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資 料

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## Local Government in Japan and a Problem of Regional Reform

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### 1. Institutional Preconditions

(1) Since the modernization in the Meiji Era Japan has had a strongly centralized administrative system as a unitary state. At present there are two tiers of local governments, 47 prefectures (since 1888) and about 1,800 local municipalities. Until WW II governors of prefectures were centrally appointed and municipalities were rigidly controlled by the central

government.

(2) After WW II Japanese political system was radically democratized under the occupation forces of the allied countries (substantially the USA) and local institutions were also fundamentally changed. Constitution of Japan, which came into effect in 1946, defined the local autonomy as an essential entity of democracy and the article 92 provides the principle of the local autonomy. Governors, mayors and members of the local assemblies are to be elected by the people and the local governments have the power to enact their own regulations within law.

(3) The influence of the central administration, however, has continued broadly in the administrative and financial areas. After the war former leading politicians and career officers were charged because of their responsibilities for waging the war. But the bureaucracy of the old regime was maintained in general for efficiency of the occupation management. As the cold war intensified since 1948, a part of the old regime restored and the centralized administrative organization was again consolidated as the dominance of the central conservative government was established.

(4) High growth of the Japanese economy since the end of the 50s was achieved under such a political and administrative regime. The role of the central administration was wide-ranging: promotion and protection of the new industry, as well as planning, decision-making and execution of the industrial development along with the highly technical development in the private sector. Through close cooperation with and dependence on the central bureaucracy the Liberal Democratic Party of Japan (LDP), a conservative party of Japan, has controlled the central government and at the same time realized the local interests in exchange of votes for the party in each constituency. In this way the LDP succeeded in making a "one party dominant system" in Japan and kept up the long standing rule in the period of the economic growth and thereafter.

## 2. The actual Aspects of the centralized Ruling System

(1) In the centralized regime in Japan the central/local relationship has been often analogized with the master/servant relationship. Here I explain its concrete aspects briefly by dealing with 3 problems; ① allocation of the competence between the central and the local government, ② regional branch offices of the ministries, and ③ the local financial system.

(2) Until quite recently there were so-called “agency delegated functions” in the local administration. Agency delegated functions mean functions or office jobs entrusted to the heads of the local government as agent of the central government or the upper tier of the local government. Prefectural authority took lots of these jobs and its proportion of all functions was very high. This kind of the functions of the local administration were thus under control of the central government and symbolized the above-mentioned master/servant relationship. Because of their unclear responsibilities these functions have been often criticized as one of the major preventive factors for realization of the local autonomy.

(3) Numbers of regional branch offices of the ministries were established after WW II, because of the central ministries' distrust in the new elected local governors, and they distributed the functions, which once belonged to the centre itself, to their own regional offices. Most ministries (except for the foreign ministry) own these offices of which number is about 10 across the country. For example Ministry of Land and Transport has 10 regional development bureaus (including Hokkaido and Okinawa), which have jurisdiction over building and maintenance of roads, dams, ports, airports etc. or improvement of lands, big rivers in each region. Public undertakings in these field relate deeply with the rule of the LDP which bring on much monies and jobs into the regions or prefectures. These regional branch offices are criticized that they strongly limit the competences of

the local authority and make "double administration" of the central and the local government.

(4) Another typical center/local relationship is shown in the local financial system. Revenues of the local government are ① local tax as their own tax, ② local allocation tax from the center to balance local authority's revenues, ③ grants-in-aid from the center to be used for the special purpose, and ④ local government bond, which until recently could be issued with permission of Ministry of Internal Affairs. While the proportion of expenditure of the central and the local authorities is 4:6, the one of revenue of the central and the local governments is 6:4. Therefore local government's dependence on the center is apparent also in the financial system.

### 3. Recent Tendency of Decentralization Reform — Amendment of Local Autonomy Law

(1) What was first highlighted concerning the decentralization reform in Japan was the appearance of the so-called "progressive" governors and mayors in the 1960s~70s. They were elected in the metro (megalo) polises or the prefectures to those posts and were supported by the socialist/communist party and the civic associations. They took the initiatives of the pollution/social welfare/urbanization policy and the promotion of civic participation in politics. These tendencies gradually declined especially because of the financial difficulties after the end of the economic growth.

