A Declining Technocratic Regime

Bureaucracy, Political Parties and Interest Groups in Japan, 1950–2000

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Acronyms

CNN	Cable News Network
FILP	Fiscal Investment and Loan Programme
GHQ	General Headquarters
GNP	gross national product
HIV	Human Immunodeficiency Virus
IDB	Inter-American Development Bank
International IDEA	International Institute for Democracy and Electoral Assistance
JLUC	Japanese Labour Union Confederation
LDP	Liberal Democratic Party
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
MPT	Ministry of Posts and Telecommunications
NGO	non-governmental organization
NPO	non-profit organization
OECD	Organisation for Economic Co-operation and Development
SPARC	Second Provisional Administrative Reform Committee
UNDP	United Nations Development Programme
UNRISD	United Nations Research Institute for Social Development

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Summary/Résumé/Resumen

Summary

In this paper, Toshihiro Nakamura provides a case study of the technocratic style of policy making in Japan. In the 1950s and 1960s, a period of rapid economic growth, this style of policy making predominated. In the more recent era of rapid globalization, however, the Japanese political regime is finding itself at a turning point, and the technocratic approach to making policy is changing.

The author also provides a broader picture of contemporary Japanese politics. While much scholarly attention has been paid to the relative power relations between the bureaucracy and politicians—and this body of work is reviewed in the paper—Nakamura also looks at the role of civil society organizations, which have been increasing their importance and influence in policy-making processes.

The author contends that Japan currently finds itself at a turning point from the style of technocratic rule that supported rapid economic growth in the 1950s and 1960s, toward pluralism at the beginning of the new millennium. Section 2 provides an overview of how the bureaucracy, political parties and interest groups have developed. Section 3 deals with the interaction and power relations between these three actors, and argues that a technocratic regime predominated from the 1950s to the early 1970s. Section 4 covers the changes that these actors have been undergoing since the late 1970s, and section 5 discusses the emergence of a new pluralistic regime in the early 2000s.

In spite of changing circumstances, however, Nakamura emphasizes that the Japanese bureaucracy is not in complete decline. Any change is gradual, and a political regime founded so long ago does not change in just 30 years. Yet he does assert that an irreversible force is empowering political parties and interest groups, and it is clear that the Japanese political system and policy-making processes are shifting from a technocratic regime toward the emergence of a more pluralized regime.

At the time of writing this paper, Toshihiro Nakamura was the Research Assistant for the UNRISD project on Technocratic Policy Making and Democratization. He is now Programme Officer in the Governance Unit of the United Nations Development Programme (UNDP) in East Timor.

Résumé

C'est ici à une étude de cas que se livre Toshihiro Nakamura. Le mode technocratique d'élaboration des politiques dominait au Japon dans les années 1950 et 1960, période de croissance économique rapide. Mais récemment, depuis que la mondialisation s'accélère, le régime politique japonais se trouve à un tournant et la démarche technocratique est en train de changer.

L'auteur brosse aussi un vaste tableau de la vie politique japonaise contemporaine. Les universitaires se sont intéressés de près aux rapports de force relatifs existant entre l'administration et la classe politique et Toshihiro Nakamura passe en revue ces travaux, mais il examine aussi le rôle des organisations de la société civile qui ont pris de l'importance et ont vu s'accroître leur influence sur la définition des politiques.

Selon l'auteur, le Japon se détourne du régime technocratique qui a favorisé la croissance économique rapide des années 1950 et 1960 pour emprunter la voie du pluralisme au début du nouveau millénaire. Dans la deuxième section, il décrit dans les grandes lignes l'évolution de l'administration, des partis politiques et des groupes d'intérêt. Dans la troisième, il examine l'interaction et les rapports de force entre ces trois acteurs et démontre la nature technocratique du régime qui dominait entre les années 1950 et le début des années 1970. La quatrième section traite des changements que connaissent ces trois acteurs depuis la fin des années 70 et la cinquième, de l'émergence d'un nouveau régime pluraliste au début des années 2000.

Malgré tous ces changements, l'administration japonaise serait loin, selon Toshihiro Nakamura, d'être en complet déclin. Tout changement est progressif et un régime politique aussi ancien ne change pas en une trentaine d'années. Pourtant, il affirme assister à une montée en puissance irréversible des partis politiques et des groupes d'intérêt et il est évident que, en ce qui concerne tant le système politique que les processus d'élaboration des politiques au Japon, le régime technocratique est en train de laisser place à un régime pluraliste.

Au moment de la rédaction de cette étude, Toshihiro Nakamura était assistant de recherche à l'UNRISD pour le projet Politiques de technocrates et démocratisation. Il est maintenant chargé de programme au Timor oriental où il travaille pour l'unité Gouvernance du Programme des Nations Unies pour le développement (PNUD).

Resumen

En este documento, Toshihiro Nakamura presenta un estudio de caso sobre el estilo tecnocrático utilizado en Japón para la formulación de políticas, el cual predominó en los decenios de 1950 y 1960, periodo en que se experimentó un rápido crecimiento económico. Sin embargo, en la época más reciente de rápida mundialización, el régimen político de Japón se encuentra en un momento decisivo de su evolución y el enfoque tecnocrático de formulación de políticas está cambiando.

El autor también ofrece una descripción más amplia de las políticas japonesas contemporáneas. Mientras mucha de la atención especializada ha sido puesta en las relativas relaciones de poder entre la burocracia y los políticos, trabajo que se revisa en este documento, Nakamura estudia

igualmente el papel que desempeñan las organizaciones de la sociedad civil, que han estado incrementado su importancia e influencia en los procesos de elaboración de políticas.

El autor afirma que Japón ha dado un giro radical, dejando el estilo tecnocrático que apoyó el rápido crecimiento económico de los años 50 y 60, por el pluralismo a principios del nuevo milenio. La Sección 2 proporciona una visión general del desarrollo experimentado por la burocracia, los partidos políticos y los grupos de interés. La Sección 3 aborda la interacción y las relaciones de poder entre estos tres actores, y argumenta que el régimen tecnocrático predominó el escenario político desde el decenio de 1950 hasta el principio de los años 70. La Sección 4 hace referencia a los cambios experimentados por estos actores desde finales del decenio de 1970, y en la Sección 5 se discute el surgimiento de un nuevo régimen pluralista a principios del 2000.

A pesar de las circunstancias en continua evolución, Nakamura enfatiza que la burocracia japonesa no está totalmente en decadencia, sino que todo cambio es gradual, y que un régimen político establecido tanto tiempo atrás no puede cambiar en apenas 30 años. Sin embargo, afirma que una fuerza irreversible está dando poder a los partidos políticos y grupos de interés, y que es evidente que el sistema político japonés y sus formas de hacer política están cambiando de un régimen tecnocrático hacia uno más plural.

Cuando Toshihiro Nakamura escribió este documento, trabajaba como Asistente de Investigación para el proyecto de UNRISD sobre Determinación Tecnocrática de Políticas y Democratización. Actualmente es Oficial de Programa en la Unidad de Gobernabilidad del Programa de las Naciones Unidas para el Desarrollo (PNUD) en Timor del Este.

1. Introduction[1]

This paper provides a case study of the technocratic style of policy making in Japan. In the 1950s and 1960s, a period of rapid growth, this style of policy making predominated. In the era of globalization, the Japanese political regime is finding itself at a turning point, and the technocratic approach to making policy is changing.

This paper also provides a broader picture of contemporary Japanese politics. While much scholarly attention has been paid to the relative power relations between the bureaucracy and politicians, this paper also looks at the role of civil society organizations, which have been increasing their importance and influence in policy-making processes.[2]

Some of the terms used in this paper need to be clarified. Although technocrats often include academics, civil servants at ministries and central banks, and engineers, in this paper the term is used to refer to *unelected* top-level civil servants in ministries and the central bank who have acquired technical expertise as a result of higher education. In contrast to politicians who base their decisions on calculations for the next election, technocrats make policies based on technical criteria. This dichotomy implies that the policy recommendations of technocrats may impose greater costs than those of elected officials; technocrats may thus be associated with undemocratic policy-making processes (Schneider 1998:77). In other words, this kind of policy making, while it does not bypass the parliament, is primarily carried out by bureaucrats who are not accountable to the electorate. It goes against the conventional idea that "politicians make decisions and bureaucrats administer them"—in this case, bureaucrats both make decisions and administer them. Technocratic policy making may take place in the natural sciences and social sciences (Putnam 1977). Technocratic regime refers to a form of government where highly educated civil servants with technical expertise play a decisive role in decision-making processes.

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1 At the time this paper was finalized, Junichiro Koizumi had formed a new government with support from about 80 per cent of the population. Given his support of structural reform, his government will, I believe, accelerate the trend toward a more democratic regime.

2 In recent years there has been a renewal of interest in issues of governance in the field of development. This corresponds not only with the "third wave of democratization" that has occurred simultaneously with economic liberalization, but also to the end of neoliberalism that was in full bloom in the 1980s and the early 1990s. Studies on the role of government in economic development and on the relationship between poverty and democracy have become a growth industry, and can indeed be found everywhere in the academic literature (see, for example, Diamond and Plattner 1995; Evans 1995; Moore and Putzel 1999; Luckham et al. 2000; Leftwich 1996; Woo-Cumings 1999; Rodrik 1997; Przeworski et al. 2000) and reports from various international development agencies (for example, UNDP 2000a, 2000b; UNRISD 2000a; IDB 2000; International IDEA 2000). The heavy emphasis on sound economic management is now in decline, and there is an increasing recognition that politics is important in achieving human development. The question is no longer whether governance matters, but what kind of governance is required.

