

Satoshi Machidori

Political Reform Reconsidered

The Trajectory of a Transformed
Japanese State

Translation and Afterword by
Tobias S. Harris

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Preface to the English Edition

Political reform has been a focal point of Japanese politics since the late 1980s. Its target included many institutions, covering almost all the public spheres. It comprehensively transformed and continues to reform the Japanese polity. While institutional changes were almost complete by the early 2000s, they do not become the past. Currently we see their results and effects in daily political processes. For example, we find words such as “prime ministerial rule (*shusho shihai*)” and “prime minister’s office leadership (*Kantei shudō*)” in many forms of news coverage today. Such terms were seldom used for the description and analysis of policymaking processes in postwar Japan before the 1990s.

It should be noted that many industrialized countries tackled comprehensive reforms of political institutions between the late 1980s and early 2000s. France shortened the presidential tenure by constitutional reform in 2002 to prevent cohabitation, a salient political phenomenon in the 1980s and the 1990s. Italy introduced a new rule for the lower house election, which was a mixed (parallel) system of the single-member district one and proportional representation (SMD-PR) in 1994, in order to establish a more competitive relationship between two major parties or party alliances. A similar electoral system was also adopted in New Zealand in 1996, which was aimed rather at having more diverse parties in legislature. There was clearly a major trend towards changing electoral rules as well as the roles and tenures of the chief executives. We can easily add more cases such as Korea and Taiwan on the list.

Accordingly, political reforms in Japan should be understood not only in the context of postwar Japanese history with its changing socioeconomic and international environment, but also in connection with the trend shared by other industrialized nations. While this book does concern itself with the continuities and discontinuities from the pre-reform Japanese politics, relying, as it does, largely on works in Japanese, it is always conscious of the connection with theoretical frameworks for analyzing political reforms in the industrialized countries.

It means this book can be regarded as a case study of comparative politics as well as a part of Japanese studies. Since it is not possible to mention the relationship with works other than those on Japanese politics in the main text, a brief discussion with reference to other important works is given below.

As regards analytical frameworks, this book is partially affected by the concept of “tide of reform” as advocated by Paul C. Light to understand American politics, which emphasizes the roles of general and comprehensive trends in institutional reforms.¹ Also, certain works on American political development informed my understanding of the nature of comprehensive political change. For example, Eric Schickler’s work *Disjointed Pluralism* shows that the interoccurrence of multiple reforms is a major source of unexpected results in politics.² The works of Samuel P. Huntington, Stephen D. Krasner, and Stephen Skowronek show that comprehensive political reforms come after relatively stable eras.³

Although inspired by these major works and their contemporary successors, the analysis of this book should not be understood as just an application of these frameworks to the Japanese case. This is because political reform is seen in this book as a product of the rational and purposive behavior of related actors. Works mentioned above, generally categorized as the historical institutionalist approach, often emphasize unexpected results from accidental interoccurrences and mixtures of things. Actors are largely constrained by a long-lasting historical context.

In contrast to these views, this book focuses rather on the process in which intentional reform in each part led to transformed yet disharmonized work in the current Japanese polity. What should be questioned is not how actors were restrained by historical contexts and legacies but why and how rational (and often wise enough) actors led to a combination of expected results in each part and uncoordinated outcomes as a whole. To put it another way, this kind of understanding may be closer to Aoki Masahiko’s idea that each institution is rational while viewing it as a bundle.⁴

Analyzing actors’ rational behavior and choices, this book deals with how and why comprehensive institutional reforms were sequentially conducted for approximately 15 years. Readers interested in contemporary Japanese politics and Japanese studies, and who are familiar with the many stories related to political reform, might think that there have been enough analyses on this matter. This book will show, however, that the existing arguments only provide a partial explanation.

We do indeed have many books and articles dealing with the Japanese political reform. They are often referenced in the text. However, in some works, the focus is limited to only one or two areas, such as electoral and administrative reform, in order

¹Light (1997).

²Schickler (2001).

³Huntington (1981), Krasner (1984), Skowronek (1993).

⁴Aoki (2001).

to offer the most persuasive analysis of these subjects. As a result, they do not deal adequately with the comprehensiveness of political reform and the linkage among areas. It is unclear, in particular, how reforms of the central government interrelated with those of other areas. Others regard political reform and its comprehensiveness as the result of a big political “boom” or “fever,” which is sustained for only a short period of time. In reality, unlike the connotations of words like boom or fever, institutional reforms were sequentially conducted for longer than a decade. While it was not an exceptionally long time given the comprehensiveness of the political reform, boom or fever does not provide a proper frame to understand the whole picture.

Since the publication of the original Japanese edition in May 2020, some notable events have happened. The most significant one was the Covid-19 pandemic. Definitely Japan suffered much, although the total number of deaths was far fewer than many other industrialized countries. The pandemic showed that the supply of medical resources and coordination among multilevels of governments had serious weaknesses in the face of an unexpected emergency. These were at least partially the results of the political reform dealt with in this book. Another weakness exposed in tackling the pandemic was the negative effects and limitations of initiatives from the prime minister’s office (*Kantei*). The Kantei did not depend enough on scientific expertise nor did it listen to the opinions of local governments in its policymaking, particularly in its early phase.⁵

After the Prime Minister Abe Shinzō resigned due to his illness in August 2020, the successor Suga Yoshihide was unable to successfully solve these problems. The Tokyo Olympic games were held in July 2021, after postponement in 2020, in the midst of the skyrocketing Covid-19 infections and strong opposition from the general public. Many criticisms were directed at Suga’s political style, based on the dominance of the prime minister. It could be argued that his resignation in September 2021 was partially a consequence of the furor over the Olympics. As a reaction, Prime Minister Kishida Fumio, concerned about his approval rating in the polls, emphasizes his willingness to listen to the voices of the general public. It reminds us of the catchphrase “tolerance and patience” advocated by Ikeda Hayato, the prime minister just after the revision of the U.S.-Japan Security Treaty in 1960 and set the stage for high-speed economic growth.⁶

However, it is questionable whether Kishida can continue his passive leadership style if he wants to keep his position for the next 3 or 4 years. Even with strong criticisms against the overdominance of the prime minister, it will be no fundamental changes of policymaking processes and styles that political reform has formed because they seem to be more reasonable for many actors. Socioeconomic and international environments will request strong leadership style, as Kishida diplomatically showed after the Russian invasion of Ukraine in early 2022. Trade-offs between maintaining social security and pursuing fiscal discipline will restrict the

⁵ As for the response of the Japanese government, see Takenaka (2021).

⁶ As to similarity between these two prime ministers, Kishida and Ikeda, see Yoshino (2021).

highly distributive policies favored by his administration and the LDP. In this sense, what this book argues is useful not only for knowing the history of political reform but also for understanding the future of Japanese politics.

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Preface to the Original Japanese Edition

What did political reform mean, and what did it achieve?

Interest in political reform intensified rapidly from the late 1980s, and over the next 15 years, institutional reforms related to the public realm were carried out on an extremely wide scale. The “three branches of government” that one learns about in school—the legislature, executive, and judiciary—as well as other institutions, including local administration and the central bank, were fundamentally revised.

As a result, explanations on the basic structures of Japanese politics had to be rewritten for civics modules in middle and high school courses on politics and economics, and for college political science textbooks. Although many people believe these curricular revisions have been slow, the image of Japanese politics presented in introductory political science textbooks is completely different than it was 30 years ago.

Accordingly, the language that the mass media and the public use to speak about politics has also changed. For example, in the past, one often encountered the phrase “bureaucratic rule”—a term that reflected both the excellence and influence of the bureaucracy, and its somewhat arrogant attitude. Even phenomena that were not influenced by bureaucrats were discussed using this term. Today, however, people rarely use “bureaucratic rule” to describe contemporary Japanese politics. Instead, words like “Kantei (prime minister’s office) leadership” or “prime ministerial rule” are more common. Bureaucrats are now preoccupied with divining the will of the Kantei, and they have arguably become bogeymen who are constantly summoned to the Diet by the opposition parties to be condemned for their actions.

How did this change occur? This is the fundamental question this book seeks to address. While the answer may seem self-evident, this book’s starting point is that previous commentary and analyses are insufficient.

To be sure, there are many texts dealing with political reform. However, most deal with only specific institutional issues such as electoral or administrative reform. While these may provide persuasive analyses and narratives on a topic-by-topic basis, the *interconnectedness* of political reform remains under-recognized. For example, it is not uncommon for the rapid spread of political reform to be described

as a “fad” or a “fever.” However, the period during which political reform was undertaken lasted around 15 years. Institutional changes also occurred over a broad range of domains and on a large scale. In other words, the length and depth of reform initiatives are too great to be dismissed as a mere fad or fever.

Furthermore, it is too facile to view political reform as something that has already happened. It is not unusual to see reform characterized as a symbol of the Heisei era—perhaps, again, because some view political reform as a fad. During the 30 plus years of the former emperor’s reign (the Heisei era: 1989–2019), there was much talk of the need for “Reform.” With the ascension of the present emperor (the Reiwa era: 2019–), there exists the view that all the disruptions of political change have passed, and that we should cherish the peace in mind and tranquility of everyday citizens. However, deliberations on political reform began well before the Heisei era, although the actual period of change coincided with it. Nostalgia for the pre-reform periods of high-speed economic growth during the Shōwa era, particularly in the 1960s and 1970s, possibly contributes to this way of thinking.

It may seem churlish to argue that the public sector and socioeconomics cannot be transformed by a change in imperial reign name, but one cannot dismiss the fact that Japanese politics today is an irreversible consequence of political reforms since the late 1980s. For example, the current system of party politics known as “LDP single-party dominance” (*Jimintō ikkyō*) looks, at first glance, like the “1955 system” but the LDP’s base of support today is completely different from that which existed prior to the 1990s. The LDP (Liberal Democratic Party) under the 1955 system secured long-term success by establishing a solid base of support that extended from parliamentary factions to local politicians, particularly in rural areas. The multi-member district system that was in place during this time also made it difficult to change the balance of power among political parties. However, strong factions and local representative networks have become things of the past, and the LDP today is increasingly dependent on the ad hoc support of fickle urban voters. Under the current electoral system, which is centered on single-member (first-past-the-post) districts, the Democratic Party of Japan (DPJ) grew rapidly from the late 1990s and mounted a serious challenge to the LDP. The DPJ took power for a short time in 2009–2012, showing that if urban voters rebelled—in protest against a policy error or a scandal, for example—even the LDP could lose power. Put simply, political reforms that took place between the 1980s and early 2000s define the present and future of Japanese politics.

If this is the case, the overall picture of political reform must be grasped, not as a fad or event from the past, but as a leading cause of structural changes that will continue to have a major impact on the conduct of Japanese politics. And with so many contemporaneous records and testimonies available, now is the perfect time to undertake a comprehensive examination of political reform. Doing so is the motivation and rationale behind this book.

Satoshi Machidori

Acknowledgments

This is my first book in English, even though my academic career has already spanned 30 years. Indeed, it is necessary for me to express my deep appreciation to many people around the world who have helped me. Unfortunately, however, it might be far beyond book length to refer to all the people and institutions I am indebted to, so I have to limit the names to those directly related to the projects that led to this book.

I had never traveled to a foreign country until my junior year at Kyoto University and was not good at English then (nor am I very proficient now). At the time I decided to enter the graduate school, I did not realize how indispensable languages other than Japanese were for academics. As his first advice to me, Muramatsu Michio, my graduate supervisor, strongly recommended that I actively try to learn English. Without his recommendation, I would not have gone to the United States as a graduate student at the University of Wisconsin-Madison. He has always encouraged me to publish books and articles in English, but I have failed to live up to this expectation.

The starting point of my research on this subject was the “Japan’s lost decades” project from 2012 to 2013 at the Asia Pacific Initiative (API) founded by Funabashi Yōichi. The results of my work were published as a book chapter in *Examining Japan’s Lost Decades* edited by Funabashi and Barak Kushner in 2015. Although the schedule was quite tight and my contribution was limited, I found the interactions with the two editors and other project members stimulating.

During the middle phase of research, two presentation opportunities helped me develop my ideas. One was an informal meeting in August 2014 with some political scientists at Harvard whose research focuses were on Japan. Comments from Susan Pharr, Daniel Smith, Naofumi Fujimura, and other participants encouraged me to go forward. Another was my presentation at the annual meeting of the Japanese Political Science Association in October 2014. I thank Tsujinaka Yutaka, the program committee chair of the year, for giving me an opportunity to talk about the whole picture of political reform. In addition to these presentations, my understanding of political reform as constitutional came from a research project for

comparative constitutional reforms with Komamura Keigo, Asaba Yūki, and other scholars of constitution and political science.

I discovered the Janus character of political reform, that is, the mixture of common idea and its different localization at every reform domain, through a joint research project led by Takii Kazuhiro at the International Research Center for Japanese Studies (*Nichibunken*) in 2016–2017. Although it dealt with the Japanese “lost decades” again, the *Nichibunken* project was interested more in fundamental ideas and their continuing effects. Interactions with Andrew Gordon, Uno Shigeki, and other members made me recognize how liberal modernism had mattered and how it had appeared in different forms in various areas of postwar Japanese society.

I had three more opportunities to talk about my ideas at the late phase of writing the Japanese edition of this book in 2018. The first one was the research workshop for political scientists at the Graduate School of Law, Kyoto University. Tatebayashi Masahiko, Soga Kengo, Ken Hijino, and a few graduate students raised questions and gave comments. Such interactions with colleagues are always very significant sources of research development for me. The second was the graduate seminar for comparativists at the Department of Political Science, Keio University. I appreciate Kasuya Yūko and Okayama Hiroshi for inviting me to make a presentation. The final one was the research group for the reform of governing institutions at the PHP Research Institute. I was stimulated by discussions with Kamei Zentaro, Kaneko Masashi, Makihara Izuru, Matsui Kōji, Shishido Jōji, Sunahara Yōsuke, Yamamoto Tatsuhiko, and other participants.

The original Japanese edition was published by Shinchōsha with the devoted help of the editor, Takenaka Hiroshi. I am also deeply grateful to Kenneth Mori McElwain and Jonathan Soble who tirelessly advised on this English edition, as well as Mary-Rose Hendrikse, Kawakami Juno, Sakai Kazunari, and all the people related to this English edition, for their assistance. In particular, Tobias Harris, the translator of this book, did really a great job given his deep knowledge of Japanese politics and his excellent professionalism.

The last words should be for my family. My wife Yōko and my three children have emotionally supported me for many years. I dream of them giving this book to their friends overseas someday. I remember that during my childhood my father studied English early every morning by listening to the educational programs on the radio and by listening to cassette tapes. As I approach the age of his premature passing, I finally understand how precious his efforts were. I wish I could have dedicated this book to him directly.

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After working on the staff of a Japanese legislator in 2006–2007, he ran the popular blog “Observing Japan” and conducted graduate research at MIT and the University of Tokyo. From 2013 to 2021, he was the Japan analyst at Teneo Intelligence, the political risk division of Teneo, a leading CEO advisory firm. He was also Economy, Trade, and Business Fellow at the Sasakawa Peace Foundation USA, a Washington, DC-based think tank focused on U.S.-Japan relations, from

2014 to 2020. He then served as senior fellow for Asia at the Center for American Progress till October 2022.

He was born in Chicago and currently lives in Bethesda, Maryland, with his wife and their two sons. He has an M.Phil. in International Relations from the University of Cambridge and a B.A. in Politics and History from Brandeis University.

Chapter 1

Perspectives on Political Reform



1 The Path to Political Reform

The Bubble as Precursor

When we look back today, the Bubble period of the 1980s and the beginning of the long stagnation of the 1990s are often lumped together. This book will deal exclusively with the 1990s and beyond, but first, let us look at the socioeconomic and international environment of Bubble-era Japan, which was an important harbinger of the necessity for reform.

The term “Bubble” here refers to a phenomenon in which extremely aggressive investment activity akin to speculation, with no direct relationship to real economic activity, is practiced and, as a result, the economy overheats. According to economist Yanagawa Noriyuki, the standard definition in economics is “the phenomenon of asset prices rising or falling in a way that deviates from fundamentals.”¹ The genesis of the Bubble was found in the international political economy of the early 1980s. At that time, Japan’s trade surplus, which was the result of the expansion of exports during the high-growth period, had led to economic friction with the United States and other countries. Under the Republican administration of Ronald Reagan, who was inaugurated in 1981, the United States adopted a philosophy of “small government” and soon faced an enormous increase in its budget deficit due to large-scale tax cuts, as well as large trade deficits with Japan and other major countries. To rectify this, on September 22, 1985, the Plaza Accord was adopted in order to weaken the dollar against other major currencies. The Plaza is the name of the famous hotel in New York which was the venue for the meeting of G5 finance ministers and central bank governors that produced the agreement. The hope was that if other currencies appreciated relative to the dollar, the dollar-denominated

¹Yanagawa (2002), p. 197.

price of other countries' goods would rise, their exports to America would fall, and the trade imbalance would be fixed.

For Japan, the Plaza Accord brought about rapid yen appreciation and a loss of international competitiveness. Before the accord, in February 1985, one U.S. dollar was worth a substantial ¥260. By January 1986, the dollar had crashed to ¥200, and by that March it had reached ¥170. Due to the rapid appreciation of the yen—the flip side of a falling dollar—many Japanese export industries, mainly in manufacturing, fell on hard times, and the term “strong-yen recession” (*endaka fukyō*) was born. The government's ability to respond to the recession with fiscal stimulus was severely limited: under the orders of Dokō Toshio, head of the Second Provisional Commission on Administrative Reform (the so-called Second Rinchō), a policy of “fiscal reconstruction without tax hikes” (*zōzei-naki zaisei saiken*) had been in place since the early eighties.

It was also necessary to respond to international criticism that Japan's exports were excessive due to insufficient domestic demand. In April 1986, Prime Minister Nakasone Yasuhiro's private advisory body—the Advisory Group on Economic Structural Adjustment for International Coordination (*Kokusai Kyōchō no tame no Keizai Kōzō Chōsei Kenkyū-kai*)—drafted a report that proposed expanding domestic demand and enacting financial liberalization, among other measures. This report was referred to as the “Maekawa Report,” after the advisory group's chairman, former Bank of Japan Governor Maekawa Haruo; although these proposals had been repeatedly made before.²

In response to these developments, the Nakasone administration decided to introduce aggressive monetary easing to achieve economic recovery through domestic demand. Private financial institutions such as major banks (*toshi ginkō*, or “city banks”) also had surplus capital, as demand for capital had been falling due to the internationalization of the financing methods used by Japanese companies. In this way, an ample supply of money flowed mainly into the real estate and securities markets, inflating asset prices beyond their real value and triggering a bubble. The “divergence from fundamentals” in the economic definition of a bubble mentioned previously refers to this aspect.

Of course, the Bubble was not entirely unrelated to the boom and bust of the real economy. Although the loss of export competitiveness and the measures adopted to alleviate economic friction with trading partners fueled the offshoring of manufacturing industries, there is no doubt that aggressive investment prompted by monetary easing helped Japan overcome the “strong-yen recession.” The resulting boom in the securities market birthed the term “*zai-tech*” (financial engineering) and the fact is that, from large corporations to pensioners, many organizations and individuals dreamed of making a fortune from their investments. It was in 1986 that NTT (Nippon Telegraph and Telephone), privatized by the Nippon Telegraph and Telephone Public Corporation, was publicly listed, and applications

²Ishii (2011).

from general investors, including individuals, totaled six times the number of shares offered for sale.

Meanwhile, sharply rising real estate prices made it difficult, on the one hand, to realize the “common people’s dream” of purchasing a home in an urban area. On the other hand, the anticipation of rising prices for their real estate holdings led many companies to use property as collateral to borrow more investment capital from financial institutions. In Tokyo, many of the large-scale developments of the present day, such Rinkai-Fukutoshin (Tokyo Waterfront City) or Roppongi Hills, were conceived during this period. The face of the city changed greatly as a result of the Bubble, as did those of other major cities besides Tokyo.

A large number of employees of companies that were enriched by the Bubble enjoyed ample entertainment expenses as well as other perks and benefits. Since generous raises were promised under the lifetime employment system, employees’ families also benefited indirectly. Additionally, these benefits also extended to the areas where they lived. Whatever the reason, if money is abundant and it is circulating, it will provide material well-being to most people in society.

Strengthening Satisfaction with the Status Quo

The Bubble also had the effect of supporting qualitative changes that had begun in Japanese society. After the era of high-speed, double-digit GDP growth ended in the mid-1970s, Kanagawa Governor Nagasu Kazuji first proposed the “Era of Localities,” (*Chihō no Jidai*), and an expert study group (The Ōhira Study Group) convened by Ōhira Masayoshi, who served as prime minister from 1978 to 1980, advocated the “Garden City State Concept” (*Den-en Toshi Kokka Kōsō*). These developments suggest that some people were beginning to question the centralized and uniform social structures that had been pursued since the opening of the country during the Bakumatsu period, that is, the closing era of Tokugawa government in the 1850s and 1860s, in order to catch up with Europe and the United States.

In education, strict school rules, compulsory hairstyles, and other issues came to be seen as problems in the 1980s, and there was new talk of respect for individuality. Although in hindsight social pressure was still quite strong, social norms regarding dress and behavior gradually relaxed, and in major metropolises the atmosphere became freer. In sum, there was a growing movement to emphasized decentralization over centralization and individuality over uniformity.

Because the Bubble created financial surpluses not only for private companies but also for the public sector, including local governments, this trend was also accelerated in policy terms. In 1988, the Takeshita Noboru administration, under the name of “Hometown Revitalization” (*Furusato Sōsei*), announced it would provide ¥100 million yen grants to each municipality. The fiscal timing seemed appropriate. The central government had been deficit-free since fiscal 1990, and local governments

had achieved primary fiscal surpluses as well.³ Local governments decided to focus on the construction of cultural facilities and support for local sports. It was during this period that the Japan Soccer League began considering professionalizing its operation, leading to the birth of the J-League in 1993, but the embrace of local boosterism by municipal governments and their cooperation in the development of stadiums was related to the Bubble period and its afterglow. In the early 1990s, soccer was treated as a symbol of the era of freedom and individuality.

For better or worse, Japanese society changed in fundamental ways. Prosperity and freedom contributed to the growth and maturation of local culture. However, the enormous sums of money that flowed into securities and real estate markets led to a large number of loans based on collateral that had virtually no value, and the market gradually acquired a more speculative flavor, with “Gentlemen of the Bubble” (*baburu shinshi*) making enormous profits in a short period of time and wining and dining members of the financial institutions who were the source of their funds, and regulators. Moral decadence and public anger, as a reaction, gradually became apparent.

However, Japanese society was blanketed in a euphoric satisfaction with the status quo that outweighed any disappointments. Postwar Japan’s high-speed economic growth or, from a longer perspective, catch-up modernization since the opening of the country at the end of the Tokugawa shogunate in the 1850s and 1860s, was achieved by the willingness of elites from the worlds of politics, administration, and finance to adapt to precedents from the developed countries of Europe and the United States, even at a cost to their own self-interest. The consumption tax (analogous to a sales tax), which was successfully introduced in the late 1980s after repeated debate since the late 1970s, is probably the last example of this. However, seen as a whole, Japanese elites had completely lost sight of any ideals by this time, and Japan, which had become a developed country, had grown completely intoxicated by its booming economy. The Liberal Democratic Party (LDP), which dominated politics, had become thoroughly absorbed in pork-barrel politics, which distributed the fruits of economic growth to its support base. The bureaucracy placed so much emphasis on cooperation with LDP administrations that its ability to think about a long-term vision of the state declined. The business community was so overwhelmingly confident in the Japanese style of business that it no longer felt much need for change. And the general electorate was primarily concerned with preserving their affluent lifestyles, and they accepted the elites’ desire for the status quo.

1989 as a Turning Point

The environment surrounding Japan, which had appeared to be smooth sailing, changed dramatically in 1989. In January of that year, the Shōwa Emperor passed

³Doi (2010).

away and the era name was replaced by Heisei. The new era began quietly, amid a mood of self-restraint that had prevailed as the Emperor's condition worsened in the latter half of the previous year, but before long Japan was met with a series of major events at home and abroad.

The first was the widening of the Recruit scandal. The *Asahi Shimbun* reported on June 18, 1988, that Ezoë Hiromasa, the founder and president of Recruit Co., had transferred unlisted shares in Recruit Cosmos, Recruit's real estate development subsidiary to an official in Kawasaki City, near Tokyo, which was pursuing a redevelopment plan. The transfer had occurred several years before the report, but since it was early in the Bubble period, Recruit Cosmos's shares would surely grow in value once it went public, and so the transfer during the pre-listing period was effectively a profit-sharing scheme, or, more simply, something akin to a bribe. If this were all, it would have been nothing more than typical collusion between a real estate company and a local government. This is because Recruit, a rapidly growing company that had started out as a magazine for job seekers, was still a relative newcomer to the real estate industry.

But, in reality, Ezoë had transferred shares to many of the major national politicians and business leaders of the day. Ezoë, who had started his own business as a student at the University of Tokyo and had great success with what would now be called a startup, said the transfers were made to enhance his and his company's reputation in political and business circles. Some of those who received the Recruit Cosmos shares sold them soon after the company went public, and they reaped profits in the hundreds of millions of yen. The recipients of the transfers included key cabinet members, including Prime Minister Takeshita himself, and with each report the Takeshita administration found itself backed into a tight spot. The soaring land prices caused by the Bubble had adversely impacted the quality of life for many people by causing housing shortages, long commutes, and other issues, and the fury of voters that elites were taking advantage of this situation was considerable. As 1989 began, the introduction of the consumption tax in April also caused the Takeshita cabinet's approval ratings to fall to record lows. The cabinet finally resigned in June.

The Takeshita administration had strong internal party support—its foundation was the Keisei-kai (Takeshita faction), a successor of the Tanaka faction, the LDP's largest—and it had successfully introduced the consumption tax, an achievement that had eluded former prime ministers Ōhira and Nakasone. It had been anticipated that it would become a stable, long-serving administration. The bitter competition between factions within the LDP that had prevailed until the early 1980s had ended. Abe Shintarō, who like Takeshita had aimed to succeed Nakasone as prime minister, took office as the party's secretary-general, and Miyazawa Kiichi became deputy prime minister and finance minister, meaning that the Takeshita administration had the support of the party's leading factions. Relations with the bureaucracy were also good.

The sudden collapse of the Takeshita administration came as a major blow to the LDP. To add insult to injury, Uno Sōsuke, who succeeded Takeshita, faced a sex scandal soon after his inauguration, and the LDP suffered a historic defeat in the July

1989 House of Councillors elections, resulting in the opposition parties commanding a majority in the upper house. While at the time this phrase was not used, it marked the appearance of what we today call a “twisted Diet” (*nejire Kokkai*), or a divided parliament with different parties constituting majorities in each chamber.

At the same time, the world was experiencing even greater upheaval. In 1985, Mikhail Gorbachev was inaugurated as the General Secretary of the Communist Party of the Soviet Union and became the country’s de facto supreme ruler. He embarked on domestic reforms known as Perestroika. Gorbachev concurrently attempted to revive diplomacy towards the Free World and relations with the Communist bloc countries of Eastern Europe. While this was favorably received by the United States and other liberal countries, the Soviet and Eastern European communist regimes were already past the point at which they could be sustained via reforms.

A vicious cycle emerged whereby the stronger the pro-democracy forces criticized the regime, the more they were suppressed, the more opposition and resistance was generated. At the start of 1989, it became clear to all that reform without regime change was completely untenable. One after another Communist regimes in Eastern Europe were overthrown, and in November the Berlin Wall was finally torn down. At this point, the Cold War, as a confrontation between the Free World and the Communist bloc, was effectively over. In addition, in the same year, China, which had also invited the rise of democratization forces internally, changed course and thoroughly suppressed them in the Tiananmen Square massacre in June. From this point on, China began to take a path different from the Soviet Union and Eastern European countries.

If one looks at the domestic economy, the Bubble was finally coming to an end. The Tokyo Stock Exchange’s Nikkei Index, which had been steadily rising since 1986, momentarily hit ¥38,957 on December 29, 1989, the last trading day of the year, which to this day is its highest value ever. From January 1990 onwards, stock prices began to fall. The real estate bubble continued for another year or so but reached its peak around the end of 1990, and thereafter began to decline.

Both stock prices and land prices had surged beyond their real values. Many companies and individuals arranged additional loans and made further investments based on the expectation that prices would recover. This compounded the problem for financial institutions, as the loans became non-performing. The decline in stock prices and land values, which reversed the course of the Bubble economy, caused serious and long-term damage to the Japanese economy from the 1990s onward. The age of Japanese money leaving its mark on the world (for example, the purchase of New York’s Rockefeller Center by a Japanese firm in 1989) and the glory of Japanese-style management enabling this, was clearly over. An era of long and painful stagnation and declining international competitiveness had arrived. This era would roughly coincide with the era of political reform.

2 How Has Political Reform Been Represented?

Growing Momentum for Reform

Few would disagree that the electoral reform implemented in 1994, under the non-LDP coalition of the Hosokawa Morihiro administration, was the first tangible product of political reform. If the origins of political reform can be traced back to the Recruit scandal of the late 1980s and the end of the Cold War, then today, at the beginning of the 2020s, more than 30 years have passed. Because this period coincides with the Heisei era, the series of political reforms that began with electoral reform and its consequences are sometimes referred to as “Heisei Democracy.”⁴

At the time that reforms were being formulated, there is no doubt that there was substantial support for the overall direction of changing the political status quo, regardless of whether a specific proposal was right or wrong. One backdrop for this was the change in political news reporting, beginning with commercial television. In the 1980s, the mass media gradually made their political positions clear. The pioneer of this trend was TV Asahi’s affiliate “News Station,” which began broadcasting in 1985. News Station not only reported what was happening, but anchor, Kume Hiroshi, and commentators who were former newspaper reporters, actively interjected with their impressions and commentary to indicate to viewers how they evaluated what had happened. It was often extremely critical of power, and its stance was similar to that of weekly and monthly magazines, which were said to have earned the displeasure of an LDP accustomed to just-the-facts reporting without editorializing. However, there is no doubt that News Station smashed the prevailing ideas of television news, and in the late 1980s it gained more and more attention.

TV Asahi also launched the debate-style programs “Asa Made Nama Terebi!” in 1987 and “Sunday Project” in 1989, which often dealt with political themes. A common format was established: politicians from the ruling and opposition parties would appear as guests, and the host, Tahara Sōichirō, would flood them with questions and let them speak in their own voices and debate the issues among themselves. The success of these programs spread to other television networks and newspapers. In October 1989, TBS, a commercial broadcaster with an established reputation for news reporting, hired former *Asahi Shimbun* reporter Chikushi Tetsuya and began broadcasting “Chikushi Tetsuya NEWS 23.” Fuji TV started its debate-style program “Hōdō 2001” in April 1992. Both became long-running programs and were on the air for more than 10 years. The wave of change eventually reached the political reporting of the broadcaster including NHK (Japan Broadcasting Corporation) and newspapers.

This is not simply a matter of a change of style or an anti-authority stance being accepted by viewers and readers. The Bubble economy and the changes in the socioeconomic environment that accompanied its collapse, as well as the end of the Cold War and the changes in the international environment that followed, were

⁴Sasaki and Nijū-ichi Seiki Rinchō (2013), Shimizu (2018).

witnessed by many viewers on a daily basis during this period, and expectations for political reporting appropriate for these changes were rising. Above all, the fall of the Berlin Wall in 1989 and the Persian Gulf War in 1991 left striking impressions. The Cold War, which had been taught as an unchanging state of affairs in school textbooks, ended all too easily, and what followed was not the expected era of world peace but a series of bloody regional conflicts. Furthermore, the failure of Japan's politics and foreign policy to work out an appropriate response to these new circumstances substantially changed the status quo mood of the late 1980s. Anger over the negative aspects of the Bubble economy probably had a similar effect. Facing a new situation, people wanted to know why these problems were occurring and what politicians were thinking.

After the general election of 1993, the head of the news bureau at TV Asahi, the home of the new political reporting, revealed that the network had intentionally reported on the election with the aim of bringing about a non-LDP government. This statement attracted much criticism: the head of the news bureau was fired, and the Ministry of Posts and Telecommunications issued administrative guidance. However, any assumed causation between the change in government and media reporting is overstated. Support from voters for the Hosokawa administration after its inauguration was overwhelming. Opinion polls conducted by various news organizations showed that the cabinet's approval ratings were the highest ever recorded at the time. The opportunity for change had clearly strengthened in response to the dramatic changes in circumstances since the late 1980s, and some of the mass media seemed well attuned to these changes and took advantage of them.

At the same time, it is noteworthy that during this period, voters recognized political reform as an important issue. For example, in a March 1993 poll by the *Yomiuri Shimbun* and an April *Mainichi Shimbun* poll, a majority of respondents favored the introduction of a system of public election for prime minister. Many voters had high expectations for reform. There were also many who approved of reform proposals that would enable the prime minister to exercise stronger leadership on urgent policy issues. Political scientist Sakaiya Shirō notes, "Many voters may not have been well versed in the substance and implications of each reform proposal. However, what was demanded at this time was that the current system be changed in one direction or another."⁵ Political reform was what the public demanded.

Unsettled Evaluation

Although political reforms were promoted with wide-ranging expectations, their impact and value remain undetermined. Especially concerning electoral reform, the switch in ruling and opposition parties following the 2009 and 2012 general

⁵Sakaiya (2017), p. 131.

elections has been regarded by some as a major turning point in postwar Japanese politics.⁶ However, the period in which two major parties were competitive enough that voters had a real chance to choose their government—probably the most highly emphasized and anticipated part of electoral reform—was all too brief. Today, LDP has reasserted its long-term dominance.⁷ Many journalists and political commentators have criticized electoral reform, saying that under the single-member district system the quality of individual legislators has declined, with an increase in the number of small-minded legislators (*kotsubu*, or “small grain”) with questionable morals and policy acumen.⁸ These assessments are understandable in the light of electoral reform and its consequences.

However, this is too limited a perspective on the past 30 years of Japanese politics. Electoral reform was just the first of a series of institutional changes to systems that governed politics and public administration in Japan; and the fact that so many reforms were undertaken in a relatively short period of time cannot be ignored. These include administrative reforms centered on strengthening the cabinet and reorganizing ministries and agencies (which began in 1996), as well as decentralization reforms (from 1993) that dramatically changed power and financial relationships between the national and local governments. Judicial reform (from 1999), which included the introduction of the lay judge system and the establishment of postgraduate law schools, was another significant reform without precedent in the postwar period.

What took place was a total transformation of the “shape of the country” (*kuni no katachi*). Even if one wishes to avoid such abstract terms, the term “institutional reform” is too narrow, and should rather be replaced by “political reform” in the broadest sense. That said, the fact that such reforms extended into so many different institutional domains makes them extremely difficult to evaluate. It would be extremely shallow to say that the reforms were meaningless and that all that remained were the “lost two decades” or “lost three decades” of economic malaise. Even if it is true that Heisei Japan faced socioeconomic stagnation and a feeling of hopelessness, these are better attributed to the decline in international competitiveness amid inadequate responses to globalization and technological innovation, or to low birthrates and an aging, shrinking population.

That said, political reform began more than 30 years ago. Over the course of three decades, generations change, children become parents, and parents become elderly. The Bubble period mentioned earlier is, for many people, the distant, ephemeral past. After that much time, it is inevitable that people will forget why reforms were demanded, what they were intended to achieve, and what kind of process was used to pursue them. There is a growing tendency to evaluate past choices from a present-day point of view. We need to try to grasp the entirety of political reform with a

⁶Tatebayashi (2014).

⁷Masuyama (2013), Yamada (2017).

⁸See, for example, Yamada (2015).

theoretical approach, rather than relying on a common-sense, impressionistic understanding of pertinent events, or by merely describing events chronologically.

Previous Explanations

Many previous studies have examined what political reform meant or entailed. These can be organized into three overarching categories.

One position is that political reform was a kind of fad, motivated by a temporary fever with unclear foundations and intentions. Let us term this the “fever theory.” Political scientist Uchiyama Yū, discussing electoral and administrative reform, argues that the results were meager because the reforms lacked an adequate theoretical foundation. According to Uchiyama, “Despite inadequate theoretical and empirical investigations, a ‘mood’ of demanding institutional reform prevailed. . . Careful examination of the problems to be addressed and the suitability of proposed solutions was sacrificed. . . Some raised doubts, but their voices were drowned out by the ‘fever.’”⁹ On a similar point, Gerald Curtis, an American scholar of Japanese politics, noted that electoral reform was promoted by Ozawa Ichirō and others “under the illusion that a two-party system could be created. . . and the mistaken idea that at any rate, the bad parts of Japanese politics arose from the medium-sized electoral district system,” which, Curtis argued, “Japanese political commentators and some political scientists also assumed to be true.”¹⁰

Another position is that political reform was a means to realize neoliberal socioeconomic policies.¹¹ Neoliberalism in this context refers to the approach of the Reagan administration in the U.S. and the Thatcher government in the U.-K. during the 1980s, which questioned the ability of governments to solve socioeconomic problems. Instead, it emphasized the problem-solving power of markets and the private sector, as well as the self-determination and self-responsibility of individuals. However, in pointing out that political reform is linked to neoliberalism, more emphasis is placed on the interests of big business. According to Nakano Kōichi, a political scientist who is a leading advocate for this position, the goal of Ozawa Ichirō and his brain trust, who led the electoral reform process, was the promotion of the neoliberal “new right-wing turn” (*shin-uha tenkan*) in Japanese politics that had begun during the Nakasone administration. By this he means following the lead of the United States and advancing the interests of political, bureaucratic, and financial elites. This position will be called “neoliberalism theory” in this book.

The third view is that the wide-reaching political reforms can be understood as a series of coordinated movements to create a new fundamental structure of Japanese

⁹Uchiyama (2004), p. 43.

¹⁰Mikuriya and Serikawa (2018), p. 44.

¹¹Nakakita (2014), Nakano (2015).

politics.¹² This position, which can be called “Heisei Democracy theory,” holds that reforms reflected changes in the domestic and international environment surrounding Japan from the 1980s to the 1990s. These include the end of the Cold War and the growth of the urban white-collar middle class—the so-called “new middle mass” (*shin chūkan taishū*)—as well as the decline in the ability of politics to respond to these changes. In other words, it recognizes that political reform was an internal movement from within the Japanese electorate, driven by a consistent way of thinking. In pointing to changes in the domestic and international environment, Heisei Democracy theory has much in common with neoliberalism theory, but it does not see political reform simply as a means to an end and does not take the position that it favored the U.S. or particular domestic actors.

Remaining Questions

All three of these perspectives include reasonable components which are not mutually exclusive. For example, political scientist Sasaki Takeshi, who takes the position of Heisei Democracy theory and himself promoted electoral reform and other important political reforms, uses the term “fever” in the sense that there was enthusiasm and exuberance among those involved when reforms were implemented.¹³ Indeed, without such enthusiasm and exuberance, it would have been impossible to proceed with extensive institutional reforms. Both neoliberalism theory and Heisei Democracy theory point to the changes of the 1980s as a precondition for political reform. The fact that the prevailing conditions of postwar Japan had dramatically changed in the 1980s was certainly widely recognized in the 1990s. There is no doubt that this recognition, coupled with the atmosphere or excitement of the times, were driving forces behind political reform.

At the same time, however, doubts remain as to whether these positions tell the full story. The fever theory overstates the rapidity with which reform activities were undertaken, but this is often the case when changes involve many actors. In fact, political reform did not stop at electoral and administrative reforms, but extended over 10 years and involved changes in the core actors. It is impossible to see this all as a boom or fever. Neoliberalism theory, meanwhile, may be too fixated on the partisanship of reform. The forces that pushed for reform spanned the ruling and opposition parties of the time, and the majority of the mass media also insisted on the necessity of institutional reform. Above all, the majority of voters viewed political reform favorably. That is why, when examining these changes retrospectively, many espouse the fever theory. To ignore such facts and portray reform as the reflection of

¹²Sasaki (2013), Shimizu (2018).

¹³“Was political reform a failure? An interview with Sasaki Takeshi and Narita Norihiko on the future of ‘party politics’,” *Yahoo! Minna no Seiji*, last updated September 27, 2017, last accessed November 25, 2018. <https://seiji.yahoo.co.jp/article/758/>.

the interests and positions of particular actors is inaccurate analysis, akin to idle criticism or the airing of one's biases.

Of course, political reform cannot be attributed to the ideas and actions of any one individual. Ozawa Ichirō is often named as the standard bearer of reform. As a young and influential member of the LDP's Takeshita faction, he served as deputy chief cabinet secretary in the Takeshita administration and LDP secretary-general during the Kaifu administration from the late 1980s to the early 1990s, and become a central figure in his late forties—a relatively young age in Japanese politics. In his *Blueprint for a New Japan*, published in May 1993, Ozawa advocated electoral reform by introducing the single-member districts (first-past-the-post constituencies) system, the strengthening of the Cabinet, and decentralization.¹⁴ These reform proposals from within the heart of the LDP were greeted with great surprise, and are probably the source of Ozawa's image as a leading proponent of reform to this day. In fact, Ozawa did play a large role in revising the electoral system. However, that was not the end of political reform. Ozawa's book made no mention of reforms to the judicial system or the central bank, and it cannot be said that the book is a blueprint or plan for political reform as a whole.

Nor is Ozawa necessarily a neoliberal. In his *Blueprint for a New Japan*, he called for deregulation, but his rationale overlapped with criticism of the excessive influence of bureaucrats, voiced at the time by reform-minded politicians such as Hosokawa Morihiro. In fact, the governments in which Ozawa was involved as a ruling party lawmaker after leaving the LDP (the Hosokawa, Hata, Obuchi, Hatoyama, Kan, and Noda administrations) are generally not thought of as having a neoliberal orientation. Furthermore, it is known today that a number of researchers and bureaucrats contributed to the writing of *Blueprint for a New Japan*. It is likely that their goal was to establish a more rational politics and public administration that could break through the widespread preference for the status quo in the late 1980s and adapt to the conditions of a new age. As I will discuss in more detail later, this is the “modernist orientation” (*kindai-shugi shikō*) referred to in this book.

Compared to the fever theory and the neoliberalism theory, the Heisei Democracy theory is the most reliable lens through which to consider the perceptions and choices made at the time. However, it arguably places too much emphasis on the underlying principles and plans for political reform, and does not pay enough attention to the mutual inconsistencies that existed in these wide-reaching reforms and the resultant problems that emerged.

Public administration scholar Itō Masatsugu has already noted such inconsistencies in his comparison of decentralization reforms with those in other areas (e.g., administrative reform and fiscal reform).¹⁵ For example, the Hashimoto Ryūtarō administration pursued structural fiscal reforms and decentralization simultaneously. But the reforms were undertaken by different organizations, which proposed

¹⁴Ozawa (1994). As to the contribution of scholars and bureaucrats to *Blueprint for a New Japan*, see for example, *Asahi Shimbun* June 30, 2020 (interview with Mikuriya Takashi).

¹⁵Itō (2008), pp. 20–22.

conflicting reduction targets for the same national subsidies, causing confusion. However, because the object of analysis is limited to the Hashimoto administration, his research shows some concrete examples but does not offer general reasons for such inconsistencies. Itō points to “changes in the core executive,” or differences in the linkages between the prime minister and cabinet ministers, ruling party officials, and ministry officials (depending on reform domain) but some ambiguity remains as to how these relate to inconsistencies in the purpose and content of reforms.

To understand why inconsistencies emerged, it is essential to consider causes other than variations in personal networks, and the effects of those causes on how large-scale, wide-reaching reforms were carried out, in parallel or in succession. In other words, because the reforms were extensive and time-consuming, it is possible that—despite a widely shared sense of direction and a common recognition of contemporary problems—they ultimately proceeded down different paths. Taking this recognition as a starting point, this book aims to fill in the shortcomings of the Heisei Democracy theory and other prevailing explanations and draw a slightly different picture of political reform.

3 This Book's Approach

“Ideas” and Their “Localization”

In this book, I will examine the breadth of political reforms since the 1990s and consider why they were so far-reaching, what commonalities and differences can be found across institutional domains, and what their consequences for Japanese politics have been. At this juncture, let me discuss the concepts from political science that will be used.

Political science research on the nature of institutions has progressed markedly in recent years, providing new perspectives from which to understand broad political reforms. In particular, a key concept in this book is the perspective of the “multilevel mixture,” which is used to analyze the linkages between political institutions across multiple domains. There is no widely used definition for the multilevel mixture, but I would venture to call it “linkage among multiple institutions” or “combination among multiple domains.” Taking this into consideration, it is possible to explain how changes implemented separately in each area can have unintended consequences if they lack appropriate linkages.¹⁶

The breadth of the political reforms that were undertaken also suggests the existence of a common understanding of the issues or philosophies involved. Political science often examines these kinds of perceptions using the analytical

¹⁶See Tatebayashi (2013, 2017), Sunahara (2017), and Hijino (2017) for analyses of contemporary Japanese politics from multilevel mixture perspective. For a study of the electoral system based on the same perspective, see Uekami (2013, 2019).

concept of “ideas.” Ideas are factors that influence the long-term, wide-ranging decision-making behavior of individuals and organizations (collectively referred to as “actors”) involved in policy choices and institutional design, by furnishing them with a perspective and framework for understanding status quo conditions and future outlooks. One point that is often emphasized is that ideas can also lead to irrational decisions tied to outdated cognitive frameworks, or unpopular decisions that do not benefit many actors. But ideas essentially refer only to the cognitive frameworks or philosophies that govern the behavior of actors, and it is not necessarily the case that idea-based choices are irrational.¹⁷

That said, even when common ideas exist across a broad range of areas, individual reforms are often pursued as separate, domain-specific institutional changes. Even if one is aware of the trends and outcomes of reforms in other areas, a specific reform will not be adopted if it does not have the support of a majority in that area. This formation of majorities is achieved through the “localization” of ideas. Localization is a concept introduced in the arguments of Amitav Acharya, a political scientist in the United States, who analyzes the spread and acceptance of norms in international relations.¹⁸ According to Acharya, even if norms are widely accepted internationally, to be accepted in each country, they must be transformed for the political context of that country into something understandable to domestic political actors. Something similar may happen in the process of political reform.

What We Think Was Happening

From the perspective of ideas and their localization, I see political reform as institutional changes that alter the multilevel mixture. What can we see through this analytical process? Let me summarize my conclusions briefly.

Political reform was not a fever or a fad, nor was it the means or spadework for the development of neoliberal economic policies. Nor was it driven solely by the attention and capabilities of a particular actor such as Ozawa Ichirō. It was, instead, an attempt to change political institutions based on conceptions of Japan’s historical development as a modern nation, its politics, economy and society through the 1980s, and a vision of the nation’s future. The reforms also shared a common goal of further modernizing or rationalizing Japan’s politics and economy, or “modernism.” In other words, modernism existed as a fundamental idea that underlay political reform.

The term “modernization” used here also includes the connotation of “contemporization,” or of making things compatible with the contemporary

¹⁷ As to studies of Japanese politics from politics of ideas framework, see Tokuhisa (2008), Sasada (2011, 2018), Kidera (2012). Itō (1996) was the first work that depended on politics of ideas framework to explain the process of electoral reform.

¹⁸ Acharya (2004).

environment. However, as will be discussed in Chap. 2, the ideas that are the source of political reform are arguably continuations of a way of thinking that traces back to the opening of the country at the end of the Edo period, or at least the early postwar period. This way of thinking involves a desire to change the behavior of people living in Japanese society, as well as the political, administrative, and economic institutions that are the accumulation of that behavior, in order to make it more rational and independent.

This conceptualization of an ideal society and ideal individuals is related to ideas that developed in Western Europe and the United States in the modern era. Autonomous individuals are expected to establish political power, control it, and run the government through their choices and consent. Understood in this way, and in this larger context, the term “modernization” is more apt and suitable than “contemporization,” and so this book will use the terms modernization and modernism instead.

Modernism needed to be localized, putting it into the context of addressing the challenges that existed in each institutional domain when reform was undertaken. If the challenges recognized by the leading actors in each domain differed, the appropriate prescriptions would also differ by area, even if they all started from the same idea of modernism. The localization of such ideas was essential to the formation of majority support and the realization of area-specific reforms. However, this also meant that the content of specific reforms was determined on a domain-by-domain basis, and it was not possible to choose a consistent direction across a wide range of domains, which could lead to unintended consequences in multilevel mixture. As a result, while each area has changed from its pre-reform conditions, the overall effect has been ambiguous.

Note that there already exist other studies that use different concepts to analyze the formation of majority support in the political reform process. For example, Kawai Kōichi, a scholar of public administration, has observed that majority formation within ruling parties and between ruling and opposition parties was key to recent administrative reorganization efforts, including those undertaken during the age of political reform covered here. Kawai calls this a “consensus cost,” referring to the concessions needed to forge agreement.¹⁹ Although similar in focus, “localization,” as used in this book, is a broader concept. It refers not only to the concessions required to form the majority needed to enact reform, but also an entire breakdown of domain-specific reform processes, connecting the basic principles undergirding their implementation and establishment to the concrete plans that were undertaken.

Why Did Reform Happen This Way?

Although it was based on basic shared ideas, localization was so indispensable that it produced institutional change in different directions, which collectively did not

¹⁹Kawai (2019).

necessarily deliver the expected results for the public sector as a whole. This book contends that this fragmentation is the key issue to understanding political reform. Why was localization so important, and how did it lead institutional reforms—which arose from the same modernist ideas—into different directions? The following hypothesizes the causal relationship and is a theme throughout the entire book.

This book focuses on the fact that political reform proceeded with the same political processes that had been in place throughout the 1980s. I previously noted that electoral reform was the first great achievement of political reform. Unsurprisingly, electoral reform was largely prepared through the decision-making structure of the 1980s, in which consensus building within the LDP was of decisive significance but the wishes of other parties were also taken into account. The overall political process underwent major changes following the reform of the electoral system. Just before the 1996 general election, partisan competition between two major parties began to emerge, due to greater coordination amongst opposition party legislators. However, the LDP-centered government remained unchanged, and since many Diet members had been in office since before the reform, changes in ruling party policymaking were slow to follow.²⁰

The strengthening of cabinet power and the reorganization of ministries and agencies, which were the main parts of administrative reform, were intended to centralize policymaking. These measures, along with electoral reform, have had the effect of changing the behavior of principal actors, such as politicians and bureaucrats. Today's Kantei leadership is a product of that initiative. However, it was not put into practice until 2001. Decentralization reforms were pursued in the late 1990s, at almost the same time as administrative reforms, and by that point, the influence of actors who had been involved in decentralization for a long time was substantial. Reforms of the Bank of Japan and Ministry of Finance also took place during the same period. It is fair to say that judicial reform is the only reform whose framework has solidified in the twenty-first century, after the centralization of power within the central government had become more pronounced. In other words, the political reforms covered in this book were strongly colored by the political process up to the 1980s, or were the product of the first stage of changes in the reform process.

What then were the political processes at the national level through the 1980s? Their most important characteristic was their decentralized nature, with many actors involved. Neither the LDP nor the ministries and agencies could decide matters solely at the discretion of top leaders.

First let us look at the LDP. The House of Representatives employed a medium-sized electoral district system, in which three to five legislators were elected from each constituency. Although the LDP had long enjoyed single-party control of the government, it was common for multiple LDP candidates to compete in a single district, which meant that the party did not have strong internal cohesion. LDP candidates relied on their factions and personal support groups (*kōenkai*) for votes, and were under little pressure to conduct their election campaigns and legislative

²⁰ Ōtake (1997), Taniguchi (2004), Hamamoto (2018).

activities in accordance with party policy. Decision-making in the party started from internal subcommittees of the Policy Affairs Research Council and was thoroughly bottom-up in nature.²¹

What about the bureaucracy? One of the most significant elements of postwar Japan's bureaucracy was the "principle of apportioned management" (*buntan-kanri gensoku*). In this concept from administrative law, the work of each ministry and agency is managed by that ministry or agency's appointed minister. The principle of apportioned management has been in place since the pre-WWII period. Cabinet ministers had the authority to direct and supervise bureaucrats but the prime minister did not, greatly constraining the latter's leadership as the head of the executive branch.²² Moreover, decision-making within ministries and agencies was based on the *ringi-sei* or "large room" system, just as in postwar Japan's private companies. This system had a strong bottom-up aspect, with mid-level officials such as section chiefs and assistant directors playing a significant, substantive role.²³

This decentralized, bottom-up approach to decision-making was accompanied by fragmentation of the loci of issues and decision-making. Policy decisions were effectively made by the bureaus and divisions of each ministry and agency, or by the LDP's Policy Affairs Research Council. When such fragmentation occurs, even matters based on the same principles and ideas can manifest as different problems. For example, let us consider a policy based on the principle of "increasing productivity to grow the Japanese economy." In this case, the concrete means necessary to increase productivity are not the same in the industrial sector as in the agricultural sector. In the industrial sector, the focus might be on technological innovation, whereas in the agricultural sector, the emphasis might be on the entry of corporate landholders and the concentration of arable land. If technological innovation is applied to the agricultural sector as well as industry, priority may be given to policy measures that do not fit the needs on the ground.

Therefore, even if fragmentation itself is effective in dealing with the complex issues of contemporary society, the question of which approach is supreme—the basic direction set from the top or the actual problems and means recognized from the bottom—must be solved in the end. In this case, more bottom-up decision-making is likely to result in policies that reflect local, on-the-ground needs and conditions. This approach is not in itself a bad thing, and is a major characteristic of Japanese decision-making beyond policymaking, but it contains the risk that the individual (micro) will be superior to the whole (macro) and the basic direction will be lost. One might even say that localization dominates over fundamental ideas.

Ideally, of course, one would expect to make choices that are individually effective while maintaining the overall direction, or to make appropriate adjustments to avoid contradictions between the two. This, however, is not easy. Coordination

²¹Tatebayashi (2004).