(2) Since the beginning of the 1980s voice of "the age of localism" has gotten louder in the public opinion and tendency for decentralization reform slowly advanced regardless of conservative or progressive ideology. Its backgrounds were the increase of administrative needs for the local residents, reevaluation of the localism in the proceeding urbanization and

globalism as well as the step-by-step expansion of the citizens' participation in politics.

(3) Recent epoch-making event was the adoption of the "Resolution on Decentralization of Authority" by the diet in 1993. Then followed the enforcement of Decentralization Promotion Law in 1995 and Omnibus of Decentralization Acts in 2000, which extensively revised the Local Autonomy Law. I will explain some contents of these laws.

(4) With those reforms the relationship of the central and the local government has become an equal partnership (at least in principle). For this reason agency delegated functions were abolished and statutory entrusted functions were introduced. The latter is the functions for which the central government originally has responsibilities and which are legally delegated to local authorities as partners. 45% of the old delegated functions is to be taken over by the new functions and 55% of those by the local government's own functions. At the same time the devolution from the prefectures to the municipalities was, although limitedly, made afterwards.

(5) Center's participation in the activity of local government should be kept to a minimum, and its principle, type and procedure were regulated. Central regulations were abolished or relaxed which impose obligations on local government to create a uniform number of the staff in each position and unified administrative organization across the country. Therefore local authority's power to enact by-laws and other regulations has seemingly gotten stronger. There is, consequently, expectation that the local assemblies, which were so far inactive, would vitalize and that their legislative ability would improve substantially.

(6) On the other side some pending problems, especially a problem of local finance, were left in this reform untouched. Later I will elucidate recent financial reform in detail.

#### 4. Reorganization of the local Institutions

(1) In connection with the above referred reform some local institutions have been reorganized: ① lots of municipalities have been merged and ② a new framework of big cities was introduced. As these changes relate closely with the regional reform, I explain them here shortly.

(2) Since the Meiji Era municipalities in Japan have experienced three large-scale mergers. The first one was so-called "Merger in Meiji" (1888~1889), with which the number of municipalities decreased from 71,314 to 15,859. The second one was so-called "Merger in Showa" (1953~1961), and their number decreased from 9,868 to 3,472. The recent large merger is called "Merger in Heisei" based on the revision of Law for Special Measures on Municipal Mergers (1999). The number of municipalities has dropped from 3,232 to about one third of the previous ones and it is expected that the total number would be 1,760 by 2010.

(3) Purposes of the recent merger are: ① that the territorial size of municipalities should be enlarged in order to response to the increasing and complicated needs for local administration, ② that the scale of municipal finance should be expanded in order to get out of the tight financial conditions, and ③ that municipalities should, by these changes, prepare for the coming regional reform.

(4) Although municipalities were at first expected to merge with their own will, the center later took the initiative in it. Driving force of the merger was especially the financial measure of the center. As a carrot the measures were taken such as the extension of the grace period before recalculation of the local allocation tax for merged municipalities and the permission of issuing special local bonds for the merger for coming 10 years. As a stick the measures were taken such as a cutback of the local allocation tax to the municipalities which did not obey the will of the prefectures

(substantially of the center) to merge and so on. There were considerable numbers of the municipalities which opted not to merge. So the original plan of the central government according to which the number of the merged municipalities would be 1000 has not been reached.

(5) In spite of such various measures the devolution among center, prefectures and municipalities is yet insufficient. Furthermore, financial condition of municipalities has grown even more serious by massive issuing of the special local bonds for the merger. These problems cast a shadow also on the coming regional reform.

(6) The recent reform also introduced a new structured type of big cities, so-called “special case cities”. Here I would explain some types of them, including the other existing ones.