In this governance debate, the way policies are made in the era of globalization is worth noting. Since financial globalization exposes governments to volatile markets, the management of inflation, budget deficits, exchange rates and interest rates has become essential if states are to attract investment. The pressure to open up the economy while maintaining healthy financial markets limits policy choice. Many argue that this has resulted in the tendency to restrict economic policy making to experts and to insulate key public institutions, such as the central bank and ministry of finance. Such a process excludes the majority from decision-making processes. The idea behind this is that monetary and financial policies should not be subject to often "irrational" political/electoral pressure. This technocratic approach to economic policy making can indeed be found in both developing and developed countries alike (see, for example, Boylan 1998; Przeworski 1991; Mkandawire 1998; Bangura 1999, Maxfield 1997; O'Donnell 1996; Wallace and Smith 1995; Centeno and Silva 1998; UNRISD 2000b.)

The argument of this paper is that Japan currently finds itself at a turning point from the style of technocratic rule that supported rapid economic growth in the 1950s and 1960s, toward pluralism at the beginning of the new millennium. The following section provides an overview of how the bureaucracy, political parties and interest groups developed. Section 3 deals with the interaction and power relations between these three actors, and argues that a technocratic regime was in power from the 1950s to the early 1970s. Section 4 covers the changes that these actors have been undergoing since the late 1970s, and section 5 discusses the emergence of the new pluralistic regime in the early 2000s.

2. The Historical Background

The bureaucracy

The Japanese bureaucracy went through three major transitions in the last 500 years, during which it became increasingly influential. The first transition was characterized by the establishment of the Tokugawa regime during the Edo period at the beginning of seventeenth century. The Tokugawa regime had a loosely unified government where each sub-unit (*han*) enjoyed a considerable degree of autonomy. For example, the regional *hans* were self-reliant in finance and personnel. For some 200 years, during the peaceful Edo period, the military power of *samurais* (soldiers) became merely symbolic. Each *han* gradually developed bureaucratic institutions, and the ruling *samurai* became detached from the land and lived in the city, where they became specialists in finance, water conservation and internal security. The Japanese bureaucratic structure originated in these regional *hans* (Inoguchi 1988:140–143).

The second transition, during the mid-nineteenth century, witnessed the Meiji Restoration and the birth of the Meiji state, which centralized the military, police force, schools, taxation system and postal service. This process did not face much opposition, since the centralized state was put in place by the former *samurais* in several regional governments, who had already become bureaucrats during the Edo period. The Meiji state was born out of the fear of war. Forced to sign unequal treaties that stipulated extraterritoriality and lack of tariff autonomy with Western powers, the Japanese political leaders felt the need to establish the country's internal strength. The sense of insecurity among the Japanese people also facilitated the centralization of state power. The Sino-Japanese war in 1904, the Russo-Japanese war in 1914, the Manchurian crisis in 1932, the Sino-Japanese war in 1937, and the Second World War all helped to consolidate bureaucratic power (Inoguchi 1988). During this period of war, the strong regulatory nature of Japanese bureaucracy was seen as necessary. The economic ministries and industry developed closer ties, through compulsory cartel and regulatory policies such as administrative guidance (a recommendation by a ministry to certain firms or industries with which it seeks to achieve policy objectives) and the licensing system. An indirect financing system was introduced so that the government could invest money more effectively in the defence industry. Similarly, a direct tax system was adopted to mobilize more financing for war expenses. Many characteristics of the contemporary Japanese bureaucracy originated in the wartime regime (Noguchi 1995).

The third period of transition started in 1945, just after the Second World War. A series of events during the occupation of Japan by the United States strengthened the state ministries even further. The GHQ (the Occupational Forces led by the Americans) dissolved the conglomerates (*zaibatsu*), regulated labour unions and purged leftist politicians. Potentially anti-government groups were systematically oppressed, while the bureaucracy remained almost intact, thereby gaining more political power.[3] This was because the United States had to rely on the Japanese government to implement reforms since the occupation was, in principle, indirect rule, unlike direct rule in Germany (Tsuji 1969:109-25). The intensifying Cold War and the Korean War made the GHQ reform policies more conservative. Also, the war-torn country needed massive investment for economic restructuring and re-industrialization. Therefore, bodies of the economic bureaucracy such as the ministries of Finance, International Trade and Industry, Agriculture and Forestry, Construction, and Transportation, as well as the Economic Planning Agency, played a crucial role in this national project (Johnson 1982:20; Inoguchi 1988:143). At its peak from the 1950s to the early 1970s, these ministries made major political and economic decisions. The technocratic elites in these ministries drafted virtually all legislation and controlled the national budget. Moreover, the top civil service posts attracted "the most talented graduates of the best universities in the country", such as the University of Tokyo and Kyoto University (Johnson 1982).

Table 1: Higher-level public officials examinations, 1975 and 1976

University	Number passing examinations	
	1975	**1976**
Tokyo University*	459	461
Kyoto University*	172	193
Tohoku University*	67	51
Nagoya University*	34	42
Kyushu University*	29	41
Tokyo Industrial University	44	38
Waseda University	28	32
Osaka University*	44	32
Hokkaido University*	45	31
Tokyo University of Education	24	22
Nagoya Industrial University	7	19
Tokyo Agricultural University	18	15
Yokohama University	19	14
Chiba University	14	12
Kobe University	14	12
Hitotsubashi University	22	10
Keio University	6	10

* Former Imperial University. Source: Johnson (1982:58).

[3] For further discussion on the GHQ reform and the subsequent "reverse course", see *inter alia*, Ward and Sakamoto (1987).

The Ministry of Finance (MOF), especially, had firm control over monetary and fiscal policy and was often labelled as "the world's most powerful bureaucratic institution" (Pempel 1998:66). Because policy making is closely associated with the allocation of the budget, the finance ministry is likely to be quite influential. This is particularly true in Japan, because the request for the budget was submitted to the MOF—not the cabinet or president, as in other countries (Campbell 1977). Also, Japan's Fiscal Investment and Loan Program (FILP), which was composed largely of the postal saving system, gave the MOF a powerful tool. Since FILP was not a part of the budget, it was not controlled by the parliament. With this tool, the MOF played a crucial role in providing public capital for highways, ports, railways, irrigation facilities and other major infrastructure. Frequently referred to as Japan's "second budget", FILP's share in the gross national product (GNP) was more than 5 per cent in 1965 and reached almost 7 per cent in 1975 (Noguchi 1995). Cargill and Royama (1992), in a comparative study of US-Japan bureaucracy, note that:

> The MOF combines the functions of the US Treasury, Office of Management and Budget, Internal Revenue Service, Securities and Exchange Commission, Commodities Future Trading Commission, Office of the Comptroller of the Currencies, activities of the Justice Department and Federal Trade Commission related to the financial system, state banking and insurance regulators, supervisory functions of the Federal Reserve, Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Home Loan Bank Board, National Credit Union Administration, and the state credit union regulatory agencies.

Another influential agency was the Ministry of International Trade and Industry (MITI), which controlled industrial policies. MITI was given authority over the allocation of foreign exchange, foreign technologies and raw materials; it also shaped industrial reorganization and was in charge of 22 special legal entities called *tokushu-hojin*, each of which had a specific role in and control over, for example, shipbuilding, automobiles and petroleum. The MITI also exercised authority over various kinds of industrial trade and export associations (Johnson 1982; Pempel 1998). The MOF and MITI depended upon and co-operated with one another. Industrial policies designed by MITI had to be approved by the MOF, which then allocated bank funds to industry. The MOF, on the other hand, had to rely on MITI to formulate policies. This interplay between the two ministries improved the quality of Japanese industrial policy and made policy error less likely (Mabuchi 1997).

The role of the Bank of Japan was also important during this period, because, as in other countries, it enjoyed substantial autonomy in formulating monetary policies. The bylaws of the Bank of Japan were modelled on those of the German Reichsbank during the Second World War. As Noguchi (1995) argues, this constituted a critical part of Japan's wartime financial system. For example, Articles 1 and 2 read as follows:

> **Article 1**: In order to make full use of the total power of the state economy, the Bank of Japan sets as its objectives, the control of currency and monetary policy, and the maintenance and promotion of trust system.

> **Article 2**: The Bank of Japan must perform its mission solely for the purpose of accomplishing the goals of the state.