²²Soga (2022).

²³Muramatsu (1994).

requires a hierarchy among individual policy areas, something with which Japanese politics had been exceedingly uncomfortable until the 1980s. There was, therefore, a strong tendency to make across-the-board policy decisions so that no one would complain. A typical example of this is the promotion of fiscal consolidation in the 1980s, when uniform rules on fiscal spending regardless of policy issues—the “zero ceiling” (no year-on-year growth) and the “negative ceiling” (a flat percentage reduction from the previous fiscal year)—were adopted. Furthermore, “inner circles” consisting of interested parties and experts developed in each policy area, and the risk of ignoring their wishes was significant for senior leaders. Political reform therefore proceeded by a process whose fundamental character was decentralized, parallel policymaking.

Notable Points and the Structure of the Book

Based on the ideas and observations that I have laid out thus far, I will focus on the following two points in the narrative and analysis in this book.

The first regards the documents that provided the basic direction for the promotion of reform in each area. Most of these take the form of findings and reports of the advisory councils that drafted the reforms, but in cases where other proponents are clear, I will also look at groups that promoted reform and individuals who advocated for various issues. For example, in the case of electoral reform, the Eighth Electoral System Advisory Council issued its first report in April 1990 and its second in July of the same year, with the first report focused mainly on the electoral system for the House of Representatives. Therefore, I will naturally pay attention to this report. I also cannot ignore trends in the mass media and the “Political Reform Forum,” a group of experts who promoted reform at the time. Since this book is interested in the ideas on which reforms were based, I will try to interpret the basis of those ideas from discussions among the forces pushing for reform.

The other point regards the process of linking documents that set the direction for reform with specific institutional changes made after those documents were issued, i.e., the process of localization. It could also be called the process of forging a majority in a particular area. Institutional reform is not so simple a task that a majority can be assembled based on an idea for reform immediately after it is presented. There are of course forces that are fundamentally opposed to reform, but they are not likely to join a majority to promote change and are not very important for this analysis.

Rather, to consider the process of localization, it is critical to pay attention to forces or actors that “favor the general but oppose the specific”—those that approve but seek exceptions, and those that seek to make reform proposals more advantageous for themselves. The actions of these forces will have a decisive influence on the substance of institutional change. Since a considerable amount of time has passed since political reform began, there are fortunately many reliable studies on the formation of majorities for individual reforms. This book, by relying mainly on

these studies, will attempt to show, albeit quite briefly, how majorities that pushed for reform in each area were formed and what resulted from the process.

Let me describe the structure of the following chapters. In Chap. 2, I will examine political reform as a whole, look at what internal or domain-specific demarcations are possible, and then discuss the ideas underlying reform. Based on that classification, Chaps. 3 and 4 will address central government reforms, with particular reference to the electoral system and to administrative structures (the strengthening of the cabinet and the reorganization of ministries and agencies). These reforms concern the institutions that are fundamental to the day-to-day activities of the central government, i.e., the legislative and executive branches. These two reforms have had an extremely significant impact on Japanese politics since the start of the twenty-first century.

Then, Chap. 5 deals with the reform of the Bank of Japan, the central bank, together with the reform of the Ministry of Finance, with which it was closely related, and Chap. 6 examines the reform of the judicial system. These are organizations that are essentially part of the central government, but whose institutional independence has been assured. The crucial question here was whether they should be reformed in the same way as the electoral and administrative systems, or whether their independence should be emphasized. Chapter 7 discusses decentralization, an important case of changes to governing systems outside the central government. Local governments are inherently capable of making (or not making) institutional changes independent from the central government. However, in the case of postwar Japan, local governments have collaborated closely with the central government, despite having a certain amount of autonomy.²⁴ Therefore, the focus of decentralization must be on their conformity with central government reforms. In Chap. 8, the final one, after re-summarizing the overall argument, I will consider what the political reforms discussed in this book have brought Japan.

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²⁴ Amakawa (1986).

Chapter 2

An Overview of Political Reform



1 What Is Political Reform?

De Facto Constitutional Revision

The political reforms undertaken since the 1990s have been extremely far-reaching, targeting the bulk of Japan’s public sector. In their scope and significance, they may even be comparable to the establishment of a modern constitutional state during the Meiji period or the Occupation reforms implemented immediately after WWII. Both of these earlier reforms were accompanied by the enactment of new constitutions: the Constitution of the Empire of Japan, promulgated in 1889, and the Constitution of Japan, promulgated in 1946. By comparison, since the political reforms of the 1990s onward were not accompanied by a new constitution, one might think that they were small in scale. Most people are likely to feel uncomfortable considering the changes in the 1990s alongside those in the early Meiji period and the Occupation period.

However, such a view is narrow-minded with regard to how we should understand constitutions and political reforms. A constitution, in the small-c sense, is not limited to one keystone legal document (the large-C Constitution). Rather, it is a general term for the rules that clarify the loci and wielders of political power and define the scope of political power that can be exercised by various actors, fixed in relation to governing institutions. Let us call them here “governing rules.” While many governing rules are found in constitutions, it is not uncommon for governing rules to be set by laws and customs. For example, the current Constitution of Japan stipulates that the Diet consists of two houses, the House of Representatives and the House of Councillors, but the number of Diet members and the specific methods for electing them are all determined by law. In constitutional law, the governing rules that are not limited to the written constitution are called the “material constitution.”

In the case of postwar Japan, the formal constitution accounts for a small proportion of the governing rules, because of its brevity in terms of both volume

and content. Political scientist Kenneth Mori McElwain persuasively notes that this brevity made it unnecessary for postwar Japan to revise the constitution through formal amendments.¹ It should be noted, however, that this does not mean that postwar Japan did not have to make changes to its governing rules. Rather, the governing rules—the material constitution—have been changed not through amending the formal constitution but through the revision of laws and the formation of new customs. If this is the case, when attempts are made to change the material constitution comprehensively and intentionally, they have significance and effects no different from revising the formal constitution, and it is appropriate to understand these changes as a form of constitutional revision.²

The political reforms since the 1990s, which are examined in this book, were attempts to revise the constitution in just this way. By changing the governing rules, which are largely left to law, the project transformed not only the nature of Japan's politics and government, but also of its state and society, and even the relationship between the public and private sectors. As such, it may even be considered more ambitious than formal constitutional revision. It is not uncommon to see statements that Japanese politics or Japanese people are incapable of self-reform. But even if we set aside the problem that the definition of these terms is unclear and there is no way to confirm whether they are true or false, it is difficult to say that these opinions are consistent with the facts. In fact, it may even be said that it is difficult for a developed country to undertake such large-scale reforms at a time when it is neither in the process of building a modern state nor immediately after defeat in war.

This chapter aims to sketch a complete picture of these attempts and clarify the ideas (perceptions and principles) they were seen to have in common.

Classification of Domains

In order to draw a complete picture of the far-reaching political reforms, let me begin by classifying them into two broad domains and describing what was done in each. One area is reform of the central government, and the other is reform of areas outside of the central government. The latter can also be called reforms in autonomous domains, in that they are relatively independent of the central government. Of course, the degree of autonomy varies. In some domains, final decision-making authority may be independent of the central government, but actors and institutions may still form close, collaborative working relationships. In other domains, the independence may extend beyond decision-making authority and manifest as limited daily contact with the central government. In other words, this delineation is used simply as a label for easier classification.

¹McElwain (2017, 2022).

²Machidori (2016).

In addition to the partition of domains, further sub-divisions are possible based on the substance of specific reforms or even the purpose for which institutions were created or modified. First, for central government reforms, we can demarcate three subcategories: electoral reform, the strengthening of cabinet functions, and the reorganization of ministries and agencies. Electoral reform refers mainly to the passage of Four Acts on Political Reform (*Seiji Kaikaku Yon-hō*) in 1994: a revised Public Offices Election Act, a revised Political Funds Control Act, the new Act for Establishment of the Council on the House of Representatives Electoral Districts, and the new Political Party Subsidies Act. There were some subsequent changes to the electoral system for the House of Councillors, and the number of members in both houses has been changed repeatedly, but in an institutional sense, the effect of these changes has been relatively small in scale and limited in effect. The strengthening of cabinet functions and the reorganization of ministries and agencies were carried out based on the 1998 Basic Act on Central Government Reform, and they are usually lumped together as “administrative reform” or “Hashimoto reform,” named after the prime minister at the time the legislation was enacted. However, important enhancements of cabinet functions have continued thereafter, including the establishment of the National Security Secretariat and the Cabinet Personnel Bureau in 2014. By contrast, no further changes to ministries and agencies have occurred since the Basic Act on Central Government Reform was implemented in 2001, although debate about the matter has arisen periodically.

Public sector reforms external to the central government (defined here as the legislature and executive) include those of the judiciary and the central bank, and to decentralization. Judicial reform began in 1999 with the establishment of the Judicial System Reform Council, and its direction was set by the 2001 Act on Promotion of Judicial System Reform. Central bank reform centered on the comprehensive revision of the Bank of Japan Act in 1997. Decentralization was launched in 1993 with the Diet’s “Resolution on the Promotion of Local Decentralization.” Further changes have continued to the present day in the form of the Omnibus Decentralization Act of 1999, the so-called “Trinity Reforms” (*Sanmi ittai Kaikaku*) from 2003 onwards, which focused on the transfer of financial resources (the reduction of subsidies from the central government, the transfer of tax revenue, and the reform and reduction of local allocation tax), and a second round of decentralization beginning with Act on Promotion of Decentralization Reform of 2006.

As the term “separation of powers” suggests, the judiciary, while possessing autonomy, is still a part of the central government—no less so than the executive or the legislature. However, since its independence is ensured at the (formal) constitutional level, it is necessary to treat it separately from reforms of the legislative and executive branches. In the case of the central bank, the institution is by nature essentially a part of the central government, but the Bank of Japan takes the form of a quasi-governmental or special corporation. The judicial branch and the central bank are expected to contribute to the national interest by taking decisions based on different priorities than the legislative and executive branches, such as preventing the misuse of political power or the destruction of an orderly financial system. In other

words, they are given institutional independence *in order to* play their roles as part of the central government. Their reform would naturally be part of political reform.

In the following sections, I will review what has been done in these main domains of political reform.

2 Central Government Reform

Electoral Reform

“Electoral reform” is primarily associated with the passage of four political reform laws in 1994. These laws introduced a “mixed-member majoritarian” formula for elections, which combined first-past-the-post constituencies with proportional representation for the House of Representatives. They also established a system of party subsidies.

The basis of these reforms was the recognition that the medium-sized, multi-member electoral district system (*chūsenkyoku-sei*) for the House of Representatives, used since 1947, weakened competition between political parties, inhibited policy formulation and responsiveness, and was a major cause of political corruption. In single-member district systems (*shōsenkyoku-sei*, also called first-past-the-post systems), the candidate who receives a plurality of votes wins the single available seat. In contrast, Japan’s multi-member district system was one in which two to six candidates were elected from each constituency, in descending order based on votes received.³ Multi-member district systems have been quite common in Japan, both historically and at different levels of government. They are also not uncommon when viewed from a global perspective. Japan still uses multi-member districts for the bloc of seats in the House of Representatives that are chosen by proportional representation, with the districts in this case being larger regional areas.

However, in most countries where multi-member districts are established, voters can vote for more than one candidate, either through proportional representation or plural voting. In Japan’s multi-member district (MMD) system, voters could cast votes for only one candidate—the so-called single non-transferable voting (SNTV) rule—and votes did not roll over to other candidates. This method (MMD-SNTV) is extremely rare, with few analogues in other countries.⁴

Actual elections under the MMD-SNTV system proceeded as follows. Let us consider an electoral district with four seats. The Liberal Democratic Party (LDP)—the most popular party—would typically field two candidates, the Socialist Party (JSP) one candidate, the Democratic Socialist Party (DSP) one candidate, and the Japanese Communist Party (JCP) one candidate. That would make for five

³The number of winners per electoral district is called the district magnitude, and districts with multiple members have a magnitude greater than one.

⁴Sunahara (2015).

candidates competing for four seats. Keeping in mind that voters could only vote for one candidate, supporters of the JSP, DSP, and JCP—which only field one candidate each—would face an easy choice. But LDP supporters would have to pick between two candidates from their party.

The multi-member district system forced LDP candidates compete not only with rivals from other parties, but also with other LDP candidates. Given the LDP's dominance, in a typical case, two LDP candidates, one JSP candidate, and one from either the DSP or the JCP would be elected. The average vote share for a winning candidate in a four-seat district was usually around 20%, meaning that a candidate could win a seat with the support of one-fifth of voters. Election results were usually in line with the nationwide distribution of party support.

As this example makes clear, the MMD-SNTV system has two important characteristics. The first is that candidates stand a reasonable chance of winning even as little as 20% of the vote, producing a result similar to proportional representation (PR) systems in terms of seat distribution among parties. In PR systems, power relations among parties are unlikely to fluctuate rapidly, barring dramatic changes in voter support. The second characteristic is that in order to build an independent majority in the legislature, a party needs to elect multiple winners in most constituencies.

In the case of postwar Japan, the LDP's single-party dominance since the conservative unification of 1955 is attributed principally to the first characteristic. Because the proportional nature of the MMD-SNTV system inhibited significant fluctuations in seats, it was difficult for the opposition to dislodge the majority party and effect a change in government. At the same time, however, the LDP's hold on power depended on electing multiple candidates from the same district. This complicated the internal politics of the LDP, as candidates needed to distinguish themselves from co-partisans to attract voters. In other words, competition *between* parties was converted into *intra-party* competition. Because LDP candidates belonged to the same party, the policy differences among them were small. Instead, they competed to provide benefits to local voters and supporters' groups, leading to a segmentation of targets along regional and industrial lines. This invited political corruption by increasing the demand for political contributions for services and by giving birth to collusion between specific politicians and specific regions and industries.⁵

The introduction of the mixed-member majoritarian system, which combined single-member districts with a proportional representation tier, was expected to change both characteristics. Under the district-based, first-past-the-post system, only one winner is elected from each constituency, and the share of votes needed to guarantee a win rises to 50%. It was thought that this method would make it easier to shift the balance of power among parties, while making it more difficult for candidates not affiliated with a major party to be elected. This would, in turn, give rise to a two-party system and more robust inter-party competition, increasing the

⁵Machidori (2018).

likelihood of a change in ruling party. The addition of proportional representation to the new system was effectively a measure to mitigate the impact of this change: it would leave room for small parties that had secured seats during the era of the medium-sized electoral districts, preventing them from being suddenly extinguished.

In addition, candidates from the same party would no longer have to compete in the same constituency. The focus of competition was expected shift to differences *between* parties rather than *within* them, and be based on policy ideas rather than the distribution of benefits to local supporters. At the same time, it was thought that party executives would become the center of intra-party decision-making. Since it would be difficult to win a seat without belonging to a major party, the influence of party executives, who wielded power over electoral nominations, would grow substantially. The system would also reduce the need for political campaign funds, which had become necessary for the unproductive, policy-free battles over patronage. It was expected that the party subsidy system would further strengthen this trend by making the flow of political funds more party-centered.

Strengthening the Cabinet

The position of the prime minister was created in 1885, before the enactment of the Meiji Constitution. In the early days, the prime minister exercised power as a kind of “Great Chancellor” but this changed with the implementation of the cabinet government system (*naikaku kansei*) in 1889. Under this new system, the prime minister was considered “first among equals” in the cabinet. Each cabinet minister was responsible for managing the affairs of the ministry and agency under his jurisdiction and advised the emperor on an individual basis. This did not change even with the enactment of the current constitution after WWII. In other words, the principle of apportioned management (*buntan-kanri gensoku*), whereby each minister managed the affairs under his jurisdiction, was upheld, and the prime minister’s authority was constrained, as he did not even possess the right to make proposals in cabinet meetings. Of course, the intentions of the prime minister, who was the leader of the ruling party and had been directly appointed by the Diet, could not be completely ignored, and it should not be assumed that his actual influence was the same as before WWII. However, as long as the principle of apportioned management remained, the prime minister, even in policy areas of great importance, could only direct and supervise matters through ministers whose jurisdiction covered those issues. This was undoubtedly a major stumbling block to the exercise of leadership by the prime minister.

Other major constraints on the prime minister were his lack of autonomy over personnel affairs, including the distribution of cabinet posts, and his inability to draft cabinet legislation without prior consent from the ruling LDP. Two major characteristics of the LDP’s long period of dominance were that personnel matters, which had a major impact on the career paths of politicians, followed the wishes of internal factions rather than the prime minister, who was the nominal leader of the party, and that

policy planning was bottom up, starting from the LDP's Policy Affairs Research Council (PARC: *Seimu Chōsa-kai*). For example, should a new agriculture policy be proposed, it would first be considered in the PARC's agriculture and forestry subcommittee, where young Diet members with a deep interest in the agriculture sector (the agriculture "tribe" or "zoku") and bureaucrats from the Ministry of Agriculture, Forestry, and Fisheries would cooperate to draft a bill. It would then be deliberated and approved by PARC and the General Council, bodies which are composed of many veteran lawmakers, and only then become the LDP's official policy.

This process was established in the organizational management of the LDP during the 1960s and 1970s. During the high-speed growth era, when there was no realistic possibility of a transfer of power to a party other than the LDP, this system was suitable for distributing the fruits of economic growth while minimizing dissent within the party. It was also a system that left ample room for the involvement of politicians and bureaucrats with a strong interest in maintaining the status quo, making it difficult to introduce policies that would address new issues proactively. This custom was optimized for the LDP's long tenure in government. Still, no significant changes were made internally when the party needed to share power, such as in the 1980s when it formed a coalition government with the New Liberal Club, or in the 1990s when the non-LDP coalition governments of the Hosokawa and Hata administrations were formed.

Electoral reform was expected to disrupt these practices by changing the internal organization of the LDP. In an electoral system centered on single-member districts, with subsidy system for parties, major-party legislators would have to follow the directives of party executives, such as the president or secretary general, since their chances of winning election would be poor if they were to leave the party. This is because the party executive would accumulate power over nominations—deciding whether a candidate would stand for that party—and over the distribution of political funds that are essential to compete successfully in elections. Changes in the management of intra-party organizations concerned with elections were expected to result in a top-down approach to policymaking and the use of personnel power.

Therefore, the purpose of strengthening the cabinet was threefold: to expand the institutional influence of the prime minister over cabinet ministers, to establish a chain of command and supervision over ministry bureaucrats and override the principle of apportioned management, and to encourage top-down policy decisions. With regard to the relationship between the prime minister and cabinet ministers, it became apparent in the immediate post-WWII period that the prime minister was no longer simply the "first among equals," as seen by Yoshida Shigeru's moniker as a "one man leader." Ultimately, it was institutionally possible for the prime minister to dismiss cabinet ministers who did not obey his wishes, or for the prime minister to assume the position of a dismissed minister, which was done on several occasions during the postwar period. All that was left was to align the institutional system along with reality by giving the prime minister the power to make proposals in cabinet meetings.

Two remaining issues are more important. The principle of apportioned management was based on the Cabinet Act and the National Government Organization Act, but because the law only describes the division of labor among cabinet ministers and ministries, it did not address a key problem, namely that prime ministers could not directly address or intervene in policies that they deemed important. In the early postwar period, Yoshida Shigeru established Kantei (prime minister's office) leadership through a reorganization of public administration, including reductions in the roles of the Headquarters for Economic Stabilization and the Central Liaison Office.⁶ However, this was only possible under the unique circumstances of the postwar occupation period, and prime ministers after Yoshida could not repeat such measures.⁷ Therefore, it became necessary to loosen the principle of apportioned management itself.

Furthermore, since the prime minister does not formulate detailed policies himself, this problem could be solved without a bureaucratic organization that directly advised the prime minister, separate from the ministries. Therefore, when ministries and agencies were reorganized in 2001, the Cabinet Office and posts for Ministers of State for Special Missions were created, and Cabinet Office bureaucrats were empowered to advance policies on designated matters as instructed by the prime minister. At the same time, the Cabinet Secretariat, which already existed, was made explicitly responsible in the Cabinet Act for policy planning and general coordination, facilitating top-down policymaking in accordance with the intentions of the chief cabinet secretary (in effect, the intentions of the prime minister).⁸ An early example of legislation prepared using this process is the 2005 postal privatization bills.

Since then, the trend has continued for important legislation to be drafted not within the ministries and agencies, but closer to the prime minister in the Kantei. It is often pointed out that the Cabinet Office has become bloated and responsible for a large number of tasks, and the chief cabinet secretary has become more important than ever before. Institutional reforms that centralized power in the prime minister's office continued to progress. The use of the Council on Economic and Fiscal Policy (CEFP) began in 2001 under the Koizumi administration, the National Strategy Unit concept in the DPJ administration from 2009, and the establishment of the National Security Council (NSC) and the National Security Secretariat (NSS) under the second Abe administration are all examples of this trend. The Cabinet Legislation Bureau (CLB), which can now reinterpret the constitution based on the intentions of the administration, is, in a broad sense, symptomatic of the same trend. Additionally, the will of the prime minister has been explicitly extended into the internal

⁶Murai (2008).

⁷During the occupation period, it was essential for Japanese politicians to establish significant connections with members of the allied powers (Douglas MacArthur, the Supreme Commander, in particular). Having the connection and support, Japanese politicians could become more dominant in the domestic policymaking process. Yoshida was a diplomat in the prewar period and had strong support from MacArthur.

⁸Yoshimoto (2012).

organization of each ministry and agency. The establishment of the Cabinet Personnel Bureau in 2014, which prevented ministries and agencies from appointing administrative vice ministers and other senior officials autonomously, is a concrete sign of this shift.

The Reorganization of Ministries and Agencies

The reorganization of central government ministries and agencies may have received the most attention among the administrative reforms that have taken place since the 1990s. This is because the names of long-familiar ministries like the Ministry of International Trade and Industry, and the Ministry of Home Affairs were changed, and several ministries were merged and received new names. On the one hand, these changes aroused gossipy interest in personnel matters such as the reduction in the number of administrative vice ministers and other senior bureaucrats. On the other hand, they also generated a wide range of reactions to the combinations and mergers, including both positive and negative feelings towards the new ministry names. This was the first large-scale reorganization of ministries and agencies since reforms in the immediate postwar period dismantled the Home Ministry and created the Ministry of Labor, and its value as a symbol of reform should not be underestimated.

However, the purpose of ministerial reorganization was to break down the stove-piped, overly-segmented structure of bureaucratic administration, which, as previously mentioned, was commonly recognized as an issue with the principle of apportioned management. Since the Meiji period when the modern bureaucracy was established, each ministry and agency recruited new civil servants individually. Although the National Personnel Authority (NPA) was established in the postwar period, it did nothing more than administer national civil service examinations, implement common training programs, and issue recommendations on salaries. The NPA did not adopt more centralized powers, such as recruiting bureaucrats or assigning them to ministries and agencies. The bureaucrats hired by the various ministries and agencies had a strong esprit de corps, or sense of belonging, and their pursuit of organizational interests—derisively referred to as “ministry interests over national interests” or “bureau interests over ministry interests”—became conspicuous. It was not uncommon for bureaucrats to form “iron triangles” (links between political, bureaucratic, and business actors) to defend vested interests through close relationships with related industries and with the policy tribe (*zoku*) politicians who ran the LDP’s Policy Affairs Research Council and its subcommittees.

In this sense, the reorganization of central government ministries and agencies was part of a broader set of reforms that strengthened the ruling party executive, bolstered cabinet functions and so strengthened the prime minister (and Kantei, the prime minister’s office). Together with the reorganization of ministries and agencies, there has been active mid-career recruitment of personnel with special expertise in various areas, separate from the recruitment of new graduates who have passed the national civil service examination (qualification-based appointments). In addition,

there is more temporary recruitment of experts who are acquainted with the prime minister and other influential politicians (political appointments), and personnel exchanges between ministries and agencies have increased significantly. Although personnel exchanges are not new, they have increasingly taken forms that were not seen before, such as exchanges at the senior level (e.g., bureau chief) and open recruitment and transfer of bureaucrats to the Cabinet Office. The consolidation of several ministries and agencies can be seen as the most extreme form of personnel exchange.

No large-scale reorganization of ministries has occurred since 2001. This is partly because of the high costs required for ministerial organization, but an even greater reason is that reorganizing ministries and agencies is basically a framework-making process, or a means to change how bureaucrats act and formulate policy. In fact, even though the relationship between ministries, which is often criticized as being stove-piped, has not changed much, there is a clear tendency for the Cabinet Secretariat and the Cabinet Office to become the center of major policymaking. A typical example of this is the high-profile case of the establishment of a new veterinary school in 2017 (the so-called *Kake Gakuen* issue), in which the prime minister's office overrode objections from the Ministry of Education, Culture, Sports, Science and Technology, which had long opposed the establishment of new veterinary schools.

3 Reforms Outside of the Central Government

Central Bank and Judiciary Reform

Central bank reform stands out among the political reforms introduced since the 1990s. The main reason is that the 1997 revision of the Bank of Japan Act—a specific outcome of reform—emerged in the wake of corruption scandals at the Ministry of Finance.

Prior to the 1980s, the Ministry of Finance (MOF) had supervisory authority over financial institutions, and through this authority was also responsible for financial regulation. In addition, under the Bank of Japan Act of the time, which was a continuation of wartime legislation, the MOF also exercised significant influence over monetary policy. Essentially, the fact that the Ministry of Finance, the administrative body responsible for public finance, was also responsible for financial regulation and monetary policy often led to a situation in which fiscal considerations were given higher priority than monetary policy, and this carried substantial latent risk.⁹ This became apparent in various forms, including the difficulty in halting the expansion of the budget deficit from the 1970s to the early 1980s, scandals involving the wining and dining of Ministry of Finance bureaucrats by the financial industry

⁹Mabuchi (1994).

from the late 1980s to the early 1990s, and loose financial regulation during the Bubble period. That career Ministry of Finance bureaucrats were entertained by the so-called “Gentlemen of the Bubble”—characters who were at the center of a maelstrom of shady financial flows during the Bubble period—and that this contributed to the instability in the financial system, including the non-performing loans problem, had the impact of raising societal awareness of this type of risk.

There is no doubt that the question of what kind of relationship is desirable between the central bank and the government—narrowly conceived as the legislative and executive branches—or put more simply, how much independence should be secured for the central bank, has been the subject of many international discussions and reform efforts. When the Ministry of Finance scandals made this a major policy issue in Japan, a central bank policy study group including outside experts was established at the Kantei in 1996. Based on its report, reforms were made to strengthen the Bank of Japan’s independence and bring it into conformity with international standards.¹⁰ These changes can be interpreted as a kind of decentralization, in the sense that they reduced the degree of government involvement in monetary policy. While changes in the central bank differ from other reforms in terms of their starting point, they essentially share the same direction and consequences.

By contrast, the most orthodox reform was that of the judiciary, although it occurred relatively late in the overall timeline of political reform. The starting point was the Judicial System Reform Council established in July 1999. The council’s chair was Satō Kōji, a constitutional law scholar. Satō was a key member of the Administrative Reform Council, which studied the basic policies for strengthening the cabinet and reorganizing central government ministries and agencies. The council’s final report emphasized the need for judicial system reform, and proposed a similar framework to that of the administrative reform undertaken by the Hashimoto government. In effect, electoral reform, administrative reform (strengthening the cabinet and reorganizing ministries and agencies), and judicial system reform were like three siblings serving to enhance the cabinet functions.

The goal of judicial system reform was to make the judiciary “closer to the people.” In this case, the “people” means not only the individuals who make up Japanese society, but also includes companies, organizations, and other corporate entities. The role of lawyers and courts (or extrajudicial proceedings involving lawyers) in resolving disputes was strengthened through an increase in the number of legal professionals—an outcome of the law school system and the new bar examination system—and by streamlining and rationalizing of the judicial process. Meanwhile, the introduction of the jury system was intended to increase opportunities for the general public to contribute to the legal process. This can be called modernization in that it encouraged Japanese society to become more litigious.¹¹ Following from the final report of the Judicial System Reform Council, a series of

¹⁰Takahashi (2000).

¹¹Tanaka (2011).

reforms based on this way of thinking were enacted during the Koizumi administration from 2002 to 2004.

Decentralization Reform

As mentioned previously, the first concrete result of political reform was the reform of the electoral system for the House of Representatives, which was prompted by the political scandals of the late 1980s—in particular the Recruit Scandal, which came to light in 1988 at the height of the Bubble period. Though the economy was unmistakably booming, many people were uncomfortable with the sharp increase in land prices and the growing atmosphere of “money worship.” The scandal was not of the classic type involving bribery in pursuit of a particular policy or profit. Rather, a businessman—the founder of Recruit—distributed unlisted shares of a group company to a substantial number of influential politicians. Given the economic trends at the time, it was almost certain that these shares would rise after the company went public, and there was little doubt about the illegality of these transfers. However, it was less the illegal activity that drew strong public criticism than the fact that politicians received special treatment from businessmen and had privileged access to profit-making opportunities. The term “sticky fingers” (in Japanese *nurete ni awa*, “picking foxtail millets with wet hands”), often used at the time, illustrates the nature of the criticism.

However, if we focus on the drafting of an explicit agreement by politicians to change the status quo, the direct starting point for political reform was in June 1993 when both houses of the Diet passed the “Resolution on the Promotion of Local Decentralization.”

The prerequisite for the passage of this resolution was the rise of the Japan New Party (*Nihon Shintō*) in the July 1992 House of Councillors elections. The party was created and led by Hosokawa Morihiro, who, just before the party was formed, published an article in the June 1992 issue of the monthly *Bungei Shunjū* called “Manifesto for the ‘Liberal Society Alliance’” and thus seized the leadership of debates.¹² Based on his experience as governor of Kumamoto prefecture, Hosokawa had focused on the deadlocked centralized nature of the state. He used the term “centralized bureaucratic system” to criticize two things: the central government’s concentration of power over local governments, and the power wielded by bureaucrats within the central government. The latter suggested the need to reform the central government, and the former the need for local decentralization reform. More than anger at political corruption, the recognition that the polity as a whole (to borrow a phrase from Hosokawa, “The System”) was the problem was a decisive driving force behind political reform.

¹²Hosokawa (1992).

Local decentralization was one of the central issues of political reform from the outset, and several major reforms had been attempted over the years. The Cabinet Office and the Ministry of Internal Affairs and Communications refer to the period from the Resolution on the Promotion of Local Decentralization in 1993 to the Omnibus Decentralization Act of 1999 as the first local decentralization reform. The period from the local government finance reform during the Koizumi administration—the so-called “Trinity Reforms”—and the 2006 submission of the “opinion on the promotion of local decentralization” by the six regional organizations¹³ until the present day is referred to as the second local decentralization reform. The first decentralization aimed to make the central government and local governments equal, and the second sought to further transfer administration and authority, and also to decentralize power within local governments (e.g., transferring authority from prefectures to municipalities). These reforms brought parity between the center and localities, while also promoting decentralization from prefectural governments to municipalities. This included, for example, the abolition of “agency-delegated functions (*kikan-inin zimu*),” whereby the central government delegated tasks to local governments, and the transfer of placement standards for public elementary and middle schools from prefectures to ordinance-designated cities (*seirei-shitei toshi*).

However, the distinction between the first and second stages of reform mentioned above fails to provide a complete picture of decentralization. When considering the relationship between central and local governments (intergovernmental relations), it is necessary to take into consideration not only political-administrative matters but also the financial aspect. Although the first decentralization promoted equality between central and local governments, local governments continued to count on the largesse of the central government to secure financial resources. The reforms aimed to change this situation by transferring financial resources to local governments, while at the same time making local governments more responsible for fiscal management. The “Trinity Reforms”—the transfer of financial resources and the reform of subsidies and local grants—were carried out in 2005. The Ministry of Internal Affairs and Communications opposed the Trinity Reforms, because of concerns that they would increase the autonomy of local governments without addressing the insufficiency of their financial resources. The six local organizations also did not clearly express their support. Today, the Trinity Reforms are not generally seen as a legitimate element of decentralization. However, it is fair to say that the substance of center-local relations was changed by the three waves of reform, particularly the first reform and the Trinity Reforms.

¹³The six regional organizations is the name commonly used for organizations formed from actors concerned with local administration: the National Association of Governors, the National Association of Mayors, the National Association of Towns and Villages, the National Association of Chairpersons of Prefectural Assemblies, the National Association of Chairpersons of City Councils, and the National Association of Chairpersons of Town and Village Assemblies.

4 The Project of the Liberal Modernist

From “Object” to “Subject” of Politics

It should now be clear that the institutional changes in the various areas since the 1990s—which collectively can be called “political reform”—shared common perceptions and ideas.

Specifically, the reforms aimed for more active and extensive participation by independent, autonomous individuals in the various decision-making processes of Japan’s public sector. Put differently, the goal was to have the voters who make up Japanese society (the people) be responsible for creating and exercising political power, and for bearing the consequences of their actions. From the perspective of the politicians and bureaucrats who are actually responsible for exercising political power, this means that their power derives from the will of the people, that they are constantly monitored by the people, that they are held accountable if they exercise their power inappropriately, and that in some cases they can actually lose their positions as bearers of power. This idea can also be described as an attempt to align Japanese politics with the ideals of a modern society and the modern individual, and to operate the government (the state) based on this principle.

Behind this phenomenon was the recognition that in postwar Japanese politics prior to the reforms, individual citizens were not protagonists who constituted political power. Instead, the substance of political power was monopolized by the bureaucracy and the LDP, the perennial ruling party. This is not to say that Japan was elite-dominated in a simplistic way, since the LDP retained power democratically by winning elections, and elites were not a monolith and did not necessarily think alike. But it is true that the involvement of voters was limited. Muramatsu Michio, a public administration scholar, calls this “leadership by political-bureaucratic scum,” because in pre-reform Japanese politics, the state was managed by “close cooperation between politicians (ruling party) and bureaucrats”¹⁴

Electoral and cabinet reforms were positioned as a series of changes that would transform the people into an entity that exercise its power through its choice of government and that could safely entrust the management of the state to achieve the targets of their choosing. The reorganization of central government ministries was a means to this end: it aimed to reduce the autonomy of the bureaucracy vis-à-vis the government and constrain its ability to exercise influence without the government’s instructions. The reduction of the bureaucracy’s influence was a concept that was also visible in central bank reform. Local decentralization reform also had a common element, in that it entrusted more decision-making authority and resources to local governments, which as units of governance were closer to the people and more accessible to their control. The reform of the judicial system, which sought to bring the judiciary closer to the people by increasing the number of legal professionals,

¹⁴Muramatsu (2010).

and which introduced the lay judge system to promote the direct participation of the people in judicial activities, suited this plan perfectly.

The premise was the recognition that pre-reform Japanese politics—and even Japanese society broadly—lacked a concept of governance based on the independent and active choices of autonomous individuals. Despite the postwar liberal democratic system that was brought about by the Occupation reforms, the public remained predisposed to depend on its “superiors” (*okami*, “those above”), that is, an attitude of *kanson minpi*, and it was broadly thought that the country was not sufficiently capable of the self-government truly necessary for democracy. This understanding was fostered by the fact that political power had always been in the hands of the same actors, given that there were no changes of government over a long period and robust inter-party competition for political power was lacking. When considering the role that such perceptions played in the process of political reform, the fact that these ideas were widely accepted is more pertinent than whether they were correct understandings of the status quo.

Let me quote the introduction of the final report of the Administrative Reform Council submitted in December 1997, as the most straightforward statement of this belief.¹⁵

Administrative reform is a reform of the “administration,” and it is also a reform of “the way of this nation” itself, as the people, who under the Meiji constitution had become accustomed to being the object of government rule, were prone to dependence on the bureaucracy even during the postwar period. That is to say, it is concerned with how “we the people” comport ourselves. The goal of this administrative reform is to recall and refine the positive aspects of the traditional characteristics of “We Japanese”, and, in the spirit of the Constitution of Japan, reconstruct the “shape of this nation.”

Political reforms aimed to rid the people of the condition of being “the object of government rule” and instead to “reconstruct ‘the shape of this nation’ . . . in the spirit of the Constitution of Japan.” This could not be achieved solely by reforming the administrative sector. It is in this sense that the report states that the reforms were not limited to “administration.” This passage can be even viewed as a manifesto for the entirety of the political reforms that are the subject of this book.

Modernism in Postwar Japan

This way of thinking is not unique to the final report of the Administrative Reform Council or even political reform since the 1990s. Rather, it has its origins in a principle widely seen in postwar Japan: “modernism” (*kindai-shugi*).

Modernism refers to the idea that it is desirable to “modernize” Japan’s political, economic, and social systems and the way that individuals live in them.

¹⁵The final report is archived on the Prime Minister’s Office website. Last accessed September 29, 2019. <https://www.kantei.go.jp/jp/gyokaku/reportfinal/>.

Modernization means that people's behavior and the organizing principles of society should be free from baseless prejudices, customs, and blind obedience and faith in supposed authority and should be based rather on individual, autonomous decisions and be rational with respect to their purposes. The term "modernism," in this sense, originated in the Communist Party's criticism of people who, in the early postwar period, gathered around the journal *Modern Literature* (*Kindai Bungaku*). The journal's contributors wished to modernize Japanese culture and thought, but in the Communists' view they failed to pay sufficient attention to power structures and material foundations.¹⁶ The term later lost its initial critical sense, and came to refer to a philosophy that promoted the rationalization of the thoughts and actions of Japanese society and individuals. Modernism as referred to in this book reflects this type of thinking.

The background for the increased presence of modernism in postwar Japan lies in the experience of the pre-WWII and wartime periods. Through the opening of the country during the Bakumatsu period and the Meiji Restoration, and the subsequent establishment of a new political regime, Japan adopted the same governmental and social systems as Europe and the United States. However, it became apparent in Japanese society during the prewar and wartime periods that these had been accepted in form but not in substance, or that they were nothing more than abstract ideals. In other words, there is a difference between modernizing institutions (institutional modernization) and modernizing the way that real people think and behave (spiritual modernization), and only when both are brought into conformity will Japan truly be modernized. It should be said that this way of thinking spread rapidly with the country's defeat in World War II and with the subsequent transformation of its constitutional system, which set forth Japan's independent values.

Although the idea of modernism spotlights the divergence between institutions and the spirit, it does not mean that the creation or transformation of institutions alone is ineffective. Rather, the opposite is true: institutional modernization is assumed to be an important starting point or companion for spiritual modernization. This is because institutions provide the trigger for rationalizing individual thought and action. Therefore, modernists would generally rate institutional modernization positively, regarding the formation of the Meiji constitutional system as the first step towards spiritual modernization. It is in this sense that the final report of the Administrative Reform Council cited previously refers to "the spirit of the Constitution of Japan." However, many commentators also believe that despite the *fact* of institutional modernization after WWII, these reforms were not implemented thoroughly. This suggests that further institutional modernization and operational changes are needed.

After World War II, modernists appeared at the center of Japan's discursive space. Perhaps it would be more accurate to say that they regained their mainstream status after being liberated from the repression of anti-Western thoughts and beliefs during the prewar and wartime periods. Modernism was an idea that could offer a

¹⁶Oguma (2002).

frontal critique of the military clique and right-wing political leaders who—because they threw their weight around or indulged in paranoid self-delusions without knowing their limitations—committed foreign policy errors that caused enormous human and material damage and untold tragedy and suffering. It also offered a response to those who followed orders blindly and inflicted authoritarian oppression on local communities and workplaces. The basic perception was that despite efforts at modernization since the opening of Japan in the nineteenth century, many parts of Japan's politics, economy, and society were premodern and “backward.” Put differently, a common belief was that the individuals living under these conditions had not become autonomous human beings worthy of modern society, and that their ideas and actions lacked rationality. There are countless variations of this view, with nuances that differ from period to period, but they are not new arguments per se. Modernism had widely penetrated postwar Japan.¹⁷

Liberalism, Communism, Conservatism

The fact that modernism in postwar Japan was founded on strong criticism of the prewar and wartime periods may have bred biases towards political reform.

As noted previously, modernism is essentially the idea that it is desirable to make Japan's political, economic, and social systems more rational, and to do the same with the thoughts and actions of individuals in these systems, thereby bringing them into line with the “West,” or at least an idealized conception thereof. The Western countries that people looked to were the United States, the United Kingdom, France, and Germany, which after World War II were seen as analogues or ideal types of “the West,” or of Western industrialized countries. Germany, which had been partitioned after WWII, had lost status as a typical Western industrialized country, due to the destruction it incurred during the war, exhaustion from its defeat, and its responsibility for having produced the Nazis. However, for Japan, Germany had been a model country since the Meiji period, and its prewar influences, on the legal and medical systems, for example, remained. West Germany's postwar reconstruction also proceeded at a faster pace than Japan's, and the country was also ahead of Japan in terms of the stability of its party politics and its construction of a welfare state. Therefore, West Germany basically maintained its status as a model country for Japan, if not to the same extent as before the war.

These Western countries adopted liberalism and democracy in politics, and capitalism in economics. Both liberalism and capitalism encourage individuals to think and act freely, and espouse the principle that economic activity and policy decisions should be based on these individuals' intentions. Democracy, by treating the individuals who make up society equally and allowing them to participate in the political process, became integrated with liberalism and capitalism after World War

¹⁷Takeuchi (2011).

II. If postwar Japan's modernism is modeled on the Western industrialized countries that championed these principles, then it would seem logical to embrace liberalism and capitalism. Although the relationship between liberalism and capitalism can be organized in various ways, the understanding that ideological liberalism was most important and that capitalism was its economic expression had become standard in the mid-twentieth century. Accordingly, this book will simply refer to these principles as "liberalism" (*jiyū-shugi*).

However, modernism in postwar Japan had a stronger affinity with leftism—including communism—than with liberalism, for two major reasons. First, during the prewar to wartime period, some left-wing Marxist forces had resisted the rise of fascism and militarism until the very end, thus ensuring their intellectual legitimacy. Of course, more than a few Marxists were suppressed, converted, or forced into silence. But some Communist Party and social-movement leaders refused to abandon their ideology despite torture and imprisonment. At the same time, Marxism's ability to justify the role of the state and government—even while calling these things "transitional forms"—made it rather compatible with the wartime economy, thereby helping its core ideas survive the war years surprisingly easily.¹⁸ Second, Marxist theory was an important part of modern thought in the sense that it sought to liberate individuals from irrational traditions and customs and to manage the socioeconomy rationally. In this sense, it was the most comprehensive and systematic social theory in prewar Japan.¹⁹ At that time, Marxism was the "general sales agent" for Western modernity and served as a synonym for modernism.

Postwar modernism inherited these conditions. Its ideological position, which would normally be called the "left" or "heretical" wing of modernism, came to embody postwar Japanese modernism as a whole. There had been, to be sure, a more standard, liberal-oriented modernism in the pre-war period—dare I say a "modernist right wing." Thinkers beginning with Kawai Eijirō of the economics faculty of the Imperial University of Tokyo (*Todai*, or *Tokyo-teidai*) clearly held such a position, and were aware of tension between their views and those of the left.²⁰ Minobe Tatsukichi also belonged to this lineage, along with other thinkers who emphasized a liberal interpretation of the Meiji Constitution. However, Kawai and others left *Todai* as a result of internal conflicts, while Minobe and others faced repression that forced them out of academia. Liberals were not in a position to completely reject the prewar system, and unlike Marxists—who had an affinity for command economies and state control of various resources—they were not only marginalized during the war, but remained a minority among supporters of modernism in postwar Japan.

As sociologist Oguma Eiji points out, prewar liberals were treated as "old liberalists" after the war, and did not have a good relationship with postwar modernists.²¹ The old liberalists were people whose view of political economy was that

¹⁸Makino (2018).

¹⁹Maruyama (1964).

²⁰Inoki (2000).

²¹Oguma (2002).

liberalism (modernism) was achievable within the framework of the Meiji constitutional system. In terms of foreign policy, they almost perfectly overlapped with the pro-Anglo-American faction in the prewar period. In addition to the previously mentioned Minobe Tatsukichi, these thinkers include Abe Yoshishige, Watsuji Tetsurō, and Koizumi Shinzō. In the early postwar period, they were involved in editing the magazine *Sekai*, which was newly launched by Iwanami Shoten and had major intellectual influence. Other figures, such as Tanaka Kōtarō and Amano Teiyū, were directly involved in the construction of the postwar constitutional system as Supreme Court justices and cabinet ministers. However, their influence declined as a new generation of liberalists claimed that a modernism that maintained the Meiji constitutional system, or “emperor system,” was fundamentally inadequate, and that pro-Anglo-Americanism was simply anticommunism. This was another major reason why modernism in postwar Japan became centered on the left.

Still, considering the intellectual currents of postwar Japan, it should not be forgotten that there were not only left and “right” (liberal) modernisms, but also a conservative version. Conservatism here refers to the attitude of idealizing Japan under the Meiji constitutional system, including the prewar and wartime era. Of course, since the Meiji Constitution was itself a product of modernization and reflected the ideals of modernism, the explanation that conservatism idealized the prewar period may sound strange. Postwar Japanese conservatism has the striking feature of being unclear about “what to protect and what to return to.” However, it is unreasonable to think that under the Meiji Constitution Japan was completely modernized or even united in its conception of modernism. Instead, institutional modernization proceeded on a social foundation inherited from the premodern period. In that case, conservatism is the position that seeks to maintain the social foundation or ethos inherited from the pre-modern era, based on the recognition that it is endangered by institutional modernization. Thus, instead of making the divergence between institutional modernization and spiritual modernization an issue, conservatism took a negative stance towards spiritual modernization and emphasized pre-modern-era social order and familial and communal ties over individual autonomy.

The Relationship with Party Politics

The three major intellectual currents in postwar Japan—the modernist left (Marxism), the modernist right (liberalism), and conservatism—were also closely linked with party politics. The following provides a broad overview.

In the party politics of postwar Japan, the period from the immediate aftermath of defeat until 1955 generally featured a three-way struggle.²² Although the names changed frequently, the three sides comprised the Liberal Party of Yoshida Shigeru

²²Machidori (2018).

and Ogata Taketora, the Democratic Party (Progressive Party), which included Shigemitsu Mamoru and others (later joined by Kishi Nobusuke), and the Socialist Party of Katayama Tetsu, Nishio Suehiro, among others. All had links to prewar parties: the Liberal Party had its origins in the Seiyūkai and the lawmakers who remained outside of the Imperial Rule Assistance Association (IRAA: *Taisei Yokusan-kai*) during the war; the Democratic Party had deep links with the Minseitō and IRAA lawmakers; and the Socialist Party was the successor of the Social Mass Party. However, because of the purge of many prewar elites from public office, coupled with the messy state of the political system in the immediate postwar period, one should not directly link prewar and postwar political parties. For example, although Kishi belonged to the Democratic Party at the time of the conservative merger in 1955, he had been a member of the Liberal Party when elected to the House of Representatives for the first time after the war. In addition, the Japanese Communist Party's existence could not be ignored even though it advocated violent revolution and secured virtually no power in the Diet.

Of the parties, the modernist left had a natural affinity with the Socialist Party and other reformist forces. By "reform," these forces meant changing the prewar social order in a progressive way. The connection to modernism is obvious. In terms of personnel, too, the Socialist Party initially had a strong left-wing modernist color, with politicians such as Wada Hiro-o and Katsumata Seiichi, who had been progressive bureaucrats before and during the war. The liberal, or right-wing modernist faction was strongly linked with the Liberal Party, especially after Yoshida Shigeru recruited a large number of bureaucrats including Ikeda Hayato and Satō Eisaku into the party and made them Diet members. For prewar elites from the bureaucracy, modernization had been a priority since the opening of the country in the mid-nineteenth century, and their greatest concern was to actualize it in the postwar international environment. Conservatism was mostly at odds with the Liberal Party, which was increasingly on the modernist right, and most aligned with the Democratic Party, the Liberal Party's rival that had inherited political traditions from the prewar Imperial Diet.

The conservative merger of the Liberal Party and Democratic Party in 1955, which formed the Liberal Democratic Party, meant that liberal modernism and conservatism had joined forces. The conflict between the two groups continued within the LDP for a long time, taking the form of inter-factional and personal rivalries between ex-bureaucrats' and career politicians.

Furthermore, if one looks at the modernist right as the equivalent of liberalism, the same merger of liberalism and conservatism in one party occurred in many countries after WWII, including the United Kingdom, with the decline of the Liberal Party, and West Germany, with the formation of the Christian Democratic/Christian Social Union. That said, one way Japan differed from the Western European countries was the crucial role of modernism. In the West, social democracy occupied an ideological position corresponding to that of the modernist left in postwar Japan. However, social democracy is not Marxist; instead, it pursues the construction of a welfare state and advocates redistributive policies, starting with the expansion of social security, within the framework of liberalism and capitalism. In the case of

Japan, the overlap between the modernist left and Marxism was so great that social democrats split between the right wing of the Socialist Party and the Democratic Socialist Party, and were limited to the role of a minority faction in party politics as a whole.

Recently, some commentators and scholars have argued that the LDP has become steadily more conservative since the 1980s.²³ They point to the Nakasone administration, which took office in 1982, as the origin of this development. Politicians who stressed the Meiji constitutional system and its values came to occupy the center of the LDP, and intellectuals who shared similar ideas were appointed to important posts. When compared with preceding administrations, such as that of Prime Ministers Satō and Miki, it is not untrue that such tendencies were present during the Nakasone administration.

However, Nakasone himself was an old friend of Watanabe Tsuneo, who, as a political reporter for the *Yomiuri Shimbun*, had long pursued a pro-U.S., anti-communist line. Meanwhile, during his tenure as prime minister, he appointed Katō Hiroshi, known as a neoliberal economist, to the board of the Second Provisional Administrative Research Commission (the so-called Second Rinchō). As such, Nakasone's conservatism was not based entirely on confrontation with the left wing. Moreover, after his departure, the LDP leadership included politicians like Miyazawa Kiichi and Katō Kōichi, who came from bureaucratic backgrounds and did not favor reactionary policies; Hashimoto Ryūtarō, who was strongly interested in administrative rationalization; Nonaka Hiromu and Koga Makoto, who were skeptical about strengthening defense capabilities due to their experiences in WWII; and even politicians like Koizumi Jun-ichirō, who had little interest in the prewar period. In particular, Hashimoto, Katō, and others played a major role in the process of political reform that is the subject of this book. Under the Second Abe Administration beginning in 2012, conservatism appears to have gained strength, but the lineage of the liberal modernist in the LDP has not been broken, and drawing a direct link from the Nakasone to the Second Abe Administrations is clearly impossible.

Who Is the Liberal Modernist?

Finally, let us discuss the proponents of modernism in postwar Japan. In the early postwar period, intellectual elites educated in the prewar period led the discussion. As mentioned previously, when, for example, Iwanami Shoten launched *Sekai* in 1946, old liberalists like Abe Yoshishige were at the center of the movement. Old liberalists, in other words, prewar liberals, were clearly the originators of the liberal modernist.

²³Nakakita (2014), Nakano (2015).

However, these figures withdrew after a short time, and new proponents of modernism arose to replace them, such as Maruyama Masao, Ōtsuka Hisao, Kawashima Takeyoshi, and Shimizu Ikutarō. Of these, Maruyama was the most important figure, as he articulated arguments for a comprehensive peace treaty involving the Soviet Union and other communist countries, along with his opposition to the U.S.-Japan Security Treaty.²⁴ Although Maruyama was not a Marxist, he likely thought that the rise of the left was necessary for the modernization of postwar Japan, from the standpoint of thoroughly confronting the Meiji constitutional system. This is where the dominance of the left in modernism from the 1950s until the early 1960s was established. By contrast, the liberal-oriented modernist right was led by Kimura Takeyasu and Inoki Masamichi, who had been trained by Kawai Eijirō, but in the context of the Cold War, they did not necessarily emphasize their modernism more than their anticommunism. It is undeniable that, with the LDP and the Socialist Party (and the Communist Party) locked in partisan conflict, there was a tendency for all conservatives to be lumped together.

The situation began to change in the mid-1960s when, buoyed by high-speed economic growth, the LDP administration stabilized and the conflict between liberalism and communism, or between the LDP and the JSP/JCP, began to lose its practical significance. In the February 1964 issue of *Chūō Kōron*, Kōsaka Masataka's "On Prime Minister Yoshida Shigeru" was published. Kōsaka, an international relations scholar (whose father was Kyoto School philosopher Kōsaka Masaaki) had studied under Inoki Masamichi and Taoka Ryōichi. The previous year he had published "The Realist's Theory of Peace," also in *Chūō Kōron*, which attracted attention for its criticism of the idealistic view of international politics that underlay the argument for a comprehensive peace treaty. Kōsaka had given high praise to Yoshida Shigeru, who had generally been regarded negatively for his political elitism and his views on military rearmament, for his role in laying the cornerstone for postwar Japan's foreign policy. The young Kōsaka, following American theoretical trends, had been conducting research on international politics using examples from nineteenth-century Europe and U.S. policy towards China during the interwar period. It was editor Kasuya Kazuki who encouraged him to contribute to *Chūō Kōron*.

Around Kasuya gathered not only Kōsaka, but other up-and-coming public intellectuals like Yamazaki Masakazu and Nagai Yōnosuke. As regular contributors, they gathered frequently at *Chūō Kōron*'s headquarters to freely exchange ideas in what was known as the "Chūkō Salon."²⁵ Kōsaka, Yamazaki, and Nagai all had one thing in common in their personal histories: they had graduated from university after the war and spent the first half of the 1960s studying abroad at prestigious universities in the eastern United States. This was in contrast to the leaders of the modernist left in the 1950s, who had begun their research careers before the war and were shaped mainly by European intellectual influences.

²⁴Hosoya (2018).

²⁵Kasuya (1999), Hattori (2018).

