

Reforming Japan's Bureaucracy

By Sasaki Takeshi

In the Koizumi Cabinet's "Basic Policies for Economic and Fiscal Policy Management and Structural Reform 2005," reflecting the resolution of various problems such as the issue of bad debt from the collapse of the bubble economy, "aggressive reform" has been put forward as the next goal. Achieving it requires the realization of "small, efficient government," and part of this involves cutbacks in the total personnel expenses of civil servants and a net reduction of their numbers. Wage levels for Japanese civil servants have been determined annually by the National Personnel Authority (NPA) which looks at trends in the wage levels of major private businesses. This year the NPA proposed substantial cuts in wages and reviews of retirement benefits are also expected. The point at issue is a common theme among all nations, but because civil servants are not allowed to strike in Japan, it is anticipated that public servants will continue to resist in every possible way from now on.

Straying Japanese Bureaucracy

Twenty years ago, the Japanese bureaucracy attracted the world's attention with its excellent results and fairness, but in the last few years it has fallen into a sinuous course. Naturally, it is losing the ability to absorb superior young talent. The discussion of cuts in wages reflects such a situation. Almost inevitably, the Liberal Democratic Party (LDP), which at one time worked in harness with the bureaucracy as the fundamental drivers of government administration, has begun to take a somewhat half-hearted attitude toward the bureaucracy to protect its own interests.

The financial deterioration is not the sole reason for the bureaucracy's mean-

derings. Given that the government's legal leverage over enterprises is a thing of the past, the collusive relation between them – which was a hallmark of the postwar period – is now altogether outdated. Companies that are eager to accept former bureaucrats have grown extremely limited in number. Over the past decades, the role of the government in the domain of economic activity has undergone a major transformation. Whether it be prior regulation or excessive intervention, there is now very little room for the government to act for the realization of any specific goal. The current trend is for deregulation, and the results are left up to the actions of businesses, associations and individuals to determine and are no longer up to the government to direct and supervise. It is somewhat of a crude illustration of this change, but in the past those responsible for enterprises and administration used to regularly get together and socialize over meals, and now such gatherings are severely restricted by the National Public Service Ethics Law.

Needless to say, the bureaucracy, in order to protect its own authority, has stood against the deregulation initiatives. They have to offer a persuasive explanation for why such regulations are necessary. The burden of such explanations used to be placed on those who wanted to abolish the regulations, but it now falls on those who want to enforce the regulations. It becomes problematic if they give the impression that the main reason to keep regulations is to maintain the bureaucracy.

The relaxation of regulations in the short-term offers an element of ease for those in the bureaucracy as the huge energy needed to muster extensive groups to accomplish specific goals on the basis of cooperation is no longer

necessary. This is a tactic for the bureaucracy to withdraw from the field in accordance with the policy of deregulation, however, group morale cannot be maintained by merely pursuing a pullout. Furthermore, from the viewpoint of the public, a bureaucracy with such a stance appears to have deserted issues that it should be dealing with. Whereas at one time the bureaucracy was accused of going too far in everything, at present the problem is that it is not visible what it is actually doing.

In Search of a New Role for Government Administration

Recently major collusive bidding involving dozens of companies, including top corporations, have come to light. It appears to be a closeup picture of the traditional back-scratching alliance between government and big business. A major trading company was charged with swindling the Tokyo Metropolitan Government through sales of ineffective, fraudulent eco-friendly products. The government is applying unheard-of sanctions against financial institutions. General public opinion regarding such government action has been positive. I believe that this may be the first step in the government's moves to break down the previous cohesion and protection. While the debate continues over loosening restrictions and over the expansion of freedom in economic activities, we are beginning to see a new type of relationship between government and business which are maintaining this fundamental policy.

While the fundamental principle of easing regulations must be respected, competition in the marketplace must take place according to rules. Businesses and individuals are not necessarily embodiments of the view that human nature is essentially innocent, and there are many issues regarding the environment of competition and what form competition should take. Establishing suitable rules and constant observation over actual behaviors are

needed. This supervision of rules in a broad sense is of a public nature. If this function is set aside and ignored, then the government's policy of alleviating restrictions may not avoid the sense of "bad money drives out the good." In actual fact, the argument in favor of loosening of regulations has tended to overlook this public function and has instead turned into an argument over a policy of "anything goes."

