

Local Government Policy Initiatives in Japan

Toshiya Kitayama

Abstract

This paper suggests that local governments in Japan have played an important role in coping with post-war socio-economic changes by embarking on a series of innovative policies which responded to the evolving needs and demands of citizens. Using case studies it describes the different ways in which local governments were able to initiate policy change in three main areas: business promotion, industrial regulation, and welfare provision. It notes that one outcome of autonomous action in some cases has been “learning by doing” for local government staff.

World Bank Institute

Copyright © 2001
The International Bank for Reconstruction
and Development/The World Bank
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

May 2001

The World Bank enjoys copyright under protocol 2 of the Universal Copyright Convention. This material may nonetheless be copied for research, educational, or scholarly purposes only in the member countries of The World Bank. Material in this series is subject to revision. The findings, interpretations, and conclusions expressed in this document are entirely those of the author(s) and should not be attributed in any manner to the World Bank, to its affiliated organizations, or the members of its Board of Executive Directors or the countries they represent.

Local Government Policy Initiatives in Japan

Toshiya Kitayama

2001. 25 pages. Stock No. 37177

Contents

Foreword *v*

Introduction *1*

The Scope for Local Initiative: Limits and Possibilities *2*

Developmental Policies *4*

Regulatory Policies *7*

Conclusions *16*

Bibliography *17*

Foreword

This paper was prepared for a project on Local Government Development in Japan. The project was organized by the World Bank Institute under the auspices of the Program for the Study of Japanese Development Management Experience financed by the Policy and Human Resources Development Trust Fund of the Government of Japan.

The principal objectives of this Program are to conduct studies on Japanese and East Asian development management experience and to disseminate the lessons of this experience to developing and transition economies. Typically, the experiences of other countries are also covered in order to ensure that these lessons are placed in the proper context. This comparative method helps identify factors that influence the effectiveness of specific institutional mechanisms, governance structures, and policy reforms in different contexts. A related and equally important objective of the Program is to promote the exchange of ideas among Japanese and non-Japanese scholars, technical experts and policy makers.

The papers commissioned for this project cover a number of important issues related to local government development in Japan. These issues include: the process of controlled decentralization; increasing political inclusiveness; redistributive impact of local taxes and transfers; allocation of grants; municipal amalgamation; personnel exchanges; personnel policies; agency-delegated functions; and local policy initiatives.

Farrukh Iqbal, Program Manager
World Bank Institute

Local Government Policy Initiatives in Japan

Toshiya Kitayama

Kwansei Gakuin University, Japan

Introduction

This paper suggests that local governments in Japan have played an important role in coping with postwar socio-economic change, in particular by embarking on a series of innovative policies which responded to the evolving needs and demands of citizens during the process of industrialization and beyond. Why and how did this come about? One explanation certainly lies in the institutional setting of local governments in Japan. Put simply, the institutional arrangements, mixing elements of an integrated intergovernmental system inherited from Meiji Japan with those introduced by the reforms of the Occupation, made possible a wide range of local policy initiatives. Two aspects of these institutional arrangements have been especially important. First, the Local Government Law gives wide latitude to local governments to undertake a variety of public functions and services, reserving only a fairly narrow range exclusively for the national government. Second, local chief executives have the authority to submit bills and budgetary proposals to the local assembly.

The paper also demonstrates how Japanese local governments have played critical roles in the integrated central-local relations of postwar Japan. It pays special attention to the ways in which the local governments of Japan have overcome the obstacles that they have faced. Three strategies are described. One is for local governments to solve the problem by themselves. Legally, the local governments of Japan could initiate policies in almost any field; however, this does not mean that they have the necessary tools to be successful. Using the analogy of hunting, the local governments of Japan are allowed to hunt in almost any area of public policy: they do not have to worry about becoming a trespasser. They are not, however, necessarily allowed to possess weapons, and they do not own these areas. In practice, the central government is a major hunter in many areas. Nevertheless, even where they did not possess the requisite “weapons”, some Japanese local governments have attempted to expand their arena of activity in innovative ways, some of which are discussed here.

When this is difficult, they can try a second strategy, which is to get together with other local governments and/or lobby for the involvement of the central government. There are two ways in which they have done this. One is that local governments define local problems in wider perspectives. By doing so, they can solve the problems in cooperation with, or by involving, other governments, local and/or central. The other way is to respond to the problems—in areas where they have no, or dubious, authority—expecting that their initiatives will change the overall authority structures. Many local governments are forced to respond to the demands of the citizenry to do

something. Here the lack of authority is, at best, an excuse for local government officials, but certainly not the obstacle. Either way, they come to see themselves as part of the overall policymaking process. Indeed, in many spheres of public policy, it is difficult to distinguish national from local policymaking in Japan. Integrative linkages for both local and national policy processes are salient (Samuels 1983).

The Scope for Local Initiative: Limits and Possibilities

Many students of Japanese politics have not regarded Japanese local governments as important actors, mainly because they believe that local governments are not truly autonomous. Despite the decentralization brought about by the Occupation forces after 1945, they argue, local governments have not succeeded in achieving their potential. Central government control methods were carried over from the more centralized local systems of the prewar period. Agency-delegated functions (ADFs), which the ministry typically delegates to the governor and mayor, are one of the most important avenues of central control. Local governments indeed perform many ADFs. The autonomy of local government is further restrained by control of the local finance system, the argument continues. How local projects will be financed is under the control of the national government. The taxes a local government may impose are determined by law, and the rates of local taxes may vary only within a limited range. Local governments can levy new taxes not listed in the law, but they need to obtain the approval of the Ministry of Home Affairs (MoHA) to do so.

Those students, therefore, criticized the lack of local autonomy in Japan. Local government could do virtually nothing autonomously—which is to say, free from central government involvement. These critics insisted that local governments should be given more authority and fiscal power, which would allow them to make and implement their policies without the central government involvement. Without authority and fiscal power, it would be impossible for local governments to play an important role.