#### ① Designated Cities

Cities, which have population of 1,000,000 (in practice 700,000) or more and are approved by the cabinet order, are defined as designated cities by the Local Autonomy Law. There are at present 18 cities of this type. Almost all the famous metropolises in Japan such as Tokyo, Yokohama, Nagoya, Kyôto, Ôsaka, Kôbe, Fukuoka etc. are included in this category. Their competences are practically almost the same as the ones of prefectures.

#### ② Core Cities

Cities that have population of over 300,000 and land area of over 100 sq km are designated as core cities by the cabinet order. There are at present 41 cities of such a type. Most capitals of prefectures belong to this category. They have practically the same competences in the field of welfare, environment, city-plan and education as the ones of designated cities.

#### ③ Special Case Cities

Cities that have population of over 200,000 are designated as special case

cities by the cabinet order. There are at present 41 cities of such a type. If a city is designated as special case city, local allocation tax from the center increase as a financial resource for the transferred functions such as permission for development project.

In Japan there are now about 780 cities including the above mentioned type of cities and the special wards in Tokyo-To (Prefecture).

## 5. Recent Financial Reform — the “Trinity Reform”

(1) In 2004~2006 a series of financial reforms were made under the leadership of Prime Minister Junichiro Koizumi. It was called “trinity reform”, contents of which were ① to reduce or discontinue the central government subsidies (grants-in-aid), ② to reallocate tax resources, including transfer of tax revenues, and ③ to reform the local allocation tax system. This reform was a result of mixture of the 2 ministries' intention, namely of the Finance Ministry's intention to retrench the budget and of Internal Affairs Ministry's one to decentralize the power from the central to the local government.

(2) Reduction or discontinuance of the central government subsidies means reduction or integration of the public undertakings and their financial resources whose waste, so often criticized, should be avoided. In total about ¥4.7 trillion subsidies were reduced or discontinued. Despite these measures criticism from the local government is still strong, namely that many public undertakings and their subsidies from the center still broadly exist and that they leave initiative of the center and dependence of the local government on the center rarely changed.

(3) Reallocation of tax resources to the local government should be enacted, if subsidies are reduced permanently. Tax revenue sources are transferred in total ¥3 trillion from central income tax to local individual inhabi-



tant tax. These measures are in general highly valued.

(4) On the other side the reform of local allocation tax system has reduced the allocated sum to the local government in total ¥5 trillion. This measure reflects the intention of Finance Ministry to review and decrease the overall financial compensation functions for the local government and to promote competition among them (under the pretext of promoting independence of local government). It also has an effect to make the merger of municipalities in the financial crises set forward. As to the result of the reform there is a positive evaluation that it will lead to improve the efficiency of local administration, but it is also certain that a financial disparity among the local governments will get more acute. Debts of the local authorities have increased in the midst of the depression and the local finance has in general fallen into difficulties. Criticism is still strong that control of the center over the local government by means of the financial system has remained rarely reduced.

## 6. Beginning of the Discussion on the regional Reform

(1) On the base of the above debate, various propositions have been made about the conception to reorganize the present 48 prefectures to 10~12 regions, Dô's, in the unitary state system.

(2) The conception of the Dô system as such is not new. In 1952, for example, the 4th Local Government System Research Council in charge of Ministry of Internal Affairs proposed the Dô system in which the whole country should be divided into 7~9 Dô's. This proposition was rejected mainly because it planned, similarly before the war, to set up a centrally appointed governor of Dô. Thereafter some regional economic associations suggested their plan of the Dô system, such as Kansai Economic Federation in 1969, Japan Chamber of Commerce and Industry in 1982 and Chubu

Economic Federation in 1989.

(3) The recent new propositions have been, however, taken notice because they are based on the latest wide-ranging discussion on the decentralization reform. A report of the 27th Local Government System Research Council, "On the Future System of Local Government", referred to a possibility of the introduction of the Dô system, and the 28th Council came up with a "Report on the Modality of the Dô System" with a standpoint that "introduction of the Dô system is appropriate". Also in the Cabinet Office a semi-formal organ, "Vision on Dô System Conference", was established in 2007 and published an "Interim Report" on this issue in the next year. At about the same time a variety of proposals were made by many organs and associations, for instance, prefectures like Hokkaido, Okinawa and others, economic associations in Kansai (Ôsaka, Kôbe etc.), Kyûshû (Fukuoka etc.), Tôhoku (Sendai etc.), the government party LDP (which set up a research committee) and so on.

