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Policy change and political leadership in Japan: Case studies of administrative reform and tax reform

Lee, Myon Woo, Ph.D.
The Ohio State University, 1994

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POLICY CHANGE AND POLITICAL LEADERSHIP IN JAPAN: CASE STUDIES OF ADMINISTRATIVE REFORM AND TAX REFORM

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By

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* * * * *

The Ohio State University
1994

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Approved by
Department of Political Science
To

My Parents

and

My Wife
ACKNOWLEDGMENTS

I would like to express my sincere appreciation to Professor Bradley Richardson for his guidance and insight during the various stages of this study. I also deeply appreciate the suggestions and comments of Professors William Liddle and Anthony Mughan. I am intellectually indebted to all of my interview respondents, but special thanks should go to Sadake Koroke and Yanagizawa Hakuo for their support and encouragement. The editorial assistance of Tae Ho Kim and Steve Nichols is gratefully acknowledged. It is my privilege and duty to acknowledge the unshakable faith of my parents in my study. To my wife, Keum Ok, I am grateful for her willingness to endure with me for the vicissitudes of my endeavors. I dedicate this study to my parents and my wife. To my children, Changwon and Sumin, I thank them for their understanding of my broken promises.
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ABBREVIATIONS

AMA, Administrative and Management Agency; a former body of MCA
CGP, Clean Government Party or Komeito in Japanese
CPAR, Government-LDP Center for the Promotion of the AR
CS, Cabinet Secretary
DG, Director General
DSP, Democratic Socialist Party or Minsato in Japanese
EA, Environmental Agency
GRCT, Government Research Council on Tax
HC, House of Councillors, the upper house of Japan's Diet
HDA, Hokkaido Development Agency
HR, House of Representatives, the lower house of Japan's Diet
ICRJ, Investigation Committee for Rebuilding the JNR
JMTS, Japan Monopoly on Tobacco and Salts
JNR, Japan National Railroads
JSP, Japan Socialist Party
LDP, Liberal Democratic Party
LDP CAFA, LDP Committee on Administrative and Fiscal Affairs
LDP RCT, LDP Research Council on Tax
MCA, Management and Coordination Agency
MFA, Ministry of Foreign Affairs
MHA, Ministry of Home Affairs
MHW, Ministry of Health and Wealth
MITI, Ministry of International Trade and Industry
MOC, Ministry of Construction
MOT, Ministry of Transport
MPT, Ministry of Posts and Telecommunications
NLA, National Land Agency
NLC, New Liberal Club
NTT, Nippon Telecommunication and Telephone Company or Denden Kosha
ODA, Okinawa Development Agency
PAC, Policy Affairs Council of the LDP
PCAR, Provisional Council on Administrative Reform
PCPAR, Provisional Council for Promoting Administrative Reform
PMO, Prime Minister's Office
Shaminren, Shakai Minshu Renmei
SG, Secretary General
STA, Science and Technology Agency
CHAPTER I
INTRODUCTION: THE SCOPE AND METHOD OF THE STUDY

For most of the 1980s Japan was overwhelmed by the fever of administrative reform that started with the formation of the Provisional Council on Administrative Reform (Rinji Gyousei Kaikaku Chosakai in Japanese; PCAR and Daini Rincho in shortened form)\(^1\) in 1981 and came to the end with the breakup and privatization of the Japan National Railway in 1987.\(^2\) Administrative reform is hardly a new agenda for the Japanese government. Almost every cabinet after World War Two discussed the need for administrative reform. According to Pempel, however, efforts to reform the

\(^1\) There are various other translations for the PCAR, but here we will adhere to the one used in the text. The exact shortened form in Japanese is Rincho, but we will use Daini Rincho instead since it is more commonly used and connotes the second Rincho. The first Rincho was formed in 1960 and existed for two years.

\(^2\) There may be no disagreement about when the administrative reform of the 1980s started, but it is quite arguable that the administrative reform ended with the breakup and privatization of the Japan National Railway since many people think it is still in the process of realization. In fact, the Provisional Council on Promoting Administrative Reform, which was formed right after the dissolution of the PCAR to support the realization of the PCAR recommendations, entered its third term in 1990 and continued to examine the land problem.

Despite these arguments, however, this study regards the breakup and privatization of the JNR as one end point for two following reasons. One is that to do something about JNR was the single most important symbol in reforming the administration, at lest in the period of the Suzuki and Nakasone cabinets. The other is that many people who argue that administrative reform is still on the way or is not yet done are on the side of evaluating the policy output.
administration by the Japanese government are characteristic in that they mainly center on scaling down or reorganizing the administration for promoting efficiency rather than on increasing the responsiveness of the administration to the general public. Along with the unusual public reception, therefore, what was new and special in this administrative reform of the early 1980s was that it aimed not merely at reducing the size of the administration but also at reorienting government policies as seen in the efforts of privatizing the public corporations and restructuring the subsidies. There were also some instances of deregulation, as seen in the simplification of government licensing procedures and the reformulation of the relationship between the center and the localities. It was more than an incremental change in a policy area; it was one of the major policy orientation shifts in postwar Japanese history and it marked the departure from the preceding welfare politics.

Besides such significance, this series of events produced another interesting point of a more theoretical aspect; that is, the role of leadership has been greatly appreciated. Frequently mentioned is the leadership of Doko Toshio, the former chairman of the Keidanren and the chairman of the PCAR, and that of Nakasone Yasuhiro as the Director-General of the now-extinct Administrative Management Agency and later as a

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3 According to Caiden, administrative reform is generally carried on the basis of two respective goals. One is to improve the efficiency of the administration and the other is to increase the responsiveness of the public service to the public. Pempel argues that Japanese governments mainly concentrate their efforts to achieve the former goal despite the demands of the latter coming from the public and interest groups. See Gerald Caiden and Heinrich Siedentopf, eds., Strategies for Administrative Reform (Lexington, Mass.: D.C. Heath, 1982) and T.J. Pempel, Policy and Politics in Japan: Creative Conservatism (Philadelphia, Penn.: Temple University Press, 1982).

4 In terms of its magnitude and subsequent impact, many people, including former prime minister, Kishi Nobusuke, compare it with the Meiji Restoration and the postwar Allied Occupation Reform.
the prime minister. As Ito and others have observed, it is quite unusual that individual leadership stands out conspicuously in Japanese organization where collectivity is emphasized as a norm.5

This thesis starts from this unusual appreciation of prime minister's leadership. The question to be addressed are: whether or not the role of Prime Minister (PM) Nakasone in policymaking was great as generally believed; if so, how it could be made so, that is, what were the factors making for such strong leadership; and whether or not this strong leadership was only accidental and idiosyncratic, that is, something unique to PM Nakasone's time and his personality and, therefore, not to be replicable. In searching for the answers for these questions this study will carry on two kinds of comparisons. First, it will compare the administrative reform efforts of PM Nakasone with those of his two predecessors, PM Fukuda and PM Suzuki. Second, the tax reform process will be analyzed, in which PM Nakasone's efforts will be again compared with those of PM Ohira and PM Takeshita. The examination of these cases will be carried out in two ways. One is of a descriptive nature, to show how actors


For the cataloguing consistence, this thesis will follow the American order for the Japanese author's name, that is, writing the first name first, if his or her books or articles are written in English. If they are written in Japanese, then, it will follow the Japanese order, that is, writing the last name first. For the names appearing in the next, it will follow the Japanese order as they are generally used in Japan.
interact with each other in the making of policy change. The other is of a more analytical nature, to reformulate the process in terms of prime minister's leadership elements and environments.

Much effort has been spent in explaining the Japanese political economy, and recently the focus has moved to analysis of the policymaking process. Despite many efforts, the discussions of Japanese policymaking have not yet been sufficient to clarify its dynamics. First, limited to a particular issue and stage, not a whole process, the analyses have said little about the changing process so as to provide only a simplified picture. Consequently, second, they have often resulted in the partial comparison of the actors, since only those involved in certain issues at certain stages have been the primary focus; this in turn overvalues the influence of some actors and at the same time discounts that of others. This study tries to fill this gap by describing the policymaking process of a long time span so that we can see more precisely how various actors interact with each other, and how their changing positions in the interaction affect the outcome.

This study, however, gives more emphasis to renewing the role of prime minister in Japanese political economy and policymaking. Whether top executives play a critical role in policymaking or not remains moot not only in the area of Japanese study but also in the field of political science as a whole. But the disregard of the prime minister's role seems to be especially conspicuous in the discussions of Japanese policymaking, evidenced by the fact that the role of top political leadership has been mentioned only in passing in most of the analyses. Instead other actors such as elites, the state/bureaucracy, or the sub-government (consisting of the LDP, the bureaucracy and big business) have been mentioned as important according to the perspectives
adopted in the analyses of Japanese policymaking. The pluralist perspective, recently adopted, produces a more complicated picture of the process and sheds new light on the role of various interest groups other than the big business. Departing from the traditional perspective of emphasizing the dominance of the bureaucracy, it provides a

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chance to equate, if not to reverse, the relationship of the bureaucrats with the politicians. The role of the prime minister has not been included in the category of those politicians and taken seriously, however. Various reasons have been given for assigning a role of only little more than a rubber stamp to the prime minister. As will be seen in the next section, they exist in all the aspects; cultural, historical, and institutional.

This study will try to argue that despite the constraints the prime minister has to face he can and does play an important role in Japanese political economy and policymaking process because the changing situations surrounding the prime ministers abate the influence of the constraints so as to increase their role, and because the prime ministers with varying characteristics have certain positive elements that they can utilize selectively for fitting themselves to their respective changed situations. The rest of the chapter is composed of three parts; the review of the discussions on Japanese prime minister in policymaking, the specification of the analytic framework with the literature review, the introduction of administrative reform and tax reform, and some methodological notes.

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8 In addition to the analysis by Inoguchi Takashi and Iwai Tomoaki, mentioned in the previous footnote, following articles discuss the relationship between the bureaucrats and the politicians: Michio Muramatsu and Ellis Krauss, "Bureaucrats and Politicians in Policymaking: The Case of Japan," American Political Science Review 78, no. 1 (March 1984), pp. 126-146; B.C. Koh, Japan's Administrative Elite (Berkeley: University of California Press, 1989).
1. Leadership Effects in Japanese Policymaking Process

Much has been written recently about Japanese policymaking and related topics. Reaching out for the previously untouched areas or reexamining the old areas with new tools or perspectives, this work has shed new light on the actors and their relationship in policymaking and thus enriched our understanding about the politics of Japan. Despite abundant discussions on policymaking, however, the role of top executives such as the prime minister in Japanese policymaking has not been taken seriously as can be seen by the fact that few studies have been conducted on the role of the prime minister. The reasons provided by those who regard the role of the prime minister as minimal can be grouped into three categories; cultural, historical, and institutional.

The cultural argument emphasizes the norm of consensus or harmony in Japan. According to this argument the opposing sides with conflicting interests exchange opinions and negotiate with each other until the difference is somehow resolved with mutual gratification, through such mechanisms of accommodation as nemawashi and ringisei in the organization. Japanese people are believed to resist the image of leaders as authoritative directors and rather to prefer that of benevolent arbiters or mere

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9 "Nemawashi" refers to the practice of broad consultation before taking action and "Ringisei" means the system whereby the documents are drafted at the low level of the organization and then circulated to other parts of the organization for approval. For more information about these terms, see the following sources: in addition to Ezra Vogel, ed., Modern Japanese Organization and Decisionmaking, see Yung H. Park, Bureaucrats and Ministers in Contemporary Japanese Government (Berkeley, California: The Institute of East Asian Studies, 1986); Douglas D. Mitchell, Amaeru: The Expression of Reciprocal Dependency Needs in Japanese Politics and Law (Boulder, Colorado: Westview Press, 1976); Junichi Kyogoku, The Political Dynamics of Japan, trans. Nobutaka Ike (Tokyo: University of Tokyo Press, 1987).
ratifiers instead.\textsuperscript{10} When Campbell and others argued that there is no political leadership in Japan, therefore, they might have meant that such roles of leaders as arbiter or ratifier cannot be viewed as leading.\textsuperscript{11}

The historical argument is two-fold. First, it is related to the relationship between the bureaucracy and the political parties that have been formulated in the development of modern Japanese history. Those who brought about the Meiji Restoration and remained in the government pursued the goal of catching up the Western Powers through the institution of bureaucracy, while the political parties were formed by notables who were denied access to the government and tried to keep their interests represented.\textsuperscript{12} Derived from this historical fact is the mythical mindset that the bureaucrats represent the national interest while the politicians represent regional interests, which persisted in the postwar period and made the bureaucratic initiative in policymaking legitimate.\textsuperscript{13}


\textsuperscript{13} This assertion is seen almost in every discussion of Japanese bureaucracy and it is somewhat confirmed in the empirical analysis by M. Muramatsu and E. Krauss; Michio Muramatsu and Ellis Krauss, "The Bureaucrats and the Politicians in Japan," \textit{American Political Science Review} 78, no.1 (March 1984), pp. 126-146.
The second aspect concerns the formation of the Liberal Democratic Party. The LDP in its present form came to being in 1955 by combining the several existing parties falling into the conservative and liberal camp when the then, bisected socialist parties agreed to reunify themselves as one. This strategy has been successful so far in alleviating the fear that the reunified JSP might obtain a majority of seats in the Diet, but those parties participating in the unification managed to survive in the LDP as factions and so seeded the ongoing process of factional strife. Due to this presence of factions and the constant tensions or conflicts between them, it is argued, the leadership of the prime minister is much dampened.

The institutional argument also has two aspects. First, it is related to the sources of the bureaucratic power.14 Besides the historical aspect mentioned above, three more reasons have been provided why the Japanese bureaucracy is regarded as powerful: elite status, expertise and social networks. The bureaucrats are recruited through examinations from the top universities (especially the prestigious University of Tokyo) and each ministry or agency tends to specify its own policy areas by equipping the new recruits with years of field experience and study in the domestic and foreign institutions.

Moreover, the bureaucracy has been one of the most important sources for recruiting the Dietmen of the Liberal Democratic Party, though recently the relative percentage of the former bureaucrats has tended to decrease.  

For example, of the twelve prime ministers in the postwar period to 1984, seven were the former bureaucrats. Thus, with these advantages the Japanese bureaucracy is known to take initiatives practically in policymaking, though there is no specific role assigned to it in Constitution except implementing the policies made by the prime minister and the Diet.

The second aspect concerns the relationship between the LDP and interest groups. Like any other political party in a democratic country, the Liberal Democratic Party needs money and votes to stay in power. Due to the organizational weakness, then, the LDP gets both from interest groups such as big business, the farmers organization and the medical association.

The influence of big business that channels money to the individual factions as well as the party as a whole has been much discussed. For example, it is widely known

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16 They are Shigeru Yoshida (Ministry of Foreign Affairs), Nobusuke Kishi (Ministry of Commerce), Hayato Ikeda (Ministry of Finance), Eiisaku Sato (Ministry of Transportation), Takeo Fukuda (Ministry of Finance), Masaharu Ohira (Ministry of Finance), and Yasuhiro Nakasone (Ministry of Interior).

Kishi and Ikeda stepped up to the position of vice minister in their respective ministry while Yoshida, Fukuda and Ohira were the chiefs of the important bureaus at the time of retirement. Nakasone had the shortest experience in the bureaucracy.

that big business, as the supporter of capitalism, has been actively involved not only in the economic policymaking process but also in the various cases of internal LDP turmoil, such as the unification of the LDP in 1955 and the severe factional strife over presidential elections thereafter.\textsuperscript{18} It is also said that by controlling or persuading its workers the big business has helped the LDP candidates win elections.\textsuperscript{19}

The influence of other interest groups, such as the farmers' organizations and the medical associations, is also well known.\textsuperscript{20} Due to the organizational cohesion and the authority they enjoy in the local areas, their endorsement of the LDP candidates has helped them to be elected. Thus, the LDP Dietmen are little motivated or very careful to reform the areas the interests of these groups are concerned with, so as to block the initiatives of the prime minister. Consider, for example, the difficulties the LDP government experiences in reducing the price of rice and in abrogating the subsidies and tax benefits these groups enjoy.\textsuperscript{21}


\textsuperscript{20} For example, see Tsujinaka Yutaka, Rieki Dantai (Interest Groups) (Tokyo; University of Tokyo Press, 1988).

Although the presence of these constraints is very real, there are three aspects which cast doubt on the notion that the policymaking role of Japanese prime minister is only minimal: whether Japanese prime minister is the only one who faces these constraints; whether there are any cases in which the prime minister plays an influential role in policymaking; and whether the constraints shown above are as powerful as they are assumed to be.

We can start by showing the difficulties top executives in the advanced countries other than Japan have to confront. According to the several scholars, American presidents are situated in a delicate position between legitimacy and governance, since they have to deal with two conflicting cultural norms: the pursuit of individualism for the members of the society versus the effectiveness of the state. The presence of institutional barriers such as factional struggle, strong bureaucracy, and a close relationship between the parties and interest groups are not entirely Japanese, either. American presidents have to deal with much less disciplined parties and a strong Congress, while British prime ministers have to face a strong bureaucracy and, especially when elected from the Labor party, often experience difficulties arising from factional strife as well as the demands of the affiliated interest groups such as labor unions. Though we may reason that the extent of the influence these constraints impose on top executives varies with countries, we cannot yet dismiss the similarity of the constraints they face.


While top executives in other countries confront problems comparable to those of the prime minister as seen above, we can also find a number of cases in postwar Japanese history in which the influence of the prime minister in the policymaking process has loomed large. Most of the cases come from the foreign policy area; we have seen Yoshida Shigeru's endeavor on the conclusion of the San Francisco treaty, Hatoyama Ichiro's enthusiastic (though failed) attempt on the normalization of relations with the Soviet Union, Kishi Nobusuke's resolute position on renewing the U.S.-Japan Security Treaty, Sato Eisaku's efforts on the return of Okinawa and Tanaka Kakuei's action on the normalization of the relationship with the People's Republic of China. Not only in the foreign policy area but also in the domestic policy area can we find the examples; i.e., Kishi Nobusuke's attempt (though dropped in the last stage) to revise the policy law, Ikeda Hayato's adoption of the income-doubling policy and Tanaka Kakuei's efforts to reorganize the Japanese archipelago. There is no need to mention that all of these efforts have been made by the strong leadership of the prime ministers, notwithstanding the opposition coming from within the party and the government as well as from some segments of the society.

Despite the comparability of the problems Japanese prime ministers confront with those of top executives in other advanced countries and the existence of some cases in which the prime minister plays an important role, the treatment of the role of top executives in policymaking is quite different between these two parts. From the

24 The examples shown here come from Bradley Richardson and Scott Flanagan, Politics in Japan (Boston; Little, Brown and Company, 1984).

25 For the discussions of these cases, see the following sources; Otake Hideo, ed., Nihonseiji no Soten (The Focuses of Japanese Politics) (Tokyo: Sanichi Sobo, 1984); Tanaka Zenichiro, Jiminto Taisei no Seijishido (The Political Leadership of the LDP System) (Tokyo: Daiichi Hokyu Shupan, 1981).
viewpoint that the role of top executives in policymaking was once strong but declined recently, the discussions of their role in other countries attempt to show that it can be amplified by different leadership styles and skills and the issue characteristics that may help them to overcome the constraints. On the other hand the role of the Japanese prime minister has rarely been seen as strong and the discussions of his role emphasize almost exclusively the influences of the constraints. The difference between these two treatments seems to come from the overemphasis of the difference, especially the cultural one, between Japan and other advanced countries: as seen in the beginning of the section, the bottom-up pattern of policy flow called ringisei and the consensual mode of interaction between the actors. Recently, however, numerous analyses have appeared which do not focus solely on the cultural peculiarities of Japan and which examine its similarities as well as dissimilarities with other countries.

One theme in these analyses is the appearance of conflicts within and between the essential actors of policymaking; that is, between different ministries, between different business organizations, between the bureaucracy and big business, and between the bureaucracy and the Liberal Democratic Party. The examples are abundant. The tension broke out over the Value-Added Network issue between the MITI, which takes charge of the overall industrial policies, and the MPT, which takes charge of the


telecommunication area. Over the issue of developing the domestic weapon industry, the JDA, which argues for it, confronted with the MITI, which thinks the domestic market is too small and so argues against it. The Keidanren, which represents big business, often disagrees with the Nissho, whose membership is mostly composed of the small and medium business, over the economic policies. The MITI opposed the Honda company's plan to enter the automobile industry.28

The other theme to emerge in recent work concerns the existence of the authoritative pattern in policy flow. In his examination of the relationship between bureaucrats and ministers in Japanese administration, Y. Park argues that ringisei is not much of a bottom-up flow.29 According to him, in many cases ringisei has rather become a merely nominal work procedure, which is carried out for circulating information even when the decision of what to do about an issue has already been made at the top. Due to the means available to them, i.e., control over personnel matters, it is argued that like their counterparts in other advanced countries, Japanese ministers as chiefs of their respective ministries are important players in a policymaking game, not a mere rubber-stamp acknowledging what bureaucrats have already decided. Park


attributes the increased influence of these political appointees to the general tendency of growing role for party politicians in policymaking.