Other government banks complemented the power of the Bank of Japan. The Credit Bank of Japan and the Developmental Bank of Japan, for example, were created after the war and dominated the flow of funds until the mid-1950s. It was not until 1998 that the legal foundations of the banking system were revised. The new law, as discussed in sections 4 and 5, attempts to reconsider the principles upon which the original law was drafted.[4]

Political parties: Democratization and one-party dominance

It was not until Japan's defeat in the Second World War that the multiparty system firmly consolidated its role in the Japanese political arena. However, the enabling environment for postwar democracy was already established earlier. For example, the Tokugawa regime had some, albeit limited, democratic aspects although it was by no means democratic. Confucian orthodoxy, which was the official ideology of the regime, stressed monarchical rule, hierarchical social stratification and the obedience of the ruled to the ruler. Nonetheless, the Tokugawa regime was fairly decentralized. The local feudal loads were able to have autonomous jurisdiction within their own *hans*. At the village level, decision making was consensual and collective (Ishida and Krauss 1989:4–5).

The Meiji Restoration that took place in 1867 swept away the Tokugawa government. Political power shifted to lower-class *samurais*, but this did not give birth to a popular parliament. Rather, it was a "restoration" of imperial authority. Moreover, in the face of external threat, *samurais* felt the need to create a centralized state, yet the highly centralized state institutions provoked resistance from the people, who were involved in the Freedom and Popular Rights Movement in the 1880s. The Meiji state yielded to the pressure for the establishment of representative democratic institutions, leading to the creation of a National Assembly. The first elections were held in 1890. This did not mean, however, that Japan shifted to democratic rule. Suffrage was limited to rich males and, more fundamentally, the Meiji Constitution explicitly legitimized imperial rule. In practice, the Meiji state was the "oligarchy" of a few ex-*samurais* who led the restoration, rather than imperial monarchy. They monopolized major cabinet posts, and even after their retirement, they still had strong influence as *genro*, or elder statesmen (Ishida and Krauss 1989:5–6).

"Taisho democracy" marked a significant point in the Japanese democratization process. After the death of Emperor Meiji in 1912 and of the last original member of the *genro* in 1921, the movement demanding greater democratic freedom grew. This movement led to the introduction of universal male suffrage. Second, a two-party system had started to develop. Third, a temporary principle was established to the effect that the prime minister should be chosen out of the leaders of the major parties in the Diet. However, the golden age of Taisho democracy did not last long. By the early 1930s, Japan was experiencing a serious economic

[4] The formal or legal approach to the degree of central bank independence is in fact problematic. Alternatively, Maxfield suggests a more appropriate variable, "behavioural independence", measured by the extent of turnover of central bank governors (see Maxfield 1994, 1999).

depression and had invaded Manchuria, which led to Japan's isolation by the international community. With the complex international circumstances and the takeover of the Japanese state by the army, Japan developed into an "ultranationalist" state. The democratic elements that had existed in Japan were swept out by the late 1930s, and the Imperial army led Japan in the war against the Allies. Democratization never really took hold in pre-war Japan, despite the occasional grassroots democratic movements during the Meiji and Taisho periods (Ishida and Krauss 1989:8-9).

After being defeated in the war, Japan underwent the radical reforms imposed by the GHQ. One of these reforms was the total revision of the Meiji Constitution. In the new Constitution, popular sovereignty was explicitly supported, while the emperor became a mere symbol of Japanese unity. Due to this change, political parties were encouraged, women were given the right to vote, and the Diet became the "highest organ of state power", as in the Western democracies. The cabinet was made responsible for the Diet, and the bureaucracy accountable to the cabinet (Ishida and Krauss 1989). The constitutional reform was accompanied by land, labour and educational reforms (Otake 1994:2–16). However, the reforms, also known as the "reverse course", attached more importance to stability than to democratization *per se*. Also, following the period of US occupation, the Conservative Party modified some of the original postwar reforms, by partially recentralizing the police and education (Ishida and Krauss 1989:11). The "conservative establishment line" in this period was marked, among others, by co-operation with the bureaucracy, a negative attitude toward constitutional amendment, and an emphasis on economic growth (Muramatsu et al. 1992:82).

In the postwar reconstruction of Japan, "catch-up developmentalism" became a key phrase. From the 1950s to the early 1970s, the ruling Liberal Democratic Party (LDP) ran the government under various banners: economic independence, economic growth or full employment (Noguchi 1995:152–153); the age of economics had arrived. The LDP had the growing support of the electorate until 1976 (Pempel 1998). The so-called 1955 system, in which the LDP enjoyed its one-party dominance, can be explained largely by the Japanese people's overall consensus on the policy of economic growth.[5]

Interest groups

The development of interest groups in Japan corresponds with its industrialization. However, their growth was not smooth, due to systematic state oppression in the 1930s, democratization after the war and state support for economic interest groups in the rapid growth period from the 1950s to 1960s. This led to the particular configuration of Japanese interest groups—that is, the predominance of economic interest associations (Tsujinaka 1988:57–58).

The first stage of interest group development is closely related to the Taisho democracy of the 1920s. Social, professional, academic and agricultural groups, basically composed of economic elites, were the first to take shape. This was followed by the emergence of groups concerned with infrastructure and administration, and then by economic/industrial groups, labour unions

[5] See Masumi (1992) for the origin of the 1955 system.

and consumer groups. The end of party politics in the late 1930s, however, had a great impact on the development of this new social stratum. In preparation for the war, the state mobilized these groups and reorganized them into the foundations for the totalitarian regime. While labour unions and civic groups were systematically oppressed before they had fully developed, economic groups consolidated themselves (Tsujinaka 1988:62).

The postwar regime change took place with the US occupational reform and the introduction of the democratic constitution. Party politics were constitutionally legalized, and interest groups were granted total freedom. The democratization process encouraged the second wave of interest group formation and re-formation. Various small groups were reorganized into larger entities, while new groups emerged. For instance, a group of big businesses, Keidanren (Federation of Economic Organisations) and its rival group of labour unions, Sohyo (General Council of Trade Unions of Japan) were established, forming the basis of the 1955 system (Tsujinaka 1988). Labour unions were encouraged under the initial US policies, and postwar Japan witnessed the phenomenal organizational growth of workers' groups. However, labour unions did not succeed in institutionalizing their engagement in the policy-making process. For one thing, labour unions were not unified, but divided into pro-business and anti-business camps. For another, the US changed its occupation policy in response to the changing international context—the growing tension between the Western and Eastern blocs (Pempel and Tsunekawa 1978:261–262).

The period of rapid economic growth from the 1950s to the early 1970s marked the final stage of the strengthening of economic interest organizations. The Conservative government in power since 1955 was not willing to give labour unions a formal role. Nor was labour able to obtain such a role through either electoral or economic power. Moreover, a considerable number of workers were *not* unionized. The number of unions and union members did not rise above 55 per cent between 1950 and 1956, and subsequently, this percentage had dropped to the low 30s (Pempel and Tsunekawa 1978:262). In contrast, the number of business associations grew by 11.9 per cent from 1957 to 1960, and by 13.4 per cent from 1960 to 1963. Japan's rapid industrialization process during this period further accelerated the strength of economic interest groups. By the early 1970s, these economic groups had become dependent on state protection and were included in the Japanese style of corporatism (Tsujinaka 1988:57–78).

3. The Technocratic Regime

> Although it is influenced by pressure groups and political claimants, the elite bureaucracy of Japan makes most major decisions, draft[s] virtually all legislation, control[s] the national budget, and is the source of all major policy innovations in the system (Johnson 1982:20–21).

Having outlined the development of the three actors separately, this paper will now look at the interaction between them. This section argues that the relationship between the three actors until the early 1970s can be characterized by the predominance of bureaucracy—and the economic bureaucracy in particular. The LDP lacked policy-making capability, and interest groups established a corporatist relationship with the bureaucracy, and depended on it. In short, the technocratic regime was in power.

As already discussed, the bureaucracy was established earlier than political parties and interest groups. While the foundations of the bureaucracy began to develop during the Tokugawa era, the popular parliament was not legalized until the end of the Second World War, and the development of interest groups went through periods of oppression and intimidation. A series of historical events contributed to the establishment of the technocratic regime. The forcible opening up of Japan in the late nineteenth century by the great powers made Japanese leaders realize the need for internal solidarity and economic independence. Militarization in the 1930s and the subsequent totalitarian regime strengthened bureaucratic power. The US occupation further strengthened the bureaucracy by dissolving, for example, *zaibatsu* and labour unions. And the age of rapid economic growth empowered the economic bureaucracy. To help them exercise their power, the ministries have numerous quasi-governmental organizations called special legal entities (*tokushu hojin*), which also provide bureaucrats with sources of post-retirement income (Carlile 1998:92).

Bureaucratic power overshadowed the political parties. To paraphrase Chalmers Johnson, whereas politicians merely reigned, bureaucrats actually ruled. First of all, political parties failed to develop a mass base. Compared with Europe and the United States, Japanese society is highly homogeneous in terms of ethnicity, religion and language. Explicit class consciousness did not develop, partly because the ruling elites attempted to neutralize both class divisions and awareness, and partly because capitalism developed later in Japan than in Europe. That is why the population engaged in the service sector was always larger than that in manufacturing (Pempel and Tsunekawa 1978). Moreover, the enlargement of the franchise was only incremental (see table 2). Also, one of the two houses of the Diet—the House of Peers—was dominated by former bureaucrats. While political parties were under attack from the military in the 1930s, the bureaucracy extended its activities (Johnson 1982:38). As a result, 91 per cent of all laws enacted under the Meiji regime, where the executive branch acted on behalf of the bureaucracy, were drafted by the cabinet, not the Diet. This tendency continued in the postwar democracy—although political rights were protected in the Constitution and political parties were formed, the bureaucracy remained the *de facto* policy maker. The postwar occupation reform also reinforced the Diet's dependency on the bureaucracy. Cabinet bills were drafted by the relevant ministries, which were then passed to the LDP. Even the bills submitted by politicians were in fact drafted by the bureaucracy (Inoguchi and Iwai 1987:11). Bureaucrats were present during legislative debates and ready to answer questions from the opposition parties. What LDP did was to approve and introduce the bills in the Diet (Johnson 1982:47). It was quite often the case that ministers did not have sufficient knowledge of many issues—something that is almost unthinkable in Great Britain, for example, which has the same parliamentary system of government (Inoguchi and Iwai 1987:12). It was assumed that politicians were simply incapable of drafting bills because of their lack of specialized knowledge.

