

# State of Japan's Local Self-government: Focusing on Recent Moves Toward Decentralization

By Tsuji Seiji

## Introduction

With the Cold War over and the 21st century just around the corner, the world is at a major turning point. At this time, a fundamental reexamination of every aspect of the existing systems and administration of politics, economics and society is being called for. Decentralization is a major issue in the relationship between central governments and local governments of many nations—both developing and developed—around the world. Of course, the reasons for and details of the issue vary from country to country.

Japan is by no means an exception to this worldwide trend. Since the Meiji Restoration of 1868, Japan has traveled down the path of modernization (Westernization), modeling itself after Europe and the United States. After World War II (ending in 1945), the nation turned toward democracy and achieved economic development at a speed and to a degree yet unseen in the world, becoming, at least in some sense of the word, a mature society. However, a number of problems has been hidden by the shadows of this rapid and luxuriant economic growth. It is truly ironic that one of these problems is the very system of centralized government that has powered this incredible growth and development.

With urgent financial crises both on the national and local levels, Japan also faces various difficult problems originating from the rapid aging of its population and decline in the birthrate, while it is also expected to contribute to international efforts according to its means as a major player on the international stage. Consequently, nowhere in the world is a complete reexamination of every aspect of a nation's systems and administration more strongly demanded than in Japan.

Japan has already been seriously grappling with this problem from the perspective of administrative reform since the early 1980s, pushing forward

a number of reform attempts under the slogans "From public to private" and "From the central government to local government." One concrete result of these attempts was the privatization of government-owned industries including Japan National Railways.

The administrative reform movement still continues today, under the two pillars of deregulation and decentralization. Over the past several years, the decentralization movement in particular, which has merged with an independent but parallel local government reform movement, has caught the growing interest of both the public and private sectors. A related Diet resolution was passed in 1993, two government advisory councils issued reports (in 1993 and 1994), a private body of experts and professionals issued a proposal in 1993 and six national associations of local governments presented a statement of their views in 1994. In addition, opinions and demands have been heard from all sides of the academic world and the press. As a result of all this activity, the "Decentralization Promotion Law" was passed in 1995. Under this law, within a five-year period, the government will, based on the recommendations and under the observation of the Decentralization Promotion Committee, create a decentralization promotion plan and work interdependently with local governments to implement the plan.

Caught in the global trend mentioned earlier as well as the domestic current of society-wide reform, Japan is now working hard to promote decentralization, based on converting its present system of centralized government into a decentralized government system in order to "create a society where the people can truly experience contentment and prosperity" (Clause 1 of the Decentralization Promotion Law).

This article will be an overview of how decentralization and local self-government have changed within the management of the system of local

government (history), what problems exist under the current situation (current situation and problems) and how the situation will improve in the future (direction of reform).

In the narrow sense of the word, "decentralization" means the transfer of central government power to local governments and a decrease in leadership and participation by the central government in local affairs. However, looking at decentralization in the wider sense, from the perspective of local self-government (which can be divided into self-government by local entities and self-government by citizens), it means building a society that increases the welfare of the people in a manner that better reflects their will. To put it another way, decentralization or local self-government is seen as an effective means of pursuing democracy to its ultimate goal.

## History of the modern system of local government

Like many other systems, Japan's modern system of local government was established after the Meiji Restoration and then extensively reformed following World War II. A historical overview follows.

### *The system of local government under the Meiji Constitution*

The Meiji Restoration sounded the death knell for the Tokugawa shogunate (feudal system) and restored power to the Emperor. The Constitution of the Empire of Japan was enacted in the form of a constitution granted by the emperor and set Japan up as a constitutional monarchy (1889). When the constitution was enacted, the system of local government was developed as one link in a centralized government system of the continental European model and patterned after the Prussian example. The system was upheld and developed while making necessary changes to adapt it to Japan's needs.

First of all, the 300 or so *han* (feudal domains), which, during the Tokugawa Era, acted as semi-autonomous governmental bodies, were abolished and replaced by prefectures, originally numbering 309, but reduced to 46 when the constitution was enacted. There was also a major consolidation of municipalities from more than 70,000 since the Tokugawa Era to around one-fifth that number (around 15,000). A two-tiered system of prefectures and municipalities was established. (A three-tiered system with *gun* (districts) somewhere in the middle was temporarily used, but it was soon abolished.)

The members of prefectural and municipal assemblies were elected by the people. (Initially, citizens had to meet various conditions in order to qualify to vote.) Prefectural governors, as government officers, were appointed by the Minister of Home Affairs, while mayors were elected indirectly through the municipal assembly. These mayors also served in the role of central government officers. As such, they were under the control and supervision of the prefectural governor as the executors of government business delegated to them

by the central government (known as delegated functions to local executive heads).

