysis. They are the Democratic Phase (1945-50s), the Management-Oriented Phase (1960s-70s), the Liberalistic Conservative Phase (1980s), and the Reorganization Phase (1990s) (Furukawa 1999) .

#### **The Democratic Phase (1945-50s)**

The defeat in World War II brought a fundamental change to public administration. Postwar reform was guided by the same logic of the Hoover Commission of the USA, aiming to promote efficiency and democratic orientation in government. The Ministry of Interior in charge of police, local administration, and

public works, was separated into some eight different organizations. The governors were to be elected by direct popular vote instead of being appointed by the central government. It was a major change in the local government system in terms of both administration and politics.

### **The Management-Oriented Phase (1960s-70s)**

The First Provisional Commission for Administrative Reform (PCAR) (1961), modeled after the second Hoover Commission, engaged in a comprehensive evaluation of government administration. Most of the recommendations were not actually implemented as expected, and many issues remained unresolved. Several of those few issues resolved were the reduction of the size of the central bureaucracy, elimination of one bureau in each ministry, and the merger of several public corporations. The institution of a mechanism to control the size of the national civil service was evaded by a corresponding increase in the local civil service and special public corporations that followed. The increase in local government personnel was justified by the delegation of many functions of national government to local governments as "agency delegated functions (ADF)" where the chief executives thereof act as agents of the central government's cabinet ministers.

### **The Liberalistic Conservative Phase (1980s)**

Two oil crises in the 1970s resulted in a deficit amounting to over 30% of the government's general annual revenue. However, institution of a 'general consumption tax' or 'sales tax' was rejected in the previous election. The 'fiscal restructuring without a tax increase' was most strongly requested by the business community. The Ministry of Finance and the Ministry of Home Affairs were cooperative with the Second Provisional Commission for Administrative Reform (Rinji Gyosei Chosakai, RINCHO) established in 1981, in promoting cutback

management and devolution.

The evaluation is mixed. Wright and Sakurai (1987) acknowledge the results favorably after surveying reforms from 1981–86. Even though the spending cut and increased privatization of the three biggest public corporations, the Japan National Railway, the Nippon Telephone and Telegraph Corporation, and the Japan Tobacco and Salt Monopoly Corporation, are claimed as major victories of administrative reform, other accomplishments were limited. And the cases of effective policy making in the cabinet and appropriate central–local relations were lacking. The unfulfilled agenda of the reform remained an issue in the next phase.

### **The Reorganization Phase (1990s)**

While deregulation, decentralization and accountability have dominated this phase (Nishio 1996), the major accomplishment was exclusively the reorganization of the central ministries. Scandals involving high–ranking bureaucrats from major ministries and failures of public policy, particularly that related to banking, harnessed distrust in the once–respected incorruptible bureaucracy, and a call for accountability in public policy. It also meant to change the politico–bureaucratic relationship. The government established the Administrative Reform Council on November 21, 1996. However, discussion centered on reorganization of the central government.

Based on the recommendation of December 1997 the Law of Reorganization of Central Ministries and Agencies was enacted in 1998, and the reorganization is expected to be implemented in the year 2001 (IMA 1999). Even though some ministries will be either consolidated or renamed, the basic structure remains virtually the same. While most agencies with ministerial portfolio are to be merged, the number of Ministries remains the same, twelve. Bigger ministries will be too huge to control unless substantial functions are devolved to local governments. Disappointing devolution results to date confirm such fears (Furukawa 1999c).



Japan's reform agenda includes 'agencification' directly derived from the United Kingdom, but the real thrust is little understood, and few organizations would be deemed agencies by the UK standard.

#### IV. Decentralization and Amalgamation

##### **Decentralization: Recent Development**

The political realignment already started in 1992 enhanced the decentralization trend. The Law for Promoting Decentralization was enacted in May 1995, and the Commission for Promoting Decentralization (CPD) began its work.

After fierce interdepartmental negotiations with the Commission, four recommendations were presented to the Prime Minister in 1996 and 1997. The Cabinet consolidated these recommendations into the 'Decentralization Plan' as a decision in May 1998. Legislative process concluded by enacting an omnibus amendment law in July 1999. It will take effect in April 2000.

While the content of the reformed local government system is diverse, it can be summarized into two basic parts. First is an overhaul of the basic framework of the existing functions of local authorities. The law stipulates the abolition of current Agency Delegated Functions (ADF) and a new classification of local functions: autonomous and entrusted by law. The latter type is defined as those functions administered by local governments but regulated by national law or cabinet order, in order to secure proper implementation.