These characteristics, however, are only one side of the coin. Three points need to be mentioned here. First, under the integrated system, local governments legally carry out a variety of functions. The Local Government Act, article 2, stipulates areas where local governments cannot take policy action. These include the judiciary, criminal penalties, national transportation and communication, postal services, and so on. Except for these national functions, however, local governments could initiate new policies in virtually any other area and are not legally prohibited from doing this. Of course, the other side of the coin is that the central government could interfere in any matter, so that local governments may not be free of central government's involvement in the form of increased ADF. Here Richard Samuels' analysis of the relationship between the national government and business in Japan is helpful. He argues that the fact that the central government of Japan has broad jurisprudence over business does not necessarily mean that the former controls the latter. Jurisprudence is not to be confused with control (Samuels 1987). In the central-

local relations, central government's involvement does not necessarily mean central control over the local governments.

Second, in this system of integrated central-local relations, interactions between the central government and local governments are quite intensive. The central government is not one and indivisible. It consists of various ministries, each of which has different interests and whose interests may converge with those of some local governments. Then local governments may find it useful to make an alliance with some ministries, thereby increasing the chance of solving local problems.

Finally, this integrated system affects the expectations of the citizen. The residents do not pay attention to which functions are municipal, prefectural, or national because they are not clearly defined. This means that they are most likely to first make demands on municipal government. The municipal governments are forced to do something, even they may not have enough authority or resources to deliver complete solutions. Their initiative then starts a round of discussions with other units of prefectural or national government which typically results in some action by some appropriately endowed level of government. Under the separatist or autonomous model of intergovernmental relations, a locality needs special empowering legislation if it is to start an enterprise such as a municipal subway system. This is not the case in a country such as Japan. As long as the policies provide goods and/or services, local governments in Japan could initiate them without legal constraint.

In the next two sections of this chapter we consider a number of developmental and regulatory policy areas in which Japanese local governments have been active in the postwar period. Regarding developmental policies, which aim to develop local economies, many local governments have implemented a range of relevant actions by themselves, often setting up, for example, General Guidance Offices (GGO) and Public Testing and Research Centers (PTRC) to promote small- and medium-size enterprises. Since the 1980s, local governments have begun to stress the importance of promoting local industries through endogenous developmental policies, which further indicates the necessity of relying on themselves, not on other governments. And, when they feel it is necessary, they cooperate with other local governments and lobby for integration with the national development plan, as in the case of the Capital Region Improvement Law and New Industrial City Law.

With regard to regulatory policies, three types of local government efforts are discussed, one focusing on the issuance of guidelines, the second on the implementation of new taxes, and the third on initiatives in areas where the authority of local governments is dubious. The first involves obtaining agreement with firms and the national government on guidelines; these constitute administrative guidance (*Gyosei Shido*), which allows local governments to complement their lack of legal authority, particularly for pollution control and city planning. The second case, that of a new municipal tax, is examined through a study of Kyoto City's experience with the Old Capital Preservation Tax. This is followed by a look at the cases of local governments tackling the issues in which they have no, or dubious, legal authority. The experience of Osaka City's control of air pollution and

industrial waste disposal will demonstrate that the local governments start their policy initiative, on the one hand, and put pressure on other local governments and the central government, on the other, at the same time. Even without the legal authority, the local governments were successful in responding to their problems by taking advantage of integrated central-local relations.

In most of the postwar period, local policy initiatives have been especially conspicuous in urban areas. Six big cities (Tokyo, Yokohama, Nagoya, Kyoto, Osaka, and Kobe) have gained much greater capacity to govern their areas than smaller municipalities. They have had a long history (since the 1910s) of collectively lobbying for more autonomy from prefectural and state control. As the City of Tokyo was absorbed into the metropolitan government of Tokyo Prefecture in 1943, a movement for more autonomy was conducted by the five remaining cities. They did not succeed in achieving their ultimate objective: complete independence from their prefectures. Instead, they became "designated cities" in 1956, and 18 functions were transferred to them from the prefecture. Prefectures that include the big cities (Tokyo, Kanagawa, Aichi, Kyoto, Osaka, and Hyogo) are also known as local governments with governmental capacities. Those cities and prefectures retain the fiscal capacities. Financially stronger governments have greater flexibility in determining their budgets, which has made a range of initiatives in policymaking possible. Our attention, therefore, is mainly directed to these localities.

Developmental Policies

Two different approaches have been tried with regard to the formulation of development policies by local governments (Kitayama 1995). One involves doing-it-alone by a concerned local government. The other involves getting together with other local governments and lobbying for national involvement in their development.

Doing It Alone: SME Promotion by GGO and PTRC

Local governments started to promote their local SMEs soon after World War II. The Tokyo metropolitan government established an institute to provide managerial and financial advice and guidance to SMEs in 1948. SMEs could get information and guidance in this GGO to modernize management or to start and enlarge business. Then, in 1949, the GGO started to subsidize the Tokyo Prefecture Small Business Credit Guarantee Corporation, which was originally established in 1937. It would give credit guarantees for SMEs, thereby assuring some financial relief for new business. In 1952, it consolidated its efforts to improve the financial situation of SMEs by putting the public money in banks, which, in turn, lent the money to SMEs with the guarantee of the GGO. Similar policies for SMEs have been implemented by the governments of prefectures and big cities.

Another important industrial promotion policy is to establish local government Public Testing and Research Centers (PTRCs). Japanese PTRCs are located in all 47 prefectures and some municipalities. There are some 600 centers now. The greatest number of PTRCs were established during 1937–38 and 1948–49 (Ruigrok and Tate

1996). The special wards of Tokyo established their own PTRC, along with those of the Tokyo metropolitan government. Ota Ward, which is now famous worldwide for its accumulation of high-technology SMEs, opened its center in 1960. It offers technical consultations and assistance and makes high-quality equipment available to those who cannot afford it.