The younger intellectuals saw great significance in modernizing or rationalizing politics and policies, socioeconomic conditions, and individual lifestyles, based on the promise of postwar Japan's liberal democracy and international order. In other words, they fundamentally affirmed the new constitutional system, which respected the individual, as well as the U.S.-Japan alliance, which was committed to liberalism, and they stressed the importance of expanding Japan's prosperity based on this foundation. This was different to both the old liberalists, whose starting point was the Meiji constitutional system, and the modernist left, who did not stress liberalism. It is not farfetched to see here the establishment of the modernist right—a modernism based on liberalism—in postwar Japan. In personal terms, Kōsaka, who was acquainted with Yoshida Shigeru from early on, contributed with Yamazaki and others to policy planning, including negotiations over the reversion of Okinawa during the Satō Administration, under Kusuda Minoru, the prime minister's secretary in the late 1960s.²⁶

In the so-called Ōhira Study Group, organized by Ōhira Masayoshi, who was prime minister in the late 1970s, liberal modernists and conservative thinkers like Kōyama Ken-ichi and Satō Seizaburō became co-mingled. On this point, political scientist Uno Shigeki notes that the Ōhira Study Group featured co-existence between “community- and civil society-oriented conservatism” and “statist conservatism.”²⁷ In the classification scheme used in this book, the former would generally be described as liberal modernism and the latter as conservatism. Meetings appear to have been held from the end of the Satō administration in which both jointly discussed policies, with the involvement of the Cabinet Research Office (the Cabinet Intelligence and Research Office from 1986 onward).²⁸

However, Nakasone, when he became prime minister in 1982, tapped what one might call conservative thinkers for important posts. After the first half of the Nakasone administration in the 1980s, Kōsaka, Yamazaki, and Nagai largely retired from involvement in policymaking.²⁹ Nakasone, who came from the bureaucracy but was close to people from the Democratic Party's grassroots politicians wing, may have wanted to weaken his dependence on the modernist right, which had existed with the Liberal Party's bureaucrat wing, beginning with Yoshida Shigeru and continuing through Ikeda, Satō, Ōhira, and Miyazawa. Therefore, the co-mingling seen in the late Satō administration and the Ōhira Study Group did not carry over into the 1980s, thus severing the personal ties to liberal modernists in terms of its involvement in the policymaking process and its advisory role to the government of the day. Also during this period, the influence and attractiveness of communist countries, especially the Soviet Union, declined, and the Cold War axis of confrontation over foreign and security policy, such as pro-Americanism and anticommunism, lost a great deal of real meaning.

²⁶Machidori (2017, 2018), Murai (2019).

²⁷Uno (2017), p. 60.

²⁸Shigaki and Kishi (2019).

²⁹Mikuriya, Agawa, Karube, and Makihara (2017).

As a result, after the Nakasone administration, leadership of the liberal modernist passed to the next generation, which became the intellectual driving force behind political reform. Political reform was a project of the liberal modernist, but at its center were business leaders with rich experience overseas, such as Ushio Jirō and Kobayashi Yotarō. There were certainly other figures like Sasaki Takeshi, a political scientist who contributed to many reforms after electoral reform, and Satō Kōji, a constitutional scholar who played a major role in strengthening the cabinet and reforming the judicial system. However, the presence of academics in the reforms of the 1990s had declined greatly when compared with, for example, the many members of the Satō administration's brain trust who were affiliated with universities. It is no exaggeration to say that in the process of various reforms, beginning with that of the electoral system, the main source of ideas had become economic organizations like the Keizai Dōyūkai and the Japan Productivity Center (*Nihon Seisansei Honbu*), as well as the Social and Economic Congress of Japan (*Shakai Kaizai Kokumin Kaigi*), which was based on those groups. This will be discussed in more detail in later chapters, but one of the driving forces behind the political reforms that followed the end of the Cold War was the recognition of structural changes in the international political economy, such as the worsening of economic friction between Japan and the United States in the 1980s.

The Localization of Reforms and the Rise of Domain Autonomy

Even if political reform can be categorized as a project of liberal modernism, it would be somewhat unreasonable to imagine that a single idea directly dictated various reforms extending across a wide range of domains. As mentioned in the Chap. 1, even when there is an idea that runs through the whole, when reform proposals for individual areas are introduced, it is necessary for the ideas to be localized so that they will be accepted by the main actors in each domain and their results will take root. Localization refers to the embodiment of reform ideas as measures that address issues previously recognized in the given area, or possible policies that are acceptable to actors with strong interests in the domain. This process makes possible the formation of a majority necessary for the promotion of reform.

The basic idea of modernism is to make Japan's public sector and socioeconomy more modern and rational. The fact that such an idea gained the support of many actors in different individual areas of reform suggests that the relevant actors recognized the problematic prevalence of some pre-modern or irrational elements. What exactly were these elements? We will leave the details to the narratives in each chapter, but here we will introduce and simply provide a general overview of the main areas of reform.

The first irrational element in the central government is the strong status quo bias of the majority of politicians in the ruling Liberal Democratic Party, as well as the bureaucrats that cooperate with them. Long-term single-party dominance, the economic growth that occurred under it, and the existence of the Cold War international

environment, all sapped the ability of the LDP and the bureaucracy to generate a long-term vision for Japan as a nation. Instead, it was in their greater immediate interest to dedicate their efforts to the politics of short-term patronage.

While this pro-status quo orientation was not necessarily irrational from the start, changes in the international environment since the late 1980s, such as the intensification of economic friction between the U.S. and Japan and the end of the Cold War, as well as changes in the socioeconomic environment after the bursting of the bubble, made these practices less rational. It is not that it was objectively difficult to continue on the same path. Rather, a growing number of people—legislators of the main political parties, bureaucrats, the business community, organized labor, the mass media, and academic circles covering the public sector and socioeconomics—came to share the recognition that reform was necessary. It was impossible for individual legislators and ministries to quickly articulate policies that were appropriate for the new environment if they only represented the narrow interests of their supporters or the industries with which they were associated. Instead, political leaders, who were entrusted with a clear mandate from the electorate, were expected to articulate macro-level directions from a broader, more comprehensive perspective and then translate them into individual policies through strong leadership. Based on this recognition, electoral and cabinet reforms were aimed at improving the ability to respond rationally to new challenges through the empowerment of the central government.

Was this also the case for local governments and the Bank of Japan? Here, too, the underlying recognition was the need to improve the capacity to respond rationally. However, these measures differed from the case of the central government. It was thought that improving the capacity to respond to challenges head-on could be achieved by eliminating intervention and control from the central government as much as possible, thereby allowing local governments and the Bank of Japan to properly fulfill their expected roles. The view was that if bureaucratic control over local governments and the Bank of Japan were eliminated, and these institutions could develop policies based on their own judgment, they would be able to break away from the status quo bias imposed by the central government. This view had already filtered widely into various areas. As a result, unlike the case of central government reform, which aimed to enhance responsiveness while also centralizing power, the aim was to increase autonomy (independence) from the national government via decentralization. Of course, in practice it was unknown whether local governments and the Bank of Japan would be able to break free of an irrational status quo bias if they were to increase their autonomy, but it was clear that many theorists and concerned parties were advocating such an approach.

Judicial reform, as mentioned previously, is a change in the structure of central government that is on par with electoral and administrative reforms. There is no doubt that its purpose was to rationalize the political system and improve its capacity to respond to the new socioeconomic environment. However, the specific measure chosen, as with decentralization and Bank of Japan reforms, was to strengthen autonomy from the politics and administration of the central government. Three major insights about the present and future of the judiciary likely lay behind this

goal. The first was that the judiciary had been too sensitive to the will of the LDP and the bureaucracy, and that its capacity to respond to socioeconomic issues had been too limited. The second was that simply increasing the autonomy, or independence, of the judiciary was not sufficient to improve its capacity to respond; it was necessary to strengthen its ties with society (citizens). The lay judge system and the law school system were institutional expressions of this recognition.

The third was confidence in centralized control within the judicial branch (the courts). While the independence of the judiciary was being strengthened, there was also a great fear that the judiciary would become “amateurish” if the number of legal professionals expanded and lay judges were brought into the judicial process. The judiciary, as a branch that is not publicly elected, ensures its *raison d'être* through its expertise. It is necessary to construct a mutually consistent, nuanced theory of legal interpretation and to apply it accurately and stably in specific lawsuits so that citizens will feel secure in entrusting the resolution of judicial conflicts to experts. In order to maintain this sense of security while improving the capacity to respond, the supremacy of experts within the judicial branch would have to be ensured. The key to localization in judicial reform resides in this point.

The fact that these localization efforts took place under various, domain-specific circumstances contributed to the breadth of political reforms, as well as to differences in their specific directions.

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Chapter 3

Electoral Reform



1 Background of Reform

Why Is the Electoral System Important?

Electoral reform occurred in the first phase of the political reforms of the 1990s, and had a decisive impact on Japanese politics in the ensuing years. As was noted earlier, the targets of political reform were far-reaching. In this context, why was electoral reform so significant? Would it not be more important to raise the quality of politicians or the judgment and “moral standard” of the electorate? While somewhat abstract, it is both necessary and worthwhile to begin by considering and clarifying the effects of electoral systems.¹

The key is that the electoral system regulates the relationship between voters and politicians, which is fundamental for a democratic system. In every political system, there exists a ruling elite that is involved in the day-to-day management of the government, and the masses who are not. A democratic system is distinct in that voters (the masses) select the politicians (the ruling elite) through elections. Thus, the electorate participates, albeit temporarily and indirectly, in the management of the public sphere. Theoretically, voters can exercise significant control of politicians through means other than elections (extra-electoral political participation) and direct involvement in the management of the public sphere (direct democracy).² However, our discussion here will be limited to representative democracy (indirect democracy), which is the most common globally and the most pertinent to contemporary Japan.

Under a representative democracy, the fact that voters elect their representatives gives legitimacy to policy decisions. The electoral system determines the method by which voters choose politicians, and thus defines the relationship between the

¹Machidori (2015a, 2018).

²For a general overview of political participation in contemporary Japan, see Yamada (2016).

masses and the ruling elite. It is the most important, foundational rule in democratic systems.

To put it more simply, if the electoral system changes, both voters and politicians are forced to change their behavior. For example, let us compare the cases of an electoral system in which 15 people are elected from one electoral district (multi-member districts: MMDs) and an election system in which only one candidate is elected (single-member districts: SMDs). In contemporary Japan, the former system is used in municipal councils outside ordinance-designated cities (*seirei-shitei toshi*), while the latter is used for single-member districts in the House of Representatives and House of Councillors.

Under a system in which many representatives are elected from a single district, the threshold for the share of the votes necessary to win election is lower. I will omit the equation for calculating the threshold here, but in the case of a large electoral district with 15 seats, a vote share of slightly more than 6% is sufficient for victory. Since it is possible to win even if one advocates ideas and policies that only appeal to a small portion of the electorate, it is easy for politicians to run as independent candidates or to belong to small parties focused on minor issues. From the perspective of voters whose views differ from those of the majority, there is a decent chance that if they cast their vote for the candidate closest to their own way of thinking—the candidate they truly prefer—that candidate will be elected.

However, this is not the case in a SMD system, where only one person is elected. Since the threshold for guaranteeing victory is 50%, it is difficult to be elected based on niche interests or ideas. Instead, politicians have no choice but to “put aside minor differences for the sake of the common good,” and voters may be forced to make a “second-best choice” by forsaking their favorite (but niche) candidate for one that has a better chance of winning.

The Electoral System and Policy

Moreover, when the behavioral incentives for voters and politicians change, there is a high likelihood that the government’s decision-making process and policies will also change. The electoral system makes a difference in the formation of a majority in the legislature, and has a great impact on the state of policy.

In the case of an electoral system in which it is possible to use niche ideas to get elected, as with multi-member districts (MMDs), the legislature will be comprised of many small parties and factions with only a handful of members each. These forces, whose *raison d’être* lies in emphasizing “small differences,” are not going to settle for joining the majority to compromise in the legislature. Since passing legislation naturally requires a majority, it is necessary to incorporate those forces that are reluctant to compromise, but this requires extensive discussion and persuasion. As a result, decision-making takes time, and there is a strong tendency for policies to incorporate the views of small parties. In the case of a SMD system, however,

elections generally result in one large party securing a majority of seats. This makes it easier to pass legislation, as the views of small parties can be discarded.

Let us look at the electoral system's impact on public policy, using economic policy as an example. In the case of a MMD system, depending on what the minor parties are interested in, micro-targeted satisfaction and consent of specific groups are emphasized over macro-level rationality and universality for society as a whole, which can lead to policies that are detailed and customized but also guided by particularistic interests. Typical examples are individual subsidies that vary by industry or region, or pension systems that vary by occupation. By contrast, under an electoral system with high vote thresholds to win seats, as in a SMD system, minority ideas and interests are discarded, and there is a tendency toward policies that favor the macro over the micro, as decided by the leadership of major parties. There will be a stronger orientation toward comprehensive transfers of financial resources to local communities instead of individual subsidies, and the establishment of a common pension system for all citizens.

The significance of differences in electoral systems is so great that it is convenient if we can grasp these differences with a measure that is as easy to understand as possible. Therefore, in comparative political science today, the concept of "proportionality" is used to measure and understand differences in electoral systems. Proportionality is measured by the degree to which the distribution of each party's seats in the legislature approximates the distribution of the electorate's votes for parties.³

Generally, the seat distribution among parties—and by association, their legislative power—will more closely approximate their vote share if there are more seats per constituency, and if a proportional representation system (where seats are distributed to parties in proportion to how the electorate votes) is used instead of a system with many majoritarian districts (where plurality rules are used to determine winners). The closer the electoral system is to these principles, the more proportional it will be. Conversely, an important factor that reduces proportionality is the over-representation of large parties and the under-representation of small parties relative to their voter support. If a party with the support of about 30% of the electorate wins 60% of the seats, while a party with the support of 30% of the electorate does not win even 10% of the seats, the electoral system's proportionality is low.

To rephrase the earlier discussion using this concept, in highly proportional electoral systems, policies reflect the interests of electoral and legislative minorities, but in less proportional systems, those of majorities are emphasized. It is fair to say that a highly proportional electoral system leads to policies that focus on the differences and distinctiveness of the people and groups that make up society, while a less proportional system leads to policies that focus on the commonalities of the people and groups that make up society. Policies that emphasize the difference between groups and individuals are called "particularism," and policies that emphasize commonalities are called "universalism." From the perspective of various

³As to the formula, see Gallagher (1991).

groups, particularism increases the degree of satisfaction with policies, but it is easy for society as a whole to lose its rationality, while it is easy for universalism to ensure the rationality of the whole but also reduce the satisfaction of individual persons and groups.

The Problem of the Medium-Sized Electoral District System

At the beginning of the 1990s, the problems with the national electoral system were widely recognized. In particular, criticism of the medium-sized electoral district system, used for the House of Representatives was growing.

As mentioned in Chap. 2, the medium-sized electoral district system is an electoral system in which two to six people are elected from a single electoral district. Theoretically, among plurality systems, where winners are decided in order of their individual vote shares, this is classified as a multi-member district (MMD) system. In the case of Japan, there were mostly three to five winners per district, and voters could vote for only one candidate (single non-transferable voting system, or SNTV). Under the combination of MMD and SNTV (MMD-SNTV), it was common for the vote threshold needed to win a seat to fall below 20%. As a result, the balance of power among parties was closer to that of a proportional representation (PR) system, but to win a legislative majority parties needed to elect multiple candidates per constituency. The high proportionality tended to produce policies with a stronger individualistic or targeted orientation, but also to create a hotbed for particularistic politics.

This kind of electoral system had few parallels in the world, and the state of Japanese politics at the time, especially particularistic politics catering to special interests and political corruption, was considered to be greatly influenced by the MMD-SNTV system.

For example, political scientist Yamaguchi Jirō, who was a leading advocate of electoral reform and a critic of the LDP administration, argued the following in a widely read book at the time. The MMD-SNTV electoral system “obscures the significance of the choice between parties by having multiple candidates from the same party stand for election.” He added, “Fierce competition among candidates will unfold. Moreover, dishonest competition using money will be rampant. In this sense, the medium-sized electoral district system [MMD-SNTV] most easily fosters corruption.”⁴

The same kind of argument was also made by American political scientists. Mark Ramseyer and Frances Rosenbluth, in a work originally published in 1993, pointed out that the MMD-SNTV electoral system induced competition among LDP candidates, which “has led the LDP to adopt a more particularistic set of policies than

⁴Yamaguchi (1993), pp. 111, 113–114.

would be likely under a number of conceivable alternative electoral schemes.”⁵ Such studies have produced a consensus among political scientists around the world, and influenced the views of Japanese politics among foreign media and policymakers, and are thought to have bounced back indirectly to debates within Japan.

Issues That Should Be Addressed

What were the challenges facing Japanese politics during this period? These can be divided into two.

The first was the change in the international political and economic environment. Postwar Japan suffered enormous human and material damage through its defeat in the war, lost all of its overseas colonies, was completely shut out of international organizations and the like, and started from the position of being occupied by the victorious Allied powers, led by the United States. However, both during and after the Occupation, U.S. policy towards Japan during the Cold War was generally tolerant, treating Japan as the junior partner in the alliance relationship while expecting Japan to assume a leadership role among the liberal countries in Asia. With this help, Japan gradually returned to the international community, and after going through a period of rapid economic growth from the late 1950s until the early 1970s, Japan joined the ranks of the advanced industrialized countries as the world’s second-largest economy. During this period, the influence of the United States, which had created the liberal postwar international economic and political order, gradually declined, and from the late 1970s onward the U.S. began to demand an appropriate sharing of responsibilities by other advanced industrialized countries, including Japan. This kind of change materialized in the 1980s in the form of U.S.-Japan economic friction and demands to strengthen Japan’s defense capabilities. However, Japan tended to perceive this as U.S. pressure on Japan (*gaiatsu*), and repeatedly made minor concessions aimed at temporarily easing the pressure.

This trend became stronger with the end of the Cold War at the end of the 1980s. During the Cold War, Japan invoked the constitution’s war-renouncing clause to keep its defense buildup to a minimum, and enjoyed the benefits of a liberal economy for its manufacturing exports even as it protected its agriculture, distribution, and other industries. But the confrontation with the greater “evil” of the Communist bloc meant that the United States largely tacitly consented to this situation. After the Cold War, however, that “evil” no longer existed. Rather, it was necessary for the advanced industrialized countries to cooperate to prevent the escalation of regional wars and ethnic conflicts, and to support the economic independence of the former Communist-bloc countries.

The problem of the inability of Japanese politics to respond to the need for cooperation among developed countries was made apparent by the Gulf War of

⁵Ramseyer and Rosenbluth (1993), p. 16.

1991. Faced with the Iraq's invasion of Kuwait the previous year, Japan's only response was to provide financial assistance, notwithstanding the unanimous adoption of UN resolutions by the five permanent members of the UN Security Council (the United States, Russia, the United Kingdom, France, and China). The main reason was that under the prevailing interpretation of the constitution, Japan could not participate in any overseas activities with a military aspect, even if there was an international agreement. And of course, it cannot be ignored that there was still a strong apprehension among opposition parties and even within the ruling LDP of "being drawn into an American war."

Other challenges were worsening political corruption and electoral vote disparity (inequality in the value of one vote across districts or malapportionment). Political corruption scandals have not been uncommon in Japanese politics since before World War II. Generally, where political power exists and is involved with financial resources and the exercise of regulatory authority, it cannot be divorced from corruption. However, the extent to which it is large-scale or the extent to which it catches the public's attention depends on the circumstances.

In the case of postwar Japan, perhaps since the Lockheed bribery scandal in the mid-1970s, voters have cast a more critical eye toward political corruption under the LDP's long-term dominance. The background for this was likely that, despite the end of high-speed growth and Japan's becoming a member of the developed world by virtue of its economic size and social stability, there was a sense that the state of Japanese politics fell short. There was also a perception that the LDP was enthusiastic about particularistic, redistributive politics toward rural areas, and that this was the foundation for its hold on power. The increase in political funds and resources necessary not only to compete in legislative elections and LDP leadership elections, but also for the daily provision of services to supporters like those in the personal support groups of politicians (*kōenkai*), had become known and was the target for criticism. The Recruit scandal of the late 1980s enflamed the criticism that had come to pervade the political atmosphere.

The "vote disparity" or malapportionment issue, i.e., inequality in the value of each voter's ballot in House of Representatives elections, was also serious. Due to postwar urbanization, the number of voters in metropolitan areas grew rapidly, but the number of seats across regions was not sufficiently reapportioned to reflect this trend. In the 1960s, equality in the value of votes became strictly required in the U.S. House of Representatives and state legislatures. Lawsuits were also filed in Japan from the 1960s onward to address imbalances in the number of seats, including in local assemblies, and a Supreme Court decision in 1976 recognized that equality in the value of votes for the House of Representatives is a constitutional requirement.⁶ In the mid-1970s, a "market standard" or norm had developed whereby a population disparity of up to three times per member (the ratio of voters per legislative seat between the most and least populous districts needed to be less than 3:1) was generally acceptable, and this view was shared by the Diet and the

⁶Sasaki (2016).

Supreme Court. However, criticism grew that the basis for the three-to-one ratio was unclear and that the remedy should not be limited to increasing the number of seats in the House of Representatives. In essence, dissatisfaction with political corruption also bled into a harsh evaluation of the limited, “self-approved” correction of the vote disparity imbalance by legislators.

2 Toward the Modernization of Politics

Multiple Directions

Changes in the international political and economic environment, worsening political corruption and the persistent imbalance in votes all influenced the direction of reform. The direction of the reform to be pursued differed according to which of these issues was deemed most important.

This issue illustrated the inadequate response capacity of Japanese politics. Response capacity refers to the ability to confront challenges directly, consider responses appropriately not only for the short term but also for the medium to long term, and to decide on appropriate policies. The Cold War, the U.S.-Japan Alliance, and the LDP’s long-term dominance were established, given conditions, and movements to pursue a different domestic policy line than particularistic politics, or to adapt foreign and economic policies to changes in the international environment, failed to gain momentum. This was not apparent in the 1980s, when Japan was intoxicated by the words “Japan as number one” and the Bubble economy, but shortly after the change in emperor from Shōwa to Heisei, difficult challenges thrust themselves into Japanese politics. The political scientist Sasaki Takeshi, who would later advocate reforms in many areas, published a book in 1987 called *What Is Possible in Politics Today?* in which he sharply pointed out that Japanese politics was characterized by inertia, and that its response to new challenges like economic friction with the United States was sluggish and inadequate.⁷ This book was highly regarded and received the Yoshino Sakuzō prize, and went through additional printings in a short period after publication. Furthermore, the response to the Gulf War, where policies took a long time to formulate and, when undertaken, were not favorably received internationally, led Ozawa Ichirō and other leading politicians in the LDP to feel the validity of Sasaki’s criticisms.⁸

The key to increasing response capacity was to foster more inter-party competition, or, in other words, a party politics accompanied by a sense of competitive tension due to the possibility of a change of government. The 1955 system, born out of the unification of the Socialist Party (between its Left and Right wings) and the conservative merger (between the Liberals and Democrats), was initially touted as a

⁷Sasaki (1987).

⁸Nonaka (2008).

two-party system of the LDP and the JSP, but in reality the LDP secured twice as many seats as the JSP and secured long-term dominance over Japanese politics. Through this process, the Socialist Party effectively gave up its pursuit of a legislative majority, and came to seek its *raison d'être* in principled criticism of foreign and security policies. On the other hand, the LDP, which grew accustomed to long-term single-party dominance, found a taste for distributing the “pie” of high-speed economic growth through redistributive, particularistic politics. Voters who were critical of the LDP but dissatisfied with the Socialist Party gave seats to small parties like Komeito, the Democratic Socialist Party, and the Japanese Communist Party, but these actors could not participate in government or implement policies without the cooperation of the LDP or the JSP, so their role was limited.

It was thought, as mentioned previously, that this stagnation in party politics and fixed division of labor was due largely to the multi-member district with single, non-transferable voting (MMD-SNTV) system. Given its relatively high level of proportionality, the MMD-SNTV system makes it difficult for seat shares and power relations between parties to change. Following the LDP's emergence as the sole majority party after the 1955 conservative merger, dynamic inter-party competition for power was significantly weakened. The high proportionality also led to a multiplicity of parties other than the LDP. As a result, the non-LDP parties had no choice but to propose multi-party coalition government, a situation in which policy disagreements and other conflicts could easily become apparent. Although actors at this time did not necessarily organize the full effects of reform in these terms, based on the perceptions I have described here, abolishing the MMD-SNTV system was explored as a starting point for electoral reform.

From the latter position—addressing political corruption and electoral malapportionment—it was recognized that the biggest problem was the inability of politicians and parties to self-correct. As mentioned earlier, corruption has long been a problem in political history, and in many cases, it has been addressed by strengthening penalties for corruption and changing political finance regulations. If so, it would be important to impose strict sanctions on politicians who have caused problems, such as by strengthening the Public Offices Election Act's guilt-by-association system (penalizing candidates for illegal behavior on the part of their campaign staff and family members), or strengthening restrictions on the use of political funds, for instance by making political financial records more transparent. Regarding malapportionment, it was possible for the House of Representatives to apportion seats in a way that would greatly reduce the “inequality of one vote.” Vote inequality was harder to address in the House of Councillors, due to that chamber's staggered elections and its use of proportional representation.

Whether realistic or not, correcting the imbalance in the number of seats would mean a significant increase in the number of seats in urban areas, which would also solve the problem of excessive redistributive policies towards rural areas, and increase the possibility of a government turnover should parties be able to obtain the support of urban voters. Therefore, it was thought that legislative reforms within the framework of the current system should be pursued.

Choice of Philosophy Based on the “Outline for Political Reform”

What was lacking in Japanese politics: adequate responsiveness or the ability to self-correct? Perceptions on this point became a determining factor in whether or not to embark on electoral reform, and led to decisive choices that permeated the entirety of the political reforms that followed. If politics as a whole lacked responsiveness, it was impossible not to think that the primary problem was not the quality of individual politicians, but rather a structural or institutional problem, including relations between parties. If there was a lack of capacity for self-purification, the first step needed to be to learn from anti-corruption and political finance regulations in other countries, and to carry out a large-scale correction of the imbalance of seats under the MMD-SNTV system.

The key to the choice was the LDP. If the LDP, as the ruling party occupying the number one position in both houses of the Diet, did not approve, no reform could be realized. Unless LDP lawmakers recognized the importance of the issue, reform plans—no matter how sound and meaningful they were—would be nothing more than empty words from outsiders. On this point, Sasaki Takeshi would later argue that the driving force of reform was “a naïve feeling that ‘politics as usual’ cannot go on.”⁹ The key here is what is meant by “politics as usual” and in what sense it “cannot go on.” This was answered succinctly in the LDP’s “Outline for Political Reform” (*Seiji Kaikaku Taikō*).¹⁰ This document was released on May 23, 1989, and the Political Reform Committee, which was established on December 27, 1988, played a central role in its drafting. Former Chief Cabinet Secretary Gotōda Masaharu served as its chairman.

The “Outline for Political Reform” has several striking features.

First, while being in principle a response to voters’ distrust of politics stemming from the Recruit scandal and criticism of the LDP, it essentially advocates for electoral reform. While the “Outline” begins by emphasizing “our conviction that political ethics. . .should be based on individual self-awareness,” it then states, “we are keenly aware that self-regulation alone is insufficient in the face of political structures that necessitate large amounts of political financing, especially the electoral system.” The “Outline” asserts: “Therefore, we must conduct a fundamental review from the standpoint that most of the problems are caused by the defects of the current medium-sized electoral district system [MMD-SNTV].” The “politics as usual” touched on earlier is “politics that costs money,” and “what is wrong” is political activity under the MMD-SNTV system.

⁹Sasaki (2013), p. 12.

¹⁰The Political Reform Program Outline, the Election System Advisory Council Report, and the prospectus of the Political Reform Forum are all available from the “Trajectory of Political Reform” section of the 21st Century Rinchō website. Last accessed September 29, 2019. http://www.secj.jp/s_library/s_library.htm.

Second, the change from MMD-SNTV to an electoral system centered on single-member districts is linked to the organizational modernization of the LDP. Calls to modernize the LDP had been repeatedly heard since the 1960s. Specifically, reformers advocated the dissolution of factions and the transition to a modern party organization, as typified by the Social Democratic Party of Germany and the Labour Party of the United Kingdom.¹¹ In its account of party modernization, the “Outline” discusses the problems of factions and policy tribes (*zoku*). With respect to the selection of parliamentary candidates, it states, “it is necessary to create new rules that open the way to politics to talented people from a wide range of fields, and make it possible to discover and promote newcomers.” It further adds, “In particular, with regard to fundamental reform of the electoral system, the establishment of more stringent criteria for nominating party-approved candidates and more stringent measures to deal with non-approved candidates” must be pursued.

A third feature is that the lack of responsiveness is not discussed. It is clear that although the “Outline for Political Reform” was prepared in the first half of 1989, the international events that would later symbolize that year all occurred after it was published. In other words, the post-Cold War world had still not taken shape when the “Outline” was being prepared, with China’s Tiananmen Square massacre in June and the fall of the Berlin Wall in November. The problem of responsiveness is, ultimately, closely linked to the question of whether to recognize the possibility of a change of government. It is an issue of the ability of party politics as a whole to offer multiple different options in response to new environmental conditions. It may therefore have been difficult to emphasize this in an LDP internal document, even though it was a broad outline.

Complementary Logic

The framework of the argument, as presented in the “Outline for Political Reform” which proposed electoral reform on the basis of self-purification or self-correction, has the impression of being built upon the experiences and feelings of LDP Diet members, leaving doubts about its deeper logic or reasoning. As mentioned earlier, it is quite possible to argue that if the ability to self-purify is lacking, the problem can be dealt with by tightening the Political Funds Control Act and enacting anti-corruption legislation. Since the unchecked imbalance in seat apportionment also indicates an inability to self-purify, it should be possible to solve this by reducing the number of seats in the House of Representatives and making major changes in the geographical distribution of seats. Of course, according to the views of Yamaguchi Jirō and the American political scientists raised earlier, it is possible to think that the

¹¹ Nakakita (2014), Sasabe (2017).

MMD-SNTV system reduced the capacity for self-purification, but it was not until the 1990s that this idea began to attract attention.

However, the world-historical event that was the end of the Cold War soon compensated for this deficiency in logic. The first report of the Eighth Electoral System Advisory Council (*Senkyo Seido Shingi-kai*), submitted on April 26, 1990, immediately after the fall of the Berlin Wall, shows the germ of this trend. The Electoral System Advisory Council, an advisory body to the prime minister established by law, did not convene often, and this was the first time it had met in 17 years. The chairman was Kobayashi Yosoji, former administrative vice-minister of the Home Ministry, chairman of the Japan Newspaper Publishers Association, and president of the *Yomiuri Shimbun*. The vice-chairman was constitutional scholar Satō Isao, and political scientist Horie Fukashi was the chairman of its first subcommittee, which dealt with the basics of the electoral system.¹²

The report begins with the sentence, “Today, our country is under pressure to solve an accumulation of domestic problems, and internationally, it is called upon to make positive contributions to world peace and prosperity.” The writers were clearly aware of and sensitive to the Japanese state’s capacity to respond to changes in the international and domestic environments. The statement then goes on to say in concrete terms, “In order for politics to adapt to changing times in our country’s current domestic and international conditions, it is necessary to reflect the will of the people accurately, and, at the same time, to aggregate the will of the people to clarify decision-making in politics and the attribution of responsibility. In addition, for a dynamic and healthy parliamentary democracy, it is necessary to maintain tension in politics through a change of government. In satisfying these demands, when comparing a single-member district system and a proportional representation system, the single-member district system better conforms to these demands.”

This recognition also coincides with the prospectus of the “Political Reform Forum,” (*Seiji Kaikaku Fōramu*), which held its first meeting on October 9, 1989. The Political Reform Forum was an organization formed by a multi-partisan group of lawmakers, private citizens, and academics, led by the Social and Economic Congress of Japan (*Shakai Keizai Kokumin Kaigi*), a private economic organization, that became an important force in promoting electoral reform. The prospectus of the Political Reform Forum stressed “a comprehensive review of the entire postwar political system and to carry out fundamental reform with a view towards the twenty-first century,” in order to “address the issues of administrative reform and fiscal consolidation, as well as tax reform, advanced information technology, and international friction.”

The anticipated or hoped-for image of politics presented in these documents has two major characteristics. The first is the existence of several powerful, modern, organized political parties that are deeply rooted in society and supported by a pyramidal structure reaching from a large number of ordinary party members to a small number of senior party executives. The second is that competition among these

¹²Yoshida Ken-ichi (2018), Yoshida Hiromasa (2018).

parties would produce governments that can quickly decide upon policies that are formulated based on the consistent policy goals of the ruling party. It was thought that the responsiveness of the political system as a whole would be bolstered by the combination of these two characteristics. What was imagined was probably the ideal type of late twentieth-century British politics, i.e., the Westminster-style parliamentary system.

On the flip side, this image of politics reflects the recognition that although postwar Japan had adopted a parliamentary system, and political parties came to play a central role, the competition between the LDP—which strongly retained its premodern makeup—and the Socialist Party and other opposition parties—which had abandoned their pursuit of power—lacked tension and responsiveness. This was the starting point of electoral reform. This vision advocated nothing less than the modernization of not only the LDP but of Japanese politics as a whole. Perhaps from late 1989 to early 1990, “politics as usual” came to refer to the pre-modern LDP organization with its factions and policy tribes, as well as the way that competition between parties lacked a sense of tension due to the LDP’s long-time dominance. And it was thought that the lack of response capacity was the reason why the status quo “cannot go on”.

3 The Localization of the Parallel Single-Member District-Proportional Representation Electoral System

Concrete Choices

Thus, a principle for reform was chosen. However, because electoral reform is a matter directly connected to the vital interests of incumbent politicians, and because there are multiple concrete options, it is remarkably difficult to form a majority to choose a particular alternative. For this reason, there are countries that have decided that the recommendations of experts on electoral reform should be accepted as is. There also exists a view that it is desirable for reform to be supra-partisan so as to avoid criticism that the system is being changed based on partisan interests. Since the electoral system is a set of rules that forms the basis of the electorate’s mandate to the ruling elite and is, in practice, a part of the constitutional structure, it is desirable for reforms to have the understanding and support not only of Diet members, but also of voters. In fact, attempts to introduce a single-member district system by the Hatoyama cabinet in the 1950s and the Tanaka cabinet in the 1970s were both hampered by strong resistance from opposition parties and charges of “partisan interests” from the media. In the case of the electoral reforms that began at the end of the 1980s, the recognition was widely shared that the ruling LDP should not go it alone.

At the time, there were three major options that were considered as feasible alternatives. Their details vary widely, but I will give a brief outline of each

system.¹³ Although some of this overlaps with what has already been written, I would like to summarize it without too much repetition.

The first option was the single-member district (SMD) system. As mentioned above, under this system, all seats in a legislature (in this case the House of Representatives) are allotted to electoral districts that each have one seat; voters cast one ballot for a candidate in the electoral district in which they live, and the candidate with the most votes wins the seat. In this system, since only one candidate is elected from each constituency, the field of candidates is narrowed, and the threshold for winning is higher, advantaging large parties with strong party organizations and broad bases of support. Other features of this system are that ballots for candidates who finish second place or lower become wasted votes, in that they do not influence the final seat allocation, and that the distribution of power among parties can fluctuate greatly.

The second option combined SMDs with proportional representation (PR), with completely separate votes for each. In other words, in such a system, the SMD and PR tiers are parallel: the seats are divided between single-member districts and proportional representation, and voters cast one ballot for a candidate in their local SMD, and another for a party in the PR. The counting of votes and the determination of winners are also conducted separately for each tier. The defect of SMDs—that they advantage large parties—is mitigated to some extent by giving small parties the opportunity to win seats through PR, which also reduces the fluctuation in the distribution of power among parties. Another advantage is that since voters are given two votes, it is easier for them to grasp what their own vote means. However, the problem of wasted votes in SMDs is not resolved. The parallel electoral system of SMDs and PR was introduced in Italy and South Korea, which reformed their electoral systems in the late 1980s and early 1990s. In comparative political science, the arrangement is commonly called a mixed-member majoritarian (MMM) system.

The third option was also to combine an SMD-based system and a proportional representation system, but in a different way, with overall seat distribution among parties determined via proportional representation, and votes from the SMDs used only to decide who fills those seats. This system is called a combined constituency-proportional representation system, or a mixed-member proportional (MMP) system, and was adopted by Germany (West Germany) and other countries during the postwar period. In an MMP system, as with an MMM system, there is an SMD ballot and a PR ballot, cast separately for candidates in the constituency and parties in proportional representation. The votes are counted separately. The systems differ from here, however. In an MMP system, the proportional representation results are used to allocate all of the seats in the legislature among the competing parties. Individual winners are then determined using the votes cast in the SMD elections, with candidates who took the most votes in their constituencies awarded the seats secured by their parties. If a party does not have enough winning SMD candidates to

¹³For a classification of electoral systems in contemporary comparative political science, see Shugart and Wattenberg (2001).

fill all of the seats it has won through proportional representation, it selects its additional winners through a list prepared by the party. Conversely, in the event that the number of candidates who are placed first in SMDs exceeds the number of seats won by proportional representation, an “excess seats” rule may be applied, wherein the total number of seats in the legislature is increased to ensure overall proportionality, as determined by the PR vote shares. In terms of the balance of power among parties, the election results will be the same as if seats were awarded entirely by proportional representation; only the identity of individual lawmakers is determined by direct district voting.

If we look at the distribution of seats by party, the proportionality of these three systems is highest in the MMP system of combined constituency voting and proportional representation, and lowest in the pure SMD system. In the context of Japan’s electoral reform, this meant that small parties tended to favor a combined system and large parties the SMD option. In the end, the Electoral System Advisory Council recommended the second option described above: the mixed-member majoritarian (MMM) system of parallel SMDs and PR, which fell somewhere between the two extremes.

Forming a Majority

The Electoral System Advisory Council is a public advisory body established by law, and its report carried more weight than the conclusions of private advisory bodies or various study groups. However, the council’s report on the electoral system, which was directly connected to the vital interests of politicians and political parties, was not easy to implement in a short period of time. Legally, the Act for the Establishment of the Electoral System Advisory Council does not stipulate any obligation to follow its reports, and it is possible for the prime minister and political parties to simply ignore them. In fact, there were not many precedents of the Advisory Council’s reports being respected and their reforms being implemented.

Thus, the process of majority formation after the report’s advocacy of the parallel SMD-PR system began. The concept of the localization of ideas, introduced in Chap. 1, becomes important here. Even if a foundational idea or principle exists, in order for a reform proposal in a given area to gain the support of a majority, it must become a concrete proposal that is acceptable to actors in that area. This is localization. The main actors in electoral reform are politicians from ruling and opposition parties, the mass media, and organizations that have promoted the reforms. In the following, I will quickly describe the process of majority formation, while focusing on the nature of localization.¹⁴

The prime minister who received the first report of the Electoral System Advisory Council in April 1990 was Kaifu Toshiki. Kaifu expressed his desire to reform the

¹⁴The following description is mainly attributable to Sasaki (1999).

electoral system based on the report, and LDP Secretary-General Ozawa Ichirō adopted the same tack. Ozawa's proposed schedule had the LDP reaching a definite plan internally by November 1990, and passing a reform bill in the ordinary session of the Diet in 1991. However, the LDP's joint conference for political reform (a joint meeting of the party's Political Reform Headquarters and the Electoral System Study Group), which was responsible for the electoral reform bill, objected to both the substance and the schedule of reform. In the summer of 1990, the Gulf War also broke out as Iraq's Saddam Hussein invaded Kuwait, and the movement to reform the electoral system became increasingly uncertain.

Eventually, on December 25, 1990, the LDP compiled a basic outline for political reform that included, as a pillar, the introduction of a parallel SMD-PR system. Although this was considered to be consistent with both the report of the Electoral System Advisory Council and the previous year's "Outline for Political Reform," opposition within the party showed no sign of abating. Support for political reform was emerging little by little, but there did not appear to be momentum in converting intra-party opponents.¹⁵ In the 1991 Tokyo gubernatorial election, former NHK newscaster Isomura Hisanori, nominated collectively by the LDP, Komeito, and the Democratic Socialist Party, lost to incumbent Suzuki Shun-ichi. Ozawa resigned as secretary-general to take responsibility for the loss, another major blow. At the end of June that same year, the LDP finally reached a party decision and submitted a political reform bill to the Diet in July, but it was forced to abandon efforts to pass it at the end of September. Kaifu tried to pass the legislation by hinting at his determination to dissolve the lower house, but instead, criticism from within the LDP mounted and his cabinet was forced to resign.

The same developments continued under Miyazawa Kiichi, who succeeded Kaifu as prime minister. Miyazawa, who did not himself think that electoral reform would be a plus for Japanese politics, nevertheless advocated the political reform legislation based on the intentions of Ozawa and the Takeshita faction (to which Ozawa belonged). And so the opposition within the LDP gathered strength. At the same time, however, no matter how opposed they might have been, lawmakers could not brazenly insist on maintaining the status quo. Thus, by the end of 1992, party policy coalesced around the introduction of a pure SMD system in the House of Representatives that would not be combined with a PR tier. The policy had no chance of securing the approval of opposition parties, however, and since the LDP had lost its majority in the House of Councillors in 1989, it effectively amounted to maintaining the status quo. Kajiyama Seiroku, the LDP secretary-general, pushed this tactic, but Takeshita Noboru, a former prime minister, was seen as being behind it. Ozawa and Hata, who, within the faction, were closer to Kanemaru Shin than to Takeshita, left the Takeshita faction at the end of 1992 and formed the Hata faction.

What moves did the opposition parties make during this period? Among the leading opposition parties, including the Socialist Party, Komeito, and the Democratic Socialist Party, but not the Japanese Communist Party, there existed a belief

¹⁵Iio (1999), p. 77.

that it was necessary to reform the electoral system by abolishing the MMD-SNTV system. However, there was also strong support for the new electoral system to be either a combined SMD-PR (MMP) system or a similar additional member system (AMS), which would be more proportional than the parallel SMD-PR (MMM) system.¹⁶ Some members of the Socialist Party also took the position of supporting the continuation of the MMD-SNTV system. The party could take roughly one seat (out of an average of four) in many electoral districts under the status quo system, and, since the party had long abandoned hope of forming a single-party government, there was little danger of the fierce intra-party competition that would result if it fielded two or more candidates in a district. The MMD-SNTV system was a convenient institution from the perspective of the Socialist Party.

Nevertheless, under the influence of the Japanese Trade Union Confederation (*Rengō*), which was promoting electoral reform, and the mass media, the Socialist Party and Komeito first jointly proposed a mixed-member proportional system, and then, when the Council for the Promotion of Political Reform (the Minkan Seiji Rinchō) proposed an additional member system in April 1993, they concurred. The opposition parties had strongly criticized the LDP's money politics and corruption, but when the focus of the debate was linked to the responsiveness of Japanese politics, they had no choice but to support an electoral system that incorporated elements of a small constituency system, at least partially. Additionally, since organized labor, including the Socialist Party-affiliated *Sōhyō* and the Democratic Socialist Party-affiliated *Dōmei*, had united to form *Rengō* in 1989, even leftist parties had come to think it desirable for the opposition to unite and try to take power. As long as the debate developed on this kind of playing field, it is difficult to imagine that reform would have adopted a highly proportional electoral system such as the mixed-member proportional or additional member systems.

Kanemaru's Arrest as the Decisive Step

In March 1993, Kanemaru Shin, then serving as the LDP's vice president, who as a senior leader of the Takeshita faction was the mentor of Ozawa Ichirō and Hata Tsutomu, was arrested by the Special Investigations Department of the Tokyo Public Prosecutors Office. The charges were tax evasion by concealing income through the purchase of discount bonds issued by the Nippon Credit Bank. The funds for the purchase of the bonds were believed to have included a secret donation from Tokyo Sagawa Kyūbin, a logistics company. Although this secret donation had come to light the previous year, the Public Prosecutors Office had imposed only a slap on the wrist, for which it had been criticized by the public. This time, it accused Kanemaru

¹⁶For the additional member system (AMS) and its effects, see the Electoral Reform Society website below. Last accessed on November 20, 2022. <https://www.electoral-reform.org.uk/voting-systems/types-of-voting-system/additional-member-system/>.

of income tax evasion of ¥400 million [approximately \$3 million in current USD]. It was also clear to all that Kanemaru had violated the Political Funds Control Act in amassing a personal fortune.

Kanemaru's arrest intensified voter anger against political corruption. As political scientist Taniguchi Masaki said, "Kanemaru's arrest was a turning point that rapidly increased pressure from the public for carrying out political reform. . . Political reform began to tighten around party politics like an iron ring, and the escape routes for each party closed rapidly."¹⁷ At the same time, for Ozawa and other politicians close to Kanemaru, the event was likely to give the impression that they were equally corrupt.

There is reason to argue that this case was the result of inadequate political finance regulations and that it was strange that it should be linked to electoral reform. However, it is not uncommon in the process of an idea becoming predominant for there to be a great leap, or a phenomenon whereby other options are discarded without sufficient consideration, and by which a majority comes to accept an idea as "incontrovertible justice." For example, Article 9 of the Constitution of Japan was originally conceived as the embodiment of the prevention of aggression, based on the calamity of World War II and the 1928 Kellogg-Briand Pact. The Kellogg-Briand Pact does not reject military force, and it originally included a wide variety of measures to prevent a country from invading others. However, in the case of the pacifism of Article 9 of the Constitution, the interpretation of Article 9 as absolute pacifism that renounces all military power appeared soon after the war, and it became widely accepted by the public because it gained significance as a symbol of a reborn Japan.¹⁸

A document called "The Main Points of Political Reform" summarizing the key issues of contention presented to the executive council of the House of Representatives' Special Investigatory Committee on Political Reform on May 26, 1993, included the following aims: "the realization of politics that can make responsible decisions in the environment of a new era" and "the establishment of a political system with tension and a high possibility of a change in government." This was a concrete manifestation of the fact that political reform and the introduction of a new electoral system had become equivalent, making electoral reform "incontrovertibly just" and narrowing the "escape route" for other options.¹⁹ The same applied to the LDP, which called for an SMD system but had no intention of achieving it. If the low proportionality of an electoral system can be used as a proxy for responsiveness, it certainly makes sense to unify around an SMD system. However, since this was a proposal aimed at preventing the realization of electoral reform, there was no choice but to view it as an "escape route."

What happened next is well known. Miyazawa, facing strong countervailing winds, attempted to make electoral reform a higher priority, but this just gave the

¹⁷Taniguchi (1999), pp. 130–131.

¹⁸Shinoda (2016), Hosoya (2018), Karube (2020).

¹⁹This document is in Taniguchi (1999), pp. 132–133.

impression of adding a new coat of varnish to the effort. Eventually, Miyazawa was forced by Kajiyama, the LDP secretary-general, to abandon the goal of passing the bill in the Diet session scheduled to end on June 20, 1993. In response, Ozawa, Hata, and other supporters of electoral reform in the LDP voted in favor of a no-confidence motion against the Miyazawa cabinet on June 18 and left the party, forming the Japan Renewal Party on June 23. For Ozawa and his colleagues, gambling on the realization of electoral reform was probably the only way for them to continue to carry the mantle of reform after Kanemaru's arrest. Although the fractured LDP still remained the largest party after the subsequent dissolution of the Diet and general election, it fell far short of a simple majority and, for the first time since its formation in 1955, it lost its position as the ruling party.

Under the non-LDP coalition government of Hosokawa Morihiro that formed in August 1993, the introduction of a parallel system of SMDs and PR was, at last, effectively decided at a meeting between Hosokawa and LDP leader Kōno Yōhei on January 28, 1994. Despite some complications, including the rebellion in the upper house of some members of the Socialist Party, which had become part of the ruling coalition, the reform bill was passed into law the following day on January 29. The view also exists that the pursuit of other options was still possible under the Hosokawa government. For example, political scientist Okazaki Seiki points out that during deliberations in the Diet, Prime Minister Hosokawa gradually warmed to the position that reforms would facilitate changes of government (government choice theory), which led to a compromise with the LDP in the form of increasing the share of single-member districts.²⁰ It is possible that Hosokawa personally underwent such a change in beliefs. However, even had Hosokawa hypothetically insisted upon a position other than the government choice theory, he would have been in the minority within the ruling coalition, and he would not have been able to sustain that position given his emphasis on cooperation with Ozawa and other former LDP members. Of course, the selection of a general framework for reform was already decided at the point that the Hosokawa government was formed. Although the formation of a final agreement among the major parties had to wait until after the establishment of the Hosokawa cabinet, the actual choice had been made by the end of the Miyazawa cabinet.

Did Voters Agree?

How did voters react to these developments? As mentioned in Chap. 1, one assessment of electoral reform is that it was a reflection of the interests of certain politicians like Ozawa Ichirō that diverged from the will of the electorate. If voters' intentions, as reflected in public opinion polls, do not mesh with the process of institutional

²⁰Okazaki (2019).

reform as described above, then this point will certainly be valid. Let us examine this point using *Asahi Shimbun's* article database “Kikuzō II Visual.”

Expectations for political reform were virtually never discussed until the Recruit scandal came to the attention of the public. A search of the database using the keyword “political reform” showed that articles in 1987 and the first half of 1988 largely dealt with foreign countries, such as Perestroika in the Soviet Union. During this period, it was not even included as an option among important policy issues presented to respondents in public opinion surveys. Even after the Recruit scandal came to light, there were still only a few articles in the second half of 1988. It was only in the November 23 morning edition that an article finally appeared with the headline, “Advisory Body Established to Review Electoral System and Political Funds—Prime Minister Intends to Promote Ethics.” The advisory body was finally established as the Eighth Electoral System Advisory Council. In the morning edition of November 26, an article appeared under the headline, “Prime Minister Takeshita demands investigation of ‘political reform’ in meeting with Gōtoda.” The article was connected to the LDP’s political reform committee. The *Asahi Shimbun*, in its editorial on November 27, fundamentally supported these moves, arguing, “the first round of political reform should be implemented by the end of the year.”

The public’s interest also began to increase during this period, perhaps due to these media reports. The results of an opinion poll reported in December 10, 1988, showed a significant drop in the Takeshita cabinet’s approval rating, with the primary causes being the introduction of the consumption tax along with concern about “political ethics” aroused by the Recruit scandal. However, even if there was a problem with politicians’ ethics and it was important that this was established as a factual matter, the fact that there were no ideas on hand for concrete proposals to remedy it was a bigger problem. Whether due to Takeshita (the prime minister) or to Gōtōda (former chief cabinet secretary), political ethics and electoral reform were already linked issues among senior LDP politicians. However, it is doubtful whether voters were aware of this connection at the time. The electorate’s interest was probably closer to an abstract recognition of a lack in government capacity for self-purification.

However, electoral reform and the promotion of political ethics gradually came to stand shoulder to shoulder as linked issues. According to an *Asahi Shimbun* poll conducted in mid-March 1989, “the promotion of political ethics” was selected by 29% of respondents and “review of the electoral system” by 24% of respondents as the most important issues for political reform. This trend temporarily weakened after Takeshita’s resignation from the premiership, the reversal of LDP’s defeat in the upper house elections of July 1989, and the breakthrough of the Socialist Party in the February 1990 general election. This was because voters saw that political reform had not advanced under the administrations of Uno Sōsuke and Kaifu Toshiki, who followed Takeshita, and they began to demand “greater political morality” and stricter regulation of political finances within the confines of the status quo electoral system.

The situation changed further when Miyazawa Kiichi assumed the prime minister’s post in November 1991, and from the start of the ordinary Diet session in March

1992. In a public opinion poll conducted in early March, “make fundamental reforms, including to the electoral system” was the top choice for 42% of respondents as a concrete means for advancing political reform. Thereafter, it was no longer uncommon to find numbers close to the “promotion of political ethics.” This trend strengthened with the revelation of the Tokyo Sagawa Kyūbin scandal in 1992, which brought to light then-prime minister Takeshita’s ties to organized crime, and the arrest of Kanemaru in connection with the same malfeasance in 1993.

Indeed, in an opinion poll near the end of the Miyazawa administration, in late April 1993, “strengthening penalties to prevent political corruption” topped the list of most-desired political reforms at 49%, while “reform of the electoral system” was selected by only 16% of respondents. However, this seems to have been an expression of voters’ awareness that institutional reform under the Miyazawa administration was unlikely, and their prioritization of what could be done immediately. According to a poll conducted at the end of May, 57% expressed the opinion that electoral reform should be enacted during that Diet session. Again, at that time, the view that it was necessary to abolish the MMD-SNTV system in order to prevent political corruption and improve political ethics was shared widely and attracted much attention.

The change in public opinion following the inauguration of the Hosokawa government corroborates this. In a poll conducted in early September 1993, although the most important reform cited by respondents was “transparency in the flow of political finances,” support for institutional change to a parallel SMD-PR system reached 53%. Furthermore, immediately after the Four Acts on Political Reform (*Seiji Kaikaku Yon-hō*) passed, after some twists and turns, in late January 1994, a total of 66% of respondents said that they “greatly approve” or “somewhat approve” of reform as a whole, and 39% of voters responded that the new electoral system was “good,” far more than the 23% who said it was “not good.” There was strong interest in political funds, and this matter was not ignored in the four reform laws, which also established the party subsidy system (state subventions for political party activities) and strengthened political finance regulations. Collectively, it would not be reasonable to view institutional reforms as being bereft of voter support or a reflection of the self-interest of a few politicians. However, it is difficult to determine, as far as poll results are concerned, whether voters accepted electoral reform as a solution to improving the responsiveness of Japanese politics, given some differences and ambiguity in the phrasing of questions.