Second is less central control. Since local governments already implement most domestic functions, few specific types of devolution are included. City planning is an example. Instead, reduction in central intervention and involvement is emphasized, and a new rule for central-local relations was addressed. The Central-Local Dispute

Mediation Committee, a new mechanism for mediating conflicts between central and local governments will be created.

Missing in the current reform initiative is the reallocation of tax resources from central to local government; without substantial devolution, large tax transfer from the center was not justified. Although the central political arena has been inundated with calls for more decentralization, this is not based on a corresponding desperate need at the local level. The zeal for decentralized administration has been countervailed by central government organizations that suspect that the scheme would enhance the power of the Ministry of Home Affairs. Functional ministries were engaged in mobilizing politicians who find advantages in securing centralized administration to their benefit of exerting political influence over resource allocation. The whole process was turned into an interministerial rivalry and competition. Topocrats (Beer 1976), an intergovernmental lobby, could not exert effective countervailing power. Neglected fiscal matters are due to the serious conditions of central finance. Arguably an inherent integrationist model would remain dominant even after the decentralization legislation in light of the intense relationship between two levels of governments as having sprung from local political initiatives as well (Muramatsu 1997, xviii).

### **Amalgamation**

Related to administrative reform and decentralization, the issue of amalgamation of municipal governments also emerged. Two major amalgamation policies in the past decreased the number from 71,314 to 15,820 between 1889 and 1890, and 9,622 to 3,786 between 1953 to 1957. Thereafter the trend has slower with the current number of municipalities standing at 3,229 (1999).

Past amalgamation policies were instrumental in modernization and economic growth (Furukawa 1997). However, this time the issue is more focused on

management concern and decentralized government. With increased and overloaded functions delegated to municipal governments with such varying degrees of size in the past thirty years, they are suspected of being incapable of implementing those functions, particularly welfare care for the elderly, as Japan's society rapidly ages.

The central government has tried to promote autonomous amalgamation by introducing laws with incentives and more involvement of prefectures in the past five years. Resistance by local assemblies is particularly illuminating. The results to date are unsatisfactory to policymakers at the center. There have been only four amalgamations in the last 5 years. Paternalistic fiscal equalization and the flow of funds to smaller municipal governments provides an incentive to avoid amalgamation. Restructuring more than 3,000 municipal governments into 300 to 1,000 units, as proposed by influential politicians, have had little impact on local governments. This is another example of cleavage between the center and the periphery. The orientation toward equalization is so strong in Japan that smaller municipalities find it disastrous to be amalgamated by large communities. In fact, fiscal incentives in the current law to promote amalgamation are no better than the current guaranteed fund transfer. The existing tax sharing scheme called Local Allocation Tax (LAT), an equalization grant from the central government, tends to benefit smaller municipalities with less fiscal capacity. An amalgamation would lead to less LAT money to the area.

## V. Autonomous Reform Efforts of Local Government and Accountability

### **Background**

Reform from the center is not sufficient to maintain viable local governments trusted by the people. Accountability also addresses the changing relationship

between administration and civil society. It is hypothesized that the implementation of such accountability measures varies depending upon the institutional foundation. Since accountability is of a democratic nature, it is very much susceptible to the workings of political authority in a specific governing institution. More autonomy means more responsibility, which in turn requires accountability. This accountability naturally entails more performance measurement of public programs.

Four issues, long neglected in public administration in Japan have recently been legislated: Administrative Procedure Law, Government Information Disclosure, Civil Service Ethics, and NPO. These deserve mentioning as they signify the changing nature of government (Furukawa 1999b); changes are taking place from closedness to openness, transparency and partnership.

Local reform efforts have been implemented on a constant basis. Recently emerging performance-based management in Japan is a relatively new term. More precisely, it has rarely been used in its original meaning partly because of the lack of an institutional foundation. However, performance management in the form of 'evaluation' has recently emerged as an effective tool for administrative reform, particularly in local governments, and hence in central government. Embodied in the Central Departments Reorganization Law of 1998, it is now receiving much attention (Furukawa 1999a).

