

Is Administrative Reform Feasible?

By Hamano Takayoshi

Reflecting the growing awareness of the urgent need for administrative reform in Japan, all political parties characteristically pledged their efforts for administrative reform in their campaign slogans for the October 1996 general election.

The Liberal Democratic Party, which retained its position as the largest political force though it fell short of a majority of the House of Representatives, struck up a partnership deal with friendly parties to push for reform of bureaucracy including the restructuring of ministries and agencies of the central government. The accord called for the drafting of an administrative reform bill by September 1997 and passing it into law in the 1998 Diet session, with reforms to be completed within five years after the law is enacted.

Almost all past attempts at administrative reform have failed, and most people are doubtful about the feasibility of such reform, which envisages a realignment of 22 ministries and agencies, among others, though they hope for its realization.

Past attempts

The late Doko Toshiwo, an influential business leader who, in his capacity as chairman of the Ad Hoc Commission on Administrative Reform, devoted his life in the 1980s to administrative reform, believed that administrative reform could contribute not only to reducing the snowballing deficit in the national treasury but also reducing people's tax burdens. Doko's vision represented a deviation from the general conception that administrative reform would not go further than covering deficits.

Doko was instrumental in privatizing the Big Three government enterprises—the National Railways Corporation, Nippon Telegraph and Telephone Corporation and the Monopoly (Salt and Tobacco) Corporation. Other business leaders who succeeded Doko as

chairman of the ad hoc commission came nowhere near achieving the purpose, despite all the swelling rhetoric.

When Murayama Tomiichi's coalition government decided to raise the consumption tax from 3% to 5%, it pledged in return to carry out administrative reform focusing on consolidation of government enterprises, but Murayama stepped down before the initiatives were implemented.

Business leaders were not alone in appealing for administrative reform. Politicians have also emphasized the need for reform on numerous occasions: 1) the vertical bureaucratic hierarchy which places priority on the interests of each ministry, rather than national interests, must be corrected; 2) the political-bureaucratic-business triangular relationship aimed at preserving vested interests and apt to cause corruption must be severed; and 3) decentralization, reduced licensing and transparency in administration must be pushed to recover Japan's vitality. Nevertheless, administrative reform has made little progress.

Reform of the Ministry of Finance, the citadel of the central government, has been left untouched. No blueprint for drastic restructuring of ministries and agencies has been drawn up yet. It remains unclear how administrative costs can be reduced through administrative reform.

Situations in the U.S. and Europe

A report prepared by an advisory body to the Ministry of Finance in early October 1996 on the results of a survey conducted in eight major Western countries in September 1996, shed light on the efforts these countries are making toward a comprehensive review of expenditure and administrative reform as part of financial rehabilitation.

According to the report, administrative work worth \$114 billion a year is commissioned to the private sector in

the United States. Furthermore, to enhance efficiency in administrative work, part of the work is farmed out to private companies, and government offices must compete with them for efficiency.

Since Margaret Thatcher's term as prime minister, the British government has pursued privatization of government enterprises and separated into independent bodies the government offices handling such work as payment of social security benefits and the issuance of passports. The British government now holds tenders to have government offices and private companies compete in the handling of clerical work, and commissions such work to private companies if they are found more efficient than government offices. Expenditure by each independent agency is strictly limited and each agency is given discretion on how to use its budget.

Germany has privatized the aviation and postal businesses, the purpose of which is not to increase government revenues through the sale of government stakes in these businesses, but to make these businesses more efficient and more competitive globally.

Personnel cutbacks in government are also common phenomena in major Western countries. The U.S. has eliminated 200,000 federal jobs, or 10% of total federal workers, over the past two years. Britain cut back on a large number of public workers through privatization. Germany is pursuing plans to reduce the number of federal officials to 300,000 (excluding defense personnel) from the 1992 level of about 380,000. France, where personnel costs account for as much as a third of government expenditure, compared with 14.3% for Japan, plans to carry out in 1997 the first substantial retrenchment of government officials in 10 years.

Behind the drastic personnel reduction initiatives in Western countries lies the growing awareness of the surfeit of

public workers.

A survey by the Management and Coordination Agency shows there were 40 government workers for every 1,000 persons in Japan in 1994, 68 in Germany, 86 in the U.S., 83 in Britain, and 104 in France.

Major Western countries are also striving to curb spending on wages for government workers. France froze the wage level for government workers in 1996 as part of its efforts to reduce administrative expenses. In Germany, which is pushing for spending cuts, the

ment, virtually monopolize information. Concentration of information in the central government bears testimony to the capabilities of Japanese bureaucrats and in itself does not matter.