4 What Happened?

Expected Consequences

The parallel SMD-PR system as introduced in the 1996 House of Representatives election had a total of 500 seats, of which 300 were elected from single-member districts and 200 from the proportional representation tier, which was divided into

11 regional blocs. The fixed number of seats has been reduced several times since, changing to 480 (300 SMDs, 180 PR) in 2000, to 475 (295 SMDs, 180 PR) in 2014, and again in 2017 to 465 (289 SMDs, 176 PR). However, the ratio of constituency seats to the total number of seats has fluctuated only between 60% and 62.5%, so the fundamental characteristics of the electoral system have remained constant. That voters have two votes, one in the single-member district and another in the regional proportional representation tier, has remained unchanged.

From the time its introduction was proposed, this system has been considered to be a SMD-centered electoral system. For example, the first report of the Eighth Electoral System Advisory Council, mentioned earlier, states the following (a slightly lengthy quotation):

In order for politics to adapt to a time of changes in our country's domestic and international conditions, it is necessary to reflect the will of the people accurately, and, at the same time, to aggregate the will of the people to clarify decision-making in politics and the attribution of responsibility. In addition, for a dynamic and healthy parliamentary democracy, it is necessary to maintain tension in politics through a change of government. In satisfying these demands, when comparing a single-member district system and a proportional representation system, the single-member district system better conforms to these demands. However, since both the single-member district system and the proportional representation system have their own problems, as mentioned above, it is considered appropriate to use a combination of the two systems.

...
This Council believes that it is appropriate to adopt a system of parallel single-seat districts and proportional representation, taking into consideration that the aggregation of the popular will, the clarification of political decision-making and the attribution of responsibility, and the possibility of a change of government should be emphasized; the importance of also taking into consideration that minority views should be reflected in national government; and the desirability of a system that is easy to understand.

The understanding that can clearly be seen here is that while an SMD system was deemed desirable in principle, its weakness was the insufficient reflection of minority views, and so a PR system was used in parallel to supplement it. As is clear from the previous examination of the process of majority formation, since the LDP, which is the leading party, had no possibility of winning support for reforms from small parties if a pure SMD system was used, the PR tier was used as a “safety margin” so to speak. This was localization. Furthermore, it was assumed that competition for the government between two large parties would emerge, and that overall victory would be determined primarily by developments in the single-member districts, with the party that emerged victorious establishing a single-party government. Voters were also expected to cast their ballots on the decisive and effective sole criterion of whether the candidate belonged to the party they wanted to entrust with power.

If inter-party competition becomes a struggle for power between two major parties, the organizational structure within the parties should also change to reflect this. The recognition that the MMD-SNTV system gave rise to factions and policy tribes, and that competition between candidates from the same party led to particularistic politics, has already been seen in the “Outline for Political Reform.” The understanding that modern European political parties, as in the United Kingdom and

Germany, were models for party organization that should be emulated was common—not only among political scientists, but also among politicians who were the affected actors. Even under the 1955 system, the LDP repeatedly aimed to modernize by dissolving its factions.

Therefore, in May 1993, the Council for the Promotion of Political Reform issued a “Proposal for a New Form of Political Party,” and stated after electoral reform that, “It is necessary to clarify the party’s decision-making structure and where responsibility lies.” It further added, “We must clarify what is to be discussed, by what procedures and at what stage consensus will be sought, as well as to make greater efforts than before to achieve both freedom of political activity and the discipline of political parties.” It was hypothesized that centralization in party executives would proceed further, and that party organization would be managed top-down as a matter of party policy.²¹ However, considering that the main focus of attention was on the shape of inter-party competition (two-party or multi-party) and perhaps also the level of international research on electoral systems at the time, it was unclear what causal mechanism would give birth to the proposed party structure and what the incentive structure would be for individual members.

Development as Expected

The resulting developments in each party were also based on this understanding. Regarding competition among parties, the movements of the second party (the largest non-LDP party) were entirely different from what had come before. The New Frontier Party (NFP), which formed in 1994 around the ruling parties that had supported the Hosokawa cabinet (apart from the Socialist Party and the New Party Sakigake), took 31.1% of the seats after the 1996 general election, recording the second-largest figure for a second party in the House of Representatives in the postwar era, after the Socialist Party in 1958 (35.5%). After the NFP dissolved, the Democratic Party of Japan (DPJ) rose to prominence, finally achieving a record-high seat share for a postwar second party at 36.9% after the general election of 2003. The DPJ went on to become the majority party in 2009, but the LDP returned to power in a coalition government with Komeito in 2012. It seemed that the goal of realizing regular changes in government through inter-party competition among parties had been achieved, albeit briefly.

The electorate’s voting behavior was also less clear in the early years of the new electoral system, but voting based on party labels gradually became mainstream. Voters today decide whom to vote for based not on their evaluation of individual candidates in their district but on their assessment of the party that fielded the candidate. The fact that terms like the 2005 general election’s “Koizumi Children,” 2009’s “Ozawa Girls,” and also 2012’s newly elected “Abe Children” began to

²¹This proposal can be found at the website of the 21st Century Rinchō.

appear in the mass media, indicates the arrival of many newly elected lawmakers who were elected based not on the evaluation of the candidates but of the party. On the flip side, these derisive expressions offer a glimpse of nostalgia for the era of the MMD-SNTV system when the emphasis was on individual candidates, and for the political reporting style—closely following the political situation—that unfolded from it. In addition, as American political scientist Daniel Smith has pointed out, changes in the electorate’s voting behavior weakened the tendency of political parties to field candidates with high name recognition, leading to a decline in the number of hereditary lawmakers.²²

The major parties have also undergone significant changes in their organizational structure. This is the predicted centralization of power. The LDP during the age of the MMD-SNTV system had the following organizational characteristics: elections depended on the personal support groups of politicians (*kōenkai*), policy was made from the bottom up by the Policy Affairs Research Council and its subcommittees, and career paths, including promotion in the party and entry into the cabinet, were based on faction size and number of re-elections. To a considerable extent, it was possible to be elected and to pursue legislative activities without the help of the party’s executive (party president or secretary-general), and it was not unusual for party executives to be unable to control members of their own party.

However, this changed completely with the reform of the electoral system. Winning elections required the party’s official endorsement, and the introduction of the party subsidy system and other changes to the flow of political funds meant that legislators came to rely heavily on the party executive. The party executive now had the power of “life and death” over individual lawmakers, and could impose sanctions on members who disobeyed the wishes of the executive, whether by giving them the cold shoulder or even in some cases removing them from the list of endorsed candidates. The clearest example of this is the 2005 general election during the Koizumi administration, when LDP candidates who opposed the Koizumi-backed postal privatization bill had their formal endorsements revoked.

This centralization of power increased the importance of party leaders in inter-party competition, and also created a structure in which the evaluation of party policies became directly linked to the party leader. The introduction of party leadership debates in 1999 and the introduction of party election manifestoes, which outlined the party’s basic policy platforms, in 2003, reflect this change. At the same time, this has also led to situations of crisis-like disorder for major parties when party leaders advocate policies that are half-baked or have a low possibility of being implemented, or when the executive cannot control dissent within the party. The LDP from 2006 to 2009, and the DPJ from 2009, are both examples of how disorder can lead to a loss of power.

In terms of policy, it was also thought that as the proportionality of the electoral system decreased with the replacement of the MMD-SNTV system with the parallel SMD-PR system, a shift from micro-oriented, particularistic policy to macro-

²²Smith (2018).

oriented, universalistic policy would occur. Many scholars and commentators, especially those overseas, have observed that such a change is actually taking place, coupled with the centralization of power within the ruling party.

For example, Margarita Estevez-Abe, a comparative political scientist active in the United States, writes that since the late 1990s, there has been a major shift towards universalism in Japan's social security policies, which she attributes to electoral reform. A typical example is the introduction of a long-term care insurance system, in which all citizens pay premiums and receive services based on the same calculation standards. The previous insurance and pension schemes were highly particularistic, with different systems for employees depending on where they worked and distinct benefit levels depending on family composition. In the case of the Long-Term Care Insurance System, there are only slight differences in the calculation of insurance premiums and long-term care certification (for persons with disabilities) depending on the municipality where one resides, and differences in employment and family structure are not taken into consideration. This is a fundamentally different concept from the traditional Japanese social security system.²³

Frances Rosenbluth and Michael Thies, also American scholars of comparative politics, argue that the "pipeline of special interests" that provided generous protection for farmers and small businesses was severed by electoral reform, and that policy changes were underway to unify pensions that had been divided into the National Pension Plan, the Employees' Pension, and the Mutual Aid Pension, based on job category.²⁴ The child allowance sought by the DPJ administration, which did not feature income-based limits, and the Trans-Pacific Partnership (TPP) concluded under the second Abe administration were also policies that have this universalistic orientation. Amy Catalinac, another political scientist conducting research in the United States, points out that the number of politicians who are interested in policy areas like foreign and security affairs, which used to be neglected because they could not be used to gather votes, have increased due to electoral reform.²⁵ As the effectiveness of evaluations of individual candidates for attracting votes has declined, there is now more room for politicians to deal with policies that are not directly connected to their reputations with voters in their constituencies.

Some Important Unanticipated Consequences

However, while the introduction of the single-member district system produced the anticipated effects, we should say that the impact of the parallel PR tier has been underestimated. At the time that electoral reform was pursued, there were still few

²³ Estevez-Abe (2008).

²⁴ Rosenbluth and Thies (2010), pp. 134–140.

²⁵ Catalinac (2016).

examples of parallel systems in the world, and research on their effects had not been fully developed. Therefore, it was thought that a parallel electoral system would display the various characteristics of single-member districts and proportional representation separately. In reality, however, this was not the case. The existence of proportional representation had a complex impact on the behavior of parties and voters, going beyond simply “reflecting minority opinions in national politics.”

One effect is that the parallel system has not led to the decline of smaller parties but has instead encouraged the splintering of large parties. A large party that is seeking a simple majority in the House of Representatives naturally has a variety of views coexisting within it, and it is easy for splinter groups to emerge. The existence of proportional representation means that members of the intra-party minority and their supporters have room to defect from the party if they are unable to reach a compromise. The Democratic Party of Japan (DPJ; *Minshutō*), after taking power in 2009, split over whether to support or oppose a consumption tax increase. Its successor, the Democratic Party (DP, *Minshintō*), grew increasingly fractious over its stance towards the 2015 security laws and ultimately split over the issue of whether to merge with the “Party of Hope” (*Kibō-no-tō*) founded by Koike Yuriko. Each provides an example of this tendency. The Constitutional Democratic Party of Japan (CDP), which became the leading opposition party after breaking with the DP, has not tried to unify non-LDP forces into a single party, which would be the most effective strategy under a single-member district system. This is likely due to the recognition that, on the one hand, it would be more highly regarded by voters as a party that held on to its principles, and, on the other hand, its recognition that maintaining a major party would be difficult, based on the experiences of the DPJ and the DP.

Another impact is that small parties aiming to win seats through proportional representation continue to field candidates in single-member districts in order to engage in so-called “vote digging.” While small party SMD candidates may have no chance of winning, their campaign activities may nevertheless mobilize and persuade voters to choose their party in the PR ballot. This tactic changes the structure of competition among major parties. A typical example is the behavior of the Japanese Communist Party (JCP). Until the general election of 2017, the JCP had fielded candidates in many constituencies even though it had won a grand total of only four seats in SMDs under the current electoral system. This has clearly had a negative impact on major parties that are positioned between the LDP (center-right) and the JCP (far left-wing). These parties lose many votes on the ideological left that they would have gained if the JCP had not fielded candidates, with the result that these parties’ candidates lose out to LDP candidates. Although the JCP has begun to withdraw candidates in lower house and upper house SMDs, there is no doubt that, at least until recent years, its candidate nominations have benefited the LDP. It is possible that the same thing could happen to the LDP if a party to the LDP’s right were to emerge, but this phenomenon has been rare. The fielding of Japan Innovation Party (*Nippon Ishin-no-kai*) candidates outside of Osaka could potentially have the

same effect. This kind of effect is called a “contamination effect” or “linkage effect” in political science.²⁶

Even in terms of policy shifts, it is difficult to say that a macro-level orientation and universalism have been thoroughly implemented. Certainly, the reorganization of costly and overly complex institutions, particularly in social security policies, has proceeded, and structural reforms have been carried out in areas such as agriculture and distribution, in which industrial protection was conspicuous in the past. This was the realization of policies that experts and some bureaucrats had long considered rational. However, particularistic policies that apply different rules to different industries and business categories are still not uncommon, such as the consumption tax rebate system introduced when the consumption tax rate was raised in October 2019. Postal privatization was intended to reorganize business divisions that did not conform with international standards, such as the postal savings system, and those that were unprofitable, such as the post offices and mail delivery networks. This is one example where macro-rationality was prioritized. However, the frameworks of both the postal savings and post office networks have not changed greatly from the pre-reform period, due to political decisions made in later years. Whereas in the past, policy change was often blocked by industry groups in combination with LDP politicians and the relevant ministries and agencies, today it tends to be influenced by relations between parties within the coalition government.²⁷ This is largely due to the fact that, in the end, electoral reform has not resulted in competition between the two major parties and regular changes in government, for which it had aimed.

Lack of Interest in Linkages

The reform of the electoral system for the House of Representatives was substantial, and while the effects of it being a mixed system, such as the contamination effect, cannot be ignored, it brought about striking changes to both party competition and party organization. However, in relation to the multilevel mixture discussed in Chap. 1, it is also necessary to look at the interconnectedness of the electoral system. Specifically, it is not only the House of Representatives that defines the nature of Japanese politics; the House of Councillors and local politics must also be taken into consideration. Under the Constitution of Japan, the bicameral relationship between the House of Representatives and House of Councillors is almost equal. The formation of a government is possible only by the will of a majority of the House of Representatives, due to its supremacy in nominating the prime minister. However, the House of Councillors is equal to the House of Representatives with regard to the passage of bills other than budget bills, and a censure motion against the prime minister and cabinet ministers has a similar effect to a vote of no confidence in the

²⁶Machidori (2015b).

²⁷Nakakita (2019).

House of Representatives. This means that for the continuance of government, the will of a majority of the House of Councillors must also be taken into account. Local politics also plays a major role, with local governments having an integrated relationship with the central government and accounting for 70% of total government expenditures. In addition, the importance of local party organizations and lawmaker networks influences the management of political parties at the national level. The way in which politicians are elected in the House of Councillors and local politics, i.e., the electoral systems for the House of Councillors and local governments, should have received attention equal to that of the electoral system of the House of Representatives.²⁸

With regard to the electoral system of the House of Councillors, it was recognized that the current situation was problematic. On November 1, 1988, the Study Group on the Institution of the House of Councillors submitted its “Opinion on the State of the House of Councillors and Its Reform” in response to an inquiry from the Speaker of the House.²⁹ Additionally, on July 31, 1990, the Eighth Electoral System Advisory Council issued its second report, “Report on the Reform of the Election System for Members of the House of Councillors and Public Subsidies for Political Parties.” However, both reports, in stressing the importance of maintaining the House of Councillors’ “distinctiveness” from the House of Representatives, which was the arena for inter-party competition, proposed an electoral system that would allow it to have a different existence or rationale from the House of Representatives.³⁰ Specifically, it proposed to replace the current system, which combined prefecture-based electoral districts with closed-list proportional representation, with a pure prefecture-based districting system (each of the 47 prefectures would be an electoral district), or to convert the PR tier into an open-list system, wherein voters would cast their ballots for candidates instead of parties. In either case, if realized, voting based on the evaluation of candidates would become mainstream, and there is a high likelihood that results would differ from the House of Representatives, where voting is expected to focus mainly on the evaluation of parties.

At the time, there were concerns that the House of Councillors had become a mere “carbon copy” of the House of Representatives, repeating the same deliberations with the same substance with members of similar quality. As such, it was perhaps unavoidable that uniqueness and differentiation would become focal points. Moreover, these proposals are not incomprehensible or illogical if differentiation from the House of Representatives is seen as the main goal. The change from a closed list to an open list PR system would have had only a limited effect, due to the small number of seats available in the PR tier. This system was actually introduced in 2001, and although there appears to have been no major impact since then, it was probably difficult to foresee this before its implementation.

²⁸Tatebayashi (2017).

²⁹This proposal can be found at the 21st Century Rinchō website.

³⁰See Tadano (2019) for a summary of the various proposals for reforming the House of Councillors.

However, from this book's stance that we should take into consideration the effects of the multilevel mixture, it is hard to shake the impression that all of these arguments' starting points were misguided. If the House of Councillors was to be reformed, it was necessary to make a choice. One option was to differentiate the two houses by making their electoral systems different while changing their power relationship from one of near-equality. The other was to maintain the equality of power, while making their electoral systems more homogenous and less prone to differences in partisan composition and opinion between the two houses. There is no evidence that serious consideration was given to the problems that could arise when two equal houses form different majorities under different electoral systems. The only reform proposal that seemed to consider this point was the opinion paper of the "Advisory Panel to consider the future of the House of Councillors" in 2000, but perhaps because the proposal included constitutional revision, it was never taken up head-on.³¹

From the report of the Study Group on the Institution of the House of Councillors and other documents, it seemed that the intention was to make the upper house a "chamber of common sense" or "house of wisdom," in which majority formation would be made more fluid by, for example, relaxing restrictions on compelling members to follow their party. However, the means to achieve this goal were left to each party, and no concrete path was shown. It is true that there was still little research at the time on the effects of bicameralism on the policymaking process, but we cannot deny the possibility that members of the House of Representatives decided they should not intervene in the reform of the House of Councillors.

And in fact, due to time constraints and lack of interest on the part of the actors involved, these recommendations were only partially realized. While the framework of the House of Councillors' electoral system and the equality of the two houses was left completely untouched, the effects of the electoral reform of the House of Representatives began to show. This has had a major impact on Japanese politics from the late 1990s onward, including the organization of coalition governments and the appearance of the so-called "twisted Diets," wherein different parties comprise majorities in each chamber.

Local election systems have not gone unnoticed in political reforms since the 1990s. For example, the "Basic Policy for Political Reform," adopted at the inaugural meeting of the Council for the Promotion of Political Reform on April 20, 1992, stated: "We will also give full consideration to the shape of the local election system and the local assembly system, which have not been sufficiently studied so far. In particular, in the event that new electoral systems are introduced in both the House of Representatives and the House of Councillors, we will consider how the electoral systems for prefectures and municipalities should be organized, as well as the clarification of the roles and responsibilities of Diet members and local

³¹This proposal is archived on the House of Councillors website. Last accessed April 18, 2020. <https://www.sangiin.go.jp/japanese/aramashi/ayumi/120424.html>.

representatives.”³² However, this item was placed at the end of a total of six “basic policies,” and subsequent reforms related to local politics were overwhelmingly focused on reforming the relationship between the central government and local governments, i.e., decentralization. There may have been the recognition that local political systems should be decided by the localities themselves, notwithstanding that the Constitution and the Local Autonomy Act stipulate otherwise.

In theory, if local decentralization is to proceed and the autonomy of local government is to be increased, the question of what kind of governance structure is consistent with that decentralization should be considered in parallel. However, this did not happen, and power and financial resources were delegated to local governments before the rationalization of government operations or inter-party competition and before checks and balances to produce a sense of tension among powerholders could be established. Moreover, despite decentralization reforms, as long as Japan is a unitary, not federal, state, collaboration between the central and local governments and linkages between national and local politics must remain. It is difficult to say that sufficient consideration has been given to this issue either. Today, disagreements between the central and local governments over the location of U.S. military bases in Japan and the restart of nuclear power plants are conspicuous. It is undeniable that the political reform process failed to consider adequately how local government policies should be decided and whether political positions or stances should have any meaning whatsoever.

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³²This policy can be found at the 21st Century Rinchō website.

Chapter 4

Administrative Reform



1 The Background of Reform

The Emergence of the Administrative State

The expected role of the state or government in society has been described using different concepts in different time periods. These include “night watchman state,” in the case of the nineteenth century, and “welfare state” in the twentieth century. The state in the nineteenth century played a minimal role, conducting foreign and security policy and maintaining domestic order, while leaving the people alone in their social lives. The role of the state expanded in the twentieth century, with growing intervention in people’s lives through the establishment of social security institutions and other measures. The term “night watchman,” which is practically an obsolete term today, refers to a person whose role was to patrol the streets at night for crime prevention and other purposes.

In the nineteenth century, as the Industrial Revolution played out in Europe and the United States, the role of government was limited. It was common practice not to constrain the autonomous growth of the economy and society. Governments at the time relied principally on tariffs for revenue, and thus had insufficient financial resources to grapple with socioeconomic challenges. Because tariffs are indirect taxes, if high rates are imposed to increase revenue, they can have a negative impact on economic activity (trade). This, in turn, can end up constraining revenues rather than increasing them. In the case of Japan, the Industrial Revolution began a little later, coinciding with modernization and the formation of the nation-state. The role of the state, such as the Meiji government’s promotion of new industry, was more expansive in Japan than in other countries, although still quite small in current terms. In particular, the textile industry, which was an early engine of the Industrial Revolution, had a high degree of autonomy in its development, and the environmental and labor issues that accompanied the progress of the Industrial Revolution were left for later.

The global situation changed dramatically in the first half of the twentieth century. On the one hand, the Industrial Revolution produced worsening labor conditions and income inequalities between the rich and poor. On the other hand, the establishment of universal male suffrage in many countries amplified voices demanding that the government tackle socioeconomic problems. The focus of revenue collection also shifted from tariffs to personal income taxes and corporate taxes, and progressive taxation became more common, which also greatly expanded the revenue available to the government. In more than a few countries, the increased revenue was at first directed to military and national security—including during the two world wars—but domestic spending also steadily grew.

Additionally, pensions for veterans and bereaved families were introduced worldwide during the period of the world wars, and many countries introduced public pension systems, which had originated in Germany in the late nineteenth century. It was also during this period that labor law was established in Germany and spread to other countries. After World War II, the number of countries that expanded their medical insurance systems, which had partially existed before, increased. In the United Kingdom, which kickstarted this trend, the National Health Service (NHS) was established soon after WWII and was based on the “Beveridge Report,” compiled by economist William Beveridge in 1942. In the 1960s, universal health insurance was also established in France and Japan. In addition to the development of these social security programs centered on pensions and health insurance—in other words, the construction of a welfare state—the role of government dramatically expanded to include public works and other economic policies to manage the business cycle and industrial and education policies that play an instrumental role in the medium- and long-term national development, as well as including government investment in major industries.

As the government came to tackle socioeconomic problems proactively, its larger role was inevitably accompanied by an expansion of the organizations and personnel with jurisdiction over the issues. The main source of revenue for governments had shifted to direct taxes, where tax revenues were more likely to vary with economic growth and the business cycle, and it was easier to secure financial resources during the long period of economic growth that followed World War II. Therefore, an expansion of the size of government was seen in virtually all major countries. This meant in turn an expansion in the scope of government operations and an increase in the number of civil servants.

Japan was no exception. In 1950, during the Occupation period after World War II, the number of national public servants was 1.58 million. The total increased to 1.7 million in 1960, and then to 1.91 million in 1965. If the 2.23 million local civil servants are included, the number of public sector employees accounted for 8.6% of the employed population. However, as is often pointed out, these figures are far below those of other industrialized countries. For example, even as of 1965, the number of public sector employees was 6.16 million in the United Kingdom (24.3% of the employed population) and 4.92 million in West Germany (18.3% of the

employed population).¹ Even so, there was no doubt that the number of civil servants was gradually increasing.

Administrative Reform as an Issue

At this point, the question of what to do with the bloated public sector, in other words, the necessity of administrative reform, became a recognized issue. As early as the 1960s, an argument emerged that growth in the number of civil servants should be curtailed without considering the expansion in the scope of government activities.

There are several reasons why the idea of framing the problem as an increase in the number of civil servants became popular. First, there was the recognition that there still existed many tasks that ought to be handled by the government, but were not. In other words, problem-solving by the government was seen as inadequate, and so it was difficult to reduce the amount and scope of officials' work. In the mid-1960s, Japan was at the height of high-speed growth, but was not uncommon for their benefits often the benefits failed to trickle down to individuals and regions that faced the adverse effects of economic growth. Second, the prewar tendency to treat civil service as a "status" rather than an occupation remained, and there was probably an undercurrent of resistance to this attitude. The perception that civil servants were pampered, securely employed, had time to spare, and had generous pension benefits after retirement was not uncommon, even if it was at odds with reality. The National Personnel Authority (NPA) at the time was aggressive about raising civil service salaries, but trying to raise salary levels while avoiding a bloated public sector led to expanding workloads without increases in personnel numbers.

The First Provisional Administrative Research Council (First Rinchō), established in 1961 during the Ikeda Hayato cabinet, published reports that addressed many of the issues facing the administrative sector, but it only succeeded in reducing the number of bureaus in each ministry and in reducing the number of civil servants. However, the 1969 enactment of the so-called "Act for the Total Number of Civil Servants" (*Sōteiin-hō*) capped the total number of national civil servants, and thereafter became a powerful check on the increase in government officials. Okamoto Masakatsu, a longtime bureaucrat in the former Ministry of Home Affairs and the Cabinet Office, characterizes the administrative reforms of the First Rinchō as "restraining the expansion of organizations and personnel and regulating their total number."² A typical example from the Act for the Total Number of Civil Servants is the idea of avoiding an increase in the number of civil servants by promoting the efficient management of the public sector while raising the level of civil servant salaries, but leaving the role played by the government

¹Inatsugu (1996), Figure 3.1.

²Okamoto (2011), p. 50.

untouched. Maeda Kentarō, a scholar of public administration, notes that this became the standard way of thinking in Japanese debates about administrative reform.³

Movements to check the expansion of the government's activities, rather than simply increasing or decreasing the number of civil servants, arose in some countries from the end of the 1970s, and the trend spread worldwide in the 1980s. This is the "small government" theory, of which the administrations of Ronald Reagan in the United States, Margaret Thatcher in the United Kingdom, and Helmut Kohl in Germany were the standard-bearers.

While this approach sought to directly address problems that accompanied the expansion of the scope of governments' activities, such as growing budget deficits, in a larger context, it was characterized by an emphasis on the autonomy of the economy vis-à-vis the government—particularly the role of the free market economy. This was often called neoliberalism, in the sense that it emphasized the activities and functions of the market economy.⁴ Major European countries introduced consumption taxes as a stable source of revenue from the late 1960s onward, in an attempt to cover the fiscal demands of the welfare state. However, the first oil shock of 1973 ended the economic growth of the post-World War II era, and a change in the role of government became unavoidable. Thatcher was the figure who most embodied this change. When she became prime minister in 1979, she carried out decisive actions to privatize telecommunications, airlines, and other industries, despite criticism and resistance from the opposition Labor Party as well as from within her Conservative Party, earning her the nickname "Iron Lady."

In Japan, too, a movement to control the scope of government activities rather than personnel emerged during the administration of Nakasone Yasuhiro, who took office in 1982. The administration, based on the findings of the Second Provisional Administrative Research Council (Second Rinchō), privatized the three major public corporations: Japan National Railways, Nippon Telegraph and Telephone Public Corporation, and the Japan Tobacco and Salt Public Corporation. This was a reduction in the scope of the government's activities through partial withdrawal from specific fields of operations. Although fundamental reform of the social security system failed, the administration halted the trend towards system expansion by, for example, scrapping the provision of free medical care for the elderly, which had been in place since 1973. Under the succeeding administration of Takeshita Noboru, a consumption tax was introduced in 1989, which represented a belated shift towards increasing the ratio of indirect taxes to revenues. Okamoto summarizes this as the "era of aiming for small government."⁵

³Maeda (2014).

⁴For political science analysis of this period of reform, see Ōtake (1993) and Toyonaga (2008).

⁵Okamoto (2011), p. 50.

2 What Was the True Aim?

The Emergence of a New Direction

The administrative reforms promoted in the 1990s have been described as neoliberal reforms that were based on the “small government” orientation of the 1980s. For example, political scientist, Nakano Kōichi, whose interpretation of political reform as a rightward shift in Japanese politics was mentioned in Chap. 1, states that administrative reforms were a “new right turn relayed from Nakasone to Ozawa to Hashimoto.”⁶

However, it is doubtful whether there was a coherent neoliberal or “new right-wing” philosophy. First, such a view lacks persuasiveness in terms of personal ties. At the time that administrative reforms were initiated, Ozawa Ichirō and Hashimoto Ryūtarō, who according to Nakano were part of the “relay of the new right-wing turn,” had been in a fierce rivalry, dating back to the split in the Takeshita faction in 1992, as opposing leaders helming the New Frontier Party and the LDP, respectively. It would be difficult to find a “relay” between the two in the direct sense of the word, unless one makes the strong assumption that since they both had belonged to the LDP and its Takeshita faction, their policy positions had remained consistent and unchanged. As for Hashimoto’s own ideology, he had emerged as a representative of the so-called labor and social welfare policy tribe (*zoku*), and is said to have been more sympathetic to social democracy than neoliberalism.⁷

Meanwhile, there is no evidence that Nakasone Yasuhiro, who is considered a pioneer of the “New Right,” was actively involved in the administrative reforms that Hashimoto was trying to promote. When looking at the lineup of the Administrative Reform Council (*Gyōsei Kaikaku Kaigi*) during the Hashimoto Administration, which examined reform proposals, there is little continuity from the Second Rinchō in the 1980s. Regarding the reorganization of ministries and agencies in particular, its starting point appears to have been the Third Provisional Council for Administrative Reform, which was established in the early 1990s (1990–1992).⁸ This was after the Nakasone administration, and there is little evidence that this Council inherited the policies of the Second Rinchō or Nakasone.

Second, even in terms of its conception, the administrative reforms advanced during the Nakasone administration were significantly different. The Administrative Reform Council submitted its final report in December 1997, and what is indicated therein is an orientation towards a better-functioning government rather than reductions in the number of government employees or the scope of government activities. The sense that government itself is the problem is not visible. Clearly this is different from strong neoliberalism, which tends to consider the government itself as evil. The

⁶Nakano (2015), p. 103.

⁷Ōtake (1999).

⁸Tanaka (2000), Ryū (2017).

Council instead assumed that government had an important role to play and concerned itself with how to make it play that role more effectively.

The “Philosophy and Goals of Administrative Reform—Why We Must Engage in Administrative Reform Now,” placed at the beginning of the final report, sets forth the following goals.⁹

1. We plan to reconstruct the “shape of this country” with the aim of forming a freer and fairer society, while building on the prevailing achievements of the Japanese people.
2. In order to reconstruct the “shape of this country,” first and foremost, we will reform the bloated and ossified government organization to realize a simple, efficient, and transparent government that is fit to carry out important state functions effectively.
3. On the basis of such a government, we will actively play a leading role as a member of the international community, aiming at the formation and development of a free and fair international society.

This text was written by Satō Kōji, a constitutional law scholar who was one of the members of the Council, in close consultation with Matsui Kōji, a bureaucrat who had been seconded to the Cabinet Secretariat from the Ministry of International Trade and Industry (MITI) and was working in the Council’s secretariat.

The personal continuity between Nakasone and Ozawa is also broken here. Satō was not a member of the Eighth Electoral System Advisory Council, which played a major role in electoral reform, nor did he participate in the Political Reform Forum in which Sasaki Takeshi and others were involved. Matsui, meanwhile, joined MITI in 1983, and was studying in the United States in the late 1980s and early 1990s and was therefore not directly involved in electoral reform. Matsui later became a DPJ member of the House of Councillors and served as deputy chief cabinet secretary in the Hatoyama Yukio cabinet, and he consistently belonged to Hatoyama’s faction and continued to be a member of the DPJ even after Ozawa left the party in 2012. From this, we can see that administrative reform during the Hashimoto administration proceeded from different roots to those of Nakasone and Ozawa.

Administrative Reform as Part of Political Reform

Hashimoto’s administrative reforms are an important part of the political reforms discussed in this book, and there is no doubt that they shared the characteristics of the reforms of this era. Underlying these reforms was the strong sense of crisis that Japan could no longer rely on its successes up to the 1980s, as the socioeconomic and international environments that Japan confronted had changed drastically. Although

⁹From the final report of the Administrative Reform Council, stored at the website of the Prime Minister’s Office of Japan. Last accessed September 29, 2019.

it is somewhat lengthy, let me quote again from the final report of the Administrative Reform Conference.

As a result of the longstanding pursuit of an efficient and adaptive industrial society, this country is covered with both state regulations and customs and traditions, and society seems to have become extremely standardized and fixed. In the process of rising from the ruins of wartime [WWII] defeat and pursuing an economically prosperous society, we may have unwittingly created a new national mobilization system. With the end of ever-increasing economic growth, along with the maturation of society and the diversification of people's values, the same system that once stimulated the public's work ethic and brought vitality to society is now becoming a factor that fosters a structure of mutual dependence, strengthens the sense of social stagnation, and inhibits the people's desire to create and will to take on new challenges.

The Japanese state and social system, including the bureaucracy and public-private relations, is excellent at implementing fixed goals that have been provided, but it is difficult to say that they are first-rate at creating original ideas or new value systems or in their ability to respond to novel situations. The various events that have recently affected the Japanese state and society have made us keenly aware of this fact.

This administrative reform is a reform of the "administration" but, at the same time, it is also a reform of the "way of this country" itself, in which under the Meiji constitutional system people become accustomed to being the objects of governance, and even during the postwar period tended to be dependent on the administration. It is, in short, about how "We The People" ourselves shape the form of this country.

The basic principle of this administrative reform can be summarized as follows: change the postwar administrative system, which is overcome with institutional fatigue, and replace it with a twenty-first-century-style system that is based on the autonomous individual while being suitable for creating a freer and more just society.

Here the modernist understanding of postwar Japanese politics is presented almost as an ideal type. There exists a structure of "mutual dependence" that hinders individual and economic autonomy from the government and has weakened the ability to "create original ideas or new value systems or respond to novel situations." What is needed is not just reform limited to administrative structures, but a "reform of 'the way of the country' itself, which has tended to depend on the administration." In other words, a change in the "state of 'We The People' ourselves." Furthermore, it is believed that what should be aimed for is a government "that is based on the autonomous individual while being suitable for creating a freer and more just society." To put it differently, this is not simply a government that is smaller in size and scope, but a government that can respond appropriately to the new challenges it faces.

The idea that administrative reform should, on the basis that the scope of the government's activities has been reduced to a manageable extent, increase problem-solving abilities and responsiveness in the areas that remain, is called "New Public Management" (NPM). This was a philosophy that was already gaining attention in the United Kingdom and other countries. In the context of Japanese politics in the 1990s, it overlapped with the philosophy of liberal modernists. And what was deemed indispensable for realizing an efficient and responsive executive branch was strengthening the functioning of the cabinet. Regarding the need for this, the final report states the following:

The “administrative department”-centered view of public administration, and the principle of apportioned management by which administrative affairs are managed by the respective ministries and agencies, while appropriate for times in the past, are revealing their limitations and dysfunctions in making prudent value judgments and policy development in response to increasingly complex national goals and rapidly changing domestic and international environments. Now, what is needed is an administrative system that is able to engage in comprehensive, strategic policymaking that looks across the whole of government and renders decisions nimbly.

In order to realize this, it is necessary to strengthen the functions of the cabinet, taking seriously the fact that under the Constitution, the Cabinet’s functions are high-level governance and politics—“the overseeing of affairs of state”—that is, setting the state’s comprehensive and strategic direction, taking into consideration information from administrative departments.

Under the Meiji constitutional system, the prime minister was positioned as “first among equals” alongside cabinet ministers, and his leadership was subjected to significant constraints. This situation had its origins in the Meiji Constitution’s decentralized decision-making structure. But after WWII, it was linked with the bottom-up decision-making mechanism of the LDP, which was a majoritarian ruling party under the MMD-SNTV system. It was not the prime minister or even cabinet ministers who could wield influence over ministries and agencies under the principle of apportioned management, but rather members of the LDP’s policy tribes. Strengthening the cabinet’s functions was an attempt to change this structure and to rationalize the management of the central government by establishing prime ministerial leadership. This was undoubtedly consistent with the changes in party competition and internal party organization envisioned in the electoral reforms.

Between “Small Government” and “Strong Government”

However, it would be a bit naïve to think that only the ideas of liberal modernism—namely, that increases in individual autonomy and the rational management of the public sector can improve the state’s responsiveness to policy needs—were solely responsible for shaping the Administrative Reform Council and the Hashimoto reforms.

As mentioned previously, administrative reform in postwar Japan was first and foremost conceived as personnel cuts and organizational contraction. Nakasone’s reforms in the 1980s further added to squeezing the scope of government activities. Without due consideration of these circumstances, it would not necessarily have been the case that everyone would support the existence of more functional administrative authorities capable of responding to socioeconomic needs and the international environment.

It is in this context that the final report of the Administrative Reform Council called for reforming “the bloated and ossified government organization.” Since the phrase “fit to carry out important state functions effectively” immediately follows, it is clear that in the reform of government organizations, the emphasis is placed on

getting rid of “ossification.” We can see the awareness of—or perhaps the painstaking attention to—continuity with previous administrative reforms. This aspect was indispensable for securing the support of the business community and the mass media, as well as public opinion. Specifically, it was stated in a chapter of the final report titled “Streamlining (Outsourcing) and Efficiency Gains of Administrative Functions” that “the basic perspective for reviewing the role of the national administration is ‘from public to private’ and ‘from national to local.’”

The first matter addressed here is reform of the government’s operational work, which covers the postal service, national forestry, coinage, printing, and the like. It is assumed that reforms will be taken ultimately with an eye towards privatization, although this is not explicit. However, at this point, the majority of LDP politicians, starting with Prime Minister Hashimoto, opposed postal privatization, and it is highly likely that postal privatization was floated to maintain the coherence or logic of the report as a whole. Another significant feature is that the role of administration was divided into policy planning and policy implementation, and the creation of incorporated administrative agencies (*Dokuritsu Gyōsei Hōjin*; also independent administrative corporations or agencies) was proposed to take on responsibilities for policy implementation other than those already undertaken by existing departments. An incorporated administrative agency is an organizational form that has a certain degree of autonomy from government intervention, that must maintain the profitability of its operations, and can be staffed by non-civil servants. This was modeled after the NPM-style administrative reforms in the United Kingdom, which were discussed earlier.

The perspective of “reducing administrative functions” is also applied to central government ministries and agencies. While the final report is based on the core premise that central government ministries and agencies must enhance their functions “in terms of comprehensiveness, flexibility, efficiency, transparency, and internationality,” it added that “it is necessary to deregulate and decentralize and thoroughly divide roles between public and private—leaving as much as possible to the private sector and local governments—and to actively promote administrative streamlining and prioritization.” The specific direction to be taken was the systematic separation of the policy planning and implementation functions of central government ministries and agencies. Following the separation, implementation functions would be entrusted to incorporated administrative agencies as previously mentioned, but the status quo would also be changed for policy planning functions. Regarding the arrangement of ministries and agencies, it was proposed to organize and consolidate them by policy dimension, and the necessity of comprehensive coordination among ministries and the consolidation and elimination of advisory councils were also strongly advanced.

3 Reorganizing Ministries as a Means of Localization

In the Vortex of Inter-party Competition

Administrative reform literally means institutional change of administrative departments, but this does not mean that majority formation is unnecessary. Whether it be the strengthening of cabinet functions or the reorganization of ministries and agencies, it is essential to have the support of a majority of Diet members, since the basis for such reforms must be found in legislation. More specifically, it was necessary to secure support within the ruling party. At the time of the inauguration of the Hashimoto government, the ruling parties were the LDP, the Socialist Party, and the New Party Sakigake. But after the general election of October 1996, the Social Democratic Party (which changed its name from the Socialist Party in January 1996) and the New Party Sakigake shifted to extra-cabinet cooperation, so the ultimate key to administrative reform was developments within the LDP. However, in understanding Hashimoto's administrative reforms, the influence of inter-party competition cannot be ignored.

Hashimoto raised administrative reform as a major policy initiative in his general policy speech (*shoshin hyōmei enzetsu*) at the start of his second administration, following the general election of 1996. In the speech, Hashimoto first proposed “five great reforms”—administrative reform, economic structural reform, financial system reform, social security reform, and fiscal structural reform—and in the following January, he appealed for “six great reforms,” adding education reform. As anticipated by Nakasone Yasuhiro, who said of these reforms—“Aren't they spread too widely?”—most of these reforms ended up failing and were abandoned along the wayside, but administrative reform was engraved in history as the Hashimoto government's achievement.¹⁰

The “precursor” or antecedent of this development was the general election of October 1996. The New Frontier Party (NFP), which aimed to compete with the LDP in a bid to take power, emerged through the collaboration of the ruling parties of the Hata administration (the Japan Renewal Party, the Japan New Party, Komeito, the Democratic Socialist Party, etc.). As one initiative of NFP leader Ozawa Ichirō's “Five-Point Contract,” the party stressed that it would “decisively carry out bold administrative reform, decentralization, and deregulation, and reduce national and local expenses by more than ¥20 trillion.” Ozawa said, “The central government ministries and agencies will first be arranged into 15 ministries and agencies, and eventually reorganized into 10 ministries. National civil servants will be reduced by around 25%. Among these, the number of senior bureaucrats will be halved.” He also asserted that the LDP and the SDP were incapable of such reforms.¹¹ The seeds

¹⁰Nakasone's evaluation is quoted in Shimizu (2018), p. 132.

¹¹Interview in the *Komei Shimbun* October 6, 1996. The interview is archived at the website of Ide Yoshihiro, former member of the Ibaraki Prefectural Assembly. Last accessed September 30, 2019. https://www.jsdi.or.jp/~y_ide/syo_ozawa.htm.

of the argument that would later lead to the DPJ's election manifesto can already be seen. In response, the LDP also pledged in the general election to promote administrative reforms including halving the number of ministries and agencies. In other words, one motivation for the LDP's administrative reform proposal was to blunt the appeal of that of the NFP.¹²

Because the starting point for reform was inter-party competition over the reduction of ministries and agencies, which had become an issue in the general election of 1996, the focus of the first phase of Hashimoto's administrative reform was the reorganization of ministries and agencies and the reduction of their power and influence. Evaluations at the time also focused strongly on this point.

For example, in September 1997 when the Administrative Reform Council issued its interim report, political scientist Shinoda Tomohito noted, "It is unlikely that the ruling parties will come together as one, due to the inevitability of the Social Democratic Party's opposition on the issue of employment [of civil servants] in relation to administrative reform. If the LDP is shaken internally by the relationship with the SDP [which had been cooperating with the Hashimoto administration from outside the cabinet], cooperation with the Ministry of Finance—the so-called elite of the elite in the bureaucracy—would be necessary to push forward administrative reform." Hashimoto expressed the outlook that he could not truly tackle reforms that would reduce the power and influence of the bureaucracy, and that his reforms would end up being inadequate compared to Nakasone's reforms, which were advanced by the Second Rinchō based on a clear philosophy.¹³

Ministerial reorganization and the reduction of the power and influence of the bureaucracy similarly attracted attention within the LDP. At this stage, ministries and agencies cooperated with LDP lawmakers and attempted to modify the Administrative Reform Council's interim report. In particular, this report emphasized a "broad consolidation and reorganization" of ministries and agencies which included the merger of the Ministry of Education and the Science and Technology Agency; the reorganization of the Ministries of Construction, Transportation, and Agriculture, Forestry, and Fisheries to establish a "Ministry of Land Development" and a "Ministry of Land Conservation"; the division of the Ministry of Posts and Telecommunications into three parts, the privatization of the postal life insurance business, and the downgrading of the postal service to an "agency" status. This prompted a strong reaction. At this time, agencies were not defined as analogous to the incorporated administrative agencies of later years, but they shared the goal of greater separation from the government.

Although the public's assessment of the interim report was not poor, and Hashimoto was unopposed in his reelection as leader of the LDP in September 1997, he made a great mistake in the cabinet reshuffle that followed. He appointed Satō Takayuki as director-general of the General Affairs Agency (*Sōmuchō*), which was heavily involved in administrative reform. Satō had allegedly been involved in the

¹²Narita (2001), p. 117.

¹³Shinoda (1997).

Lockheed scandal in the 1970s, and as a result had not been given a cabinet position despite repeatedly winning elections. He had served as head of the LDP's Administrative Reform Promotion Headquarters, and there was no doubt that he was well-versed in administrative reform, but he was appointed largely due to circumstances within the party. A leading figure in the former Watanabe faction, Satō detested the LDP's collaborative relationship with the SDP, and wanted a coalition with the New Frontier Party. It is said that his appointment was intended to win over his backers, who included Nakasone.¹⁴

The entrance of so-called crooked politicians into the cabinet was strongly criticized, and some LDP legislators took advantage of this opportunity to strengthen their opposition to the interim report. Their specific aim was to block the reorganization of ministries and agencies, including the dissolution of the Ministry of Construction and the Ministry of Posts and Telecommunications. It goes without saying that both were deeply connected to the LDP's support base, through their centrality in the distribution of public works and the management of special post offices. At the time, the close relationships between LDP lawmakers, bureaucrats, and related organizations that had been built under the 1955 system still remained. In the final report, the Construction Ministry was not dissolved but instead integrated with the Transport Ministry and the National Land Agency into the Ministry of Land, Infrastructure, Transport and Tourism. The Ministry of Posts and Telecommunications was also merged into the Ministry of Internal Affairs and Communications, without being split up. The privatization of the postal life insurance business was also avoided.¹⁵

In early December 1997, just after the final report, political scientist Sone Yasunori offered a harsh assessment, arguing that “the ideological aspects of the interim report have completely vanished, making it entirely a “dragon’s head and snake’s tail”—an idiom referring to something that impresses at the beginning but fizzles by the end.” His reasoning was that the reorganization of ministries and agencies had not been accompanied by careful examination of the volume and scope of their activities. It merely “changed the width of the *yōkan* (a bean-based sweet) without changing the volume” and followed a scenario that “was written by Ministry of Finance and the Ministry of International Trade and Industry,” two of the most powerful ministries in Japan.¹⁶

¹⁴*Nikkei Shimbun* electronic edition, “Serial: Personnel in the Political World - Satō Takayuki as Director General of the General Affairs Agency (1997),” May 1, 2014. Last accessed September 30, 2019. https://www.nikkei.com/article/DGXNASFS 02040_X00C14A5NN9000/.

¹⁵ Takenaka (2006).

¹⁶ Sone (2001), pp. 105, 115.

The Effective “Preservation” of the Strengthening of Cabinet Functions

On the one hand, this interest in the reorganization of ministries and agencies and the reduction of the power and influence of bureaucrats meant that the Hashimoto government’s administrative reforms were of the same lineage as that of the Nakasone administration in aiming for “small government.” On the other hand, it meant that the other pillar—strengthening the functions of the cabinet—was not fully examined. In other words, because realizing the “small government” by reorganization of ministries and agencies was the battleground for obtaining majority support for reform, the “strong government” orientation, as epitomized by the strengthening of cabinet functions, survived the political process intact and could be implemented after the final report of the Administrative Reform Council was issued.¹⁷

From the perspective of the analytical framework of this book, the strengthening of the cabinet, which was a heretical or non-mainstream element of reform, survived because ministerial reorganization was prioritized. The view that stressed reductions in personnel and shrinking of bloated administrative organizations was the central element that shaped postwar Japan’s debate on administrative reform. Strengthening the cabinet—a novel part of Hashimoto’s reforms—could be localized as one feature of a package of administrative reforms whose overall orientation fit with the “small government” philosophy.

Of course, it was recognized at the time that strengthening the functions of the cabinet was a new and important development. I would like to look at a few specific examples. Sone Yasunori, whom I have already mentioned, offered harsh comments on the final report, but also observed that “many people say that they value the strengthening of cabinet functions.”¹⁸ Furthermore, Morita Akira, a scholar of public administration who served as a counselor to the Preparatory Committee for the Reorganization of Central Government Ministries and Agencies, a body that was involved in the Basic Act on Central Government Reform, observed, “One focal point for the Administrative Reform Council is the transfer of policy-formation leadership from bureaucrats to politicians.” And he argued that relaxing the principle of apportioned management and allowing the prime minister to command and supervise bureaucrats in ministries and agencies directly were important changes that would lead to greater political leadership in the policymaking process.¹⁹

However, these commentators also did not expect the reforms proposed by the Administrative Reform Council to achieve their aims. Let us return to the views of the commentators above. According to Sone, “Strengthening the functions of the parliamentary system is a fine argument, but it ignores the problems posed by the parliamentary system. The parliamentary system is based on the relationship

¹⁷Shinoda (1999).

¹⁸Sone (2001), p. 108.

¹⁹Morita (1999), pp. 3–4.

between the leaders of political parties and the prime minister” . . . “Resolving these relationship problems can strengthen the cabinet’s functions and the prime minister’s leadership.” By this, Sone means that it is insufficient to simply expand the prime minister’s authority and responsibilities vis-à-vis other ministers and bureaucrats.²⁰

Morita questions whether the Cabinet Office and the Ministry of Internal Affairs and Communications (MIC) are capable of coordinating across ministry boundaries. “It is natural as an organizing principle of the parliamentary system,” he says, “that authority and responsibility for integrating policy among ministries and agencies, and formulating and executing policies, systematically belongs to the cabinet, and ultimately the prime minister who is selected by the Diet.” However, regarding the Cabinet Office, which was to be responsible for this kind of integration and coordination, he adds, “What is described in the final report is a step backward from the original image of a cabinet institution for managing ministries and agencies.” He further questions the MIC’s role, arguing that while “it has the function of managing the organization of ministries and agencies, its institutional status is only equal to—and not above—other ministries and agencies,” making it difficult to see how it can act according to the political will of the prime minister and the cabinet. In the case of the Cabinet Office, Morita also charged that although there was room for the minister in charge to implement policies in line with the intentions of the prime minister over the heads of ministers and bureaucrats in each ministry—a point that was laid out clearly in the Administrative Reform Council’s final report—this authority was made ambiguous during the legislative process that followed.²¹

These points suggest why the goal of strengthening the cabinet’s functions survived the political process that followed the final report. Broadly speaking, there were three reasons. First, since strengthening the cabinet was seen as a means of ensuring the general supremacy of the political executive over the bureaucracy, it was difficult for it to become a target for revisions by politicians during the legislative process. In fact, this was not the case, but if the Hashimoto reforms are seen as reforms aiming for a “small government” or “small bureaucracy,” an extension of the Nakasone reforms, and if strengthening the cabinet is understood as an attempt to weaken the bureaucracy relative to politicians, there was little reason for the politicians of the time to oppose it.

On the other side of the coin, the second reason was that while revisions were almost exclusively sought by bureaucrats, working through the LDP, the bureaucrats were primarily occupied with fending off the large-scale reorganization of ministries and agencies. It is natural that the issue of cabinet authority was given less priority at a time when a scalpel was being taken to the basic structure of ministries and agencies, such as organization, personnel, and budgets. Moreover, this authority was understood to be related to coordination between ministries, and it was thought that this could be adequately handled if organizational restructuring could be avoided. Third, the prime minister and the cabinet’s relationship with the ruling

²⁰Sone (2001), p. 108.

²¹Morita (1999), pp. 7–11.

party, which had been a constraint on their ability to play a leading role in the policy process, was not a direct target of the reforms based on the final report of the Administrative Reform Council, and thus it was thought that strengthening cabinet functions would have little effect. The linkage with electoral reform was not yet widely recognized at the time.

4 What Happened?

The Decisive Effects of Strengthening Cabinet Functions

The administrative reforms pursued under the Hashimoto administration became law in 1998 as the Basic Act on Central Government Reform, and the reorganization of ministries and agencies, including the creation of the Cabinet Office, was implemented in January 2001. The prime minister was legally specified as the Cabinet Office's competent minister. The Cabinet Act was also revised, clearly stipulating that the prime minister, as the presiding officer at cabinet meetings, "may propose motions regarding basic objectives and other matters concerning important policies of the cabinet." Moreover, the maximum number of special advisors to the prime minister was increased and the Cabinet Secretariat was reorganized.²² At the time these changes were implemented, Mori Yoshirō was serving as prime minister, but he was replaced by Koizumi Jun-ichirō in April of that year, and the fruits of administrative reform were first put to the test by the Koizumi administration. During that administration, a new and larger building housing the prime minister's office was completed. Its size embodied the strengthening of the cabinet's functions.

An entirely different policy process emerged under the Koizumi administration. While I will not delve into it deeply, its most distinctive feature was prime ministerial leadership or Kantei (prime minister's office) leadership.²³

Koizumi made use of the Cabinet Office, a new political resource granted to the prime minister through the strengthening of the cabinet's functions, to launch his economic policy of "Structural Reform Without Sanctuary" with the Council on Economic and Fiscal Policy (CEFP) as the main stage for the reform. The CEFP was established under the aegis of the Cabinet Office and was led by Takenaka Heizō, who effectively headed the Council as Minister of State for Economic and Fiscal Affairs. It included four private-sector members drawn from the business community and academia, as well as Iwata Kazumasa and Ōta Hiroko, political appointees (appointed without having passed the national civil service examination) who were added to the council's secretariat as Cabinet Office directors-general for policy

²²Tanaka (2007).

²³Takenaka (2006), Iio (2007), Machidori (2012).

planning in order to advance the policymaking process.²⁴ The CEFP also presented the so-called *Honebuto Hōshin*, or “Big Boned Policy,” the nickname for a strategic blueprint—officially titled Basic Policies for Economic and Fiscal Management and Reform—that guided annual budget-planning. Although the Ministry of Finance seconded bureaucrats to serve as the prime minister’s executive secretaries, and in the secretariat of the CEFP, its influence was greatly reduced.²⁵ As structural reforms were oriented toward changing the policymaking process, the decline of ministries other ministries, especially those that had once made their presence felt through public works projects, such as the Ministry of Land, Infrastructure, Transport, and Tourism, and the Ministry of Agriculture, Forestry, and Fisheries, was also evident.