Several factors are regarded as having been responsible for the rising number of conflicts between actors and the enlarged role of party politicians. Socioeconomic changes, which were created by economic successes, brought about demographic relocation and a corresponding electoral reconstitution. The coming of a slow economic growth era, then, meant that the pie to be shared has become smaller. The new, ambiguous policy areas, which were created by the technological developments, made it difficult to decide which ministries should take charge. Finally, there was accumulation of knowledge on the part of politicians, which is evidenced by the appearance of zoku politics.

Rising from these two themes is a revision of the traditionally powerful bureaucracy-dominance model; the revision introduces the influence of other actors, especially that of politicians in policymaking. Park argues that the policy directions and programs of the bureaucracy are not much of their own, but are prepared and established in anticipation of the probable reactions of, and in consultation with, the LDP.30 The increased role of politicians can be also found out in the survey data. Employing survey methods, Muramatsu and Krauss show that bureaucrats (especially those at high levels) and politicians alike acknowledge the influential role of politicians in policymaking.31 More intriguing is Haley’s analysis, which argues that the dominance of the Japanese bureaucracy in the policymaking process had been grossly

30 Yung H. Park, ibid., p. 125,

exaggerated since even at the pinnacle of power the economic bureaucracies were unable to achieve all they wanted due to the variety of institutional factors peculiar to Japan.32 For example, MITI's efforts to revise the Antimonopoly and Fair Trade Law and to introduce the Designated Industries Promotion Special Measures Bill in the late 1950s and early 1960s failed in a remarkable show of opposition from interest groups. Thus Pempel, one of the major proponents of the bureaucracy-dominance model, admits that the influence of the bureaucracy has declined recently.33

The amplified influence of politicians, along with the declining power of the bureaucracy, is not directly related to the enlargement of the prime minister's role in policymaking. At least, however, it seems to show us the possibility that the constraints the prime minister faces can be abated, since it implies an increasing interdependence between actors which may in turn lead to a power retention (tie-up) requiring strong leadership for breakthrough.

Starting from the observations mentioned so far, this study will investigate the role of the prime minister in the Japanese political economy and policymaking process with the cases of administrative reform and tax reform; whether or not the role of the prime minister is minimal as generally known; and, in either case, what are the factors constraining or encouraging the role of the prime minister in policymaking. In the end, it will also discuss the characterization of Japanese policymaking process on the basis of what has been described and analyzed. Before presenting the theoretical framework


this study is based on, then, the next section will introduce the cases this study addresses.

2. The Cases of Administrative Reform and Tax Reform

Entering the 1970s, Japan had to face situations quite different from those it had seen in previous years. Its continuous high growth over the prior two decades had invited increasing pressures from other countries to open its domestic market. This eventually brought about the "Nixon Shock" that ended the postwar international economic order called Bretton Woods system and forced Japan, along with other advanced countries, to adopt a floating foreign exchange system. Following the Nixon Shock came the first Oil Shock, in which Japan experienced even more severe damage because it had relied on foreign imports for most of its natural resources, including oil.

Despite the general expectation that it would be the most severely impacted country in the world by the oil shock, Japan managed to survive the shock successfully. Though the year immediately after the shocks, 1975, showed substantially high inflation rate over the previous years, and a negative growth rate for the first time, Japan was soon able to rise up from the aftermath, and in the second half of the 1970s it managed to grow at an enviable 4 percent rate annually. Nonetheless, the impact of the two shocks was serious and lasting. The previously obtained double-digit growth rate was no longer possible, and foreign pressure to open its domestic market tended to grow more and more.

A more critical domestic problem, initiated by these two shocks and which affected Japanese politics in the later years, however, was the increasing amount of national
debt, perceived as fiscal crisis. A number of factors had been cited for the increasing burden of national debt: slow economic growth, the expansionary economic policies, growing social security expenditures, and the structural elements maintaining interest group politics. It is not easy to stress any single one of them as the cause of the problem. It may well have been the combination of all these factors. Whatever the reasons may be, the seriousness of growing national debt had clearly become the central issue in the late 1970s and the early 1980s, and it consequently brought about efforts to reform the administration and the tax system in the following years.

The transformation process through which recognition of the deepening fiscal crisis was converted into efforts to reform the administration and the existing tax system took more than a decade, starting from the Fukuda cabinet and continuing through the Takeshita cabinet. This thesis will break down this duration of over ten years into two processes: the administrative reform process, in which the efforts of the Fukuda cabinet, the Suzuki cabinet, and the first Nakasone cabinet will be compared; and the tax reform process, in which the efforts of the Ohira cabinet, the second Nakasone cabinet, and the Takeshita cabinet will be compared. The reason for dividing these cabinets into two groups of respective processes is that administrative reform and tax reform had been, respectively, the main concern of the cabinets in each period.

The examination of administrative reform starts with the Fukuda cabinet, since the seriousness of increasing national bonds had been acknowledged at this time, even though administrative reform under this cabinet was not aimed at the problem of deficit

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finance. In the Suzuki cabinet, the administrative reform for the purpose of correcting deficit finance became the main plank issue of the government agenda with the formation of the Provisional Council on Administrative Reform. In the first Nakasone cabinet, then, the administrative reform efforts resulted in the formation of the Management and Coordination Agency, privatization of two special companies, and deregulation of administrative works. The tax reform process started with the Ohira cabinet, in which the first attempt to reform the existing tax system failed due to the controversial issue of consumption tax introduction. Another attempt to reform the existing tax system in the second Nakasone cabinet failed, again due to the issue of the introduction of sales tax. Only in the Takeshita cabinet, then, could tax reform introducing a new consumption tax succeed.

There is one methodological note that needs to be mentioned; that is, to separate these reform efforts from the usual, incremental efforts to reform or change the existing practices of the administration. Specifically, the efforts to revise the existing tax system for the annual budget making occur every year. Reform in this thesis, therefore, is more profound; it entails the realization of fundamental changes in the administration and the tax system. The formation of the Management and Coordination Agency and the privatization of special companies in the first Nakasone cabinet and the introduction of the new Consumption Tax in the Takeshita cabinet are the examples of profound changes. In the next section, the analytical framework of this study and the literature on which it is based will be presented.
3. The Conditions for Leadership Development in Policymaking

Whether top executives play an influential role in the policymaking process or not is still an unsettled matter in the study of politics. Some view them as merely one of many participants in the policymaking process, while others view them as the most influential in it. Keeping these controversies in mind, this section will review the models of policy change and the leadership literature in order to see the conditions that contribute to increasing the role of top executives in policymaking.

3.1. The Models of Policy Change

In importing the "garbage can model" of organization choice into the study of the agenda setting process, John W. Kingdon divides the policy arena into three independent streams: problems, solutions, and politics.\(^{35}\) The primary condition for policy initiation is assumed to be the confluence of these streams, which occurs at the time of crisis or critical events such as an election; when a problem is recognized, a solution is available, and the political climate makes the time right for change. The next critical element is, then, the coupling of these streams; that is, the deliberate effort to seize the opportunity and push the problem onto the agenda before conditions change, which is the job of policy entrepreneurs. A similar framework is provided by Harold L. Wilensky. According to him, policy change occurs when there exists a need

to do something about the problem, an idea to resolve the problem, and an agent to tackle the problem.\textsuperscript{36}

While Kingdon and Wilensky are successful in presenting general conditions for policy change and in showing the importance of political leadership, they are not clear on the several points. First, what kind of actors would be the agent of change is not specified. A bureaucratic agency, a political entrepreneur, or a top executive - a policy entrepreneur can be any one of these. Second, what kind of change the combination of these three conditions would bring about is also unclear. Third, what motivates policy entrepreneurs to be involved in the issues is not explained, either. To supplement these missing points we lean towards the analyses of Polsby, Grindle and Thomas, and Campbell on policy change.

In his study of policy initiation in America, Nelson W. Polsby identifies two types of policy changes: acute and incubated.\textsuperscript{37} Four indicators are used for this classification; whether the whole process is short or prolonged, whether the time for researching the alternatives is given or not, whether the review of the alternatives is done in stages or not, and whether partisan conflicts exist or not.\textsuperscript{38} That is, in case of acute policy change the whole policy process tends to be abbreviated, the time for researching the alternatives is short, the alternatives are not reviewed in stages, and


\textsuperscript{38} There are initially seven dimensions; timing, specialization, existence of argument in decision making subculture, public salience, political conflict, research, and staging. These seven are condensed later into the four mentioned here. Nelson Polsby, \textit{Policy Innovation in America}, pp. 146-174.
partisan conflicts tend to subside. In case of incubated policy change, the opposite is true. Therefore, for the relationship between the types of policy changes and the types of actors, it is argued, the more acute the policy process is, the higher the position of participants tend to rise, while the more incubated policy process is the lower the position of participants tends to be.

In their study of policy reforms in developing countries, Merlee S. Grindle and John W. Thomas provide a similar argument about the relationship between the types of policy changes and the actors involved. But they reverse Polsby's analytic procedure: that is, they first classify policy changes into two types, politics-as-usual and crisis-ridden, on the basis of whether the situations are perceived as critical by policy elites or not; they, then, search for the differences between these two types. In the crisis-ridden policy changes, it is argued, the status of decision makers rises when the problems are pressing, the stakes are high, it becomes innovative, and decision makers have little time to deal with the problem. On the other hand, in politics-as-usual policy changes the status of decision makers falls when the problems are chosen, the stakes are low, it becomes incremental, and decision makers have plenty of time to deal with it.

While these two analyses above focus mainly on the speed with which issues are processed, John C. Campbell's analysis focuses on the width or spread of the impact of the issues. He classifies the cases of policy change in Japan along two dimensions, idea and cost; whether the idea is new or old and whether the cost of change is high or

low. This two-by-two table produces four types of policy change; old idea with low
cost, old idea with high cost, new idea with low cost, and new idea with high cost. He
suggests that the newer the idea is and the higher the cost is, the higher the rank of
actors becomes; and the older the idea is and the lower the cost is, then the lower the
rank of actors becomes. Thus, in addition to the category of urgency, Campbell inserts
the cost factor for the involvement of top executive in policymaking.

These analyses of Polsby, Grindle and Thomas, and Campbell provide a more
precise understanding about the characteristics of the situations in which the
involvement of top leaders in policymaking is required. But, as with the analyses of
Kingdon and Wilensky, even these analyses do not address the questions of why the
leaders get involved with the issues, and the variety of outcomes which different levels
of leadership involvement may bring about.

As for the former question, the implication is, as suggested in the analysis of
Grindle and Thomas, that leaders' perception of crisis makes them get involved with
the issues. Though it may be true, it is also possible that leaders - while sharing with
the perception of crisis - may decide to take no action or no different course of action
so as to bring about no change. As for the latter question, then, little explanation can
be found in these analyses. We now need to turn to the leadership literatures that
concern the questions above.

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40 John C. Campbell, How Policies Change: The Japanese Government and the
3.2. Leadership Literature

The study of leadership has a long history; we know Plato’s philosopher king and Machiavelli’s prince of a distant past, as well as Freud’s psychoanalysis and its influence in the more recent analyses. Accordingly, they have dealt with a variety of questions - for example, how leaders and leadership can be defined, the factors that generate leadership, why leaders get involved in certain actions, and why leaders come up with different results. This section will focus on the latter two topics, by reviewing the relatively recent attempts at analyzing political leadership.

The first question - why leaders take certain course of action - has been explored in great depth, most notably in the Freudian psychoanalytic tradition. But if we rephrase this question as "why leaders choose certain issues, and not others, in the specific level of policymaking, the answer seems to be narrowed down to several factors. In his study of the president's agenda, Paul C. Light mentions three criteria on which presidents rely in selecting certain issues. Termed as presidential goals, they are reelection, historical achievement, and good policy. That is, certain issues are chosen either because they benefit the president’s electoral constituency, which may help him get reelected; or because their achievement may help his name to be evaluated favorably in history; or because they match with his specific social concerns or values.


Valerie Bunce also agrees with Light about these criteria. In her cross-national study of whether new leaders make a difference or not, Bunce suggests that the reasons behind the fact that budgetary priorities change when new leaders come to office are leaders' desire to be reelected, the influence of their social concerns or values, and their desire to make their mark on history.43

The discussion about the second question - how leaders come up with different results - often involves a typology of leadership that corresponds more or less to the varying degrees of change. James M. Burns gives us two types of leadership: transactional, bringing about incremental changes, and transforming, bringing about substantial or maximal changes.44 According to him, leadership is a particular manifestation of a power phenomenon that is inherently interactive, and so occurs when the motives of power wielder and those of power recipient are related and congruent. Thus, all leadership is assumed to be basically transactional. For that basic, transactional leadership to change to transforming leadership - one that brings about substantial changes in his organization or society - Burns argues that the values and personality that leaders hold become critical in that they must be matched with those of the followers.

Acknowledging the importance of the values and personality that leaders possess, James D. Barber shows in his study of American presidents how the combination of these elements can come up with different policy outcomes. According to Barber, a


president's personality, which is patterned and consists of character, worldview and style, is an important shaper of his presidential behavior on nontrivial matters. He mentions four types of presidents that the combination of these elements generate, which can be delineated by two dimensions, activeness and self-esteem. The four types of presidents are active-positive, active-negative, passive-positive, and passive-negative. His main argument is that, even though personality alone does not determine presidential behavior since presidents have to face the power situation and the national climate of expectations, the active-positive type is the most desirable one, in that it can overcome the environmental barriers and make changes.

Although not denouncing the importance of the values and personality leaders hold, some scholars give emphasis on the leaders' ability and the strategies they employ beyond their values and personality. Following Neustadt's famous theme that presidential power is the power to persuade, Barbara Kellerman argues that, for presidents to develop a role-determining leadership, not a role-determined one, they need the ability to engage in skilled interpersonal activity. Political tactics the presidents may employ in this regard are bargaining, compromise, arm twisting, personal appeals and access, detachment and others. Doig and Hargrove propose an entrepreneurial type of leadership. For the development of entrepreneurial leadership, they suggest that leaders at first have to assume three characteristics: a


46 Barbara Kellerman, The Political Presidency, pp. 54-57.

capacity to engage in rational analysis, an ability to see new possibilities, and a desire to make a difference. Then, with these characteristics leaders also have to identify new missions and programs for their organizations; develop and nourish external constituencies to support the new goals; create internal constituencies through changes in the existing systems; enhance the organization's technical expertise, in order to improve its capacity; motivate and provide training for members of the organization; and systematically scan organizational routines and points of internal and external pressure, in order to identify areas of vulnerability, followed by remedial action.

If Burns implicitly argues that the leaders' behaviors are inherently limited, Bert Rockman reveals that leaders' successful choice of strategies is constrained by their environments. He divides political environment into four types with two criteria of whether political culture is adversarial or accommodative and whether political aggregation is centripetal or centrifugal. The first political environment is majoritarian and exclusive, as seen in the party government; second, corporatist and inclusive, as seen in some European polities; third, splintered and inclusive, as seen in minority government; fourth, bureaucratic and exclusive, as seen in clientilism and sub-governments. According to Rockman, the strategy of mechanistic direction is likely to be found in a majoritarian and exclusive political environment; syndicating and bargaining in a corporatist and inclusive political environment; entrepreneurial promotion in a splintered and inclusive political environment; and maintenance and adjustment in a bureaucratic and exclusive political environment. Recent survey of West European prime ministers confirms Rockman's emphasis on the importance of political environment. In summarizing the survey results of seven European countries,

48 Bert Rockman, The Leadership Question, pp. 204-207.
G. W. Jones concludes that the most critical factor determining prime minister's power is the nature of the party system. Accordingly, he argues that a truly successful prime minister should fit the circumstances of the place and time.

3.3. Framework of Analysis

What has been reviewed in the previous two sections can be summarized as follows. First, policy change takes place when there exist a problem, an appropriate solution to the problem, an agent to adopt the solution for the problem, and the public support for link between the problem and the solution. Second, the kind of actor that agent would be depends on how the issues are processed. That is, the more urgent the nature of the problem is, the higher the status of the agent becomes, and vice-versa; and the wider and the broader the influence of the problem and its solution reaches, the higher the status of the agent becomes, and vice-versa. Third, therefore, the likelihood of a top executive's leadership to appear increases as the issue becomes more urgent and reaches to wider constituency. Fourth, besides these external conditions, whether or not the leaders can bring about acknowledgeable results in the given situation depends on internal conditions, too. These internal conditions are the extent of the leaders' commitment to the issues as well as the existence of appropriate strategies to bring about the resources for increasing their leadership. Fifth, the extent to which the leaders can be involved with the issues in turn depends on what they possess internally.


and externally. That is, the larger their external resources (in terms of organizational supports coming from the party, bureaucracy, and interest groups) are, the greater their involvement becomes. Even if leaders lack the external resources, however, the more they are motivated internally in terms of the values, personality, desires, interests, and expertise, then the greater their involvement becomes.

Based on this literature review, this thesis will analyze the processes of administrative reform and tax reform in the following two ways. In order to see how certain policy outcomes are brought about, this thesis at first describe the interactions between different actors on various issues within two reform cases. In this descriptive part the extent of issue pregnancy will also be briefly depicted. Issue pregnancy here means the combination of problem recognition and solution feasibility. The second part starts by examining in retrospect the extent of prime minister's commitment to the issue. It will be, then, explained in terms of its relationship with his internal resources such as values and personality as well as his external resources and strategies. The review of prime minister's external resources, which is divided into public sentiment, intraparty situation and bureaucratic concern, will show how the initial extent of issue pregnancy is affected by his strategy.

Unlike the traditional arguments emphasizing the constraints on the prime minister, this thesis will then try to show that the Japanese prime minister can strengthen his role in policymaking if he is equipped with the conditions of issue pregnancy and leadership commitment. Besides these general conditions, there are several reasons for such argument that are peculiar to Japan and comes from the acknowledgment of the changes in the socioeconomic conditions and their influences on the policy deliberation. They are the growing complexity of policy issues and the consequent necessity to mediate the clashes between different interests, and the advent of the "zoku" politics. One other
aspect this thesis try to argue is that the Japanese political structure has the necessary elements to support the maximum leadership of top executives; it is the stable but frequent turnover of leaders with varying characteristics, which is coupled with the existence of stable policy preparation source and the tenacious process of policy deliberation.

The stable source of policy preparation and the tenacity of policy deliberation lead to the deepening of issue stalemate and the tendency to ascribe the responsibility of solving the unsettled, ongoing issues to the new leader in office. On the other hand, the frequent circulation of leaders with varying characteristics assumes that the leadership differences can bring about different interpretations of the existing structural constraints and the situational characteristics in which certain issues are located. This thesis will try to show that this frequent circulation of leaders with different values, personality, and methods generates a better chance for the ascribed responsibility to be matched with the proper leadership. The basic proposition of this thesis is, therefore, that it is not so much by the structural constraints, but the leadership characteristics that hampers the development of prime minister's leadership in the Japanese policymaking process. We will examine this structural feature more specifically in Chapter 2 and try to show it in the analyses of two processes, administrative reform and tax reform, in the following chapters.

4. The Methodological Notes

Here we will discuss the concept of leadership, the data, and the composition of this thesis. There have been two kinds of definitions of leadership; one is the positional
According to the positional definition, leadership is some kind of quality that the leaders are assumed to have. On the other hand, the behavioral definition suggests that leadership is something occurring when one tends to shape the actions of other persons. The latter emphasizes the interaction between the leaders and the followers, while the former seems to argue that every one in the position of leader can generate leadership. This thesis will adopt the latter definition since our attempt, to see how and why the role of certain leader and not others is amplified in certain policy area and not others, is ultimately to trace the relationship between the leaders and the followers. Hence, the major indicator for a leader's success in developing leadership is that of whether he comes up with acknowledgmentable policy outcomes.

