

LOCAL SELF-GOVERNMENT AND LOCAL FINANCE

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I. CHARACTERISTICS OF LOCAL SELF-GOVERNMENT AS SEEN THROUGH LOCAL FINANCE

The rapid development of Japanese capitalism since the Meiji era has been astonishing to the world. Among the many reasons for this rapid development, we must remember first the roles played by local government and local finance. The clarification of local government and finance, both of which have assumed special features in Japan, may offer a clue to the secrets of Japanese capitalism. Before discussing the subject in depth, let us first outline the special features of local finance which provide a vivid picture of the financial aspect of Japanese local government.

The first characteristic of local finance is its comparative weight. Table 1 shows the amount of government purchase of goods and services as a percentage of Gross National Expenditure (hereafter referred to as GNE). Japanese local finance consists of prefectural, city, town and village finances. In fiscal 1966, government purchase of goods and services amounted to ¥7,405.6 billion; that is, 20.2% of GNE, which was ¥36,661.4 billion. National government expenditures account for ¥3,707.3 billion, or 10.1% of GNE, while local government expenditures account for ¥3,698.3 billion, or 10.1% of GNE. However, since national government expenditure includes subsidies of ¥1,011.9 billion to local government, the figure for local government increases to ¥4,710.2 billion (12.8% of GNE) while the figure for national government is reduced to ¥2,695.4 billion (7.4% of GNE) if we transfer the amount to local finance. In comparison with fiscal 1936, we can say that local finance at present is playing an extremely large role in the national economy.

The weight of local finance in GNE is heavier in Japan than in other countries. Table 2 shows the comparison of the scale of finance between the national and local governments in the United States and Japan. As is the case in Table 1, the national subsidies have been transferred to local finance. In the United States, the ratio between the federal, and state and local governments in the prewar period has been reversed in the postwar period;

Table 1. Government Purchase of Goods and Services

G. N. E.	Before Adjustment					After Adjustment						
	Central		Local		Total	Adjustment*		Central		Local		
	(A)	(B)	(C)	(C/A)	(D)	(D/A)	(E)	(F=B-E)	F/A	(G=C+E)	G/A	
1936	17.8	1.9	10.8	1.4	7.6	3.3	18.4	0.2	1.7	9.6	1.6	8.8
1955	8,785.0	858.8	9.8	757.5	8.6	1,616.3	18.4	252.9	605.9	6.9	1,010.4	11.5
1960	15,928.2	1,373.0	8.6	1,339.9	8.4	2,712.9	17.0	417.8	955.2	6.0	1,757.7	11.0
1965	31,349.2	3,184.5	10.1	3,221.5	10.3	6,406.0	20.4	875.7	2,308.8	7.3	4,097.2	13.1
1966	36,661.4	3,707.3	10.1	3,698.3	10.1	7,405.6	20.2	1,011.9	2,695.4	7.4	4,710.2	12.8

Note: *Adjustment: the national subsidies.

Source: Jichishō (Ministry of Home Affairs), *Chihō zaisei no jōkyō* (The Situation of Local Finance), Tokyo, 1968.

Table 2. Central and Local Finance in the U. S. A. and Japan

	U. S. A. (In million dollars)						Japan (In billion yen)					
	Federal		State & Local		Total		Central		Local		Total	
	Amount	As % of	Amount	As % of	Amount	As % of	Amount	As % of	Amount	As % of	Amount	As % of
1934	5,941	46.4	6,866	53.6	12,807	100.0	1.9	46.6	2.1	53.4	4.0	100.0
1964	125,400	64.0	70,600	36.0	196,000	100.0	1,746.5	31.5	3,809.8	68.5	5,556.3	100.0

Sources: U. S. A.: Tax Foundation, *Facts and Figures on Government Finance*, New York, 1965.

Japan: Ōkura-shō (Ministry of Finance), *Zaisei tōkei* (Financial Statistics), Tokyo, 1967.

in fiscal 1964, federal government expenditures occupied 64% of total government expenditures, while state and local amounted to 36%. In Japan, in the same fiscal year, national government finance occupied 32%, and the local finance amounted to 68%. The International Union of Local Authorities published a comparison of local finance in 29 countries on the basis of 1952 statistics.¹ According to that comparison, there are no other countries except for Norway, Sweden, and Denmark whose scale of local finance is as large as national government finance. This shows clearly how high the percentage of local finance is to total government finance in Japan.

The second characteristic of local finance in Japan is its lack of both adequate revenue and independent revenue sources. Table 3 shows the composition of revenue by source for Japanese local finance. Of total revenue, that from local taxes occupies only 34.2%, while revenue which is under the control of the national government, such as the local transfer tax, the local grant tax and the national subsidies, amounts to 41.4%. Among the latter sources, the percentage of the national subsidies is high. The national government is in a position to decide on the projects dependent on the national subsidies and also the rate of the subsidies for these projects. Therefore, projects dependent on the national subsidies are strongly influenced by the policies of the national government, so that the will of the local government can hardly be reflected. The local grant tax is composed of 32% of the three national taxes, i.e., the income, corporation, and liquor taxes. This is a system by which, when the standard financial revenue of the local government (R) falls short of the standard financial demand fixed by the national government (N), the national government makes up the difference ($N - R = G$). The national government does not give any special instructions in regard to the method of spending the grants. This is a system similar to the system of general grant in Britain and to the financial adjustment grant in West Germany. It would ensure local self-government if, in estimating the standard financial demand, the recommendations of the local government were adopted and the data for estimation were arranged in an objective manner. But in reality, it is the Ministry of Home Affairs, or the national government, which, on a national level, solely performs the estimation, so that the local grant tax is a source of revenue which is easily subject to the control of the national government.

Generally speaking, many countries have shown strong tendencies toward the centralization of power. This may be clearly seen in the fact that central government finance has been growing larger compared to local

¹ International Union of Local Authorities, *Local Government Finance and Its Importance for Local Autonomy*, The Hague, 1955.

Table 3. Local Revenue Structure

	(In billion yen)	
	Amount	%
Local Tax	1,768.6	34.2
Local Transfer Tax	59.2	1.1
Local Grant Tax	823.8	15.9
National Subsidy	1,262.8	24.4
Public Bonds	407.2	7.9
Miscellaneous	856.1	16.5
Total	5,177.7	100.0

Source: Same as Table 1.

finance. In contrast with Japan, however, the central governments of foreign countries pay regard to the independence of local finance. In most Western countries, local taxes are larger by 1.5–2 times than subsidies and other revenue which are under the control of the central government. In Belgium, Netherlands, and England, where the weight of subsidies and grants is heavy in total local revenue, the committees for apportioning the subsidies and grants have built-in mechanisms for considering the recommendations of local government; these recommendations are not ignored as they are in Japan. On the basis of the above discussions, we can safely say that local finance in Japan is quite devoid of independence.

Now, from a consideration of the first and second characteristics, we may justly come to the conclusion that Japanese local finance possesses contradictory characteristics. It is said that Japanese local finance, in terms of the national income, ranks on the highest level among other nations, while when it comes to the matter of independence, it is on the lowest level. In other words, the power of local government is very weak in Japan because the national government controls even the minutest aspects of local finance, while the range of activities undertaken by the local governments is broad, and the administrative scope is extensive and complex.²

Why, then, have such special features appeared in Japan? In order to answer this, we must first clarify further the special features of local government in the prewar period.