## 7. Purpose of Introduction of the Dô system and its Background

(1) Here I explain an outline of the Dô system conceived roughly now. In the first place, the discussion on the regional reform is at an early stage. Although the debate itself is seemingly active, the practical effort for it has not been made well, as I interpret later.

(2) A basic idea of the reform is to make a new governmental structure with "a small central government and autonomous regional/local governments". The central government should have only the competences which no other public organ can execute, such as diplomacy, national defense, currency and so on, and transfer all the other internal competences to the regional/local governments. Basic local government should provide ordinary, all-around administrative services for the local residents. In the "Re-

port” of the 28th Council the concept “principle of subsidiarity” and “principle of proximity” were used to emphasize this purpose.

(3) The concrete reasons for introduction of the Dô system are : ① to make a larger regional governmental unit with higher administrative ability and more effective financial system, ② to abolish prefectural system whose significance has decreased because of the recent merger of municipalities and the appearance of the big city structures, ③ to adapt to widening administrative needs/services in order to promote domestic, international economic and cultural cooperation as well as to strengthen competitive ability of the regional/local authority, and ④ to simplify the administrative system, for example, by abolishing “double administration” of a regional office of central ministry and a prefecture.

## 8. An Overview of the Dô system's Conception

(1) An outline of the Dô system is as follows. The most concerned subject of the discussion on it is how the boundary of each Dô should be fixed. It may be possible to reach a rough agreement on this problem, because there are traditionally 8 regions, so called “Chihô” (an ancient administrative unit in Japan) and because the regional offices of central ministries have been set up roughly corresponding with them. Difficult issues are : ① how to deal with a megalopolis Tokyo holding a huge political and economic power. Discussed is whether Tokyo City should be instituted as one Dô, or how many prefectures under the influence of Tokyo should be integrated into how many Dôs (one or two?) without Tokyo City. ② There is also an idea that the core part of Tokyo City (4 or 5 of 23 wards) should be District of Japan, like Washington D.C. in the USA. ③ Similar issue goes for the second strongest economic area “Kansai Chihô (that includes Ôsaka, Kôbe and Kyoto). There are, however, some different ideas on how

to fix the boundary of "Kansai Dô". ④ Okinawa Prefecture has a special position as a southern peripheral and militarily important island prefecture. It has a unique history of an independent kingdom before the Meiji-Era and at present has the vast bases of the US Army. The opinion is strong especially among the local inhabitants that Okinawa should, although a small region, institute one independent Dô (not a part of Kyûshû Dô) as a "historical Dô" with the perspective of making an economic cooperative area with a part of China, Korea and Taiwan around the Southern Chinese Sea. ⑤ Concerning the problem of Hokkaido I will touch on it later.

As the conception of Dô system will be concreted further, a hot argument will come out also on the issue which city in each Dô should be a capital of it.

(2) Regarding the scale of each Dô. For example, in the case that 11 Dôs are constructed (Tokyo, Ôsaka is one Dô respectively), boundaries of the Dôs are showed on the table 1. Especially interesting is the economic scale of each Dô that is measured by gross regional product (GRP) in comparison with GDP of the other nations. GRP of Tokyo or South-Kantô Dô is ranked between Spain (9<sup>th</sup> position in the world) and Korea (10<sup>th</sup>), GRP of Tôkai Dô is ranked between Korea and Mexico (11<sup>th</sup>), and GRP of Kyûshû Dô (supposed that Okinawa is not Dô), and North-Kantô Dô between Holland (16<sup>th</sup>) and Switzerland (17<sup>th</sup>). GRP of the smallest Dô, Sikoku Dô is ranked between Argentina (34<sup>th</sup>) and Malaysia (35<sup>th</sup>). Average GRP of all Dôs is \$380 billion, which falls short of average GDP of the EU countries, \$480 billion (before joining of the east European countries), but exceed average GRP of the States in America, \$250 billion. In this sense, the economic power of each Dô is strong enough to support and maintain itself.