Basically, each ministry is required to establish an office of evaluation. The new Ministry of General Affairs, scheduled to be created in 2001, will be heir to all responsibilities of the current Management and Coordination Agency (MCA), and would be in charge of sustaining comprehensive and objective policy evaluation. The results of such evaluations are to be disclosed and reflected in the policy process. The 1998 Law also establishes 'executive agency' derived from the United Kingdom's example. This arrangement requires 'evaluation,' too. However, the central bureaucracy is not prepared, lacking expertise and orientation toward an

NPM type of management. There is indeed a widespread suspicion of private sector management or 'reinventing government.' This is also true to most local governments, but a growing number of them have become interested in applying the NPM type of management in whole or part.

Evaluation as is prescribed in the 1998 Law has not begun yet, and examples are only found in entrepreneurial local governments. These include (1) Program and Projects Evaluation Systems, (2) Evaluation of Capital Investment Projects, (3) Benchmarking, (4) Strategic Management, and (5) Planning-related (Furukawa 1999a). Such management reform methods at the local level have a limit, however. For one thing, national laws set basic legal and financial structure, and a local government has smaller discretion in affairs entrusted by the central government.

### **Development of Performance Measurement**

While performance measurement, central to performance-based management, is the most representative concept used worldwide, there is a degree of confusion about the appropriate use of the word at present in Japan. The following are developments related to performance measurement.

#### *(1) Misunderstood Performance Budgeting*

The concept of performance budgeting originated in the first PCAR (1961) as an import from the US Hoover Commission, but few local governments adopt true performance budgeting by the US standard. An inaccurate English to Japanese literal translation of 'performance budget' rendered the term as meaning a 'program-based budget.'

In the 1980s, several management reform initiatives found in US local authorities were made public in Japan. A prime example was the Planning and Management System (PAMS) of Sunnyvale, California. It caught the attention of administrators of major local authorities, but no concrete endeavor began because of the lack of

practical knowledge, except for a few examples of budgetary reform based on program evaluation in local authorities. Only several academic papers discussed performance measurement.

### *(2) Program and Project Evaluation System*

The word "evaluation" caught the attention of policymakers after an endeavor by Mie Prefecture, called the 'program and project evaluation system' was introduced in 1995. This system attempted to measure the performance of each project undertaken by the Prefecture. Since the 'evaluation' was associated with the issue of accountability which arose during scandals involving the mismanagement of public funds, the concept spread quickly to other governments, central and local. It is interesting to note the origin of the concept was derived from Reinventing Government (Osborne and Gaebler 1992). A Tokyo consulting firm, Japan Management Association in charge of the translation of the book, was called in to assist with the Mie governor's innovation.

Shizuoka Prefecture is another leading local government engaged in comprehensive reform. "Inventory Management" as they call it, is a kind of strategic management with a TQM orientation. Each organizational unit is to document tactics, and to locate genuine goals and objectives. This documentation includes the evaluation of results. The focus is to identify the relationship between the goals/objectives and means so that the relevance of means to higher policy targets is maintained. The past four years' results are to streamline the organization as well as reduce management. It is now evolving into a more systematic management system, called the Target-Oriented Policy-Evaluation System(TOPS).

### *(3) Reevaluation of Public Works*

Reevaluation of public works projects is also a response to the call for more

accountability. It originated from a 1997 innovation in Hokkaido, the country's northern most prefecture. Hokkaido has been extremely dependent on large-scale investment programs, and the mismanagement of funds by officials of the Prefectural Government during preceding years prompted the initiation of this reevaluation to rebuild the credibility of the government.

The same environment of severe scrutiny applies to central government. Ministries responsible for public works are predominantly influential in politics because of the huge budget and corresponding political funds resulting in a notorious integrative iron triangle. The allocation of resources in particular has lost credibility in recent years due to scandals involving major political figures' arrests and punishment. A cost-benefit type of analysis has been instituted, but is not directly accountable to the public. In 1998, the three ministries of Construction, Transport, and Agriculture, Forestry and Fisheries, adopted a reevaluation system. This action preceded the legislative requirement of a 1998 law to reorganize the central bureaucracy, and spread to other ministries and agencies. These Ministries also require local governments to undertake the reevaluation of nationally funded projects, which have been stalled for many years. Separate commissions are thus established in each prefecture to monitor and review the evaluation by the staff of prefectural governments. As a participant observer, the author finds efforts to be less professional than hoped. Comparable expertise does not exist in the organization, and problematic projects tend to be justified by such an unsatisfactory mechanism.

#### *(4) Benchmarking*

Currently Japan's many local governments carefully consider benchmarking as an effective tool to improve performance. Examples from the US states of Oregon, Florida, and Texas are famous, and have been thoroughly investigated. However, means to accommodate relevant benchmarks, and to involve stakeholders in the

cultivating thereof, have been found extremely difficult in Japan where citizen participation in the policy process has rarely been accomplished.