Local governments also started new policies in international trade. The Japanese government has regarded it as imperative to export manufactured goods in order to survive, because the country lacks many natural resources, such as oil and ore. Osaka City, traditionally the most important commerce center of Japan, started the first international trade fair in 1954. Because trading companies had not yet fully resumed business during this period, the fair saw great success when no less than 275,000 people attended. Tokyo hoped to hold a trade fair there, and the international trade fair has been held every year since then, alternately in Osaka and Tokyo.

This orientation continues, although the meaning of development has changed considerably. Because the export effort of Japanese companies, encouraged by the government, was so successful, the problem facing Japan in the 1980s became one of a large trade surplus with many advanced industrial countries. Now it was the need to *import* that was urgent for the country. The City of Osaka is again active in international trade policies. The municipal government and the local capital jointly built the World Trade Center (WTC) Osaka Building and the Asia Pacific Trade Center in the bay area in the 1990s. One of the important roles of these two centers is to promote imports to Japan. The national government has noted Osaka's effort in negotiating with the United States on the trade imbalance between the two countries.

Working with Other Local Governments

Local governments in Japan have tended to regard their development as more than a local issue when they feel it is necessary. They are willing to take advantage of the national government and to form coalitions with other local governments. The Tokyo metropolitan government, for example, started to promote the idea of "Greater Tokyo" in 1955. The governor insisted that it was important to have a wider perspective, and even a national perspective, in thinking about Tokyo's development (*Tokyo-to kikaku singishitsu chosabu* 1994, p. 148). For this purpose, he appealed to neighboring prefectures and the national government, and finally succeeded in enacting the Capital Region Improvement Law, which established its steering committee in the national government.

Osaka City government had a similar approach in developmental policy. It adopted a more innovative method by taking advantage of the international counseling for city planning. Osaka took the initiative in coordinating with a United Nations' research group, which came to Osaka to study the regional problem in 1961. This study group issued a report that had significant impact on Osaka—it encouraged Osaka to consider city planning in a wider area, including the surrounding prefectures. This idea led to the

adoption of the Kinki Region Development Law, which is an equivalent of the Capital Region Improvement Law.

For the smaller localities in less-developed areas, it was more important to resort to the central government. Allinson describes the trait of "responsive dependence" (Allinson 1975, p. 34):

The center had resources to share, but local communities had to undertake a range of initiatives if they were to benefit from those resources. If a community sat passively by, it withered. If, on the other hand, it was responsive to central inducements and energetic in bargaining for them, the community flourished. The responsiveness of a town to its dependent status thus determines its progress in integrating itself with the nation-state.

Allinson leaves out of the account, however, an important aspect of the result of the responsiveness of the localities. When many localities competed for advantages from the center and tried to leverage benefits by political pressure with the help of both national and local politicians and local executives, the center simply could not pick the winners. For instance, when the New Industrial Cities Law of 1961 attempted to designate a few sites to concentrate the public investment for the infrastructure, intensive lobbying for the designation followed. In most cases, the neighboring municipalities got together to be designated, and they and the prefectural government formed lobbying organizations. The center designated no less than 13 sites; 6 additional sites were chosen with a different name (Special Districts for Industry Development).

The localities vigorously worked to attract industries from outside. Typically they invested in infrastructure, including building industrial parks and reclaiming land, and provided financial incentives for the factories, such as exemption from property tax for a given period of time. When it came to lowering, not raising, taxes, the local governments have a great deal of discretion (Reed 1986). Thus, central-local relations are critical for the developmental policy of the local governments. Local politicians and administrators have found ways to influence the national government in coalition with other local governments.

Alone Again: Regional Development Policies

The goal of the National Income-Doubling Plan of 1960 was achieved in less than 10 years, much earlier than stipulated in the original plan. In the late 1960s, the problem caused by rapid industrialization became manifest, and growing number of "progressive" local governments were being born, mostly in urban areas. Although these governments played very important roles in regulatory and redistributive policies, they were not active in developmental policies. As with other developed nations, "the region or municipalities in more prosperous areas were seen as an administrative unit suited to dispensing welfare services, while poorer regions were conceived as blank spaces on the national map of industry". (Sabel 1989, p. 40) Progressive prefectural governments tended to see industrial policies as what the national government should do (Miyamoto 1994, p. 34).

Their policies for SMEs were regarded as a part of social policy, because they saw them in need of protection from the power of big business. They also tried to get rid of the big and polluting factories in their territories. This orientation cost them in the 1970s.

Two oil shocks in the 1970s put an end to the high-growth period. Local governments in both urban and rural areas gradually began to stress the importance of promoting industries again. This time, however, it became known that importing large factories from outside did not make much of a contribution to local economies. They tend to be capital-intensive, which meant that not many jobs were offered to local people and that they would not have much linkage with local SMEs. The worst case was that in spite of local inducements, outside firms showed little interest. This led to a change in policy orientation and an enhanced effort among local governments to support local industries on a functional basis as opposed to trying to attract specific types of industries. In practice, this translated into additional support for small and medium enterprises. For example, in the Sumida Ward of Tokyo, the first ordinance to promote SMEs was enacted among Tokyo wards in 1979 (Seki 1995). It organized the Industry Promotion Congress, in which various industrial promotion policies were investigated by the representatives of SMEs. Sumida Ward also established Sumida Industrial Institute and Sumida SMEs Center in 1983 and 1986, respectively. The former was mainly intended to promote sales and public relations to improve relations between the residents and the manufacturing sector of the ward. The latter was to give various technical, managerial, and other advice and guidance. The latest machine tools and measuring equipment are available at the center. The Tokyo metropolitan government also began to focus on providing functional support to industries on a regional basis. In 1989 it asked its Advisory Commission For Promotion of SMEs to submit a report on policies to promote Tokyo regional industry. The commission then divided Tokyo prefecture into six regions, and recommended the desired policies for each region.