II. LOCAL GOVERNMENT IN PREWAR JAPAN

1. *The Basic Characteristics of the Meiji System of Local Self-Government*

We refer to local government in prewar Japan as the "Meiji system of local self-government" since it was a form of local self-government operating

² Tokue Shibata and Ken'ichi Miyamoto, *Chihō zaisei* (Local Finance), Tokyo, Yuhikaku, 1963.

within the Meiji system of constitutional government. The Meiji system of local self-government started with the establishment of city, town, and village administrative units in 1888, and the establishment of prefectures (*fu* and *ken*) and county units in 1890. These administrative units continued to exist until the establishment of the Local Autonomy Law in 1947, although they underwent various revisions. This Meiji system of local self-government is the prototype of present-day Japanese local government.

The first characteristic of the Meiji system of local self-government is seen in the fact that the right of autonomy was centered on the illustrious families (in particular, the landlords) in their community. This special feature is exhibited most vividly in the system of local elections. In 1889, the enfranchised (who were called "persons invested with civil rights") comprised only 10% of the entire population. (At present, the franchise in local districts is held by 50-60% of the entire population.) Civil rights at that time were limited to those males who were 25 years or older, who had maintained residence in one city, town, or village for more than two years, and who had paid land tax or more than 2 yen for a year in the form of direct national tax (i. e., income tax or business tax). Females were not endowed with civil rights and, thus, were not enfranchised. Among male adults, landlords were able to engage unconditionally in local government. However, those with no land could not be invested with civil rights except for wealthy commercial or industrial traders or high-salaried men. It goes without saying that tenants and wage-laborers were not in a position to enjoy such rights.

In addition to the above, among the small number of the enfranchised there was discrimination in political rights according to the amount of tax paid. The enfranchised were graded in three classes in cities and two classes in towns and villages. For instance, in 1921, a second-class enfranchised man (the payer of a smaller amount of tax) could not be elected a member of the assembly of his town or village unless he could gain six times as many votes as those gained by a first-class enfranchised man. In a municipal assembly, a third-class enfranchised man needed 50 times as many votes as did a first-class man. In other words, in the agricultural villages the landlords, i. e., the upper-bracket tax-payers, were invested with the most preferential rights.

The town or village assemblymen elected the headman of the town or the village and his assistant from among these persons possessing civil rights; municipal assemblymen recommended three persons as candidates for mayor and elected the deputy-mayor; the Minister of Home Affairs appointed one out of the three as mayor in accordance with the Emperor's

decision. The headman of the town or village was sanctioned by the prefectural governor. Until 1899, the county or prefectural assemblymen were elected not directly by the inhabitants but by the municipal, town, and village assemblymen and great landlords. For example, a document of Kanamaru Village in Ishikawa Prefecture (along the Japan Sea) in the 1910's shows that two first-class enfranchised landlords elected two village assemblymen; and the two first-class assemblymen who had been so elected then elected the village headman. In other words, the village headman could be elected in the village by only four big landlords. From this, we may conclude that the Meiji system of local self-government was centered on the illustrious families, especially on the landlords.

The second characteristic of the Meiji system of local self-government is the strict control over the local governments exerted by Imperial bureaucrats. The prefectural governors and the county headmen were appointed by the authorities of the national government. The mayors or town or village headmen who were elected by, and who were entrusted with the competence of, those invested with civil rights, the number of which, however, was very small, were easily deprived of their administrative powers by the high-ranking administrative authorities. That is to say, the prefectural assembly could be dissolved by Imperial Edict and the municipal, town, or village assemblies by the order of the Minister of Home Affairs. Moreover, when matters calling for decision could not be decided upon by the assembly, the governor solely decided in the case of the prefectural assembly; in the case of the municipal assembly, the prefectural council stood proxy for the assembly and, in the case of the town or village assembly, the county council stood proxy. The competence of the governor or the county headman was very strong: the governor could discipline the mayor, the deputy-mayor, and other municipal officials; the governor and the county headman could punish the town or village headmen, their assistants, and other officials. In this way, control by the higher supervisory office was so strong that the mayor and the town or village headmen were forced to be subject to the governor and county headmen. Furthermore, local officials were not public officials serving the inhabitants but were servants of the Emperor.

From the above discussion, we may conclude that the Meiji system of local self-government was one in which local government based on control by the local illustrious families was connected with control by the Imperial bureaucrats. The political bases of these local illustrious families were: the kinship system (i. e., the family system), territorial organizations such as *buraku-kai* and *chōnai-kai* (the former is the neighborhood communal

association in rural areas and the latter the equivalent in urban areas), agricultural associations including the landlords' union, and such business organizations as commercial or industrial associations. For the benefit of the local district to which they belonged, the illustrious families utilized the central bureaucratic organizations while the central bureaucratic organizations, in turn, were based on the control of local government by the illustrious families. The Meiji system of local self-government was established prior to the establishment of the Meiji Constitution, because the Liberty and Popular Rights Movement had become so strong in the local assembly that the authorities of the national government at that time were afraid that its influence would penetrate to the Diet. In other words, the authorities intended to sever the relationship between national and local politics so as to utilize local government as the bulwark against class antagonism. The attempt was successful and local government has become the roots of conservatism.

2. *The Characteristics of Local Finance*

The characteristics of the Meiji system of local self-government are clearly illustrated by the characteristics of local finance. Meiji local finance is characterized by its centralization and pre-modernity.³

The majority of local expenditures were for maintaining power machines (such as expenditures on public offices, on police, and on tax collection) and for education, each of which is strongly tinged with the color of the national government. In the local authorities, generally speaking, expenditures for maintaining power machines should be small; in reality, however, since the clerical work involved in control of the people by the national government had increased since the 1890's, the expenditures increased year after year.

Public education has been a driving force behind the high growth rate of Japanese capitalism and the rapid growth of Japanese militarism since the Meiji era. Capitalist society is based on the system of the great factory equipped with machine tools. The prerequisites for the full functioning of the system are the existence of a sizeable labor force which is non-differentiated regionally and is possessed of proper standard of education. Thus, the popularization of elementary education becomes necessary. In Japan, elementary education has been required as a duty of the people since the beginning of the Meiji era; in only a few decades, the whole populace was educated and illiteracy was swept away. Because of this rapid popularization

³ Cf. Takeo Fujita, *Nihon chihō zaisei seido no seiritsu* (The Formation of Japanese Local Financial System), Tokyo, Iwanami-shoten, 1941.

of elementary education (at first, 4 years was required, later this was changed to 6)—unparalleled in other countries—an abundance of fine, well-educated workers has been produced. They have been a factor which has facilitated the great factory equipped with machine tools with an astonishingly high speed. The diffusion of elementary education was also, on the other hand, the driving force behind the modernization of army and navy. Modern wars have been based on struggles between massed groups of soldiers who can handle the scientific weapons of mass murder. A certain standard of education is an essential prerequisite for such soldiers. As soldiers were levied from all parts of the country on the basis of the conscription system, a minimum level of linguistic ability was necessary for communication. Thus, it is clear that the dissemination of elementary education played an important role in producing excellent soldiers and, consequently, nourishing Japanese militarism.

The units of local government were liable for all the expenditures for such education. Local government units at that time were located almost entirely in rural districts. Therefore, in light of the meager financial revenue available in the rural villages, expenditures for education were a heavy burden. Education was necessary for the peasants themselves mainly when they wanted to become workers in urban areas or soldiers, while there was little necessity for it in their own agricultural works or daily life. Since the school textbooks and the curriculum were fixed by the national government and the administration of education was carried out solely by the Ministry of Education, the scope of self-government by the local unit was very limited. Accordingly, in times of financial crisis, the local governments were forced to reduce expenditure on education or to depend on aid from the National Treasury.

