

# Introduction: The Challenges Facing Japanese Communities

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Disparate changes are occurring and transforming the once stable but static Japanese society. Quite a few journalists and scholars, including sociologists and economists, have unsatisfactorily provided accounts of causes and consequences of these changes. Conceivable causes are not limited to societal and demographic changes, but related to more fundamental value systems and institutions that underlie the foundation of society. And the consequences are not an extension of the past.

At the outset of the new century, Japan is moving toward becoming a more pluralistic society on a par with other societies. Japanese society is often described as a paternalistic type of society where government and business play a dominant role in a congenial relationship, and civil society is comparatively weak, if not nonexistent (Wolferen 1989; Johnson 1995). However, this contention is not free from challenges. While the institutional setting is different, pluralistic transformation is in progress. This transformation is pervading political, administrative, societal, and business arenas where dominant actors are no longer present.

The chapters in this volume address some of the major metamorphoses Japan shall experience and the challenges it faces in the first decade of the twenty-first century. By focusing on the framework and implications of the anticipated transformations, including decentralization schemes and public finance policies, emerging nonprofit

organizations (NPOs) and community businesses, multi-ethnic communities, as well as international policies and think tanks, the authors have outlined the changing nature of communities in Japan, and the degree to which this advanced capitalist society is rapidly becoming a mature but ailing welfare state.

The purpose of this book is to provide an overview of Japan's current position, what it wishes to achieve, how this might best be attained, and what challenges it faces. To this end, the focus has been placed on two basic and related concepts, namely, governance and institutions.

## GOVERNANCE

In considering the implications of governance in present-day Japan, the place of such concepts as shared power and civil society must be borne in mind. Advanced countries have seen significant developments in the area of governance during the past few decades, with the "retreat of the State" (Strange 1996), or the erosion of traditional political power. The institutional strength of the nation-state has been limited by a number of factors. First, international compacts and institutions have undermined the sovereign power of nations, as a result of which few countries have been able to make independent decisions, supranational institutions and organizations having become major partners even in domestic policymaking. Second, the nation-state has been challenged in its bid to render services to citizens, deregulation and privatization being perceived as able to provide a solution to the deficits and inadequate public policies that plague the modern welfare state.

Rhodes defines governance based on the British experience in the 1980s and 1990s, describing it as "a new process of governing; or a changed condition of ordered rule; or the new method by which society is governed" (1997, 46). He concentrates on coordination in society as manifest in different types of networks and partnerships. The concept of governance is also being applied to the private sector: Corporate governance is the management system that allows the optimum relationship to be realized among corporate stakeholders, namely, shareholders, customers, suppliers, and communities. In most public and political debate, the term governance is used with reference to

sustaining coordination and coherence among a wide variety of actors each with their own respective objectives, such as political actors and institutions, corporate interests, civil society, and transnational organizations (Pierre 2000, 3–4).

The concept of shared power originally referred to the separation of powers in government as is found in many constitutional systems. It has come to include territorial power sharing, typical of the federal system, and partnerships in which private or nonprofit actors share the stakes involved in delivering services to the public (Kettle 1993).

The concept of civil society, meanwhile, refers to the decentralization of governmental power and broader citizen participation in domestic and external policy-related issues. The present-day model is not the same as that which the nineteenth-century German philosopher Georg Wilhelm Friedrich Hegel defined and criticized as being a system of individual self-seeking but, rather, the uncoerced area of human association in which individuals volunteer their resources to achieve a vision of a better community or society. The model encompasses the concept of philanthropy. The term civil society was common in European political thought in the seventeenth and eighteenth centuries in Britain, Holland, France, and the North American colonies. The rise of a capitalist class, the ideology of the separation of the state from society, and insistence on the legitimacy of nonstate organizations in the conduct of public affairs all contributed to the development of this concept.

The recent emergence of civil society organizations in many countries is the result of an attempt to overcome the malfunctioning of states during the twentieth century. And while there may not yet be an “associational revolution” (Salamon and Anheier 1996) in Japan, significant changes are, nevertheless, occurring (Yamamoto 1995; Yamamoto 1998). Japan’s central and local governments are often described as traditionally paying more attention to citizens with vested interests than to vesting attention in citizens’ interests. Be that as it may, many citizens have, in recent years, begun participating in voluntary community activities, including environmental protection and the aiding of disaster victims, and their power has expanded greatly. Also emerging has been the tendency for citizens to be more sensitive to the wasting of taxpayers’ money: The election of reformist candidates in traditionally conservative prefectures in three recent gubernatorial elections

reflects the growing popular concern with financial misdemeanors.

In summarizing the concept of governance, four models by Janet Newman (2001) are worth considering. Her two-dimensional configuration shows the degree of centralization or decentralization, as well as the orientation of change.