The materials used in this thesis can be divided into four kinds. One is statistical data, in which economic indices, the election results, and the survey results can be included. The second consists of documentary materials, including the statements, speeches, books, reports, and others made by the actors who are analyzed in this thesis. The third is data collected through interviews that had been conducted mainly in summer of 1991. Due to the insufficiency of the third kind of data, especially for


52 The preliminary questionnaire for interview was prepared and sent to the selected interviewees prior to the conduct of interview in fall of 1990. It was mainly focused on two themes: one is the question of how seriously the interviewees had perceived about fiscal crisis, that is, the growing national debt; and the other is the question of how important they think the role of prime minister was in the process of administrative reform. The interviewees included the bureaucrats, politicians, and businessmen in four cabinets: the Fukuda cabinet, Ohira cabinet, Suzuki cabinet, and Nakasone cabinet. Also included were the scholars who participated in the PCAR. Of the
the tax reform case, this thesis relies on the fourth type: interview data collected in the secondary sources such as the journalistic accounts of the events. Because of the problem of validity this type of data has been carefully used and compared between them.

Besides this introductory chapter this study will be composed of four other chapters. In Chapter 2 we will, first, briefly review the role assigned to the Japanese prime minister in the Constitution and, relatedly, the resources he can employ. Then, we will discuss the circulation of prime ministers: that is, what it is and how it is done to help the prime minister increase his role. Chapters 3 and 4 will examine the administrative reform and the tax reform, respectively. For the administrative reform, three cases of Fukuda, Suzuki, and first Nakasone cabinets will be analyzed; for the tax reform, the other three cases of Ohira, second Nakasone, and Takeshita cabinets will be analyzed. Each cabinet will be explored, first, in descriptive terms; that is, to describe the development of reform efforts in each individual cabinet. Then, we will see how the demands of actors other than the prime minister are matched with what the prime minister has and tries to do. The last chapter will consist of concluding remarks that summarize what has been analyzed.

initially selected 120 interviwees, only eighteen responded with their intent for interview. Due to the poor showing of interview and the inclusion of new case of tax reform, this interview data was rarely used and that is why its procedure is not precisely described in an appendix at the end of this dissertation. I, however, want to and have to acknowledge the help of these respondents and express my sincere thanks to them in this space.
CHAPTER II
THE LEGAL AND INSTITUTIONAL STRUCTURE

Before examining two processes of administrative reform and tax reform, I will explore in this chapter the environments Japanese prime minister generally has to face. The examination of these environments will show where the possibilities the role of prime minister can be increased may lie, through the review of following three aspects. The first aspect is the role and status of prime minister assigned in the Constitution and the related laws. The second aspect is the institutional arrangements surrounding Japanese prime minister. Then, lastly, it will talk about the leadership circulation in Japan: what are its characteristics and how it can be related with the amplification of prime minister's role in policymaking.

1. The Constitutional Role and Status of the Prime Minister

According to Article 67.1 of the postwar Japanese Constitution, the prime minister is to be nominated and elected in and by the Diet. He should be a member of the Diet and his election should be the foremost agenda in the procedure of the Diet. After the designation in the Diet, the House of Representatives presents the name to emperor through the cabinet and upon this designation the emperor appoints a prime minister. Of course, this appointment by the emperor is only a ritual one. Unlike the status in
the Meiji Constitution, prime minister in the postwar Constitution is a constitutional position or institution since Article 66.1 of the constitution specifically mentions that the cabinet consists of a prime minister as "shucho"\(^1\) and other ministers.\(^2\)

Depending on how to interpret the term "shucho," we can have three different views of leadership status of the prime minister.\(^3\) The first view interprets the term of "shucho" as simply meaning that he chairs the consulting body called the cabinet. Thus, the status of prime minister is assumed to be equal with that of other ministers though he internally leads and supervises the work of the cabinet as the chairman of the consulting body and externally represents the body. According to this view, the status of prime minister under the postwar Constitution becomes the same as the one under the Meiji constitution where it was described as "shuhan." The second view takes an opposite position. Emphasizing the literal meaning of "shucho," it argues that prime minister is a top decision-maker, who can single-handedly deliver the decision and place the role of other ministers only to aid and advise him.

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1 The term "shucho" is the combination of two words that have almost identical meaning; "shu" means the head of a group and "cho" means the chief of a group. This term is compared with that of "shuhan" inscribed in the Meiji Constitution that means the primary seat, while "shu" means the head of a group and "han" means the seat.

2 Under the Meiji Constitution the only mention of the cabinet or the prime minister was that each minister had the responsibility to assist and advise the emperor (55.1). There was no other clause discussing about the cabinet or the prime minister; they were instituted by the cabinet-related laws.

3 Osuga Akira, "Naikaku Sori Daijin no Chii (The Status of Prime Minister)," Hokaku Semina, special issue (March 1979), pp. 260-261; Osuga Akira, "Naikaku Sori Daijin no Kengen (The Authority of Prime Minister)," Hokaku Semina, special issue (March 1979), pp. 262-263.
Then, the third view takes a middle ground. It admits that the term "shucho" places prime minister above the other ministers and makes him the center of the cabinet. Thus, though it is the same with the "shuhan" position of the Meiji Constitution in that he internally chairs the cabinet and externally represents the cabinet, it is argued, his rights and authorities stipulated in the postwar Constitution give him much more prestige above the other ministers so as to help him in maintaining the unity and integrity of the cabinet. Such rights and authorities, given by the provisions, are the ones to appoint the ministers, to necessitate the prime minister's approval at the time of his cabinet members' prosecution, and to lead and supervise the administration.

The differences between these three views on how to interpret the term, "shucho", are derived from the problem of which should be given the priority between the integrity of the cabinet and the leadership of prime minister. Based on the popular sovereignty the postwar Japanese Constitution gives the cabinet the final authority to make decisions for the people and at the same time stipulates the collective responsibility of the cabinet to the Diet. The latter of collective responsibility to the Diet necessitates the integrity of the cabinet that in turn implies a form of consultation in the cabinet on the one hand and a leader and his leadership on the other.

For the leadership role of prime minister, the Japanese Constitution provides prime minister with the right to appoint the ministers in Article 68, the right to approve the prosecution of the ministers in Article 75, and the authority to lead and supervise the administration in Article 72. It also has the provision that in case of the prime minister's absence the cabinet has to resign in Article 70. For the need of consultation in the cabinet, however, the Japanese Constitution says in Article 65 that the cabinet is the subject of administration and is collectively responsible to the Diet. In addition,
Article 4.1 of the Cabinet Law specifies that for the cabinet to carry out its tasks it should be done by the cabinet meetings and Article 6 shows that the administrative leadership and supervision of the prime minister should be based on what is decided in the cabinet meeting.

Osuga Akira asserts that the third view mentioned above is a more appropriate interpretation of prime minister's status. What this middle ground interpretation implies is that there is ample opportunity for Japanese prime minister to recognize his power for either direction of expansion or contraction and that it would much depend on who become prime minister. Besides these legal aspects mentioned above, we still need to see the actual institutional arrangements of the government in order to understand the extent of prime minister's leadership in policymaking because the formal and legal aspects of the government may hide what is really going on.

2. The Institutional Surroundings of Japanese Prime Minister

In this section we will go over three aspects of the institutional arrangements that surround the Japanese prime minister. The first aspect is the election process of prime minister in which we can see a prototype of factional politics in Japan. The second is the Office of Prime Minister where we can see the resources that prime minister can subjectively employ. The last one is the policymaking process in which we can see how the party, the bureaucracy, and other social forces interact with each other.

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2.1. The Process of Presidential Election in the LDP

The fact that the Liberal Democratic Party has governed Japan for more than three decades by winning the majority of seats in the Diet implies that its president is almost automatically to be selected as prime minister of Japan. It makes a ritual of the election process of prime minister in the Diet where the opposition parties, independently or in concert, also nominate their own candidates. Thus, the discussion of how prime minister is elected in Japan is directly related to the one of how the party president is selected in the LDP.

According to the original Constitution of the LDP, the party president is to be selected in the party congress where the Diet members and some notable party members have the right to vote. Any Dietman can be a candidate if he donates a pocketful sum of money and obtains certain number of signatures from fellow members. However, almost all the presidential candidates have been the factional leaders who can easily satisfy these requirements and have the best chance to win the contest. Accordingly, the presidential contest has become the arena in which factional struggles erupt.

Factions are not found exclusively in the LDP. They also exist in other parties such as the Japan Socialist Party and the Japan Communist Party. They are not confined to the political arena, either. They are very old and prevalent in Japanese society and in some sense a part of life for Japanese people who are connected with various ties such as the school-related, the family-related, and the work-related. Though we can trace back to the prewar era for the origin of the present factions in the LDP, it can be said that the present factions in the LDP were born at the time of the party's formation.
The present Liberal Democratic Party was formed in 1955 by combining the various parties in the conservative camp. The motive was given by the socialist movements whose bisected factions, the radical and the moderate, came to an agreement to reunify themselves as one, the Japan Socialist Party. Due to these moves of the socialist camp the conservative parties also decided to unify as one and realized the unification few months earlier than the socialist unification. The fear of the conservative camp about the socialist unification was not at all unjustified at that time. The socialist party during 1947-48, then unified while the conservatives camp was fragmented, seized the chance to govern the nation, though it was the first and only experience it has had until now.

The efforts of the conservative parties have been successful in preventing the socialist party from forming a government. They, however, seeded the cause for the ongoing process of factional strife since those conservative parties participated in the unification succeeded to survive as the factions. The parties to unification are the Liberal Party, led by Ishibashi Tanzan after Yoshida Shigeru's resignation; the Democratic Party, headed by Hatoyama Ichiro and composed of the former professional politicians and some purged bureaucrats such as Kishi Nobusuke; the


6 It was prepared before the autumn of 1993 so that it did not include the event that the Japan Socialist Party participated in the present Hosokawa cabinet.
Progressive Party, led by Miki Takeo and some other mini-parties. From the Liberal Party came out the Ikeda faction and the Sato faction that changed to the Ohira faction and the Tanaka faction respectively. From the Democratic Party the Kishi faction and the Kono faction that changed to the Fukuda faction and the Nakasone faction respectively. The Miki faction came from the Progressive Party, which changed to the Komoto faction. Presently, there are four major factions; Takeshita faction, Miyazawa Kiichi faction, Watanabe faction, and Mitsuzuka faction. Several minor factions, such as the Nikaido faction and the Ishihara faction also exist. The lineage of factions is not monolithic; that is, at the time of succession a faction is prone to be bisected into a newly formed main stream of the former faction and a small segment of dissidents.

The eruption of conflicts between factions in the presidential contest has various causes. The foremost one is related with the major function or raison d'etre of factions. The new Dietmen may choose certain factions due to their tastes and personal relationships, but more importantly they join the factions because of the benefits coming from it. Entering one of the factions, he can have the opportunity for promotion, needed information, the feeling of belongingness, and necessary funds. The demands of their constituency can be more easily and swiftly solved and processed. From the perspective of the faction as a group, however, the most important thing is to make their respective faction leaders elected as party president. This power contention

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7 Again since this study was prepared before the autumn of 1993, it did not include the events leading to the breakup of the Takeshita faction; from the Takeshita faction came out the Obuchi faction and the Ozawa group; and the latter defected from the LDP and formed the New Party that participated in the coalitional Hosokawa government.

function is so important that faction leaders, especially those of major ones, need to participate in the presidential contest, even though, they may withdraw midway by compromising with other contenders. By participating in the contest they make their followers proud of their factions and leave the hope they may also have the similar chance.

Their failure to participate in the contest on the other hand may result in the loss of their status. For example, Maeo Shikesaburo, who succeeded the Ikeda faction, one of the biggest factions in the LDP, lost or threw away the chance to compete in the presidential contest at the time the second Sato cabinet was ending, which cost him the status of faction leader. Sato Eisaku, hoping to obtain his third term, dissuaded his possible contenders, including Maeo, from participating in the contest. With the promise of return favor, Maeo abandoned his candidacy. Making things worse for Maeo was that he had to be content with a minor ministry, not the position of secretary general he expected. This series of events stirred discontent within his faction and brought about the rebellion of the younger generation led by Ohira Masayoshi.

The similar case can be found in the transition of the Tanaka faction to the Takeshita faction. Tanaka Kakuei, who successfully recruited most members of the Sato faction, became prime minister after Prime Minister Sato. Contrary to the early expectations that his primiership would last long, he only succeeded to stay in his first term because of money scandal which haunted him thereafter. It was assumed, therefore, that his status as faction leader would be jeopardized. But he managed not only to maintain his leadership status but also to expand the size of his faction. Due to his resources such as money and followship, he played a role of kingmaker for more

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than a decade. Even with his resources, he could not prevent for long the dissatisfaction from accumulating within his faction. Faction members became uneasy about the fact that, despite the faction's status as the most numerous one in the LDP, it could not nominate its own candidates in the party presidential contest. It was Takeshita Noboru that assembled most of the Tanaka faction members and started his own faction just before the 1987 presidential contest in which his colleagues of similar age participated.

The extent of factional conflict can be also augmented during the process of presidential contest. While all the factional leaders express at least nominally their willingness to participate in the contest and do so, the final outcome turns out to be the competition between two major contenders, usually coming from or backed by major factions. It is partly because a procedural rule specifies that, if no one obtains a majority vote on the first ballot, only the two contenders with most votes can proceed to the second ballot. But it is not merely a matter of procedure, since it is not difficult to think from the beginning that any one can hardly obtain more than half the votes if there are more than three candidates. Thus, major faction leaders put all their efforts on the one hand to get the most votes by tightening their own factional votes and gaining extra votes through dissuading the candidacy of other small factions for return favor. On the other hand they make alliances in advance with other major and minor factions in preparation of the second ballot.

The conflict between factions become so acute and severe that it sometimes almost reaches to the point of party secession. To prevent the worst outcome of this kind, the presidential selection in the LDP takes from time to time the "designated" form other than the competitive, bisected form reviewed above. In this form a third member is named as an arbiter of designating the party president, whose balanced posture is well
respected by the presidential contenders as well as all the party members. There have been several cases of this form. The "Shiina Designation" named Fukuda Takeo as the next prime minister, when the rivalry between Fukuda Takeo and Ohira Masayoshi became so obvious on the presidential election after Prime Minister Miki's resignation. The "Nakasone Designation" named Takeshita Noboru as the next prime minister, when three "new" leaders of Takeshita Noboru, Abe Shintaro, and Miyazawa Kiichí failed to agree among themselves at the end of Nakasone's prime ministership.

The presidential selection of the LDP also produces the "money" problem since a great sum of money is needed to buy votes during the selection process. Money can talk not only because the voters as Dietmembers need it, but because once their bosses withdraw from the contest the Dietmen as factional members are free to make their own choice. Due to these practices, the LDP in 1977 revised its constitution to allow all the party members to participate in the election process. However, it has not helped to solve and, in some sense, it has aggravated it since more money is needed to buy the votes due to the increased number of voters.

The effects of the presidential selection process on the role of prime minister in policymaking appear in the distribution of posts in the party and the administration. Since he has to acknowledge the efforts of other factions that have helped him get elected by giving them some important posts such as the secretary-general, the prime minister-to-be and his faction cannot monopolize all the posts. He also has to leave some posts to the opposition factions though how much he would give regards to them is very much dependent on him and his situation.

The distribution of the posts between different factions itself, however, does not automatically mean that the leadership role of prime minister in policymaking is dampened. First of all, it is because, despite the distribution of the posts between...
factions, the supporters of the elected prime minister may occupy more than the half of the posts and maintain their supports for him. The second reason concerns the relationship between factional tie and the policy stance of Dietmen. Though each factional leader demands strong discipline at the time of presidential election his grip towards his factional members in lieu of policy matters is quite loose. It is because individual Dietmen may have different interests depending upon the circumstances of his constituency. We will see more in detail about the relationship between the factional tie and the policy stance later when discussing the policy flow. From what has been discussed above, we may say that the existence of factions is distracting the role of prime minister in policymaking, but that it does not necessarily limit the prime minister's role to the minimal level of leadership.

2.2. The Office of Prime Minister

The prime minister's Cabinet is composed of the heads of the Office of Prime Minister and the Ministries of Foreign Affairs; Finance; Education; Justice; Health and Welfare; Agriculture, Forestry and Fisheries; Posts and Telecommunication; Labor; Construction; and Home Affairs. Of these units, we will focus in this section on the Office of Prime Minister, particularly on its central office, in order to see the size of the staffs from whom the prime minister can get personal help.

The Office of Prime Minister (OPM) is composed of a central office, nine external agencies and three regulatory commissions. Those nine agencies are the Agency of Management and Coordination, Hokkaido Development, Defense, Economic Planning, Science and Technology, Environment, Okinawa Development, National Land, and Imperial Household. All but the Imperial Household Agency are headed by officials
designated as minister of state. These agencies are as powerful, well-organized, and well-staffed as any cabinet-level ministry mentioned in the beginning. Three commissions at the sub-cabinet level are the Fair Trade Commission, the National Public Safety Commission, and the Environmental Disputes Coordination Commission. Though these twelve administrative units are placed in the Office of Prime Minister, their work is not so much to aid the prime minister personally. Rather they are quite independent from the reach of the prime minister since they have their own jurisdiction under the leadership of their respective heads. Thus, what may be more likely called as the personal staffs of prime minister is narrowed down to the central office.

Unlike the other ministries and agencies, the central office is headed by the prime minister himself. It has four main components: the Cabinet Secretariat, the Legislation Bureau, the National Personnel Authority and the National Security Council. The major task of the Legislation Bureau is to examine the draft bills that are sent to the Office of Prime Minister before they are presented to the Diet. In fact, however, it cooperates with the bureaucracy before the bills reach the OPM. The National Personnel Authority takes charge of advising the prime minister on the control of the administrative workforce and the salary level. The National Security Council examines the issues concerned with the national security, which is headed by the prime minister himself and composed of the other relevant ministers such as the Director-General of the Defense Agency. Though these three institutions help the prime minister on their respective areas, their advice tends to be confined to the designated fields of administration. The overall aid to the prime minister on a variety of policies, therefore, comes down to the Cabinet Secretariat.

The Cabinet Secretariat is led by chief cabinet secretary who is often called the face of the cabinet. It is chief cabinet secretary who initially introduce the new cabinet members in the press conference after the formation of a new cabinet. He is the spokesman of the cabinet. He also presides over cabinet meetings. Though these meetings are ultimately led and supervised by prime minister, the chief cabinet secretary sitting next to him expedites the meetings. Article 12 of the Cabinet Law specifies that the chief cabinet secretary is responsible for summarizing the proceedings of cabinet meeting and coordinating the important issues of the cabinet meetings as well as the general affairs of the cabinet.

To the post of chief cabinet secretary is appointed a man most trusted by and most faithful to the prime minister, not only because the tasks mentioned above are so important but because he may have to protect the prime minister at all costs from the problems he may encounter while carrying his tasks. It is, therefore, somewhat customary to choose the chief cabinet secretary from the prime minister's faction. Nikaido Susumu was appointed in the first and second Tanaka cabinets, who could say that his "hobby" was Tanaka himself. Inode Ichitaro of the Miki cabinet is another example, who had lived together after the Pacific war and was known to have often discussed the future of Japan with him.

While faith and trust are indisputably basic qualifications to the appointment for the post of chief cabinet secretary, it is also dependent on some other elements since the role he plays varies. One of his foremost roles is that of policy advisor. Ohira Masayoshi, who had worked in the Ministry of Finance before becoming a Dietman, served as chief cabinet secretary in the first and second Ikeda cabinets and aided Prime

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Minister Ikeda in carrying out the income-doubling plan. Kimura Toshio, who had experiences in the Ministry of Foreign Affairs, served as chief cabinet secretary in the second Sato cabinet and was indispensable to the return of Okinawa.

The chief cabinet secretary also plays the role of a moderator, especially when dealing with the LDP Dietmembers. Shiina Etsusaburo in the second Kishi cabinet put all his efforts to appease the dissatisfaction of the LDP Dietmembers when Prime Minister Kishi pursued the controversial revision of the Police Law. Hori Shigeo in the second and third Sato cabinets also made great efforts to soothe the dissatisfaction of the LDP Dietmembers, when the extended tenure of Prime Minister Sato was met with a number of misbehaviors. The chief cabinet secretary plays a role of image maker, too. Takeshita Noboru in the third Sato cabinet and Abe Shintaro in the Fukuda cabinet contributed to impinging on the public the fresh image of their respective cabinets due to their relatively young age. The intimate relationship with the prime minister, along with the roles mentioned above, makes him the most important member of the prime minister’s staff.