Table 2: Enlargement of the franchise

Date	Qualified voters (millions)	Population (millions)	Percentage
1 July 1890	0.45	39.90	1.30
10 August 1902	0.98	45.00	2.18
10 May 1920	3.10	55.50	5.50
20 February 1928	12.40	62.10	19.98
10 April 1946	36.90	75.80	48.65
1 October 1952	46.80	85.30	54.45
20 November 1960	54.30	93.20	58.30
21 November 1963	58.30	95.80	60.82
29 January 1967	63.00	99.80	63.11
27 December 1969	69.30	102.70	67.47

Source: Johnson (1982:39).

It is worth noting that there was a substantial flow of personnel from the bureaucracy to the LDP. As of 1970, ex-bureaucrats accounted for 23 per cent of the members of the House of Representatives, and 37 per cent for those of the House of Councillors. Many high-level political posts were also filled by former bureaucrats. Four of them stand out. Yoshida Shigeru, who held the post of prime minister for six years, from May 1946 to May 1947 and from October 1948 to December 1954, had been a former high-ranking official of the Ministry of Foreign Affairs. Ikeda Hayato, who had been vice-minister of finance,[6] became finance minister under the Yoshida government. He later served as prime minister from 1960 to 1964. Kishi Nobusuke was prime minister from February 1957 to July 1960. He had been vice-minister of commerce and Industry under three different prime ministers. Sato Eisaku, who had been vice-minister of transportation, served as prime minister from November 1964 to July 1972. Those former bureaucrats dominated Japanese postwar politics until 1972 (Johnson 1982:45–46).

As far as the interest groups are concerned, they were "encorporatized"[7] with the bureaucracy. This can be seen in the licensing system, administrative guidance and *amakudari (*the employment of retired government officials in the private sector). These practices represent the political, rather than administrative, power that the Japanese bureaucracy enjoys.

First, the licensing system, or "a special exemption from a general ban on an activity" (Sohn 1998:16), is used to control not merely market entry of new firms, but also factory expansion, importation and major investment decisions. It was developed in accordance with Japan's mercantilist development goal, and is part of Japan's central strategy of establishing a strong domestic industry, in which development of infant industries is of particular importance. The

6 A vice-minister is the highest post a bureaucrat can be given.
7 Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of non-competitive and hierarchically ordered categories. These categories are recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain rules in their selection of leaders and their articulation of demands and supports (Schmitter 1978:13).

bureaucracy developed industrial infrastructure in sectors subject to the external market, excessive domestic competition and market fluctuation. The MITI and MOF in particular provide preferentially licensed firms with various financial assistance and information (Sohn 1998:16–17, 29).

Table 3: MITI vice-ministers and their *amakudari* positions

Name (years of active MITI service)	Term as Vice-Minister	*Amakudari* position(s)
Yamamoto Takayuki (1929–1952)	May 1949–March 1952	Vice-President, Fuji Iron and Steel
Tamaki Keizo (1930–1953)	March 1952–Nov. 1953	President, then Chairman, Toshiba Electric Co.
Hirai Tomisaburo (1931–1955)	Nov. 1953–Nov. 1955	President, then Advisor, New Japan Steel Corp.
Ishihara Takeo (1932–1957)	Nov. 1955–June 1957	Vice-President, then Auditor, Tokyo Electric Power Co.
Ueno Koshichi (1932–1960)	June 1957–May 1960	Electric Power Co. Vice-President, then Advisor, Kansai Electric Power Co.; President, Kansai Oil Co.
Tokunaga Hisatsugu (1933–1961)	May 1960–July 1961	Vice-President, New Japan Steel Corp.; then President, Japan Petroleum Development Corp.
Matsuo Kinzo (1937–1966)	July 1961–July 1963	Chairman, Nippon Kokan Steel Co.
Imai Zen'ei (1937–1964)	July 1963–Oct. 1964	President, Japan Petrochemical Corp.
Sahashi Shigeru (1937–1966)	Oct. 1964–April 1966	Sahashi Economic Research Institute; Chairman, Japan Leisure Development Center
Yamamoto Shigenobu (1939–1968)	April 1966–May 1968	Executive Director, Toyota Motor Co.
Kumagai Yoshifumi (1940–1969)	May 1968–Nov. 1969	President, Sumitomo Metals Corp.
Ojimi Yoshihisa (1941–1971)	Nov. 1969–June 1971	President, Arabian Oil Co.
Morozumi Yoshihiko (1941–1973)	June 1971–July 1973	President, Electric Power Development Co.
Yamashita Eimei (1942–1974)	July 1973–Nov. 1974	Managing Director, Mitsui Trading Co.; President, Iran Chemical Development Co.
Komatsu Yugoro (1944–1976)	Nov. 1974–July 1976	Director, Kobe Steel Corp.

Source: Johnson (1982:72).

An equally important political tool for the bureaucracy is administrative guidance, which is a recommendation by a ministry to relevant business firms or interest groups with which it seeks to achieve certain industrial policies. During the 1950s and 1960s, MITI was famous for its frequent use of administrative guidance. MITI preferentially allocated foreign currency to key industries such as steel and machinery. It also recommended that industries should shorten working hours and slow down investment. There was an attempt in 1960s to merge all Japanese car companies into one, in order to compete with the US car industry (Muramatsu 1994:136–137). The dominant coalition between the bureaucracy and big business expanded to include agriculture and small business sectors as minor partners, through administrative guidance and the licensing system. Both sectors needed state protection against the effects of domestic economic recession and international market competition (Pempel and Tsunekawa 1978:267–268).

Third, the practice of *amakudari* (literally, "descent from heaven") was extensive, especially within MITI and the MOF. Retired government officials were hired as executives in private companies (see table 3 above). Out of the five postwar presidents of Keidanren, three were former officials of the bureaucracy. *Amakudari* thus provided the main link between the bureaucracy and the business world (Johnson 1982:71). Various special legal entities also provided lucrative post-retirement jobs. It should be noted, however, that although the bureaucracy could influence business decisions by *amakudari*, the opposite was also true—private companies could get their voice heard in the policy-making process.[8]

In short, despite the fact that the success of the state-dominated corporatist relationship[9] hinged on both its responsiveness to organized interests and the rather consensual nature of policy making, the bureaucracy had been far more influential than political parties and interest groups until the early 1970s. With its specialized knowledge, the bureaucracy-led technocratic regime dominated the Japanese political arena. The general characteristics of the Japanese state are summarized in the table below.

Table 4: The technocratic regime until the early 1970s

Bureaucracy	Strong
Political parties	Weak
Interest groups	Uneven development, with strong business organisations captured by the bureaucracy
Policy making	Bureaucracy-led

4. A Declining Technocratic Regime

From the late 1970s onward, the technocratic regime that had been in power began to change. The bureaucracy became increasingly fragmented, political parties gained more power and interest groups developed and diversified. By the late 1990s, the Japanese political regime was heading toward pluralism. This section discusses the changes that have been under way since the late 1970s.

The weakening bureaucracy

The power of the Japanese bureaucracy began to shrink in the late 1970s. The change was caused by various interrelated factors. First, the two oil shocks ended the country's rapid economic growth, reducing the financial resources of the bureaucracy. The budget increases that had provided the bureaucracy with political power were stopped and a policy of balanced

8 *Amakudari* also motivates talented university graduates to become bureaucrats, despite a relatively low salary and long working hours (Muramatsu 1994:61–65). In France, there exists a similar, or even more extensive practice, called *pantouflage* (Loriaux 1999).

9 Complex historical factors resulted in a particular type of corporatism in Japan. According to Pempel and Tsunekawa (1978), Japanese corporatist intermediation does not include workers' interest groups and is known as "corporatism without labour". The dominant actors include the state bureaucracy, big business associations and, to a lesser extent, agricultural and small business sectors. Labour unions, which were incorporated at the individual plant level, were systematically excluded from the coalition at the state level. For other interpretations of Japanese corporatism, see, *inter alia,* Ito (1988).

budget began. The authority of the bureaucracy became more restricted (Inoguchi and Iwai 1987:21).