The national government also joined this trend in the 1980s. For instance, the Ministry of International Trade and Industries (MITI), which had focused on industry-by-industry development, became interested in regional industries. Eighty-one regional research institutes have been created since 1983 under the Private Sector Resources Utilization Law, the Bio-Oriented Technology Research Advancement Law, the Key Facilities' Siting Law, and other laws (Ruigrok and Tate 1996).

Regulatory Policies

Local governments of postwar Japan could formulate and implement policies in almost any policy area. Their ability to do this, however, is limited when they are required to introduce new regulations to influence the behavior of either business or residents. Citizens expect almost all issues to be solved by local governments, which may not have enough legal authority to regulate. Two ways in which Japanese local governments have tried to be responsive even when they were unsure of their legal authority to do so were to sign agreement with companies and industries located in their jurisdictions and to formulate guidelines for “administrative” guidance.

Administration without Authority: Agreement with Firms

During the 1960s, when pollution became serious because of the fast pace of industrialization, local governments in the polluted areas responded much faster than the national government, even though they did not have clear legal authority to regulate polluters. A good early example is Yokohama City where, under the leadership of Socialist Mayor, Ichiro Asukada, innovative policies for controlling pollution were introduced. Asukada had been a nationally well-known politician of the Japan Socialist Party and a member of the Diet. He became the mayor in 1963, with pollution control as one of his public pledges. Just then, the Electric Power Development Company was going to construct a coal-burning power station on Yokohama's reclaimed land. Neither the city nor the prefecture had authority to control air pollution from the power station, but the city officials asked MITI to ensure that the company would take the necessary measures, and then asked the company as well. At the end of 1964, the mayor succeeded in signing a pollution control agreement with the Electric Power Development Company. With the momentum of this precedent, Yokohama proceeded to sign similar agreements with existing firms.

The agreement set a stricter standard than the Soot and Smoke Control Law of 1962, and granted the city the authority to enter the facilities and to issue instructions. Although these were understood as a private contracts under civil law, with no legal sanctions backed with the force of public law, the agreements were effective in reducing the pollution. They worked primarily because they were supported by the residents. The leadership of the chief executives also mattered. Asukada told the reluctant companies that if they did not sign, he would ask the public employee union to mobilize 10,000 employees to besiege the factories with straw mat banners (Utsunomiya 1996). (The straw mat banner was used in agrarian revolt in the Edo Period and was expected to convey that the uncooperative firms were as vicious as the infamous feudal lords.)

This method of regulating pollution with agreements became popular, and it became known as the Yokohama pattern. Tokyo metropolitan government followed in 1968, and by as early as 1970, 27 prefectures had entered into 226 agreements, and 79 municipalities into 238 (MacDougall 1975, p. 398). There are even cases in which residential groups, with or without the participation of either prefectures and municipalities, have reached agreement with firms. The parties of the agreement now include golf links and refuse incinerators. (Table 1 shows the number of such agreements.) In 1993, there were about 42,000 pollution control agreements in Japan, and the technique was widely used in other Asian countries (O'Connor 1994).

Local government also had to respond to the serious problem caused by rapid urbanization. This was particularly the case in the big cities and neighboring cities, which were called satellite cities. For example, in Yokohama City, many housing projects were being carried out from the 1960s to 1970s for Tokyo-bound commuters. It is said that at one point, the city was expected to establish one elementary school every 20 days, and one junior high school every 45 days (Masago 1975). Without a tax increase at hand, the

city was obliged to establish public facilities and infrastructure. The mayors, without delegation from the law or the ordinance passed by the local assembly, had to respond to this problem by creating appropriate guidelines for housing projects. Similarly, Kawanishi City in Hyogo, formulated housing development guidelines in 1967 to cope with a rapidly increasing population. These came to be known as the Kawanishi pattern and spread to urban areas of rapidly increasing population throughout Japan. It is estimated that 1,007 municipalities had 1,104 guidelines for housing development in 1981 and 1,294 municipalities had 1,409 guidelines in 1989 (Sanbe 1993).

Table 1: Regulatory Agreements with Firms

	1969	1970	1971	1972
<i>Agreement with Local Government and Resident's Association</i>	3	6	18	40
<i>Agreement with Local Government (with the presence of Residents Association)</i>	77	104	175	231
<i>Agreement with Residents Association alone</i>	37	96	223	395

Source: Sato 1974, p. 206. *Administration without Authority: Housing Development Guideline*

Such innovations were facilitated by the adoption of presidential-style political institutions at the local government level in postwar Japan. These made it easier to have a change in the government. For example, left-wing parties, long a minority in the national Diet, were able to achieve more success in mayoral and gubernatorial offices. Furthermore, the postwar institution of chief executives of local governments in Japan is not exactly like the American presidency, which stresses checks and balances. In Japanese local government, the governors and mayors have the authority to submit measures to, and dissolve, the local assembly. This assured strong mayors and governors. Such strength also gave local chief executives the legitimacy or credibility that was needed for them to sign agreements with polluting companies or issue guidelines. Although they were not backed up with proper legal ordinances, they could put strong pressure on the other party in the agreement or guidelines, who knew that the chief executives were popularly elected.

At the same time, in this integrated central-local relation, the national government has been helping local governments. Two weeks after the Kawanishi guidelines for the development of housing sites became effective, the vice-ministers of five ministries, Ministry of Construction, Finance, Home Affairs, Health and Welfare, and Education, issued a memorandum regarding housing development. This established a system where

developers advanced money for the public facilities, such as roads, parks, rivers, public sewage, schools and nurseries, and local government were to pay them back in the following years. This memorandum reinforced municipal guidelines and strengthened the position of municipal governments in their negotiations and relations with housing project developers.

MoHA or Local Politics? A New Local Tax in Kyoto

Local governments need the approval of the MoHA to levy new taxes not listed in the law. Approval is granted on the condition that a special need can be demonstrated. New taxes are not to be used for long-run purposes. There have not been many examples of new local taxes, particularly in the case of prefectures. These have been regarded as evidence of lack of local autonomy. However, such an interpretation is too simplistic. The case of Kyoto, discussed below, suggests that many factors influence whether or not new taxes can be levied, not the least among which is the interplay of local politics.