This policy process, known as Kantei leadership, momentarily became less conspicuous after Koizumi stepped down in 2006. This is because the six prime ministers who followed, starting with Abe Shinzō’s first administration, were each in office for only about a year, thus—whether they were from the LDP (2006–2009) or the DPJ (2009–2012)—they were largely unable to leave their mark on policy. However, even during this period, the influence of the prime minister on the policy process was by no means small, as seen by the substantial role played by Fukuda Yasuo in the establishment of the Consumer Affairs Agency, which aimed to unify administration of consumer issues, a longstanding problem, or Hatoyama Yukio’s advocacy of the relocation of the Futenma Air Station outside of Okinawa, which ignored established policy and sowed confusion. There was a striking increase in the number of bills submitted by the cabinet under the jurisdiction of the Cabinet Secretariat or the Cabinet Office, the number of tasks assigned to the Cabinet Office, and the number of Cabinet Office personnel. Around 2012, near the end of the DPJ administration, there was even discussion about transferring some of the Cabinet Office’s administrative tasks back to individual ministries in order to alleviate its excessive workload.²⁶

Since the start of the second Abe administration at the end of 2012, Kantei leadership has strengthened to the extent that it is sometimes derided as “Abe supremacy” (*Abe Ikkyō*). Even the Ministry of Finance, once known as the “Ministry Above All Ministries,” has clearly lost its influence.²⁷ In 2014, the National Security Secretariat was established, making it even clearer that the prime minister has also become directly responsible for foreign and security policy. Moreover, the Cabinet Personnel Bureau was established in the same year to promote the unified management of senior bureaucratic personnel appointments from the deputy director-general level and higher in each ministry and agency. Although it is too early to tell whether personnel matters have been decisively and irreversibly changed, it is possible that this has had the effect of strengthening the concentration of power, as in the much-

²⁴See Shiroyama (2006) and Shimizu (2007) for the institutional characteristics and operations of the Council on Economic and Fiscal Policy.

²⁵Shimizu (2005, 2007).

²⁶Setoyama (2015).

²⁷Shimizu (2015).

discussed issue of bureaucrats' "surmising the intentions" (*sontaku*) of the Kantei. Additionally, in the legislative process surrounding the passage of national security legislation (*anpo hōsei*) in 2015, the director-general of the Cabinet Legislation Bureau was replaced and the constitutional interpretation of the right of collective self-defense was changed to align with the Abe administration's policy. The impression is that the Cabinet Legislation Bureau, which in the past maintained its autonomy based on its legal expertise despite being housed within the cabinet, has seen its role change dramatically.²⁸

The case of the Abe administration differs somewhat from the Koizumi administration's Kantei leadership, which made use of the CFP and other bodies established in the Cabinet Office. Abe's Kantei was characterized by a preference for policymaking by a small group centered in the Cabinet Secretariat, including the chief cabinet secretary and the prime minister's executive secretaries. However, the institutional resources that made these different approaches to Kantei leadership possible were provided by the administrative reforms of the Hashimoto administration. Strengthening the cabinet's functions, contrary to skeptical evaluations prior to implementation, led to major and decisive changes in the policy process in the central government.

However, while it is certain that the policy process has become prime minister- or Kantei-led, it is premature to assume that this is all a result of the strengthening of cabinet functions. The prime minister is also the leader of the ruling party, and the power he possesses as the head of a major political party overlaps with the strengthened power of the prime minister, enabling him to exercise greater influence in the policy process. It is the internal organization of the ruling party that defines the nature of the party leader's power, and it is the electoral system that provides the background for it.²⁹ In other words, the centralization of power in political party organizations has occurred as a result of the electoral system reform discussed in the previous chapter.³⁰ For people who aspire to become Diet members under the parallel SMD-PR system, the fastest way to win election is to become an official candidate of a major party. It is therefore difficult for aspiring politicians to resist the intentions of party executives, which have the right to nominate candidates. The prime minister, as the head of the ruling party, is at the top of the party organization, and it is a big risk for ruling party lawmakers to disagree with the prime minister's policies. The strengthening of the cabinet's functions, combined with electoral reforms that share the same orientation, has changed the policy process.

²⁸Makihara (2016).

²⁹Machidori (2012).

³⁰See also Nakakita (2017).

The Apparent Arrival of “Small Government”

What were the consequences of the reorganization of ministries and agencies in the Hashimoto reforms? As we have already seen, the final report of the Administrative Reform Council called for the separation of the policymaking and implementation functions of ministries and agencies and the “broadening” of their visions, so that the administrative departments of the central government could focus on policymaking to address important national issues from multiple perspectives. In addition, it was assumed that policy implementation would be borne by incorporated administrative agencies, in order to realize a “small government.” The separation of policy formulation and implementation was referred to as “vertical reductions (outsourcing)” in the interim report, but in the final report this was changed to the phrase “reduction of administrative functions,” perhaps because the term “vertical” could be misleading. In any case, there is no doubt that “broadening” and “outsourcing” or “agency-fication” were key concepts in the reorganization of ministries and agencies.

Regarding this “broadening,” major organizational changes were implemented through the establishment of the Ministry of Health, Labor, and Welfare from the merger of the Ministry of Health and Welfare and Ministry of Labor; the Ministry of Internal Affairs and Communications from the merger of the Management and Coordination Agency, the Ministry of Home Affairs, and the Ministry of Posts and Telecommunications; the Ministry of Education, Culture, Sports, Science and Technology (MEXT) through the merger of the Ministry of Education and the Agency for Science and Technology; and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) through the merger of the Ministry of Transport, the Ministry of Construction, the National Land Agency, and the Hokkaidō Development Agency. Additionally, the establishment of the Cabinet Office through the merger of the Prime Minister’s Office, Economic Planning Agency, and Okinawa Development Agency, among others, was an enormously significant change in terms of improving policy coordination across ministries. In the case of the Cabinet Office, rather than simply bundling together and retaining the pre-merger duties of these organizations, it became a driving force for prime ministerial leadership in the policy process. The prime minister served as chief minister, and would appoint ministers of state in charge of special portfolios to implement his vision, while the chief cabinet secretary also participated in administrative matters. As mentioned previously, the Council on Economic and Fiscal Policy and the Council for Science and Technology Policy (now the Council for Science, Technology, and Innovation) were also established in the Cabinet Office, and it has become routine today for these bodies to be a source of policy ideas and to lead major policy changes, especially in matters of strong interest to the prime minister and his administration.

On the other hand, critics have noted that the negative side of this “broadening,” notably an excessive increase in workload, may be greater than any positive effect from coordinating policymaking across former ministries. A typical example is the Ministry of Health, Labor, and Welfare. By unifying the Ministry of Health and Welfare, responsible for health care and social security, with the Ministry of Labor,

responsible for employment and labor, the aim was to draft policies without segmenting human life into “time at work” and “time not at work.” However, the unified ministry’s recent policy concerns are issues that do not map onto these dimensions neatly, such as the declining birthrate and aging population, related issues with the health of the social security system, and supporting women’s advancement in society. Therefore, in September 2018, the LDP’s Administrative Reform Promotion Headquarters made a proposal to the prime minister (i.e., the party president) with a view to splitting up the Ministry of Health, Labor, and Welfare.³¹

What about “outsourcing,” the other key concept? The Act on General Rules for Incorporated Administrative Agencies was enacted in 1999. Based on this law, 57 incorporated administrative agencies were established in April 2001. Then, as a result of the Koizumi administration’s public corporation reforms, 34 corporate bodies were transformed into 32 incorporated administrative agencies in October 2003. In addition to these periods of large-scale realignment, there have continued to be minor increases and decreases, and as of April 2020, there were 87 incorporated administrative agencies.³² Moreover, in 2004, all national universities were converted into incorporated administrative agencies by means of a separate law called the National University Corporation Act. However, it is difficult to say that the Administrative Reform Council’s vision of newly outsourcing the implementation portion of the central government’s operations has been realized. A significant number of the incorporated administrative agencies were former special corporations, and national universities have traditionally had a high degree of operational autonomy already. Rather, we should say that the greatest effect has been that public sector work that had already been de facto outsourced is no longer performed by civil servants.

On the one hand, the seeming reduction in the number of civil servants would appear consistent with the movement for “smaller government.” However, the number of civil servants had stopped being a significant issue some time previously, and the reduction likely proceeded with the awareness that it would have only symbolic meaning. Instead, what stands out in practice is that outsourcing through incorporated administrative agencies has had unanticipated negative effects. In more than a few cases, incorporated administrative agencies with non-civil service employment standards have taken over work that is essentially the responsibility of the public sector. This has actually strengthened their relationship with the ministry that has jurisdiction without increasing their independence, and given rise to a trend whereby it becomes increasingly difficult to ensure political accountability.

³¹*Nikkei Shimbun*, September 22, 2018. The Covid-19 pandemic has shown to the general public that the Ministry of Health, Labor, and Welfare bears too heavy burden.

³²Nishizawa (2007); Ministry of Internal Affairs and Communications, “List of Incorporated Administrative Agencies (as of April 1, 2020).”

The establishment of incorporated administrative agencies related to higher education is a typical example. In addition to the national universities, institutions like the National Center for University Entrance Examinations, which plays a major role in the selection of university applicants, the Japan Society for the Promotion of Science, which distributes research funds indispensable for the promotion of scholarship, and the National Institution for Academic Degrees and Quality Enhancement of Higher Education, which is involved in budget allocation to universities, are all incorporated administrative agencies with a non-civil service model of employment. However, as they bear responsibility for policy implementation, they are all operated under the strong influence of the Ministry of Education, Culture, Sports, Science and Technology (MEXT), whose officials often take posts at universities after retirement (*amakudari*, literally “descent from heaven”). However, because these incorporated administrative agencies are legally disconnected from MEXT itself, the process of ensuring accountability for their operations has become more indirect. Conversely, it is not widely understood that MEXT bears accountability for issues related to education-related agencies, even though it regulates the incorporated administrative agencies in its jurisdiction and delegates many implementation tasks to them. The confusion seen in higher education policy and the university admissions system in recent years may be due in part to this division of duties, in addition to a high degree of voter attention and susceptibility to intervention from the administration.

Considered in this way, the effects of the reorganization of ministries and agencies with the aim of “broadening” and “outsourcing” can be seen on two fronts. One is the reduction in the number of civil servants, which was necessary to localize the Hashimoto administration’s administrative reforms in the context of the time. The other is the changes that conformed with the reform’s fundamental goal of strengthening the cabinet’s functions. We should consider the reorganization of ministries and agencies as a kind of wrapping paper that ensured the survival of the reform plan, which was too novel as it was. Hashimoto’s reforms had as their main focus the pursuit of “strong government,” not “small government.” In the background were voters who sought to generate and utilize political power, and the legitimacy they gave to such a form of government. This idea is in the same vein as electoral reform, which is why administrative reform became an important part of the political reforms of the 1990s.

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Chapter 5

Reform of the Bank of Japan and Ministry of Finance



1 The Background of Reform

The Role of the Central Bank

Central banks are said to have two major roles, which most standard macroeconomics textbooks explain as follows. One role is to “oversee the banking system,” and the other is to “regulate the quantity of money.”¹

The central bank is often referred to in Japanese public commentary as the “bank of banks,” reflecting its mission of maintaining the stability of the financial system. It supervises the management of private banks, operates the settlement system among financial institutions, and acts as a “lender of last resort” to financial institutions for the maintenance of an orderly credit system. In the latter role the central bank is sometimes called the “bank that issues currency (issuing bank),” but the bank’s lending activities effectively amount to monetary policy. Historically, it was not uncommon for states to have multiple issuing banks that supplied banknotes; the value of the notes was maintained through their exchangeability (convertibility) with gold and silver. However, today securing a currency’s value depends on the credibility of the government and the issuing bank. The issuance of banknotes has become a monopoly of the central bank, and monetary policy has come to have great significance in maintaining banknotes’ value.

In addition to these two roles, the central bank is also described as “the government’s bank,” tasked with the acceptance of deposits from the government or the disbursement of funds necessary to enact policies.

Through these basic functions, the central bank contributes to economic growth by maintaining price and exchange rate stability, employment, and the macroeconomic stability on which both of these are based. Its primary tool is its ability to adjust the supply of currency (money) through monetary policy. The bank does this

¹Mankiw (2021), p. 595.

using methods including “open-market operations,” through which it regulates the supply of currency circulating in the market (society) by purchasing and releasing bonds and other securities; and the raising and lowering of the “basic loan rate” (also called the official discount rate), which is the interest rate at which the central bank lends to private banks. To simplify somewhat, purchases of bonds, real estate, and other assets (purchase operations) and lowering the basic loan rate increase the supply of currency to the market. When the money supply increases, it stimulates investment and consumption, which in turn stimulates the broader economy, including employment. On the other hand, it can also lead to an increase in prices, since the relative value of money falls. Conversely, if the money supply is reduced, it results in a cooling of the economy and the stabilization of prices.

Since an aim of monetary policy is to contribute to macroeconomic stability, consistency with fiscal policy and the other macroeconomic policies for which the government is responsible can be an issue. For example, if fiscal policy aims to stimulate the economy by expanding public investment, and monetary policy maintains the base lending rate at a high level, the effects of these policies will be offset. However, if there is too much alignment of economic stimulus measures, the currency could depreciate and prices could rise, which could be a blow to people’s livelihoods and external creditworthiness. There has been a long-running debate over what kind of relationship between the government and the central bank is desirable to achieve monetary policy’s goal of macroeconomic stability.

As the fiscal conditions of advanced industrial countries worsened across the board from the 1970s onwards, and the effectiveness of fiscal policy to counteract the business cycle came into doubt, this relationship again came to be recognized as a problem in various countries. This is because there has been a growing movement towards the use of monetary policy to fulfill the government’s responsibility for macroeconomic conditions. This movement was also supported by the idea of monetarism, which was advocated by economist Milton Friedman. Monetarism argued that monetary policy—centered on controlling the money supply—was more effective than fiscal policy in dealing with macroeconomic change, and provided theoretical legitimacy to the use of monetary policy.

The Bank of Japan Act as Wartime Legislation

The central bank of Japan is the Bank of Japan (BOJ). The BOJ was established in 1882 on the initiative of Matsukata Masayoshi, one of the Meiji government’s leading financial experts. Thereafter, with the Convertible Banknote Act of 1884, the BOJ gained monopoly power over issuing banknotes, thereby establishing itself as the central bank. Prior to the enactment of the Convertible Bank Note Act, many national banks licensed under the National Bank Act issued banknotes, and the government also issued banknotes to finance war expenditures during the Seinan War (also known as the Satsuma Rebellion). However, since many of these banknotes and government notes were fiat money that could not be converted into gold or

silver, the value of money was not stable and the credit system was shaky. The BOJ's monopoly on the issuance of banknotes led to the collection or withdrawal of these fiat currencies and was of great significance for the establishment of a credit system.

Even so, the BOJ's function at the time centered on serving as the "government's bank" and an "issuing bank" in the narrow sense. The Meiji state strove to "enrich the country, strengthen the military" (*fukoku kyōhei*) and "encourage new industry" (*shokusan kōgyō*) in the process of catch-up modernization. However, this was "small government" by modern standards, with limited responsibility for responding to macroeconomic fluctuations, including the business cycle. As a result, occasions where the consistency of fiscal and monetary policies became a problem were also limited.

The situation changed dramatically during World War II. The Bank of Japan Act was promulgated on February 23, 1942, shortly after the attack on Pearl Harbor and the outbreak of war between Japan and the United States. On May 1, 1942, the BOJ became a corporation on the basis of the new law. The law, which today is often called the Former Bank of Japan Act or simply the Old Act, had the characteristics of wartime legislation. Namely, Article 1 of the Old Act stipulated that the purpose of the BOJ was "to be responsible for the adjustment of the currency, the regulation of finance, and the maintenance and development of the credit system in accordance with the policies of the nation for the proper exercise of the nation's general economic power." Article 2 stipulated that "the Bank of Japan shall be operated exclusively for the purpose of achieving the objectives of the nation." Of course, the BOJ was hardly an independent central bank in the contemporary sense before that time. For example, even with regard to ensuring the convertibility of banknotes, the most important issue for monetary policy at that time—whether to establish a gold or silver standard, or whether to implement convertibility at all—was decided by the government. The Old Act confirmed this when it designated the finance minister as the BOJ's competent minister and stipulated in Article 30 that "the competent minister . . . shall determine the limit of banknotes to be issued." However, the fact that the Old Act stipulated that the BOJ's functions were to be "in accordance with the policies of the nation" and for "achieving the objectives of the nation" could only mean that it stipulated the central bank's subordination or submission to the government.

Defeat in World War II was also the beginning of the battle against hyperinflation. A trend had already emerged during the war whereby an increase in government debt, resulting primarily from military spending, was covered by excessive issuance of currency. This could not be cut off after Japan's defeat, and in the months immediately after the war's end, the money supply increased dramatically. The BOJ, which since shortly before Japan's defeat had been engaged in research on inflation in European countries after World War I, attempted to reduce the money supply by freezing bank deposits and switching to a new yen. These measures failed to control inflation, as commodity shortages and an expansionary fiscal policy—necessary for economic reconstruction—undermined the stability of the currency. In

the end, tamping down inflation had to wait until the strict austerity measures of the so-called “Dodge Line” were adopted.²

This experience led the BOJ to place greater importance on price stability, particularly on curbing inflation, but calls to revise the former Bank of Japan Act remained limited. There are likely several reasons for this.

First, the BOJ had powerful executives like Ichimada Hisato and Sasaki Tadashi who had subordinated the Policy Board, which had been established by a partial revision of the Old Act in 1949. The BOJ could maintain its effective independence since it could, while using the Policy Board as a shield, make monetary policy decisions internally (at executive board meetings). Regarding the governors, with the exception of Yamagiwa Masamichi from 1956 to 1964, no one from the Ministry of Finance (MOF) was appointed as governor until 1974. Ichimada, Sasaki, and others were appointed from the ranks of the BOJ. Relatedly, the MOF and some politicians sought to revise the Old Act to reduce the BOJ’s independence, which made it difficult to seek reforms that would further strengthen its autonomy. For the BOJ, the priority was protecting the results of the 1949 revision.

Another reason is that this was the period of high-speed growth. Although fiscal deficits emerged in the latter half of the 1960s, their scale was still small and financial resources were relatively abundant. There was also a general sense that public investment by the central and local governments was producing positive results, such as the creation of “new towns” in various areas, the construction of the Tōkaidō Shinkansen and Tōmei Expressway, and urban infrastructure for the Tokyo Olympics and Osaka Expo. Fiscal policy was emphasized as a means of macroeconomic policy, and there were few occasions where linkages or inconsistencies with monetary policy were subjected to strict scrutiny. Supported also by the fixed exchange rate system in international finance, the BOJ did not need to confront the government or the MOF directly, and it was able to conduct monetary policy with an eye solely on domestic price stability.

From the mid-1970s onward, the relationship between the BOJ and the government entered a new phase. As budget deficits became entrenched and their scale expanded, the government began to struggle to manage the national debt. The MOF, responsible for the supervision of private banks, used this influence to make financial institutions form a syndicate to underwrite government bonds, so the outward appearance of the principle of market absorption of Japanese Government Bonds (JGBs) was maintained. However, a scheme in which the BOJ purchased bonds underwritten by the syndicate before maturity through open-market operations had already been established in the mid-1960s. Under this scheme, the increase in the volume of JGBs spilled over into the money supply, leading to rising inflation. A proposal to raise the official discount rate to check inflation is said to have been blocked by Prime Minister Tanaka Kakuei, who called for the “restructuring of the Japanese archipelago” (*Nihon Rettō Kaizō*) and wanted to deploy expansionary fiscal policy. This inability to pursue anti-inflationary policies due to the government’s

²Itō (2012).

own goals recurred during the Bubble Economy of the late 1980s. In the case of the Bubble, the government's policy of pursuing fiscal retrenchment without tax hikes produced the need for expansionary monetary policy, which led to severe asset-price inflation. This was a bitter situation for the BOJ.³

Scandals in the Ministry of Finance and the Financial Sector

Although the BOJ is responsible for monetary policy, it is deeply connected to the financial industry—that is, private banks, insurance companies, and the like. The industry, in turn, became closely tied to the MOF in the postwar era. This was because the government approved and registered the establishment of corporations, including those in the financial sector such as banks and securities firms, as well as life insurance and casualty insurance companies. Product development and daily operations also required exchanges of opinion and negotiations with the government. There also existed a supervisory relationship between the MOF and financial institutions, as the MOF regularly inspected the operations of financial institutions for the maintenance of an orderly financial system. The BOJ also conducted similar inspections, but its influence was weaker than the MOF's. The role of the central bank as the “bank of banks,” as well as the stability of the financial system overall, were largely borne by the MOF rather than the BOJ.

From the financial sector's perspective, building a good relationship with the MOF, the “Ministry Above All Ministries,” had great operational significance. Until the 1970s, financial institutions were still far from the era of global capital mobility, and there was not much room for overseas activities. Companies focused on the domestic market, and there was no choice but to accept the so-called “convoy system”—regulations that greatly restricted competition—and burden-sharing among companies known as the *hōgachō* system.⁴ These decisions by financial institutions were also based on the belief that these choices could be beneficial in the long run. When the government decided to issue bonds in the late 1960s, it formed a syndicate to underwrite the bonds for the same reason. Additionally, each company assigned a “MOF officer” (*MOF-tan* or *Mofu-tan*) to gather information from the MOF and to lobby for policies and regulations that would be favorable to the company. These *MOF-tan* were elite employees who were often university classmates of career bureaucrats, and becoming a *MOF-tan* meant being on the professional fast track.⁵

³ About the Bank of Japan before the Bubble, see Kamikawa (2014), pp. 18–24.

⁴ A *hōgachō* is a ledger book of the Edo period that recorded donors of funds and other contributions for the building and repair of temples and shrines, with the name and amount of the donation written down. Since then, the “*hōgachō* system” came to be used to refer to the horizontal burden-sharing of funds within an industry, often at the request of the government.

⁵ Amyx (2002).

As the 1980s began, the financial sector, which until then had been uniformly in line with tough administrative regulations, began to undergo gradual changes. With the internationalization of corporate activity, private companies that had traditionally raised capital through loans from banks began to raise a greater proportion of their capital through overseas bond issuance and other means. At home, the large volume of JGBs issued from the latter half of the 1970s onward was too much for private financial institutions (which purchased them via the syndicate) to hold, so the MOF permitted the bonds to be sold in the market before maturity, in addition to the BOJ's open-market operations. As a result, a bond market that was not subject to interest rate regulations was born, but the spread between market and regulated deposit rates was a threat to banks. At the time, these trends—internationalization and bond marketization, referred to as the two *kokusai-ka*, since the Japanese words for “international” and “government bond” are homophones (both are pronounced *kokusai*)—gradually led to interest rate liberalization and other forms of deregulation.⁶

The monetary easing that created the Bubble economy proceeded at a time when deregulation was giving birth to competition in the industry. With the abundance of low-interest-rate funds and increased competition, financial institutions developed new products and made huge loans to the real estate and construction industries. In the process, the relationship between the MOF and the financial sector deepened. The highly profitable financial institutions used their ample entertainment funds to wine and dine MOF bureaucrats. There was also a growth in activities that could lead to obviously illegal or fraudulent behavior, such as asking the MOF to adjust its financial inspections or to overlook the fact that loans had become unrecoverable (bad debt). This was behavior that could undermine the stability of the financial system.

The bureaucrats of the time were not subject to an actionable code of ethics, due to a way of thinking akin to Mencius's theory of innate human goodness. The wining and dining spread not only to the MOF-tan at major banks and securities firms, but also to the real estate industry and non-bank financial institutions, even as the Bubble passed its peak and headed for a dead end. Non-banks are companies that do not accept deposits themselves, but specialize in lending funds procured from banks and other financial institutions. During the Bubble period, loans from banks to non-banks were used to manage funds, and the two were closely intertwined. On the one hand, from March 1990, the MOF had been regulating the total amount of real estate loans through administrative guidance to financial institutions. On the other hand, there is no doubt that its sensitivity to the ill effects of the Bubble was lacking. In 1995, the concealment of large losses by Daiwa Bank's New York branch, as well as the opaque handling of large amounts of bad debt by non-bank home mortgage lending companies (*Jūsen*), came to light in rapid succession. This was a sign that the MOF had lost its organizational discipline during the Bubble era, and strong criticism of the MOF spread among the mass media and the electorate.⁷

⁶Kondō (2011).

⁷Mabuchi (1997), Hiwatari (2006), Shimizu (2015), Nishino (2019).

2 Two Directions

Global Trends

As we have already discussed, although both the BOJ and the MOF reforms were triggered by the failure of the Bubble economy, they contained two different orientations.

The first was based on the recognition that the excessively loose monetary policy (low interest rate policy) that fueled the Bubble was due to the BOJ's insufficient independence in setting monetary policy. This orientation led to an emphasis on reforming the central bank system, centered on revising the Bank of Japan Act. The second reform orientation was based on the conclusion that the relationship between the MOF and the financial sector had become too close, and that this had led to delays and inappropriate actions in the disposal of non-performing loans after the collapse of the Bubble economy, and ultimately to a decline in the stability of the financial system. This position emphasized changing the relationship with the financial sector through reforms of the MOF. The difference between the two orientations was whether they considered reforming the BOJ or reforming the MOF as the "core."

Movements to reform the relationship between the government and the central bank by increasing the latter's independence were becoming common among advanced industrialized countries in the 1990s.⁸ After the oil shocks of the 1970s, many advanced industrialized countries experienced stagflation, or inflation without economic growth, and the subordination of central banks to governments was seen as a contributing factor.

We have already seen that the central bank is essentially given two goals: price (currency value) stability and macroeconomic stability. However, if the bank is subordinate to a government stressing the macroeconomy, it is easy for price stability to be pushed to the side and monetary easing to be brought into line with government attempts at economic stimulus through fiscal policy. If the effectiveness of fiscal policy is declining, as it was in the 1970s, excessive monetary easing will either lead to a general increase in prices that invites stagflation, or a flow of capital into specific sectors, such as real estate, leading to a bubble. One or the other is unavoidable. As a result of this growing awareness, by the end of the 1980s, a growing number of countries were undertaking reforms to increase the independence of their central banks. Concrete examples started with New Zealand and Ireland in 1989, Portugal in 1990, Italy in 1992, France and Belgium in 1993, and Canada and Spain in 1994.⁹

The Central Bank Study Group, established by Prime Minister Hashimoto Ryūtarō as a private advisory group, advocated revising the Bank of Japan Act in response to this global trend. The decision to establish the study group was made at a

⁸Takahashi (2000), Kamikawa (2014).

⁹Tajiri (1994).

June 1996 meeting of the governing party (LDP, SDP, and New Party Sakigake) project team on MOF reform. This project team had already raised the issue of revising the Bank of Japan Act in late March of the same year. However, as of March, the discussion was limited to revitalizing the Policy Board and putting BOJ inspections of financial institutions on a statutory basis.¹⁰ Perhaps because of the highly specialized nature of the central banking system, it was necessary for researchers to study it, and the role played by the governing party project team was smaller than in the case of the MOF reform, a matter which will be discussed later.

The Central Bank Study Group

The Central Bank Study Group was chaired by Torii Yasuhiko, professor and president of Keio University. Although it was called a “study group,” it was in effect an advisory council tasked with examining the basic direction regarding the revision of the Bank of Japan Act and making recommendations to the government. Other members included Kanda Hideki, a scholar of commercial law; Satō Kōji, a scholar of constitutional law; Tachi Ryūichirō, an expert on public finance who was the chairman of the MOF’s Financial System Research Council; Suda Miyako, an economist specializing in monetary theory; and Fukukawa Shinji and Imai Takashi, from the business world. Additionally, Yoshino Naoyuki, who specialized in monetary theory and was a Keio University colleague of Torii’s (albeit with a different specialty), assisted the team as an expert committee member. Tanami Kōji, who was seconded from the MOF, took charge of the secretariat as head of the Cabinet Councillors’ Office on Internal Affairs (now known as the Assistant Chief Cabinet Secretary). Tanami later returned to the MOF and became the administrative vice minister. After the study group convened for the first time at the end of July 1996, it met two to three times a month—an unusually high frequency for a study group—and compiled its final report as early as November 12.¹¹

The final report of the Central Bank Study Group is titled “Reforming the Central Banking System: Toward An Open Independence.” Although not especially long, the report is clear in its recognition of the issues and the measures to be taken.

Namely, it cited the linkages between the collapse of the Bubble economy and the bad debt problem, financial globalization, economic structural reform and administrative reform as issues surrounding the central banking system. On that, the starting point for the study group was, “Amidst these circumstances, doubts have been raised about the state of the Bank of Japan, which is responsible for our country’s monetary policy, and how it has responded to recent changes in domestic and international

¹⁰Mabuchi (1997), Shimizu (2015).

¹¹The final report is archived at the website of the Prime Minister’s Office. Last accessed September 29, 2019. <https://www.kantei.go.jp/jp/singi/cyugin/hokokusyo.html>.

economic and financial conditions. Even the ruling parties have proposed to review the status of the Bank of Japan.” Its role would be “to conduct an investigation of the most appropriate way for a central bank to be at the core of a twenty-first-century financial system.” As for the specific institutional problems facing the BOJ, the objectives and operating principles of the BOJ as stipulated in the Bank of Japan Act, as well as the lack of clarity in ensuring the independence of the BOJ, “have become out of step with the times.” Not only that, it also noted the problem that “with regard to the monetary policy decision-making process of the Bank of Japan at the present time, it is difficult for the public in general and financial experts in the market to understand what was discussed and how policies were chosen.”

As a response to these challenges and institutional problems, the study group’s final report proposed that the BOJ should ensure two things: its independence and transparency in policy management. These elements together were called “open independence.” The Bank of Japan Act should be revised, the study group said, to clarify that the most important goal of monetary policy is price stability, and to achieve this goal, “the government’s broad authority to issue operational orders should be abolished, and, when making monetary policy decisions, the Policy Board should make the final decision after clarifying its relationship with the government.” It added, “The Bank’s independence should be ensured through a transparent monetary policy making process . . . As a means of ensuring the transparency of the monetary policy decision-making process, it would appropriate to release to the public a summary of the Policy Board’s proceedings promptly after a fixed period has passed. Furthermore, it is desirable to release to the public the minutes themselves after a suitable period of time.”

Regarding the membership of the Policy Board, which has great influence on monetary policy, the report said that in addition to BOJ officials, the Board should be composed of “persons with a high degree of insight into the economy and finance, rather than industry representatives as is currently the case.” It added:

With regard to monetary policy management, it is necessary to prepare a clear structure to ensure consistency between the Bank of Japan’s monetary policy and the government’s economic policy. To this end, in the event of a difference of opinion regarding monetary policy, a system should be prepared to ensure that the government submits its views to the Policy Board, including requests from the government to the Policy Board to withhold its decision on monetary policy for a certain period of time.

Thus, there was nuance of leaving a certain degree of room for government involvement in the process.

The basic plan of action underlying the Central Bank Study Group’s final report was to revise the Bank of Japan Act, under which the BOJ was strongly subordinated to the government, and to change the relationship between the government and central bank to one that was then becoming the standard in advanced industrialized countries. Although there was some ambiguity regarding the degree of government involvement, the overall direction was clear. In other words, the way that postwar Japan decided monetary policy would be fundamentally changed from opaque decision-making at the behest of the government and “industry representatives” to rational decision-making based on theoretical and systematic knowledge that could

be understood by internationalized market participants. It appears that the study group members led the discussions in accordance with their own areas of expertise, and there is a strong sense that they emphasized theoretical or ideological validity. The internationalism and rationalism underlying the agreed-upon term “open independence” can be said to be an expression of modernist ideals, as described in this book.

Putting Ministry of Finance Reform on the Agenda

The formation and collapse of the Bubble economy was a consequence of monetary policy, attributable to problems with the BOJ, whose independence was not sufficiently guaranteed. However, the attention of voters and the mass media on financial matters was more strongly focused on the close ties between the MOF and the financial sector.¹²

There are several possible reasons for this. First, in 1995 and 1996, it was still not fully understood how serious the bursting of the Bubble and the resulting non-performing loan problem were, or how large the long-term damage to Japan’s economy would be. There was a rampant sense in Japanese society that the financial institutions and “Gentlemen of the Bubble” who profited from soaring real estate prices deserved to suffer. Mieno Yasushi, who served as BOJ governor from 1989 to 1994 and tightened monetary policy by raising the official discount rate and other measures, was hailed as the “Onihei of the Heisei Era” for eliminating the Bubble (referring to a long-running novel series about an Edo-period crimefighter that concluded the year that Mieno became BOJ governor).¹³ In fact, the BOJ was not disconnected from the problems of the Bubble, as evinced by the fact that BOJ officers were arrested in the MOF corruption prosecutions. However, the BOJ at the time was clearly seen as a “good guy,” a brave hero who persevered even though he was not given adequate power.

Another factor is that the scandals led to the eruption of simmering negative feelings towards the MOF, which had attracted the very best of career bureaucrats as the “Ministry Above All Ministries.” A career bureaucrat is a bureaucrat who has passed the National Public Service Type I Examination (as it was called at the time) and is employed by a government ministry or agency. The exam itself is highly competitive, but not all who pass are hired. At most twenty people per ministry per year can find employment as a generalist (law, administration, economics, etc.) career bureaucrat, and almost all are graduates of the social science faculties of the most competitive universities, beginning with the University of Tokyo’s Faculty of Law. In the case of the MOF, career bureaucrats are treated as elites. They become district directors of the tax office while still in their twenties, within a few years of

¹² Ōtake (1999).

¹³ Nishino (2019).

being hired, and almost all are promoted to at least the level of section chief at the Ministry in their forties, with the best of their class rising to the position of administrative vice minister. Thereafter, they are guaranteed comfort through old age via *amakudari* (“descent from heaven”) appointments to government-affiliated special public corporations and related industries.

This kind of privileged treatment—notwithstanding the tough work conditions endured by civil servants, including intense intra-ministerial competition and health-destroying long hours—had been permitted because career bureaucrats were esteemed as highly competent and extremely capable. They had a clean image of working earnestly for the national interest for lower pay than in the private sector. However, the series of scandals revealed that, at the height of the Bubble, when money worship was at its strongest, or even before, bureaucrats were pursuing their own interests behind the scenes. The MOF, which had restricted the BOJ’s independence and delayed the post-Bubble clean-up, was seen as a villain or even the ringleader of a financial mafia. Of course, a gradual, soft landing for the non-performing loan problem would be beneficial for the economy, and the MOF was probably searching for a way to achieve one. However, this type of argument was almost entirely absent from the mass media at the time, and it was nearly impossible to gain the electorate’s understanding.

Thus, reform of the MOF appeared on the political agenda. For the LDP, there was a reason other than public opinion to take on MOF reform. Namely, when the non-LDP Hosokawa administration was formed in 1993, many LDP leaders had a clear memory of the MOF working closely with Hosokawa and Ozawa Ichirō to raise the consumption tax (by introducing a national welfare tax). The fact that these actions disregarded their longstanding intimate relationship—even though the LDP was out of power at the time—strengthened the mood within the LDP that it was unnecessary to protect the MOF. Mabuchi Masaru, a scholar of public administration, argued that the change in government in 1993 shifted the relationship between the LDP and the MOF from “partner” to “neighbor.”¹⁴

Formation of a Reform Proposal

In a document released on June 13, 1996, a governing party project team floated the idea of institutionally separating financial administration from inspection and supervision, “in order to conduct strict inspection and supervision of financial institutions.” The MOF, in order to shrink the institutional partition as much as possible and effectively forestall genuine change, appealed to the LDP to separate out only the inspection department, and move only inspection and supervision to an external bureau.¹⁵ However, Kan Naoto and Igarashi Fumihiko, who were the project team’s

¹⁴Mabuchi (1997).

¹⁵Shimizu (2015).

representatives from the New Party Sakigake, which was part of the coalition government, called for the dismantling of the MOF—including placing the budgetary process directly under the prime minister’s control—and also advocated the complete separation of inspection and supervision. The Social Democratic Party’s Itō Shigeru, who served as the chairman of the governing party project team, also backed the complete separation of inspection and supervision, seeing it as the most feasible substantive plan. Even within the LDP, with Secretary-General Katō Kōichi at the head, there was a view that the financial affairs division (comprised of the three financial bureaus for Banking, Securities, and International Finance) should be completely separated.¹⁶

Competition among political parties was also an important factor. In the 1996 general election, the first under the parallel SMD-PR system, administrative reform was one of the main issues.¹⁷ As we saw in Chap. 4, the New Frontier Party (NFP), which was seeking to win power as the leading opposition party, argued that the LDP was incapable of undertaking administrative reform due to its ties to vested interests. In political science, this pattern, in which a particular party stresses that it alone can address a problem or issue, is called “issue ownership.”¹⁸

The MOF, which was renowned and highly visible but also epitomized the negative aspects of the Bubble economy, was a suitable issue-ownership target for the NFP. The injection of public funds into Jūsen (housing loan or mortgage) companies to dispose of non-performing loans was also strongly criticized in light of the revelation that opaque promises had been exchanged between the ministry and the Ministry of Agriculture, as well as being a waste of taxpayers’ money. The Ministry of Agriculture absolutely wanted to avoid the bankruptcy of the Jūsen, which would be a direct blow to agricultural cooperatives and their members (farmers), as many Jūsen companies had been loaned money by agricultural cooperatives but could not repay it in full. At a symposium held by the Keidanren’s “Business People’s Political Forum” prior to the October general election, the NFP’s Kano Michihiko declared, “As for the administrative reform project team, we would like to start by reforming the Ministry of Finance, which is at the pinnacle of the bureaucracy.”¹⁹

Naturally, the LDP had no choice but to be even more enthusiastic about reforming the MOF. At the same time that the NFP was advocating MOF reform, the LDP was compiling its argument for complete separation of inspection and supervision. Moreover, this separation was to be promoted through the establishment of a highly independent administrative commission akin to the Fair Trade Commission, an “Article 3 Commission” based on the eponymous article of the

¹⁶Mabuchi (1997).

¹⁷Kume (2005).

¹⁸As classic research on issue ownership, see Petrocik (1996).

¹⁹*Keidanren Clips*, No. 40, September 26, 1996. Currently available on the Keidanren website. Last Accessed on September 29, 2019. <https://www.keidanren.or.jp/japanese/journal/CLIP/clip0040/cli016.html>.

National Government Organization Act. The term “separation of fiscal and financial affairs” was used at that time. Although the MOF was to retain policy planning functions related to financial administration, the intention was clearly to punish the ministry. The rationality of institutional design was of secondary importance. Journalist Shimizu Masato notes that the LDP’s theory of financial-oversight reform was similar to its approach to administrative reform, in that it focused less on “what kind of financial administration are we aiming for?” than on reorganizing the MOF as a political goal.²⁰

3 Which Was the “Core”?

Localization as Administrative Reform

As is clear from the previous section, central bank reform in the 1990s featured a twin bill of complete revision of the Bank of Japan Act and reform of the MOF. The next section examines how these two different reforms were carried out.

Even during the process of enacting and implementing the proposed reforms, the focus was on reforming the MOF. After the October 1996 general election, the Social Democratic Party and the New Party Sakigake shifted to extra-cabinet cooperation, but the drafting of legislation took, as its starting point, the reform proposals in the final report of the ruling party project team, which had been compiled before the election. This process can be summarized as the MOF making an all-out effort to roll it back. It did not go well.

The ministry aimed to keep the reform as small as possible and either avoid the separation of inspection and supervision functions or, if separation was unavoidable, place those functions in an agency established within the MOF like the National Tax Agency. In response, the SDP and the New Party Sakigake took separation for granted, and wanted to form a new institution as a highly independent Article 3 commission. The timing of the partition and how to proceed were also points of contention, and the MOF wanted the timing to be as late as possible, or have only the financial inspection function separated in advance. Since it could not of course take the initiative itself, it attempted to exert its influence by having the finance minister and parliamentary vice ministers speak within the ruling party. There were likely countless informal “explanations” by senior officials to relevant members of the Diet.

However, it had become too difficult for a change of course through private discussions between ruling party lawmakers and MOF officials, as MOF reform had become an issue in the general election and was attracting increasing attention and scrutiny from the mass media. From the perspective of LDP Secretary-General Katō Kōichi and others who had been grappling with this issue since before the general

²⁰Shimizu (2015).

election, they could not give the impression of backtracking on an issue of great interest to voters and the media, in the face of a political situation in which two-party competition with the NFP had intensified even as the LDP had retained power.

Katō proposed establishing an agency in the Prime Minister's Office that would be less independent than an Article 3 commission but completely separate from the MOF. Rather than being a compromise plan, this was based on the fact that, in the case of financial administration, where quick decision-making may be necessary, an independent commission with a collegial system would not work well. As for the separation of inspection capabilities, Katō's close ally Yamazaki Taku had proposed it, but Mitsuzuka Hiroshi, then serving as finance minister, did not embrace it, and ultimately it did not become a major influence within the party. Above all, Hashimoto Ryūtarō, the prime minister, was committed to the basic direction of reform of the MOF as set forth in the final report of the ruling party project team, which called for an early and complete separation of inspection and supervision functions into a single entity. Hashimoto's reiteration of this policy on December 2, 1996, largely solidified the direction of reform of the MOF.

Thereafter, discussions were held with the SDP and New Party Sakigake regarding the relationship between the MOF and the Financial Inspection and Supervision Agency, which was to be newly established in the Prime Minister's Office, as well as how decision-making would work in the event of a financial crisis. There were also calls for discussions with the DPJ, which had emerged as a third party in the October general election, but ultimately the ruling parties reached an agreement on December 24. The agreement included that personnel exchanges between the new agency and the MOF would, in principle, not be allowed, and that the planning function for financial administration, which would remain at the ministry for the time being, would eventually be transferred to the new agency. From the MOF's perspective, these details were nothing other than a complete failure at defending the institution.²¹

The process of reforming the MOF was similar to the process of reorganizing ministries in administrative reform. Both issues became important points of contention among parties in the October 1996 general election, the first lower house election after the reform of the electoral system, and the promises made at that time continued to bind the Hashimoto administration and the LDP after the election, resulting in a large-scale reorganization that would have been difficult to imagine before. In this sense, a more accurate view is that the reform of the MOF was not part of a set of reforms with reforms of the BOJ, but rather, as Shimizu Masato points out, part of administrative reform. Thus, it may have been a reform without principles, strongly colored by the punishment of the MOF, and insufficient in that it was not accompanied by a debate about what form financial administration should take.²²

However, there is a strong possibility that unless it had been treated as part of the administrative reforms that included other ministries and agencies, the overall reform of the BOJ and MOF described in this book would have ended up extremely

²¹Mabuchi (1997), ch. 4.

²²Shimizu (2015).

close to the status quo. Central banking and financial administration are highly specialized fields, which makes it difficult to attract the attention of voters and the mass media. If the reform policy had been drawn up by a small elite, the MOF would have used its influence to undermine the arguments of the experts, intimidate the BOJ, and would have persuaded LDP politicians to squeeze reform to the smallest possible extent. By being thrown into the middle of inter-party competition as a major part of administrative reform, MOF reform attracted the attention of the public and the mass media and ended up localizing the whole process, including BOJ reform.

The Idea of “Open Independence” Survives

Compared to the MOF reform, which was conspicuous for the tug-of-war between the ruling party project team and the MOF, the most notable characteristic of central bank reform—centered on the revision of the Bank of Japan Act—was that although there were some twists and turns, it adhered to the professional perspective set out by the Central Bank Study Group.

Following the final report of the study group, revision of the Bank of Japan Act was further studied by the Financial System Research Council. The research council established a subcommittee on the revision of the BOJ Act to deal with this issue in particular. The chairman of the council was Tachi Ryūichirō, a specialist on monetary policy theory and public finance, who also chaired the subcommittee. Although Tachi was also a member of the Central Bank Study Group, the Financial System Research Council itself was an advisory body to the Minister of Finance, and, since the ministry’s Banking Bureau served as its secretariat, it was basically understood to be a venue where the wishes of the MOF could be easily reflected.²³

One focus of investigation became the composition of the policy board and its relationship with the government. It may be natural that senior BOJ officials should be on the policy board, but how many, and what percentage of the total? Should government representatives be allowed to attend as observers, and if so, how many? And can the government, in expressing an opinion on the policy board, also delay a vote by invoking a “right of postponement”? Or can it only *request* a postponement? In this case, the government effectively means the MOF. Although both of these issues were left ambiguous in the final report of the Central Bank Study Group, what manner of influence the BOJ and the MOF could exercise on the policy board would have great significance for the realization of the BOJ’s independence in monetary policymaking.

Another focal point was the Minister of Finance’s authority to supervise the BOJ and approve its budget. The former Bank of Japan Act stipulated that the Minister of Finance had general supervisory authority over the BOJ, the power to request tasks,

²³Mabuchi (1997).

the power of on-site inspection, and the power of supervision through the BOJ's supervisory officer. Thus, it was envisioned that the BOJ would operate as part of the government while being subordinate to the MOF. The right to approve the budget should be considered a natural provision if we think about this kind of relationship between the government and the BOJ, insofar as the fundamental nature of a budget is that of a planning document for an organization's activities. At the same time, one of the reasons why these provisions that were enacted during the war continued to exist after the war is that if the government were not given the powers of supervision and budget approval, it would mean that the BOJ, which would be responsible for administrative activities such as determining and implementing monetary policy, would not be subject to any kind of democratic control, a situation which would be constitutionally questionable. The BOJ later added a rebuttal to this position, in the report of a study group established at the Bank of Japan's Institute for Monetary and Economic Studies called the "Study Group on the Central Bank from a Public Law Perspective," in which administrative law scholar Shiono Hiroshi, commercial law scholar Kanda Hideki, and others participated.²⁴

The initial direction of the Financial System Research Council on each of these points was to preserve a high degree of government involvement. In other words, the basic policy was to give the government the right to defer voting in the policy board, and to large extent maintain general supervisory and budgetary approval powers.

This policy strongly reflected Chairman Tachi's thinking, which was in accordance with the MOF's wishes, and the BOJ was greatly dissatisfied. The mass media was also generally critical, noting that the substance of the study group's investigation was a retreat from reform. Perhaps in response to such criticism in the media, some members of the ruling parties complained that the matter could not simply be entrusted to the Financial System Research Council, which would end up endorsing the small-scale reforms desired by the MOF. The SDP and New Party Sakigake took an especially firm position. This led to an interview by the ruling parties with participants in the Financial System Research Council following a general meeting of the council on December 24, 1997. At that meeting, council members were told in no uncertain terms not to deviate from the final report of the Central Bank Study Group and the agreement of the ruling party project team that was based upon it.²⁵

The effect of the criticism from the mass media and the ruling parties was significant. Deliberations gradually changed course, as some members of the Financial System Research Council and its subcommittee also took the position that small-bore reforms that reflected the wishes of the MOF were undesirable. The government would have only the right to request the postponement of a policy board decision, and while the right to approve the budget would remain with the finance minister, the

²⁴The study group's report, "The Legal Nature and Management of the Organization of the Bank of Japan from a Public Law Perspective," was published on the website of the Institute for Monetary and Economic Studies (IMES) and in *Kinkyū Kenkyū*, Vol. 18, No. 5. A PDF version of the article, taken from *Kinyū Kenkyū*, is currently available on the IMES website. Last accessed on September 29, 2019. <https://www.imes.boj.or.jp/>.

²⁵Mabuchi (1997).

minister would have to provide a reason for any rejection, and the scope of the minister's jurisdiction would be limited. As for supervisory authority, it was decided that only the supervision of legality would remain and that the rest would be abolished. This process was a setback for the MOF's bid to regain control of its home ground.

However, two points should be noted. First, even if there remained some ambiguity on specific points, the Central Bank Study Group had presented its idea of "open independence" on clear theoretical grounds and in line with international trends, so there always existed a philosophy to which critics of the MOF and its research council could turn. From this came the basic assessment that it was desirable to secure independence for the BOJ. Additionally, because the reform of the MOF—the focus of substantial public attention—proceeded at the same time, the media and ruling party lawmakers did not lose interest in the revision of the Bank of Japan Act. As mentioned previously, although the reform of the MOF was similar to the reorganization of ministries and agencies in the administrative reform, in that it aimed to reduce the power and influence of the MOF, the same choice was made in the revision of the Bank of Japan Act. The retention of power and influence by the MOF was in and of itself considered to be a negative and seen as an obstacle to reform.

In a choice between securing the BOJ's independence and preserving the MOF's influence, once there was widespread agreement that the latter was a negative and the former a positive, it was virtually impossible for the MOF to regain its strength no matter what it did. The decisive turning point was that MOF reform became positioned as part of administrative reform—in other words, that it became localized as administrative reform—rather than as reform of the institutions of monetary policy. From the BOJ's perspective, paradoxically it can be said that it was the depth of its relationship with the MOF, which was its greatest reason for seeking independence, that established a linkage between MOF reform and the revision of the Bank of Japan Act, and allowed the latter idea to survive.

4 What Happened?

The Bank of Japan Strengthens Its Independence

The reform of the BOJ and the MOF, which began with criticism of, and reflection upon, the scandals and the collapse of the Bubble economy, resulted in far more extensive institutional reform than many parties and observers had initially anticipated. Let us review again.

The revision of the Bank of Japan Act was submitted on March 11, 1997, passed by the House of Councillors on June 11, 1997, and promulgated on June 18, 1997. It came into effect on April 1, 1998. The content of the bill was in line with the conclusions of the Financial System Research Council, its main point being the "open independence" that had been advocated since the Central Bank Study Group

in 1996—or, as the BOJ itself explains today, the securing of “independence and transparency.”²⁶ For the BOJ “independence” means monetary policy independence and managerial autonomy. The former refers to the fact that decision-making by the policy board, especially at monetary policy meetings, is not influenced by the government. The latter refers to the fact that the minister of finance’s supervisory and budgetary approval powers have been greatly reduced. Both of these issues were important points for the Financial System Research Council. The substance of “transparency” includes the immediate release of the summary of monetary policy meetings soon after they are held and the release of detailed minutes after 10 years, and the submission of a report on monetary policy to the Diet once every 6 months.

Of course independence remained a focal point even after reform. The appointment of the BOJ governor was a particularly salient issue. Under the Old Act, a custom existed whereby the BOJ governorship alternated between former administrative vice ministers at the MOF and deputy governors at the BOJ. The custom lasted from 1974, when former MOF administrative vice minister Morinaga Teiichirō took office, until the resignation of Matsushita Yasuo in March 1998. With the reforms, a general view emerged that if the new BOJ Act had increased the bank’s independence, it was undesirable to accept a person from the MOF as governor, and that accepting such a person would be a return to “MOF rule.” In particular, the Democratic Party of Japan, which strongly criticized “bureaucratic rule,” continued to thoroughly reject the appointment of an official from the MOF as BOJ governor.

The new BOJ Act stipulates that “the consent of both Houses of the Diet” is necessary for the appointment of the governor, deputy governors, and members of the policy board (Article 23). After the 2007 House of Councillors election resulted in a “twisted Diet,” the appointment of the BOJ governor became an entirely political issue. The term of Fukui Toshihiko, a former deputy governor who became governor in 2003, ended on March 19, 2008, and, as that date approached, the question of who should be the next governor and deputy governor was raised. The House of Councillors was then under the leadership of the DPJ, with the then-ruling LDP and Komeito coalition in the minority, and the chamber rejected several personnel proposals submitted by the Fukuda Yasuo cabinet. In these cases, the reason was that the candidates presented for the governorship—Mutō Toshirō and Tanami Kōji—were former MOF officials. As a result, from March 20 until April 9 the governorship was vacant, creating a situation in which Shirakawa Masaaki, a former BOJ official, stepped in as acting governor. Ultimately, this problem was resolved when Shirakawa was elevated to the full governorship in April by parliamentary consent. Considering the extremely important role that the governor plays in a central bank that has become more independent, it must be said that this was a serious situation.

²⁶For the explanation by the Bank of Japan, see the Bank’s website. Last accessed September 29, 2019. <https://www.boj.or.jp/about/outline/expdokuritsu.htm/>.

The BOJ also became more independent in monetary policy. In Articles 1 and 2, the new BOJ Act mandated that the two objectives of the BOJ were “price stability” and “financial system stability.” As we have seen earlier, the stagflation of the 1970s had strengthened the view that central banks needed independence to ensure price stability. The European Monetary Union and the creation of the European Central Bank were also driven by a recognition that inflation depreciated currencies and destabilized the financial system. The experiences of the immediate postwar period and the Bubble period meant that the BOJ shared the view that price stability meant avoiding inflation and stagflation, and that it could choose a desirable monetary policy if it secured its independence. However, since the 1990s, the Japanese economy faced different policy challenges, beginning with prolonged deflation. To address these challenges, a new and non-traditional monetary policy was necessary, but at the time monetary policy was limited to traditional monetary easing, which was inadequate and insufficiently flexible.²⁷

Greater independence meant that the BOJ would also bear more responsibility for monetary policy. While this is only natural since the BOJ is making policy decisions autonomously, there is a clear sense that the bank’s monetary responsibilities have grown excessive relative to the role of fiscal policy. During periods such as the Koizumi and DPJ administrations, which prioritized fiscal discipline and did not pursue aggressive fiscal policy, there was a strong desire to use monetary policy to stimulate the economy. Conversely, when fiscal and other policy measures have been used to support economic recovery, as during the Obuchi administration and the second Abe administration, monetary policy has been criticized for not working in tandem with fiscal policy. The BOJ has fallen into a situation where it is criticized no matter what it does because of its enhanced independence.

Doubts remain as to the extent to which this dilemma was anticipated at the time of the revision of the Bank of Japan Act. The Old Act may have produced MOF “rule” over the BOJ, but it also made things simpler for the central bank: if BOJ officials wished to take the lead in monetary policy, they needed to persuade the MOF and no one else. The BOJ was not adequately prepared to respond to the media, voters, and politicians, who had become sensitive to the economic policy “failures” of the “lost two decades.”

The Declining Influence of the Ministry of Finance

Reform of the MOF became a policy issue as part of administrative reform and, as such, a major institutional change. The Act establishing the Financial Supervisory Agency was enacted at about the same time that the Bank of Japan Act was entirely revised.