Second, "sectionalism" became the source of increased bureaucratic inefficiency. Sectionalism refers to a situation where inter-ministerial conflicts arise as a result of each ministry wanting to extend its jurisdiction. The reason for this can be partly explained by the autonomous character of ministries and their small size. The bureaucracy, which is small in terms of personnel and financial resources, extended its network with the LDP, local government, private companies, interest groups and special legal entities. Ministries were established by different legislatures, had independent recruitment systems (albeit a common civil service exam) and different mandates, and suffered from a lack of co-ordination. When the "catch-up developmentalism" was in full bloom, each ministry extended itself in such a way that it could effectively utilize all the resources available. But from the early 1970s, as financial resources became limited, political issues began to diversify. Lack of co-ordination led to messy inter-ministerial competition over authority and jurisdiction (Muramatsu 1994:25–30). It was often the case that four or five ministries claimed jurisdiction over a single policy issue. For instance, the tension between the Ministry of Posts and Telecommunications (MPT) and MITI, and between the MPT and MOF is often described as the "100-year war". The bureaucracy had to depend on political parties to mediate and iron out the problems (Inoguchi and Iwai 1987:22).

Third, catch-up developmentalism, which had created a consensus among the Japanese people and had been the basis of the technocratic regime, ceased to be a national goal. Since the opening-up of Japan in the late nineteenth century, its national goal had been to catch up with the West, and this had resulted in a mercantilist policy. By the 1970s, Japan had grown to be an economic giant. The bureaucracy became increasingly marginalized, while private companies became empowered (Inoguchi and Iwai 1987:23–24). Let us consider MITI's influence on industrial policy since the mid-1970s. Callon argues that as the economy grew, Japanese industry became more technology-driven (see table 5). MITI-sponsored high-tech consortia[10] provided the ministry with a political tool to influence Japanese corporate behaviour. By the mid-1980s, however, Japan had caught up with the West in terms of advanced technology and the traditional catch-up industrial policy led by MITI became unnecessary. It is also important to remember that despite the strong bureaucratic control over industrial policies, MITI aimed at making the *private* sector competitive, in sharp contrast with socialist countries in which the main industries were run by the state. As private companies became more competitive, the bureaucracy lost its control over them. In the new policy environment, the MITI consortia's share in total Japanese research and development began to decline, thereby gradually undermining MITI's influence (Callon 1995). This is increasingly evident in the face of the information technology revolution.

[10] High-tech consortia refer to "institutionally independent organizations that bring together competing companies for joint research and development or for work on common technology issues" (Callon 1995:5).

Table 5: Japan's economic growth and its increasing technological content

Years	Average GNP growth rate (per cent)	Labour contribution (per cent)	Capital contribution (per cent)	Contribution of technological advancement (per cent)	Relative contribution of technological advancement (per cent)
1967–1973	9.73	0.27	4.55	4.90	50.40
1974–1979	3.69	0.04	0.75	2.91	78.90
1980–1984	4.26	0.20	0.88	3.19	74.90

Source: Callon (1995:150).

Fourth, the economic liberalization process in the ever-growing market economy deprived the bureaucracy of effective control over these issues. The other countries of the Organisation for Economic Co-operation and Development (OECD), especially the United States, harshly criticized inward-looking industrialization policy; this threatened the authority of the bureaucracy. Indeed, state capacity to pursue independent economic policy against the "global standard" is increasingly eroded in the face of global market expansion. In other words, internationalization is undermining "the autonomy and efficacy of government macroeconomic policy" (Milner and Keohane 1996:18), and transnational actors are increasing their influence on the formulation of domestic policy (Risse-Kappen 1995; Strange 1996). This is particularly true in Japan, where economic policy had been given priority over all others.[11] Closely related to the last two is "the awareness of the limitation of expertise" in the modern world; that is, "no expert system can be wholly expert in terms of the consequences of the adoption of expert principles" (Giddens 1990:125, 130). Globalization and the end of developmentalism put bureaucratic expertise in question.

Fifth, two administrative reforms in the 1980s and 1990s attempted to redefine and limit the role of the state bureaucracy. In the early 1980s, because of the changing international context and the growing budget deficit, the Nakasone government launched a large-scale administrative reform with the establishment of the Second Provisional Administrative Reform Committee or SPARC (Ito 1997:63–77). The reform agenda was based on the neoliberal ideology that advocates a small government (Otake 1994).[12] Among the primary objectives were fiscal reconstruction with the "zero-ceiling" principle, reduction of administrative guidance and licenses (deregulation), and the privatization of three public corporations. As far as deregulation is concerned, it was not highly successful. Although licensing and administrative guidance in certain issues were abolished by the reform, ministries introduced new permits and licenses in an effort to maintain their authority. As a result, the number of matters subject to ministerial intervention increased after the reform. The growth rate of expenditures was

[11] Note that internationalization has had the opposite effect on agriculture and small business, which could not survive the harsh international competition. To protect those weak sectors, corporatist protectionism has been consolidated (Pempel and Tsunekawa 1978:266).

[12] For an account and critique of this "new public management" that was in fashion in the 1980s and 1990s, see UNRISD (2000a), chapter 4.

reduced to 0 per cent in fiscal 1983 (Ito 1997:63–77). The MOF and MITI were particularly affected by this reform, since it divested them of financial resources, an important political tool to influence policy making. The financial loss was compensated by administrative guidance and licensing, but the authority that they had enjoyed declined (Muramatsu 1994:142–148). In contrast, the fiscal reconstruction and privatization of public corporations was carried out relatively smoothly. Japanese National Railways, Nippon Telegraph and Telephone Public Corporation, and Japan Tobacco and Salt Public Corporation, which had suffered snowballing deficits, were privatized (Ito 1997:63–77). In short, although SPARC was not comprehensive, it did help reduce bureaucratic power.[13]

In January 1997, another neoliberal reform was declared by Prime Minister Ryutaro Hashimoto, who won the 1996 "administrative elections". The revival of the administrative reform was mainly due to the bursting of Japan's bubble economy in 1989. The worst crisis associated with it was the drastic fall in land prices and high debt levels, which threatened the validity of Japan's financial system as a whole. Moreover, the pressure for economic liberalization from the United States accelerated the introduction of the reform (Carlile 1998:77). In the face of the economic crisis of the late 1990s, however, the Hashimoto reform suffered a serious setback as the government shifted its emphasis to stimulating the fragile economy. In April 1998, the prime minister announced a special income tax cut of 2 trillion yen, adding to the previous year's 2 trillion tax cut. In July 1998, Hashimoto resigned his premiership following the LDP's defeat in the Upper House. In November 1998, his successor, Prime Minister Keizo Obuchi, froze the implementation of the fiscal structural reform until the economy improved. As a result, one of the two pillars of the Hashimoto administrative reform was suspended, and the other important pillar—the reorganization of ministries—did not move forward as planned (Otake 1999:394).

Sixth, several incidents and scandals in the 1990s seriously damaged the traditional image of a "disciplined" and "efficient" Japanese bureaucracy. Between 1995 and 1996 it faced four major crises: home financial institutions (*jusen*) had to be bailed out; the Ministry of Welfare failed to stop the use of HIV-contaminated blood for transfusions, which resulted in many people being infected with HIV; the Monju nuclear reactor had an accident; and the revelation that public funds were being used by bureaucrats for business entertaining or *kankan settai* (Inoguchi and Jain 1997:92–107). In 1998 it was revealed that the MOF's high-ranking officials had received bribes worth about $40,000 from banks over a period of four years. In return, the officials were to warn the banks about upcoming inspections carried out by the Ministry. Two MOF officials were arrested, one committed suicide, and the vice-minister and the finance minister took responsibility and resigned. In September 1999 the country's worst nuclear accident took place in Tokaimura, in which 439 people were exposed to radiation, and one person died (CNN 1998, 2000). This put an end to the perception of Japanese nuclear plants as safe.

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[13] Otake points out an interesting phenomenon during the neoliberal reform led by SPARC. Contrary to the "liberal" logic of the reform, corporatist labour relations developed, and the welfare system was consolidated during and after the reform process (Otake 1992, 1999).

The new Bank of Japan Law was passed by the Diet on 11 June 1997 and came into effect on 1 April 1998.[14] The new law provides the Bank with more transparency in its policy-making process and more independence in monetary policy. But the two ideas do not go hand-in-hand even at the conceptual level. It can be easily expected that by opening up the policy-making process, the Bank will be subject to more criticism on the policies it attempts to pursue, which will in turn undermine its independence. In fact, the Bank of Japan is now required to disclose its policy-making process through the reports of each meeting, bi-annual reports to the Diet, and the bi-monthly release of Policy Board minutes, all of which were not obligatory under the old law. However, this transparency does not necessarily guarantee the Bank's behavioural independence. More important, the fact that Bank becomes transparent does not necessarily mean it becomes more accountable to the government, or more democratic. On the contrary, the Bank of Japan has attempted to increase its independence from the MOF, pursuing its own policies even though they are not in line with the general economic policy of the government.

In short, the bureaucracy has suffered a serious decline of power since the late 1970s. The oil shocks, sectionalism, pressures from the global market economy, the end of catch-up developmentalism, public sector reforms and ministry scandals all contributed to the weakening power of the Japanese bureaucracy.