Financial Indicators similar to benchmarks have been developed in the 1950s for local government. These indicators include operating costs and stock analysis of major capital investment; the Ministry of Home Affairs collects the data. Some indicators are classified according to the type of municipal government based on size and industrial structure. Another attempt is 'People's Life Indicators (PLI)' developed by the Economic Planning Agency of the Prime Minister's Office since 1974. Presently 144 PLIs identify the degree of satisfaction with life in the localities. So far, 23 prefectural governments have developed similar indicators of their own for municipal governments. These efforts are different from benchmarking, but are forerunners of an endeavor to come to grips with assessing the performance of financial management and results of major public programs.

Tokyo Metropolitan Government, the largest local authority in Japan with a population more than 11 million, is developing "Tokyo Policy Indicators." A draft consists of 229 benchmarks yet authorized, including output and outcome measures. These include the number of service facilities for the elderly, number of home helpers, and the ratio of trash recycling, to name a few. Other local governments are pursuing the same course of action.

Two further points have to be mentioned: technology development and a capacity to understand public policy. Now it is exceedingly easy to obtain government information as far as it is disclosed via the Internet. A cautious note has to be taken on the content and quality of the disclosed information and unidentified/undisclosed information. The second point is the capacity to properly appreciate and understand the implication and outcome of public programs. A certain level of professional training and experience is necessary. Institutionalizing performance measurement is one solution to facilitate this problem in providing understandable performance



indicators to citizens; decentralizing governmental structure and implementation is another in differentiating responsibility of various levels of government.

## **Concurrent Developments at the Center**

### *(1) Organizational Strategy and Deregulation*

'Policy evaluation' in the 1998 Law was originated with the organizational strategy of the Management and Coordination Agency (MCA). A separate institution such as the US General Accounting Office was proposed in 1996 by the leading opposition party and the Inspection Bureau of the MCA would be merged with this new body. This inspection function was challenged on grounds that it lacked credibility being an internal form of audit. Enhancing performance management is necessary for the inspection function of the MCA to survive. MCA succeeded in including provisions in the 1998 Law for administrative reorganization, to require every ministry and agency to initiate policy evaluation, and to establish an organization in charge. It must be emphasized that MCA's strategy seems to be influenced by the interaction with foreign countries, particularly OECD countries that had adopted performance management (OECD 1997).

Another line of institutionalizing evaluation at the center comes from the pressure from abroad. As noted by the OECD, for example, Japan lacks a formal regulatory impact assessment system. Such a mechanism was put in place in the broad framework of 'policy evaluation.' The initiative was made by the Ministry of International Trade and Industry (MITI), which had to survive the reorganization.

### *(2) Performance Auditing and Legislative Oversight*

The above mentioned proposal of establishing an oversight institution in 1996 resulted in a broadening of the function of the Diet and the Board of Audit (BOA) based on the 1997 amendment to the Diet Law. Performance auditing is one of the

promising areas BOA wishes to pursue since the scope of its authority was expanded by the 1997 amendment to the Diet Law. The amendment also established an Oversight Committee for both Houses, and authorized the Diet to ask the BOA for a specific audit. BOA has widely investigated various experiences and examples of other countries, and Committee secretariats in both Houses are also trying to initiate effective oversight functions. Formal expansion of BOA function was authorized by the amendment to the BOA Law, incorporating '3Es' (economy, efficiency, and effectiveness).

Conforming to the central government's 'policy evaluation,' local governments must engage in the same task as far as aided programs are concerned after 2001. The reevaluation of public works itself already began in 1998. Involving local authorities poses the problem of 'intergovernmental evaluation' where effectiveness is questioned in many countries (Rieper and Toulemonde 1997). Integrationist orientation of intergovernmental relations will complicate this problem.

## VI. Political Authority and Local Government Reform

Insufficient local government reform from the center is partly due to the very nature of Japanese policy process. Very often, the disintegration of government is a reflection of the compartmentalization of the 'bureaucracy' that is often equated with 'government' in Japanese. Here is another perspective of the bureaucratic nature of government (Page 1992). This factor does not necessarily hold true for local government having another political institution of directly elected chiefs, and a comparatively weak bureaucracy. At the local level, it is easier to implement coherent reform strategies.

Two factors relate to the fragmented nature of government (Furukawa 1999c).