(3) There is another problem of how many tiers the regional/local authori-

ties should have. Majority opinion is that they have 2 tiers, namely Dô and municipality. Another opinion is that prefectural system should remain, because it has its own tradition and the inhabitants are attached to it. Its model is 3 tier structure in Italy or in Germany with Kreis. The opposition party, the Democratic Party of Japan (DPJ), has a suggestion that local government should be 2 tiers, that is Dô and reorganized 300 large municipalities.

(4) Regarding the allocation of the competences to the various level of governments, most of the proposals have nearly the same idea that the central government should have the powers which the center alone can exercise, such as diplomacy, national defense, currency, standard rule of the market, international trade policy and so on. On the other hand Dô government should have the competence of most internal policy, like regional economy and development, labor and employment, welfare, transportation, environment, control of river and forest etc. Basic local government should have a responsibility of the ordinary administration closest to the local inhabitants, such as compulsory education, local welfare, security for people, urban plan of local city, land policy and so on.

(5) There is also a debate about a head of Dô and municipality as well as members of their assemblies. According to the constitution, heads and assembly members have to be directly elected by the popular vote. Some people, however, insist that the council system of the municipality like the UK should be introduced or that heads of regional and local government should be elected in the assembly.

Most of the propositions also maintain that the regional and local assembly should hold more legislative power and that the center should, even if necessary, enact only a framework- or principle-law and refrain from controlling Dô and municipality with ministerial ordinance or the other means (for example "Gyôsei-Shidô").

(6) Other issues such as ① whether the second chamber shall be composed of regional representatives and ② what kind of “diplomacy” of the Dô government could be or should be, have been so far rarely discussed. By the way, Governor of Kanagawa Prefecture, Shigefumi Matsuzawa, argues that the second chamber at the state level should, after the revision of the constitution, be reorganized to the chamber of the regions (at present the upper house is regarded as a “copy” of the lower house).

(7) The consequence of the financial reform, one of the biggest issues, is difficult to be predicted presently. If the reform would be so realized as to be proposed, various resources of revenue, along with lots of competences, should be passed to the regional and the local government. As I explained before, however, a series of decentralization reform in the 1990s couldn't solve these problems sufficiently. In the “Report” of the 28th. Council it is abstractly mentioned that “a new financial system should place a greater weight on the local tax” or that “financial disparity should be corrected, since the local tax is now much more collected in the big cities”. Also the other proposals argue similarly. Anyway it requires much more time and work to actualize those measures than ever because both the central and the local government have presently a vast financial deficit and because it is very difficult to raise a rate of consumption tax, an unpopular policy, in the current depression, although its necessity is often pointed up.

## 9. Start of the regional Reform and its Obstructions

(1) In the above context, some political efforts started to introduce the Dô system. The first step was enactment of “Law on Special Region for Promotion of Dô System Reform” in 2006. This law's main subject is Hokkaido, prefecture of a northern large island, which has been developed by

aid of the central government since the Meiji Era and therefore dependent on the center as well. Hokkaido can be one unit of Dô, so pointed out, because it has a territory wide enough for it and because its governor is eager for the reform in order to free itself from the dependence on the center. Granting its hope, the central government designated Hokkaido as a special region so as to “experiment” for investigation of how a future Dô could and should be, and decided to transfer some (small number of) competences to Hokkaido.

(2) Directly after the enforcement of Law on Special Region, “Headquarter on Special Region for Promotion of Dô System Reform” (chairman of which is a prime minister) and its lower branch (observer members of which include a governor of Hokkaido) were established by the cabinet. It is difficult to say, however, that the “experiment” has until now got good results. On the base of these organs’ advices, the cabinet adopted a document, “Guideline on Special Region for Promotion of Dô System Reform” in 2008, according to which only 4 small scale competences were transferred to Hokkaido. In March 2009, in response to a new proposals of Hokkaido, the cabinet and the Headquarter decided afresh that, among the proposed competences to be devolved, 9 of them are possible to be transferred and 7 are hereafter to be carefully considered if it is possible or not. According to the Guideline plans the whole conclusion should be reached in 2015 and until then necessary measures should be taken. But it is not clear at this moment whether the plan will proceed well or not.