Under the chief cabinet secretary there are two under-secretaries: political and administrative. The political under-secretary takes care of the relationship of prime minister with the opposing parties as well as with the other LDP members. Thus, when the Diet is on session, he is busy meeting the Dietmembers of all the parties so as to run the Diet smoothly. He also handles mass communications. The administrative under-secretary on the other hand takes charge of coordinating the issues coming from the various ministries. He presides over the administrative vice-ministers’ conference which is responsible for narrowing down the differences between ministries on all the issues before the cabinet meetings. The administrative under-secretary is given a fixed
term of two years, like the other administrative vice-ministers, while the term of political under-secretary is more prone to be short and fluctuate.

The Cabinet Secretariat is composed of seven bureaus; the general staffs bureau, the internal affairs bureau, the external affairs bureau, the security affairs bureau, the public relations bureau, the information bureau, and the special affairs bureau. These bureaus are headed by those who are seconded from the related ministries. For example, the chief of the internal affairs bureau comes customarily from the Ministry of Finance, the external affairs bureau chief from the Ministry of Foreign Affairs, and the information bureau chief and the security chief from the Police Agency.

All the staffs of the Cabinet Secretariat work for the prime minister, but only eight people have the direct and frequent contact with him in his private office. Along with chief cabinet secretary and two cabinet under-secretaries mentioned above, those are the prime minister's five secretaries. Like the chief cabinet secretary, the chief secretary of prime minister is also the one who has worked with the prime minister for a long time, and so most trusted by him. Their roles are also varied; sometimes political advisor, sometimes policy advisor, and sometimes political moderator. Often appointed to the position are the relatives of the prime minister: for Prime Minister Kishi, his son-in-law Abe Shintaro served as the chief secretary; for Prime Minister Miki, his son-in-law Takahashi Wataru; for Prime Minister Fukuda, his eldest son Fukuda Yasuo; and for Prime Minister Ohira, his son-in-law Morida Hajime. Sometimes the newspaper men are appointed; Ito Masaya for Prime Minister Ikeda, Kusuda Minoru for Prime Minister Sato, Nakamura Keiicho for Prime Minister Miki, and Hayasaka Shigejo for Prime Minister Tanaka.

The other four secretaries are the ones seconded from four major ministries; the Ministry of Finance, the Ministry of International Trade and Industry, the Ministry of
Foreign Affairs, and the Police Agency. Only three posts are reserved in the related law. Two additional positions were created at the prime minister's discretion. The dispatch from the MITI was quite recently adopted by Prime Minister Tanaka who needed personal advice when he launched on his plan to revitalize the Japanese archipelago. One major role is to prepare prime minister's replies in the Diet, but they also perform the role of a communicator, mediating between the prime minister and their original bureaucracies. On the one hand, they deliver the prime minister's decisions to their respective ministries and on the other hand, channel the bureaucracy's wishes to the prime minister.

As shown above, Japanese prime minister can not be said to have a large staff for policymaking, especially when he is compared with the president of the United States who has about four hundreds personal aides.\(^\text{12}\) Even with this apparent lack of staff, however, three aspects can be still mentioned as the possibility that may increase the role of prime minister in policymaking. The first aspect is related to the monetary resources. The Japanese prime minister is said to have an ample supply of funds that need not be scrutinized by the auditors.\(^\text{13}\) Though the usage of these funds has not been revealed, it is not difficult to think that among other things it can be used for consoling the opposition group and advertising the government policies. The second aspect comes from the role of chief cabinet secretary. The chief cabinet secretary, being one of prime minister's most trusted men, is inclined to support the initiatives of the prime minister, not to reflect those of the whole cabinet. Gotoda Masaharu in the


\(^{13}\) Onda Mitsuku, *Naze Sori Daijin Nanoka*, p. 49.
Nakasone cabinet and Obuchi Keizo in the Takeshita cabinet had endeavored to push their respective prime minister's agenda by attending the various meetings of the LDP and the government, and to advertise it. It is not clear what the members of the Cabinet Secretariat would do in relation to their respective ministries, but the close relationship between prime minister and chief cabinet secretary certainly increases the chance to make the Cabinet Secretary as their own, depending on their abilities. Thus, the Japanese prime minister has one critical assistance from chief cabinet secretary that Neustadt mentions as the necessary items for amplifying the British prime minister's role in policymaking.\textsuperscript{14}

The last aspect is a possibility that the staffs can be expanded. The expansion of the personal secretaries from the law-stipulated three to the present number of five is one example. There are some other examples: Prime Minister Fukuda created a post called the External Economic Affairs Advisor, despite the opposition of the Ministry of Foreign Affairs; and Prime Minister Ohira also created a system of personal aides that emulated that of the U.S.A., though it faced strong resistance from the bureaucracy. In this respect Prime Minister Nakasone's use of the advisory committees is most conspicuous. We will see this more specifically in the following subsection.

\textit{2.2.1. Public Advisory Committees}

Public advisory committees in Japan can be divided into various types; for example, between non-statutory and statutory ones and between ad hoc and permanent ones. The PCAR (Provisional Council on Administrative Reform) and the PCPAR (Provisional Council on Promoting the Administrative Reform), which were formed under the

Suzuki and Nakasone cabinets respectively, are the ad-hoc advisory committees that are erected to consider a particular policy problem. Thus, they are disbanded when they reach a certain deadline or when they accomplish their task. These are to be accorded by the National Government Organization Law.

It is a widely-held view that advisory committees have been used by the ministry bureaucracies as a means of legitimizing their own policy positions. Nominally, the creation of advisory committees is directed to introduce new expertise into government, to reflect the views and ideas of different interests related with certain policies, to promote fair and equitable implementation of public policies, and to help coordinate related programs of various government organizations. These official goals of the advisory committees were no more than principles for democratic appearance and the bureaucracy has played the role of controller or manipulator and imposed its own interests on the council's discussion.

Recently, however, there have been several changes in the advisory committees that helped them to renew its traditional status. They correspond to political changes like the increasing weight of the LDP in policymaking and the growing importance of the National Diet. First of all, the role of advisory committees has expanded in line with the enlarged scope and diversity of subjects given to them. Moreover, in general practice, draft legislation has often been referred to advisory committees, and they are more in the public eye. Relating to this, the information-gathering capabilities of public advisory committees have been developed by the help of non-governmental


organizations such as research institutes and association interest groups. The quality of information gathered by them has increased to the point where they can effectively challenge the bureaucracy as a source of information.

The second conspicuous change can be seen in their membership. The number of state bureaucrats, officials of "tokushu hojin (special corporations)," and Diet members serving on advisory committees has decreased significantly. On the other hand, the number of participants from the universities and mass media, along with representatives of specific interest groups (labor, professions, and prefectoral and local governments) and public interest groups (consumers and environmentalists), has increased.\(^{17}\) The third visible change is the regular use of public advisory committees. The political salience of public consultation through advisory committees has risen increasingly. For instance, by the end of 1985, after three years in office, Prime Minister Nakasone had formed three ad hoc shingikai's: the Provisional Council of Administrative Reform (Rinji Gyosei Kaikaku Suishin Shingikai), the JNR Restructuring Supervisory Council (Kokutetsu Saiken Kanri Iinkai), and the Temporary Investigatory Council on Education (Kyoiku rincho). In addition, 12 private advisory committees were set up, including those dealing with severance payments (Taishoku Teate Seido Kihon Mondai Kenkyukai), foreign economic assistance (Taigai Keisai Mondai Kodanka), and the highly controversial issue of cabinet members' visits to the Yasukuni Shrine (Kakuryo no Yasukuni Jinja Sampai no Kansuru Kodanka). Relatedly, the number of private advisory committees, dealing mostly with foreign policy and defense, increased. Due to the ample use of these advisory committees, Prime Minister Nakasone's political

\(^{17}\) Ehud Harari, "Institutionalization of Policy Consultation in Japan," p. 154.
style has been known as "brain politics (buren seiji)" or "shingikai politics (shingikai seiji)." 18

What this surge of the advisory committees implies in relation to the prime minister's role is that he can use these institutions to achieve his goals on certain issues by appointing his own men. According to Aoki's account, about 60 percent of the PCAR members can be regarded as Nakasone's men, who are connected with him through various courses; i.e., school ties, military experiences, bureaucratic ties, and policy study group ties.19 Aoki also mentions that these members also served on other advisory committees; for example, in the PCPAR, the JNR RSC, and TICE mentioned above.20 It was Prime Minister Ohira that initially attempted to get the maximum use of the advisory committees. He was known to have held personal study groups in his house even before he became prime minister and he, on becoming prime minister, instituted nine advisory committees, privately attached to the post of the LDP president, which preceded Prime Minister Nakasone's 12 private councils.21 What all these come down to is that the advisory committees could be and had been used by prime ministers to make up for the lack of personal staffs.

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20 Aoki S., Dokumento Nakasone Famiri, p. 195.

21 Aoki S., ibid., p. 85.
2.3. The Policymaking Flow

As is the case in other countries, the process of policymaking in Japan is very complex, involving a great number of actors making demands on the leadership of the prime minister. In consideration of the fact that the LDP has been the predominant party for more than three decades, however, we will review in this section what the prime minister has to face in the governing circle, that is, the core actors of the so-called "Japan, Inc." Centering around the Policy Research Council of the LDP, we will sketch at first a general picture of the policymaking process, by which the interactions between LDP members, bureaucrats, and interest groups can be depicted. Then, the advent of "zoku" politics will be introduced, representing the trends changing this general pattern.

"Who governs?" is one of the hot issues in the study of Japanese politics and, though the question is not settled yet, the Liberal Democratic Party and the bureaucracy are the two that are most frequently mentioned in the discussions without exception. To review the Japanese policymaking process from the side of the LDP, therefore, may carry the implication that the LDP is relatively more important, but here it is done so only because the LDP has been at least formally the arena in which a variety of interests are involved while the process in the bureaucracy is more monolithic.

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The ruling party has the legal responsibility for passing the annual budget and drafting bills in the Diet that constitute national policy. The Policy Research Council (Seimu Chosakai; Seichokai or PRC) is the central organ that the LDP has established for performing this responsibility.\textsuperscript{23} It has a policy deliberation commission (Seicho Shingikai), 17 Divisions (Bukai), and a large number of research commissions and special committees. The policy deliberation commission is composed of the chairman, deputy chairman, and seven vice chairmen of the PRC, in addition to fifteen members from the House of Representatives and five members from the House of Councilors. The divisions of the PRC correspond to the individual standing committees of both houses of the Diet and these, in turn, relate to the jurisdiction of individual ministries and agencies. Depending on the issues, each division can institute sub-divisions or project teams. The number of research commissions and special committees is not fixed since, though some of them tend to be near-permanent, most of them tend to be terminated after their role is achieved. They can also make sub-committees when they are needed. The role of individual divisions, research commissions and special committees is to devise and examine the policies, but there is a difference between the role of the divisions on the one hand and that of research commissions and special committees on the other hand. As implied in their titles, research commissions and special committees ponder on the more articulated policy areas than individual divisions do so that they are chaired by senior "zoku" Dietmen. The issues examined in the research commissions and special committees has to be presented to the division level. It, however, does not imply that the division is more powerful than the research commission and special committee. It just shows the formal flow of policymaking.

\textsuperscript{23} Muragawa Ichiro, \textit{Jiminto no Seisaku Kettei Sisutemu} (LDP Policy Making System), p. 131.
The draft bills are prepared in two ways and thus they are divided into two types; party-initiated bills and government-sponsored bills. In the case of a party-initiated bill, the process begins with an outline being drawn up by the concerned division of the PRC. This outline is delivered to the respective government ministry that writes a draft of the bill according to the LDP's outline. The draft bill returns to the appropriate division of the PRC in which the details and issues connected with the bill are thoroughly examined.

The proposed bill by the appropriate division with the unanimous approval is then sent to the policy deliberation commission. When the difference of opinion is so acute as not to get the unanimous approval at the division level it is often delivered to the meeting of the division chief and vice-chiefs. If the decision cannot be reached, the bill goes to the Commission without obtaining approval for further deliberation. It is the same that unanimous decision is required in the discussion of the Commission. If there is still a significant difference of opinion at this commission level, the deliberation can be discontinued by the judgment of the Council's chairman and the issue is sent to a meeting of the Council's chairman and vice chairmen. When the draft bill does not get approval, it goes back to the division level for further work and if approved it goes to the General Council.

The General Council (Somukai) is composed of the chairman, seven vice chairmen, and 22 members. Present at the deliberations of the GC are also the party notables such as the secretary-general, the chairman of the PRC, the chairman of the Diet Affairs Committee, and the chairman and secretary-general of the Assembly of the LDP House of Councilors Members. Though the role of the GC is to conduct high-level discussions from an overall party point of view, it is customary for the draft bills to be unconditionally approved in the GC since they are approved by the central policy
organ of the party, the PRC. Upon approval of the GC a draft bill is sent to the party's Diet Affairs Committee where appropriate strategies for steering the legislation through the Diet are discussed.

In the case of a government-initiated bill, a draft passing through the levels of the section, bureau, and ministry goes to the LDP where it goes through the same procedure of party approval mentioned above. When a bill is drafted in the respective ministry, the bureaucrats contact the relevant party members, which is called as "nemawashi." It is to obtain the party approval without substantial amendment to their original draft. They also attend at the various stages of deliberation for explaining and protecting their intents. Only then is it passed to the Cabinet for its approval before being submitted to the Diet as a government-sponsored bill.

The picture of the policymaking process drawn above is surely a simplified one and it is risky to speculate about who governs on its basis. But there is some evidence signaling the ascending role of the LDP. We can see this at first by comparing the position of the bureaucrats between the period of 1957-1972 and thereafter. During the first period a bureau or section chief from the appropriate ministry had used the section meetings to lecture on the bills that it intended to introduce in the Diet.\(^{24}\) The various sections of the PRC and its policy deliberation commission in these early days had been the stronghold of the Diet members who just retired from public service. Even

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though these ex-bureaucrats were assigned to supervise the ministries that they were from, they were more inclined to represent the interests of their respective ministries.

Since the 1970, however, the activities of the Policy Research Council have shown some changes, which imply some independence from the bureaucracy. First, the frequency of the PRC sectional meetings has notably increased. According to Sato and Matsuzaki's analysis, the number of the PDC meetings declined to 52 times in 1983 from 162 times in 1956. In contrast, the number of the meetings at the levels of the divisions, research commissions, and special committees greatly increased from 29 in the LDP's beginning year to 80 in 1980.\(^\text{25}\) The increase in the number of the sectional meetings at the PRC is related to the increase in the relative importance of such meetings. It also means in turn that the deliberation at this level has been substantial and not merely rubber stamping what the bureaucracy has presented to them.

Second, the LDP's efforts to strengthen its deliberations on policy are also shown in its preparation for the new policy problems. For example, in order to investigate administrative and financial problems, the LDP established inside the PRC a special committee, the Administrative-Fiscal Special Committee, before its bureaucratic counterpart was instituted. The special committee was set up in 1976 and annexed to the existing Research Commission on Administrative and Fiscal Affairs in January 1977. Its establishment preceded the Provisional Council on Administrative Reform under the Office of Prime Minister that was born four years later.

Third, the increased importance of the PRC's subunits is also shown in the behavior of bureaucrats. It has become a custom for bureaucrats to participate in the PRC section meetings to make their appeals on the issues under deliberation. Legally,

bureaucrats are not required to bring the matter to the appropriate section. Under the changing political bargaining process, however, they are aware that it is unwise to skip a PRC sectional deliberation because without the PRC's formal recognition a bill would face serious opposition in the Diet legislative session. The changing behavior of the bureaucrats can be also seen in the lowering of the rank that the ex-bureaucrat Dietmen held at the time of their retirement. In the early years the ex-bureaucrat Dietmen were used to be high ranking officials such as the administrative vice ministers or the bureau chiefs. Recently, however, it is hard to find these high ranking officials, especially the administrative vice ministers, entering politics as beginners; instead the number of section chiefs has increased. This changed pattern can be explained by the aging of the LDP that necessitates the distribution of the cabinet and party posts according to the elected frequency of the Dietmembers.

Finally, the increased role of the LDP can be also seen from which direction the efforts of the interest groups to exert their demands are focused on. When the bureaucracy was powerful the activities of the interest groups were directed at the bureaucracy while they tended to mobilize the supports of the politicians. Recently, however, their activities tend to focus directly on the party and, more specifically, the concerned PRC sections. For example, when the taxation of office automation products became the issue in 1984, the related industries gathered around the Dietmen and asked them to reflect their positions in the LDP Research Commission on Tax.26

The increased role of the LDP in Japanese policymaking can affect the leadership of prime minister in both ways. It is negative in that it would mean the growing power of the lower level politicians in the structure of LDP policymaking. It is, however,

positive in that it would imply the increased importance of individual politicians in policymaking. The plethora of powerful individual politicians may induce the conflict between themselves and bring the matter to the leadership group. It is also positive in that it may crosscut factional lines in the discussion of policies. It is not yet clearly known what is the relationship between faction and policy, but conventionally it is said that there is no direct relationship between the two. Most of all, the factions are not aligned by the policy or ideological stance of their leaders. Factional leaders have been generous for their members' participation in a policy group as long as it is not an attempt to make another faction and the members do not defect from their own factions in the presidential election. There has been a number of such policy groups. In the early postwar period, there were various Dietmen's leagues on foreign relations. In the 1970s, various seisaku shudan's were formed: Seirokukai by Nakagawa Ichiro, Yamanaka Grupu by Yamanaka Sadanori, Grupu 21 by Nikaido Susumu, Jiyushakai Kenkyusho by Takeshita Noboru and the like. The advent of "zoku" politicians is the recently discovered phenomenon. Therefore, even though individual factions have some specially concerned policy areas, it can be said that there is no direct relationship between faction and policy. In the next section we will review so-called "zoku" politics for further examination of the relationship between faction and policy and its impact on the leadership role of prime minister.

2.3.1. The "Zoku" Politics

A literal meaning of "zoku" is a tribe. "Zoku-gi-in" ("Zoku" Dietmembers or politicians), then, connotes a powerful group of LDP Dietmembers with specialized
knowledge on the specific policy areas that comes from the years of experience in one or two related institutional units of the Policy Research Council.27

Elected to the Diet for the first time, the LDP Dietmembers can choose more than one section of the PRC for participation while joining one of the factions. As long as they are elected to the Diet, then, they can remain in the same section unless they themselves want to move and as the term multiplies they have the chance to step up the career ladder; from the division chief to the other important positions of the party and the administration such as the parliamentary vice-minister and minister. The "zoku" has various kinds, whose titles correspond to the major ministerial jurisdictions: for example, the education (Bunkyo), MITI (Tsusan), MOF (Okura), MOT (Unyu), and MOAF (Nonsu) zoku's.

According to Inoue and Iwai, "zoku" politicians can be divided into several levels; lower-level, middle-level, and senior-level.28 They suggest that even to become the "zoku" politician at the lower level one needs to be elected at least twice and to remain in the same division for that period of time. Such a lengthened period of stay in one policy area, therefore, enables these "zoku" politicians to have the requisite expertise in that area. The senior-level "zoku" politicians have the authority over their respective policy areas which often bypasses the technical knowledge of the bureaucracy.

27 This definition follows Sato and Matsuzaki's. Inoue and Iwai's definition is similar to Sato and Matsuzaki's. See Sato Seizaburo and Matsuzaki Tetsuhisa, Jiminto Seiken (LDP Regime) (Tokyo: Chuo Koron Sha, 1986), p. 226; Inoue Takashi and Iwai Tomoaki, Zokugiin no Kenkyu (Study on "Zoku" Dietmen) (Tokyo: Nihon Keizai Shimbunsha, 1987), p. 120.

28 Inoue Takashi and Iwai Tomoaki, Zokugiin no Kenkyu (Study on "Zoku" Dietmen), p. 121.
Together with the accumulation of vast knowledge, the appearance of "zoku" politicians is attributed to the combination of the following factors; the prolonged rule of the LDP that provides stability for the LDP Dietmembers, the demands from their constituencies and the interest groups that urge the LDP Dietmembers to get earnestly involved in the policymaking process, and the complexity of the policy problems that brings about the jurisdictional conflicts between different ministries so as to necessitate political arbitration.