1. The hierarchical model, oriented toward centralization, continuity, and control, in which the state exerts direct control and change is slow.
2. The rational goal model, with a shorter-range focus oriented toward maximizing output, in which power is dispersed although control is mainly centralized.
3. The open systems model, oriented toward network forms of interaction, in which power is dispersed and fluid, and the actors are interdependent on each other's resources, the focus being on innovation and change allowing adaptation to new challenges.
4. The self-governance model, oriented toward long-term gains and focusing on building sustainability by fostering relationships of interdependence and reciprocity.

While Newman's models are based on the changing panorama of British governance, they are relevant to an examination of governance in Japan as they include all the facets of functioning liberal democracies.

Although it is hard to classify Japan into any one of the above four models, the authors wish, nevertheless, to use them in order to explain the background and the changes that have contributed to transformations in Japan's governance.

The hierarchical model is prevalent, the centralized administration of the state having been imbued with a paternalistic power, characterized by protection and equity considerations. International relations have been the exclusive preserve of the Ministry of Foreign Affairs and central government departments, while the community has been important only in the context of economic revitalization policies. With all the decision-making authority vested in the central government, the rational goal model could also be seen in the workings of Japan's iron triangle, the government-business-interest group relationship.

Nevertheless, the facts we have identified are more aligned with the open systems and self-governance models. The transformations we are currently witnessing in Japan's governance are pole opposites to those so bitterly deplored by critics in the past. The drift has been away

from an antistatist to a more democratic orientation, as the authority of both government and big business has weakened and the accountability of both institutions has been eroded. Scandals are abundant, and doubts have been cast on the effectiveness of public and business policies. Against this background, it has become necessary to ensure the integrity of society using other actors and institutions such as civil society organizations, local governments, and think tanks. These institutions can best integrate a fragile and transient society by providing a coherent set of values, a role once borne by public organizations. Japan is full of public sector–related organizations, in which the term public has the connotation of good and supreme. The increasingly pluralistic political environment, more competitive business scene, and more numerous citizen engagements have contributed to building new institutions, as a result of which interaction involving the government and citizens has become even more of a prerequisite of the public policymaking process. After all, the provision of public service is not a monopoly of the government but, rather, of a network of actors.

## INSTITUTIONS

Traditional interpretations of Japanese governance tend to explain it as a product of a “unique” society, and the fast economic growth of past decades has often been attributed to cultural uniqueness. Specialists in Japan will often be heard to say that Japan is a unique country, characterized by non-Western culture and customs, in which Japanese people behave in a way that is beyond the ken of Westerners. Further, they will explain, in Japan the relationship between the state and the market is different, as the state exerts a formidable power that shapes the market and the life of the people: government is not authoritarian, society is comparatively regulated, and philanthropies of significance are few.

But such claims do not preclude any meaningful comparison. Thus Ezra Vogel, in his best-selling book *Japan as Number One* (1979), intended not to praise Japan’s success but, rather, to suggest that American policymakers and business leaders alike might do well to adopt Japan’s best practices. Two decades later, while its American counterparts have learned to manage the economy, Japan finds itself in the grip of a protracted recession. Clearly, although Vogel’s contentions were

not identical with those of the social theorists who claim that Japan is unique, they did reinforce the theorists' view.

Culture, however, is not the only factor that sets Japan apart from other societies. Less visible but, nevertheless, important are its constitutional and governmental structures, and the rules and customs that set the framework to shape the behavior of actors in the societal, political, and economic arenas.

As March and Olsen (1995, 28) explain, first, human actions are driven less by the anticipation of uncertain consequences and personal preferences for these consequences than by a logic of appropriateness reflected in a structure of rules and perceptions of identity. Second, ever-changing historical reality matches institutions, behaviors, and contexts in ways that have multiple, path-dependent levels of equilibrium. Third, governance extends beyond negotiating coalitions within given constraints of rights, rules, preferences, and resources, shaping those constraints and allowing meaningful perceptions of politics, history, and the self to be constructed.

While Peters (2000) uses seven identifiers to track the development of governance and the associated institutions, he, too, traces the roots of the newly evolving institutionalism to the above three-point formulation. For, he says, under such an institutional framework, people act in what is considered to be an appropriate, rational fashion. The corporate world will, thus, become rapidly attuned to changes in the global market and governance in order to survive, as will the political parties in power to the political marketplace. In other words, the political shaping of society presupposes a common set of institutions.

Consequently, it can be said that clearly defined challenges will naturally allow appropriate actions to be taken, as a result of which rules and institutions will gradually change. Since institutions set the framework for the behavior and actions of their respective participants and society as a whole, any institutions that are structurally different from others will produce in their society patterns of behavior that are, likewise, different. It is, thus, the institutions that make Japan appear to be unique, for as governance is transformed, institutions and the rules of the game will inevitably change.

Chapter one of this volume takes a look at the challenges facing Japan's decentralization strategy, with Furukawa Shun'ichi focusing on the

new relationship between the central government and local governments that developed in the 1990s and culminated in the 1999 Omnibus Law of Decentralization. As Furukawa points out, the main thrust of this law is, through the abolition of the notorious agency-delegated function system, to decrease central government control over local affairs.