Expenditure on civil engineering and construction, which ranked next after the two mentioned above, was spent mainly on such national government works as the construction or repair of transportation facilities or countermeasures against natural disasters. In other words, for the most part, expenditures made on the local level were disbursed on works which were entrusted to the local authorities by the national administration.

Consequently, such public works as were closely connected with the daily life of local residents were placed outside the sphere of local public finance. Expenditures for agricultural facilities such as agriculture roads and irrigation, and for the recreation of the town or village residents were supplied from the private financial sources of the community, and have been called community meeting expenses (*buraku kyōgi hi*). That is to say, a pre-modern type of communal finance necessarily survived as a by-product

of the centralization of public finance. At the same time, communal finance constituted the material basis for local government centered on the local illustrious families.

Local financial revenue was also characterized by its centralization. Taxes which are easy to collect and provide a substantial amount of revenue (such as income tax, liquor tax, land tax, etc.) have almost always been national taxes. Under the prewar tax regulations, the first category of local revenue was composed of the public estate revenue (such as revenue from the forestry industry); the second category, of the national surtax (a system in which a given portion of the national tax was treated as a local tax). The local taxes were called special taxes and treated as extraordinary fiscal revenue. In reality, however, since the estate revenue was small, the local authorities had to depend on local taxes for their ordinary revenue. The idea of local revenue being centered on the public estate revenue may be said to be pre-modern financial thinking. As the local taxes had to depend on sources other than those of the national taxes, they were composed of miscellaneous taxes with pre-modern characteristics. In the city, town, and village, the main constituent of the local taxes was a kind of poll-tax which was called the household rate (*kosuwari*). The assessment basis of this tax was not standardized; the rate was decided arbitrarily by the local assembly taking into consideration income level, size of estate, and the number of household members. It was regressive by nature. The national surtax was composed, in main, of the land surtax and the business surtax. Since the national government imposed limitations on the surtax rate, it was very difficult for the local government to change the rate.

The characteristics of the Meiji system of local self-government and its finance did not result from the demands of the populace but from demands intrinsic to Japanese capitalism itself. Essentially, local government centered on the landlords formed the superstructure of the parasitic landlord system which constituted one of the roots of Japanese capitalism.

3. *Taishō Democracy and its Breakdown*

The movement to reform the local government, which was part of Taishō Democracy, is subject essential to the analysis of local government in the prewar years.⁴ Rooted in the parasitic landlord system, Meiji local self-government could not develop further when the contradictions of the parasitic landlord system were revealed through the development of capital-

⁴ Cf. Ken'ichi Miyamoto, "Taishō demokurashi to chihō jichi" (Taishō Democracy and Local Autonomy), in *Nihon no chihō jichi to chihō zaisei* (Local Autonomy and Local Finance in Japan) ed. by Yasuhiko Shima and Ken'ichi Miyamoto, Tokyo, Yuhikaku, 1968.

ism. The political machines of the Emperor system began to be changed qualitatively especially when, during World War I and in the postwar period, Japanese monopoly capital was successful in controlling the whole economy and began to strengthen its voice politically. Commercial and industrial traders began to ask that their right to participate in local government be enlarged to the same extent as that of the landlords. Soon after, the workers, who had been rapidly increasing in number under the strong influence of the Russian Revolution at that time, started their political movements. These movements, which were intimately related to the idea of *mimpon-shugi* (democracy) asserted by the intellectuals and which arose from the newly-emerging groups, began to demand reform of the Emperor system and local government, both of which were based on the landlord system.

The first target of the Taishō Democracy local reform movement was to democratize the local bureaucratic machines of the Emperor system. Actually, it was a movement for abolishing the county system or county office and for establishing a system of holding public elections for prefectural governors. This movement was pushed mainly by the Associations of Town and Village Headmen. In 1921, the county system was abolished and five years later the county office, which was the supervisory organization for the agricultural villages, was also abolished. Some of the headmen further called for the public election of the prefectural governor. Among administrative officials in big cities, and some peasants and members of the youth associations in Nagano Prefecture (in Central Japan), the movement calling for public elections continued. However, although the national government compromised with the movement on the terms of the abolition of the county office, it never gave way regarding the public election of the governor. The government thought that if the public election of governor were to be granted to the people, the local bureaucratic machines of the Emperor system would collapse.

The second target of Taishō Democracy was to achieve universal suffrage. Around 1918, the labor and peasant movements became politically oriented and aimed at "grabbing hegemony of local self-government." In 1921, the national government revised the regulations pertaining to civil rights under the mounting pressure of public opinion, abolished the discriminatory voting system for towns and villages, and reorganized the system into two grades in cities (formerly three grades). The minimum tax payment required for suffrage was lowered, so that some commercial and industrial traders, and some workers were invested with civil rights. In 1926, the Universal Suffrage Law was passed by the Diet, with the law to

be applied to local elections; as the result of this the franchise was extended unconditionally to all male adults, though females were excluded. Although it was only male suffrage, it was clear that, if the current of the times were left to take its own course, many representatives of workers and tenants would gain seats in the local assemblies. Having been afraid of just such a situation, the national government enacted the Peace Preservation Law and suppressed the activities of revolutionary political parties or societies in order to prevent local government from being taken over by the workers and tenants. Therefore, in spite of the realization of universal suffrage, local government still continued to be maintained exclusively in the hands of the local powerful man. However, it should be noted that the local commercial and industrial traders expanded their strength, in contrast with the situation in the Meiji period.

The third target of Taishō Democracy was to acquire financial independence on the local level. The nucleus of this target was to transfer the land and business taxes, both national taxes, to the local authorities. The rapid progress of urbanization after World War I raised various urban problems, such as relief of the unemployed, social security, city planning, housing for workers, municipal street cars, water supply and drainage, electricity and gas, etc., which the municipal authorities had to meet. In order to solve these problems the local governments had to depend on municipal bonds because of their insufficient financial revenues: the result was the start of financial crises. In the rural villages, too, the expenditures for education increased and worsened the crises. These conditions form the background behind the mounting voices calling for the transfer of the above two taxes to the local level. The transfer, however, would have forced the national government to reduce its expenditures for armed forces or for its own administration. Thus, fundamental reform by means of tax transfers was unacceptable to the national government, which responded to the demands for modernizing the tax system with the establishment of the Local Tax Law in 1926, which admitted local taxes as the first category of local revenue. As a result, such pre-modern tax bases as the household rate were reformed. Moreover, the national government began to increase, as one practical measure, the amount of national subsidies toward compulsory education which had been established in 1918.

The 1929 great depression deepened the crisis of Japanese capitalism. The national government authorities and the ruling class were threatened by the development of the autonomy reform movement of Taishō Democracy. Among the industrial and commercial traders in urban areas or among the peasants who shared in the movement, there emerged strong

voices calling for measures against the economic crisis rather than reform of local government. These groups had become conservative. The Emperor system, combined with fascism, brought violent oppression to the labor and peasant movements. Even the conservative politicians, who supported parliamentary democracy, became the target of right-wing terrorism. Though it had produced some great results, Taishō Democracy collapsed midway. In spite of its collapse, and even though it failed to eradicate at the roots the Meiji system of local self-government, Taishō Democracy is worth discussing today, because its three key issues—the public election of prefectural governor, universal suffrage, and transfer of the two national taxes to the local government—were the essential features of the post-World War II reform of local government. Therefore, there is no doubt that after the war the design of local government reform would have arisen naturally, if it had not done so under the Occupation.