The relationship between these "zoku" politicians and factions is quite interesting. As policy deliberation within the LDP becomes important and the significance of "zoku" politicians gets greater in it, each faction is eager to have a wide range of "zoku" to cope with a variety of policy problems. It is because the more comprehensive array of "zokugiin" a faction has, the greater its ability to handle the demands coming to it becomes. In this respect Tanaka Kakuei's description of faction as the general hospital is very suggestive.\(^29\) The relationship between faction and "zoku" is, however, not unilateral. Though "zoku" politicians belong to the factions, their interests may diverge from the rest of their respective factions including their factional leaders. One example is the conflict between Mutsuki Kato and Hiroshi Mitsuzuka on the issue of the JNR reform. Both of them belonged to the Abe Shintaro faction and are known as the "Unyu-zoku "

Therefore, the advent of the "zoku" politics in the policymaking process can be regarded as improving the prime minister's situation since it signifies at first the loosening of the factional barrier to the prime minister and, second, the increased pool of personnel from which he can choose in pursuing certain policies.

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\(^{29}\) Honzawa Jiro, *Jiminto Habatsu*, p. 34.
2.3.2. The Structure of the LDP

In the LDP, four posts besides that of president are regarded as the most important: the secretary-general (*Kanshicho*), the chairman of the Policy Research Council (*Seichokaicho*), the chairman of the General Council (*Somukaicho*), and the vice-president (*Fukusosai*). Since the post of vice-president is irregularly occupied, the leadership of the LDP is often called the big three rather than the big four.

In terms of the leadership's nominal role, the secretary-general is quite prominent in managing nearly all affairs. The PRC chairman is the key post covering various specific policy matters. The General Council is the authoritative decision-making organ for most matters, functioning as a legislative body. Decision making by the GC is thus entrusted to the party executive for implementation. Beyond these functions, the LDP leadership sometimes attempts to perform activist roles, such as comprehensive policy planning initiation and support of specific programs.

For the sake of the party's interests, some flexibility is given to the leadership such as interpreting the party's policy line to formulate the party's position. Formally, the leadership's participation in decision-making for certain areas is as outlined below. They discuss the subject under consideration or any official pronouncement on it, securing an early agreement with the relevant ministry as well as impressing the ministry with the strength of the party's interest. In addition, most of the time, informal discussions are simultaneously held to smoothly gear up the process of the issue involved. Policy consultation between the ministries and the party leadership is a pervasive pattern of the informal discussion levels in order to gain approval or understanding of the ministries' positions. Pursuing every possible advantage for the party, the leadership commonly intervenes in these discussions to pass along demands from LDP members on certain issues.
On the other hand, by playing a broker's role, the leadership tries to balance the demands from the rank-and-file of various groups within the party, which are unwilling to go along with other participants. They always fear the threat of disruption from the lower levels of the party. Thus, the leadership takes seriously the internal pressures from backbenchers who are affiliated to certain interest groups. Otherwise, resentment may tend to erupt in policy disputes or negotiations on particular matters, especially in election times. In short, the leadership tries to keep a balance between the two roles: looking beyond parochial interests to national needs, and representing sufficiently the views of the rank-and-file.

3. Leadership Circulation under the LDP Regime: Ascriptive Tendency

Until now we have reviewed the environment surrounding the Japanese prime minister - what is his constitutional position and how he is situated in the institutional arrangements. From the review, we have tried to show where in the environments are the resources Japanese prime minister can deploy to increase his leadership role. In this section, then, we will introduce one other aspect that helps to increase the prime minister's role in policymaking, which is embedded in the Japanese political structure. It is the tendency to ascribe the responsibility of solving issues to the coming cabinet, which stems from the frequently revolving leadership characteristics and the maintenance of the LDP's predominance.

The revolving leadership here means that leaders with different characteristics and interests take their turn for the prime-ministership. Thus, it is similar to the leadership succession that can be found in any other countries. The difference between Japan and
the other countries (of two or two and half party systems) in terms of the revolving leadership is that the term of Japanese top executives in office is generally very short, compared to his counterparts in the other countries, and that the leadership circulation in Japan is carried on at much faster pace. One major underlying argument of this thesis, therefore, is that this characteristic of leadership circulation in Japan, coupled with the existence of bureaucracy as a consistent source of policy preparation, makes Japanese prime minister committed to a narrow set of policy issues in an earnest mode as long as his own characteristics allow him to do so.

In the following subsections, two aspects will be examined: the frequency of leadership circulation in Japan, which discusses why the leadership circulation in Japan is carried on at a much faster pace, and on the predominance of the LDP that is connected with the consistency in the policy preparation by the bureaucracy.

3.1. Frequent Leadership Circulation in Japan

Between the inception of the LDP in 1955 and the termination of the Takeshita Noboru cabinet in 1988, there have been twelve prime ministers in Japan. Thus, the average years of Japanese prime minister in office is 2.75 and is less than one and half term for each prime minister since the LDP Constitution rules that one term lasts two years. If we calculate this from the start of Tanaka cabinet in 1973, the number reduces drastically to 2.14 (seven prime ministers in fifteen years). This statistics is quite significant if we compare it to those of the advanced countries having two party systems in the postwar era; not to mention about the four-year term of U.S. president and seven-year term of French president, the British prime minister has an average 2.5 years and the German chancellor has an average 4.2 years.
There are several factors for this frequent circulation of leadership in Japan. The first is the natural cause. Prime Minister Hatoyama, the first LDP president, died of cancer during his term of office. His successor, Ishibashi Tanzan, also died of illness during his term of office. Ikeda had to step down due to the illness right after the start of his second term. Ohira died during the election campaign after finishing his first term. But more important are the severe conflicts between the factions and the narrow gap between the factional leaders of one generation and those of the next one that pushes faction leaders to attain the position of prime minister before the advent of the next generation.

As mentioned earlier, the foremost goal of each faction is to achieve power; faction leaders try to use their following for electing themselves to the post of party president, and the Diet members join the factions for the hope that some day they may be also contending for that post. There have been five major and some minor factions and the leaders of these five major factions, who are the de facto contenders for the post of party president, have struggled continuously for the top position of the party. Since there is only one post attainable, these five factions are divided into two camps, main stream and anti-main stream, from which the rivalry between certain factions is born.

There can be other causes for the rivalry besides the procedural necessity of forming two camps. Those are the differences of personality and value between faction leaders, the existence of events separating one faction leader from another, the continuation of emotional antagonism, and the difference of interests. The rivalry in one election, then, tends to survive the election and search for the specious pretense that can be used to attack the elected official during his term of office and in the next election. The pretense can be collected almost everywhere and especially in the 1970s it was easy to locate it since the Japanese economy ceased to grow and the electoral
strength of the LDP began to decline. The rivalries between Fukuda Takeo and Tanaka Kakuei, between Miki Takeo and Tanaka Kakuei, and between Fukuda Takeo and Ohira Masayoshi are well known and drove a turmoil of factional conflicts in the 1970s.

Two prime ministers have had the unusually long tenure; Sato Eisaku eight years and Yasuhiro Nakasone five. Their tenure may come from their individual abilities, but on the other hand it also was due to the absence of the rivals who could contend for the premiership. For Sato, his life-long rival and his predecessor, Hayato Ikeda, died and his brother, Kishi Nobusuke, had already served as prime minister and handed over his faction to Fukuda. Other faction leaders such as Fukuda Takeo, who succeeded Kishi’s faction, and Maeo Shikesaburo, who succeeded Ikeda’s faction, were minor figures, even though they managed the major factions with a large number of followers. Nakasone was somewhat lucky to be the last of his contemporary faction leaders who was elected prime minister: Tanaka, Miki, Fukuda, and Ohira all served as the prime minister. His would-be rivals had yet to prove their eligibility, first by becoming faction leaders. It was only after Takeshita Noboru and his contemporaries attained their own factions then the discussion of Nakasone’s removal came out realistically.

Against these unusual cases, the series of power transfers during 1988-91 show how swiftly change of prime minister can take place in Japan, especially when inconceivable events break out. Within three years, three prime ministers had seated in the post, two of whom had to step down due to the scandals; Prime Minister Takeshita in the "Recruit" scandal and Prime Minister Uno for womanizing. These turnovers are closely related to the structural element, that is, the factional conflict, in which prime minister has little time to get involved in policymaking.
The important aspect of the frequent turnovers is that the leaders with varying characteristics have their chances in the government and can tackle the issues that are presented to them. For them to increase their leadership role in policymaking, however, there should be the continuous and consistent source for policy preparation. The bureaucracy takes charge of this function, and the predominance of the LDP helps them to maintain that function.

3.2. The Predominance of the LDP

For the prime minister to increase his role in policymaking despite distraction like the small size of staffs and short periods of time in office, he needs to have other advantages to substitute for them. If the latter situation is somewhat inevitable, the former can be surely replaced by utilizing the administrative apparatus such as the bureaucracy and the public advisory committees mentioned in the previous section. In discussing the relationship between prime minister and the bureaucracy, however, an examination of the background that makes possible the stable relationship between prime minister and the bureaucracy is necessary, that is, the predominance of the LDP.

There have been many analyses on why the LDP has been so successful, and accordingly many factors have been cited for its success. The first factor is the continuous and consistent support of the conservative electorate, i.e. farmers and business of all sizes. Their conservative tendency comes on the one hand from a deferential orientation towards authority that can be found in the traditional society and on the other hand from the fear of the communist subversion that had been formed partly by the propaganda of the conservative parties such as the LDP. It becomes
evident that the ruling LDP has been electorally strong in local areas while the progressive JSP and JCP has been successful in the urban areas.

Second, the economic success and its distribution among these conservative electorate also has led the conservative electorate to remain supportive of the LDP. Between 1955 and 1973 Japan achieved an average annual growth of about ten percent and at the same period the average income of the farmers increased seven fold. They also enjoyed various benefits such as tax exemptions for small savings accounts and the land. Third, the medium size of the electoral district also helped to amplify the strength of the LDP. Due to the existence of the factions the LDP nominated multiple candidates in the same district who maintained their own support groups. Fourth, the disproportionate size of the electoral district that is biased towards the LDP also contributed to the continuation of the LDP rule. The local electoral district with less population often had more Diet members to be elected than the urban district with more population.

The effects of the continuous LDP rule in term of policymaking may be plenty, but the most important one would be the stability of the government and accordingly the predictability of its policy orientation. The bureaucracy did not need to worry about sudden changes of policy orientation arising from the transfer of power between different parties. This also enabled the bureaucracy to pursue its policy goals consistently from one cabinet to the next since different prime ministers from the LDP have sustained the identical goal of keeping the present political system.

The end result can be termed as the accumulating issue-stalemate tendency: that is, passing over the responsibility for the solution of certain issues to the coming cabinet. There may be various reasons why certain policies fail to pass the government and the Diet in a certain period of time - for example, severe conflicts between the ministries of
different interests and strong opposition outside the government. Whatever the reasons may be, the carryover of certain policy issues to the new cabinet is often accompanied with the deepening of issue stalemate; that is, the experiences of former cabinet diversify the alternatives and methods for the passage of unsettled policy issues. Coupled with the frequent circulation of leaders with various characteristics, this deepening of issue stalemate can bring about two possibilities: one is to avoid the controversial issues and the other is to tackle them with new approaches. Which course the new cabinet would take depends on the leader's characteristics, but the issue accumulation tendency to ascribe the responsibility to the new leader and his cabinet makes him respond in some way of not totally avoiding the issues. This is why this thesis attempts to argue that the role of prime minister in policymaking can be increased.

4. Summary

In this chapter we have examined the environments Japanese prime minister has to confront in general: the legal aspect, the institutional surroundings, and the leadership circulation. From the legal perspective the prime minister is placed over the other ministers due to the rights and authorities given by other provisions, such as the appointment and dismissal of ministers and, in case of his death, the resignation of the entire cabinet.

The above examination of the institutional surroundings, however, has shown that the prime minister's power is limited in reality. His right and authority to appoint the ministers for his cabinet is circumscribed, since the ministerial posts are in fact
distributed along factional lines. The prime minister's power is also limited in terms of the staffs he can rely on for policymaking; even though chief cabinet secretary is usually from his faction, the number of staffs he can personally extract the ideas from is only eight.

On the other hand, however, these limitations on the prime minister's leadership can be compensated for by several other means. First, the lack of staffs can be made up either by erecting new seats or posts when the prime minister recognizes their necessity, as seen in Prime Minister Fukuda's attempt to have the new Economic Affairs Advisor and Prime Minister Ohira's to institute something similar to the American president's aides system. It can be also substituted by the use of advisory councils in which the prime minister can appoint the men who would follow what he intends to do: the Provisional Council on Administrative Reform and the Provisional Council on Promoting Administrative Reform for the administrative reform and the Government Research Council on Tax in case of tax reform are mentioned as the examples.

Second, it is also argued that the limitation on his right to appoint the ministers can be substituted by the advent of the "zoku" Dietmen. Even though these Dietmen on the one hand may play the guardian's role for certain interests so as to block the prime minister's initiative to overcome these parochial interests, their appearance implies on the other hand the expanded pool of personnel so that by appointing them to the concerned posts the prime minister can attain their supports and realize what he intended to do.

The frequent leadership circulation is another main base for the argument of this thesis that Japanese prime minister has the possibility of maximizing his role in policymaking. Due to the severe factional struggle in the Liberal Democratic Party,
there is frequent cabinet succession in Japanese politics. This implies that the leaders with varying characteristics revolve around the post of prime ministership. Two factors help and lead this phenomenon to the aggrandization of the prime minister's leadership; one is the stable source of policy preparation such as the bureaucracy and the other is the tenacity of policy deliberation in Japan. The tenacity of policy deliberation, due to the norm of consensus building, and the stable source of policy preparation tend to generate the deepening of policy debate and to ascribe the responsibility of solving the unsettled issues to the coming cabinet.

Thus, from the viewpoint that the frequent turnover of leaders with varying characteristics generates a good chance to come up with such type of leader fitting to the demands of concerned issue, it is argued that Japanese prime minister can maximize his leadership even structurally. In the next two chapters, we will see how much this argument can fit to the reality by analyzing the processes of administrative reform and tax reform.
CHAPTER III
CASE ONE: ADMINISTRATIVE REFORM

1. Introduction

Japan's government has undergone a series of administrative reforms in the postwar period and, according to T.J. Pempel, the main focus has been on reducing the size of the administration.\(^1\) This tendency of focusing mainly on the reduction of the administration size began quite early in the postwar history of Japan. After Allied Occupation in 1952, the Japanese government, headed by PM Yoshida, tried several times to reorganize the administration, which was targeted at improving the efficiency as well as abrogating the authoritarian remnants of the administration. These efforts, then, resulted in the erection of a new agency called the "Administrative Management Agency." The main motto, from this early period on, has been "small government."\(^2\) Of course, the small size of the government does not necessarily mean weakness.

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\(^2\) As of 1975, Japan had 1,804,000 civil servants working in the central bureaucracy, while the U.S. had 1,910,000; the U.K. had 2,506,000; France had 2,644,000; and West Germany had 1,075,000. The numbers here include government employees in the postal service and the government companies, except those in the defense. The data are from Kyoikusha, ed., *Gyosei Kanricho* (Tokyo; Kyoikusha, 1979), p. 24.
Despite the small size of its government, Japan has been regarded as a strong state, having the means to firmly control the private sector (i.e. administrative guidance).³

Though Japan had been successful in maintaining its small size and improving its efficiency, it could not halt the growing government expenditures and the resulting budget deficit that came from the implementation of distributive and redistributive policies, especially from the 1970s. The expanding budget had not been a very worrisome problem under the condition of high economic growth. From the early 1970s, when the economy was shattered by the two oil shocks and had shown a growth rate of under 5 percent, however, ever expanding budget demands made inevitable the issuance of deficit bonds, and there were worries within the private as well as public sectors about the growing fiscal deficit.

It is under these circumstances that the issue of administrative reform had been brought about in the late 1970s and early 1980s. In this chapter, to see what kind of role the prime minister plays in the policy making process, we will go over the administrative reform efforts of three cabinets - the Fukuda cabinet, the Suzuki cabinet, and the Nakasone cabinet - all of which had to confront the problem of the growing budget deficit and were given the alternative of administrative reform. As mentioned in the introduction, each of these three cases will be studied, first, by describing the process through which administrative reform has been discussed and, then, by analysing the environments and leadership elements of each prime minister.

2. The Fukuda Cabinet

On December 23, 1976, Fukuda Takeo was elected the eighth president of the Liberal Democratic Party in the assembly of the Dietmen of both houses; the next day he was designated as the prime minister in the Diet. The issue of administrative reform, however, did not come to the fore in the beginning of this new cabinet. The first policy-related speech, delivered by Prime Minister Fukuda to the Diet on January 21, 1977, did not touch on the topic of administrative reform in any direct way. Rather, it discussed the changes of the external situations, summed up as the beginning of a resources-constrained era, and thus it included PM Fukuda's demand that all the parties recognize these changing situations. It was in February 1977 that PM Fukuda first talked about the administrative reform and ordered the Administrative Management Agency (AMA) to prepare for it. About six months later, in summer of 1977, then, the administrative reform rose to center stage. We will begin, therefore, with the summer of 1977.

2.1. The Process of Fukuda Administrative Reform

2.1.1. PM Fukuda's Initial Moves

Responding to the question from the opposition parties about his plan of administrative reform in an extraordinary session of the Diet on August 1, 1977, PM Fukuda discussed again the coming of the resources-constrained era, and, suggested to the Diet that he would endeavor to reorganize the administration rather than to reduce...
its size. He demanded the cooperation of his fellow Diet members since that kind of administrative reform would require the effort and compromise on the part of all parties.

Returning from his Southeast Asian tour on August 18, the prime minister began to actively push his plan to reform the administration. On the day he returned he met with three leaders of the LDP and the government who were directly linked to the issue of administrative reform; Nishimura Eiichi, Director-General of Administrative Management Agency (AMA); Sonoda Sunao, Chief Cabinet Secretary; and Yamanaka Sadanori, Chairman of the Research Commission on Administrative and Fiscal Affairs (LDP RCAFA). Various topics are known to have been discussed in the meeting; for instance, the reduction of subsidies and the trimming-down of special companies and administrative personnel, and advisory committees (shingikai), and the simplification of administrative procedures.\(^5\) The main theme that incited severe opposition from the bureaucracy, however, was the attempt to reorganize the central bureaucracies: for example, combining the National Land Agency (NLA) and the Ministry of Construction (MOC) into a new Ministry of Urban Housing; and linking the Ministry of International Trade and Industry (MITI) with the Science and Technology Agency (STA), forming a new Ministry of Energy.

The next day, August 19, in the cabinet meeting Prime Minister Fukuda made known his enthusiasm for administrative reform and succeeded in obtaining the cooperation from Nishimura Eiichi and Tamura Hajime, Minister of Transport. Following the cabinet meeting, the same four men who had met the previous night convened again, and PM Fukuda in the following press conference expressed his

intention to carry out the administrative reform as initially planned, that is, putting an emphasis on administrative reorganization: "Administrative reform is an extremely important matter that must not be avoided or delayed. (I) want to do it with the emphasis on the reorganization of the administration." He went on to suggest to the press that he hoped to have the detailed plan ready by the end of August.

In the interview with NHK television on August 21, where he had the opportunity to explain the need for administrative reform, PM Fukuda reiterated his idea: "At the time of high growth the administration had been expanded, but this time the emphasis is on scrapping the present administration, that is, reorganizing it to obtain rationalization and modernization so that it could respond to new administrative demands. There may be some reduction in the number of administrative branches, but no increase." Instead of reducing the number of officials in the central bureaucracies, however, he mentioned the possibility of reducing the number of special companies and implementing the change in an incremental, step-by-step manner.

On August 23, PM Fukuda demanded of Nishimura Eiichi, Director-General of Administrative Management Agency, that the detailed plan of administrative reform be ready by the end of the month. Later he scheduled to meet with other cabinet members to induce their cooperation on the issue of administrative reform, including Hatoyama Iichiro, Minister of Foreign Affairs, Ishihara Shintaro, Director-General of Environmental Agency, and Watanabe Michio, Minister of Health and Welfare. PM Fukuda's efforts to obtain the support of the cabinet members continued on August 25;

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6 Asahi Shimbun, August 20, 1977.
he met with Hasegawa Takashi, Minister of Construction, and five other ministers, and asked them to go along with his plan.