In a half century during which time there has been a steady democratization of the state and local governments have achieved a degree of autonomy that has allowed them to manage their own public policy—including regional development, welfare, the environment, and information disclosure—there have been vast changes in overall national policy and governance. The current decentralization strategy is, in fact, another step in the evolution of local autonomy, reflecting as it does reforms that have been under way for almost ten years.

Besides a detailed description of legislative procedure, the process of decentralization is tackled from three angles: changes in relations between the central government and local governments, administrative reform, and the realization of democratic principles. These perspectives are then used to show how Japan's institutional setting makes it possible for local governments to step in and get the job done when the central government hits a policy deadlock. It is this leadership model, based on local government initiative, that provides the litmus test for government.

In chapter two, Kanagawa Kōji analyzes the recent surge of community business which, although new in Japan, has already made a mark on local communities. The government's failure to provide adequate services has led to an increase in NPOs, which are often characterized by working styles that are not necessarily traditional. Thus it is that the entry of women into the labor market and the growing number of the post-retirement elderly has created a new type of workplace: the community business. Neither for-profit nor nonprofit, and owned and controlled by the community as a whole, this kind of enterprise originated in the United Kingdom where charities have long been prevalent. Several examples of this type of community business are described, together with the support provided by local government.

In chapter three, Kashiwazaki Chikako gives a comprehensive overview of internationalization programs being put in place that relate to foreign residents of Japan. Despite the move to accommodate greater

diversity in society, there is as yet no consensus on policy as it pertains to foreign residents. Four local-level government responses highlight the basis of this policy and the social services available in the foreign-resident programs that represent the internationalization-from-within aspect of Japan's policy of internationalization, as distinct from its national policy. Internationalization-from-within is being adopted as a policy to revitalize localities by assisting foreign residents to participate in public life.

Another perspective on changing local government policy is presented in chapter four, in which Menju Toshihiro discusses some of the international policies of local governments. International exchange has been a common agenda for many local governments throughout the last four decades, having begun in the mid-1950s with the sister-city relationship that quickly attracted the attention of local leaders desperate to be involved in the international arena. Over the years, the simple exchange programs have become more meaningful and effective. One example is the Japan Exchange and Teaching (JET) Programme, in place since 1987. Despite its various problems (McConnel 2000), it now has over 6,000 participants from more than 30 countries and has evolved into the biggest international exchange program. In the 1990s, Japan became interested in international cooperation and focused on overseas development assistance (ODA), a type of cooperation program that was also implemented at the local level.

But Japan's international policy faces numerous challenges, including the absence of strategy, its lack of specialists, the need to collaborate with NPOs, and the need to modernize its sister-city affiliations. Nonetheless, opportunities also exist. Japan's international policy can become more independent from the central government, compatible with the private sector, better attuned to a multi-ethnic environment, and more helpful to the Third World.

As Nakamura Madoka points out in chapter five, the term think tank bears a different connotation in the Japanese setting—where for-profit research institutes are dominant—than it does in other societies. As the regional- and local-government policy processes have been changing recently, think tanks based in localities have gained importance. Starting with a comparison of what is implied by the term in major countries, the role of think tanks in the regional policy process is examined. Whereas in the past the relationship between local



governments and think tanks suffered due to a dearth of expertise and overdependence on contract research, the recent transformation of the regional policy process and increased competition have resulted in a more favorable environment for the development of regional think tanks. The expansion of think tank networks and university-affiliated policy institutes, as well as the advent of flourishing community-based think tanks has resulted in the accommodation of this transformation. The new type of policy process involving think tanks appears promising in the new system of governance.

Missing in the most recent decentralization scheme is an agenda of public finance reform that addresses questions concerning the allocation of functions and resources and the implementation of a coherent system of accountability. Without the reallocation of tax and independent revenue sources, fiscal accountability in local government will not be complete. As does chapter one, Numao Namiko argues in chapter six for more revenue sources to allow ailing local public finances to be more viable and accountable. While intergovernmental fiscal relations have not been neglected in Japan, the national treasury's recent heavy deficits have tended to discourage the reallocation of tax revenues. The central government shares with local governments most sources of tax income and expenditure, a system that is further complicated by the local allocation tax revenue-sharing scheme. The most recent amendments of the revenue-raising capacity of local governments are explained and arguments made for more autonomous decision making.

Chapter seven by Tamura Shigeru highlights another important theme: the development of NPOs in Japan and their relationship with local governments, a theme that is directly related to the issue of governance. In the wake of the 1995 Great Hanshin-Awaji Earthquake in western Japan, a volunteer sector suddenly appeared and led to the enactment of the 1998 Law to Promote Specified Nonprofit Activities (NPO Law) that authorizes the incorporation of NPOs. As a result, NPOs have become increasingly involved in such areas as welfare, international exchange, and community affairs, despite their fragile revenue structure and inadequate tax-exempt status. So it is that today, local governments are even keen to collaborate with NPOs, since such cooperation enhances the viability of public policy and its implementation.

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