III. SO-CALLED POSTWAR DEMOCRATIZATION POLICY AND ITS LIMITATIONS

1. *The Content of Democratization*

The new Japanese Constitution is based on the following three main items: the renunciation of war, the establishment of basic human rights, and local autonomy. Local autonomy guarantees the democracy which supports the postwar constitutional system. On the basis of the Constitution, the Local Autonomy Law was enacted in 1947; the Local Finance Law in 1948, and the Local Tax Law and Local Public Service Law in 1950. Through this legislation, the Meiji system of local self-government was abolished and postwar local autonomy has been established.

Let us now examine the basic nature of these postwar reforms, through which democratization of local government has been achieved to a remarkable degree. First, the centralized local bureaucratic machines have been dissolved. In June, 1947, the Ministry of Home Affairs, which had been invested with police power and which supervised all areas of domestic affairs, was disorganized. Its disorganization ensured the development of local autonomy. Along with this, the prefectures (*to*, *dō*, *fu*, and *ken*) were transformed from local agencies for the national government into local public entities in a true sense. The headmen of towns or villages, the municipal mayors, and the prefectural governors are elected by direct ballot by the inhabitants. Almost all of the controlling and supervisory powers of the national government over the heads of local government and the local assemblies have been abolished. Furthermore, local government personnel

are no longer officials of the Emperor, but rather are local officials serving all the residents.

Second has been the expansion of the political rights of the people. Both adult males and females have been enfranchised. The people have been also invested with such rights as the recall of the heads of local government and local assemblies, and the establishment, revision, and abolishment of regulations. The rights of the local assemblies, which represent the powers of the people, have been enlarged to a great extent.

Third has been the decentralization of police and educational administration. The police in prewar Japan, often called the political police, controlled speech and thought and oppressed political movements. With the aim of sweeping away past evils, the national police were reorganized into prefectural and local police units with the former as the main constituent of the Japanese police. In other words, the services of policemen were to be limited only to matters concerning the peace and security of local residents by entrusting local autonomy with police powers.

As we have mentioned above, the prewar educational administration was centralized in the hands of the Ministry of Education, and education was controlled by the national government bureaucrats. Therefore, in order to eradicate militaristic ideas and popularize democratic ideas it was decided that the educational administration should be handled on a local level. According to this measure, administrative authority for education was charged to the Board of Education, the members of which were elected by direct vote.

2. The Shoup Recommendations and Financial Reform

While democratization of local government was in progress, the reform of local finance, which enables democratization in material terms, was deferred. The Dodge Plan of 1949 put an end to the postwar inflation and laid the foundation for the development of a self-sustaining Japanese economy. The commission for the reform of the tax system, headed by Dr. Shoup, visited Japan as part of the Dodge Plan and, in 1950, made its first recommendations. The aims of the Shoup Recommendations were (1) to accelerate private capital accumulation in order to reconstruct Japanese capitalism as rapidly as possible and (2) to modernize and systematize the Japanese tax system within the framework of (1). These aims were also applied to the reform of the local financial system. It is clear from the following remarks that the Recommendations had in mind the realization of local self-government on as wide a scale as possible.

The future progress and welfare of Japan, or of any country depends

as much on the quantity and quality of local government services available as upon any other factor.

Local government must be strengthened, moreover, because of its potential contributions to the democratic way of life. With strong, independent, and effective local governing bodies, political power is diffused and placed close to the people rather than centralized in a distant and impersonal national government.

Local government provides a useful vehicle for educating citizens and for training leaders in the arts of democracy. The manner in which local governments are administered can be readily observed and understood by the citizens.⁵

In regard to local finance, the Recommendations may be outlined as follows :

- (1) The main constituents of local government and finance should be cities, towns, and villages. Therefore, the main source of taxation should be city, town, and village taxes.
- (2) National surtaxes should be abolished and local finance should operate on the basis of local taxes. The prefectures should adopt the value-added tax, and the city, town or village the asset tax, as forming the center of the taxation system.
- (3) A system of equalization grants for local finance should be established in order to rectify the imbalances of financial potential among local governments and to maintain administration on a given level. This is a system in which the difference between the standard financial capacity (revenue) and the standard financial need would be granted to the local unit. These grants belong to the category of general financial revenue.
- (4) The system of national subsidies which had thus far been utilized as a means of bureaucratic control should be abolished. Only subsidies for encouragement should be allowed to exist. An amount equivalent to the amount of subsidies abolished should be included in the equalization grants.
- (5) The issue of local bonds should be allowed in the case of bonds for profit-gaining sectors ; issue for the purpose of making up general revenue deficits should not be allowed.
- (6) Functions on various levels of administration should be reallocated among the national, city, town, and village units in order to rectify over-centralization, and redundant administration should be rationalized.

As was emphasized by Dr. Shoup, the Recommendations were such that they could be effective only when realized in its entirety ; partial realization would result in damage to the initial intentions of the Recommendations. In spite of this, the Japanese government did not carry out very

⁵ Shoup Mission, "Report on Japanese Taxation," Vol. 3, p. A2.

important parts of them.

First, the Japanese government distinguished between the reallocation reform and the reform of the revenue system, and deferred enforcement of the former. It was after the conclusion of the San Francisco Peace Treaty, or after alterations of democratization policy, that the Japanese government decided to carry out the reallocation reform. By that time, the principle of reallocation of functions was no longer related to democratization, or the strengthening of local government; rather, it was conceived of as a means of enhancing efficiency in, or rationalization of, local government or, in other words, in the direction of centralization. Second, the national government did not institute the value-added tax system and the prefectures, in turn, were forced to employ the enterprise tax, a successor to the prewar business tax, as a major part of fiscal revenue. Third, the national subsidies have hardly been consolidated. On the contrary, the amount of national subsidy continued to increase from fiscal 1951. Fourth, the system of equalization grants, which constituted the key of the Shoup Recommendations, was not fully enforced. Since fiscal 1951, the required amount of equalization grants as calculated by the local governments on the basis of regulations had to be reduced due to the financial situation of the national government. Accordingly, the equalization grants have not functioned as a financial source for securing the independence of local government; and, what is worse, the lack of grants has placed the local finance in the red.⁶

3. The Alterations of Democratization Policies

As may be seen from the revision of the Shoup Recommendations, Occupation policies underwent great change around 1949. After the conclusion of the San Francisco Peace Treaty in 1952, the new Japanese Constitution has undergone substantial revision. With regard to the reform of the local systems, ideas of democratization have receded and new centralization has been strengthened. For example, the communal neighborhood system was revived in 1951; in 1952, the autonomous rights of the Tokyo wards were placed under restrictions (that is, the method of electing the head of wards was changed from election by the direct vote of ward residents to election by the ward-assemblymen) and the Autonomy Agency was established (reorganized into the Ministry of Home Affairs in 1960); in 1953, amalgamation of cities, towns, and villages was carried out which the number of cities, townships, and villages was reduced from 9,895 to 3,975).

⁶ Takeo Suzuki, *Gendai Nihon zaisei-shi* (Modern Japanese Financial History), Tokyo, Tokyo daigaku shuppan-kai, 1960, pp. 1047-1141.