2.1.2. Opposition Responses

Despite Prime Minister Fukuda's efforts to win support, however, it did not take long for the opposition forces to gather and voice their discontent. As early as August 20, Sasaki Ryosaku, Vice Chairman of the Democratic Socialist Party (DSP), met with Sonoda Sunao, Chief Cabinet Secretary, and revealed his party's oppositions to the prime minister's direction of administrative reform. He suggested that, instead, something should be done about the local branches of the national bureaucracy. The New Liberal Club (NLC) also publicly criticized PM Fukuda's plan. Even stronger opposition, however, came from the inside - that is, from the cabinet members and their respective bureaucracies.

On August 26, Ishihara Shintaro, Director General of the Environmental Agency, opposed his agency being united with other agencies. Ogawa Heiji, Director-General of the Hokkaido Development Agency (HDA) as well as Minister of Home Affairs, also expressed his opposition to the idea of abrogating the HDA while conceding other things such as the reduction of its local administrative units and of the subsidies, and the simplification of the administrative procedure. With these criticisms joined Hasegawa Takashi, Minister of Construction, and Tanaka Tatsuo, Minister of International Trade and Industry. Especially noteworthy was the press conference held after a cabinet meeting by Hasegawa Takashi in which he called the prime minister, Fukuda Takeo, a "dictator" for his authoritarian conduct of cabinet meetings; Hasegawa showed his absolute opposition to the overall plan of administrative reform, including the institutionalization of a new Ministry of Urban Housing.
The bureaucratic opposition was also active and strong. The bureaucrats of the Hokkaido Development Agency mobilized To Hisauchi, Governor of Hokkaido prefecture, and other Dietmen from the region, Hokkaido, to gain support in opposition to the reform plan. They also made contact with party notables and cabinet members. In case of the Ministry of International Trade and Industry (MITI), the commerce and industry division of the Policy Research Council (PRC) under the leadership of Nakajima Gentaro, acting chief of the division, passed a resolution stating its opposition to the proposed Ministry of Energy. The Ministry of Construction (MOC) and the National Land Agency (NLA) also issued their opposition to the idea of having a new Ministry of Urban Housing. The Ministry of Foreign Affairs (MFA) also joined the opposition group working to block the idea of introducing a position titled "Minister of Economic Cooperation."

In a meeting of the administrative vice ministers' conference on August 29, where the administrative reform plan naturally emerged as the main topic of discussion, the general mood was negative regarding the reform plan. Wata Toshinobu, vice-minister of the MITI, was known to have shown strong opposition to the new Ministry of Energy, and the only people trying to pursue and explain the plan were reported to be from the AMA and the vice cabinet secretary.8 Criticism of PM Fukuda and his reform plan came from the LDP, as well. For example, in a meeting of the Research Commission on Administrative and Fiscal Affairs (LDP RCAFA), the plan was criticized for having no philosophical basis.9

8 Asahi Shimbun, August 30, 1977.

9 Ibid.
2.1.3. The "Nishimura" Plan and the Follow-Ups

Reflecting this inside opposition, another meeting of four leaders (Fukuda, Nishimura, Sonoda, and Yamanaka) that was held on August 25 failed to yield any decisive conclusion about the plan, except that they would meet again on August 27. Yamanaka Sadanori, Chairman of the LDP RCAFA, admitted after the meeting that it was almost impossible to submit the detailed plan on the last day of the month as was initially decided. In the third meeting of August 27, it was decided that two integration attempts for the new Ministry of Urban Housing and the new Ministry of Energy would be carried out as originally planned. The decision on the integration of the HDA into the new Ministry of Housing was, however, postponed.

Prime Minister Fukuda, on the other hand, also made some concessions in face of the increasing oppositions to his reform plan. In a speech supporting the LDP candidate for the supplementary House of Councillors (HC) election in the city of Kumamoto on August 28, the prime minister proposed to carry out administrative reform step by step; first, to build a reform promotion center and, second, to implement the detailed plan in a responsible manner. That he did not mention whether the detailed plan in the first step would include the integration of the central bureaucracies, indicated clearly that his resolution had evaded significantly.

The Submission of the Nishimura Plan: After the eight-man meeting of the LDP and the government on August 31, the Fukuda cabinet presented the "Nishimura" plan, on the basis of what had been discussed so far. The plan, composed of the general outline and the main principles, was greatly reduced. It merely recognized the

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necessity of administrative reform and to postpone the integration of the central bureaucracies until the further review is done.\textsuperscript{12} It passed the LDP (through the \textit{Yakuninkai} and the \textit{Somukai}) and the government (through the "Administrative Reform-Related Cabinet Members Council") on September 1. On the next day Nishimura Eiichi announced that the plan, except for the part about the integration of the central bureaucracies, would be carried out and completed by the end of October.

Responses to the plan varied. The Administration Supervisory Committee (ASC), which was attached to the Administrative and Management Agency (AMA), recognized the efforts to reform the administration in the "Nishimura" plan. Six regional associations at the presentation of the plan, however, expressed their dissatisfaction.\textsuperscript{13} They argued that it did not discuss fully their concerns regarding matters such as the redistribution of work between the center and the localities, the reduction of the central branches and of the subsidies, and the simplification of administrative procedures.\textsuperscript{14}

Even with this diluted content, however, administrative reform did not progress much. In a meeting between PM Fukuda and Nishimura Eiichi on October 25, the two discussed reducing the sections and bureaus of central bureaucracies at a five percent rate and integrating the advisory committees, but rearranging the local branches of the

\textsuperscript{12} \textit{Asahi Shimbun}, September 1, 1977.

\textsuperscript{13} Six regional associations are National Association of Mayors, of Prefectural Assembly Chairmen, of Towns and Villages, of City Assembly Chiefs, of Governor, and of Town and Village Assembly Chiefs. For more information of these associations, see Richards J. Samuels, \textit{The Politics of Regional Policy in Japan: Localities Incorporated?} (Princeton, New Jersey: Preinceton University Press, 1983); Nakano Minoru, "Joho Seibu (Local Government)," in Nakano Minoru, ed., \textit{Nihonkata Seisaku Kettei no Henyo} (Changes of Japanese-Style Policy Making) (Tokyo: Toyo Keizai Shimposha, 1986).

\textsuperscript{14} \textit{Asahi Shimbun}, September 3, 1977.
central bureaucracies was rescheduled to be settled by the end of November. For other matters, such as the integration of central bureaucracies, the meeting stopped at reconfirming the prime minister's demand to Nishimura Eiichi for prompt examination.

The 1978 Administrative Reform Outline: A cabinet reshuffling was carried out on November 28, in which Arafune Seijuro was appointed the new Director-General of AMA (replacing Nishimura Eiichi), Sakurauchi Yoshio was named Minister of Construction (replacing Hasegawa Takashi), and Kato Taketoku was appointed Director-General of the HDA as well as Minister of Home Affairs (replacing Ogawa Heiji). In the first cabinet meeting right after the reshuffle, the first administrative reform plan was passed. In addition to the three points shown above, it included two other matters, such as rearranging the 1,240 kinds of administrative sanctioning procedures and reducing the number of government vehicles.

In his December 6 meeting with Arafune Seijuro, Director General of the Administrative Management Agency (AMA), Prime Minister Fukuda again raised the problem of integrating the central bureaucracies and demanded that the second reform plan containing that issue be prepared by the 20th of December. But, in their meeting three days later an agreement was reached to postpone this issue until the next year. So the main issue of discussion in the second plan consisted of the integration of the special companies and the rearrangement of local branches, against which opposition was still strong.

On December 14, the LDP plan emerged from the Research Commission on the Administrative and Fiscal Affairs (LDP RCAFA), chaired by Yamanaka Sadanori. Its contents included the reduction of the regional offices at the one-eighth ratio, the

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15 *Asahi Shimbun*, October 26, 1977.
reorganization of the salt monopoly in 1981, setting the retirement age at sixty, and the reorganizing the regional officials' dispatch system.\textsuperscript{16} The next day, then, the cabinet passed the LDP plan as the second AR plan and reconfirmed the first AR plan of the previous month. Titled "On Administrative Reform", therefore, the approved plan included almost all the elements of the LDP plan - for example, the rearrangement of the administrative units, the reduction of public officials, special companies, advisory committees, the subsides and the administrative works, and the abrogation of the positions of regional official and of the regional associations.\textsuperscript{17} The efforts to reform the administration in the Fukuda cabinet came to an end with the passage of a plan that lacked the core elements of the original scheme, such as the reorganization of the administration.

2.2. Fukuda Leadership: Its Elements and Environments

2.2.1. Issue Commitment, Extent and Direction:

The extent of Prime Minister Fukuda's commitment to administrative reform was strong. As seen in the description of the process, Prime Minister Fukuda had made repeated and even tedious efforts to reorganize the central bureaucracies. In a series of meetings with the ministers in his cabinet, who would be affected by the reform plan, he endeavored to obtain their support. Even after the Nishimura plan came out, in which the scope of reform had been greatly reduced, he did not give up on the issue of reorganization and continued to push the idea in the later discussions. The November

\textsuperscript{16} Asahi Shimbun, December 15, 1977.

\textsuperscript{17} Asahi Shimbun, December 16, 1977.
Cabinet reshuffling could be seen as one of his efforts to carry out his reform plan. There may have been various reasons for it, but that his desire for administrative reform was a motive can be seen in that Nishimura Eiichi, who was rather negative toward the plan and was from the Tanaka faction opposing Fukuda, was replaced with Arafune, who was from the Shiina faction and was a little closer to Fukuda. At the appointment, Arafune Seijuro showed apparent enthusiasm for administrative reform, even though in the meeting with PM Fukuda a few days after the cabinet reshuffle there emerged an agreement to postpone the reorganization attempt until the next year.

Despite its great extent, PM Fukuda's commitment to the administrative reform could not achieve its aim - that is, the reorganization of administrative units. His focus on the reorganization was based on the recognition of a new resources-constrained era, but even if it was a reasonable match between the problem and the solution, it was problematic in two respects. First, the match could not appease the bureaucratic opposition. Second, it failed to gain the public support that might have helped to offset the bureaucratic resistance. His arguments regarding the changing international environment and the resultant need for administrative reform could not convince the people. For the understanding of PM Fukuda's failure on administrative reform, the following sections look to his ideological elements, strategy, and resources in the following sections.

18 That Nishimura Eiichi, despite his expression of verbal consent to PM Fukuda's plan, was rather negative of the administrative reform attempt can be seen in the talk with Hasegawa Takashi, Minister of Construction; Asahi Shim bun, October 20, 1977.

19 For the interview with Arafune Seijyuro, see Asahi Shim bun, November 30, 1977.
2.2.2. Ideologies, Goals, Motivations, and Personality

PM Fukuda's Ideologies, Goals, and Motivations: Fukuda Takeo is generally known as a hard-liner or "taka" (or "hawk"), even in the conservative Liberal Democratic Party. It is, however, quite complex to delineate what constitutes "hardness." To decipher this, we first need to differentiate between the conservative and the progressive in Japanese politics. According to Otake Hideo, the main arguments of the conservatives consist of three elements: nationalism, anti-communism, and capitalism. As a symbol of nationalistic fervor, the revision of the postwar Constitution, which included the so-called "peace" clause and which was set in place by the Occupation forces, has been one of the main targets for the conservative assault; the progressives, on the other hand, have argued for its maintenance. The difference between these two camps can be seen in their views toward foreign countries: the conservatives are anti-communist in that they wish to maintain alliances with the U.S. and establish relations with South Korea and Taiwan, while the progressives are pro-communist in that they wish to maintain alliances with the Soviet Union, the People's Republic of China, and North Korea. They are also different in that the former basically desires to maintain a capitalist society while the latter proposes to build a socialist state. These are, of course, very broad lines demarcating these two groups. The hard-liners of each camp are, then, the ones that tend to adhere more rigidly to their respective arguments. Thus, when Fukuda is called a hard-liner, it generally

means that he is regarded as residing in a more rigid position in terms of the above-mentioned elements.

As Suda mentions, however, some reservations are in order in this labeling. One major reason for the label was that he succeeded the faction of Kishi Nobusuke, who had been known for his "nationalistic" commitment. For example, it was Kishi who, as a prime minister, pushed the government and the parties for the revision of the Police Law and the U.S.-Japan Security Treaty in 1960, which put Japan in the turmoil of demonstrations. Whether Fukuda was in line with the ideological commitment of Kishi, however, remains questionable in two aspects. The first aspect was the problem of whether Fukuda's participation in Kishi's faction stemmed from ideological congruence or not. Evidence tells us that Fukuda's participation in Kishi's faction occurred somewhat by default. When he was elected to the Diet, there were four major factions in the LDP: the factions of Yoshida Shigeru, Hatoyama Ichiro, Kono Ichiro, and Kishi Nobusuke. There were, however, not many choices for him to take except the Kishi faction, because in Yoshida's faction there were Ikeda whose relationship with Fukuda was not good, and Ohira, who was junior to him in terms of MOF entrance rank; in Kono's faction there was Nakasone Yasuhiro, who came from the same constituency, while Hatoyama's faction was full of former, professional politicians. Thus, the Kishi faction, who had served as an administrative vice


minister in prewar time and recaptured his status from the purge, provided the appropriate home for Fukuda.

The second aspect was the ambiguous or realistic positions Fukuda Takeo had taken in such delicate issues as defense policy. In his book, "Towards the Conservative Revolution," Fukuda explains the following about the direction that Japan of the 1970s and after has to take: "The era when military powers had overshadowed the nations ended and the new one that politics along with science plays a central role has just begun.... To be keenly aware of this change is, therefore, what the new Japan has to advance."23 His opposition to the excessive rearmament of Japan can be also seen in a statement made before the 1972 presidential election of the LDP: "I am certain that the great military power is not what Japan should pursue at all."24

The difficulty of labeling Fukuda as a hard-liner suggests to us that he had been more of a realist or rationalist rather than an ideologue. We can see this in his arguments on economic policies, too.25 At the start of the Ikeda cabinet, Fukuda had been criticizing the expansionary economic policies that the Ikeda cabinet had carried on in the name of "Income Doubling Plan." He instead argued for stable economic growth. But, as he was appointed as the Minister of Finance in the Sato cabinet, he decided to issue national bonds to expand the domestic economy. He also participated


24 Shiratori Rei, "Fukuda Takeo Naikaku," p. 201.

25 The changes of Fukuda's position on economic policies had been discussed in several writings. In addition to the sources mentioned above, see also the following; Yanagizawa Hakuo, Akajizaisei no Junen to Yonin no Soritachi (Ten Years of Deficit Finance and the Four Prime Ministers) (Tokyo; Nihon Seisansho Honbu, 1985), pp. 24-25.
in the implementation of expansionary economic policies in the Tanaka cabinet when he was appointed as the Minister of Finance, and in his own cabinet when he promised to G-7 members that he would endeavor to expand the domestic economy. Prime Minister Fukuda's assertion on administrative reform might have been based on such a realist position. Therefore, in terms of his ideologies and motivations, his administrative reform efforts do not seem to pose any problem.

**PM Fukuda's Personality:** The problem in Prime Minister Fukuda's leadership seems to stem from his personality. In terms of personality, Fukuda Takeo had been known as an outspoken and assertive man. His criticisms against the expansionary economic policies adopted by the Ikeda cabinet and the active participation in the movements of party renewal during the same period were revealing of his style. His announcement about withdrawing from the presidential contest if he failed to receive the majority of votes in the first ballot can be seen as another example of his proud and outspoken style. It was also manifested in that he had been less concerned with constituency demands; in this he has often been contrasted with Tanaka Kakuei, who had endeavored to develop his home town and to solve constituency problems. 26

His style might have come from his high profile educational and career background. Graduated from the prestigious University of Tokyo, Fukuda entered the Ministry of Finance (MOF) and rose up to important offices in the ministry until he was charged in the "Showa Denki" corruption case. At that time he was a bureau chief in the Budget Bureau of the MOF, waiting to be a administrative vice-minister of the MOF

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soon. Thanks to this background, Fukuda (after succeeding Kishi's faction) had been called "the prince of the political world," who would sooner or later become the prime minister. His personal style appeared in the form of lacking the patience for consensus building; for example, we noted earlier Hasegawa Takashi's accusing him of managing the cabinet meetings in a dictatorial manner. It was also connected with his having no particular strategies for the realization of administrative reform.

2.2.3. Resources and Strategies

In reviewing the prime minister's resources, this thesis will look into the public sentiments, intraparty situation and bureaucratic concerns. In terms of public sentiments, the activities of the interest groups such as the big business and the opposition parties will be assessed.

Public Sentiments: During the discussion of administrative reform the general public had been rarely involved. It was partly because Prime Minister Fukuda focused on the reorganization of central bureaucracies in reforming the administration, which was distant from their concern. As seen in the criticism of the six regional association to the "Nishimura" plan, the redistribution of work between the center and the localities, the simplification of administrative procedures, and others were more of their concern. This criticism corresponds to the demand of the opposition parties that was made in the early stage of administrative reform discussion.


Another reason for their silence is related to the urgent need for economic revitalization. Consumer prices rose 23.2 percent in 1974, 11.7 percent in 1975, 9.4 percent in 1976, and 8.2 percent in 1977. Even though these figures were low in comparison with other advanced countries, and wages rose a bit higher, they were still higher than the levels of the pre-oil era that averaged about three to four percent. Thus, it was somewhat natural that the Japanese people hoped to establish a stable but vigorous economy when Fukuda Takeo was elected as the 13th prime minister of postwar Japan. This expectation can be evidenced in the demands that various interest groups made of the newly formed cabinet. For example, in the newspaper interviews after his election, the executives of the Keidanren, the Nikkeiren, and other economic associations demanded that he adopt expansionary economic policies.\(^29\) The expectations of Fukuda and his role in revitalizing the economy were heightened even more by the fact that he had been well known for his knowledge of the economy. Prime Minister Fukuda himself was well aware of this demand, and accordingly in the newspaper interview after his election he promised to put all his efforts for economic revitalization.\(^30\)

**Intraparty Situation:** Though PM Fukuda was leading one of the biggest factions in the LDP, his rise to power was possible only through a series of informal meetings between party notables, including faction leaders and party elders who shared the perception of crisis within the party due to PM Miki's dogmatic handling of matters and so pressed him to resign.\(^31\)

\(^29\) Asahi Shimbun, December 26, and December 27, 1976.

\(^30\) Asahi Shimbun, December 24, 1976.

\(^31\) For more information about these intraparty conflicts, see the following sources: Ito Masaya, *Jiminto Zenkokushi* (History of the LDP Warring States) (Tokyo; Asahi
Miki Takeo, as a leader of small faction, could also become prime minister through the arbitration of Shiina, who was assigned the responsibility to name the new party president after the informal meetings between factions leaders and other senior party notables and who, needing to escape from public criticism of the LDP after the money-scandal-triggered resignation of PM Tanaka, selected Miki Takeo, known as a liberal and a "clean" politician. Consistent with this image, then, PM Miki tried to get rid of the wrong doings of money politics from the LDP, but his efforts were so overwhelming that the LDP leaders criticized him for going too far as to break up the LDP. In early 1976 the groups opposing Miki's efforts within the LDP formed a grand coalition that covered almost all the factions - except, of course, Miki's faction - and several cabinet members (including Fukuda, as a vice prime minister) resigned in accordance with the cause of the coalition. Miki finally had to announce his resignation, but for the reason of a poor showing in the 1976 House of Representatives election.

This coalition, however, was only temporary and fragile since it included factions that had been adversaries for a long time - that is, Fukuda's faction, on the one hand, and Tanaka's faction and Ohira's faction, on the other. The rivalry between Fukuda Takeo and Tanaka Kakuei started with the 1972 LDP presidential election, in which Tanaka, who cultivated votes quite well and who enjoyed an ample source of money, defeated Fukuda, who was called the "prince of the political world" and was supported by Sato Eisaku, Tanaka's mentor. Fukuda could not be supported by Ohira (who succeeded Ikeda's faction) either, since he had criticized Ikeda on the front.

Sonorama, 1980); Tanaka Kunio, Issonsaki no Kura (Darkness An Inch Away) (Tokyo; Kodo Tsushin Sha, 1983).
Factional confrontations tend to create many problems and easily get heated when controversial issues surface. As seen in the description of the process, Nishimura Eiichi, who was the senior member of the Tanaka faction, was rather passive about the plan. And when PM Fukuda’s plan to integrate the Hokkaido Development Agency (HDA) with the National Land Agency (NLA) was revealed, the opposition of the Tanaka faction (among others) was strong since the HDA was instituted by Tanaka, who, as prime minister, had proposed to rebuild the Japanese archipelago.