Kyoto, the world-famous old capital of Japan, has thousands of shrines and temples (hereafter, S&T), which attract around 40 million tourists every year. The city has imposed new taxes on visitors three times in the postwar period (Kyoto Shikai Jimukyoku 1989). In 1956, the city attempted to levy a Cultural and Sightseeing Facilities Tax on visitors for construction of infrastructure, such as roads and a civic hall. A group representing S&T protested vigorously. Some of the famous S&T threatened to strike and close their facilities to visitors. The city, however, obtained the consent of the vice-minister of MoHA and proposed the relevant ordinance to the local assembly. The assembly passed it with some revision, such as exemption of the tax for school excursions and the specification of a time period of seven-and-half years. Although S&T remained opposed to the measure, it reached an agreement with the city government, and MoHA gave approval to the city.

Because this local tax was to be terminated in April 1964, the city hoped to renew the tax. In March, the city proposed the Special Ordinance for Preservation of Culture in the city assembly. Although the amount of the tax was the same as Cultural and Sightseeing Facilities Tax, S&T again strongly opposed it. The city persuaded S&T, insisting that the half of the tax income was to be spent for S&T, a larger amount than in the previous tax, and that the tax would not be levied for more than five years. Following the passage of the ordinance in the local assembly in March, the city submitted a petition for the approval of the new tax to MoHA. MoHA was going to give the approval, because the new tax was the same as the previous one, but it hoped that the city would keep the negotiation with S&T. In June, as MoHA decided to give its approval, the city made more of an effort to persuade the S&T and reached an agreement, which resulted in a memorandum. It promised that the Special Tax would be levied from September 1964 to August 1969, that it would not be renewed, and that there would be no new tax under any other name in the future.

At least the former promise was kept; the local tourist tax was levied from 1956 to 1969, but not since then. In the late 1970s, however, the financial situation of the city deteriorated, and the city officials started to talk about the restoration of a tax on visitors.

Following the huge deficit in fiscal year 1981, the city began consultation with S&T in July 1982, which again protested the idea of a new tax. The Buddhist Association, which organized about 950 temples, insisted to the members of the local assembly that, first, the tax would hurt the image of the city and the tourist industry, and, second, that the tax would be unconstitutional in that it violated the freedom of religion, and, finally, that the new tax would contradict the memorandum of 1964.

The new tax issue gathered the attention of many groups, including souvenir shops, taxi companies, hotels, resident associations, and so on, each with different positions on the desirability of the new tax. The political parties that supported the new tax talked with the representatives of the Buddhist Association, but this effort was unsuccessful. In January 1983, without the full agreement with the S&T, city officials submitted the bill for the Old Capital Preservation Tax. The bill was to levy ¥50 on visitors of the specified 40 S&T, each of which attracted more than 20,000 visitors every year. The city assembly passed the bill on the same day, without submitting it to its committee, because they had negotiated with the S&T since the previous year.

The Buddhist Association strengthened the opposition movement with the help of the press, which was critical of the hasty passage of the bill. It first took legal action in February 1983 and asked the court to invalidate the ordinance. The association then met the minister of MoHA in July to ask that the tax not be approved. The minister told them that he wanted the issue to be solved locally, and that he would respect the passage of the tax by the local assembly in the meantime.

In March 1984, the court ruled that there was no ordinance to be invalidated because the tax was not approved by MoHA. It also ruled that the memorandum had no legally binding power, and the tax did not impinge on freedom of religion. Many temples appealed to a higher court. The city continued to work to persuade the temples, but decided to proceed and file a petition for approval with MoHA in July 1984. MoHA carefully considered if the new tax was needed and if the tax could be collected properly. MoHA made it clear that it did not consider the tax unconstitutional, because similar taxes had been adopted in other cities and had been employed in Nara and Kyoto. It also suggested that the city and the association should continue negotiation so that they could reach an agreement. In January 1985, the association announced that if the tax were approved, the 24 temples would close their doors to visitors. It was estimated that the temples had no less than 15 million visitors. Neither mediation by some Diet members nor the attempt of the summit meeting between the city and the association could make a difference. In March 1985, the association members decided to close their doors on August 10, the day the mayoral election would be announced, to put pressure on the mayor.

In March, the city asked MoHA to approve the tax, and the minister finally approved the Old Capital Tax on the unusual condition that it would be effective after June 10. Following the decision, the ordinance was promulgated more than two years after passage. With the effective ordinance, the city kept up its persuasion, and the mayor then announced that it started to collect the tax on October 1, which meant after the mayoral election. Much criticism followed this decision, even from members of the local

assembly. The mayor again changed his mind instantly, and announced that the tax would be effective on July 10, before the election. The association responded by starting free admission on July 10, and announced that members would close their doors on August 10, the notification day of the mayoral election. On July 10 the new tax became effective, and 18 temples started free admission, which meant that no tax could be levied. With the rush of visitors, however, 12 temples started to decline visits even before August 1. They included the most popular temples, which had millions of visitors. The neighboring souvenir shops were forced to close, with no visitors and no sales.

On August 8, sudden news surprised everyone—the city and the association had reached an agreement. They decided to entrust the matter to the Mediation Commission. The 12 temples reopened to visitors and the mayor was reelected on August 25. This was not the end of the story, however. The agreement of the Mediation Commission included a clause that violated the Local Finance Law, which prohibits local government from assigning and collecting compulsory contributions. The amount of money to be paid by the S&T to the city became an issue again. The association again rejected the revised agreement, which was announced in November. Even the politicians at the local assembly became critical of the agreement in August. Twelve temples again closed for an indefinite period in December. This action greatly affected the city economy. The town surrounding the striking temples became a "ghost town." Twenty-two S&T out of a specified 37 cooperated with the city, but no more than 37 percent of the expected tax was collected with the most popular temples on strike.