In June, 1954, the local police were disorganized and newly unified into the prefectural police. National public service officials have occupied the higher positions in the prefectural police, thus making the police system very similar to that of the prewar years. The main purpose of the reform was to establish a wide-ranging administration for public peace and order, in order that the police might respond to the anti-US base struggles which started at Uchinada (along the Japan Sea) and Sunagawa (near Tokyo) and to the nation-wide strikes. In 1956, the Board of Education system, which constituted the pillar of decentralization in regard to education, was re-organized, and the method of electing Board members was changed from direct vote of the residents to appointment by the head of the relevant local administrative unit. This revision is said to be a move to counter the Japan Teachers' Union, and has had the result of strengthening control by the national government.

As for local finance, the system of local finance equalization grants has been abolished since fiscal 1954 and, in its place, the system of local grant tax has been established. Although the equalization grants system had never been completely realized, it was regarded at the initial stage as forming the financial basis of local government. The abolishment of this system has meant the loss of the spirit of local self-government as propounded by the Shoup Recommendations. Under the new system of the local grant tax, the standard for distribution conforms to the method of calculating equalization grants, taking a given percentage of the three national taxes (20% at the time of establishment, and 32% at present) as the limit. The distribution rate may be amended if it becomes out of line with the actual state of local finance. The local grant tax is said, however, to be a great retrogression in self-government in that the amount of distribution has been restricted in advance within a given rate.

What, then, has brought about such changes in the democratization policies? First, there has been the change in the international environment and the alteration of United States policy toward the Far East—especially toward Japan—which has itself been caused by the change in the international environment. With the success in 1949 of the Chinese Revolution as the stimulus, United States policy toward the Far East has undergone a radical change. In 1950, the United States went to war with North Korea and China in Korea and antagonism between these countries still continues to exist today. Under the influence of these two momentous events, the Occupation policies departed from their initial objects of terminating Japanese militarism and constructing a democratic, cultural nation. These objects have been replaced by the aims of making Japan the defen-

sive wall against communism and the base of heavy and chemical industries in Asia. Special procurements by the United States Armed Forces have revived the Japanese heavy and chemical industries. In 1953, industrial production exceeded prewar levels. In 1950, rearmament commenced. In the course of this time, the democratization of local government has retrogressed and the reorganization and strengthening of centralized bureaucratic machines have accelerated.

In addition to the changes in the external environment, we should also point out that there have been factors within local government itself which have prevented democratization. First has been the crisis of local finance. Since the postwar reform brought about the enforcement of a new educational system (compulsory education being 6 years primary 3 years middle school), the development of administration for agriculture and forestry, the complete realization of the social security system, increase in public construction, etc., constant fiscal demands have naturally increased to a great extent. To this has been added a large number of temporary demands such as expenditures on measures for unemployment and natural disasters. Given such conditions, and the fact that the reform of the local taxation system has been delayed and consequently revenues have not met the increased demands, many local governments have fallen into deficit finance. Through the reform of local finance based on the Shoup Recommendations, the financial situation would have been saved. But in this case, too, the development of local government on the financial level was postponed due to the change in democratization policy. Expenditures for local finance from the National Treasury were reduced because of the revival of military expenditures and expansion of various expenses for nurturing industries. The economic recession and the retrenchment fiscal policy due to the cessation of the Korean War in 1953 had serious effects on local finance: an unusually large deficit was caused to local finance. For example, the statement for fiscal 1954 shows that a total of 2,281 local government units (34 prefectures, 4 major cities, 360 cities, 1,880 towns and villages, and 3 Tokyo wards) were in the red and the total sum of the deficits amounted to ¥64.9 billion. The national government enforced the Law for Reconstruction of Local Finance in order to solve this deficit problem. Under this law, the national government intended to issue local bonds and finance part of the interest for the purpose of sidetracking the deficit. In return for this, in order to receive benefits under the Reconstruction Law, the city, town or village has to submit its reconstruction program to the Ministry of Home Affairs for permission, and must request further permission for any alterations in programs. In other words, the local unit should hand over part of its

autonomous rights to the national government in exchange for borrowing money. It was for financial reasons that local government has permitted abolishing decentralization of police and education. To summarize, it was essential for local government to gain the aid of the national government for solving its financial crisis and in return it subjected itself to control by the national government.

The second factor was the weakness of an awareness of autonomy, or of a movement for autonomy, of local government among the populace. The democratization of local government has been carried out on an institutional level, while the realities of local elections scarcely differ from the prewar years. The local assemblymen or heads cannot win their elections without the backing of the communal neighborhood associations or trade associations. This may be seen in the fact that in the Diet, the progressive parties occupy one-third of the seats; in the prefectural assemblies, one-fourth; in the municipal assemblies, one-fifth; and the town or village assemblies, only one-twentieth. In other words, the closer one gets to the grass roots, the greater the power of the conservative strong men. Japanese local government has been in a condition which has justly been called grass-roots conservatism.⁷ Because of the weakness of a sense of autonomy, the populace has not conquered its habit of petitioning powerful men to solve immediate political problems.

IV. RAPID ECONOMIC GROWTH AND CITIZENS' CAMPAIGN

1. *The Changes in Local Development and Local Finance*

Since the latter half of the 1950's, Japanese industries have been rapidly modernized and rationalized by means of the introduction of advanced Western techniques. Capital accumulation has recorded the highest level yet, and new, well-equipped factories for the heavy and chemical industries have been constructed one after another mainly on the peripheries of the big cities on the Pacific coast. In the course of time, the development of such enterprises has necessitated to a great extent investment in such social overhead capital as industrial sites, industrial water supply, transportation facilities (especially highways, harbors, and railways), means of communication, etc. The national government initiated the "Long-term Economic Plan" in 1957 and in 1960 the "Plan for Doubling the National Income," in both of which the main task of state finance was to enrich social overhead capital and to further the high degree of capital accumulation.

⁷ Ken'ichi Miyamoto, "Grass-Roots Conservatism," *Journal of Social and Political Ideas in Japan*, IV-2 (August, 1966), 100-106.

Table 4. GNE and Government Capital Formation

	Japan (In billion ¥)	U. S. A. (In billion \$)	U. K. (In million £)	W. Germany (In billion M.)	France (In billion F.)
GNE (A)	31,344.8	638.8	3,284.7	413.4	431.9
Private and Public Enterprise Capital Formation (B)	7,837.6	90.9	503.4	90.2	73.8
Government Capital Formation (C)	1,946.6	16.5	76.8	18.9	11.6
C/A (%)	6.2	2.6	2.3	4.6	2.7
C/B (%)	25.0	18.2	15.3	21.0	14.7

Source: *Zaisei tokei*, 1967.

From this time, investment in the public sector has been expanded rapidly. As is shown in Table 4, the formation of general government capital as a percentage of GNE has attained the highest level in the world. Table 6 shows that the total sum of Japanese administrative investment in fiscal 1960-64 was about 1.6 times that in Britain when the figures for latter were converted into yen at the rate of £1 = ¥1,008. The major part of this gigantic amount of investment has been directed at the developing of means of production. As is shown in Table 5, when comparison is made between the first period and the second period, the ratio of Sector I (productive means) increased from 24.4% to 33.5%. Investment on roads in the second period amounted to ¥1,220.3 billion, which surpasses the total of Sector II (living means), i. e., ¥936.3 billion, by about ¥300 billion. Progress is observed in the production of other productive means. Port improvement works—which are mainly comprised of the construction of factory sites by off-shore land reclamation—increased in the second period by 6.8 times; industrial water supply works, by 5 times. In comparison with Sector I, Sector II was reduced in relative terms; Sector II as a percentage of total administrative investment increased from 17.9% in the first period to only 19.1% in the second period. Housing even showed a decrease of 1% in relative terms. Table 6 shows the nature of administrative investment in Britain and Japan. From the table, we can say that investment in Britain is centered on investment in housing, while that in Japan is centered on roads, which distinguishes clearly between investment in the two countries.⁸

The changes which have appeared in Japanese finance, especially in public investment, have taken a more extreme form in local finance. As mentioned above, local finance faced an unprecedented deficit problem in fiscal 1953-54. Local governments intended to solve the problem by adopting the method of inviting factories to locate within their area in order to

⁸ Ken'ichi Miyamoto, *Shakai shihon ron* (Social Overhead Capital), Tokyo, Yūhikaku, 1967, Chap. 5.