The increasing influence of political parties

Whereas the bureaucracy is losing its influence over the policy-making process, political parties are becoming increasingly empowered. This corresponds to what Inoguchi and Iwai (1987) call the *zoku*-phenomenon, or the growing influence of LDP politicians in the policy-making process, in contrast to the previous situation where the bureaucracy's virtual monopoly of political power prevailed. The change in power relations between these two actors has empowered politicians. During the LDP's long one-party rule, some politicians acquired specialized knowledge in certain policy areas with which to get involved in policy making. Others sided with particular interest groups to win possible financial and electoral support (Inoguchi and Iwai 1987:154).

The *zoku*-phenomenon began to appear under Prime Minister Tanaka Kakuei in the early 1970s. The 1955 system, in which the LDP dominated the parliament, made the relationship between this party and the bureaucracy very close. Formerly, this linkage was used by the bureaucracy to penetrate the party, but the changing international and domestic environment did not allow it to continue. The LDP developed its policy-making capacity through its long governing experience, and became more interested in supporting particular interest groups. This is primarily due to the following factors.

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[14] For the summary of the new Bank of Japan Law, see http://www.mofa.go.jp/english/e1a601f1.htm.

Table 6: Chairs of the LDP Policy Research Committee

Name	From–To	Previous post
Fukuda Takeo	12 June 1958–10 Jan. 1959	**Ministry of Finance**
Nakamura Umekichi	10 Jan. 1959–16 June 1959	Provincial politician
Funada Chu	16 June 1959–18 July 1960	Secretary to the cabinet
Fukuda Takeo	8 Dec. 1960–18 July 1961	**Ministry of Finance**
Tanaka Kakuei	18 July 1961–17 July 1962	Private company executive
Kaye Takanobu	17 July 1962–17 July 1963	**Ministry of Finance**
Miki Takeo	17 July 1963–17 July 1964	Executive of an association
Shudou Hideo	17 July 1964–2 June 1965	**Ministry of Agriculture and Forestry**
Akagi Shutoku	2 June 1965–29 July 1966	Provincial politician
Mizuta Mikio	29 July 1966–3 Dec. 1966	Self-employed
Nishimura Naoki	3 Dec. 1966–24 Nov. 1967	Manchuria Railway
Ohira Masayoshi	24 Nov.1967–1 Dec. 1968	**Ministry of Finance**
Namoto Ryutaro	1 Dec. 1968–12 Jan. 1970	Manchuria
Mizuta Mikio	12 Jan. 1970–5 July 1971	Self-employed
Kosaka Zentaro	5 July 1971–6 July 1972	Private company executive
Onai Yoshio	6 July 1972–23 Dec. 1972	Private company executive
Kuraishi Tadao	23 Dec. 1972–25 Nov. 1973	Private company executive
Mizuta Mikio	25 Nov. 1973–11 Nov. 1974	Self-employed
Yamanaka Tadanori	11 Nov. 1974–9 Dec. 1974	Provincial politician
Matsuno Raizou	9 Dec. 1974–15 Sept. 1976	Secretary to a member of parliament
Onai Yoshio	15 Sept. 1976–23 Dec. 1976	Private company executive
Kawamoto Toshio	23 Dec. 1976–27 Nov. 1977	Private company executive
Ezaki Masumi	27 Nov. 1977–7 Dec. 1978	Private company executive
Kawamoto Toshio	7 Dec. 1978–16 Nov. 1979	Private company executive
Abe Shintaro	16 Nov. 1979–30 Nov. 1981	Journalist
Tanaka Rokusuke	30 Nov. 1981–26 Dec. 1983	Journalist
Fujio Masayuki	26 Dec. 1983–22 July 1986	Journalist
Ito Masayoshi	22 July 1986–	**Ministry of Agriculture and Forestry**

Source: Inoguchi and Iwai (1987:25).

First, since the late 1960s, the chair of the LDP's Policy Research Committee, which had previously been occupied by ex-bureaucrats, has mostly been held by non-bureaucrats (see table 6). Second, stable LDP rule resulted in a seniority system in its internal human resource management, which meant that promotion in the party now depended on the number of elections won. The introduction of this system affected the way in which ex-bureaucrats went into politics—leading them to begin their political career relatively earlier, and thus leave the ministries when they are at most at the middle level. Middle- or low-level bureaucrats are not treated differently in the LDP, in sharp contrast with the previous situation where ex-high-ranking ministry officials were given special treatment. Third, low electoral support through the 1960s made LDP politicians pay more attention to the interests of the electorate. In doing so, they began to participate more vigorously in the various activities of the party. The Policy Research Committee, which until now had had only a superficial role, became more active, thus gaining more policy-making capacity and power (Inoguchi and Iwai 1987:24–27). Fourth, sectionalism in ministries needed mediation by politicians. Ministerial interests became so intertwined and complex that it is now difficult to carry out policy making without the intervention of politicians. Finally, it should be remembered that it is politicians and not bureaucrats who are supposed to engage in policy making. Elected politicians are the representatives of the grassroots interests of electorates (Inoguchi and Iwai 1987:281–282).

The process of bank law reform during 1980–1981 provides a good illustration of the *zoku*-phenomenon, in which the MOF, the "ministry of ministries", was humiliated by LDP politicians. The new bank law, drafted by the MOF, was intended to strengthen its regulatory power over banks. Its two main objectives were to regulate large loans by banks and to disclose the banks' situation of operating funds. The MOF had originally thought that it would pass the LDP's examination process, partly because banks had been very careful about their involvement in politics and thus had no strong tie with politicians. The banks were, however, not happy about this proposed amendment of the law, for they were aware that the upcoming financial liberalization would make the competition with securities companies harsher. They did not want to be bothered by the additional burden that would restrict their competitiveness. So the banks started lobbying. Traditionally, banks, unlike securities companies, had been making donations not to individual politicians, but collectively to the LDP. The Federation of Banks changed its strategy this time so that politicians were given individual donations. As a result, the banks succeeded in getting LDP politicians on their side. The discussion of the bill started in 1981 in this pro-bank climate. Thanks to the pro-bank *zoku*-politicians, banks in the end had a satisfactory outcome: the new bank law was virtually abandoned and the mandate of the MOF remained unchanged (Inoguchi and Iwai 1987:234–237).

Another example concerns the "green card". The green card bill that had been drafted by the MOF and had once passed the Diet was abolished by the LDP's sudden policy change. In the late 1970s, the non-taxable saving system was increasingly criticized, because it was considered a hotbed of tax evasion and it led to unequal taxation. The MOF felt the need to change the situation and proposed the green card system, which would allow the MOF to control and tax those savings that had been untouched. At the same time, the MOF attempted to get involved in the postal savings system, a traditional domain of Ministry of Post and Telecommunication. The income taxation reform bill was drafted, and in March 1980 it passed the Diet with LDP majority vote. After a while, however, some of the LDP politicians began to fear that the green card system would discourage people from saving and ultimately threaten the basis of bank management. In particular they were afraid it would pose a problem to credit unions and associations whose management largely relied on the non-taxable saving system. In fact, there emerged a great demand for the "anti-green-card-system" products after the approval of the green card bill in the Diet, which added to the LDP's concern. The MPT was also unhappy with the fact that part of its jurisdiction was going to be taken over by the MOF. Banks, small and medium enterprises, credit associations, finance *zoku* and post-and-telecommunication *zoku* politicians united to launch anti-green card activities. Even the opposition parties joined this alliance. In March 1982, *zoku* politicians began to petition the LDP and soon gained 300 signatures. Finally in early 1983, a special taxation bill was approved in the Diet, making the green card law ineffectual. Thus, even after a bill was approved by the Diet, LDP politicians were able to mobilize the relevant interest groups, and ultimately reverse it. This event proved the capability of *zoku* politicians to effect change and is often cited to illustrate the broader shift in power relations between the bureaucracy and political parties in Japanese policy making (Inoguchi and Iwai 1987:237–242).

Starting in 1993, when the long-lasting LDP rule was terminated by Mirihiro Hosokawa, Japanese politics began to look extremely unpredictable and unstable. Coalitions of convenience became the norm (Inoguchi and Jain 1997:2). In fact, from the 1993 to the 1996 elections, Japan had four coalition governments and four different prime ministers (Jain and Todhunter 1997:224–225). In 1993, the coalition government led by Hosokawa's Japan New Party (JNP) expressed that politics in the future would be characterized by party-led policy making. A politician from the Komei Party observed that bureaucrats would be forced to study the policy manifesto of political parties carefully, in order to adjust to the new political environment (Muramatsu 1994:194). At the same time, policy input became more pluralistic: the Hosokawa government was formed by seven parties that had little in common beyond their previous opposition to the LDP. In 1994, the LDP formed a coalition with its longstanding opponent, the Socialist Party—something that would have been unthinkable earlier (Inoguchi and Jain 1997:2). The LDP returned to power in the 1996 general elections, and Hashimoto commenced his second term of premiership. However, since the LDP failed to gain a majority in both houses of parliament, it had to co-operate with two former coalition parties (Social Democratic Party and Sakigake Party) outside the cabinet. In 1998 Obuchi Keizo (LDP) became Prime Minister, following the Upper House elections in July in which Hashimoto was defeated. The LDP sought partners, and in January 1999 settled on the Liberal Party (LP) led by Ozawa Ichiro. However, the conservative coalition still lacked a majority in the Upper House. At the time of writing, the LDP was forming a coalition government with the LP and New Komei Party.