In March 1986, 10 temples reopened with unspecified admission fees and visitors could choose not to pay any fees at all. Their strategy was to stress that the visitors were there for religious reasons, not for sightseeing. The city government was at a loss in the beginning, but later decided to levy the tax on that, too. On July 1, six temples closed for the third time. The city government adopted a firm attitude toward the uncooperative temples and notified them of the amount of money to be paid by July 26. In January 1987, the city sent a letter to the temples that it would soon send a writ of attachment. This step unified the striking and cooperative groups. The six cooperating S&T now notified the city that if they attached the property of the six non-cooperating units, they too would stop cooperating with the city. The election of the local assembly in April gave a freer hand to the members, who became active in achieving a final solution. The city finally started to consider the repeal of the Old Capital Tax. On August 12, the mayor announced that he would abolish the tax. Two months later, the local assembly passed an ordinance abolishing the tax. An agreement was reached regarding the payment of past dues to the city as a contribution rather than tax arrears. The main lesson to be derived is that it was local politics that determined the fate of the tax. MoHA took a neutral position throughout, leaving the issue at the local level.

Initiative First, Authority Later: Regulating Pollution from SMEs

The cases discussed so far suggest that the local government could somehow compensate for the lack of legal authority to regulate by themselves. When they cannot, they have to come up with something else. For example, the agreements with polluting firms are effective only in regulating several large firms. The City of Osaka attempted to respond to the severe air pollution in the Nishi Yodogawa (hereafter, NY) Ward, which includes many SMEs. This case indicates that local government could respond to the problem, expecting that the necessary enabling authority would follow in developments unleashed by their initial action.

In order to deal with the situation, it was important to first conduct scientific research of the pollution by SMEs (Kuroda 1996a). In 1958, 30 environmental sanitation monitoring staffs at public health centers in Osaka voluntarily established an association to exchange information and study environmental issues. They also conducted research on the condition of their ward in each center. In 1964, Osaka City conducted research on pollution sources in Joto Ward, another district with many SMEs. The staff of Joto Public Health Center visited and interviewed each firm with the help of the Joto Industrial Association. Through this research, they learned the needs of many SMEs—they wanted special loans and a special depreciation system for pollution control measures, and some SMEs hoped to relocate their factories in other places.

It was possible for the municipal government of Osaka to provide the above measures, such as the loans for relocation and installment of anti-pollution measures. But the city did not have authority to control polluters. The Soot and Smoke Regulation Law of 1962 provided the Osaka Prefectural government with the authority to take measures against factory pollution. The city, however, faced with the complaints of the citizens, started to respond. In 1962, the city set up the Osaka City Pollution Control Council, an advisory committee for the mayor. The city asked the council to set a target for air pollution countermeasures. In 1965 it made recommendations and set the environmental management standards for SO_x. The first environmental standards of Japan were set by the City of Osaka, which did not have authority to regulate.

Because of the local industrial and geographic conditions, the coastal part of NY Ward was experiencing the most serious air pollution. Osaka Prefecture, Osaka City Health Institute, hospitals, and universities began cooperative research in 1964 that continued for five years. In 1967, the city started to conduct research on pollution sources in NY Ward. At this time, Osaka Prefecture had the authority to enter the factories for inspection. The city, therefore, was sometimes faced with difficulties in implementing inspection. In January 1968, the authority to take measures against water quality, noise, and shake was transferred to the city, but not authority over air pollution. The authorities to issue improvement orders and to enter the factories were retained by the prefecture. Fortunately for the city, most owners of SMEs operate and live there, which meant that they were polluters and sufferers at the same time, so that most of them were willing to cooperate. The city managed to finish inspection of 238 factories in 4 months.

Based on the data from the monitoring network, the inspection of factories, and the medical research on the damage to health, the City of Osaka decided to take urgent measures to control air pollution in NY Ward and established the Special Task Force. From our perspective, it is important to note that the Mayor, Kaoru Chuma, stated the following in the local council in 1970:

This problem of NY Ward is not only the problem for Osaka in general, but also the problem of Tokyo and of all the other big cities throughout the world. This problem cannot be solved by the city of Osaka alone. (But) by demonstrating that improvements can be made, the City of Osaka can urge the national government. (Quoted in Kuroda 1996a, p. 192.)

It is clearly shown here that the municipal government of Osaka started to respond to the problem without the authority to impose regulatory measures. Mayor Chuma then sent a letter to the Ministry of Finance (MoF), MITI, the Ministry of Health and Welfare (MHW), the Ministry of Construction (MoC), the Ministry of Education (MoE), and MoHA, which insisted that their cooperation was indispensable. He specified detailed legal, financial, and technical measures and the necessary amount of money. He also sent the letter to the governor of Osaka, demanding full cooperation with the administrative guidance of the city, and financial aid for inspection. He then sent a letter of demand to the governor of Hyogo and the mayor of Amagasaki, which are the neighboring prefecture and city.

The city first conducted survey research on the factories of the ward. Information was collected on the number and location of polluting facilities, complaints by residents, suggestions for improvements, and opinions on what the city government should do. This was done by postcard with the help of the NY Industrial Association, and 40 percent of the factories responded. In July 1970, the opening ceremony of the Special Task Force was held in front of the City Hall. The mayor attended, which was unusual, thus demonstrating his determination to the citizens and mass media. Members of the Special Task Force, however, experienced trouble when they began inspections and it was pointed out that they did not have the authority to enter the facilities. They then asked the owner of the factories to call the officers of the prefectural government, who then told them to cooperate. They continued the investigation of the kinds and amounts of fuels, emissions, and other substances, smokestack-by-smokestack in each factory. On this basis, they calculated how much each smokestack contributed to the overall air pollution of the ward. They then started to advise how to improve air quality by promoting the use of low-sulfur fuels and the installation of anti-polluting measures. Their objective was to lower sulfur oxide concentration to less than 0.05, which was the environmental standard, within two years. This goal was achieved. In June 1971, all the authority needed to deal with the pollution was finally transferred from Osaka Prefecture to the city.