Table 5. Administrative Investment in the Period of Rapid Economic Growth
(In billion yen)

	The 1st Period (1958-60)			The 2nd Period (1961-63)		
	Amount	%	Index	Amount	%	Index
I. Productive Means						
(1) Roads	495.2	19.8	100	1,220.3	24.9	246
(2) Ports and Harbors	67.9	2.7	100	142.6	2.9	210
(3) Civil Airports	4.5	0.2	100	13.7	0.3	302
(4) Port Improvements (Including Factory Sites)	29.5	1.2	100	200.2	4.1	679
(5) Industrial Water Supply	13.4	0.5	100	68.5	1.4	511
Total of Main Productive Means	610.5	24.4	100	1,645.3	33.5	270
II. Living Means						
(6) City Planning	42.4	1.7	100	97.5	2.0	230
(7) Housing	161.1	6.5	100	267.9	5.5	166
(8) Building Sites	5.2	0.2	100	51.4	1.0	989
(9) Health	19.7	0.8	100	57.7	1.2	293
(10) Water Supply	130.5	5.2	100	241.1	4.9	185
(11) Sewerage	28.9	1.2	100	108.3	2.2	375
(12) Welfare	58.7	2.3	100	112.4	2.3	192
Total of Main Living Means	446.5	17.9	100	936.3	19.1	210
Total (including other items)	2,498.3	100.0	100	4,905.1	100.0	196

Sources: Jichi-shō (Ministry of Home Affairs), *Todōfuken-betsu gyōseitōshi jisekishirabe* (Administrative Investment), Tokyo, 1963, 1964, 1965. Ken'ichi Miyamoto, *Shakai shihon ron* (Social Overhead Capital), Tokyo, Yūhikaku, 1967, pp. 306-308.

Table 6. U. K. and Japanese Administrative Investment (1960-64)
(In billion yen)

	U. K.			Japan		
	Amount*	%	Index	Amount	%	Index
(1) Roads	594.1	11.5	100	1,998.2	24.5	336
(2) Housing	1,698.2	32.8	100	497.1	5.9	28
(3) Water Supply and Sewerage	501.0	9.7	100	598.2	7.3	119
(4) Education	965.2	18.6	100	869.2	10.6	90
(5) Health and Welfare	340.7	6.6	100	289.1	3.5	85
Total (including other items)	5,181.2	100.0	100	8,168.7	100.0	158

Note: *Conversion rate: 1£ = ¥1,008.

Sources: U. K.: *Public Investment in Great Britain* (1960, 1963).

Japan: Jichi-shō, *ibid.* (1963, 1964, 1965). Ken'ichi Miyamoto, *ibid.*, pp. 310-311.

increase their tax revenue. This method of encouraging local development by inviting factories has become popular all over Japan. It has come just at the time when Japanese industries have been planning enlargement of their plants and facilities and the national government has announced the "Long-term Economic Plan" for fostering such expansion. In this way,

local development by local governments has become a trend of the times. Local administration in the last decade is said to have been carried out with the invitation of factories as its axis. What is important here, however, is the fact that a significant part of this administrative investment has been shared by the local governments. For example, on the average in the 1958-64 period, of total construction undertaken through administrative investment, 19% was through the national government, 43% through the prefectures, and 38% through the cities, towns and villages, the total of latter two amounting to 81%. As for the average of public construction by fiscal expenditures, 40% was by the national government, 30% by the prefectures, and 30% by the cities, towns and villages, the latter two thus constituting 60%. The emphasis in administrative investment by the local governments was placed on creating a foundation for industries. As is clear from Table 7, a tendency similar to that in administrative investment in Table 5 may be observed in the case of local finance. Factory sites have been created and industrial water supply facilities installed through administrative investment by local governments, and then sold to enterprises at extremely low prices. This has brought about a great change in local finance. In short, it has brought a phenomenon which may be referred to as "commercialization."⁹ "Commercialization" here has two meanings.

Table 7. Administrative Investment of Local Government

	(In billion yen)					
	1958			1963		
	Amount	%	Index	Amount	%	Index
I. Productive Means						
(1) Roads	95.8	16.7	100	284.3	18.7	297
(2) Ports and Harbors	9.7	1.7	100	35.0	2.3	361
(3) Industrial Water Supply	3.2	0.6	100	35.1	2.3	1,097
(4) Port Improvements (including Factory Sites)	6.9	1.2	100	65.0	4.3	942
(5) Agriculture	52.6	9.2	100	121.8	8.0	232
Total of Main Productive Means	168.2	29.4	100	541.2	35.7	322
II. Living Means						
(6) Housing	30.3	5.4	100	71.1	4.7	230
(7) Health	5.4	0.9	100	24.8	1.6	459
(8) Welfare	8.5	1.5	100	24.1	1.6	284
(9) Education	75.3	13.1	100	183.2	12.1	243
(10) Water Supply	31.4	5.5	100	93.8	6.2	299
Total of Main Living Means	151.5	26.4	100	397.0	26.2	262
Total (including other items)	572.9	100.0	100	1,516.6	100.0	265

Source: Jichi-shō, *op. cit.*, 1963, 1964.

⁹ Cf. Shibata and Miyamoto, *op. cit.*, pp. 189-216.

First, it indicates the subjugation of local finance to the interests of enterprises. As we have mentioned above, public works which are necessary for enterprises have been constructed prior to those necessary for the general populace. Second, it indicates that local finance has been managed on a commercial basis. Thus, there has been a growing tendency to pass the burden incurred by construction of non-profit making public works on to the beneficiaries. For example, street, drainage, and educational facilities cannot be constructed unless the expenditures for them are shared by the local government concerned. Moreover, there exists a tendency for public utilities to be reorganized into public corporations operated on a self-supporting accounting basis. In fiscal 1958, the local public corporations (including quasi-public ones) were 3,801 in number; in fiscal 1964, they amounted to 7,358. As a general rule, public corporations derive their revenues from fees and rates. In brief, "commercialization" has resulted in a new increase in the burdens on the populace.