Thus, the characteristics of the local governing system under the Meiji Constitution were that 1) it was based on the European model with strong centralization and bureaucratic overtones, 2) prefectural governors were appointed by the central government and were regarded as branch officers of the central government, so that prefectures were not wholly self-governing bodies and 3) citizens had the right to directly elect assembly members and indirectly elect mayors, suggesting at least some degree of recognition of self-government by local citizens.

***System of local government under the existing new constitution (local self-government system)***

Japan underwent many dramatic changes in the wake of its defeat in World War II (1941–1945). There was a backlash against militarism and a strengthening of pacifism and democracy. In 1947, the Japanese Constitution (new constitution) was enacted. This constitution, while rejecting war and

standing firmly for democracy, also contained a special chapter on “local self-government.” Around the same time of the enactment of the new constitution, the existing laws relating to the system of local government were drastically revised and unified under the new “Local Autonomy Law.” With this law, Japan’s local government system took on many characteristics of the British and U.S. systems, giving it a strong democratic and decentralized character. This system could truly be called a local self-government system.

First of all, the two-tiered prefecture/municipality system was maintained intact. (Initially, a single-tiered “special city” system was prescribed, but its enactment was scrapped before it could be put into practice, and the “metropolis” system (1956) and “core city” system (1994) were created instead.)

The role of the people in government was extended, with women also gaining the right to vote. Under the new system, both prefectural governors and mayors were directly elected by the people just like assembly members in the so-called “presidential system” of pub-



Photo: Kyodo News Service

Governor Ota continues his rejection of the prime minister's counsel over U.S. bases issue—Meeting of three top-ranking officials. Okinawa, July 1, 1996.

lic elections. Thus, the prefectures finally became completely self-governing bodies. (However, the system of delegating functions to local executive heads still applied to municipality heads and the newly publicly elected prefectural governors. Also, the efficient system of executing national business through the central government-prefecture-municipality heads pipeline was retained unchanged and, consequently, real reform of local self-government, in a sense, was not achieved.)

The people's right to direct involvement in government was also recognized in 1) the right to demand enactment, amendment, and abolition of bylaws (except for bylaws relating to local taxes, shares and charges); 2) The right to demand audits on local businesses; 3) the right to demand assembly dissolution; and, 4) the right to demand dismissal of chair people and chief executives.

The characteristics of the local government system under the New Constitution, then, are that 1) it was made a truly local self-government system, 2) the new system was strongly colored by the decentralization and democratic elements of the British and U.S. models, although strong overtones of the European aspects of the former system remained, 3) although the prefecture became a truly self-governing body, the centralized character of government was maintained within the system, with local government leaders (prefectural governors and mayors) as branch officers of the central government, still operating under the control and supervision of the state, 4) the people's right to self-government was greatly expanded and 5) to the local governments and local citizens, post-war reforms, like the earlier Meiji Restoration reforms, had the strong flavor of being handed down without any local input.

## The current state of the local self-government system and problem spots

### Current situation

The current local administration sys-

tem, as mentioned already, retains the basic character of the centralized, bureaucratic continental European model to which has been added the decentralized and democratic elements of the British/U.S. model. This "local self-government system" has now been in place for 50 years. During this period, it has internalized the inconsistencies of centralization and decentralization, adopting the merits of both. The system has developed smoothly and brought about the anticipated results. Namely, the centralized aspect efficiently upheld one end of the system of hand-in-glove cooperation between the public and private sectors, which gained Japan the nickname "Japan, Inc." This system has contributed to Japan's rapid post-war economic growth and the improvement in the lifestyles and welfare of its citizens. At the same time, from its self-government side, the system of local government has fostered steady growth in both local entity self-government and citizen self-government. Examples are:

(1) Local governments' administrative capabilities have improved greatly, partly because of a major consolidation of municipalities beginning in the 1950s that has reduced their numbers by about one-third, from around 10,000 to around 3,300 at present.

(2) There is joint management of affairs among municipalities in keeping with the call for larger administrative areas. (Approximately 400 larger areas for municipal cooperation have been established.)

(3) The period since the 1960s has been called the "age of local government." There have been many cases, mainly in areas such as pollution and welfare administration, where local governments have taken the lead in implementing new policies, which then gained the approval of the national government and were adopted throughout the country.

(4) There are examples where participation by the central government in local affairs has become more amenable and flexible than it used to be.

(5) Citizen movements are becoming active and local governments are taking a stand firm in their respect of the will

and desires of the people. There are examples of specific items being put to the people to vote on.

### Problems

Of course, more than a few problems exist. The biggest one, needless to say, is that under a centralized administrative system the central government's influence is great, placing heavy qualitative restrictions on the independence, autonomy and creativity of local governments.

Let's take the example of the respective share of revenues and public expenditures held by the national government and local governments (based on fiscal 1993 figures). Looking first at tax revenues, of the ¥91 trillion in total tax revenues, ¥57 trillion, or 63%, came from national taxes and ¥34 trillion, or 37%, from local taxes. However, additional funds are transferred from the state to local governments in the form of national treasury grants-in-aid and adjustment grants so that ultimately the actual tax revenue share is 34% to the national government and 66% to the local governments.