Local Initiatives and Bureaucratic Politics: Industrial Waste

The discussion of pollution control in Osaka has shown that the local government can initiate measures to respond to a problem, even without the authority to regulate. Its own initiative brought about the full authority in the end. The following case of industrial waste further demonstrates how local governments tackle problems, when jurisdiction is unclear. Osaka City, again, played a critical role, from the definition of the problem to its solution (Kuroda 1996b).

The industrial waste problem first became a policy issue in around 1967, when Osaka City and Osaka Prefecture were jointly investigating pollution. At the time, industrial waste was regarded as a pollution issue and Osaka Prefecture was made responsible for its disposition. If it had been classified a matter of garbage collection, the municipal government would have taken the responsibility. Osaka City government still could deal with the industrial waste problem as a pollution issue, as long as it provided service and did not regulate the firms. The environmental protection section thus planned to set up industrial waste disposal center in 1967 in coordination with Osaka Prefecture. Its main objective was to recycle and reuse industrial waste. Focusing on recycling, the municipal government began negotiating with MITI.

At this juncture, bureaucratic politics intervened. MHW, with jurisdiction over garbage collection, felt that its jurisdiction was in danger. For MHW, it was important that industrial waste was defined as refuse so that MITI could not interfere. In 1967, one MHW bureaucrat was dispatched to take the job of director of the Environmental Sanitation Division of the Health and Welfare Department of Osaka Prefecture. The following year, it became known in the Osaka Prefectural Assembly that the jurisdiction for the industrial waste had been changed from Environmental Pollution Section of the Policy Planning Department to Health and Welfare Department, which surprised the city officials. This meant that the industrial waste was now dealt with by the garbage collection administration in Osaka Prefecture. The governor of Osaka addressed in the assembly in 1969, stating that broader regional administration was necessary to deal with the industrial waste problem, and that the prefecture was setting to work with Osaka City under the guidance of MHW.

In December 1970, the Garbage Law was revised and renamed to include industrial waste. Furthermore, it was stated that the prefecture could now deal with the disposal of industrial waste and that the governor was supposed to set the plan for the disposal of the industrial waste as an agency-delegated function. Although the municipality was still responsible for the disposal of general garbage other than industrial waste, the new law meant that municipal authority for industrial waste was limited compared with that of the prefecture. Osaka City's emphasis on recycling of industrial waste did not bear fruit because MITI gave up writing recycling bills.

Osaka City kept working on the industrial waste issue, however. The effort to devise a municipal garbage disposal plan was carried out with the participation of Bureau of Public Health and Hygiene, Public Sanitation, Sewerage, and the Port and Policy

Planning Bureau. The plan included the disposal not only of general garbage, but also of industrial waste. In October 1975 the plan was complete and was submitted to the Osaka City Pollution Control Council for deliberation. In the previous year, Osaka Prefecture had made public the Osaka Prefecture Industrial Waste Disposal Plan based on the stipulations of the new law. The city's plan suggested the importance of the reduction of the amount of refuse and waste and recycling and reuse.

Then Mayor Oshima sent a letter of request for the promotion of the disposal of industrial waste to MoF, MITI, Ministry of Transportation (MoT), MoC, MHW, and MoHA, and Environment Agency in December 1975, just as the previous mayor, Chuma, had done in 1970. It described the very serious situation of Osaka's industrial waste problem and stressed the necessity for the involvement of the national government to ensure that enough space was available for the final disposal of the industrial waste in the metropolitan area. For this purpose, it asked for the establishment of a special public corporation for even wider administration than the prefecture and a legal framework that would enable local governments to establish their own special public corporation for industrial waste disposal.

A second round of bureaucratic politics set in here. This time, MoT, whose jurisdiction includes harbors, became interested in the land reclamation by the waste and garbage in Tokyo Bay and Osaka Bay, which fit Osaka City's request very well. As the ministry's plan was made public, Osaka City supported it in the City Assembly in March 1977. MHW again responded against this development. It formulated a plan for the disposal of the garbage and industrial waste in the two bays. The MHW also dispatched one of its officers as the director general of the Health and Environment Department of Hyogo Prefecture in April 1977 (indeed the same person who had earlier been dispatched to Osaka Prefecture). The plan included seven prefectures around Tokyo and six prefectures around Osaka. In the end, the Regional Coastal Environment Center Law passed the Diet in April 1981, with the co-jurisdiction of MHW and MoT. The law had the dual purpose of disposal of waste by the reclamation and the improvement of harbors. Osaka City, along with other neighboring local governments, was pleased with the results. In March 1982, Osaka Bay Area Regional Coastal Environment Center was established. The MHW designated 6 prefectures and 159 municipalities, including Osaka City, and the MoT designated four harbors, including Osaka Port.

This case has shown the importance of local initiatives even in the case when local governments have only vague authority over necessary actions. Osaka City was able to take advantage of the integrated relations between central ministries and local governments to solve its problems.

Conclusions

Richard Samuels (1983) pays attention to the ways in which Japanese localities get together to do things or to otherwise wield influence and identifies the political and administrative dynamics of the policy process. He argues that they organize by forming

horizontal linkages for implementation, communication, acquisition, support, opposition, and proposition. He then concludes that “localities and the central government alike are better analyzed as interest groups than as politically deodorized administrative organs” (Samuels 1983, p. 123). This characterization stresses the dynamic nature of central/local relations in Japan. One can go further. Indeed, this chapter argues that local governments can be analyzed as interest groups in the sense that they could affect the central government, but more importantly, they are political and administrative organs in that they can formulate and implement the new policies, thereby showing the central government that such policies are possible as well as popular among citizens. As a result of local initiatives, local government can obtain authority and legal back-up from the central government. Autonomous local government, while it could respond to local needs, could not have the broad impact on central government policies witnessed in Japan.