2. *The Explosion of Urban Problems*

Rapid economic growth has brought about a phenomenon of great urbanization. In 1960-65, the population in the three largest cities—Tokyo, Nagoya, and Osaka—(each with a metropolitan area of 50 kilometers in diameter) has increased by 5.5 million. While the total area of these three cities occupies only 5.7% of Japan, 37.3% of the total population, or 36.6 million, lives in these areas. The population increase has been outstandingly high especially along the peripheries of the big cities. In the last five years, the population has increased by 40% within the area encompassed by a 20-30 kilometer radius in Tokyo, and by a 10-20 kilometer radius in Osaka and Nagoya. These increases in population have been caused mainly by the inflow from small cities or rural areas of persons either attending school or finding employment. A large part of the inflow is from the younger generation with a low income; and this has resulted in the rapid emergence of need for housing as well as such public utilities as educational facilities, etc. However, housing and other facilities are at present very limited because capital accumulation has centered on equipment investment since Meiji and there has been a high ratio of military expenses as a percentage of state finance.¹⁰ In addition to this, since the peripheries of the big cities were formerly agricultural areas, they have been poorly equipped with the public utilities suitable for an urban way of life. Therefore, extensive investment has been necessary in order to meet the needs for public utilities. But has

¹⁰ Henry Rosovsky, *Capital Formation in Japan 1868-1940*, New York, the Free Press, 1961, p. 38, and Ken'ichi Miyamoto, *Shakai shihon ron*, pp. 253-260.

public investment by local governments met such needs? As we have mentioned above, local governments have concentrated their public investment on fostering the capital accumulation of industries, and have restrained investment on living means. Table 8 shows administrative investment in the Tokyo Metropolitan Area. As is the case for administrative investment throughout the nation, here, too, investment has been given preferentially to industrial bases. What is striking is the fact that investment in housing as a percentage of total administrative investment shows a sharp decrease of 5.7% from 14.8% to 9.1%. A similar tendency may be observed in administrative investment in Osaka Prefecture. Given this situation plus the natural course of events, the following urban problems have exploded on to the scene.¹¹

First is the housing shortage. The public has been afflicted with a housing shortage because low-rent public housing has not been built in quantity, while land prices and rents for private housing have skyrocketed. In the Tokyo Metropolis in 1966 one-third of the households complained of the housing shortage. There are 680,000 wood-frame apartment houses

Table 8. Administrative Investment in Tokyo Metropolis
(In million yen)

	The 1st Period (1958-60)		The 2nd Period (1961-63)	
	Amount	%	Amount	%
I. Productive Means				
(1) Roads	58,907	21.6	246,996	37.8
(2) Ports and Harbors	5,181	1.9	7,311	1.1
(3) Port Improvement (including Factory Sites)	2,999	1.1	10,320	1.6
(4) Industrial Water Supply	—	—	4,933	0.8
(5) Civil Airports	2,581	0.9	5,897	0.9
Total of Main Productive Means	69,668	25.5	257,457	42.1
II. Living Means				
(6) City Planning	4,973	1.8	17,578	2.7
(7) Housing	40,353	14.8	59,633	9.1
(8) Building Sites	—	—	—	—
(9) Health	1,886	0.7	10,974	1.7
(10) Water Supply	22,390	8.2	50,860	7.8
(11) Sewerage	454	0.2	37,921	5.8
(12) Welfare	4,461	1.6	11,861	1.8
Total of Main Living Means	74,519	27.3	188,872	28.9
Total (including other items)	272,778	100.0	653,725	100.0

Source: Jichi-shō, *op. cit.*, 1963, 1964, 1965.

¹¹ Cf. Tokue Shibata, *Gendai toshi ron* (The Theory of Modern Urban Problems), Tokyo, Tokyodaigaku shuppan-kai, 1967.

which are considered unsafe; almost 80% have only communal lavatories and each apartment consists of only one room. Only 30% are equipped with sewers.

Second is traffic congestion. Since there has not been extensive construction of adequate, safe roads and highways despite the increase of private cars, there has been a rapid increase in traffic accidents (mainly those involving pedestrians): in 1963, there were 530,000 traffic accidents and 12,301 fatalities. This figure is double that of five years ago; 70% of the total occurred on city streets. Traffic accidents are a greater menace to contemporary man than infectious diseases were to the people of former centuries.

Third is the problem of public hazards. With the transformation of industries into heavy and chemical industries, the pollution of air and water has spread all over the country. Taking the average for 1956-60, smog was recorded in Tokyo for 62 days and in Osaka for 125 days. In Yokkaichi City, a center for the petroleum industry, air pollution due to sulphuric acid gas has caused 388 persons to suffer from severe illness and be designated as "sufferers from public hazards" (i.e., patients whose illness the municipal authorities admit to be caused by a public hazard and to whom the authorities provide medical care and assistance), and has been the direct cause of death of 7 persons. Air pollution such as that in Yokkaichi has begun to spread to cities all over the country.

These urban problems may be called problems of the new poverty. As the result of rapid economic growth, the income level of the average person has been raised, but the difficulties incidental to daily living have also increased.

3. Urban Policies and Comprehensive Administration

It may be said that until now Japan has not had urban policies. Local administration has been mainly concerned with policies relevant to agricultural villages. The agricultural village was a built-in stabilizer for prewar Japanese capitalism. What urban problems there were, were solved through the agricultural villages. For example, the unemployed in the large cities returned to their hometowns in villages, where their families provided for them. Therefore, the unemployed did not settle in the cities, as a result of which there was little need for slum measures and social security. As organic wastes were disposed of as agricultural fertilizers, such public utilities as sewers or incinerators could be dispensed with. In the postwar years, agriculture and the agricultural villages have been modernized, so that it has become difficult to solve urban problems through utilizing agricultural vil-

lages. As a natural course of events, the urban problems have burst into the open.

As the citizens living in urban areas have become discontented with the policies of the conservative party (Liberal Democratic Party), which have thus far centered on the agricultural villages, they have started campaigns requesting practical solution of urban problems. They have obtained excellent results, and have lessened the influence of the party in power in urban areas. Being frightened by the urban political crisis, the party in power has found it necessary to formulate urban policies.

To these political changes has been added a change in economic structure. The rapid economic growth of the 1960's has been brought about mainly by investment in factory equipment. However, this kind of growth alone is incapable of solving market problems. Also the nurturing of the munitions industry has been taken as a measure both for cultivating a new market and assisting urban renewal. In addition, technical innovation has been necessitated in urban transportation, commerce, labor administration, advertisement, leisure industries, etc. Technical innovation is inseparable from urban renewal.

These changes in political and economic affairs led the Liberal Democratic Party to issue "An Outline of Urban Policy"¹² in 1968. The national government, too, has enacted legislation for urban development and social development, including the Law for City Planning.

Roughly speaking, the urban policies of the party in power are supported by two pillars. The first pillar is the introduction of private capital so that urban development may be partly carried out at the hands of private capital. So far, urban construction has been accomplished by municipal (or prefectural) authorities and landlords. However, the party in power has judged that this method of development is inadequate to gather sufficient funds and technologists for large-scale projects, and therefore has found it necessary to depend on private capital for urban development projects. The party in power urges in its "Outline of Urban Policy" that such public works as multi-storied housing complexes, drainage, toll roads, harbor works, industrial water supply, etc., be transferred to privately-operated corporations, and that the remainder of the public works be operated on the principle of passing the burden on to the beneficiaries, and on a commercial basis as far as possible.