²⁷Kamikawa (2014), Nishino (2019).

The Financial Supervisory Agency, which had been established in June 1998 as an external bureau of the prime minister's office, was cut off from the MOF in terms of both organization and personnel. Subsequently, planning functions related to financial administration were also transferred to the new agency, which became the Financial Services Agency (FSA) in July 2000. Since the Prime Minister's Office was folded into the newly created Cabinet Office in the reorganization of ministries and agencies in 2001, the current FSA is now an external agency of the Cabinet Office. Since Mori Shōji, the second head of the FSA (counting from its predecessor the Financial Supervisory Agency), there have been officials seconded from the MOF, but directors have transferred fully to the agency before taking up the post and none has returned to the MOF after retirement. Since the reorganization of the ministries, the Minister of State for Financial Services has been placed as the Minister of State for Special Missions in the Cabinet Office, and there are also deputy ministers and parliamentary secretaries in charge of financial affairs in the Cabinet Office, making the FSA effectively akin to an administrative ministry with its own minister.

Significant changes also occurred in the relationship with the financial industry. In 1996, when reform of the MOF was proceeding, another important proposal concerning financial administration was made. This was a document called "For the Revitalization of Japan's Financial System" by the Action Plan Committee of the Economic Policy Advisory Council in the Prime Minister's Office. The proposal, dated October 17, 1996, and prepared by the committee's financial working group (chaired by Ikee Kazuhito, an economist specializing in monetary theory) took as its starting point, the following position: "Despite the significant changes in the economic and technological environment surrounding Japan's financial system, it cannot be said that sufficient progress has been made in reviewing systems and practices to respond to these changes." It argued that Japan should aim to "build a 'sound and stable financial system' at the same time as an 'efficient and innovative financial system.'" As concrete measures, it advocated for greater competition among financial institutions, capital and foreign exchange market liberalization, and a departure from the "administrative guidance in advance" and convoy styles of financial administration. Prime Minister Hashimoto issued a prime ministerial directive on "financial system reform" immediately after the October 1996 general election, and in response, the MOF presented the "Financial Big Bang Plan" in June 1997.²⁸

The Financial Big Bang aimed to increase Tokyo's presence as a global financial center by reducing government intervention and creating free and competitive markets. The extent to which this was successful is doubtful, as above all else, the issue from the 1990s until the first half of the 2000s was cleaning up the aftermath of the Bubble economy by disposing of non-performing loans. However, there is no doubt that the relationship between the financial sector and the government began to change. The failure of industry giants such as Hokkaidō Takushoku Bank and

²⁸As to Political science research on the financial big bang, see Toya (2003), Kamikawa (2005).

Yamaichi Securities and the consolidation of financial institutions beyond the boundaries of the former *zaibatsu* (financial conglomerate) were clear consequences of this change.

Today, it is not at all uncommon to hear criticism that the FSA is returning to its former discretionary powers or that excessive regulations remain.²⁹ However, there is no discussion whatsoever of the influence of the MOF or the “subordination” of finance to public finance. Economic policy, once single-handedly influenced by the MOF, is now clearly divided into fiscal policy, monetary policy, and financial administration, and each should be seen as involving different actors.

A New Coordination System?

When we consider the BOJ and MOF reforms as part of political reform since the 1990s, how should we understand the separation between actors and the strengthening of autonomy that resulted from the revision of the BOJ Act and the reform of the MOF? It should be noticed that the BOJ and MOF reforms took a different direction from the centralization of power within the central government, which was the aim of the electoral and administrative reforms. Electoral and administrative reforms aimed to limit the number of actors with influence in the policymaking process, thereby realizing faster decision-making and clearer accountability. In contrast, the BOJ and MOF reforms advocated increasing the number of actors involved in economic policy and distributing their influence and responsibility in a more decentralized fashion.

There are two main reasons for this difference. One is that financial-oversight reform became tied up with administrative reform, which had as its two pillars the strengthening of cabinet capabilities and the reorganization of central government ministries and agencies. The aim of administrative reform was to reduce the influence of the ministries and centralize power in the cabinet (prime minister’s office). In the case of the MOF, however, the MOF’s influence was redistributed to the BOJ and the FSA. After the ministry’s influence was reduced, there was insufficient awareness that the BOJ and the FSA should bear responsibility for monetary policy and financial administration, and of what linkages with fiscal policy should be established.

Additionally, a second, related reason can be pointed out: the strong theoretical basis of the BOJ’s increased independence. Namely, envisioning the BOJ as responsible for monetary policy instead of the MOF was consistent with global theoretical trends and was the global standard in the context of the rapidly advancing internationalization of finance. Making institutions conform to international standards was one of the elements that this book’s liberal modernists emphasized in political reform, and so the argument was not in itself out of place.

²⁹For example, *Yomiuri Shimbun*, October 1, 2017 (editorial); *Nikkei Shimbun*, July 18, 2018.

But the new system has its critics. Fiscal and monetary policy, the two wheels of economic policy, are managed by different actors; the BOJ has increasingly widened this separation by protecting its independence; and a third actor, the FSA, has been entrusted with the task of ensuring the stability of the financial system. The result, some say, is that proper linkages between fiscal and monetary policy have atrophied, contributing to the Japanese economy's "lost two decades."³⁰ Many critics have negative views of the BOJ and the FSA. Some even hold the opinion that the BOJ has been the most reluctant of the major central banks when it comes to monetary easing and that it has neglected the yen's appreciation in foreign exchange markets.³¹ Of course, there are also objections to these views. For example, Okina Kunio, who for a long time played an active role as an economist representing the BOJ, observes that under the Old Act, excessive government influence prevented the adoption of appropriate monetary policy, but the new Bank of Japan Act goes too far in the other direction, focusing too much on the BOJ's independence and making it difficult to coordinate policy with the government.³² Perhaps the problem is not the BOJ's policy position but rather its institutional status.

Judging which side of the monetary policy debate is right is not the subject of this book, and should be left to experts. From the standpoint of this book, which attempts to consider political reform as a whole, it is clear that the BOJ and MOF reforms lacked consistency with electoral reform and the strengthening of cabinet functions, and that this inconsistency has reverberated ever since. Reducing the influence of the MOF and attempting the so-called separation of fiscal and financial affairs would have conformed with global trends regarding the institutional arrangement of economic policy. However, at the same time, in the case of broader political reforms that moved towards greater centralization, it also seems to have been necessary to recognize that this produces a serious exception. Even if it is true that the specialist position within the field achieved superiority because it was localized as part of administrative reform and because it was a highly specialized domain, there was not sufficient awareness that this would lead to a mismatch with other domains.

On March 20, 2013, Kuroda Haruhiko succeeded Shirakawa as governor of the BOJ. Kuroda had long been active in the field of international finance in the MOF, and his last post before retirement was vice minister of finance for international affairs. He is the first governor from the MOF in 15 years, since Matsushita resigned in March 1998. On the same day, Iwata Kikuo, a professor at Gakushuin University who had long been one of the harshest critics of the BOJ's monetary policies, became deputy governor. The other deputy governor was Nakaso Hiroshi, from the BOJ. Although opposition parties still held a majority in the upper house of the Diet, the DPJ, after losing power in an overwhelming defeat in the general election of December 2012, no longer had the strength to rally other parties to oppose the appointment of the BOJ governor and deputy governors.

³⁰Kuttner, Iwaisako, and Posen (2015).

³¹Iwata (2009).

³²Okina (2009).

Led by Kuroda and Iwata, the BOJ laid out a proactively cooperative stance towards correcting the strong yen, the introduction of an inflation target, and making monetary policy one of the “three arrows” of the economic policies proposed by the second Abe administration (Abenomics), which had come to power the previous year. The BOJ also responded positively to the idea of purchasing government bonds to support fiscal policy. Kuroda was reappointed in March 2018, increasing the likelihood that he will remain as BOJ governor until the end of the Abe administration.

At this point, it remains to be seen what Abenomics has brought about and whether the BOJ’s choices in response to Abenomics were appropriate in policy terms. However, there is no doubt that it was a response to the misalignment that existed between reform of the BOJ and the MOF, electoral reform, and the strengthening of the cabinet. The significance of the BOJ and MOF reforms as exceptional decentralization in the midst of centralization is being lost. But this is of course not a return to “Ministry of Finance rule” as in the past. What has emerged is Kantei leadership as a consequence of political reform.

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Chapter 6

Reform of the Judicial System



1 The Background for Reform

What Is Judicial Independence?

The phrase “judicial branch” probably does not evoke a concrete image for many people. Even fewer people, no doubt, intuitively grasp the fact that this branch of government has been a target of political reform. The discussion in this chapter will begin by considering how reforms that were directly related to the judicial branch—in other words, judicial system reform—constitute a part of broader political reform.

Trials (lawsuits) form the core of the judicial branch’s activities. A trial is a legal dispute, i.e., a dispute between parties concerning a relationship of rights and duties, where the subject of the dispute is legal in nature and where a judgment is handed down regarding an issue that can be resolved through the application of law.¹ Technically, there are some legal matters that are not included in the judicial branch’s activities in some countries, like administrative litigation; and there are some matters that are not directly related to litigation but are included in the activities of the judicial branch, such as court rule-making; further, there are some matters that fulfill a judicial-like role but are not considered as part of the judicial branch’s activities, such as decisions of the Fair Trade Commission. Thus, the judgment of legal disputes does not completely equal the judicial branch’s activities. However, let us first confirm that the judicial branch is the “public sector responsible for trials.”

The term “public sector” is used here because trials are also an exercise of state power. In criminal cases, a trial may result in imprisonment, the imposition of fines, or the compulsory loss of liberty or property. In civil cases, it is not uncommon for individuals or companies to be forced to suffer some sort of property loss as a form of damages. It is a serious exercise of power to force individuals to use their time or property—which they would normally be able to use freely—in a way that they do

¹ Ōya (2018).

not desire. The modern state (government) is characterized by a monopoly on the exercise of power over individuals, a monopoly which also includes the activities of the judicial branch. As described in textbooks, liberalism or constitutionalism is concerned with the protection of individual liberty through restrictions on the scope of the state's exercise of power, while democracy demands the consent and involvement of individuals for the management of the state and its monopolistic exercise of power. It is a basic principle of modern constitutionalism that, while it assumes a monopoly by the state on the exercise of power, it does not allow the exercise of power without restraint by liberalism or control by democracy.

Incidentally, trials in developed countries today are conducted by three types of legal professionals—judges, prosecutors, and attorneys—in addition to the plaintiffs and defendants who are party to the case. Of the legal professionals, those other than the judges are representatives of the parties. The Japanese court system is said to be an adversarial one—that is, a system that allows the parties to interact directly, rather than having judges conduct trials on their own authority. However, since the parties often do not have sufficient legal knowledge, actual trials are often conducted by judges with the participation of lawyers who represent the parties. Judges, prosecutors, and attorneys who play important roles in trials are collectively referred to as “legal professionals” or the “three legal professionals.” A major characteristic of the judicial branch is that although it exercises state power, the concrete form of that power—trials—are almost entirely left to legal professionals.

In a state based on modern constitutionalism, all exercise of power is expected to be subject to certain institutional limits and democratic control. In the case of trials, the main activity of the judicial branch, institutional limits are also applied. The principle of *nulla poena sine lege* (“no punishment without law”) states that punishments must be in accordance with the provisions of the law, and damages that do not have a basis for calculation are not permitted.

However, democratic control of the judicial branch is only exercised indirectly. The Constitution of Japan defines the judicial branch in Chapter VI. Article 76, paragraph 3 states, “All judges shall be independent in the exercise of their conscience and shall be bound only by this Constitution and the laws.” This is a provision for the independence of judges. Furthermore, Article 78 protects the status of judges, stating, “Judges shall not be removed except by public impeachment unless judicially declared mentally or physically incompetent to perform official duties. No disciplinary action against judges shall be administered by any executive organ or agency.” Article 79, paragraph 6 and Article 80, paragraph 2 guarantee the compensation of the judges of the Supreme Court and lower courts (high courts, district courts, the like): “All such judges shall receive, at regular stated intervals, adequate compensation which shall not be decreased during their terms of office.” These guarantees of status and salary serve as means to secure the independence of judges. Additionally, Article 77, paragraph 1 provides for non-intervention in the administration of the judicial branch by external actors: “The Supreme Court is vested with the rule-making power under which it determines the rules of procedure and of practice, and of matters relating to attorneys, the internal discipline of the courts and

the administration of judicial affairs.” These rules can be collectively referred to as judicial independence.

Judicial independence, comprised of the independence of judges and the autonomy of courts, is not unusual in modern constitutional states. Democratic control is lessened, because the exercise of power by the judicial branch can target other branches of the state, namely the executive branch (ministries and agencies), the legislative branch (the Diet), and even local governments. If the judicial branch were subject to strong democratic control—if it strongly reflected the will of actors who win elections and control the administration—it would be difficult to impose any sanctions on that political force through the courts. Additionally, attempts to suppress dissident forces through the courts have often been seen in history, and even today this is not uncommon in authoritarian regimes. The goal of judicial independence is to stabilize the legitimacy of the public sector’s activities as a whole, whether judges are democratically selected or not, and prevent courts from being subject to the will of the administration of the day. In other words, in a liberal democratic system the judicial branch is expected to be an exception that plays a role in strengthening the system.²

Insulation from Society

In the formation of the modern state, the independence of the judiciary was established through a process of trial and error, and its significance is by no means trivial. Even now, there are countries where courts are used to suppress dissidents and political opponents under the name of “people’s tribunals,” or where judgments are demanded in accordance with popular sentiments and the judicial branch complies. In this light, the value of securing an independent judiciary that can constrain the actions of other government branches and treat every person fairly in court, even when some decisions are viewed with discomfort by voters, is extremely significant. An independent judicial branch has an important role to play in shaping basic trust in how politics and society function in a democratic system.

However, the lessened democratic control also results in the judiciary being the most distant and inscrutable branch in the eyes of voters. In the case of postwar Japan, the gap between everyday life and the judiciary was designed to be distant. Relatively few citizens in any country participate directly in trials, and this is particularly true in postwar Japan, which did not adopt a jury system or other arrangements to allow people who are not interested parties or legal professionals to participate in court proceedings. Constitutional law scholar, Doi Masakazu, has expressed criticism of this point: “Under conditions in which the judiciary is highly insulated from the public, or in which the public shows little interest in the judiciary,

²Tatebayashi, Soga, and Machidori (2008).

can the judiciary defend its independence and completely fulfill its duties when confronting the Diet and the cabinet?”³

Even in the area of Supreme Court decisions regarding the Constitution, wherein the judicial branch can have a major influence on other branches of the government and society writ large, conspicuous postwar developments have been scarce. One reason for this is that Japan, like the United States, has adopted a system in which constitutional decisions are rendered only for the resolution of specific cases and disputes (the “incidental system” of constitutional review). For example, lawsuits regarding the constitutionality of the Self-Defense Forces (SDF), a high-profile judicial issue, have been concluded without decisions on the constitutionality of the SDF, because the courts ruled that the interested parties did not suffer a legal disadvantage due to the existence of the SDF. It is also said that the Supreme Court considers civil and criminal litigation to be a more essential role than constitutional litigation, and that it trusts the judgment of the Cabinet Legislation Bureau on constitutional issues.⁴

Another reason for the judicial branch being distant is the small number of legal professionals. Beginning in 1923, under the Meiji constitutional system, the qualifying exam for legal professionals was the bar examination section of the Higher Civil Service Examinations (*Kōtō Bunkan Shiken*, or *Kōbun*). The number of successful candidates was around 300 in most years (the exam was not held after 1943, due to difficulties stemming from Japan’s faltering war effort). Of these, 100 became judges and prosecutors through the judicial officer probationary examination, and the remaining 200 became lawyers through the attorney probationary examination.⁵ After WWII, a new bar examination system replaced the Higher Civil Service Examination; in 1949, the first year of the bar exam, the number of successful examinees was 265, almost the same number as in the days of the higher examination. Thereafter, the number of successful candidates gradually increased, but it peaked at just over 500 in 1964, and fluctuated between 450 and 500 until the start of the 1990s. As a result, the pass rate for the bar exam dropped to less than 2% of applicants, and the number of legal professionals as a percentage of the population was significantly lower than in other developed countries.⁶

With such a small number of legal professionals, it became necessary to resolve many legal issues arising daily in society without the involvement of attorneys or other legal professionals. There may have been cultural and historical factors at work. Dating back to the establishment of the Meiji state, Japan has a history of accepting modern law and judicial institutions from Germany and other European

³Doi Masakazu (2007), p. 277.

⁴Satō (2016), Sakurai (2020).

⁵Kaburayama (2007).

⁶These figures are all from the Ministry of Justice data. The figures for the number of successful bar examinees are from “Change in the Numbers of Applicants and Successful Test Takers in the Second Round of the Former Bar Examinations” (<http://www.moj.go.jp/content/000054973.pdf>). The legal population ratio is from the “Basic Data on the Legal Population” (<http://www.moj.go.jp/content/000108947.pdf>). Last accessed on September 29, 2019.

countries—such as the constitution, civil code, and criminal code—and fusing them to societal practices and norms that have continued from the premodern period. This is a very different background from that of European countries, where laws and courts evolved and modern judicial systems developed in response to social changes and developments, or in the case of the United States and Canada, where social and legal institutions were transplanted from Europe as a set. Therefore, the observation that legal problems that arise in societies with premodern vestiges tend to be resolved without modern laws and judicial institutions has been around for a long time.⁷

However, it is doubtful that culture and history are the only reasons. It would be absurd to say that attitudes towards the law and the judiciary have remained static since the prewar and early postwar periods, given the immense socioeconomic changes from postwar reconstruction and high-speed economic growth, as well as the massive changes in lifestyles and interpersonal relations that Japan underwent after the 1980s. It is difficult to characterize Japanese society after the end of rapid economic growth as premodern. Moreover, with corporate activities expanding internationally, there are many situations in which Japanese employees rely on legal professionals in other countries. Rather, it is thought that in Japan, the lack of familiarity with the legal profession made it difficult to use, and that because few people used it, information was scarce, leading to excessive uncertainty about time and costs.⁸

I noted earlier that one reason for the judiciary's separation from society was its failure to render decisions on high-profile, contentious issues, such as the constitutionality of laws, due to the incidental system of constitutional review. However, it is possible that the courts' cautious handling of contentious issues with high social visibility and serious political antagonisms was influenced by its relationship with other branches of the government. In the case of postwar Japan, the legislative branch (the Diet) and the executive branch (the cabinet and bureaucracy) were fused under a parliamentary system, and the Liberal Democratic Party (LDP) had established single-party dominance since 1955. Under these circumstances, the judicial branch needed to be more careful in establishing its relationship with the executive and legislative branches.

Even though judicial independence is guaranteed by the Constitution, the cabinet is involved in the appointment of Supreme Court justices, and as long as there are constraints on its budget, the Supreme Court alone cannot decide upon the economic treatment of judges, including the specific level of "adequate compensation." The Supreme Court had no choice but to be aware that frequent intervention in the decisions and actions of the Diet, cabinet, and various administrative bodies would invite reverse intervention in the courts and weaken its independence. If there were frequent changes of government, a more assertive stance towards judicial review, including that of the constitutionality of legislation made by the previous ruling party, would not be a problem. However, when government turnover happens in

⁷See, for example, Kawashima (1967).

⁸Foote (2006).

only exceptional cases, it becomes more rational to defend judicial independence by avoiding political conflicts. The Supreme Court has even requested that lower court judges take such a stance. In fact, there are studies that show that lower court judges who intend to challenge status quo interpretations of contentious political issues such as the Self-Defense Forces and the separation of church and state are more likely to fall off the fast track for promotion.⁹

2 Clear Directionality

Expanding Points of Contact with Society

In a democratic system, it is more difficult to maintain the legitimacy of the judicial branch than that of the legislative or executive branches. In postwar Japan, where the population of legal professionals has been small and the judicial branch has been isolated from society, this tendency is even stronger. Considering the significance of judicial independence, it may be natural to not make the legal profession a publicly elected office. However, if people in society cannot easily consult with lawyers about everyday legal issues and do not use the courts as a means of dispute resolution, the judiciary will lack democratic legitimacy not only in an institutional sense, but also in the substantive sense in that points of contact with society will be scarce. It is not easy for such a judicial branch to build a relationship of equal checks and balances against a ruling party and bureaucracy when there has been long-term single-party dominance under a parliamentary system. Even if court rulings are based on valid interpretations of the law, the judiciary may need to take a contradictory position to branches that have won elections and have high democratic legitimacy, without being able to count on the support of society. In this sense, the lack of contact with society and the reluctance to conduct judicial review of the actions of other government branches are two sides of the same coin.

With this understanding as a starting point, there are two principal directions for judicial reform. The first is to expand contact with society, and the second is to strengthen the judiciary's autonomy vis-à-vis other branches of the government, especially the ruling party. Let us examine each of these.

As previously mentioned, expanding contact with society means changing the factors that have led to a lack of democratic legitimacy. Specifically, it was necessary to expand the scope of the judicial branch's decisions (more directly, court rulings and the process leading to them) to reflect the thoughts and preferences of the general electorate, not just that of legal professionals and concerned parties. Put differently, it was necessary to make the judiciary feel closer to voters and businesses by expanding the legal profession and speeding up trials. This would include proactively addressing legal issues with high social visibility, but since many of these

⁹See, for example, Ramseyer and Rosenbluth (1993).

issues are politically contentious, they are difficult to address unless autonomy from the ruling party and bureaucracy is guaranteed. If the aim was to increase the responsiveness of postwar Japan's judicial branch in areas that were its greatest weakness, namely areas of increasing international importance that were also highly specialized and rapidly changing, such as intellectual property and finance, there was ample space for reform in the judiciary alone to achieve this goal.¹⁰

However, there were also fears that this kind of change could be a double-edged sword. Although postwar Japan's judicial branch has a small number of legal professionals and has been reluctant to address issues that are politically contentious or unfamiliar, it has boasted a high level of practical ability—known as “precise justice” (*seimitsu shihō*)—in the field of criminal law. Members of the “three legal professions,” who have overcome the extraordinary difficult bar exam and possess highly specialized abilities, make full use of concepts and terms that only experts in the same field understand and resolve legal issues meticulously, even if it takes time. As a result, the Japanese judiciary was an insulated, professionalized space.

If those without legal backgrounds were allowed to participate in the judicial process and express their own ideas and judgments despite only being involved in certain trials for a limited period, the professionals' insulated space would be lost. Expanding the ranks of the legal profession meant, in effect, raising the cap on successful bar exam candidates, but if the ability and knowledge of applicants as a whole did not change, the only way to increase the number of successful applicants would be to lower standards. Even if this were compensated for by pre-exam education and post-exam legal training and practical experience, the expertise of the legal profession would gradually decline. The lack of professional skills could become more serious if subpar lawyers become involved in areas with which they are unfamiliar. This would be especially true if time constraints increased. Relaxing control of the judicial process, which was in the hands of a small number of legal professionals, could shake confidence in the professional competence that underlay public support for the judicial branch in the absence of democratic legitimacy.

Greater Autonomy from the Executive and Legislative Branches

For the judicial branch, there has been considerable uncertainty about the extent to which it can gain autonomy from the executive and legislative branches. One reason for the reluctance of the postwar Japanese judiciary to take assertive stances on political issues such as constitutional litigation is the fact that, as mentioned earlier, there had been no change of government for a long time. Within the judiciary, members had multifarious relationships with the long-ruling LDP, the bureaucracy that sought to advance its policies by integrating with the LDP, local governments

¹⁰Nihon Keizai Shimbunsha (2000).

that were easily influenced by both, and the business community whose interests were aligned with those of the LDP and the bureaucracy. These actors were united on the point of blocking outside actors, including the courts, from wielding influence. Under these circumstances, it was not an easy task to maintain the court's autonomy on internal matters while also actively adjudicating on contentious issues in which the LDP had a strong interest.

Political historian Mikuriya Takashi notes that as prime minister, Satō Eisaku actively intervened in Supreme Court appointments.¹¹ During the Satō administration, which lasted from 1964 to 1972, there was little possibility of the LDP losing power and, in conjunction, the LDP's internal personnel practices were stabilized. The longer the LDP remained in power, the more difficult it became to ensure the autonomy of the judicial branch. Looked at another way, in order to increase the autonomy of the judicial branch, it is desirable for changes of government to occur regularly. However, because the judicial branch cannot control how frequently governments change, it is a major weakness of the judicial branch that its autonomy depends on such transitions.

In the mid-1990s, when judicial reform was first conceived, electoral reform had already been completed and administrative reform and local decentralization reforms were already underway. The new form of government that was envisioned assumed that there would be regular change of government between ruling and opposition parties instead of long-term single-party dominance, the bureaucracy would no longer be integrated solely with one particular party, and vested interest groups would be less entrenched. The space for local governments to choose policies based on their own judgments would expand. If the actors wielding political power were replaced, and, by association, checks and balances within the government could function effectively, the judicial branch's autonomy would be guaranteed and its role in restraining other branches of the government would increase. However, it was unknown whether this new form of government would be realized.

A parallel difficulty was how to reconcile a desire for reform that would lead to a reduction in expertise, on the one hand, and the pursuit of autonomy that was based on expert abilities in handling relations with the ruling party and the bureaucracy, on the other. Legitimacy based on the highly specialized knowledge of a small number of professionals would make the judiciary a peripheral institution for the average voter or business, thereby weakening its position relative to other branches of the government. However, no matter how much contact with society is expanded, it is impossible for the judicial branch to rest solely on democratic legitimacy, since its members are not publicly elected. Of course, these two issues are not entirely contradictory: the idea was to aim for a more open judicial process than in the past without reducing expertise too much. However, it was unclear whether there was a way to ensure this proper balance.

¹¹ Mikuriya (2012), p. 232.

Research and the Exploration of Options by the Supreme Court

What were the perceptions within the judicial branch regarding this situation and its challenges, and what efforts were being made to confront them? We have already seen that the Constitution grants the Supreme Court authority to decide the internal rules of courts and judicial administration, the details of which are set by the Court Act. The Court Act defines the composition of the lower courts other than the Supreme Court, and also regulates how judges are to be appointed. It also assigns personnel affairs and other matters relating to judicial administration to “judicial assemblies” (*saibankan kaigi*). Thus, the Supreme Court’s judicial assembly is the apex organization for judicial administration. In practice, however, it is difficult for Supreme Court justices, who are too busy and too few in number, to devote their time and labor to judicial administration, and the Supreme Court General Secretariat, an auxiliary body of the judicial assembly, is responsible for judicial administration.¹²

The Supreme Court General Secretariat plays a significant role in the career paths of judges who hold key positions. Judges in the general secretariat, judges serving in managerial positions such as President of the High Court and President of the District Court, and Supreme Court investigating officers are collectively referred to as the “judicial bureaucracy.” The judicial bureaucracy, in addition to administering the appointment of judges, has exercised influence over the judicial system overall, including the shape of trials and the three legal professionals, as well as the interpretation of laws and judicial practices. Shindō Muneyuki, a scholar of public administration, says that control of judges by the judicial bureaucracy has created the judicial inertia of postwar Japan.¹³ Of course, the view that the judicial bureaucracy controls judges and dominates the judicial branch is one-sided. As legal sociologist Daniel Foote points out, while the Constitution provides for the independence of individual judges, if the judicial bureaucracy is not given opportunities to engage in mutual review meetings among judges, this would be even more inappropriate from the perspective of properly resolving legal issues.¹⁴

Whether one sees this situation as a system of controls or as a contribution towards more appropriate judgments and policy formation, it is clear that the activities of the Supreme Court General Secretariat played a significant role in postwar Japan’s judicial branch. From the 1980s onward, the general secretariat’s awareness of the need to expand contacts between the judicial branch and society intensified. Yaguchi Kōichi, who became Chief Justice of the Supreme Court in 1985, had such a long tenure at the General Secretariat that he was sometimes called “Mister Judicial Administration.” Under Yaguchi’s initiative, Takesaki Hironobu, who would later serve as Chief Justice of the Supreme Court, and other judges in their forties who served in the General Secretariat were dispatched to the United

¹²C.O.E. Oral Policy Research Project (2004), Shindō (2009).

¹³Shindō (2009).

¹⁴Foote (2006).

States and the United Kingdom for long periods of time to conduct research on the participation of the public in the judicial process, including the jury system.¹⁵ In an interview immediately following his retirement, Yaguchi explicitly stated that going forward, the judiciary “needs to close the gap with the people. Furthermore, I also feel strongly that trials should not be treated like a monopoly of the legal professions.”¹⁶

Yaguchi was also skeptical of the idea that because the legal professions have a high degree of expertise, legitimacy can be secured by professionalism. In his thinking, “a trial is something that cannot go above the level of the parties involved.” He disapproved of the closed system whereby a majority of judges or prosecutors ended their careers where they were first appointed. The ideal was the unification of the legal profession, meaning that people who were qualified to practice law would serve in different positions over the course of their careers, as judges, prosecutors, administrators, and lawyers.¹⁷ In later years Yaguchi became more assertive about citizen participation in the judicial process, criticizing the “precise justice” theory in his oral history and dismissing the view that the number of lay judges drawn from the general public, whose involvement had been proposed as a feature of judicial reform, should be less than the number of professional judges. However, shortly after retiring as Chief Justice of the Supreme Court, he became a little more cautious, proposing that the jury system, which “costs money and time,” be introduced only in a few criminal cases.¹⁸

However, it would not be fair to say that the judicial branch was united in accordance with Yaguchi’s way of thinking. Rather, it could even be said that Yaguchi was the most radical reformer. The reason for internal disagreement was, of course, fear over the decline in expertise. At a roundtable discussion held at a time when judicial system reform was gaining momentum, Monguchi Masahito, then the acting chief of the Civil Division of the Tokyo District Court, expressed fears about the loss of “the correctness of rulings” and “predictability,” saying “the proposal to expedite trials needs to be fleshed out a little more.” He also expressed doubts about the unification of the legal professions (“some conditions and the environment are not yet ready”) and the introduction of the jury system (“would the public accept something that will bind them for a long time?”).¹⁹ Although the record of the roundtable discussion was probably compiled by a newspaper, Monguchi is clearly marked as a skeptic of judicial reform, and his comments may not have been the average view of the legal profession at the time. However, it is clear that there were a variety of views on reform within the legal profession, even if they did not surface.

¹⁵Sogabe (2016).

¹⁶Asahi Shimbun “The Kingdom of Solitude” Reporting Team (1994), p. 225.

¹⁷C.O.E. Oral Policy Research Project (2004), p. 62.

¹⁸Asahi Shimbun “The Kingdom of Solitude” Reporting Team (1994), p. 226.

¹⁹Nihon Keizai Shimbunsha (2000), p. 220, 224.

3 Reform by Consensus

The Road to the Establishment of the Advisory Council

It was only after the Judicial System Reform Council was established in July 1999 that reform of the judicial system, which had been under consideration since the 1980s, began to take concrete form. However, the council was not established out of thin air; its antecedents can be found in initial considerations by the Supreme Court General Secretariat and several subsequent developments in the 1990s. According to Satō Kōji, a constitutional law scholar who was deeply involved in judicial system reform, one of the representative developments at the time was the “Declaration on Judicial Reform” issued by the Japan Federation of Bar Associations (JFBA) on May 25, 1990. Another was “Pathology and Prescription for Contemporary Japanese Society: Toward the Realization of a Society that Makes the Most of Individuals,” published by the Keizai Dōyūkai in June 1994, in which judicial reform was proposed.²⁰

One would expect that the orientation of the arguments made by the JFBA, which is concerned with guaranteeing the rights of citizens and monitoring public authority, and the Keizai Dōyūkai, which is reform-oriented but premised on the interests of the business community, would be diametrically opposed. However, in reality, their proposals were surprisingly similar.

First, the JFBA’s declaration says the following:²¹

A well-developed judiciary is indispensable to fully guarantee the rights of the people and to develop a prosperous democratic society.

More than forty years have passed since our country’s judicial system was completely remade with the enactment of the Constitution of Japan.

During this period, the circumstances surrounding the justice system have changed significantly, especially the development of economic activity and the expansion of the administration, which, on the one hand, have improved the lives of the people, but, on the other hand, have caused various frictions, such as human rights violations against the people. In addition, the number of legal disputes in general has increased, and it is striking that they are becoming more diverse and more complicated. The public strongly expects the judiciary to fulfill its function of securing human rights in every area and resolving various legal disputes in an appropriate and prompt manner.

However, if one looks at the current state of our country’s judiciary, it not only does not meet the expectations of the people, it is becoming increasingly distant from them. Now is the time to fundamentally reform our country’s judiciary, aiming for an ideal, open justice system that reflects popular sovereignty and is accessible to the people. To this end, it is of the greatest importance that the budget for the judiciary be substantially increased to expand the judiciary both in terms of personnel and resources, and that the various problems that have arisen in the organization and administration of the judiciary be rectified from the perspective of the people. Furthermore, from the perspective of the participation of the

²⁰Satō (2013).

²¹The text of the Declaration is available on the JFBA website. The paragraph breaks have been changed to the usual style. Last accessed September 29, 2019. https://www.nichibenren.or.jp/document/assembly_resolution/year/1990/1990_3.html.

people in the judiciary, the introduction of jury and lay judge systems should be considered, with the aim of realizing a unitary legal system.

Keizai Dōyūkai first criticizes the current state of the judiciary as follows:²²

The judiciary, as one of the three branches in the separation of powers, has the serious mission and great authority to monitor the legislative and executive branches, but it is not fulfilling its proper function and even its presence is fading, as seen for example by its toleration of the disparity in the value of votes or the great amount of time and money needed when the people appeal to the courts.

It then proposes the following reforms:

Hereafter, the justice system needs to become closer to and more present for individuals. In particular, the core of the justice system—the courts—should be improved in terms of time, cost, and accessibility so that it is easier for individuals to use . . . The current situation in Japan, where the courts are difficult to use, as well as the situation whereby the justice system’s function of improving the health of civil society cannot be fully realized, is a problem . . .

Therefore, an organization such as a “Judicial Reform Promotion Council” (tentative name) should be established as soon as possible, and a broad national debate—focusing not on discussions among legal professionals alone, but on the voices of citizens and other “users” of the justice system—should commence regarding basic problems of the judiciary, for example the participation of citizens in the judiciary; the consistency of the judicial system with that of other countries; and the position of the judicial branch within Japanese society as a whole, not only with legal professionals but also with citizens.

What both the JFBA and Keizai Dōyūkai pointed out was that the judiciary was distant from the public and difficult to use, due to the small number of legal professionals and the lack of citizen participation in the judicial process. They also highlighted that the judiciary’s ability to conduct oversight of other branches of government was inadequate, and that its rights vis-a-vis the other branches were too weakly guaranteed. As touched on earlier in this chapter, an awareness of postwar Japanese judiciary’s problems— isolation from society and insufficient autonomy from other government branches—was widely shared across the political spectrum. There was broad agreement on the need to promote reforms that incorporated the “viewpoint of the people” (JFBA) or the “voices of citizens and others” (Keizai Dōyūkai).

When viewed in a larger context, this kind of movement towards judicial reform has similar undertones to the broader project of liberal modernism, described in Chap. 1. In other words, as is clear from the fact that the JFBA’s declaration advocated the realization of a “prosperous democratic society” and preached enforcement of the Constitution of Japan, and that the Keizai Dōyūkai mentioned the “separation of powers” and “consistency of the judicial system with other countries,” judicial system reform was aimed at further modernizing Japanese society and achieving international standards. Autonomous individuals, living freely

²²This proposal can be downloaded from the Keizai Dōyūkai website. Paragraph breaks have been changed to the usual style. Last accessed on September 29, 2019. <https://www.Dōyūkai.or.jp/policyproposals/articles/past/940630a.html>.

with creativity and ingenuity, create by their own wills the political power necessary to achieve and monitor social tranquility, and sometimes replace the bearers of that power. A judicial branch that was close and responsive to society's needs was essential for the kind of society thought to be prevalent in the developed world.

However, as has been the case with reforms in the various institutional domains discussed in the previous chapters, realizing judicial reform required the localization of modernism. In the following section, we will consider the localization process by examining the development of judicial reform from the Judicial System Reform Council onwards.

Judicial System Reform Council

Hashimoto Ryūtarō, who worked on administrative reform and revision of the Bank of Japan Act, resigned as prime minister following the LDP's crushing defeat in the July 1998 House of Councillors election and his successor, Obuchi Keizō, was in power when the Judicial System Reform Council was established in 1999. However, the need for judicial reform had been raised during the Hashimoto cabinet, in the final report of the Administrative Reform Council issued in December 1997, and there is a high degree of commonality in the positioning of administrative and judicial reform as policy issues. It is not surprising that the same philosophy—liberal modernism—that underlay administrative reform can also be found in judicial reform.

The Judicial System Reform Council was established for a period of 2 years under the Act for Establishment of the Judicial System Reform Council, with the prime minister as the responsible minister. Its jurisdiction, as stipulated in Article 2 of the Act, included both research and policy prescription: “to clarify the role that the judiciary should play in Japanese society in the twenty-first century, realize a judicial system that is more accessible to the public, involve the public in the judicial system, enhance and strengthen the legal profession and its functions, and study and deliberate on other basic measures necessary for the reform and infrastructure of the judicial system,” and, “based on the results of its study and deliberation, offer opinions to the cabinet.”²³

The first meeting was held at the Kantei (Prime Minister's Office) on July 27, 1999, and constitutional law scholar Satō Kōji was elected chairman. Satō also played a major role in the preparation of the final report of the Administrative Reform Council, with the cooperation of Matsui Kōji, who served in the secretariat, and this is reflected in the commonality between these reforms. The other members of the committee were Inoue Masahito, who specialized in criminal procedure law;

²³The following is a summary of the proceedings of the Judicial System Reform Council, based on the minutes and related documents stored on the Kantei's website. Last accessed on September 29, 2019. <https://www.kantei.go.jp/jp/sihouseido/>.

Takeshita Morio, who specialized in civil procedure law; Nakabō Kōhei, then president of the JFBA, which had issued the judicial reform declaration mentioned earlier; and Torii Yasuhiko, who chaired the Central Bank Study Group that played a key role in the revision of the Bank of Japan Act. Assisting the prime minister and effectively supervising operations was the administrative deputy chief cabinet secretary, Furukawa Teijirō, who had held that position since the Hashimoto administration. At the first meeting, several reform proposals issued in the 1990s, including the JFBA's judicial reform declaration and the recommendations of the Keizai Dōyūkai, were distributed. Subsequently, meetings were held at a rapid pace: twice a month during fiscal 1999 and more than three times a month in fiscal 2000.

At the eighth meeting on December 8, 1999, Chairman Satō presented a draft of the key points. This draft listed “modern Japan and the present,” “the transformation of Japanese society and the role of the judiciary,” and “internationalization and the role of the judiciary” as historical background concepts, and proposed the following as directions for reforms under the heading of “strengthening the institutional foundation of the justice system:”

- Realizing a judicial system that is accessible to the people
- A way of civil justice that meets public expectations
- A way of criminal justice that meets public expectations
- Public participation in the judiciary

Under the heading of “strengthening the human foundation of the justice system” it also proposed:

- Bolstering the population of legal professionals and the legal training system
- Unification of the legal profession
- Improvement of the personnel systems of courts and public prosecutors' offices

The importance of harmonization with “international rules” was also mentioned. At the subsequent ninth meeting, the summary of key points was agreed upon by the council as a whole, but its content had not changed significantly from the earlier draft. The council continued to study energetically—including through local public hearings and overseas study trips—but its activities were now focused on more concrete aspects of institutional design. It is safe to say that the basic thinking of the council was largely settled in the draft of key points.

The council delivered its interim report to Prime Minister Mori Yoshirō on November 28, 2000, and published the full text. Since the council had already proposed reforming the legal education system, the Ministry of Education, which is involved with legal education at universities and graduate schools, convened a “Study Council on the Law School (tentatively named) Concept” from May 2000, and released a summary report in September of the same year. The chairman was Kojima Takeshi, a civil litigation scholar. At this council, it was decided that faculties of law would not be abolished, that law schools would be newly established with faculties of law as their organizational foundation, and that, although presented as an exceptional circumstance, the option of taking the bar examination without completing law school would remain. The LDP was more supportive of allowing

those who had not completed law school to take the bar exam, and the council relaxed its proposal that this be permitted only in exceptional circumstances.²⁴ Based on this foundation, the council compiled its final opinion at its 60-s meeting on June 1, 2001, and submitted it to Prime Minister Koizumi Jun-ichirō at its 63rd meeting on June 12, 2001.

The final report begins with the title “The Vision of Our Society in the Twenty-First Century,” stating, “The people will build a free and fair society, cooperating with each other as autonomous and socially responsible individuals, while realizing a government that is streamlined, efficient, transparent and suitable for the effective performance of important state functions, and on this basis we will contribute to the development of the international community.” In addition, the “role expected for the justice system in our society in the twenty-first century” was divided into “the role of the justice system,” “the role of the legal profession,” and “the role of the people.” Under the heading, “the shape of the twenty-first-century justice system,” the three pillars of “the development of the institutional foundation,” “improving the human foundation,” and “judicial participation by the people” were presented. The development of the institutional foundation refers to speeding up trials and establishing courts that specialize in intellectual property cases. Improving the human foundation centered on reforming the legal training system, increasing the legal population, and reforming the closed career system. Public participation in the judiciary centered on the introduction of a lay judge system.

The Reality of Institutional Reform

The Koizumi administration, after receiving the final report, immediately began work on translating the reform proposal into legislation. The bill was submitted to the extraordinary session of the Diet in the fall of 2001, with the cabinet secretariat as the competent authority, and was passed in November as the Act on Promotion of Judicial System Reform. In December, the “Headquarters for the Promotion of Judicial System Reform” was established in the cabinet. In the ordinary Diet session that began in January 2002, the “Act Partially Amending the Patent Attorney Act” and the “Act Partially Amending the Judicial Scrivener Act and the Land and Building Investigator Act” were passed first, followed by more than 20 pieces of associated legislation.

Looking specifically at the important laws, revisions to the School Education Act to allow the establishment of law schools and the Bar Examination Act to establish a new judicial examination system were passed in the extraordinary Diet session in the fall of 2002. The Act on the Dispatch of Judges and Public Prosecutors to Law Schools and the Act on the Expediting of Trials were passed in the ordinary Diet session in 2003. Acts relating to the introduction of a lay judge system and revisions

²⁴Nakanishi (2008).

of the Code of Criminal Procedure to reform the Committee of Inquest for Prosecution system, as well as the law establishing the Japan Legal Support Center, the so-called “Hō-terasu” system—a nickname for the Japan Legal Support Center, derived from the phrase “illuminating (*terasu*) the law (*hō*) for society” as well suggesting the idea of a “terrace” or open space—were passed in the ordinary Diet session of 2004.²⁵

The reason why these reform laws proceeded so smoothly can be attributed to the broad consensus on judicial system reform. We have already seen that in the 1990s, the JFBA and the Keizai Dōyūkai shared similar perceptions of the status quo, but other actors also felt the need for reform. The LDP, then the ruling party, announced a series of policy proposals from 1997 onwards in its special study group on the judicial system. The study group’s June 1998 report reiterated its aim of promoting reform under the leadership of an advisory council.²⁶ Moreover, this kind of recognition and orientation were not limited just to the legal world, the justice ministry, or the LDP, but were shared by the business community and the mass media, and were also accepted by the Ministry of Education (known as MEXT from 2001), which had taken an increased interest in higher education reform. As demonstrations of this, for 8 months from October 1999, the *Nikkei Shimbun* published a long-running series of articles titled “The Justice System: The Business Sector Asks” that urged reform, and the Ministry of Education decided to design a law school system as soon as the Judicial System Reform Council had laid out its arguments for such a system.²⁷

The Democratic Party of Japan (DPJ), which from the late 1990s had established itself as the leading opposition party, also took a proactive stance towards judicial system reform.²⁸ The DPJ had formed a “Next Cabinet”—similar to the “Shadow Cabinet” formed by the leading opposition party in the United Kingdom—and Eda Satsuki, who served as the “Next Justice Minister,” released a document on July 12, 2000, called “Toward a Judiciary in which Citizens Take the Leading Role: Judicial Reform in the Era of Establishing a New Democracy.” The document stated: “The courts have not been able to adapt to the remarkable increase in quantity and the change in quality of lawsuits. As a result, trials take time and the courts are

²⁵ For the legislative process after the submission of the final opinion of the Judicial System Reform Council, see the “Headquarters for the Promotion of Judicial System Reform” on the website of the Kantei (www.kantei.go.jp/jp/singi/sihou/index.html). For the timing and content of important legislation passed, see “List of Legislation Related to Judicial System Reform” (<http://www.moj.go.jp/content/000004382.pdf>) on the website of the Ministry of Justice. Last accessed on September 29, 2019.

²⁶ Sogabe (2016).

²⁷ Nihon Keizai Shimbunsha (2000).

²⁸ Of the documents discussed here, “Toward a Judiciary in which Citizens Take the Leading Role” is in the collection of DPJ reference documents on the personal website of Eda Satsuki (<https://www.eda-jp.com/oldindex.html>), the former DPJ executive who served as speaker of the House of Councillors and justice minister, and “An Opinion on Judicial System Reform” is in the DPJ’s archive (<http://www2.dpj.or.jp/news/?num=11269>). Last accessed September 29, 2019.

unable to meet the demands of the business community, which is facing fierce international competition. Moreover, the public also faces a high threshold to access the justice system, and judicial services have become something remote from their lives. Thus, there is an enormous pile of issues that should be reformed.” With this recognition as a starting point, the DPJ proposed increasing the quantity and quality of legal professionals, unifying the legal profession, introducing a jury system or a lay judge system, and reforming administrative legal proceedings. On May 17, 2001, immediately before the release of the final report of the Judicial System Reform Council, the party publicized its views in a document titled “An Opinion on Judicial System Reform.”

With such a foundation already in existence, the emergence of Prime Minister Koizumi Jun-ichirō, whose administration’s primary task was structural reform, further accelerated reform of the judiciary. In its “Plan for the Promotion of Judicial System Reform” approved by the Cabinet on March 19, 2002, the administration stated, “In view of the importance of comprehensive and intensive promotion of judicial system reform not only by the government but also by the Supreme Court, the Japan Federation of Bar Associations, and others, we expect the Supreme Court to formulate and implement measures for judicial system reform in a comprehensive manner, and we expect the Japan Federation of Bar Associations to take necessary initiatives for the realization of judicial system reform.” Consistent with this, the Supreme Court issued on March 20 its “Outline for a Plan for the Promotion of Judicial System Reforms,” and on March 19, the JFBA issued its “Japan Federation of Bar Associations Plan for the Promotion of Judicial System Reform,” suggesting that there was little disagreement at this stage about institutionalizing the reform.

Based on the reform legislation, education at law schools began in April 2004; a major revision of the Administrative Case Litigation Act came into effect in April 2005; the new bar examination was administered for the first time in May 2006; the Japan Legal Support Center, which makes it easier for the public to consult with lawyers, began operation in October of the same year; and the lay judge system began in May 2009. In addition, a series of changes were made to strengthen the social presence of the judiciary, including the establishment of the Intellectual Property High Court (IP High Court) in April 2005 and the establishment of the Labor Tribunal Committee based on the Labor Tribunal Act enacted in 2004.²⁹

4 Localization After Institutional Change

Difficulties in the Implementation Stage

As is clear from what has been discussed thus far, unlike the other reforms discussed in this book, judicial system reform was met with few objections or outspoken

²⁹Satō (2013).

opposition, and institutional change proceeded exceedingly smoothly. The concept of reform remained roughly the same as it moved from the conceptual phase in the 1980s and 1990s, to the basic design phase in the advisory council from the 1990s to the early 2000s, to the institutionalization phase in the mid-2000s. These institutional changes closely reflected the modernist idea in its original form.

The consistent perception was that the postwar Japanese judicial branch had become too dependent on a sophisticated but insular professionalism, which made it inaccessible to the general public and businesses, and that it could not adequately fulfill its function of restraining the state's power, an issue that had been exacerbated by prolonged one-party dominance. In order to change this situation, the reforms aimed to increase the number of legal professionals and the participation of the general public in the judicial process; to narrow the legal system's separation from society by making it more accessible; to increase the judicial branch's democratic legitimacy; and to enhance its ability to restrain and monitor the other political branches. A recognition of these issues and the measures needed to address them was shared not just by the three legal professions, but were also by many other relevant actors, including members of the ruling party, other government ministries, opposition parties, the business community, and the media.

However, the post-reform process has been unexpectedly tough. In particular, there have been significant difficulties with the new legal training system and bar examination system, which were designed to increase the number of legal professionals; the lay judge system which aimed at expanding the participation of the general public in the judicial process; and the speeding up of trials that has accompanied these initiatives. In some areas, such as the Administrative Case Litigation Act, the Labor Tribunal Act, and Alternative Dispute Resolution (ADR) procedures, efforts promoted as part of the judicial system reform are said to have achieved results. Overall, however, for most reforms proposed by the Judicial System Reform Council—strengthening the institutional foundation of the justice system, strengthening the human foundation of the justice system, and public participation in the justice system—the expected results have not been achieved, with the partial exception of strengthening the institutional foundation.

Let us look at some specific examples. First, with regard to the legal training system, law schools were established at various universities in fiscal 2004 and 2005, bringing the total number to a maximum of 74. Some of the universities were in regions where law faculties had not been established before, while others had limited experience in training legal professionals. These new law schools were created in accordance with the government's plan for judicial system reform—"aiming for the number of students who pass the bar examination to be around 3000 per year by around 2010"—and its attendant concept, that "70 to 80 percent of graduates of law schools should pass the bar examination." In reality, however, the number of successful applicants peaked at around 2100 in 2012, and thereafter began to decline, and the chances of passing the bar exam and becoming a legal professional have declined significantly even for law school graduates. Except for a few universities that had achieved excellent results in the old bar examinations, the success rate of most law schools was remarkably low, with the number of students who passed the

exams under the new system ranging from zero to a handful per law school. The number of applicants to many law schools dropped significantly a few years after their establishment, and, starting with Himeji Dokkyō University Law School in 2011, half of the law schools have already stopped accepting students.

In addition to the fact that the number of successful bar exam candidates has not reached initial expectations, the existence of a preliminary examination presents another difficult problem. The preliminary examination was established when law schools were founded in order to eliminate the problem of people who could not become legal professionals for financial reasons: if a person could pass the preliminary examination, he or she could take the main bar exam even without completing law school. However, the preliminary exam, which was originally envisioned as an exceptional route to becoming a legal professional, has in reality been used by those seeking to save the time and money. People can attend a preparatory school during their undergraduate legal studies, or after starting law school, to prepare for and pass the bar exam in less time that it would take them to complete a full law school program. The bar exam pass rate for those who have passed the preliminary examination continues to exceed that of law schools with the highest pass rate. Even among law students enrolled in universities with law faculties that have a track record in the bar examination, the better students tend to opt for the preliminary exams. This is a fundamental threat to the existence of law schools.

The lay judge system is also facing a major turning point. From the beginning, there have been questions about the time burden of long court appearances and the psychological burden of judging people, in particular for those who do not want to be lay judges in the first place. Fears have also been raised that defendants' rights could be violated by the participation of non-specialists. These concerns have not been extinguished even now.³⁰ Although efforts are being made to reduce the burdens, such as by arranging pre-trial reviews of issues, many people cannot take even a few days off of work if they become a lay judge. In 2018, the rate of refusal was 67.1%, while the absentee rate for the selection proceedings (the rate of lay judge candidates who did not refuse beforehand but did not attend) reached 32.5%. Even in a Supreme Court survey, in response to the question, "has your interest in trials and the justice system changed" since the start of the lay judge system, 70% reported "no particular change." In the same survey, expectations that trials would be more "fair and neutral," "trustworthy," and "accessible," while not low, did not increase after the introduction of the system, and it is unlikely that respondents perceived such virtues as actual effects of the system. As for the speeding up of trials, which was supposed to be a part of the lay judge system, the average number of trial days for the first hearing of criminal cases has, in recent years, been slightly increasing compared to when the lay judge system was first introduced.³¹

³⁰See, for example, Inoue (2008), Nishino (2015).

³¹The figures for the refusal rate and absentee rate are according to the Supreme Court's "Status of the Lay Judge System (Preliminary Report from the Start of the System through the end of July 2019). The absentee rate was calculated using the "number of prospective jurors who were

A Return to Expertise

What is behind these problems? The new legal training system, the bar examination system, and the lay judge system: it is possible to see all of these initiatives as overly idealistic. Undeniably, it is somewhat irrational to think that the problem of judicial isolation from the general public can be solved by suddenly involving lay judges in criminal trials for serious crimes such as murder. But it could also be argued that reforms were insufficiently radical, whether because law faculties survived even as law schools were established, because approval for the establishment of law schools was given to far more law schools than expected, or because the preliminary examination was used as a loophole. In South Korea, which reformed its legal education system in 2009, a little later than Japan, measures were taken to abolish law faculties and allow only people who have completed law school to sit the bar exam (a mandatory exam to become a legal practitioner).³²

The problem in Japan can be seen as resulting from the localization after institutional reforms were implemented. In other areas of political reform covered in this book, such as electoral reform, administrative reform, and decentralization reform, actors with differing views were engaged in the process of formulating reform proposals and legislation, and while there was confusion, the final content of reform was developed in a settled fashion. This is what is referred to in this book as localization. However, if viewed from the perspective of pursuing reforms that are thought to be the most ideal, localization is either compromise or retreat. In fact, such criticism has been leveled at all reforms. In the case of judicial reform, however, until the details of the reform were decided, the main actors were so united that any objections would have had little influence on the process. Experts in criminal justice and crime policy had long pointed out that the lay judge system would change the so-called “market price of sentencing”—the appropriate level of punishment based on past practice—and reduce the predictability of sentencing, inviting harsher punishments due to public sentiment.³³

However, the fact that localization did not occur during the process of defining the content of the reform does not mean that localization was unnecessary. The public’s lack of preparedness with respect to participation in the lay judge system, an issue that was a concern of judges who participated in the roundtable cited earlier, was precisely what became manifest after the reform, as seen by the fact that two-thirds of lay judge candidates have declined to serve. In addition, the fact that

requested to attend the date of the selection process” as the denominator and the “prospective jurors who attended the date of the selection process” as the numerator. The evaluation and expectations of the system are based on the Supreme Court’s “Survey on the Operation of the Lay Judge System,” January 2019 (https://www.saibanin.courts.go.jp/topics/detail/09_12_05-10jissi_jyoukyou.html). The data on the speeding up of trials is based on the Supreme Court’s “Eighth Report on the Verification of the Speeding Up of Trials” (https://www.courts.go.jp/toukei_siryu/hokoku_08/index.html). Last accessed March 16, 2020.