The first point is the alleged supremacy of bureaucracy. It is a prevailing notion in Japanese society where, historically speaking, bureaucracy preceded democracy. Undemocratic as it may sound, those engaged in public affairs selected by the state through rigorous competitive examination, e.g., bureaucrats, are often regarded superior to those who are elected by popular vote (Kaji 1996). Bureaucrats are the tools of governance of the central authority, not the civil servant. It is similar to the concept of *Rechtstaat* of Germany where the predominantly 'judiciary trained' higher civil service is an integrating force (Derlien 1995). The dominance of bureaucracy can be traced to the idea of samurai in the Tokugawa Period (1603–1868), and the Chinese ideology of governance. After the Meiji Restoration these classes were turned into bureaucracy, and the relationship between administration and society was 'officials honored, people despised.' The power is derived from the status as a servant to the Emperor. The word 'civil servant' had little place in the traditional Japanese concept of bureaucracy (Krauss 1995) where an authorization of 'public interest' was monopolized by government. A well-established civil service based on the competitive examination from prestigious universities still remains (Koh 1989). In spite of recent scandals, the bureaucracy is the only elite group in the society (Drucker 1998). The recruitment process of elected officials is quite limited in Japan, where almost 50% of the members of two Houses are sons/daughters or relatives of former members. This narrow source of talent is exacerbated by the over-reliance of the ruling party on the bureaucracy for policy making. Hence both politics and bureaucracy share the political authority.

The second point is an organizational factor: there are fewer political appointments in the central governments than other major countries. Administrative reform is almost always initiated by political motivation to enhance political leadership. A bureaucratic organization is able to negate cabinet decisions. This is possible because there are only two to three political appointments for each minister:

Chief Secretary and Parliamentary Vice-Minister. Administrative Vice Minister, a supreme bureaucrat is under the civil service, and protected by law. An average term of office for Ministers of State in recent years is less than one year. It is thus difficult to implement the policy intents of the ruling parties (Pempel 1984). This type of weak organizational control is a factor to be emphasized.

However, the thesis of power of officialdom (Tsurutani 1998; Johnson 1982; 1995; Wolferen 1989) should not be overemphasized. Legitimacy is in the hands of elected officials in government based on the new Constitution of 1947. An assumed notion of bureaucratic dominance is a fallacy. This dominance is constrained by political process to the extent that legislation has to be authorized by Parliament. The nature of the process is not at all singular. The more recent 'rational choice' school tries to analyze the relationship based on the principal-agent theory (Ramseyer and Rosenbluth 1993). Here is a comparative dominance of ruling parties over bureaucracy presented.

The early retirement system for the "fast track" requires the central bureaucracy to find second careers in public corporations and private firms within a ministry's jurisdiction (Koh 1989). A reform of special public corporation would decrease opportunities for this "descent from heaven." Thus the bureaucracy would be a captive of politicians in the power game.

The dominance of bureaucracy is declining because of its failure to adapt policy positions to the new social and economic environment in recent years. However, there is interaction between bureaucrats and politics characterized by the cooperation among those sharing common expertise (Kato 1994), and a convergence of politicians and bureaucrats in policy making (Muramatsu and Krauss 1984). These tend to weaken political authority.

At the local level, the leadership of governors and mayors often supported by the citizens rather than political parties may result in the success of autonomous reform

efforts. This successful leadership is almost always accompanied with a resonance in the bureaucracy which is more integrative than the counterpart at the center. Local initiatives become possible when the authority of central bureaucracy is stalled as is presently the case. This condition resembles the breakthrough in environmental protection policy which prefectures made in the 1970s (Reed 1986). Performance-based management will constitute the same line of argument of local advantage.

## VII. Conclusion

Local government reform from the center in Japan has not been an entire failure. However, It has been constrained by the lack of political authority. Decentralization efforts to rectify an excessive fusion of functions are expected to provide a more distinct division between different levels of government. But, without any reallocation of tax resources and independent revenue sources, fiscal accountability of local government would not be significant.

Recent autonomous reform efforts at local governments have been more successful mobilizing the concept of New Public Management. At the center, a few aspects are encompassed in the Law of Central Government Reorganization of 1998, including 'policy evaluation' and 'independent administrative corporation," a Japanese type of executive agency. Because of the inherently weak nature of political authority, it is doubtful that the results of 'policy evaluation' would be sufficiently accountable in the absence of expertise and an disorientation towards a private sector type of management at the center. On the other hand, local government is in a better position to undertake an innovation based on New Public Management logic.

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