The second pillar of the urban policies of the party in power is centralization. The national government and the party in power intend to accel-

¹² Jimintō toshiseisaku chōsakai, *Toshi seisaku taikō* (An Outline of Urban Policy), Tokyo, Jimintō shuppan-kyoku, 1968.

erate consolidation of cities, towns, and villages as well as prefectures in order that the national government may directly carry out large-scale projects for urban development and extend and centralize administration. In Japan, comprehensive administration and integration of local government units go hand in hand. Since Meiji, the amalgamation of cities, towns, and villages has been carried out repeatedly. In order to maintain a level of administration sufficient to cope with the burgeoning problems of urbanization, the national government has carried out amalgamation among cities, towns, and villages so that local finance can cope with the problems facing it. This is an administrative measure for concentrating funds and personnel and for utilizing both efficiently. To be sure, this means that public facilities including large-scale schools and the personnel to staff them are not needed in bulk; the expenditures for such can be economized; and, moreover, all the cities, towns, and villages have been able to build standardized facilities. It can be said that what has enabled Japan to popularize compulsory education has been the amalgamation of cities, towns, and villages. In this context, the method of heightening the financial efficiency through amalgamation is one of the factors which has enabled the Japanese capitalism realize such a rapid development. However, at the same time, this method has caused inconvenience to the populace. Since often only one school or public office is built in the central area of the city, township, or village, it is very inconvenient for those living in the suburbs to utilize such facilities. The average population of towns or villages is 11,000 at present. Therefore, it is very difficult for the residents to influence the assembly or to actively participate in local government themselves. Although the area of the city, town, or village has been enlarged on the administrative level, the sphere of daily life of the people remains the same as before. Consequently, administration is apt to be divorced from the daily life and concerns of the people. Thus, it may be said that amalgamation is a factor which has prevented democracy from developing. Future amalgamation is fraught with this danger. Amalgamation on prefectural level is to be realized for the first time since the enactment of the system of prefectures in 1890, and is designed to enable wide-ranging supervision over and control of water or land resources which are necessary for industries. The system of public election of the governors of prefectures has been, as stated above, the basis for postwar local self-government. The amalgamation of prefectures, however, is liable to be associated with the system of officially-chosen governors. It may be said that the danger involved with the urban policies propounded by the national government and the party in power is that under the rubric of "solution of urban problems" will be built not a "welfare state" but an

“enterprise state” with powers concentrated in the hands of the national government.

4. Development of Citizens' Campaigns

Around 1963, when the contradictions inherent in rapid economic growth began to reveal themselves, movements for the reform of local government were started among the citizens. First, movements against the regional development policies were instigated, with the aim of preventing public hazards. In particular, in 1964, people in Mishima and Numazu (at the foot of Mt. Fuji) succeeded in their movement against the invitation of a petroleum complex to their area. In the history of the development of Japanese capitalism, this is the first instance in which an enterprise could not advance into a region due to the objections of the residents. Furthermore, this is also the first instance in which the mayor and municipal assemblymen, who had up to then invited factories in accordance with the desires of the national or prefectural governments, participated in a citizens' movement aimed at protecting the environment.

Second, citizens' campaigns calling for the recall of corrupt assemblymen or heads of local governments were undertaken. Beginning with the Tokyo Metropolitan Assembly (in 1965), and the Matsuyama Municipal Assembly (in 1966), this movement has spread nation-wide. As regional development has been accompanied by large-scale public engineering and construction works, civil engineering and building contractors and landowners have bribed some local government heads or assemblymen. Also, there has been corruption among assemblymen in pursuit of certain positions in local government to which accrue vested interests. In the case of the Tokyo Metropolitan Assembly, the national government adopted an extraordinary measure before recall was invoked, and ordered the assembly to be dissolved. At the election after the dissolution, the Liberal Democratic Party (to which many of the corrupt assemblymen belonged) lost many seats and the Japan Socialist Party became the ruling party, while other opposition parties increased their seats. This recall campaign was characterized by its independence from any political party. Having been encouraged by the development of the citizens' campaign, Professor Ryōkichi Minobe, the candidate recommended by the Japan Socialist Party and the Japan Communist Party, won the election of governor of the Tokyo Metropolis in 1967. This victory has been evaluated as the victory of the progressive camp over the conservative camp as well as the victory of local self-government by the citizens against the bureaucratic centralization of powers.

Third, campaigns against the broadening of the administration of the

national government have begun. With the progress of amalgamation of cities for the purpose of facilitating regional development and solution of urban problems in the metropolitan areas, there have arisen citizens' campaigns for protecting the rights of local self-government. Examples may be seen in the campaigns against the amalgamation of five cities in Northern Kyūshū (1962-63), of Okayama City and the southern cities of Okayama Prefecture (1962), and of three cities including Sakai in the Osaka area. In each case amalgamation did not aim at reform of the environment or at providing administrative services for the local residents, but at inviting factories or solving housing problems in big cities. As we have mentioned above, amalgamation would necessitate reorganization of the city assemblies into a single assembly, as a result of which the scope of influence of the residents might be lessened. It would become difficult for the interests of the thinly-populated agricultural regions to be reflected in the assembly. For these reasons, anti-amalgamation campaigns have occurred on a large scale. In the campaign against the amalgamation of Sakai and neighboring cities, people started a movement calling for the recall of the mayor, who had pushed for amalgamation, and collected many signatures. For this reason, the movement for amalgamation fell into abeyance.

Fourth, there have been campaigns against the U. S. military bases. With the intensification of the war in Vietnam, military bases in Japan have been used as bases for the war, a fact which has awakened Japanese concerns toward the bases. In 1968, a series of accidents in and around military bases, such as the crash of a U. S. jet-fighter on the campus of Kyūshū University and the pollution of waters near Sasebo by a U. S. atomic submarine, have caused damage to nearby residents. Moreover, since the United States Armed Forces in Japan have planned to enlarge the Ōji Field Hospital in Tokyo and the Sagamihara Radio Base, disturbance and inconvenience to local residents have become an issue. Consequently, campaigns against such enlargement of facilities have developed on a city-wide scale including participation of mayors and assemblymen who belong to the conservative camp. This movement is of significance in that it suggests how local government should tackle the revision of the U. S.-Japan Security Treaty in 1970.

Apart from the above, there have been many citizens' campaigns calling for the reform of local self-government, such as the campaign calling for the public election of the heads of municipal wards, the campaign requesting trash collecting and street-cleaning by local government, the campaign calling for an increase in nursery schools, the campaign against the raising of public utility fees, the campaign against the non-tax burden of expendi-

tures for education, and the campaign for traffic safety.

The characteristics common to all these campaigns are (1) they have not been led by any existing political party but have arisen spontaneously from among the people; and (2) they have put to practical use the inhabitants' rights of self-government which have been guaranteed by the post-war Local Autonomy Law and other legislation.

Why, then, have these campaigns become widespread? The first reason is the sharp escalation of urban problems. As we have pointed out, for the citizens a rise in income alone cannot be the means for solving the difficulties which are called "urban problems." The target of the citizens' campaigns has been the reform of local self-government so as to reorganize administration for the benefit of industries into administration for the benefit of the people, since local government is directly responsible for the solution of urban problems.

The second reason is the crisis of democracy. The local assembly has become a nominal entity, and is inclined to give ear only to demands from the enterprises or the national government rather than those from the people. Because of their concern with only their own interests, the existing political parties have lost their ability to organize citizens' movements on a wide scale. Since the outbreak of the Vietnam War, militarization has advanced in Japan and consequently the sense of crisis regarding democracy has grown strong. In this situation, the people have begun to have a strong desire to defend democracy by protecting local autonomy.

The development of citizens' campaigns is about to realize the abolition of grass-roots conservatism which has existed since the Meiji era. The rights of local self-government by local residents, which, although established on an institutional level, have in reality undergone various distortions, are on the verge of being realized at last. In short, Japanese local self-government is about to be realized.

ERRATUM

The editors regret that the following error appears in Professor Akira Nagazumi's article, "Toward an Autonomous History of Indonesia—With Special Reference to the Dutch Historical Writings on Indonesia—, published in *The Developing Economies*, VI-2 (June 1968), p. 212.

The sentence,

Ali also noted that the "anthropo-centric" view of history
was replaced with the "cosmocentric" one.

should read

Ali also noted that the "anthropo-centric" view of history
was to replace the "cosmocentric" one.