As for public expenditures, ¥48 trillion, or 34%, of the total ¥140 trillion (net sum) was spent by the state while ¥92 trillion, or 66%, was spent by local governments. This comparison of expenditures shows that the local governments are doing twice as much as the national government, while on the revenue side local governments only collect around half as much tax revenue as the national government. This means that local governments are forced to rely to a large degree on the national government for funding.

Furthermore, as touched on already, the system of delegating functions to local executive heads is the core of the existing centralized administrative system. In the 40 years following World War II, the number of delegated functions has more than doubled (256 in 1952 to 561 in 1995), and is now said to account for more than 80% of prefecture business and over 40% of municipality business.

Looking at the whole picture, although today's local governments are autonomous bodies, they rely heavily on

the state for revenue, they take care of a great amount of state business and a large part of their role is as subcontractors working for the central government. Consequently, both in the way the system works and in the mind set of public officials, the relationship between the national government and local governments is not one of equality, but rather one of superior and subordinate, or master and servant. This situation gives rise to numerous problems.

## Direction of local self-government reforms

### *Interim report of the Decentralization Promotion Committee (March 1996)*

This March, the Decentralization Promotion Committee published its mid-term report subtitled, "The creation of a decentralized society." The report put forth concrete proposals in a wide range of fields, centering on transferring the government's role in local citizens' day-to-day affairs as much as possible from the central government to local governments, and changing the relationship between the state and local governments from one of superior/subordinate or master/servant to one of equality and cooperation. Specific wide-ranging proposals included 1) leaving local affairs to local governments as much as possible and restricting the central government's role in local affairs, 2) abolishing delegated functions to local executive heads, 3) reviewing the various ways the government participates in local affairs, 4) reorganization and rationalization of national treasury grants-in-aid, 5) increasing local tax revenue and reviewing the local loan authorization system, 6) promotion of administrative reforms by both the national and local governments (simplification and efficiency of government), 7) ensuring the fairness of government and improving transparency (disclosure of information and outside auditing), and 8) increasing citizen participation.

The committee will continue its investigation, using this interim report as the starting point. Sometime during this year it will present the government with concrete guidelines for creating a decentral-

ization promotion plan.

### *The Decentralization Promotion Plan and its implementation*

After receiving recommendations from the Decentralization Promotion Committee, the government will put together a Decentralization Promotion Plan, laying down legislative, financial and other measures needed to further decentralization. Then concrete policies will be implemented in keeping with the plan, parallel to local government policies.

These reforms, which could be called the "third wave of reforms," third to the Meiji reforms and the post-World War II reforms, will be a major enterprise of the 21st century. For that very reason, I expect to see many debates arise and expect the path of reforms to be full of twists and turns. However, I hope also to see democracy further develop in Japan and with it the achievements that will open a bright vista to the future.

### *Considerations*

Finally, there are several points to pay attention to regarding these reforms.

a) Agreement in general; opposition on particulars.

Many obstacles can be foreseen in implementing changes to a system that has, in fact, functioned quite effectively. Currently, there is no overt opposition to the general idea of decentralization. There are strong fears, however, that the more progress is made on details, the more opposition will arise from many fronts, including from bureaucrats in the central government.

b) Lack of interest among the general public and local citizens.

There are also worries that the interest of the people, who are the most important power holders in a democracy, has been lower than expected so far. Because of the character of the debate, some points will be hard to grasp. An aggressive PR campaign is definitely needed.

c) Change in mentality (from a superior/subordinate and master/servant relationship to an equal and cooperative relationship) is yet another issue.

Even if the system itself is changed, real reform will be impossible unless the

mentality of the people who operate within the system changes. It goes without saying that, in order for people's mindset to change, the system itself must change as well.

In particular, the mentality of equality must be established among the national and local public officials who are directly involved in the administrative system. A strong superior/subordinate and master/servant mentality also remains between the public officials who provide administrative services and the citizens who receive these services. A revolution in the mindset of every member in every area of Japanese society is needed.

d) Cooperation throughout Japanese society.

Government efforts are necessary to improve the welfare of people in the future, but even more, the efforts of sectors outside the government are also expected. Citizens, non-profit organizations, businesses and volunteer organizations need to take a position of equality with the government and establish a system of mutual cooperation.

e) Local self-government is the best school for democracy.

Some people, focusing on the unification and efficiency of government, emphasize the merits of a centralized government. There may be some justification for the idea that, in a democratic country like Japan, the issue of whether to have a centralized or decentralized government is simply a matter of governmental efficiency.

In response, let me conclude with a quote from the famous British politician, historian and political scientist James Bryce (1838-1922), who included this maxim in his work *Modern Democracies* (1921): "The best school of democracy, and the best guarantee for its success, is in the practice of local self-government." ■

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