Bureaucratic Concern: The prime minister also failed to get the support of the ministerial bureaucracies. Even though PM Fukuda’s suggestion that his plan would not reduce the administration was in fact made to reassure the bureaucracy, his idea of reorganizing the existing administrative units could hardly be accepted by bureaucracies that were interested in maintaining, if not expanding, their respective administrative jurisdictions. As seen in the description of the process, almost all the ministries opposed the idea of integrating their ministries with others. For example, the Ministry of International Trade and Industry (MITI) opposed the idea of creating a new Ministry of Energy, and the Ministry of Construction (MOC) opposed the idea of instituting a new Ministry of Housing. The Ministry of Finance (MOF), which was concerned with the problem of a growing national debt and regarded the administrative reform as a possible prerequisite for the ultimate correction of the problem, and the Administrative Management Agency (AMA), which was in charge of administrative reform, were the only two that reacted favorably, or at least did not voice any serious criticisms of the plan.

Strategies: Prime Minister Fukuda, as seen in the description of the process, tried to persuade other ministers in his cabinet to go along with his administrative reform plan, and at the same time endeavored to advertise the necessity of administrative
reform by emphasizing the advent of a new energy-restricted era, but these were insufficient not only to appease the opposition but also to win the support of the general public. Except for these efforts, then, no particular strategies PM Fukuda had employed for the realization of administrative reform could be found. This lack of strategy is conspicuous, especially when his efforts are compared to those of others in this thesis. For example, PM Suzuki and PM Nakasone relied on the authority of the PCAR for legitimizing the administrative reform efforts, while PM Ohira and PM Takeshita suggested several means to soften the opposition to the tax reform. It can be explained by two aspects. One aspect is the elements of his personality, mentioned previously. On the other hand, it can be also explained by the narrow scope of his administrative reform. PM Fukuda seemed to have thought that the emphasis on the reorganization rather than the reduction of the administration would placate the opposition from the bureaucracy, but his calculation did not work as he had supposed.

2.3. Summary

Despite his strong commitment to reform, PM Fukuda was not successful in reforming the administration. Three reasons can be cited for his failure. First, despite strong commitment to administrative reform, the problem resides in that it was improperly directed towards the reorganization of the administration. It was based on the rationale that it was required by the worldwide phenomena of the energy-deficiency era, and on the calculation that the attempt to reduce the administration would elicit strong opposition from the bureaucracy. It, however, failed to appease the bureaucratic opposition and to convince the public of his cause. His attempt to avoid the reduction of the administration's size was not something to be exchanged with the "scrap and
build" idea for the ministry bureaucracies. They feared of losing their jurisdiction in case of administrative reorganization. The interest groups also was not satisfied with his focus on the administrative reorganization since their concerns - i.e., the redistribution of work between the center and the region and the simplification of administrative procedures - was discussed thoroughly. Basically, the prime minister's rationale was weak for convincing any part of the society.

Second, the prime minister had no particular strategy for the realization of his reform plan. The only thing he did was to meet with his cabinet members in order to win their cooperation. He also tried to advertise his reform plan by appearing on television programs and by advocating it in the Diet, but these efforts were only intermittent and insufficient to arouse the general support needed to set the oppositions balk. The lack of strategy was also apparent with regard to the party. Third, in addition to the poorly-aimed alternatives and the lack of strategy, the established opposition within the party was great in number. Given no enthusiastic supporting group on the issue, the intraparty opposition only worsened the conditions for realization of the plan. The lack of strategy can be explained by two things. One is his outspoken and self-assertive style of management, and the other comes from the narrow scope of the target. His plan was aimed at the bureaucracy, in spite of the fact that the problem was much broader.
3. The Suzuki Cabinet

Elected as the tenth president of the LDP on July 16, 1980, Suzuki Zenko became the prime minister of Japan on the next day in the Diet, and started his cabinet on July 18, 1980. With his motto of "consensual" politics he mentioned four domestic themes as the most important ones in the statement that he made in forming the cabinet; the set-up of political ethics, the renewal of the administrative and fiscal conditions, the maintenance of stable commodity prices, and preparation for the 'aged' society. We can see that, unlike the Fukuda cabinet, the issue of administrative and fiscal difficulties did come to the front in the beginning stages of the Suzuki cabinet. In the following subsections we will go over how the discussion of administrative reform progressed, and we will analyze the factors that PM Suzuki encountered in the process.

3.1. The Process of Suzuki Administrative Reform

3.1.1. Formation of the PCAR

Though Prime Minister Suzuki expressed his concern about the renewal of the administrative activities as well as the fiscal difficulties, he could not bring up the specific program for fundamental reform of the administration, because he could have anticipated the opposition and the pressure the issue of administrative reform might bring, based on the experiences of his predecessors (such as PM Fukuda and PM Ohira). It was Nakasone Yasuhiro, Director-General of the Administrative Management Agency (AMA) - who had brought the issue of administrative reform to the front and tried to tackle it from the early stages - who could have seized the
position of prime ministership, if not for the abrupt death of the former PM Ohira and the ensuing back-door arbitration for selecting Suzuki as the prime minister.

It was, however, not an easy step for Nakasone Yasuhiro to take a positive stance on the issue of administrative reform, either. As he himself admitted, he was understandably displeased at the appointment. First of all, for a man leading one of the major five factions and with his eye on the post of the next prime ministership, the position was of minor status. Secondly, the issue of administrative reform had been generally known to be a delicate one, which could bring more harm than benefit to his career; it was risky if not successful, while not conspicuous even if successfully done. Thirdly, the position was the one that his faction follower, Uno Sosuke, had occupied in the previous cabinet.

Thus, after the first cabinet meeting Nakasone Yasuhiro, as Director General of the AMA, stopped at putting together these vague words on the issue of administrative reform: "Administrative reform is one of the most important issues that this cabinet has to tackle and since the public makes strong demands for it I will do my best for its realization wholeheartedly with the help of PM Suzuki and in consultation with the Administration Supervisory Committee." What had been said here was, at best, an attempt to show his current position without revealing any specific direction or idea on the issue.

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32 The dismay that Nakasone had felt for the appointment has been mentioned in various sources; for example, Gotoda Masaharu, *Naikaku Kanbochokan* (Cabinet Secretary) (Tokyo: Kodansha, 1989); Tawara Soichiro, *Sori o Ayatsutta Otokotachi* (Men behind the Prime Ministers) (Tokyo: Kodansha, 1989).

33 *Asahi Shimbun*, July 19, 1980. Administrative Supervisory Committee is an advisory committee, attached to the Administrative Management Agency, which on the request of the AMA makes recommendations on managing the administrative works.
This vagueness can be also seen in what the AMA adopted for the next budget preparation, admitted by the cabinet on July 29. The goals of the AMA were to resist the demand to increase the administrative units, to reduce the demands at the rate of 15 percent if the demand is too strong, and to integrate the regional offices and the special companies next year. This mood of maintaining incremental moves began to change in August.

On August 10, Nakasone Yasuhiro suggested the idea of erecting an ad-hoc advisory committee similar to the first Provisional Council on Administrative Reform that was formed in the Ikeda cabinet. According to him, to respond to changing situations, such as the continuation of stable economic growth and the increase of the aged population, a fundamental reform of the administration was needed - and to reform the administration fundamentally, with the long-term vision a strong institution like the first PCAR twenty years ago was needed. On the same day Horiuchi Mitsuo, Political Vice Minister of the AMA, met with Uno Sosuke, former Director General of the AMA, and Hashimoto Ryutaro, Chairman of the Research Commission on Administrative and Fiscal Affairs (LDP RCAFA), and PM Suzuki to consult on what Nakasone Yasuhiro had announced.

Regarding this change of mood, Nakasone Yasuhiro mentioned in an interview that he had been collecting ideas for policy innovation on various policy areas and that the reform idea was one arising from such efforts. According to another account, however, it was the administrative vice minister of AMA at that time, Kaji Natsuo, who strongly advised and persuaded Nakasone to do the fundamental reform for the administration, since the time was ripe and thus it could be successfully

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accomplished. The sensible way to combine these somewhat different explanations might be that the interests of Kaji, who tried to upgrade the status of the AMA from secondary to primary, had been matched with those of a disappointed Nakasone, who had searched for ways to overcome the difficulties in which he was situated.

In the aforementioned meeting with Horiuchi Mitsuo, then, Prime Minister Suzuki acknowledged the idea and in doing so he held Nakasone Yasuhiro responsible for it. After that, Nakasone Yasuhiro moved quickly to create a mood for reform. On August 15, in a meeting with Hashimoto Ryutaro, Chairman of the LDP RCAFA, Nakasone Yasuhiro succeeded in obtaining Hashimoto Ryutaro's cooperation for the realization of reform. Hashimoto Ryutaro promised that he would work for the passage of the idea in the PRC chiefs and vice-chiefs meeting on August 25 and 26.

On August 27, Nakasone Yasuhiro disclosed his basic principles of administrative reform. They consisted of four parts: rearrangement of the work between the government and the private sector; redoing of the work in the fattened local governments; renewal of administrative service at the lower level; and smoothing of the personnel exchange between the administrative units. Of these four categories, the first one attracted attention, since in its implication major issues - such as the privatization of special companies, the deregulation of the administrative procedures, and the reduction of the subsidies - could be included. After the disclosure of his idea Nakasone Yasuhiro met with the prime minister, and in the meeting succeeded in

35 Several accounts reveal this episode; Gotoda M., op. cit., p. 64; Tawara S., op. cit., p. 127.
36 Asahi Shimbun, August 16, 1980.
37 Asahi Shimbun, August 27, 1980.
getting his acknowledgement on the basic principles of administrative reform and the formation of the second Provisional Council on Administrative Reform (PCAR).

Though the basic principles were ready, there were still many problems to be solved; for example, how to form and run the council and who would be the chairman of the council. The later half of 1980 and the first few months of 1981 were spent on these practical problems. In the beginning the council was supposed to have eight senior council members, including the post of chairmanship, and a few expert members who would support the senior members in examining the subject matter. But due to the demands of the bureaucracies, which tried to protect their respective jurisdiction from the encroachment by the council, the number of expert members were later expanded and the new post of associate expert members was introduced. Then, as for the second problem of how to run the council, majority rule, not consensual rule, became the decisional rule of the council in producing the results of deliberation, which was quite extraordinary for Japan.

The most important problem was, however, the last one: who would be the chairman of the second PCAR? It was a very crucial question, symbolically and practically, because that choice might reveal the government’s seriousness about administrative reform. Many names had been mentioned, but from the beginning of


40 The impact of Doko’s appointment to the chairmanship could be seen in my interviews, in which several interviewees either admitted that they knew the intention
1981 the name of Doko Toshio, who was known for his efforts toward rebuilding the Toshiba company and who was the former chairman of the Keidanren, emerged as the one best fit to fill the post. Finally, on March 1, 1981 PM Suzuki met with Doko regarding acceptance of the chairmanship, and in this meeting Suzuki was said to have promised Doko that he would not only support the work of the second PCAR but also would put all his effort toward the realization of its recommendations. On March 16, then, the second PCAR was launched for a two-year term, and it held its first meeting, in which the goal of administrative and fiscal reconstruction without a tax increase was officially adopted.

The PCAR First Report and the Responses: Addressing the council, PM Suzuki and Nakasone Yasuhiro expressed their support for the work of the second PCAR and demanded work on the reconstruction of overall administrative and fiscal matters, such as government expenditure, administrative units, and administrative work. Noticeable in the prime minister's speech was that, in addition to the general demands mentioned above, he asked the council to prepare the general guidelines for the 1982 budget as soon as possible. Implicit in this request was that the current administrative was real at the appointment of Doko or mentioned that they participated at the PCAR because of Doko's leadership. These could be also seen in the various sources; Gotoda M., op cit., pp. 72-73; and Tawara S., op cit., pp. 133-135.

41 There was, however, a major difference between PM Suzuki and PM Nakasone; while PM Suzuki gave priority to fiscal reconstruction, Nakasone tried to separate fiscal reconstruction from the administrative reform by which the reform of the administration for the future was to be focused and fiscal reconstruction was supposed to be only a side effect. This difference could be found in the sources mentioned so far; for example, in addition to the books of Gotoda, Kito, and Tawara, see Rinjigyosei Chosakai OB Kai, ed., Rincho and Gyokaku: Ninenkan no Kiroku (PCAR and the AR: The Record of Two-Year Duration) (Tokyo; Munkusha, 1983), pp. 11-12.
reform was to be not only directed towards the rationalization of administrative work but also used as a means of overcoming the difficult fiscal situations the government had confronted. The council, therefore, spent the next few months responding to this urgent request from the prime minister, and came up with its first report of recommendations on July 10.

While the second PCAR worked on the basic outline of administrative reform and on the general guidelines for the 1982 budget, PM Suzuki focused his efforts on promoting and showing his support for the council's work on administrative reform. Two days later, on March 18, he expressed his wholehearted support for administrative reform in the general assembly of the Nissho (Japan Chamber of Commerce), saying that he would risk his political career to achieve administrative reform. On April 5 he launched the Government-LDP Center for the Promotion of Administrative Reform (CPAR), of which he was the head and all cabinet members, as well as the four LDP leaders (consisting of the vice president, secretary general, the PRC chairman, and the General Council chairman) and the chairman of the LDP Research Council on Administrative Reform, were included as members.

Prompt follow-up measures by the government and by the party continued afterwards. As the first PCAR report, which responded to PM Suzuki's demands, came out on July 10, the CPAR decided on an outline called "on the first PCAR report" on July 15, and the cabinet passed it on July 17 with the announcement that the government would respect the report to the foremost extent. On August 25, the cabinet decided on the principles entitled "on the making of legislation related to the administrative and fiscal reform," and on September 22 the cabinet passed the so-called "Special Legislation related to Administrative Reform" that proposed to reduce subsidies and other government expenses. The legislation passed the House of
Representatives (HR) on October 29, and the House of Councillors (HC) on November 27.

The process in 1981, of course, had not been all that smooth. First of all, conflict between PM Suzuki and PCAR chairman, Doko, broke out when the government, at the end of the year, decided to increase taxes on private companies due to the shortage of tax revenues, and Doko (on December 11) resentfully criticized the decision and expressed his intention to resign, stating that it was against the PCAR’s goal of administrative reform without a tax increase.42

Second, the politicians who opposed administrative reform moved carefully. On April 27, for example, Komoto Toshio, who also intended to run for the office of prime ministership in the coming election, met with Fukuda, the former prime minister and one of the major faction leaders, to gain his support in resisting the current direction of administrative reform.43 Komoto Toshio’s position was that the issue of administrative reform should be discussed separately from that of economic revitalization. Another example was the move of Kanemaru Shin, a well-known zokugin (or policy advocate) on the social, health, and postal services. In response to the efforts of the prime minister as well as the PCAR to break down and privatize the Denden Kosha (Nippon Telecommunication and Telegraph or NTT), Kanemaru Shin came up with his own plan for reforming the NTT, which was aimed instead at reshaping the NTT to something similar to the Bank of Japan.44

42 Asahi Shimbun, December 11, 1981.

43 Asahi Shimbun, April 27, 1981.

44 Yomiurishaibun Seijibu, Dokyumento Gyoseikaikaku (The Documentary Records of Administrative Reform) (Tokyo; Yomiuri Shimbunsha, 1983), pp. 31-32.
During 1981, however, the conflict between the government, especially PM Suzuki, and the PCAR was not serious. Doko's threat to resign was soothed by Suzuki's reassurances that he would carry out with greater sincerity the recommendations of the PCAR, and his explanation of the fiscal situation the government had to face. In fact, Japan had experienced a difficult economic situation and consequently the tax revenue was below what the government had expected. Thus, on December 21 the government and the LDP reached an agreement to issue additional deficit bonds to offset the revenue shortage. Serious opposition to the second PCAR and its administrative reform did not surface either, mainly because the deliberation was only on its first stage. As the discussion of the PCAR progressed and more details on the reform were revealed, however, opinions began to be divided inside as well as outside the government. This put pressure on PM Suzuki and had made others speculate on how far he could go with the line of administrative reform.

3.1.2. The PCAR Third Report

The conflict began to spread around the time when the contents of the PCAR's third, "basic" report became known. Though conflict occurred on almost all the topics, it centered mainly around two themes; first, how and why the integration of the administrative units was needed and, second, to what extent the goal of no tax increase should be maintained.46

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45 The real growth rates of the GNP were 5.3 percent in 1979, 3.7 percent in 1980, 3.3 percent in 1981, and 3.2 percent in 1982. Government revenues increased 12.6 percent, 10.3 percent, 9.9 percent, and 6.2 percent in the corresponding years, but they all faced budget deficits.

On Administrative Integration: For the former issue two integration efforts became the focal points; the making of a new National Land Development Agency by combining the HDA with the Okinawa Development Agency (ODA), and the making of a new Management and Coordination Agency (MCA) by combining the AMA with the PMO.

On May 10, 1982, Matsuno Yukiyasu, Director-General of the HDA, in a meeting of the PRC Committee on Hokkaido Development criticized the attempt of the second PCAR to institute a new National Land Development Agency. While the argument of the PCAR was that these areas did not need separate treatment any longer and the integrated agency would bring about the efficient use of land nationally, Yukiyasu Matsuno argued that they still needed special attention and most of the residents in these areas still wanted the continuation of their services. Supportive of this criticism were the politicians who were connected with these agencies in terms of their electoral constituency, factional ties, and others: for example, Nakagawa Ichiro, Director General of the STA, who came from the Hokkaido; Kiwa Noboru, Minister of Posts and Telecommunications, and Tanabe Kunio, Director General of the PMO General Affairs Department, both of whom were members of the Tanaka faction; it was Tanaka who, as a prime minister, instituted the HDA. As was the case in the administrative reform under the Fukuda cabinet and as will be the case later under the Nakasone cabinet, resistance to the integration of the HDA with other or into a new one was also strong at this time.

48 Yomiurishimbun Seijibu, Dokyumento Gyoseikaikku, pp. 35-37.
49 Yomiurishimbun Seijibu, Dokyumento Gyoseikaiku, pp. 50-52.
Two days later, on May 18, then, several LDP dietmen such as Gawajima Hiroshi and Kawai Sanyo criticized the second PCAR's plan to institute a new Management and Coordination Agency (MCA). The focus of the second PCAR was to enhance the effective policy coordination of the cabinet. The opposition forces on the other hand expressed their fear that it might create an agency with too much power, and might lead to confusion about work. For example, the bureaucrats of the PMO who thought the integration was, in fact, the AMA's absorption of their bureaus criticized the attempt by arguing that the integration might mean the reduction and confusion of their current tasks. Tanabe Kunio, Director General of the PMO General Affairs Department, in a news conference of May 25 also joined in the criticism, reasoning that it might encroach upon the prime minister's right of personnel management. Thus, it was said that even in the second PCAR the issue was hotly debated due to the strong opposition of some members who disliked the idea of concentrating too much power within a single agency.50

Issue of No Tax Increase: The second issue, the extent to which the PCAR's goal of no tax increase could and should be maintained, was related to various topics; for example, whether the increase in public officials' salaries and the rice prices should be frozen or allowed, and whether a tight economic policy should be maintained or converted to an expansionary one. The proponents of the PCPR's goal insisted that salaries and the rice prices should be frozen at the level of the last year, and that the tight economic policies should be continued; they feared that otherwise the increase of salaries and prices and the change to expansionary economic policies would ultimately

50 Yomiurishimbun Seijibu, Dokyumento Gyoseikaiku, p. 51.
lead to tax increases, which would reverse the thrust of administrative and fiscal reform efforts.

In his meeting with Watanabe Michio, Minister of Finance, on July 3, Doko insisted on maintaining the goal of no tax increase and suggested freezing public servants' salaries.\(^{51}\) It was an attempt on the part of Doko to block any move to raise the salaries in advance, since in 1981 even with the start of the PCAR the government decided to raise salaries at the rate of 5.23 percent. At this suggestion, however, Maruyama Yasuo, a senior member of the second PCAR participating as the representative of the *Sohyo* labor unions, criticized Doko Toshio for speaking out only for himself without consulting with committee members.\(^{52}\)

The second round began two months later. On September 1, Nakasone Yasuhiro met with Hashimoto Ryutaro and the meeting produced an agreement to freeze public servants' salaries for 1982.\(^{53}\) They also indicated that to carry out this decision they would jointly confront the opposition. The response, however, came immediately. The next day, Tanabe Kunio, DG of the PMO GAD, and Hachumura Takiichiro, Minister of Labor, criticized these efforts as impractical.\(^{54}\) Their argument was that a pay raise should be allowed in consideration of inflation.