³²Misawa (2012).

³³Honjō (2008) provides a balanced summary of these points.

the number of people who passed the bar examination peaked without reaching the initial target, concerns that declining pass rates were not properly reflected when new law schools were approved, and the fact that not enough people who completed law school and passed the bar went on to corporate work, all suggest that judicial reform did not have much significance for actors outside the legal profession. In other words, even actors who were in favor of the reform but were outside the legal sector were not aware of its content or effects. The highly specialized and insulated nature of the judicial branch weakened the impetus for external actors to understand and carry on the reforms.

The fact that change of government did not bring about the entry of new political powerholders to the extent expected may also have had an impact. The logic behind judicial system reform was that it was necessary to strengthen autonomy from the Diet and the bureaucracy. In other words, judicial reforms, which occurred after electoral and administrative reforms, were expected to increase the courts' democratic legitimacy by expanding contact with society, and thus ensure greater equality with the legislative and executive branches. In fact, the revision of the Administrative Case Litigation Act has been given a certain amount of credit—it expanded the scope of relief for noise pollution, for example, by broadening the standing of plaintiffs.³⁴ Bureaucrats are not unaware of this development, and it is highly likely that it is causing a change in the relationship between the judicial and executive branches.

However, regarding the relationship with the legislative branch, including the administration, if a change of government does not occur, it is enormously risky for the judicial branch to engage actively in judicial review. Accordingly, there are few reasons for politicians to be aware of and attentive to the presence of the judicial branch. This reality is reflected starkly by the fact that, during the contentious developments during the second Abe administration surrounding the passage of new security laws and the right to limited collective self-defense, the transfer of Yamamoto Tsuneyuki from director general of the Cabinet Legislation Bureau to justice of the Supreme Court was regarded as a “demotion.” Yamamoto had served in the Cabinet Legislation Bureau for more than 10 years and had been director general since the DPJ-led administration of Noda Yoshihiko. However, he stepped down and became a Supreme Court justice after clashing with the Kantei over his attempts to maintain the bureau's interpretation that the exercise of the right of collective self-defense was constitutionally problematic. This indicates that the administration recognized that the Cabinet Legislation Bureau, rather than the Supreme Court, was the key constraint in changing the interpretation of the Constitution.

As a result, post-reform localization has fortified the rationale of the legal profession—insular professionalism—that had prevailed from before the involvement of external actors, and thus diminished the effects of reform. Only the law schools of universities that already had a good track record in the bar examinations

³⁴Ushijima (2016).

have survived, producing legal professionals who are few in number and not necessarily well-versed in new socioeconomic issues, but highly skilled in terms of the traditional logic and techniques of legal interpretation. Even though the lay judge system continues, the number of trial days has gradually increased, and it is no longer unusual for a decision involving lay judges to be overturned on appeal. On this point, constitutional law scholar Masahiro Sogabe notes that the number of people who have passed the bar exam has increased but the number of assistant judges (the first position as professional judges) has not, and this, together with the introduction of the lay judge system, has made courts and judges busier than they were before the reform.³⁵ It is no mystery, then, that as they become busier, court officers have tended to revert to familiar ways of thinking and logic. Despite the high refusal and absentee rates, the Supreme Court has not wavered in its view that the lay judge system is generally accepted by the public, but this may simply reflect the views of experts who do not care about the effects of reform.

Although awareness of insular professionalism as a problem underlay judicial reform, the external actors who stressed it are losing interest in the judicial branch, and for this reason, further changes are unlikely to be forthcoming in the foreseeable future. However, many of the societal effects of the judicial branch's structure will become apparent in the long run, and the assessment of localization remains to be determined.

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³⁵Sogabe (2016).

Chapter 7

Decentralization Reforms



1 Background of Reform

What Is Decentralization?

What exactly is the decentralization of power? In the abstract, it seems to mean empowering local governments to make policy decisions on their own initiative, but what this involves in practice is ambiguous. This abstract definition is silent regarding the resources and personnel needed to actually execute policies. Moreover, unlike in federalized states, where the roles of government are divided between the central government and subnational governments at the constitutional level, unitary states—including Japan—have not predetermined the allocation of such resources. Rather, it is not at all uncommon in unitary states for local governments to be akin to branch offices for implementing policies decided by the central government. A major characteristic of decentralization is that although it is a widely used term, it has not necessarily been given a clear definition.

In contemporary political science, it is common to divide decentralization into several components. For example, public administration scholar Soga Kengo, in discussing decentralization and local government, distinguishes two aspects: the scope of government activity and autonomy.¹ The scope of activity is determined by how resources (financial and human) are distributed to different levels of government, e.g., concentrated in the central government or dispersed among local governments. Autonomy is determined by how governments make decisions or how decision-making authority is allocated. This authority can either overlap between central and local governments, or it can be separated with each acting independently.

Many researchers agree that there is a distinction between political and administrative (de)centralization, on the one hand, and fiscal centralization and diffusion, on

¹Soga (2022).

the other. It is also possible to divide this classification into three categories: policymaking authority, the distribution of personnel and authority in terms of administration, and the distribution of financial resources. Alternatively, when looking at developing countries, there are many cases in which the establishment of local governments is the first step to decentralization. Therefore, there are also scholars who, from an international comparative perspective, introduce the concept of political decentralization as distinct from administrative and fiscal decentralization, with political decentralization entailing a constitutional change in which political-administrative units at the sub-national level are given democratic legitimacy and autonomy.²

In the case of postwar Japan, although arguments have periodically appeared in favor of a “*dō-shū*” system, which would consolidate prefectures into larger “states,” political decentralization has never been the focus of debate. That said, with the Occupation reforms after World War II, Japan’s system of local government underwent major changes. The Constitution of Japan includes a chapter on “local self-government,” and provides for the public election of chief executive officers (governors and mayors) and assemblies. Until the Occupation, local government leaders had been selected by the central government. In other words, the new postwar institutional framework guaranteed local self-government, granting a degree of political autonomy to local governments and giving a political voice to local residents.

What Was Being Sought?

Despite, or perhaps because of the ambiguity that remains in the definition and substance of decentralization, calls for it have continued unabated in postwar Japan. The focus has been on two non-political features of decentralization, namely the administrative and the fiscal. The division of the Home Ministry (*Naimushō*) followed many twists and turns, but ultimately the Ministry of Home Affairs (*Jichishō*) was established in 1960 with jurisdiction over local self-government. On the one hand, the Ministry of Home Affairs represented the interests of local governments in the central government. In particular, in the fiscal realm, it worked to maintain and expand the local allocation tax system that began in 1954 to ensure that the central government had the authority to secure financial resources that local governments were free to use. Through councils and study groups such as the Local Government System Research Council (*Chihō Seido Chōsa-kai*), the Ministry of Home Affairs also played a major role in seeking solutions to the challenges faced by local governments.³

²Falleti (2005).

³Kitamura (2009).

On the other hand, the Ministry of Home Affairs was also the supervisor of local governments. It habitually kept a close eye on the fiscal and administrative situations of local governments and provided constant guidance by seconding its personnel to many local governments. The Ministry of Home Affairs was positioned as a protector or guardian of local governments, supervising, as well as supporting them, on the axiomatic premise that they lacked the capacity to manage their own finances and administration autonomously.⁴

The national government's involvement with local governments also involved other ministries, primarily in so-called agency-delegated functions (*kikan-inin jimū*) on the administrative side and subsidies (national treasury disbursements) on the financial side. Agency-delegated functions were administrative functions performed by the heads of local governments on behalf of the central government, such as passport issuance and river management. Because these functions are essentially administrative duties of the central government, they are not subject to the autonomous decision-making of local governments. But because the burden of carrying out these tasks needed to be borne by local government officials, they were strongly criticized as constraining local self-government. Ministries such as the Ministry of Construction (now the Ministry of Land, Infrastructure, Transport and Tourism) and the Ministry of Agriculture, Forestry and Fisheries distributed subsidies to local governments that met the qualifications for various operational programs. Although the subsidies became part of local financial resources, there was still strong criticism that the arrangement violated the goal of local self-government, since localities had no say over these programs.

Fundamentally, the theoretical goal of decentralization in postwar Japan was to curtail these administrative-fiscal engagements and to expand the scope of policies that could be controlled autonomously by local governments. The new Constitution and the Local Autonomy Act certainly achieved political decentralization. However, there was an underlying recognition that the extent to which this political autonomy could actually be used was limited by the comprehensive involvement of the Ministry of Home Affairs and the control of other ministries and agencies.

Recognized Challenges

Even though local self-government is institutionally guaranteed by the Constitution, it was widely recognized that self-government was limited to political autonomy in publicly electing chief executives and councils, while control over administration and finance remained under the influence of the central government. There were regular reports that, because urban planning was funded by subsidies from the central government, the scenery was always similar no matter which train station or area you went to, or that it took multiple rounds of negotiations to receive a permit

⁴Soga (2019).

by the Ministry of Transport to move a bus stop 100 m. These stories often appeared in the discourse advocating decentralization up to the early 1990s. Even though the message that it was now the “Era of Localities” had been put forth repeatedly since the late 1970s, after the end of high-speed economic growth and catch-up modernization, there was a widely shared perception that the central government was severely restricting the originality and creativity of local governments.

While advocating the same idea in principle, there are notable differences in the substance of decentralization between Japan and other developed countries. In the United States, where a federal system was adopted and the states exist as constitutional entities, there has been emphasis on the high degree of guaranteed local autonomy, and local governments possess the right to establish charters (legislation that is akin to a constitution in defining the basic structure and powers of a local government). In Britain, the proposition of the nineteenth-century thinker John Stuart Mill that “Power may be localized, but knowledge, to be most useful, must be centralized,” and the discourse that the United Kingdom is “modern” in its emphasis on local autonomy, has been common since the 1960s. Many researchers have analyzed new town planning in the U.K., as well as urban planning in Germany, as attempts to ensure a comfortable living environment for local residents based on autonomous policy decisions.⁵ It is worth noting also the longstanding modernist schema that Japan, with its insufficient decentralization, was lagging behind the West.

During the period when decentralization reform was being undertaken, the idea was backed by statements from former local executives (prefectural governors and municipal mayors) who had become national politicians. For example, among the LDP (Liberal Democratic Party) Diet members elected in the 1980 general election—towards the last hurrah of the 1955 system of LDP dominance—14 had experience as governors or mayors.⁶ However, it was not until the early 1990s that former local executives began to advocate decentralization based on their experience. Many of them belonged to political parties other than the LDP. Political scientist Saitō Jun points out that decentralization reform “became one of the driving forces in uniting the non-LDP camp” during the change of government in 1993.⁷ Although there were many LDP members who had been local politicians and it was not the case that no politicians in the LDP advocated decentralization, it is clear that this issue was recognized as a policy priority that symbolized the downside and the deadlock of long-term LDP dominance under the 1955 system.

A leading example is Hosokawa Morihiro, who re-entered national politics after serving as governor of Kumamoto prefecture and served as prime minister in the non-LDP government that came to power in 1993. At the end of his tenure as governor, Hosokawa published “The Logic of Locality,” co-authored with Iwakuni Tetsundo, a former senior vice president of Merrill Lynch who had become mayor of

⁵Tsuji (1969). As to quotation from John Stuart Mill, see Mill (1862), p. 304.

⁶Harada (1984), calculated from table three.

⁷Saitō (2011), p. 179.

Izumo City in Shimane. In it they harshly criticized the concentration of power in Tokyo and local control by the national government bureaucracy as outdated and stressed the need for decentralization.⁸ Hosokawa's advocacy remained consistent even after his return to national politics in the House of Councillors elections of 1992. Takemura Masayoshi, who left the LDP in 1993 to form the New Party Sakigake and served as chief cabinet secretary in Hosokawa's cabinet, had also served as a reformist governor of Shiga after a career as a Ministry of Home Affairs bureaucrat. Politicians such as Hosokawa, Takemura, and Iwakuni were catalysts in bringing decentralization to the public's attention and making it a major issue in national politics.

2 A New Rationale

Increased Attention on Responsiveness

Modernist perspectives emphasizing the significance of decentralization emerged in a new guise in the 1990s, and provided a theoretical basis for detailed responses to the policy issues emerging with the arrival of Hosokawa and others. The Interim Report of the Committee for the Promotion of Decentralization, issued on March 29, 1996, shortly after Murayama Tomiichi was replaced by Hashimoto Ryūtarō as prime minister, conveyed the background and various reasons for promoting decentralization, such as: "institutional fatigue of the centralized administrative system," "response to the changing international society," "correction of the centralization of power in Tokyo," "formation of richly individualized local communities," and "response to the aging society and declining birthrate." The report goes on to state that "the decentralized society we should aim for" requires "the expansion of local residents' right to self-determination" and the establishment of "self-governing responsibility of local government organizations."

Particularly noteworthy points are "institutional fatigue of the centralized administrative system" and "response to a changing international society." Until the 1980s these factors were rarely cited to explain the significance of decentralization. For example, looking back on reports of the Local Government System Research Council, the main arguments for decentralization from the 1970s to the 1980s were that it would improve efficiency in response to growing administrative demands and that local autonomy should be increased to meet the public's growing preference for diversity. By contrast, the Interim Report of the Committee for the Promotion of Decentralization states the following. It is a bit long but let me quote from it as follows.⁹

⁸Hosokawa and Iwakuni (1991).

⁹The Interim Report of the Committee for the Promotion of Decentralization is now archived at the website of the National Diet Library. Last accessed September 30, 2019. <http://warp.ndl.go.jp/info:ndljp/pid/8418775/www8.cao.go.jp/bunken/bunken-iinkai/middle/01.html>.

1. Institutional fatigue of the centralized administrative system

The centralized administrative system that had been gradually formed since the Meiji Restoration was further strengthened under the wartime regime. Although the postwar reforms greatly changed this prewar system, they did not completely sweep away the centralized administrative system, as seen in the continuation and expansion of the agency-delegated functions system (*kikan-inin jimu seido*). Amidst the subsequent development and expansion of administrative activities during the high-growth period, new forms of centralization were accumulated, as seen in the increased density of administrative guidance (*tsūtatsu gyōsei*) and the expansion of the administration of subsidies (*hojokin gyōsei*).

This centralized administrative system since the Meiji period was adapted for the efficient utilization of concentrated, limited resources through focused allocation among sectors and regions. It is undeniable that this contributed to the rapid modernization and economic development of our country, which was still a latecomer at the time, and helped it catch up to the standards of advanced countries in a relatively short period of time.

However, a centralized administrative system has maladies of its own. Namely, it restricts the autonomy of local communities for the sake of the unity of the nation-state, and it undermines the foundation on which local economies exist for the sake of the development of the national economy. The excessive concentration of power, finance, human capital, and information at the center plunders local resources and robs localities of their vitality. The emphasis on uniformity and fairness in national standards neglects the diversity of regional conditions, and promotes the decline of each region's unique lifestyle and culture. This can be compared to an organism whose cranial nerves alone have become unusually swollen while other organs have atrophied.

In this way, the centralized administrative system has both merits and demerits, but the international and domestic environments surrounding our country's politics and administration are now rapidly changing. And as a result, today the centralized administrative system is no longer compatible with the circumstances and challenges of a new era, and its negative aspects have become more conspicuous. Put differently, we think that the old system has fallen into a kind of institutional fatigue and has lost its ability to respond appropriately to new situations and challenges. . .

2. Responding to a changing international community

With the end of the Cold War, the framework of the international community has changed dramatically. Economic activities have rapidly become borderless, as cross-border exchanges have become extremely active not just at the government-to-government level but also at the levels of regions and civil society, and the search for a new international order for politics, economics, and society continues. In this international environment, the number of international coordination problems that must be shouldered by the national government is increasing dramatically across all administrative fields. Nevertheless, the response of national ministries and agencies to these kinds of international coordination problems does not appear to be sufficiently rapid or precise.

At this juncture, in order to enhance the ability of national ministries and agencies to respond to international coordination problems that only the national government can handle, we should promote decentralization, and reduce the burdens associated with the intense involvement of national ministries and agencies in domestic issues, thereby making them more agile and simplifying and strengthening their roles.

Although the arguments raised in the Interim Report were very different from prevailing arguments for decentralization, they were not unusual during this period. Similar content can be seen in many official documents, such as the “Report on the Promotion of Decentralization” by the 24th Local Government System Research Council from November 22, 1994. The logic used in electoral and administrative reforms, which, while starting from each person’s self-determination and individuality, sought to strengthen the public sector’s ability to respond to the challenges of both the international and socioeconomic environments, appears here, but with the subject of individuality changed to the local community.

The keywords used in this instance were “global levels” and “international standards,” words that were frequently used in political reforms other than decentralization, as well as in various reforms in different socioeconomic spheres. Public administration scholar, Nishio Masaru, who became a theoretical pillar of decentralization and played a major role in realizing reform as a member of the Local Government System Research Council and the Committee for the Promotion of Decentralization, later wrote in the context of discussing the significance of decentralization:

If Japan’s administrative system is to approach the global level of advanced countries . . . the fusion between the national government and local governments must be greatly eased.

If Japan’s local government system is to be brought up to global standards comparable to those of advanced nations, it will be necessary to reduce the size of this revenue/expenditure gap and fiscal transfers.¹⁰

Nishio had in mind mainly administrative aspects in the case of the former and mainly fiscal relations in the case of the latter. In other words, the scope of the central government’s activities in cooperation with local governments was too broad, and the proportion of central government revenue transferred to local governments in the form of local subsidies and taxes, which then become local government expenditures, was too large. These ideas led directly to the concrete themes of decentralization, namely the abolition of agency-delegated functions and the transfer of financial resources from the central to local governments.

At the same time, however, there is no doubt that this idea was in line with the notion that the central government should concentrate as much as possible on responding to international challenges. To put the previously quoted “global standard” another way, using an expression popular in the 1990s, if a “normal country” is to make a contribution commensurate with its national strength to the formation

¹⁰Nishio (2007), p. 13, 15.

and maintenance of international order, the capabilities and scope of activities of the central government must also be that of a “normal country,” and a central government should not devote too much administrative and fiscal capacity to cooperation with local governments. Instead, it is desirable for local governments to increase their autonomy and play a greater role in the socioeconomic lives of their residents through their own decisions and ingenuity.

Thus, the theory of reform until the 1980s espoused by liberal modernism in its arguments for decentralization became the leading idea for decentralization from the 1990s onward. It was also a process of localization of liberal modernism in this domain.

Different Ways of Thinking

Support for decentralization has long been strong among local politicians and experts on local governance, and seems to have become the prevailing view in academic circles as well. The argument for decentralization as part of the political reforms of the 1990s came to the fore when these traditional ideas were connected with the ideas guiding political reform as a whole. As we shall see later, it succeeded, and the movement to promote decentralization gained strength.

However, different ways of thinking existed among researchers. In contrast to the pro-decentralization theory that was premised on the idea that local self-government in postwar Japan effectively did not exist with the exception of political autonomy, alternative theories have argued that local governments did develop policies on their own initiative.

A typical example is the “horizontal political competition model” advocated by Muramatsu Michio, a scholar of public administration.¹¹ Muramatsu argues that the view of local self-government on which the argument for decentralization long relied is the “vertical administrative control model,” and criticizes it for overly stressing the relationship between central government ministries and local government administrative departments—the “administrative route”—by which local governments are made to accept policies. He then demonstrates, using various survey data, that the political autonomy of local governments—especially the fact that their chief executives are elected—does influence policymaking, and that, by means of the reciprocal cooperation between LDP Diet members and local conservative politicians, localities’ wishes influence the central government through the “political route.” In addition, he points out that local governments are in competition with their neighbors and other local governments of the same size, and do not merely acquiesce to the will of central government bureaucrats.

¹¹ Muramatsu (1997). This book was originally published in 1988.

Consistent with this view was another argument made during the same period by political historian Amakawa Akira.¹² In his analysis of the formation of the local government system during the Allied Occupation, Amakawa points out that local self-government in postwar Japan was politically decentralized, with central and local governments elected completely separately, but administratively fused, with the central and local governments working together to develop policies. He also notes that political decentralization allows local governments with different agendas from the central government to take advantage of administrative-fiscal fusion to develop their own desired policies while utilizing the human and financial resources of the central government. This “decentralized and fused model” can be linked to Muramatsu’s model of horizontal political competition. In other words, neither financial dependence on the central government, which has traditionally been criticized as “thirty-percent autonomy” (because local taxes comprise only 30% of total local revenues), nor the acceptance of personnel seconded from the central government, necessarily means that local governments make policy decisions that are subordinate to the will of the central government. Rather, since 70% of all government expenditures are made by local governments, where the political will of executives and assemblies is reflected, local governments in Japan are exceptionally active for a unitary state.

The ideas of horizontal political competition and decentralization/fusion-type local government have had a significant impact on subsequent empirical studies of local government. For example, Inatsugu Hiroaki, a public administration scholar, showed that personnel transfers from the central government to local governments were not simply a consequence of control and subordination, but were based on the interests of local governments, as in cases where local governments lacked the homegrown talent to tackle new policy issues.¹³ Under this fusion-type administrative-fiscal relationship, local governments have succeeded in “putting profit before fame,” obtaining substantive benefits under the guise of subordination. Itō Shūichirō, another public administration scholar, empirically showed that when local governments enact ordinances, it is significant whether neighboring or similarly sized local governments have enacted similar ordinances. His analysis of policy spillovers showed the reality of horizontal competition, which is quite different from the conventional view that the central government’s control and involvement standardizes the policies of local governments.¹⁴ Furthermore, many studies in later years showed that the political or partisan positions of local government executives and assemblies are closely related to the prioritization of policies. Today these arguments are no longer a minority view.¹⁵

However, these new research trends may not have had much influence on the debate over decentralization. Of course, in the social sciences, newly proposed ideas

¹² Amakawa (1986).

¹³ Inatsugu (2000).

¹⁴ Itō (2002).

¹⁵ See, for example, Soga and Machidori (2007), Sunahara (2011).

are seldom accepted immediately, no matter how original or persuasive they may be. A more common path after a new argument is proposed is for research results based on it to accumulate and, in parallel, for existing phenomena to be reinterpreted, until it gradually becomes accepted by a large number of people. Additionally, even after becoming the new standard view in the academic world, it takes a long time to propagate outside of academia and among practitioners. In the case of decentralization, the ideas proposed by Muramatsu and Amakawa were still in the process of spreading within the academic community.

At the same time, it is clear that these views were difficult to reconcile with the conventional arguments for decentralization. If horizontal political competition is more significant than vertical administrative control, then Japan's local governments, which already secured political autonomy through postwar reforms, would not need much more transfer of authority or financial resources. If, under a decentralized and fusion-type relationship, the close relationship with the central government in terms of administration and finance is instead a resource for local governments to develop their own policies, then it can be concluded that it would be beneficial to maintain and strengthen this relationship rather than transform it. In fact, among fiscal transfers from the central government, the local allocation tax, which does not specify the purpose for which money must be spent, was not necessarily poorly regarded by interested parties and experts. In sum, this conflict between conventional and new interpretations is likely one of the reasons why the views that emerged from the 1980s onward were not given much weight in the debate over decentralization.

3 Beyond Approving General Arguments and Opposing Specific Arguments

Penetrating the Heart of Government

The process of decentralization can be divided into first- and second-phase reforms, according to the Office for Decentralization Reform of the Cabinet Office.¹⁶ The first phase of reform refers to the process that began with the “Resolution on the Promotion of Local Decentralization” passed by both houses of the Diet in June 1993, followed by the following significant events: the final report of the Third Provisional Council for Administrative Reform in October of the same year, which focused on decentralization; the passage of the Act on Promotion of Decentralization in May 1995; the establishment of the Committee for the Promotion of Decentralization based on the law and the committee's five recommendations; and the passage of the Omnibus Decentralization Act in July 1999. The Omnibus Act came into

¹⁶Nishio (2007), Office for Decentralization Reform, Cabinet Office (2018).

effect in April 2000, and the Committee for the Promotion of Decentralization was dissolved in July 2001.

The reforms leading up to the Omnibus Decentralization Act abolished the agency-delegated functions system, which had been regarded as a means by which the central government controlled local governments, and transferred other powers from the central government to prefectures and from prefectures to municipalities. In general, the intention of the reform was to weaken the centralization of administrative power. This reform can also be seen as an opportunity to reverse the consistent trend towards centralization that had continued since the abolition of feudal domains in 1871. It was an extremely significant change.

It is no coincidence that the Japan New Party led by Hosokawa Morihiro picked up seats in the House of Councillors elections the year before the resolution passed both houses of the Diet, and that Hosokawa himself became prime minister immediately after the resolution was adopted. As mentioned earlier, it was quite natural that the Hosokawa administration—with chief cabinet secretary Takemura Masayoshi and Construction Minister Igarashi Kōzō having experience as governor of Shiga prefecture and mayor of Asahikawa city, respectively—would strengthen interest in decentralization. Ishihara Nobuo, who had been the administrative deputy chief cabinet secretary since the LDP-led Miyazawa administration, was a former administrative vice minister for the Ministry of Home Affairs, and his interest in decentralization was also not insignificant. In a cabinet decision in February 1994 entitled “Measures to Promote Administrative Reform in the Future,” the Hosokawa administration called for the formulation of a “policy outline to reform the relationship between the national and local governments in order to promote decentralization” during the same year, and thereafter to immediately “aim for the enactment of a basic law on the promotion of decentralization.”¹⁷

In the past, the argument for strengthening the autonomy of local governments through decentralization had been made as a counter-discourse to (or criticism of) LDP politics. This was the case, for example, with progressive local governments such as the Tokyo Metropolitan Government under the administration of Minobe Ryōkichi. The decentralization movement therefore had little impact during the LDP’s single-party dominance, but with the advent of the Hosokawa administration, it quickly penetrated the heart of the policy process. At the same time, decentralization merged with reforms in other areas, such as electoral reform and administrative reform, connecting it with the ideals of liberal modernism. As noted above, the report of the 24th Local Government System Research Council in 1994 and the Interim Report of the Committee for the Promotion of Decentralization in 1996 used language similar to that of various reforms of the same period.

Furthermore, Takemura and Igarashi also served as minister of finance and chief cabinet secretary, respectively, in the Murayama Tomiichi administration, a coalition

¹⁷Igarashi (1997). The abstract of the cabinet-approved “Measures to Promote Administrative Reform in the Future” is archived at the website of the Cabinet Office. Last accessed December 6, 2019. <https://www.cao.go.jp/bunken-suishin/archive/category02/archive-19940215.html>.

of the LDP, Socialist Party, and New Party Sakigake. Their policy request was accepted by the LDP with surprisingly little objection. According to the memoirs of Kan Naoto, who was then chairman of the Sakigake policy research council, Hashimoto Ryūtarō, then chairman of the LDP Policy Affairs Research Council, “immediately accepted” the abolition of agency-delegated tasks, which had been included in the government plan that Kan and Sekiyama Nobuyuki, then chairman of the Socialist Party policy review council, had drafted.¹⁸ When the Murayama administration was formed, the ruling parties’ policy agreement clearly stated the promotion of decentralization as an important pillar, and the prime minister’s policy speech also referred to a proposal for a “basic act on the promotion of decentralization.”¹⁹ Of course, institutional reform is not so easy that it can be achieved just by being mentioned in a coalition agreement or in the prime minister’s policy speech. However, the fact that the ruling party’s basic stance was established by these proposals was significant, and the subsequent resistance to the reform process was limited to that coming from central government bureaucrats.

Considering that the Act on Promotion of Decentralization of 1995 was passed and the Committee for the Promotion of Decentralization was established under the Murayama administration, it is clear that decentralization was the policy issue that saw the most significant and decisive progress in the early 1990s. It is fair to say that the members of the New Party Sakigake played a central role in this process. The LDP-Socialist-Sakigake coalition government was often criticized as an unholy alliance without principles, because the LDP and the Socialist Party, which had opposed each other under the 1955 system, joined forces as ruling parties. While some aspects of this criticism are undeniable, the coalition arrangement did oblige the LDP to accept some of the policy initiatives that non-LDP forces had previously emphasized. Decentralization was one such policy area.

Three Directions

Subsequently, reform was generally divided into three components. One was the merger of municipalities. As the decentralization of administrative functions proceeded, questions about the size and capacity of local governments, which would have to shoulder the weight, inevitably came to the fore. A policy of encouraging small local governments to merge had already been set forth in the 1995 revision of the Act on Special Provisions of the Merger of Municipalities, and major parties had begun advocating it in the late 1990s. However, real progress was made only with the ratification of the Omnibus Decentralization Act of 1999 and the three merger laws of 2004: the Act on Special Provisions of the Merger of

¹⁸Iokibe, Itō, and Yakushiji (2008), p. 80. Takemura similarly recounts that the LDP “swallowed it whole” (Mikuriya and Makihara 2011, p. 199).

¹⁹Igarashi (1997), Murayama (2011).

Municipalities (New Merger Act), the Act Partially Revising the Act on Special Provisions of the Merger of Municipalities (the Revised Merger Special Measures Act), and the Act Partially Revising the Local Autonomy Act. These laws were notable for adopting various administrative measures that provided favorable treatment for, and mitigated the upheaval experienced by, local governments that undertook mergers, as well as for setting March 2005 as the deadline for receiving the most generous preferential treatment under the Revised Merger Special Measures Act. As a result, mergers proceeded rapidly, peaking around 2005.

The second component was fiscal separation. Just as local governments needed greater capacity to administer newly decentralized functions, such as through municipal mergers, it had long been argued that fiscal fusion had been a factor that restricted local autonomy. As such, the Committee for the Promotion of Decentralization also turned its attention to subsidy reform in the 1990s.

This concept had already been presented in the February 1999 report of the Economy Strategy Council, chaired by Higuchi Hirotarō, chairman of Asahi Breweries, with economist Takenaka Heizō and others participating. Obuchi Keizō was prime minister at the time, but his administration was unable to capitalize on the report directly, as Obuchi succumbed to sudden illness roughly a year later. An all-out effort had to wait until the Koizumi administration, which took office in 2001, when the Council on Economic and Fiscal Policy (CEFP) began to play a major role in determining macroeconomic policy.

Prime Minister Koizumi Jun-ichirō, who chaired the CEFP, and Takenaka Heizō, who managed it as the responsible minister of state, aimed to revitalize Japan's economy through the promotion of structural reform and the downsizing of government. The reexamination of fiscal relations between the central government and local governments was part of this effort. Specifically, reforms to national subsidies, tax transfers, and the local allocation tax were undertaken from 2003 to 2005 as the so-called Trinity Reforms (*Sanmi ittai kaikaku*). Because changes to subsidies and tax transfers have long been stressed by those who have called for decentralization, and because of their large fiscal scale, some have called these particularly important reforms.²⁰ On the other hand, local governments have been dissatisfied with the fact that local allocation taxes were also curbed as part of reducing central government spending, and some economists point out that local debt reform has been inadequate.²¹

The third component is the further promotion of administrative decentralization. This movement began in April 2007 with the launch of the Decentralization Reform Promotion Committee, based on the Act on Promotion of Decentralization Reform ratified in December 2006. Public administration scholars, Itō Masatsugu and Soga Kengo, view this as the starting point for the second phase of decentralization.²² Subsequently, in December 2009, the DPJ-led cabinet of Hatoyama Yukio approved

²⁰Kitamura (2006a).

²¹Doi Takerō (2007).

²²Itō (2008), Soga (2019).

the “Plan for Promotion of Decentralization Reform,” and as a result, an Omnibus Decentralization Act has been enacted almost every year since April 2011. What is being promoted is the transfer of authority from the central government to the prefectures and from the prefectures to the municipalities, as well as the relaxation of various mandatory regulations by the central government. Since 2014, a “call for proposals” system has been adopted in which local governments propose specific details for administrative decentralization, such as the transfer of authority and deregulation, and some of these proposals have been implemented.

Although the reforms as a whole have been carried out over a long period of time, the decisive periods in which basic principles were established were the 1990s, when the first reforms were carried out, and the early 2000s at the beginning of the Koizumi administration, when the Trinity Reforms were implemented. The municipal mergers and post-2006 reforms are extensions of these two reforms. In the first reforms and the Trinity Reforms, a different philosophy was added to the classic argument for decentralization that had been repeatedly advocated until the 1980s. The philosophy, which generated a strong impulse for reform, was the recognition of “institutional fatigue of the centralized administrative system,” as was discussed earlier. While local autonomy had value in and of itself, the fact that the central government was expected to guide and carry out joint activities with local governments worsened Japan’s overall fiscal health and sapped resources for essential tasks relating to foreign and security policy, while also leading to the imposition of uniform policy programs that local governments did not necessarily want. This rationale had elements that could be applied to reforms in various areas. This is why almost all major political parties supported decentralization as an important policy issue in the 1990s.

Characteristics of Majority Formation

There were two major characteristics of how majority support for decentralization was formed. The first is the almost complete absence of actors opposed to decentralization in general. As we have already seen, many views existed on what decentralization referred to and what the main issues should be if reforms were to be promoted. The definition of decentralization was ambiguous, and it was argued that in postwar Japan, the will of local governments had already been realized to a considerable extent, not only in the political sphere but also in the administrative and fiscal spheres. However, for many actors involved who were not specialists in theories of local governance, the expansion of autonomy through decentralization was a fundamentally desirable policy direction. This is especially true of the Hosokawa and Murayama administrations, which played a major role in the first phase of reforms. Since the early 1980s, the specific details of reform had been developed by experts who considered the priorities of decentralization to be the relaxation of administrative control and the paring back of the fused fiscal

relationship. In the terminology of political science, decentralization reform was a “valence issue” that had broad consensus.

In such instances, disagreement takes the form of opposition to individual items; opponents accept the general principle but oppose specific arguments. The forces that can do this are actors who, in simple terms, are intimately familiar with all the practical details, which in the case of decentralization can mean only central government bureaucrats or local government officials. Since there is little reason for local governments to oppose decentralization, it is the central government bureaucrats who will resist. In fact, the biggest challenge in advancing decentralization reform was how to suppress the resistance of national ministries and agencies in preparing the specifics of the reform, for instance in deliberations by the Committee for the Promotion of Decentralization.

In his later retrospective analysis, Nishio Masaru, who played a major role in the first round of reforms and municipal mergers, notes that the Committee for the Promotion of Decentralization continued to diligently conduct group hearings with ministries and agencies, and in drafting reform policies respected the “Kasumigaseki rules” the ministries and agencies had formed.²³ The main stage for reform was not Nagatachō, where the Diet and LDP headquarters are located, but Kasumigaseki, where the central government ministries and agencies are located.

The second characteristic is that the call for decentralization itself had, so to speak, become a common sense or routine argument. To realize large-scale reform, it was necessary to bring in a different philosophy and involve its proponents. While the academic views of experts had evolved since the 1980s, taken as a whole, calls for decentralization have existed almost continuously during the postwar period. One could argue that the idea of decentralization had been advocated for so long precisely because this advocacy alone was insufficient for reform. As Nishio Masaru clearly states, “Even before that time, local government stakeholders (local government officials, the Ministry of Home Affairs, the Local Government System Research Institute, and local government researchers) had been demanding decentralization, but their power alone could not influence politics. In the 1990s, however, forces promoting decentralization emerged from the political, business, and labor worlds, and these voices developed into a chorus of mixed voices that finally moved the political system.”²⁴

What was essential in enabling the “mixed chorus” promoting reform was the positioning of decentralization as a part of political reform. Viewed differently, this means that for the idea of political reform to become localized in the area of decentralization, it needed to be linked to existing arguments for decentralization. Let us again listen to Nishio’s view. Nishio cites the resolution by both houses of the Diet in 1993 to promote decentralization, the splintering of the LDP and the party’s general election loss (i.e., the formation of the non-LDP Hosokawa administration), and the acceptance of the final report of the Third Provisional Council

²³Nishio (2007, 2013).

²⁴Nishio (2007), p. 51.

for Administrative Reform by the Hosokawa administration as the direct starting points of the first decentralization reform. “If we place this within the flow of a slightly longer timespan,” he writes, “the first decentralization reform was a structural reform that first became possible as part of the confluence of administrative reforms that had continued from the 1980s and the stream of political reforms that were triggered by the Recruit scandal at the end of the 1980s and the string of subsequent scandals in the 1990s.”²⁵ “Political reform” here refers to electoral system reform.

A similar pattern can be seen in the Trinity Reforms under the Koizumi administration. On the one hand, expanding the discretionary financial resources of local governments is a traditional argument for decentralization, and Nishio places the Trinity Reforms in the “expanding degrees of freedom track” for local governments.²⁶ Kajiwara Hiromu, Kitagawa Masayasu, and other “fighting governors” who attracted attention during the reform process likely shared this perception. On the other hand, achieving greater local discretion required support for reduction of the role of the central government that Koizumi Jun-ichirō and Takenaka Heizō were pursuing, i.e., the argument for “small government.” In other words, by accepting the Council on Economic and Fiscal Policy as the main arena for policy reform and linking up with the “small government” theory, and by paying the price of a substantial reduction in local allocation tax, it had finally become possible to expand the fiscal freedom of local governments by reviewing subsidies and transferring tax revenue.²⁷ The “small government” theory of the Koizumi administration was easy to support not, for example, because it was bolstered by Takenaka’s personal commitment as an economist to the ideas of neoliberalism, but rather because it was an extension of the “institutional fatigue of the centralized administrative system” that had already become widely accepted since the 1990s.

4 What Happened?

Anticipated Consequences

Decentralization proceeded from the confluence of two streams: the traditional argument for decentralization, and the reform of the “centralized administrative system.” The latter refers not only to reduction of the means of administrative control and financial fusion that central government ministries and agencies imposed on local governments. It also meant dismantling the state of politics and public administration that had been perfected in the 1980s and which was protected by strong pro-status quo interests. One of the most notable examples of this was the

²⁵Ibid., p. 49.

²⁶Nishio (2013).

²⁷Kitamura (2006a).

overwhelming focus on particularistic politics under the LDP's long-term dominance, where bureaucrats sometimes actively cooperated with one another in order to expand their own authority and budgets. This was undoubtedly an undertone of the political reforms that intensified in the 1990s.

The reforms were probably envisioned to have at least two consequences. One was greater autonomy for local governments in terms of administration and finance, and the other was a reduction of the involvement of central government ministries and agencies. The reduction of central ministries' involvement in local government could be interpreted as a realization of "small government," that is, as a reduction of the role of government overall, but in general, it actually reflects the idea that central government should devote its human and financial resources to tasks that only the central government can perform, such as foreign and security policy, or to macro-level issues facing the nation as a whole. This prioritization of responses to broad issues over individual issues may be construed as a prioritization of the "macro" over the "micro" more consistent with electoral and administrative reforms aimed at centralizing power within the national government.

In fact, the central government's interference in, or guardianship over, the actions of local governments has been weakening. Public administration scholar, Kitamura Wataru, compared surveys of central government bureaucrats conducted in the mid-1970s and mid-1980s with the results of a similar survey conducted in 2001. He found that as time passed, central government ministries responsible for public finance (such as the Ministry of Finance), public works (such as the Ministry of Land, Infrastructure, Transport and Tourism), welfare (such as the Ministry of Health, Labor, and Welfare), and local administrations (such as the Ministry of Internal Affairs and Communications, formerly the Ministry of Home Affairs) all grew more favorable to the expansion of autonomous local sources of revenue. He also found that the frequency of contact with local governments decreased in ministries with jurisdiction over the dispensation of subsidies for public works and welfare.²⁸ If autonomous local sources of revenue expand, the room for involvement of the central government will naturally be reduced, and the frequency of contact will probably decline. At the end of the first phase of decentralization, central government ministries were already aware of the clear transformation of their relationships with local governments.

Capacity Issues for Local Governments

That said, there has not been enough consideration of how local governments behave and how their organizations and institutions live up to their increased autonomy, when the relationship between the central and local governments changes from "decentralized and fused" to "decentralized and separate" and the expansion in

²⁸Kitamura (2006b).

local autonomy in administrative and fiscal affairs is combined with preexisting institutionalized political autonomy. Since decentralization focused on the transfer of authority and financial resources to local governments, there was insufficient attention given to how local governments themselves should behave when they receive such transfers, and to alternative institutional frameworks outside of municipal mergers.

This problem typically manifests itself as an issue of local governments' administrative capacity. In the case of large local government units such as prefectures and ordinance-designated cities (*seirei-shitei toshi*), recruitment for administrative staff is competitive, and it is relatively easy to secure personnel with high potential. Judging by the universities from which new hires have graduated, some of them appear comparable to bureaucrats at central government ministries and agencies. However, the smaller the municipalities are, the more difficult it becomes to secure personnel. Local governments are certainly trying to reform their human resource practices, but the results of these changes are still largely unknown. In the past, when the central government was heavily involved and local governments simply needed to follow instructions, the lack of capacity was less noticeable. However, this is no longer the case due to increases in administrative and fiscal autonomy. While there are some examples where reforms and policy changes are being made, there are cases where small municipalities have delegated policy analysis to outside consulting firms.²⁹

The political aspect of this issue cannot be ignored. Local governments have "presidential" systems of governance: Article 93, paragraph 2 of the Constitution stipulates that "the chief executive officers of all local public entities, the members of their assemblies, and such other local officials as may be determined by law shall be elected by direct popular vote within their several communities." In a presidential system, the formation of a majority in the legislature is integral to the policy process, although there are some aspects that differ depending on the powers granted to the president.³⁰ This also applies to Japan's local governments. However, Japanese local governments, especially municipalities other than ordinance-designated cities, have adopted at large multi-member district electoral systems, in which the entire municipality is comprised of a single electoral district from which all assembly members (from several to 50 or more) are elected. In this kind of electoral system, the legislature is often comprised of representatives from small parties or independents, so it is not easy for the mayor to form a majority. And since the share of the vote necessary to win election is low, individual assembly members tend to focus on activities that stress the distribution of benefits to their own supporters and not consider the municipality as a whole.³¹

²⁹See Ōtani (2019) for attempts to reform recruitment. See Mita (2010) and Yanagi (2018) for analysis of public works reform and the abolition of projects. See Kinoshita (2015, 2018) for reports that note the tendency to delegate to external parties, citing specific examples.

³⁰Shugart and Carey (1992).

³¹Sunahara (2011), Tsuji (2019).

If fiscal autonomy is increased without changing this type of institutional structure, there is a danger that the chief executive will take advantage of the assembly's inability to coordinate against him and make arbitrary policy choices, or that excessive distribution of benefits to curry favor with the assembly will lead to profligate spending. From the perspective of voters, it is not uncommon for employed persons who are subject to tax withholding to pay more in local resident taxes than in national income taxes. However, while there is strong interest in the ways that national taxes are spent, and dissatisfaction with the ruling party can be expressed through elections and other means, the composition of local assemblies is difficult to change, making it difficult to monitor the use of local taxes, even when these are large amounts. Nevertheless, reform of the political system of local governments has not at all been considered in the process of decentralization.

Coordination Problems Between Central and Local Governments

It must be said that the relationship between the central government and local governments has become less seamless. Prior to the decentralization reforms, there were three main pathways between the two. The first was administrative, secured through the connection between central government bureaucrats and local government officials. The second was fiscal. It is undeniable that central government subsidies, along with personnel exchanges and the agency-delegated administration system, helped to make the administrative pathway effective. As already described in this chapter, these two routes had been criticized for fostering excessive involvement and control by the central government in local administrative and fiscal affairs. Finally, the third pathway was political, exemplified by the "keiretsu-style" relationships, whereby conservative lawmakers in local assemblies served as vote-gathering machines for LDP Diet members. These relationships have also served as a two-way channel, so that local interests are reflected in policymaking at the national level and the government's policies are reflected at the local level.³² This is what is meant by the "pipeline to the center" often recited by conservative local politicians.

Decentralization has significantly weakened all three of these pathways. We have already touched on how the first phase of decentralization and the Trinity Reforms have weakened the administrative-fiscal fusion relationship, but the biggest impact on the political pathway has been electoral system reform in national politics and the merger of municipalities in the regions. Electoral reform centralized the LDP's internal decision-making structure and increased the possibility of parties other than the LDP assuming power. In such cases, the "pipeline to the center" through keiretsu-style political relationships loses its meaning. Meanwhile, municipal mergers have led to a significant reduction in the total number of municipal assembly

³²Inoue (1992).

members able to join these keiretsu-type networks. In particular, the decline in the number of town and village assembly members has been exceedingly large: the total number has fallen from 37,703 at the end of 2003, just before the peak of municipal mergers, to 11,166 at the end of 2017. It is difficult to believe that this will allow traditional keiretsu-style relationships to be maintained.³³

That said, there has certainly been an increase in the number of local governments making policy decisions that differ from the central government's, a phenomenon that has made coordination between the two sides more difficult. This trend seems to have been spurred on by an entrenched belief that decentralization is desirable. A number of policy issues in recent years have been particularly susceptible to local government opposition, such as problems with U.S. military bases in Okinawa Prefecture and the question of whether to restart nuclear power plants in various regions, making coordination between the central and local governments that much more difficult. Even in the area of public finance, the Trinity Reforms did not entirely solve the problem of local government funding, and some municipalities have called for an increase in the allocation of funds from consumption tax hikes in order to further increase autonomy. Since it will be difficult to reverse these trends, coordination problems between the central and local governments are likely to become an increasingly important issue in Japanese politics.

As a result of the first decentralization reforms, the Central and Local Government Dispute Management Council (*Kuni-Chihō Keisō Shori Inkai*) now deals with cases where conflict arises between the central and local governments.³⁴ However, it is difficult to argue that it is functioning adequately. This may be because there are many areas in which the division of authority between the two levels of government is legally ambiguous or because the council is reluctant to examine issues. In 2019, the council recommended reconsideration of a new rule by the Ministry of Internal Affairs and Communications (MIC) that excluded Izumisano City, Osaka Prefecture, from the "hometown tax" (*furusato nōzei*) system. The response from MIC officials was that the council "worked like it was supposed to work for the first time."³⁵ However, it remains to be seen how this will affect the relationship between the central government and local governments in the future.

³³The number of local lawmakers is from the Ministry of Internal Affairs and Communications' annual "Survey of Members of the Legislative Assemblies of Local Governments and Heads of Local Governments and their Party Affiliations." For how the keiretsu relationships that have existed between Diet members and local lawmakers have changed, see Tsuji (2008) and Sunahara (2017).

³⁴Nishio (2007), Lee and Shimamura (2008).

³⁵*Nikkei Shimbun*, digital edition, "MIC that has forgotten 'decentralization' – the hometown tax policy failure," September 3, 2019. Last accessed September 30, 2019. https://www.nikkei.com/article/DGXMZ049334790T00C19A900000/?n_cid=SPTMG002.

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Chapter 8

Is Reform Finished?



1 Far-Reaching and Large-Scale Reforms

Consistency in Ideas

So far in this book, we have examined political reforms undertaken since the 1990s, focusing on their processes and consequences. The fact that reforms were carried out in rapid succession in most areas of the public sector, and included electoral reform, administrative reform, reform of the Bank of Japan and the Ministry of Finance, judicial reform, and decentralization, means that this period should be considered a major epoch in Japanese political history. It is not uncommon for the period during which political reform occurred to be demeaned as the “lost two decades” or the “lost three decades,” because of the economic malaise that Japan has experienced since the bursting of the Bubble. However, at least with regard to the public sector as defined by the Constitution—the constitutional system—this was a period in which the government demonstrated an extremely high capacity to reform itself. It could even be said that the reforms created a third constitutional system, following both the original Meiji constitutional system, which established the basic structure of the modern state, and the postwar reform period, which saw a fundamental shift in the principles of the state’s legitimacy including the adoption of popular sovereignty.

The Constitution of Japan, enacted at the time of the postwar reforms, is said to have low “regulatory density” in the sense that it does not contain many specific details about the structure of governance. For this reason, the text of the Japanese Constitution was not revised during the political reforms of the 1990s and thereafter.¹ However, it is not uncommon in political science to describe the various rules that create and facilitate political power (governing rules) as the de facto “material constitution,” even if they are not explicitly enumerated in the written constitution’s

¹As to the uniqueness of the Constitution of Japan, see McElwain and Winkler (2015), McElwain (2017, 2022).

text. When viewed in this way, the political reforms covered in this book are “constitutional reforms” in the material sense, to use the words of constitutional scholars Ōishi Makoto and Shishido Jōji.² Reforms of the constitutional system that do not entail revisions of the codified constitutional text are not exceptional, as seen in the United States during the New Deal era.³

What was the thinking underlying major reforms to the governing rules or, put differently, revisions of the material constitution? This was one of the central issues I sought to clarify in this book. As we saw in Chap. 1, one strand of the literature has argued that there was no consistent rationale and that all that existed was uninformed enthusiasm. The argument that “populism” was born after the Koizumi administration because of political reforms may be an extension of this “fever theory.”⁴ A diametrically opposed view is that reform proceeded in many areas for the purpose of producing specific outcomes, such as neoliberal economic policies. However, both arguments are inconsistent with many of the actual reform processes and outcomes. This book’s analysis is closer to that of the “Heisei Democracy” viewpoint that has been proposed in recent years, which lies somewhere in between the two.

What Underpinned Heisei Democracy

The Heisei Democracy theory points out that there was a common recognition of the historical context and priorities in each area of political reform, particularly electoral and administrative reforms. More specifically, there was an understanding that reform was necessary because the economic prosperity and social stability of postwar Japan, which had reached its peak in the 1980s, was now threatened by Japan’s very success. The intensification of Japan-U.S. economic friction and the end of the Cold War had significantly reduced the effectiveness of the basic model of Japanese politics that had prevailed until then, which included the policy line of “light armament and an emphasis on the economy, based on the U.S.-Japan alliance” which was adopted for almost the entire postwar period; long-term LDP dominance as the bearer of this policy line; and internally pluralistic but exclusive and intimate cooperative relationships among the LDP, the bureaucracy, and related industries. As urban voters and leaders of some economic and labor organizations began to realize the system’s limitations, they sought to create a public sector that was responsive to new domestic and international environmental conditions and this attracted the support of academics and journalists critical of the corruption generated by the LDP administration.

² Ōishi (2008), Shishido (2018).

³ Okayama (2016).

⁴ Yoshimi (2019).

Specifically, what they sought was an electoral system that would produce policy-based party competition and changes in government, as well as a bureaucracy and judicial branch capable of tackling new policy issues and solving problems without being captive to precedent or prevailing ways of thinking. It is important to note that the improved responsiveness of the post-reform public sector to new environmental conditions does not necessarily mean that certain policies, such as the neoliberal line, are more likely to be adopted. Political scientist Hiwatari Nobuhiro has shown through multinational comparison that electoral systems based on single-member districts are not necessarily linked to neoliberalism.⁵ In fact, as represented by the “Third Way” of the 1990s, there was a worldwide movement to realize an alternative to neoliberalism through changes of government, and in the case of Japan, the change of government in 2009 had such a meaning. Depending on one’s position, the LDP and Komeito’s return to power in 2012 may similarly be regarded as a change in policy line.

In addition, this book emphasizes an even more fundamental foundation for political reform than those covered by Heisei Democracy theory, namely, the concept of modernism. Modernism, as used here, is the idea that it is desirable for the individuals who make up Japanese society to become more autonomous, to take responsibility for their own actions and make rational judgments about the matters in which they are involved, and that through the accumulation of such actions, the decision-making and standard operating procedures in Japanese society will be rationalized.

In the ideological space of postwar Japan, the agents of modernism were predominantly the left wing. Because the LDP has consistently been pre-modern in character since its antecedent conservative parties, the leftist position is that modernism can only be pushed ahead if parties other than the LDP—meaning, in the leftist view, the Socialist Party or the Japanese Communist Party—assume political power and replace the conventional order with a Marxist system. There was also a minority of thinkers who took the position that rational elements also existed within the LDP, and that if these elements could be used, the aims of modernism aimed could be achieved without a left-wing government. In this book, this position is referred to as liberal modernism. The philosophy of liberal modernism, which aimed at rationalization through institutional change within the system, provided the basis of political reform.

By introducing the ideas of liberal modernism, we can understand for the first time why the political reforms of the 1990s were so extensive and continuous, and why they were accepted even by the ruling elite, including LDP politicians and central government bureaucrats. It is precisely because these actors had been responsible for Japan’s successes up to the 1980s, and at the same time had faced the brunt of tough international negotiations, that they knew from personal experience that there was room for modernization and rationalization in Japan’s public sector and socioeconomy. In this sense, political reform not only aimed to respond to the new

⁵Hiwatari (2011).

environment after the end of the Cold War, but was a more active attempt at self-improvement to rationalize Japan's public sector and socioeconomy more broadly. While the Meiji and postwar changes to the material constitution shared the same goal of responding to the international environment, if we consider how the 1990s reforms were driven by the government's own will without external pressure, they arguably have elements that surpassed the former two initiatives to establish a new constitutional system.

The actual changes that have resulted from political reform should not be underestimated. The impact of institutional change can be seen in each of the domains, as demonstrated in this book, and there are many areas where institutional change has produced the anticipated effects. The expressions "lost two decades" or "lost three decades," in the sense of wasted time, does not apply to politics. The most representative change is the increased policymaking power of the prime minister and a small group of top leaders around him, i.e., Kantei leadership. Never before in postwar Japanese politics have the prime minister's name and intentions been so closely linked to policy decisions as they are today. Regardless of whether one agrees or disagrees with Kantei leadership, it is clear that a completely different policymaking process has emerged from the one that existed up to the 1980s.