(3) The case of Hokkaido shows that, although reform effort has made a modest progress, there have been various factors preventing the reform, factors which were caused by the political and administrative peculiar structure in Japan. The most serious factor of these obstructions is, needless to say, resistance and opposition of the central bureaucrats. Furthermore, the current political instability and confusion has delayed the

reform. Here I explain the situation over reorganization of the central ministry's regional branch office, because it also relates closely to the reform policy from now on.

(4) Presently it is the "Promotion of Decentralization Reform Committee" to take up and follow this problem most seriously. This committee is an advisory organ for the Prime Minister, established in 2007 in the Cabinet Office. It consists of 7 members, president of a private big company as a chairman, and others, mainly scholars and representatives of the local governments. Its task is ① to investigate and deliberate the basic matters of the decentralization reform, and ② to recommend appropriate policies for it to the cabinet.

(5) The Committee published the first report in May 2008 and the second in December. They have been estimated as the most comprehensive plan for the reform. Especially the second one proposed large scale reorganization of the regional bureau of each ministry. According to it the office works and the competences of 15 regional bureaus under 8 ministries are to be reconsidered, 40% of them to be abolished or transferred to the prefectures, and main bureaus under 6 ministries to be integrated into 2 bureaus, namely "regional development office" and "regional construction office" in 10 regions. It also proposed to cut down 35,000 government employees and to redeploy 23,000 of them to the local government. The plan of its financial support is due to be dealt with in the third report in the near future. These reports surely presuppose the existing prefectural system, but they also take the Dô system into consideration by planning the integrated regional offices.

(6) Receiving these reports, the Asou Cabinet and substantially each ministry began to review to what extent the contents of the reports can be actualized. In this process the contents were emasculated by fierce backlash of the central bureaucrats and the politicians who hold, cooperating



with the regional offices of the ministries and the local politicians, lots of local interests in their constituencies. Thereafter the cabinet and the Committee decided a work schedule for reorganization of the regional offices in March 2009. This work schedule, however, referred neither to the proposed “regional development office” and “regional construction offices” nor to the suggested cutback of 35,000 public officials. Almost all the ministries didn't intend to recognize the new regional offices which are to be planned to integrate the vertically divided current power structure of the ministries.

In the result a formal decision was postponed until the “Outline of Reorganization of Regional Bureau Office” will be adopted by the cabinet within this year.

(7) The ministries are likewise negative to devolution of the individual competences. The Promotion of Decentralization Reform Committee also suggested in the 2. report that, among the 321 competences of the local offices which were made subjects of its investigation, 74 should be devolved to the local governments, 47 to be reduced or abolished, and 1 transferred to the ministry proper. This plan, too, was put off indefinitely. In reality many local governments are now also not positive to get the competences to be transferred, because they think it is not clear whether they can get human and financial resources enough to execute those powers.

(8) Recently a semi-formal organ, “Vision on the Dô System Conference”, in the Cabinet Office announced an idea that the Dô System should be introduced by 2018, but the concrete vision is in itself uncertain. Now the debate on the Dô System is relatively inactive. Prime Minister Taro Asou, who once wrote an article being positive on the Dô System conception, takes priority over the economic policy in the midst of the current depression just before the election of the lower house. The Promotion of Decentralization Reform Committee, active to the reform as before, keeps

its tenure still one year, but its members seem to think that the third unfinished report would be presented to a new government after the election. The election will take place August 30, 2009. The situation of the reform might change, if the Democratic Party of Japan, now the opposition party, would win the election and come to power, because this party is more eager for the decentralization reform than the LDP. On the day of our symposium the result of the election will be known and we can discuss our theme under the new conditions in Japan.

table-1