An understanding of the nature of institutional arrangements in central-local relations is crucial in explaining the range of local policy initiatives experienced in Japan. Local governments have engaged in a broad range of public services and been innovative in overcoming legal and bureaucratic obstacles. Three methods have typically been employed. One method is to initiate extra-legal strategies, such as guidelines and agreements. Another is to define the local problem in a wider perspective and cooperate with other local governments to find a solution. The third is to take the initiative to respond to the problem with the expectation that the enabling legal authority and regulations will eventually follow from the national government. The implementation of these strategies demonstrate effective horizontal links among local governments and vertical links between the center and the localities. The integrationist nature of central-local relations has proved to be a source of strength rather than an insuperable constraint in Japan. Local governments have been able to played important roles in public service delivery and regional development as an integrated part of the overall government, even if not as completely self-contained and self-governing bodies. One lesson of this experience is that it is not necessary to adopt the narrowly constructed, autonomous or separatist definition of inter-government relations in order to enable local governments to play an important developmental role in a given economy and polity.

Bibliography

- Allinson, Gary D. 1975. *Japanese Urbanism: Industry and Politics in Kariya, 1872-1972*. Berkeley: University of California Press.
- Kitayama, Toshiya. 1995. "Local Governments and Small and Medium-Sized Enterprises." In Hyung-Ki Kim, Michio Muramatsu, T. J. Pempel, and Kozo Yamamura, eds., *The Japanese Civil Service and Economic Development: Catalysts of Change*. Oxford, U.K.: Oxford University Press.
- Kuroda, Takayuki. 1996a. *Toshi sangyo kogai no genten: nishiyodogawa kogai*. Tokyo: Doyukan.

- . 1996b. *Sangyo Kogai no Shuchaku Eki: Sangyo Haikibutsu*. Tokyo: Doyukan.
- Kyoto Shikai Jimukyoku. 1989. *Kyoto Shikaishi Zokuhen*. Kyoto Shikai Jimukyoku.
- MacDougall, Terry E. 1975. "Political Opposition and Local Government in Japan." Ph.D. dissertation, Yale University, New Haven, CT.
- Masago, Taisuke. 1975. "Chiho Kykyo Dantai ni okeru Gyosei Shido: Takuchi Kaihatsu Shido Yoko wo Chushin to shite." In Adachi and others, *Gendai Seiji to Chiho Jichi*. Tokyo: Yushindo.
- Metropolitan Environment Improvement Program. 1996a. *Japan's Experience in Urban Environmental Management: Osaka, A Case Study*. World Bank Asia Technical Department, Environment & Natural Resources Division. Washington, D.C.
- Metropolitan Envrionnant Improvement Program. 1996b. *Japan's Experience in Urban Environmental Management: Yokohama, A Case Study*. World Bank Asia Technical Department, Environment & Natural Resources Division. Washington, D.C.
- Mikuriya, Takashi. 1996. *Tokyo: Shuto ha kokka wo koeru ka*. Tokyo: Yomiuri Simbunsha.
- Minobe, Ryokichi. 1979. *Tochiji 12 nen*. Tokyo: Asahi Shimbunsha.
- Miyamoto, Ken'ichi 1994. "Kakushin jichitai no kaiko to tenbo." In *Tokyo Jichi Mondai Kenkyujo, 21 seiki no toshi jichi heno kyokun*. Tokyo: Kyoiku Shiryo Shuppan Kai..
- Namikawa, Shino. 1996. *Bunken shakai no sozo: kokka shuken daha heno sinario*. Tokyo: Toyo Keizai Shinposha.
- O'Connor, David. 1994. *Managing the Environment with Rapid Industrialization: Lessons from the East Asian Experience*. Paris: Development Centre of the OECD.
- Peterson, Paul. 1981. *City Limits*. Chicago, IL: University of Chicago Press.
- Reed, Steven R. 1986. *Japanese Prefectures and Policymaking*. Pittsburgh, PA: University of Pittsburgh Press.
- Ruigrok, Winfried, and John Jay Tate. 1996. "Public Testing and Research Centers in Japan: Control and Nurturing of Small and Medium-sized Enterprises in the Automobile Industry." *Technology Analysis and Strategic Management*. 8(4).
- Sabel, Charles F. 1989. "Flexible Specialization and the Re-emergence of Regional Economies." In Paul Q Hirst and Jonathan Zeitlin, eds., *Reversing Industrial Decline: Industrial Structure and Policy in Britain and Her Competitors*. Oxford: Berg.
- Samuels, Richard J. 1983. *The Politics of Regional Policy in Japan*. Princeton, NJ: Princeton University Press.

- _____. 1987. *The Business of the Japanese State*. Cornell, NY: Cornell University Press.
- Sanbe, Natsuo. 1993. "Chiho Kokyo Dantai niokeru Kaihatsu Shido Yoko." In Yasuhiko Matsuda and others, *Kokusaika Jidai no Gyosei to Ho*. Tokyo: Ryosho Fukyu Kai.
- Sato Atsushi, ed. 1974. *Asu no chiho jichi wo saguru III, Chiiki kaihatsu, kogai heno taio*. Tokyo: Gakuyo Shobo.
- Seki, Mitsuhiro. 1995. *Chiiki keizai to chusho kigyo*. Tokyo: Chikuma Shobo.
- Tokyo Jichi Mondai Kenkyujo. 1994. *21 seiki no toshi jichi heno kyokun*. Tokyo: Kyoiku Shiryo Shuppankai.
- Tokyo-to Kikaku singishitsu chosabu. 1994. *Tokyo Tosei 50 nenshi*. Tokyo: Gyosei.
- Utsunomiya, Fukashi. 1996. *Kankyo Sozo to Jumin Sanka*. Tokyo: Sanrei shobo.
- Zenkoku Kakushin Shichokai and Chiho Jizi Senta, eds. 1990. *Shiryo Kakush Jichitai*. Tokyo: Nihon Hyoronsha.