Despite the volatile party politics since 1993, several examples illustrate that the predominance of lawmakers over the bureaucracy has now become irreversible. The Liberal Party, which formed a coalition government with the LDP in early 2000, claims that bureaucrats will no longer be allowed to answer questions in the Diet. In fact, new politicians from younger generations in both the LDP and opposition parties take initiatives in setting policies. In the extraordinary Diet session that began in July 1998, for example, financial policies were debated without input from the MOF. Ishihara Nobuteru and Shiozaki Yasuhisa from the LDP are especially known for both their critical attitude toward the MOF and their detailed understanding of financial issues. Other knowledgeable politicians include Sengoku Yoshito and Edano Yukio from the opposition Democratic Party (Japan Economic Almanac 1999:42–43). Similarly, the Bank of Japan, which tries to be independent in monetary issues, has received a warning from politicians. The prime minister's deputy spokesman warned the Bank that it should loosen monetary policy to weaken the yen, and harmonize with the general governmental policy. LDP senior officials also expressed similar concerns about the co-ordination between the Bank's policy and that of the rest of the Japanese government. At the time of writing, a rumour was circulating that Mr. Hayami, the governor of the Bank, may face pressure from politicians to resign (Nakamoto and Tett 1999). In June 2000, the Governmental

Committee on Public Information Act for Special Entities decided that Bank of Japan should be accountable and therefore subject to this law, which would be submitted to the Diet in 2002—a decision also requested by the Bank itself (*Asahi Shinbun* 2000).

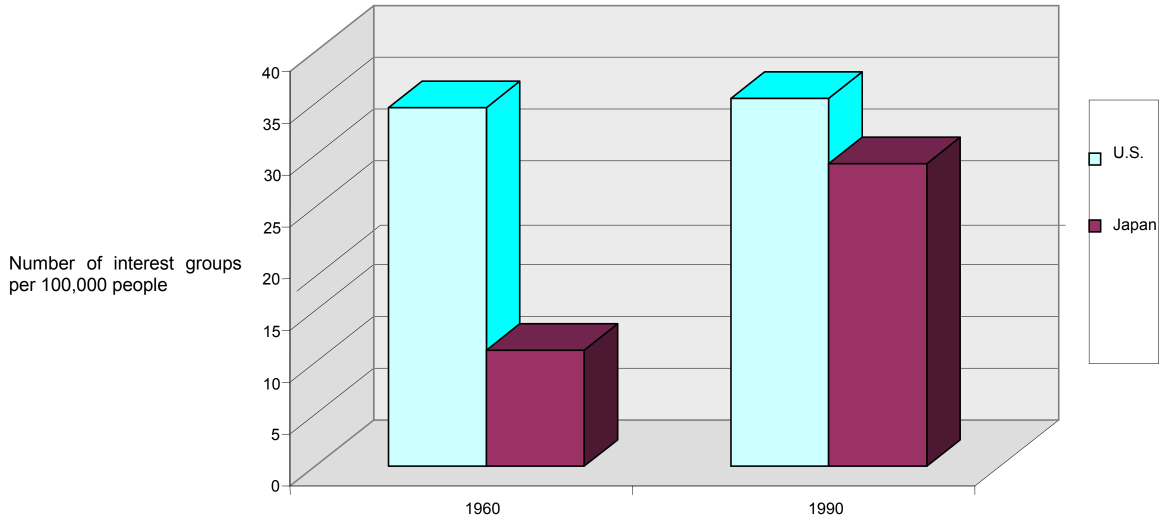
In short, since the late 1970s, the *zoku*-phenomenon has been consolidated in the Japanese political scene. Despite the political turmoil in the elections, lawmakers have become confident in their role, and in their ability to set policies on their own. Further, policy input has become pluralistic since the end of one-party dominance in 1993. Now the bureaucracy, ruling parties and opposition parties alike compete for policy input. It should be remembered, however, that in a liberal democratic country like Japan, political parties are able to remain influential only when they are backed by firm support from civil society. The paper will now look at the development of interest groups since the late 1970s.

The diversification of interest groups

Since the late 1970s, Japan has undergone considerable socioeconomic changes. This has changed interest groups, which were underdeveloped and characterized by strong business associations and weak labour unions. The labour unions are now more developed, and various new associations have emerged. As a result, the relation between interest groups, political parties and the bureaucracy has become increasingly complex and pluralized.

A study by Tsujinaka (1994) illustrates the recent development and pluralization of interest groups. In 1960, there were only 11.2 interest groups per 100,000 people in Japan, while in the United States, there were 34.6. After 30 years, the number nearly tripled (29.2) in Japan, but that of the United States remained almost unchanged (35.5). As far as the degree of people's affiliation to those groups is concerned, the figures show that the Japanese (170 per 100,000) are half as active as the Americans (318 per 100,000). Although Japan is still behind the United States in this respect, it should be noted that pluralization in Japan has been growing rapidly since the 1960s, whereas in the United States it has slowed down since the 1970s. Two general observations can be made. First, there are nearly as many interest groups in Japan as in the United States, and second, the Japanese are increasingly engaged in interest group activities.

Figure 1: Growth of interest groups in Japan



Source: Tsujinaka (1997).

The configuration of interest groups has also undergone a considerable change. Some 40 Special Legal Entities, which played an important role in the rapid economic growth of the 1950s and 1960s, were abolished. Traditionally powerful interest groups, such as industry groups, are finding themselves in an increasingly harsh environment. It is true that the proportion of economic associations is still high in Japan (38 per cent as of 1994), but it has already peaked and has been decreasing since 1975 (49 per cent). On the other hand, other types of associations that had been underdeveloped, increased: there has been a steady proliferation of associations concerned with welfare, environment, international and information issues. This is linked to internationalization and the arrival of the post-industrial era in Japan (Tsujinaka 1988:78–85; Tsujinaka 1997:134–136).

The bureaucracy used to control the creation of non-profit organizations (NPOs)[15] and public corporations through the licensing system. For instance, Salamon and Anheier (1996) concluded that among 12 industrialized countries, the process for the creation of NPOs in Japan was the most restricted. This was partly due to the fact that there was no law that dealt with NPOs, but only individual laws of which the relevant ministries were in charge. In other words, any association that did not correspond to the functional division of ministries would not have been allowed (see also Amemiya 1998). Similarly, political parties had not paid much attention to the emerging civil society movement, relying instead on traditional supporters such as farmers and business associations. However, the Hanshin earthquake in 1996 raised people's awareness about volunteer activities, leading to the creation of numerous humanitarian voluntary

[15] Non-profit organizations refer to the set of institutions that are (1) organized, (2) private, (3) not-profit-distributing, (4) self-governing and (5) voluntary. They are known variously as "civil society organizations", "the third sector" or "the independent sector" (Salamon et al. 1999:9). NPO is a subcategory of NGO, which includes any non-governmental organizations, profit or non-profit. The civil society protests during the 1999 World Trade Organization meeting in Seattle clearly show that the power of civil society is by no means negligible even in the economic field, which had traditionally enjoyed the technocratic style of policy making.

associations. The Gulf War and Kosovo crisis forced the Japanese to reconsider Japan's role and its possible contribution to international society (Tsujinaka 1996:108–109). The number of non-governmental organizations (NGOs) and political parties under the banner of civil society (such as *Minshu-to*, or Democratic Party) grew sporadically. Ministries began to encourage this trend by, for example, giving financial support to NPOs. The bill that was passed by the Diet in December 1998 will ease the creation and running of political parties/activities and NPOs.[16] As of April 1999, there were 530 applications from NPOs to obtain a legal status, out of which 162 were admitted (*Asahi Shinbun* 1999b). The activities of these organizations are shown in table 7.

Table 7: NPOs in Japan as of April 1999*

Field of Activity	Number of associations	Percentage
Health and welfare	109	67.3
Regional community development	57	35.2
Children	55	34.0
NPO support	50	30.9
Social education	47	29.0
International co-operation	37	22.8
Culture, art, sport	33	20.4
Disaster aid	32	19.8
Environment	31	19.1
Gender equality	24	14.8
Regional security	23	14.2
Protection of human rights	22	13.6

* Each of the admitted 162 NPOs listed an average of 3.2 activities. Source: *Asahi Shinbun* (1999a).

The bailout of Sogo, one of Japan's largest retail chains, in July 2000 is a typical example of the emergence of "critical citizens" in Japan. Kamei Shizuka, a head of the LDP's policy affairs council, opposed the plan to rescue Sogo by public spending, after a large-scale protest by angry voters. As a result, heavily burdened by borrowing during the bubble economy, Sogo had no choice but to go bankrupt (*Washington Post* 2000).