2 The Problem of Inconsistency and Noncommitment

The Various Consequences of Localization

Even if one accepts that the political reforms were an attempt at large-scale self-reform and that they produced concrete changes, many people living through the current Reiwa imperial era after experiencing the political reforms of the Heisei era may still be dissatisfied with the results that emerged. It is hard to deny that the reforms—promoted with much fanfare, and carried out with the wisdom of so many people, and sometimes with painful choices and bold decisions—have not been as effective as had been anticipated. This sense of disappointment is probably related to why there have been so many discussions of reform as the product of a temporary frenzy or fever, a tendency that has become rather conspicuous in recent years.

In this book, the concept of localization was used to analyze this issue. As mentioned earlier, political reforms shared the modernist goal of rationalizing Japan's public sector and socioeconomy, while at the same time enabling individuals to live autonomously and creatively. However, even though this goal had existed for a long time after the end of WWII, it was still somewhat abstract, and the process of actualizing this goal through concrete institutional reforms in each area required harmonization with how prevailing issues were perceived or recognized. For example, when trying to achieve responsive and rational decision-making in response to changes in the domestic or international environment, the policymaking process would require centralization in the hands of top leadership, while the central bank would require decentralization to strengthen its independence from the government.

In the case of Japan, where it was necessary to consider individual reforms on an area-by-area basis for them to be accepted, this harmonization with issue recognition in each area has great significance. After all, until the 1980s, the political decision-making process was bottom-up and decentralized, a fact that could not be ignored when carrying out institutional reform. Even if reformers started from a common philosophy, specific changes in each area had to be reduced to reform proposals that would be acceptable to members of the LDP's policy tribes (*zoku*), bureaucrats in various ministries, and related industries. After electoral reform, the nature of inter-party competition changed and the reforms gradually began to have an impact, but that impact was still not strong. As a result, the localization of modernist ideas to be consistent with the traditional perceptions of issues in each area was hugely significant in the formation of a majority that would promote reform.

However, localization was accompanied by other significant costs. As a result of area-specific localization, there was a mix of cases in which the goal was to establish a more centralized decision-making mechanism, as in the case of electoral and administrative reforms, and cases in which the goal was to strengthen autonomy (independence), as in the case of central bank reform and decentralization. Furthermore, there were some cases, as in decentralization, where no clear policy was articulated regarding the type of new decision-making mechanism that would be created after increasing autonomy. There were also areas, such as judicial reform, where localization occurred in the form of rollback by internal actors after the reform was implemented. In other words, reforms that started from the same modernist ideas took on substantially different orientations as a result of localization.

Inconsistencies in the Multilevel Mixture

As recent political science research has observed, when considering the operation of institutions, it is necessary to consider the interlocking between multiple domains, i.e., the multilevel mixture. The consequences of multilevel mixture are easy to predict when there exist institutions with the same orientation in multiple domains, be they decentralized or centralized. Even in the case of institutional change, it is easy, under these circumstances, to produce expected consequences. In contrast, the mixing of different orientations in different areas can lead to unintended consequences due to multilevel inconsistencies.

In the case of political reforms since the 1990s, for example, electoral reforms that promoted centralization of power at the national level resulted in the consolidation of the power of party leaders within their parties. The strengthening of cabinet functions that resulted from administrative reform pointed in the same direction, giving rise to today's Kantei leadership. On the other hand, decentralization has weakened ties between national and local politicians within political parties and expanded the scope for local governments to make policy decisions autonomously, thereby reducing the effects of centralization at the national level. It is difficult to say whether the weakened effects of institutional reforms due to such linkages were sufficiently

recognized when reforms were implemented in the various areas. Based on the policymaking process up to the 1980s and the power relationships among the involved actors, it was necessary to emphasize that reforms were a response to widely recognized issues in order to form majority support in each institutional area. The price to be paid was multilevel inconsistency.

An example outside of contemporary Japan where reforms have had unintended consequences due to multilevel inconsistencies can be found in the United Kingdom. The United Kingdom originally had a political system whose institutions had the same orientation, called the Westminster or majoritarian type. It had a lower house (the House of Commons) with single-member districts in national elections, and a resulting two-party system; an upper house (the House of Lords) with weak authority combined with a concentration of power in the hands of the prime minister; centralized national-local relations due to constraints on local government resources and capacity; and a relative weakness of judicial independence. The most significant feature was that the locus of power was almost completely determined by which of the two major parties won the lower house elections. In recent years, however, as a result of the transfer of some powers due to EU membership, devolution, House of Lords reform, and judicial reform, the political system as a whole has lost some of its cohesiveness, and individual institutions have come to operate based on different orientations, thus giving rise to contradictions and confusion. Political scientist Kondō Yasushi calls this “institutional decomposition.”⁶

The Impact of Areas Not Addressed

Another factor that weakens the impression, and perhaps the reputation, of political reforms is that some areas did not undergo institutional change. If we take multilevel mixture into consideration, the existence of areas that did not undergo institutional change diminishes the effect of change—except when other areas are reformed to accommodate that area—just as with reforms implemented with a different orientation. When looking back on political reforms since the 1990s, it is quite significant that some important areas remained unreformed.

One such area is the Diet, particularly the House of Councillors.⁷ Within the Diet, the House of Representatives has undergone electoral reform, and cabinet functions have been strengthened, which has had the indirect effect of meshing well with newly centralized decision-making within the ruling party. However, only the House of Representatives was a target of reform; the House of Councillors has remained largely untouched. Although the proportional representation portion of the House of Councillors was changed to an open list system beginning with the 2001 elections,

⁶Kondō (2017).

⁷For historical developments and the current status of the House of Councillors reform, see Takenaka (2010).

this change weakened the centralization of power within political parties when compared to the previous closed list system, and worked in the opposite direction of lower house electoral reform and the strengthening of cabinet functions. Beginning with the 2019 upper house elections, a “special quota” was established for the proportional representation portion allowing parties to use the closed list system in some cases, at their discretion, but only within extremely limited bounds. To this day, the House of Councillors electoral system retains many of the elements compatible with the decentralized policymaking seen in Japanese politics until the 1980s, with little awareness of its relationship to the electoral system of the House of Representatives.

Furthermore, neither the policymaking power of the House of Councillors, nor the influence of a House of Councillors majority that differs from that of the House of Representatives, was considered during the political reform process. Of course, the position of the House of Councillors had been addressed in the second report of the Eighth Electoral System Advisory Council, which played a major role in the reform of the lower house electoral system. However, its relationship with the House of Representatives and the cabinet was discussed only in terms of classical concepts like “restraint, balance, and complementarity” and “uniqueness,” which was unavoidable considering the state of academic knowledge about the political system at the time. Since the point of contention of electoral reform was the House of Representatives, this report was never put to use, and no momentum arose to reconsider the authority of the House of Councillors. The opinion of the “Advisory Panel on the Future of the House of Councillors” of 2000, which recommended changes in both the electoral system and the authority of the upper house, contained noteworthy content, but no reforms were made based on it. After the Democratic Party of Japan (DPJ) made great gains in the 2007 upper house elections, depriving the ruling LDP-Komeito coalition of its majority, and producing a “twisted Diet” (*nejire Kokkai*), the policymaking process stagnated significantly. This inertia continued under the subsequent DPJ-led administration. Collectively, the lack of upper house reform greatly limited the effects of reforming the House of Representatives electoral system and strengthening cabinet functions.

Another representative area that was not reformed was the political system inside local governments. Decentralization has increased administrative and fiscal autonomy, and the relationship between Diet members and local politicians has weakened, partly due to municipal mergers and government change at the national level. This has made it necessary to establish a system that local governments could use to enhance their own policymaking capacity and make rational policy decisions. But there has been little institutional reform along these lines. This, in a broad sense, has diminished the effectiveness of decentralization reform. The basic features of local government—separate elections for local government executives and assemblies, and minimal involvement of political parties in assembly elections and assembly proceedings—have remained constant since the end of WWII. As a result, local governments have continued in a state of lethargy, with the chief executive and his staff setting the major policy directions, and the assembly either rubber-stamping these initiatives or opposing them on unclear grounds. It is difficult to believe that

this is the form of local government envisioned at the time of decentralization reform, and transparency and accountability in policymaking have not been sufficiently ensured.⁸

3 Is Reform No Longer Necessary?

Reform Fatigue and Excessive Criticism

Political reforms since the 1990s have attracted strong interest because of their comprehensiveness, and a great deal of energy has been invested in them. The enthusiasm generated by electoral reform, the anger and disappointment that drove administrative reform and revision of the Bank of Japan Act, the sense of stagnation that preceded judicial reform, and the ideals and tenacity that led to decentralization: all seem hard to imagine today. This is not to say that the reports and findings that set forth the basic policies of reform were wholly immune to the qualities of “Nagatachō literature” or “Kasumigaseki literature”—reports that are carefully prepared by politicians and bureaucrats to avoid words that make any kind of commitment. However, compared to ordinary government documents, they put forth much larger visions and made clearer and stronger arguments, and were sincere expressions of the determination of those who wanted to embark on reforms in their fields. As such, they were able to form pro-reform majorities while confronting forces, such as the mass media, that were skeptical or cynical about them.

However, the presence of strong advocacy and great energy can also become a heavy burden when the tide reverses. The perception that so much energy was needed to advance reform and that, in comparison, the results of reform were not as great as had been touted, led to “reform fatigue” in Japanese society as a whole. In addition, the pursuit of neoliberal socioeconomic structural reforms under the Koizumi administration from 2001—regarded as a representative achievement of political reform—probably encouraged this fatigue. As repeatedly pointed out in this book, it is not appropriate to understand political reform as a facet of broader neoliberal reforms, nor did political reform make it easier to adopt neoliberal policies. Koizumi Jun-ichirō spearheaded opposition to electoral reform, and Takenaka Heizō had nothing to do with either electoral or administrative reform. However, it is true that political reform and neoliberal reform partly overlapped in their timing, and it is not mysterious that some people’s impressions have become jumbled.

Nostalgia for the political, administrative, and economic systems from before reform has also spurred this trend. The 1980s were the pinnacle of postwar Japan. The fruits of Japan’s rapid economic growth were distributed widely, and their negative externalities, such as environmental destruction and transportation

⁸Soga (2019), Tsuji (2019).

problems, were being addressed. The LDP was confident and the bureaucracy took pride in its handling of policy issues. Japan's presence in the international political economy was growing, and the domestic Bubble economy was giving the business community some elbow room. It is true that in the shadows there were serious structural problems—which became apparent after the end of the Cold War and which is why political reform began—but after 30 years these circumstances have been forgotten. This is probably why there has been criticism that the reforms ruined what was going well in the 1980s. A typical criticism is that electoral reform has produced politicians of “small stature” (the literal translation is “small grains”). While this is an impressionistic argument that lacks any concrete measure of “stature” and does not describe what the supposedly “large stature” politicians were doing in the past, it reinforces the negative assessment of political reform.

With the return of the LDP and Komeito as ruling parties in 2012 and the start of the long-running second Abe administration, it is clear that the problem of inconsistency by area is no longer as apparent as it used to be. The problem of insufficient conformity between monetary and other economic policies due to the Bank of Japan's emphasis on independence was eliminated with the appointment of Governor Kuroda Haruhiko, who is willing to cooperate with the administration. The ruling parties won a majority in the House of Councillors elections in July 2013, ending the “twist” between the House of Representatives and the House of Councillors, mitigating the problems caused by the lack of reforms to the authority of the House of Councillors and to its electoral system. The judicial branch appears to be stabilizing into a combination of increased autonomy in its relationship with the bureaucracy and restraint vis-à-vis the political system (legislative branch). As a result of decentralization, there remain problems with communication and mutual understanding between the central and local governments, as in the case of U.S. bases in Okinawa, but viewed as a whole, the inconsistency problem has decreased.

Political reform's inconsistencies were thus resolved in many respects in favor of the central government. As a result, there is even criticism today that political reform has resulted in an excessive concentration of power. Each of the following is considered excessive: Kantei leadership, which is a direct result of electoral reform and the strengthening of cabinet functions; the establishment of the Cabinet Personnel Bureau, which gave the cabinet control over senior administrative personnel appointments and is a direct extension of administrative reforms of the 1990s; and the increasingly pro-administration position of the Cabinet Legislation Bureau, which already had a degree of autonomy that went beyond what is typical in a parliamentary system.

Towards a New Era

Whether it is “fatigue” with political reform or criticism of its excesses, what these sentiments have in common is that further institutional change is unnecessary or would do more harm than good. And it is also true that the majority of Japanese

voters currently do not seek further reform. According to political scientist Sakaiya Shirō, the phrase “constitutional revision” during the 1990s commonly conjured up the image of reform of governing structures, but now—as at other points during the postwar period—it once again implies revisions to Article 9.⁹ Of course, many voters may be aware that constitutional reform includes governance reform, but the call for such reform itself is currently small. It is fair to say that momentum for political reform is scarce.

However, this does not mean that there are no problems in the governance structure and political system of contemporary Japan. Rather, there are many issues that need to be addressed, including those that are currently unnoticed, such as problems surrounding the House of Councillors and the Bank of Japan’s independence; newly emerging issues, such as the relationship between politicians and bureaucrats; and important but low-profile issues, such as the management of local governments. By all rights, it is a time like the second Abe administration, when the government has a stable and ongoing support from voters, that further political reforms should be pursued. If, as this book argues, political reform is essentially a liberal modernist project, then it is precisely during such a time when we are being asked to deal with both internationalization and globalization and their maladies, that we must once again engage in reform.

Some attempts to do so have already begun. For example, in June 2018, Koizumi Shinjirō and other young Diet members released a proposal to change the internal rules and operations of the Diet. The main pillars of the proposal are that Diet operations should be divided into debates between party leaders, deliberations on policies and legislation in committees, and the pursuit of scandals through special investigative committees. It is further proposed that these should be made to run concurrently through an expansion of the Diet’s substantive functions, and that the Diet should be made paperless by using information and communications technology. In March 2019, the PHP Research Institute, a private think tank, published a reform proposal entitled “Governance Reform 1.5 & 2.0.” While it praises the post-1990s political reforms, it argues that further changes are necessary, both as an extension of what has been done so far, such as enhanced competition between the ruling and opposition parties in the House of Representatives, and as a response to the emergence of new socioeconomic and information technology environments, such as the establishment of an independent financial forecasting body. The Ministry of Internal Affairs and Communications (MIC) and other organizations have been studying local political systems. In 2018, the Study Group on the State of Town and Village Councils classified local assemblies into two types: a “concentrated expertise” type and a “majority participation” type, with the former referring to an assembly that proactively participates in policymaking together with the town executive. While currently embroiled in partisan conflict, it is also noteworthy that there are movements calling for the reconstruction of the metropolitan system, as in

⁹Sakaiya (2017).

the case of the Osaka Metropolis Plan, which advocates the merger of Osaka's prefectural and municipal functions.¹⁰

Perhaps reflecting the current atmosphere, these reform proposals have not necessarily attracted widespread interest or favorable reviews. The proposal by Koizumi Shinjirō and others for Diet reform has been described as little more than grandstanding to increase the authors' individual influence, and the MIC study group's proposal for local council reform has been strongly criticized by the National Association of Chairpersons of Town and Village Assemblies and the Japan Federation of Bar Associations. Of course, in many cases, the proposals currently put forward may not be the very best. For example, even if Diet reforms changed the management of parliamentary deliberation, if this is not paired with a rebalancing of the authority between the House of Representatives and the House of Councillors, it is not clear how it would influence Japan's political process and policies.

What is important first, however, is to expand awareness of the indispensability of constant self-reform, including institutional change, in order to make the state of politics more appealing. Since localization is almost certain to occur in the reform process, it is necessary to clearly define the overall picture of reform and the ideas that support it, so as to minimize the impact of localization and produce the envisioned outcome in a holistic way. In some cases, such as in the case of judicial system reform, adjustments due to localization may be made after the reform is put into effect. While post-implementation localization may have negative effects, it may also sometimes lead to the consolidation of the reform's achievements. This was clearly the case with the "Reverse Course" reforms of the 1950s, which rolled back some institutional changes from the Occupation period, for example by abolishing local government police forces (municipal police) and the public election of school board members. There is no need to be overly fearful of localization, but one should be careful when it comes to the fore because of the decline in public attention.

Change will not come from abandoning reform, and the prognosis for Japan's political, administrative, and socioeconomic situation is not so rosy as to be solvable under the status quo. In order for Japan to overcome more challenging times in the future, there is still much to learn from past attempts at reform, and many things to work on based on those lessons.

¹⁰The Diet reform proposals by young Diet members are available in their entirety on the *Buzzfeed News* website (<https://www.buzzfeed.com/jp/daisukefuruta/2020-kaigi-2>), with commentary by Furuta Daisuke, a reporter. The "Governance Reform 1.5 & 2.0" report is available on the website of the PHP Research Institute (<https://thinktank.php.co.jp/policy/4920/>). The report of the Study Group on the State of Town and Village Councils is on the website of the Ministry of Internal Affairs and Communications (http://www.soumu.go.jp/main_sosiki/kenkyu/choson_gikai/index.html). All last accessed on September 29, 2019. See Sunahara (2012) and Zenkyo (2021) on the status of the Osaka Metropolis Plan.

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Translator's Afterword

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Shortly after I began working on the translation of this book, the Japanese political world was rocked by the assassination of former prime minister Abe Shinzō during a routine campaign event in Nara prefecture. Abe's assassination, and the state funeral held thereafter in September 2022, prompted a wide-reaching debate on Abe's legacy. Much of this debate focused on his achievements in foreign or economic policy or nationalism and his views on Japan's history.

But any discussion of Abe's legacy is incomplete without considering his role in the transformation of the Japanese state over the course of the Heisei era. Abe's record-long second premiership was the apotheosis of a quarter century of political reforms that fundamentally transformed the Japanese state and Japanese democracy. And in this book, Professor Satoshi Machidori provides a comprehensive look at how reformers articulated and achieved this transformation.

Professor Machidori provides a thorough intellectual history and narrative account of a truly momentous period of change in Japanese politics, starting with the reform of the electoral system for Japan's House of Representatives in the early 1990s, and continuing through reforms of the bureaucracy, the prime minister's office and the other institutions of Japan's "core executive," macroeconomic policymaking institutions, the judicial system, and center-local relations. Despite popular accounts of Japan's political dysfunction during the "Lost Decades" of the Heisei period, Professor Machidori convincingly shows that the Heisei period—what he and others refer to as the "Heisei Democracy," harkening back to the liberalizing "Taisho democracy" during the Taisho period in the early twentieth century—was actually a period of tremendous innovation in how Japan is governed.

Indeed, although Abe was only a junior lawmaker when the bulk of the political reforms were articulated and implemented, it is difficult to appreciate the significance of his tenure without appreciating the political reforms of the 1990s. His surprising comeback in 2012, for example, was a perfect demonstration of what

political reformers had hoped to achieve through electoral reform, as Abe, in the wilderness after his resignation from the premiership in 2007, and the Liberal Democratic Party, in opposition after its defeat by the Democratic Party of Japan in 2009, articulated new policies to challenge the DPJ and win a new electoral mandate. Back in the premiership, Abe would wield the powers afforded the prime minister by years of reform to pursue an ambitious (and often controversial) policy agenda, and, as documented by Professor Machidori, made his own contributions to the age of political reform, for example by establishing a Cabinet Personnel Bureau to manage senior bureaucratic personnel decisions and curbing the autonomy of the Cabinet Legislation Bureau.

However, at the same time, as Professor Machidori shows, the ambitions of the Heisei reformers were not fully realized. In some cases, the reforms were only partially implemented or watered down; in others, they had unanticipated consequences during the implementation process. And as Abe's mixed legacy of policy achievements shows, transforming the Japanese state could not guarantee that Japan's leaders would be able to overcome the political and economic challenges that reformers had argued made institutional change necessary in the first place. In other words, the Heisei Democracy showed that institutional reform—remarkably wide-reaching institutional reform—is in fact possible in an advanced industrial democracy. But it also showed that institutional reform is no panacea for the problems that advanced industrial democracies face in the twenty-first century.

Therefore, this is an important contribution not only to our understanding of contemporary Japanese politics. It also is an impressive account of how institutional change can occur—notwithstanding the many obstacles and veto points in advanced industrial democracies—and of the limits of reform.

It was a privilege to have the opportunity to prepare an English translation of Professor Machidori's book, so that English-speaking scholars may also benefit from his insights.

Appendix: Chronology of Relevant Political History (1985–2014)

1985 (Showa-60)	April 1:	NTT and Japan Tobacco are established
	May 17:	Equal Employment Opportunity Act passed
	September 22:	Plaza Accord
	October 7:	“News Station” (TV Asahi) broadcast for the first time
1986 (Showa-61)	April 7:	The Advisory Group on Economic Structural Adjustment for International Harmony recommends to Prime Minister Nakasone Yasuhiro “domestic demand-led economic structural transformation” (the Maekawa report)
	June 27:	The Second Rinchō is dissolved, having convened since July 1983
	July 6:	Elections for the upper and lower house are held (the “double election”); in the lower house, LDP takes 300, JSP 85, Komeito 56, JCP 26, DSP 26, and in the upper house LDP 72, JSP 20, Komeito 10, JCP 9, DSP 5
1987 (Showa-62)	February 4:	Government introduces consumption tax bill to the Diet
	February 9:	NTT shares listed in the first section of the Tokyo Stock Exchange
	April 1:	Japan National Railways divided and privatized. JR Group is established
	April 21:	Second Provisional Council on Administrative Reform launched (chaired by Ōtsuki Bunpei)
	April 23:	Ruling and opposition parties agree to drop consumption tax bill
	April 26:	“Asa made nama terebi!” (TV Asahi) broadcast for the first time
	October 19:	New York Stock Exchange crashes (Black Monday)
	November 6:	Takeshita cabinet launched

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1988 (Showa-63)	June 18:	The Asahi Shimbun reports on the Recruit Scandal for the first time (first suspicions were a Kawasaki City official)
	November 1:	The Study Group on the Institution of the House of Councillors submitted its “Opinion on the State of the House of Councillors and Its Reform”
	November 8:	George H.W. Bush wins U.S. presidential election
	December 21:	Minister of Home Affairs Kajiyama Seiroku announces “Hometown Rebirth (<i>furusato sōsei</i>) 100 million yen public works” plan
	December 24:	Tax reform bills pass the Diet (including the introduction of a consumption tax)
	December 27:	LDP launches Political Reform Committee (chaired by Gotōda Masaharu) attached the party president’s office
1989 (Showa-64/ Heisei-1)	January 1:	Prime Minister Takeshita declares “Year Zero for Political Reform” in his New Year’s message
	January 7:	Emperor Shōwa passes away. New reign name of “Heisei” is announced
	January 27:	The Advisory Group on Political Reform, a personal advisory panel for Prime Minister Takeshita, launched (chaired by Hayashi Shūzō)
	February 13:	Ezoe Hiromasa, former chairman of Recruit, arrested on bribery charges
	March 3:	Takemura Masayoshi’s “Utopia Politics Study Group” releases itemization of political activity expenditures
	April 1:	Consumption tax introduced at a rate of 3%
	April 2:	“Sunday Project” (Asahi TV) airs for the first time
	April 25:	Prime Minister Takeshita announces intention to resign
	April 27:	The Advisory Group on Political Reform presents recommendations to Prime Minister Takeshita
	April 28:	Four leading business associations release statement calling for political reform
	May 23:	The LDP issues its “Outline for Political Reform”
	June 2:	Takeshita Cabinet resigns
	June 3:	Uno Sōsuke Cabinet takes office
	June 4:	Tiananmen Square massacre
	June 20:	LDP establishes “Political Reform Headquarters,” chaired by Itō Masayoshi
	July 23:	Upper House Election (JSP 46 seats, LDP 36, Komeito 10, JCP 5, DSP 3, Rengo-no-kai 11); LDP loses its majority in the chamber
	July 24:	Prime Minister Uno announces his resignation due to sex scandal and other issues
August 10:	Kaifu Toshiki cabinet inaugurated	

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	October 2:	“Chikushi Tetsuya NEWS 23” begins broadcasting on TBS
	October 9:	Social and Economic Congress of Japan launches its Political Reform Forum
	November 9:	Fall of the Berlin Wall
	November 21:	Rengō, the Japanese Trade Union Confederation, is formed
	November 29:	LDP’s Political Reform Headquarters concludes document discussing “key points in the promotion of political reform”
	December 17:	Mieno Yasushi takes office as Bank of Japan governor
	December 29:	Tokyo Stock Exchange (Nikkei 225 index) momentarily reaches a record-high of ¥38,957 in the last trading session of the year
1990 (Heisei-2)	January 24:	Prime Minister Kaifu dissolves the Diet
	February 18:	General Election (LDP 275, JSP 136, Komeito 45, JCP 16, DSP 14, Shamin-ren 4, Shinpo 1)
	March 27:	The Ministry of Finance issues administrative guidance to financial institutions on regulating total volume in response to soaring land prices
	April 18:	Second Provisional Council on Administrative Reform (chaired by Ōtsuki Bunpei) issues its final report
	April 26:	Eighth Electoral System Advisory Council submits its first report
	May 25:	“Declaration on Judicial Reform” issued by the Japan Federation of Bar Associations (JFBA)
	July 31:	Eighth Electoral System Advisory Council submits its second report
	August 2:	Iraq invades Kuwait (Persian Gulf crisis)
	October 3:	Unification of Germany
	October 31:	Third Provisional Council on Administrative Reform, chaired by Suzuki Eiji, launches
	December 25:	LDP adopts “Outline for Political Reform” (includes introduction of Parallel Single-Member District-Proportional Representation Electoral System (SMD-PR))
1991 (Heisei-3)	January 17:	Gulf War begins
	January 18:	LDP convenes party committee on basic issues of political reform
	January 30:	Hosokawa Morihiro and Iwakuni Tetsundo publish <i>The Logic of Locality</i>
	April 7:	Unified local elections. In the Tokyo gubernatorial election, Isomura Hisanori, nominated by the LDP, Komeito, and the Democratic Socialist Party, lost to incumbent Suzuki Shun-ichi. Ozawa resigns as LDP secretary-general

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	April 24:	Decision made to send SDF minesweepers to the Persian Gulf, the first overseas dispatch of the SDF
	May 31:	LDP adopts outline for political reform legislation, “Policy on Party Management of Institutional Reform”
	June 25:	Eighth Electoral System Advisory Council submits report to Prime Minister Kaifu on electoral district boundaries and preventing electoral corruption
	June 29:	LDP approves three political reform bills
	July 10:	Cabinet approves three political reform bills (revision of the Public Offices Election Act, revision of the Political Funds Control Act, and the new Political Party Subsidies Act)
	September 30:	Three bills scrapped due to incomplete deliberations by the House of Representatives Special Committee on Political Reform
	October 4:	Ruling and opposition parties agree to establish Political Reform Council
	October 5:	Prime Minister Kaifu announces intention to resign
	November 1:	J-League (professional soccer league) launches
	November 5:	Kaifu cabinet resigns; Miyazawa Kiichi cabinet inaugurated
	December 26:	Soviet Union dissolves
1992 (Heisei-4)	February 14:	Watanabe Hiroyasu, former chairman of Tokyo Sagawa Kyūbin, and others arrested on breach of trust charges (Tokyo Sagawa Kyūbin scandal)
	April 5:	Fuji TV’s “Hodo 2001” airs for the first time
	April 15:	<i>Asahi Journal</i> suspends publication
	April 20:	Council for the Promotion of Political Reform (the Minkan Seiji Rinchō) launches—chaired by Kamei Masao—and adopts Basic Policy on Political Reform
	June 9:	Hosokawa Morihiro publishes an article in the June 1992 issue of the monthly <i>Bungei Shunjū</i> called “Manifesto for the ‘Liberal Society Alliance’”
	May 22:	Japan New Party forms
	June 15:	PKO (UN Peace Keeping Operations) Act passes the Diet
	July 26:	House of Councillors election (LDP 68, JSP 22, Komeito 14, JCP 6, DSP 4, JNP 4). Hosokawa, Koike Yuriko elected from the JNP
	August 27:	Kanemaru Shin resigns as LDP vice president for receiving funds from Tokyo Sagawa Kyūbin (summary indictment on September 28)
	October 28:	After Kanemaru’s indictment, Obuchi Keizō succeeds Kanemaru as head of the LDP’s Takeshita faction. Hata Tsutomu, Ozawa Ichirō form the “Reform Forum 21” (later the Hata faction)
	November 3:	Bill Clinton wins the U.S. presidential election
	November 7:	Council for the Promotion of Political Reform issues “Emergency Declaration on Diet Reform”

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1993 (Heisei-5)	November 26:	Former Prime Minister Takeshita testifies in connection with the Tokyo Sagawa Kyūbin case
	December 22:	LDP concludes “Basic Policy on Political Reform”
	January 3:	Council for the Promotion of Political Reform issues “Emergency Declaration on Decentralization”
	March 6:	Kanemaru Shin arrested on suspicion of tax evasion in connection with the Tokyo Sagawa Kyūbin case
	April 17:	Council for the Promotion of Political Reform announces “Recommendations on matters to be realized during the 126th Diet regarding political reform,” including the introduction of parallel single-member districts and proportional representation (SMD-PR) system
	May 17:	Council for the Promotion of Political Reform releases “Recommendations on a new form of political party”
	June 3:	House of Representatives adopts Resolution on the Promotion of Local Decentralization; House of Councillors adopts it on June 4
	June 14:	Council for the Promotion of Political Reform releases its outline of political reform
	June 18:	After the Hata faction rebels, the Miyazawa cabinet loses a vote of no-confidence, resulting in the dissolution of the House of Representatives; Takemura Masayoshi, Hatoyama Yukio, and eight others leave the LDP; New Party Sakigake launches on June 21
	June 22:	The 44 members of the Hata faction leave the LDP, forming the Japan Renewal Party on June 23
	June 25:	Ozawa Ichirō publishes <i>Blueprint for a New Japan</i>
	June 27:	Japan New Party makes gains in Tokyo Metropolitan Assembly elections
	July 18:	General election (LDP 223, JSP 70, JRP 55, Komeito 51, JNP 35, JCP 15, DSP 15, Sakigake 13, Shaminren 4); LDP fails to secure majority
	July 22:	Prime Minister Miyazawa resigns
	July 30:	Kōno Yōhei becomes LDP president
	August 9:	Hosokawa Morihiro cabinet inaugurated based on an eight-party non-LDP coalition; LDP goes into opposition for the first time in its history
September 17:	Government introduces four political reform bills—including electoral system reform—to the Diet (revision of the Public Offices Election Act, revision of the Political Funds Control Act, the new Political Party Subsidies Act, and the Establishment of the Council on the House of Representatives Electoral District Act)	
October 13:	The <i>Sankei Shimbun</i> uncovers biased reporting by the head of TV Asahi’s news bureau	

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1994 (Heisei-6)	January 21:	Cabinet decision establishes the Administrative Reform Headquarters in the Cabinet; four political reform bills are defeated in the upper house after some members of the Japan Socialist Party, one of the ruling parties, vote against them
	January 28:	Prime Minister Hosokawa and LDP leader Kōno agree to introduction of parallel single-member district and proportional representation system; four political reform bills pass on January 29
	February 3:	Prime Minister Hosokawa announces plan for a people's welfare tax
	February 15:	Cabinet approves "Policies for promoting administrative reform in the immediate future" (administrative reform outline)
	April 8:	Prime Minister Hosokawa resigns in connection to the Tokyo Sagawa Kyūbin scandal
	April 28:	Hata Tsutomu cabinet inaugurated; JSP and Sakigake leave the coalition, resulting in a minority government
	May 30:	Administrative Reform Headquarters establish a decentralization section
	June 25:	Hata government resigns
	June 29:	LDP leader Kōno Yōhei, JSP leader Murayama Tomiichi, and Sakigake leader Takemura Masayoshi agree to form a coalition government
	June 30:	Murayama Tomiichi government inaugurated (LDP-JSP-Sakigake coalition); Keizai Dōyūkai releases "Pathology and Prescription for Contemporary Japanese Society"
	September 26:	The six local government organizations submit their report on the promotion of decentralization
	December 10:	New Frontier Party forms, headed by former prime minister Kaifu
	December 16:	BOJ Governor Mieno leaves office, succeeded by Matsushita Yasuo
December 25:	Cabinet approves the "General Policy Regarding the Promotion of Decentralization"	
1995 (Heisei-7)	January 17:	The Great Hanshin-Awaji Earthquake
	March 20:	Tokyo Subway Sarin gas attack
	April 9:	Aoshima Yukio, Yokoyama Knock elected governor of Tokyo and Osaka respectively
	May 15:	Diet passes Act on Promotion of Decentralization (legislation originally limited to 5 years)
	July 3:	Committee for the Promotion of Decentralization launches, chaired by Moroi Ken
	July 23:	House of Councillors election (LDP 46, NFP 40, JSP 16, JCP 8, Sakigake 3, Minkairen 2)
	September 22:	Hashimoto Ryūtarō selected as LDP leader in party election

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	September 26:	Massive losses at the New York branch of Daiwa Bank uncovered
	November 28:	LDP establishes Administrative Reform Promotion Headquarters attached to the party president's office, chaired by Mizuno Kiyoshi
	December 19:	Cabinet approves specific measures to deal with the Jūsen problem (to deal with initial losses of ¥6.41 trillion, policies include budgetary measures of roughly ¥680 billion as well as debt forgiveness by parent banks, etc.)
	December 22:	Financial System Research Council proposes "Policies to Stabilize the Financial System"
	December 27:	Ozawa wins election to lead the NFP
1996 (Heisei-8)	January 5:	Murayama resigns as prime minister
	January 11:	Hashimoto Ryūtarō cabinet forms (in coalition with JSP and Sakigake)
	February 27:	Governing Party Finance Ministry Reform Project Team, chaired by Itō Shigeru, holds its first meeting
	March 29:	Interim report of the Committee for the Promotion of Decentralization issued
	June 13:	Governing Party Finance Ministry Reform Project Team releases report
	June 18:	Act on Special Measures concerning Promotion of Disposal of Claims and Debts of Specific Jūsen Companies passes the Diet as one of six bills on the financial system
	July 31:	Central Bank Study Group launches, chaired by Torii Yasuhiko
	September 27:	House of Representatives is dissolved
	October 20:	First general election under the new electoral system (LDP 239, NFP 156, DPJ 52, JCP 26, SDP 15, Sakigake 2, Minkairen 1)
	October 31:	LDP, SDP, and Sakigake conclude a tripartite policy pact for a new administration
	November 7:	Second Hashimoto cabinet inaugurated, with the SDP and Sakigake as external partners
	November 11:	Prime Minister Hashimoto orders the drafting of financial system reforms (the Financial Big Bang)
	November 12:	Central Bank Study Group issues final report
	November 26:	Subcommittee on BOJ Act revision established at the Financial System Research Council, chaired by Tachi Ryūichirō
	November 29:	Prime Minister Hashimoto announces "five great reforms" in his policy speech to the Diet
	December 20:	Committee for the Promotion of Decentralization releases its first recommendations
1997 (Heisei-9)	February 6:	Financial System Research Council delivers report on revision of the BOJ Act to Finance Minister Mitsuzuka Hiroshi

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	April 1:	Consumption tax rate rises from 3 to 5%
	June 11:	The revised BOJ Act—a complete revision of the old act—passes the Diet
	June 13:	The Securities and Exchange Advisory Council, the Financial System Research Council, and the Insurance Advisory Council offers recommendations on the “Financial Big Bang”
	June 16:	Finance Supervisory Agency Establishment Act passes the Diet
	July 8:	Committee for the Promotion of Decentralization submits its second set of recommendations
	September 2:	Committee for the Promotion of Decentralization submits its third set of recommendations
	September 3:	Administrative Reform Council submits its interim report
	September 8:	Hashimoto reelected as LDP president without a vote
	September 11:	Second Hashimoto cabinet reshuffled; Satō Takayuki, criticized as a crooked politician, enters the cabinet as director-general of the General Affairs Agency with a responsibility for administrative reform
	October 9:	Committee for the Promotion of Decentralization submits its fourth set of recommendations
	November 17:	Hokkaidō Takushoku Bank goes bankrupt
	November 24:	Yamaichi Securities shuts down
	November 28:	Diet passes Act on Special Measures concerning Promotion of Fiscal Structural Reform
	December 3:	Administrative Reform Council submits final report, approved by cabinet decision on December 4
	December 9:	Diet passes Long-Term Care Insurance Act
	December 18:	Ozawa reelected as leader of the NFP
	December 27:	NFP decides to dissolve
1998 (Heisei-10)	January 26:	Two senior officials of the financial inspection section arrested on bribery charges in Finance Ministry corruption scandal (in a series of incidents, four senior MOF officials and one BOJ official are arrested)
	February 7:	Nagano Olympic games open
	February 16:	Diet passes two financial stabilization bills (a revision of the Deposit Insurance Act and the Act on Emergency Measures for the Stabilization of Financial Functions)
	February 17:	Cabinet approves the central government reform bill
	March 20:	BOJ Governor Matsushita leaves office, succeeded by Hayami Masaru
	April 27:	The (new) Democratic Party of Japan forms, led by Kan Naoto
	May 26:	Cabinet decision approves plan for promotion of decentralization
	June 5:	Diet passes Act on Financial System Reform
	June 9:	Diet passes Basic Act on Central Government Reform

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	June 22:	Finance Supervisory Agency launches
	July 12:	House of Councillors election (LDP 44, DPJ 27, JCP 15, Komeito 9, LP 6, SDP 5)
	July 13:	Prime Minister Hashimoto announces his intention to resign
	July 24:	Obuchi Keizō selected as LDP president in party election
	July 30:	Obuchi cabinet inaugurated as a solely LDP administration, with the LDP as a minority ruling party in the House of Councillors
	October 12:	Diet passes Act on Emergency Measures for the Revitalization of the Financial Functions
	December 15:	Financial Reconstruction Commission launches
	December 18:	Act on Fiscal Structural Reform suspended
1999 (Heisei-11)	January 14:	Liberal Party (led by Ozawa) joins the administration, and the Obuchi cabinet becomes a coalition government
	February 26:	Economic Strategy Council concludes its final report
	July 8:	Diet passes laws related to the reorganization of central government ministries and agencies, such as the Act on General Rules for Incorporated Administrative Agencies; Diet passes Omnibus Decentralization Act
	July 26:	Diet passes Act on the Vitalization of Diet Deliberations and the Establishment of the Policy-making System with Political Leadership (abolishes practice of bureaucratic testimony in Diet deliberations, introduces vice minister system, establishes Committee on Fundamental National Policies)
	July 27:	Judicial System Reform Council established, chaired by Satō Kōji
	October 5:	Komeito joins the administration, creating LDP-Liberal-Komeito coalition government
	November 10:	First formal debate between party leaders in the Diet
	December 1:	First meeting of the LDP's Headquarters for Political Institutional Reform
	December 15:	Diet passes revision of Political Funds Control Act (companies and other organizations prohibited from donating to individual politicians)
2000 (Heisei-12)	January 20:	Both houses of the Diet establish Commissions on the Constitution
	April 1:	Long-Term Care Insurance system commences operation; Liberal Party leaves the ruling coalition (the faction that remains becomes the Conservative Party); Omnibus Decentralization Act takes effect
	April 2:	Prime Minister Obuchi is hospitalized after a stroke and falls into a coma; he passes away on May 14
	April 5:	Mori Yoshirō selected as next LDP leader; Mori cabinet forms the same day, based on coalition with Komeito and Conservative Party

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	April 18:	Council for the Promotion of Judicial Reform, chaired by Kamei Masao, launches
	June 25:	General Election (LDP 233, DPJ 127, Komeito 31, Liberal Party 22, JCP 20, SDP 19, Conservative Party 7)
	July 1:	Financial Services Agency launches
	July 12:	The DPJ releases a proposal by its “Next Justice Minister” Eda Satsuki called “Toward a Judiciary in which Citizens Take the Leading Role”
	October 26:	Diet passes revisions to Public Offices Election Act, introducing open list in proportional representation voting for the House of Councillors
	November 21:	No-confidence motion in the Mori cabinet submitted, but defeated after failed rebellion by LDP Katō Kōichi
	November 22:	Diet passes Act on Punishment of Public Officials’ Profiting by Exerting Influence
	November 28:	Judicial System Reform Council submits interim report to Prime Minister Mori
	December 13:	Multi-partisan parliamentarians’ group promoting judicial reform launches; George W. Bush’s victory in the U.S. presidential election is confirmed
2001 (Heisei-13)	January 6:	Central government reorganization, shifting from “one office, twenty-two ministries and agencies” to “one office, twelve ministries and agencies” implemented; Cabinet Office established, along with the Council on Economic and Fiscal Policy and minister for special missions posts
	April 1:	Fifty-seven Incorporated Administrative Agencies established
	April 2:	House of Representatives Reform Research Council under Speaker of the House Watanuki Tamisuke established, chaired by Sejima Ryūzō
	April 6:	Prime Minister Mori announces his intention to resign
	April 24:	Koizumi Jun-ichirō elected as LDP leader
	April 24:	Koizumi cabinet is launched, based on coalition with Komeito and Conservative Party
	May 7:	Prime Minister Koizumi announces “structural reform without sanctuary” in his first policy speech
	May 17:	DPJ submits “An Opinion on Judicial System Reform”
	June 7:	LDP launches National Strategy Headquarters
	June 12:	Judicial System Reform Council submits final report to Prime Minister Koizumi
	June 14:	Committee for the Promotion of Decentralization submits its final report
	June 21:	Council on Economic and Fiscal Policy adopts “2001 Big Boned Policy (Honebuto),” followed by the cabinet on June 26

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	June 22:	Diet passes Basic Act on Special Public Institutions and establishes Special Public Institutions Reform Promotion Headquarters, chaired by Prime Minister Koizumi
	July 3:	Council for Decentralization Reform, chaired by Nishimuro Taizō, launches
	July 29:	House of Councillors election (LDP 64, DPJ 26, Komeito 13, LP 6, JCP 5, SDP 3, Conservative Party 1); proportional representation voting switches from closed list to open list
	September 11:	9/11 terrorist attacks on the United States
	November 9:	Diet passes Act on Promotion of Judicial System Reform
	November 19:	House of Representatives Reform Research Council submits its report
	December 1:	Headquarters for the Promotion of Judicial System Reform established in the Cabinet Office
	December 7:	Diet passes revision of the PKO Act, relaxing regulations on the use of weapons
2002 (Heisei-14)	March 13:	LDP National Strategy Headquarters submits proposal to Prime Minister Koizumi on strengthening political leadership
	March 19:	Cabinet approves “Plan for the Promotion of Judicial System Reform”; Japan Federation of Bar Associations issues “Plan for the Promotion of Judicial System Reform of the Japan Federation of Bar Association”
	March 20:	Supreme Court issues “Outline for a Plan for the Promotion of Judicial System Reforms”
	May 28:	Keidanren absorbs Nikkeiren in consolidation of business associations
	June 25:	“2002 Big Boned Policy” approved by the cabinet refers to “Trinity Reforms” in the context of decentralization reform
	July 24:	Diet passes four Postal System Reform Acts, establishing Japan Post and permitting private-sector entry into the postal business
	October 22:	Keizai Dōyūkai calls for the introduction of manifestoes
	November 29:	Diet passes legislation concerning the establishment of law schools
2003 (Heisei-15)	March 19:	BOJ Governor Hayami leaves office, succeeded by Fukui Toshihiko
	April 1:	Japan Post established
	April 16:	Industrial Revitalization Corporation of Japan established
	April 25:	Roppongi Hills opens for business
	June 6:	Council for Decentralization Reform submits “Opinion regarding the Trinity Reforms”

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	June 27:	Concrete work plan for the “Trinity Reforms” referred to in the “2003 Big Boned Policy” (reducing ¥4 trillion in subsidies, etc.)
	July 9:	Diet passes National University Corporation Act
	July 18:	Diet passes eight bills regarding judicial system reform
	September 12:	Gifu Governor Kajiwara Hiromu takes office as chair of the National Governors’ Association (NGA); champions a “fighting NGA”
	September 20:	Koizumi reelected as LDP president
	September 24:	Democratic Party of Japan and Liberal Party agree to merge
	October 1:	Thirty-four special public institutions converted into 32 incorporated administrative agencies
	October 10:	Diet passes revision to Public Offices Election Act (permitting distribution of manifestos); House of Representatives resolved
	November 9:	General election (LDP 237, DPJ 177, Komeito 34, JCP 9, SDP 6, New Conservative 4); during this election, distribution of manifestos became widespread
	December 9:	Decision made to dispatch Self-Defense Forces to Iraq
2004 (Heisei-16)	April 1:	National universities become National University Corporations; law school system begins (68 schools at inception, 74 at peak, 36 as of FY2019)
	May 12:	Chairman’s comments on the final report of the Council for Decentralization Reform—“For the future happiness of the people”—issued
	May 19:	Diet passes three municipal merger bills (revision of the Act on Special Provisions of the Merger of Municipalities, Act on Special Provisions of the Merger of Municipalities, revision of the Local Autonomy Act)
	May 21:	Diet passes the Act on Criminal Trials with the introduction of the lay judge system
	May 26:	Diet passes Comprehensive Legal Support Act (establishing the so-called Hō-terasu)
	June 2:	Diet passes Revised Administrative Case Litigation Act (comes into force on April 1, 2005)
	June 11:	Diet passes Act for Establishment of Intellectual Property High Court (comes into being on April 1, 2005)
	July 11:	House of Councillors election (DPJ 50, LDP 49, Komeito 11, JCP 4, SDP 2)
	August 19:	Six local government organizations released joint Statement on “Reform Proposal Concerning National Subsidy Contributions,” submit to the prime minister on August 24
	September 10:	Cabinet adopts basic policy on postal privatization

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	November 26:	LDP approves Trinity Reforms of local government finance (subsidy reduction, transfer of revenue sources, and local allocation tax reform)
2005 (Heisei-17)	March 25:	Expo 2005 opens in Aichi
	April 1:	Introduction of limits on bank deposit insurance
	July 5:	House of Representatives passes postal privatization bill
	August 8:	With some LDP members voting in opposition, House of Councillors rejects postal privatization bill; House of Representatives dissolved
	September 11:	General election (LDP 296, DPJ 113, Komeito 31, JCP 9, SDP 7, PNP 4)
	October 14:	Diet passes Postal Service Privatization Act
	November 30:	Government and ruling parties agree on Trinity Reforms (subsidy reduction, transfer of roughly ¥3 trillion in revenue sources, and local allocation tax reform)
2006 (Heisei-18)	February 28:	Local Government System Research Council recommends introduction of a “state” system, integrating several prefectures into larger entities
	April 1:	Labor tribunal system begins work
	April 7:	DPJ selects Ozawa as party leader at a joint meeting of parliamentarians
	May 19:	New bar exam implemented
	June 7:	Six local government organizations submit “An Opinion Regarding the Promotion of Decentralization”
	June 20:	Yubari City (Hokkaidō) applies for designation as fiscal restructuring organization
	September 20:	Abe Shinzō elected as LDP leader
	September 26:	Koizumi cabinet resigns; Abe cabinet launched (coalition with Komeito)
	October 2:	Hō-terasu system commences operation
	December 8:	Diet passes Act on Promotion of Decentralization Reform (start of the second stage of decentralization reform)
2007 (Heisei-19)	January 9:	Ministry of Defense launches
	April 1:	Council for Decentralization Reform launches
	May 29:	Headquarters for Decentralization Reform launches
	July 29:	House of Councillors election (DPJ 60, LDP 37, Komeito 9, JCP 3, SDP 2, PNP 2, Nihon 1); ruling parties lose majority in House of Councillors, ushering in “twisted Diet”
	September 12:	Prime Minister Abe, citing ill health, announces his intention to resign
	September 23:	LDP elects Fukuda Yasuo as its next president
	September 26:	Fukuda cabinet launches (coalition with Komeito)
	October 1:	Japan Post Group launches

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2008 (Heisei-20)	March 19:	BOJ Governor Fukui leaves office; position vacant until April 9 due to conflict over succession
	April 9:	Shirakawa Masaaki takes office as BOJ governor
	September 1:	Prime Minister Fukuda announces his resignation
	September 15:	Lehman Brothers files for bankruptcy (Lehman shock)
	September 22:	LDP elects Asō Tarō as its next leader
	September 24:	Asō cabinet inaugurated (based on coalition with Komeito)
	November 5:	Barack Obama elected as president of the United States
	December 16:	Resolution of the Council for Decentralization Reform (demands implementation of consolidation of national government agencies based on second set of recommendations)
2009 (Heisei-21)	May 16:	DPJ elects Hatoyama Yukio as its leader
	May 21:	Lay judge system begins work (first case on August 3)
	June 16:	Twenty-ninth Local Government System Research Council recommends that the government-led process of municipal mergers should end in March 2010
	July 21:	House of Representatives is dissolved
	August 30:	General election (DPJ 308, LDP 119, Komeito 21, JCP 9, SDP 7, Your Party 5, PNP 3, Nihon 1, New Party Great Earth 1); DPJ carries out change of government
	September 16:	Hatoyama cabinet is launched, based on coalition between the DPJ, SDP, and People's New Party
	September 18:	Government Revitalization Unit is established
	September 28:	LDP elects Tanigaki Sadakazu as its next leader
	November 6:	Government Revitalization Unit begins hearings to review government programs
	November 17:	Local Sovereignty Strategy Council is launched
	December 15:	Cabinet approves Plan to Promote Decentralization Reform
2010 (Heisei-22)	January 1:	Social Insurance Agency dissolved, replaced by Japan Pension Service
	March 31:	Great Municipal Merger Wave of the Heisei Period ends
	June 2:	Prime Minister Hatoyama announces his resignation due to the Futenma base issue
	June 8:	Kan Naoto cabinet is launched (DPJ in coalition with the PNP)
	June 22:	Cabinet adopts Local Sovereignty Strategy Outline
	July 11:	House of Councillors election (LDP 51, DPJ 44, Your Party 10, Komeito 9, JCP 3, SDP 2)
	December 28:	Cabinet adopts "Action Plan for the Abolition in Principle of Bureaucratic Branch Offices"
2011 (Heisei-23)	March 11:	Great Eastern Japan Earthquake

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	April 28:	First Decentralization Omnibus Act (legislation to promote reforms to increase regional autonomy and independence)
	August 29:	DPJ elects Noda Yoshihiko as party leader
	September 2:	Noda cabinet is inaugurated (DPJ in coalition with the PNP)
	November 27:	Hashimoto Tōru is elected as mayor of Osaka
2012 (Heisei-24)	August 10:	Diet passes tax and social security reform legislation centered on consumption tax increase
	September 26:	LDP elects Abe Shinzō as its new leader
	September 28:	Nippon Ishin-no-kai—party centered on Osaka Mayor Hashimoto—is launched
	November 30:	Cabinet adopts Outline of Local Sovereignty Promotion
	December 16:	General election (LDP 294, DPJ 57, Nippon Ishin-no-kai 54, Komeito 31, Your Party 18, Nihon Mirai-no-tō 9, JCP 8, SDP 2, PNP 1, Great Earth 1)
	December 25:	DPJ elects Kaieda Banri as its leader
	December 26:	Noda cabinet resigns; second Abe cabinet is inaugurated, based on the LDP-Komeito coalition
2013 (Heisei-25)	January 30:	Prime Minister Abe refers to constitutional revision for the first time in the Diet
	March 8:	Headquarters for the Promotion of Decentralization Reform is established
	March 20:	Kuroda Haruhiko takes office as BOJ governor
	April 19:	Diet passes revision of Public Offices Election Act (lifting prohibition on the use of Internet in campaigns)
	July 21:	House of Councillors election (LDP 65, DPJ 17, Komeito 11, Nippon Ishin-no-kai, 8, JCP 8, Your Party 8, SDP 1); end of the “twisted Diet”
	August 8:	Yamamoto Tsuneyuki resigns as director-general of the Cabinet Legislation Bureau, succeeded by Ambassador to France Komatsu Ichirō
2014 (Heisei-26)	January 7:	National Security Secretariat is established, headed by Yachi Shōtarō
	April 1:	Consumption tax raised to 8%
	April 30:	Headquarters for the Promotion of Decentralization Reform releases policy for implementing a “call for proposals” system
	May 30:	Cabinet Personnel Bureau is established, headed by Katō Katsunobu
	June 13:	Diet passes revision of National Referendum Act regarding the procedure for revising the constitution
	December 14:	General election (LDP 291, DPJ 73, Ishin 41, Komeito 35, JCP 21, Party for Future Generations 2, Seikatsu 2, SDP 2)

Publisher's Notes

The original Japanese edition was published by Shinchōsha in 2020.

Tobias S. Harris translated the Japanese text into English. The copyediting was done by Mary-Rose Hendrikse, who significantly improved the readability of the English text. The principal advisors, Kenneth Mori McElwain advised on the accuracy of the translation and readability for an academic audience, and Jonathan Soble advised on the flow and readability for a global readership.

The translator has attempted to translate as accurately as possible, but in order to improve the flow of language and enhance readability for a global readership, the advisors have, in certain places, suggested slightly modified language for some words and phrases.

Except for the author's own name as book author, the names of Japanese individuals are in traditional order, with family name followed by given name.

Hepburn-style romanization (Hebon-shiki rōmaji) generally has been used throughout the book, unless a word is part of a book or article title with Kunrei-shiki rōmaji.

Japanese words and names have macrons to indicate long vowels; common place names, such as Tokyo, Osaka, and Kyoto, do not.

The reference list places English translated titles ahead of the romanized original Japanese titles, to enable global readers to grasp the content of the references more intuitively.

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