However, problems lie in the fact that bureaucrats are slow to reveal information. Dutch journalist Karel van Wolferen aptly pointed out that Japanese bureaucrats have failed to perform their duty of accounting.

Concentration of information in administrative institutions, on which basis national policies are formulated and the

so they can maintain their influence.

In budget allocations, the Ministry of Finance has more power than politicians. It may be against such a background that several high-ranking Ministry of Finance officials have been involved in scandals in recent years.

There is a growing reflection on the modality of administration, and this opportunity for change should not be missed.

Deregulation of the opening of large retail stores through revision of the Large Retail Shop Law has helped increase the number of new discount stores and other retail outlets. Deregulation on cellular telephones which allowed operators to sell, not lease, cellular phones, rapidly expanded the ownership of cellular phones.

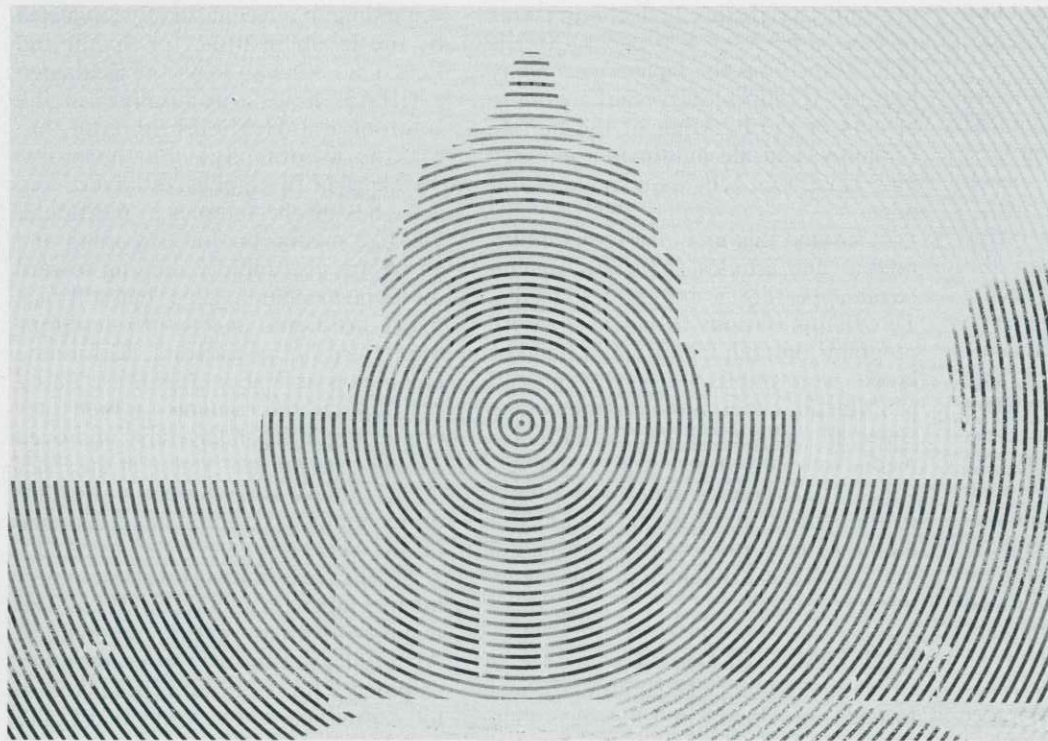
These moves are examples of how the Japanese economy can be activated even if private companies do not rely on government regulations or guidance, or if they choose not to rely on the government.

Drastic reform faces resistance from those who have long benefited from administrative guidance and various restrictions. They wonder whether deregulation interferes with the security in daily life and whether changes would bring good results. Deregulation at the expense of security will not be necessary. But some people who urge caution in deregulation seem to be motivated by their desire that deregulation will not be

implemented and curtailment of administrative power be avoided, which is a major misconception.

We must recognize that the existing administrative structure is fraught with defects, and must be corrected without fail.

Hamano Takayoshi is a news commentator at NHK (Japan Broadcasting Corporation).



Restless for administrative reform—Can the Diet fulfill the public's trust?

government and labor settled on a 1.3% wage hike for 1996.

Challenge for Japan

Japan can be favorably compared with major Western countries in terms of the ratio of government workers to total population. Yet, this does not mean Japan does not need administrative reform.

Public institutions, particularly ministries and agencies of the central govern-

private sector is guided, tends to give the central government monopolistic power.

Every year-end when the national budget is drafted, officials of prefectural governments make expensive pilgrimages to Tokyo to seek budget allocations. For their part, Diet members with interests in agricultural, construction, transportation and communications businesses spare no efforts to pressure the Ministry of Finance to allocate money for their turf