Recently a number of companies with a long history of nonchalantly breaking laws have been severely punished in the marketplace, and some business conglomerates have been forced into disbanding and radical restructuring. Strong criticism has been targeted at the rapid introduction of the so-called poison pill strategy. The government and the judiciary have become more active in maintaining and enforcing the shared rules of competition in the marketplace, and there is concern about finding ways to improve the quality of competitiveness. For government, this means relieving itself from the traditional collusion with business, and that it should serve the public by raising the quality of competition instead of maintaining its authority via the detailed enforcement of regulations. There are many problems that the administration could address, such as strengthening supervisory functions.

What then becomes an issue is whether the right personnel can be placed in the right positions to respond to changes. For example, Japan's Securities and Exchange Surveillance Commission (SESC) is an organization composed of a mere 400 individuals, while the US Securities and Exchange Commission has some 4,000 individuals involved. Increasing the number of SESC members in order to raise the level of supervision would automatically contradict the principle policies of the Koizumi Cabinet described at the beginning. Koizumi's policy of making net reductions in the number of public servants has to take into consideration the reality of a rearrangement of the positions of civil servants. As has often

been pointed out, previous cabinets have not had sufficient political pull to make a major reshuffle of bureaucrats, and in the first place, no cabinet has ever made a serious attempt at such a redeployment. However, in order to direct its activities to meet the new requirement, it is essential that the government exercise unprecedented political will.

■ A Political Bottleneck

A major problem in the structure of Japanese administration is that despite giving lip-service to "neutrality" in administration, an extremely large number of personnel are involved in activities involving policy matters and the mediation of interests. In other words, many of these bureaucrats duplicate the functions of politicians, and in addition they seem insensitive to their own adherence to particular political roles. That explains why the differentiation in functions between politics and administration has not made progress and responsibility has been ambiguous. At issue is a major reduction or shift to appointed positions of the personnel who are involved, or at least said-to be involved, in policy and to concentrate personnel in specialized, specific administrative functions. This is the way to actualize neutrality in administration.

Of course, how to improve competitiveness is a serious policy issue. The bureaucracy's role in drafting this policy has not entirely disappeared, but it is something that requires only a small number of personnel.

The big problem of the Japanese system is that too many personnel and organizations are involved – allegedly – in the articulation of policy, and as a result it is impossible to make appropriate policies at the appropriate time. Ambiguity over the responsibility is underscoring this. It is clear that making the responsibility of politicians ambiguous and letting the bureaucracy take over the burden is entirely unrealistic, and the idea that the duties of bureaucrats are fundamentally policy-

making is merely perpetuating the obscurity of responsibility. This further drives the bureaucracy into an endless stalemate. The largest issue is that politics has an interest in "flogging" the bureaucracy, but it does not have the will or the vigor to effectively reform and manage the government structure in a way that will respond to the public's needs. The Koizumi Cabinet's policy of reducing the number of civil servants is deficient, seeming only a matter of number and nothing more. Perhaps the greatest bottleneck of the Japanese bureaucracy is the reality of politics which has not been in the habit of seriously considering what the role of the bureaucracy actually is.

In any age, the role of administration is fundamentally to carry out laws and policies fairly, and by doing so to obtain the confidence of the citizens. In order to steadily realize such tasks, it is certain that the bureaucracy must cease its ambiguous participation in policymaking and instead improve its skills in specialized areas. Generally speaking, the manpower skills of the Japanese central government civil service are well-qualified, and if appropriate reform is implemented and the issues are clarified, this bureaucracy possesses the ability as an organization to make significant contributions to the nation. Although this is a time for relaxing restrictions, this does not mean that the functions of administration have disappeared, but rather it means that the problems have changed. If one takes "aggressive reform" as simply a reduction of overall civil service personnel costs and the reduction of that workforce, it is a reform entirely lacking in ideas. If "aggressive reform" is accompanied by a clear vision of what the bureaucracy's function will be in the future, then the first thing to be debated is a policy for making full use of the bureaucracy. **JS**

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