The development of labour unions deserves special attention. The internationalization of the market economy, marked by the termination of the fixed-currency exchange system and the oil shocks in the 1970s, created problems for the ruling LDP. The yen's appreciation, growing inflation and unemployment began to be taken seriously because of shrinking electoral support for the LDP. This made labour policy increasingly important. The LDP government launched a series of structural adjustment reforms concerning employment and economic restructuring. Private sector union leaders were included as advisors in some of the important economic advisory councils. In exchange for this inclusion, companies improved their employee welfare policies. In the late 1970s, although labour unions were not yet consolidated, private labour unions were increasingly included in the corporatist policy network. In addition, the Second Provisional Administrative Reform Committee was established in the 1980s to tackle the

16 For a general discussion on Japanese non-profit sector, see Yamamoto (1998), although it is a little outdated since the NPO bill was passed. It also does not incorporate earlier work on interest groups in Japan. For a discussion on the global "associational revolution", see *inter alia*, Salamon and Anheier (1996); Salamon et al. (1999).

accumulated budget deficits. Private union leaders participated in the administrative reform process and formed an alliance with business leaders such as Keidanren to confront the General Council of Trade Union of Japan, or Sohyo, and public union leaders. The SPARC successfully privatized some large public enterprises, which destroyed their large-scale public labour unions and weakened the Sohyo. Whereas the public labour unions were fragmented, private unions increasingly converged and eventually absorbed the public unions. In 1976, private union leaders established the Labour Union Council for Policy Promotion, which became the Japanese Labour Union Confederation (JLUC, or Rengo) in 1989. Sohyo was integrated into the JLUC, making it the first nationally united labour union (Knoke and Tsujinaka 1996:48–56).

The unification of employee associations and their participation in the policy-making process was once interpreted as the culmination of Japanese corporatism. However, the development of multiple policy networks between various kinds of associations, political parties and the bureaucracy, which correspond to the domestic and international transformation (weakening bureaucracy, empowered parties and diversified interest groups) gradually eroded the corporatist technocratic regime in which interest representation had been organized into a limited number of non-competitive and hierarchically ordered categories. The paper will now look at the pluralized interaction between the three actors in the 1990s.

5. An Emerging Pluralistic Regime

Japanese politics is moving toward a more pluralistic regime. Pluralism has been defined by Schmitter as follows:

> …a system of interest representation in which the constituent units are organised into an unspecified number of multiple, voluntary, competitive, nonhierarchically ordered and self-determined … categories which are not specially licensed, recognised, subsidised, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories (Schmitter 1978:15).

The emerging pluralistic regime in Japan is distinguished from the previous technocratic regime in the sense that political power is not just given to a small group of people, but is fairly distributed among the ministries, ruling and opposition political parties, and various interest groups. As seen earlier, Japan's interest representation in the 1990s fits into the above characteristics of pluralism. This can be seen by looking at the changing relationship between the bureaucracy, political parties and interest groups.

Under the technocratic regime, the Japanese bureaucracy controlled the LDP and played a crucial role in determining the LDP's relationship with interest groups. However, a survey conducted by Muramatsu and Krauss in 1980 shows that by the late 1970s, most major social interest groups, even those in favour of the opposition parties, could influence the policy-making process, primarily due to the declining relationship between the LDP and the bureaucracy (see table 8). Over half of the groups that rank "very low" in ties to the LDP are at least consulted "to some extent" or even "frequently", and a majority of the groups that have "medium" or "low" closeness to the LDP are also contacted by the bureaucracy frequently. Although it is true that the bureaucracy was more likely to develop ties with those associations that also had close ties with the LDP, it also sought opinions from other groups (Muramatsu and Krauss 1990). This means that as of 1980, the LDP and the bureaucracy were no longer as monolithic as they had been, and that alternative inputs from various associations had begun to influence the policy-making process.

Table 8: Closeness to dominant party by extent to which bureaucracy seeks opinion (per cent)

Bureaucracy seeks opinion	Closeness to dominant party			
	High	Medium	Low	Very low
Frequently	74	62	57	18
To some extent	14	27	32	39
Not much; not at all	12	12	11	41
Don't know; Not applicable	—	—	—	—
Total number of associations surveyed	42	60	44	106

Source: Muramatsu and Krauss (1990:295).

A more recent study by Tsujinaka (1997) analysed the extent to which interest groups consistently support the same political parties, and found that the traditionally fixed correlation between interest groups and political parties is weakening—there is a clear symptom of declining "sector corporatism".[17] The implication is that it is no longer easy for political parties to expect stable support from the same interest groups. The strong differences that characterized interest representation in the technocratic regime have ceased to exist, and voting behaviour is increasingly cutting across traditional cleavages. For example, labour unions that formerly supported the Social Democratic Party no longer have a strong affiliation with the party. Economic associations and other non-profit groups are detached from the Social Democratic Party or the Liberal Democratic Party. Moreover, the recent bailout of Sogo (referred to above) also illustrates the declining party-interest group relation. Sogo formerly had close ties with influential LDP politicians, such as former Prime Minister Yasuhiro Nakasone, but in spite of that the government decided not to rescue Sogo because of massive public protest. The close business-LDP friendship that existed under the technocratic corporatist regime was no longer accepted by taxpayers (*Washington Post* 2000). The pluralized, flexible mode of association proves that a polyarchal regime is emerging in the Japanese political arena.

[17] In addition to this declining sector corporatism, he points to two other trends that have emerged since the mid-1970s. One is qualitative and quantitative pluralization of interest groups, which was already discussed above. The other is that different groups advocate different solutions to problems, but they tend to agree on the issues, for example, the general agreement on the agenda to be discussed among various political actors. The latter trend may be present in labour politics (which was his focus), but not in other issues such as industrial policies (see Callon 1995).

Table 9: Pluralistic regime at the turn of the millennium

Bureaucracy	Fragmented
Political parties	Pluralized and empowered
Interest groups	Diversified and empowered
Policy making	Pluralistic

The Japanese technocratic regime is now declining, but why was it so stable? Both cultural and political explanations may be possible. Culturally, Confucianism, which stressed collectivity rather than individualism, has much to do with it. A prominent Japanese political scientist observed that Japan went into "ultranationalism" during the Second World War because of the lack of "subjective" individualism. And he later expressed his concern that this lack of subjectivity remained even in postwar Japan, which threatened the psychological foundation of democracy (Maruyama 1964; see also Kerstein 1996). Similarly, a study by Muramatsu demonstrates the Japanese people's strong confidence in bureaucracy in the 1970s. In 1979, 58.3 per cent thought that the bureaucracy was expected "to do things that are beneficial for the general interests of the society", while only 12.4 per cent expected it to "administer policies that the parliament ratified" [18] (Muramatsu 1994:244–245).

Politically speaking, the Japanese bureaucracy under the technocratic regime skilfully combined social policies in its developmental scheme.[19] This was evident even from the very beginning of the period of rapid economic growth, as shown in table 10.

Table 10: Primary goals of national economic planning

Plan Name	From–To	Primary goal
5-Year Plan of Economic Independence	1956–1957	Economic independence and full employment
New Long-Term Economic Plan	1958–1960	Economic growth and rise of the quality of life
Double National Income Plan	1961–1963	Full employment, economic development and the betterment of people's quality of life
Mid-Term Economic Plan	1964–1966	Full employment and adjustment of dual structure
Economic and Social Development Plan	1967–1969	Harmonization with developing sectors and adjustment of various imbalances
New Economic and Social Development Plan	1970–1972	Promotion of internationalization and balanced economy
Basic Economic and Social Plan	1973–1975	Promotion of people's welfare and international co-operation

Source: Noguchi (1995:153).

[18] There is no data for the late 1990s, but I would imagine that people's confidence in the bureaucracy has declined somewhat during this period, perhaps in part due to the scandals referred to above.
[19] The combination of technocracy and its responsiveness to the social needs largely corresponds to what Evans (1995) refers to as "embedded autonomy".

In the national economic plan implemented from 1956 to 1957, for example, full employment was the goal. As economic growth accelerated, the government attempted to solve new social problems that emerged in the changing environment. The primary goals of adjusting the dual structure and various imbalances were achieved. The potential social costs of rapid economic growth were skilfully managed by the country's safety-net policy. It should also be remembered that the profit that Japan's economic growth brought was fairly redistributed (World Bank 1993). Compared to the Latin American developmental scheme, Japanese technocracy was more purpose-oriented, like two Northeast Asian economies, Taiwan Province of China and the Republic of Korea. This has much to do with the fact that Latin American bureaucracy is "appointive" in the sense that many government officials are affected by the regime change, rather than "meritocratic" like those of East Asia (Woo-Cumings 1999:13).

The longetivity of the technocratic regime in Japan is largely due to the fact that a single party dominated Japanese politics over a long period of time (Pempel 1990; Noble and Katzenstein 1999). The implementation of policies made by technocrats needs a strong system of government, such as the presidential system.[20] Although this system of government was not adopted by Japan, the technocratic bureaucracy was able to use the LDP's dominance in the parliament to implement its policies.

6. A Concluding Remark

In conclusion, it should be emphasized that the Japanese bureaucracy is not in complete decline. Any change is gradual, and a political regime founded so long ago does not change in just 30 years. However, there is an irreversible force that is empowering political parties and interest groups, and it is clear that the Japanese political regime is shifting from a technocratic regime toward the emergence of a more pluralized regime.

[20] For discussion on presidential and parliamentary systems, see *inter alia*, Horowitz (1996); Lijphart (1996a, 1996b); Linz (1996a, 1996b). For an excellent comparative study of bureaucratic insulation under presidential and parliamentary system, see Boylan (1999).

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