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\(^{51}\) *Asahi Shimbun*, July 3, 1982.

\(^{52}\) Kido Taro, "Rincho Gohyakunichi no Kiseki (The Traces of the Five Hundred Days of the Second PCAR)," *Sekai* 442, (September 1982), p. 86.

The *Sohyo* is the federation of labor unions that are mostly composed of the public employees such as the JNR and it is the major supporting group of the JSP.

\(^{53}\) Kido Taro, "Rincho Gohyakunichi no Kiseki," p. 87.

\(^{54}\) *Ibid.*
A little more dramatic tug of war was seen on the topic of rice prices. On July 22, the government decided to increase the rice purchase price by 1.1 percent. The rate was up, compared with the one of last year, 0.5 percent. Perceiving this as a lack of PM Suzuki's will to carry out administrative reform, Doko again expressed his intention to resign. In his speech to the Nihon Seinen Keizainin Kai (Japan Young Entrepreneurs Conference) on July 24, Doko criticized Suzuki for his lack of willingness to pursue reform.55

The goal of no tax increase was to be maintained as a way to keep government expenses down, but also sustain tight economic policies. For the latter, then, tensions broke out between big business, which tried to block any move toward tax increases and small and medium-sized business, which experienced more severe hardship due to tight economic policies. Big business, as the major sponsor of the PCAR and its goal of no tax increase, had promptly responded to any move to increase the tax. For example, when on May 25 Ogura Takekatsu, Chairman of the Government Research Council on Tax, suggested directly the need for a tax increase to relieve the people's tax burden, Inayama Yoshihiro, Chairman of the Keidanren, expressed his fear the next day that such mention would lead to a discussion of tax increases and showed strong opposition in the press conference.56 The PCAR, following big business, opted on May 29 to maintain its original stance of no tax increase.57

Unlike big businesses, however, small and medium-sized businesses wanted to escape the hardships stemming from the continuation of tight economic policy. Thus,

on July 15, Nagano Shigeo, Chairman of the Nissho (Japan Chamber of Commerce, which represented the demands of the small and medium enterprises), demanded in a press conference that the government turn to expansionary economic policies. 58 Though Nagano mentioned nothing about tax increase, the implication was obvious, and Inayama Yoshihiro quickly showed his opposition. His reasoning was that though he could understand the difficult situation, the resulting tax increase eventually would come down to the burden business had to pay, and it would not do any good for the economy in the long term and that the business had to endure the present hardship.

But the pressures for changing economic policies came from other direction, too: the politicians. On August 20, the LDP dietmen held a meeting for the promotion of public works investment in which Kanemaru Shin took the chairmanship and over three hundreds LDP dietmen participated. 59 It demanded an increase in public investment and the enactment of expansionary economic policies for 1983. They again held a conference for the promotion of public investment on September 10, and argued for the policies of economic revitalization. For these politicians the support of the small and medium-sized business had been a major source of electoral support.

On September 14, then, asking for unity within the Zaikai, Otsuki Bunpei, Chairman of the Nikkeiren (the Japan Employers' Association), talked about the need for patience, which was congruent with the Keidanren line of no tax increase. 60 But


59 Asahi Shimbun, August 20, 1982.

60 Asahi Shimbun, September 14, 1982. The Zaikai means the business world and there are four major associations representing it; the Keidanren (Federation of Economic Organizations), the Nikkeiren (Japan Employers’ Association), the Keizai Doyukai (Japan Committee of Economic Development), and the Nissho (Japan Chamber of Commerce).
such efforts had little effect on the small and medium-sized business groups. Nagano Shigeo on September 22, Nagano Shigeo reiterated his demand for expansionary economic policies in the general assembly of the Nissho.

**PM Suzuki's Responses to the Challenges:** In addition to the conflicts on the various issues mentioned above, PM Suzuki also had to deal with pressures coming from the political arena. Criticizing PM Suzuki's reform efforts, Fukuda Takeo, a former prime minister, and Komoto Toshio, Director General of the EPA, on April 2 jointly asked for an extraordinary session of the Diet to be held in fall.\(^61\) It was not that they opposed administrative reform itself. In fact, on Doko's visit after the presentation of the third, "basic" report of the PCAR, former prime minister Fukuda showed his strong support for it.\(^62\) Their aim was, however, to hurt the work of PM Suzuki as much as possible by scrutinizing the process of administrative reform in the extraordinary diet session, which would give them some advantages in the coming LDP presidential election. The prime minister's response came almost two months later, on May 29. In a press conference PM Suzuki mentioned that it was difficult to schedule the extraordinary diet session due to the busy timetable of the LDP, such as the LDP presidential election.\(^63\) On June 2, however, Nakasone also suggested that the prime minister have an extraordinary diet session for the promotion of administrative reform.\(^64\)

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\(^{61}\) Asahi Shimbun, April 2, 1982.


\(^{63}\) Yomiurishimbun Seijibu, *Dokyumento Gyoseikaikaku*, p. 35.

\(^{64}\) Yomiurishimbun Seijibu, *op. cit.*, 36.
It was after he came back from the G-7 meeting in Versaille that PM Suzuki finally showed a change of heart. On June 19, he expressed his decision to hold the extraordinary diet session for reforming the administration and the upper house election districts, and met with Nakasone Yasuhiro in order to gain his cooperation. Then, in receiving the third, 'basic' report of the second PCAR that came out on July 30, which discussed the division and privatization of the three public special companies and the salary of government officials, PM Suzuki reemphasized his support for the report and suggested a timetable for it: to hand in the law of instituting the 'Kokutetsu Saiken Kanri Iinkai' in the extraordinary diet session of 1982; the LDP presidential election after that; and the laws concerning the reform of the Denten Kosha (NTT) and the Japan Tobacco and Salt Monopoly (JTSM) to be handed in the 1983 regular Diet session.

In fact PM Suzuki on several occasions had tried to show his firm support for administrative reform, in order to augment his credibility in carrying out the reform. It was said that in March Nikaido Susumu, Secretary General of the LDP, had suggested to the prime minister when they met together that he postpone the reform until after his reelection. On April 2, however, PM Suzuki expressed his intention to carry out the contents of the basic report in the incremental manner in the general meeting of the Government-LDP Center for Promoting Administrative Reform (CPAR), though at the same time he clearly postponed discussion of the breakdown and privatization of the Japan National Railroad and other special companies until the next year. After the

65 Asahi Shimbun, June 19, 1982.
third, 'basic' report of the PCAR came out on July 30, the prime minister again tried to show his willingness to pursue the reform on various occasions; for example, on August 10, he decided on the promotion of the basic report in the meeting of the Government-LDP CPAR, as well as in the cabinet meeting; and two days later he confirmed his intention to promote the reform in meetings with Takagi Fumio, Chairman of the Kokutetsu (JNR), and with the bureau chiefs of various ministries.

Even with these continuous efforts, however, pressures from anti-mainstream politicians persisted, and the unfavorable economic conditions continued. In the cabinet meeting of September 10, Komoto Toshio and Shintaro Abe, one of the new leaders group and a member of the Fukuda faction, demanded an extraordinary Diet session and a meeting of the economy-related ministers, to discuss administrative reform as well as ways to overcome the difficult economic situation. A few days later, on September 16, PM Suzuki himself had to announce the urgency of the fiscal situation, at which time the inevitable need to issue additional national bonds to mend the deficit was disclosed.

Then, on October 12, PM Suzuki abruptly announced his decision not to run for the office of party presidency. It was not known for certain why he decided to resign. Various reasons were mentioned; for example, the enormous pressures upon him in the course of carrying out administrative reform as mentioned above, or the self-judgement regarding the difficulty of keeping the promise that fiscal deficit would be erased by 1985. Whatever the reasons might be, what he had done in terms of administrative reform during his prime ministership resulted in three things: the passage of the "Special Laws related to the Administrative Reform" in 1981, which was based on the first report of the PCAR, and the "Laws for Simplifying the Administrative Procedures" in July of 1982, which was based on the second report of the PCAR on
February 10, and the "Outline of the 1983 Administrative Reform" which summed up what had been discussed in the process of administrative reform, in which the urgency of rebuilding the JNR was declared (and thus it was decided to be discussed promptly). These results, however, fell short of bringing about any significant and actual changes in the point of reforming the administration, not to mention remedying the fiscal burden; changes such as the reorganization of the administration and the privatization of special companies were yet to be made in the following cabinet.

3.2. Suzuki Leadership: Its Elements and Environments

3.2.1. Issue Commitment: Extent and Direction

Two contrasting evaluations are possible for Prime Minister Suzuki's commitment on the issue of administrative reform; one is a positive evaluation and the other is negative. In his first policy-related speech to the Diet, PM Suzuki selected the issue of administrative reform as one of the main topics that his cabinet would address. From then on, as seen in the above description of the process, he tried from time to time to make known his firm position in support of the reform efforts. The prompt responses by the LDP-Government Center for Promoting Administrative Reform (CPAR) and by the cabinet at the presentation of the PCAR reports could be also regarded as evidence of the prime minister's commitment; for example, the decisions to respect the Provisional Council on Administrative Reform (PCAR) recommendations were carried out by the CPAR and by the cabinet soon after the individual reports of the PCAR came out. PM Suzuki's direction of commitment, which emphasized fiscal reconstruction, had not been problematic either; for Doko, who continuously insisted
on maintaining the goal of no tax increase the direction was one that could be viewed as positive.

The problem of the prime minister's commitment is that, regardless of actual intentions, it had been questioned occasionally. There were several decisions that deviated from the PCAR's basic principle of administrative and fiscal reconstruction without a tax increase; for instance, the increase in the corporate tax at the end of 1981 in order to compensate for a revenue shortage, the rice price increase and the public servants' salaries in 1982, and the issuance of deficit bonds in 1981 and 1982. These decisions made the PCAR chairman, Doko, suspicious of the prime minister's resolve, and led him to present his notice of resignation. Besides these decisions, other evidence shows the limitations of PM Suzuki's commitment. First, there had been efforts to dissuade the prime minister, as seen in Nikaido Susumu's advice to postpone the controversial issues until after reelection; second, in response to the demand of the opposing group within the LDP to hold a Diet session to discuss administrative reform, he at first responded negatively, citing the busy LDP schedule, though he decided to do it later; third, he seemed to believe that the simplification of administrative procedures would suffice in his first term of office, as seen in his request to the Third Section of the PCAR for the prompt presentation of its report in 1981.67 His repeated assurances for support could be seen as a reflection of these distracting forces.

There could be several reasons that despite his continuous assertion of support, PM Suzuki failed to meet the desired standard of showing his willingness and achieved only limited results for administrative reform in his prime ministership. Most of all, the timing was not good; economic growth was very slow, and thus the expected level of

67 Yomiurishimbun Seijibu, op. cit., p. 18.
government revenues was not reached. Besides these situational elements, however, there were the elements that he himself should be held responsible for; that is, his goals, values, personality, strategies, and resources.

3.2.2. Ideologies, Goals, Motivations and Personality

Graduated from the local agricultural academy, Zenko Sukuki had involved himself in forming agricultural cooperatives in the prewar years. He then participated in the 1947 election. The endorsement he got at first in the election was from the JSP, but he soon changed his party affiliation from the JSP to the LDP. According to him, the reason was that the LDP, as the governing party, could do something about the agricultural areas; "Since one of the main reasons that I entered the politics was to carry out the policies of enriching the agricultural areas, I thought that it was wise to be a member of the LDP that administers national policies, including agricultural ones."68 This episode tells us where he can be placed on the ideological spectrum; he can be viewed, at best, as a realist pursuing the realization of his interests without having no serious attachment to any specific ideological element.

As a politician, Suzuki was known as a skillful arbitrator. After becoming a member of the LDP, he entered the Ikeda faction. He was a peculiar member of the faction since, Ikeda himself being a former bureaucrat, the faction was full of former bureaucrats. But, as a party politician he endeavored to negotiate and comprise with other factions when delicate issues emerged: for example, when Ikeda was running for party president, Suzuki was known to have played an important role in winning the support of party members by meeting them energetically; and it was also known that

Suzuki played a significant role in helping Ohira Masayoshi succeed Maeo Shikesaburo and, later, run for the party president. In each of these endeavors he worked to let the faction members side with Ohira and to link Ohira with Tanaka Kakuei, respectively. As a typical party politician, he was basically a consensus-builder or, if we quote Mifuji's classification, a management-oriented leader. As prime minister, however, his management-oriented style was often viewed as indecisive.

Contributing to the appearance of PM Suzuki's rather indecisive image were his statements about becoming a prime minister. On various occasions, PM Suzuki had shown modesty about becoming a prime minister; for example, "I myself know very well that I am not much of a man to become a prime minister... I will try to do my best for following the ideas of the late PM Ohira"; and "(I know) the general opinion within the party and of the business world is not to acknowledge who should most appropriately carry out the task of prime ministership, but to find someone that can smoothly bring stability to the party." This recognition of his position reinforced his style and at the same time to make him look indecisive.

3.2.3. Resources and Strategies

As was done in case of the Fukuda cabinet, Prime Minister's resources will be examined in three areas; public sentiment, intraparty situation and bureaucratic
concern. For the public sentiment, the activities of interest groups and mass media will be assessed.

**Public Sentiments:** Unlike the time of the Fukuda cabinet, much attention was given to the fiscal crisis and the administrative reform as a means of solving the crisis. Big business had been the most conspicuous among the interest groups. The chairman of the PCAR, Doko, came from the big business. They also involved themselves in the various activities of supporting the PCAR and its administrative reform. For example, in early May of 1981, Honda Soichiro, the supreme advisor of the Honda Company, and Ino Fukudai, the honorary chairman of the Sony Company, founded a 'national forum for the Administrative Reform Promotion' to support Doko and his reform efforts. Kurokawa, Chairman of the Nihon Seinen Kaisho, also contributed to this cause. There may be several reasons for their active involvement with administrative reform. Their fear that the government's continuous reliance on the corporate tax increase for compensating the budget deficit would take away their competitive edge in the world market was, however, reported as the foremost reason.72

Big business had to face internal opposition, however. Although they placed more emphasis on the aspect of no tax increase, the PCAR's goal of fiscal reconstruction without tax increase provided the MOF with an excuse for maintaining the motto of "zero" ceiling (meaning zero percent increase in budget deliberation). The maintenance of tight economic policies affected the small and medium-sized businesses the most. Thus, the Nissho (Japan Chamber of Commerce), representing the small and medium-sized businesses, demanded expansionary economic policies and struggled with

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72 Yomiurishimbun Seijibu, *Dokyumento Gyoseikaiku*, p. 18; Kido Taro, "Rincho Gohyakunichi no Kiseki," p. 76.
other Zaikai associations which feared that the change to expansionary policies would mean an increase in their tax burden.

Not only the business world but also the opposition parties and their labor unions were divided, too. While the JSP and the JCP were against the government measures for administrative reform, the DSP and other opposition parties were rather positive. For example, in July of 1981, "Gyokaku Meijin Kai" was jointly held by the "Administrative Reform Promotion Citizen Group" and "Kokumin Rincho" by the "Administrative Reform Promotion People's Movement" whose central forces were from the Domei-related labor unions. Also that day in the meeting of the lower house steering committee, Yamakuchi Suruo criticized Doko Toshio for his assertion that the Diet could be dissolved for the realization of administrative reform. His criticism represented the position of the Japan Socialist Party, but inside the JSP opinion was fragmented. In contrary to the official opposition position of the JSP, the DSP and other center parties supported the reform efforts. The position of the various labor unions was also divided; for example, "Kokuro" sided with "Toro" in opposing the reform while "Tetsuro" supported the reform, which also opposed the idea of privatization and division.

Intraparty Situations: It was only by chance that Suzuki became prime minister. As a senior dietman of the Ohira faction, no one dreamt of him becoming a faction leader, not to mention prime minister. To understand how this chance came about, one must know the story of the troublesome LDP factional politics during the Ohira cabinet.

As will be described later in the case of tax reform, there were severe clashes between the mainstream and the anti-mainstream in the Ohira cabinet, as evidenced by the so-called "forty-day rebellion" and the passage of a no-confidence vote against PM
Ohira in the Diet during 1980. Regarding the former case, there was an incident in which two LDP candidates, Fukuda and Ohira, were nominated in the Diet and with respect to the latter case PM Ohira responded by dissolving the Diet and holding an election, during which campaign he died of heart failure. After becoming prime minister through the backing of the Tanaka faction and the acknowledgement of the anti-mainstream factions, Suzuki inherited these factional conflicts, which was partly why he took the low-key posture mentioned above.

Administrative reform, with many controversial issues, reactivated the conflicts within the LDP that were temporarily pacified with Suzuki's becoming prime minister; for example, Komoto Toshio, aiming to running for the party presidency in the coming election, argued for the separation of economic revitalization from fiscal reconstruction in a way to check the most potential contender, Nakasone Yasuhiro, and endeavored to obtain the support of Fukuda. The demand for the deletion of the "zero" ceiling was strong within the LDP, even though they did not necessarily correspond with Komoto Toshio's cause. The confrontations between the proponents and the opponents also surfaced with regard to more specific issues, which did not necessarily follow factional lines. We saw Kanemaru Shin's involvement in the issue of privatizing the NTT. The issue of liberating the inspection clauses for automobiles is another example; while admitting the extension of inspection period, Kato Mutsuki at the demands of the automobile service industry, managed to insert a clause levying the inspection violation fee, which was against the PCAR recommendations and the opposition of Nakasone Yasuhiro and Hashimoto Ryutaro. It was due to these conflictual energies that Nikaido Susumu - who as a docile follower of Tanaka Kakuei had to face the court.

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decision of Tanaka for the Lockheed scandal in 1983 and so preferred to reelect PM Suzuki in the coming election - advised the prime minister to postpone the controversial administrative reform until after the presidential election.

**Bureaucratic Concern:** Like the party politicians of the Liberal Democratic Party, the bureaucrats, except probably those of the Administrative Management Agency, were not very serious about administrative reform at the start of the Suzuki cabinet and in the beginning of its discussions. Only after Doko Toshio was appointed as the chairman of the PCAR did the bureaucracy begin to take seriously the reform efforts of the cabinet. The delayed, but enthusiastic participation of the bureaucracy in the administrative reform can be seen in the organizational expansion of the PCAR.

**Strategies:** With his unexpected elevation to the prime ministership, Prime Minister Suzuki had one major strategy for running the government. That is, by assigning the two prominent politicians, Nakasone Yasuhiro and Komoto Toshio, to the important tasks, the posts of the Administrative Management Agency and the Economic Planning Agency, he tried to examine their abilities in terms of whose successful operation may also serve for his reelection interests. That these assignments were much of PM Suzuki's strategy can be seen in the hesitation and disappointment that Nakasone Yasuhiro expressed at the appointment of the post, as mentioned previously. Though leading a small faction, Nakasone Yasuhiro was the one of the main faction leaders and he was thinking that he would be the next to be the prime minister, since his contemporary faction leaders (Tanaka, Miki, Fukuda, and Ohira) had served in the post of prime minister. Then, unexpectedly, Suzuki became prime minister through informal negotiation for the sake of party consensus, and Nakasone Yasuhiro became the DG of the Administrative Management Agency that had been previously occupied by his faction member, Uno Sousuke. Behind his hesitation lies the general recognition
of the difficulty of realizing administrative reform. Though there may be a difference in the degree of burden, Komoto Toshio - who, by succeeding the Miki faction had aimed at the post of prime ministership, could not have exalted at being the DG of the Economic Planning Agency, since the Japanese economy, struck by the second Oil Shock, had experienced difficult times.

Though the strategy seemed good at first, it did not go as planned. By placing the PCAR under the direct responsibility of the prime minister, PM Suzuki had to answer for how the administrative reform progressed. Various reasons can be cited for PM Suzuki's abrupt resignation, but the burden of realizing the administrative reform he had endured in the middle of two conflicting sides may have been one of the major reasons. Thus, though the strategy of using the people at the right places seemed to be appropriate, it can be said that he could not bear the burden.

### 3.3. Summary

It is not easy to say how much Prime Minister Suzuki succeeded in the administrative reform because he resigned after only the first term even though he was able to run for another term at least. His efforts ended midway and failed to see the realization of major issues in his term; i.e., the erection of a new Management and Coordination Agency and the privatization of special companies. Although the PCAR made recommendations on these issues against the opposition, they cannot be accepted as the final outcomes. They still needed to be examined in the LDP and the Diet. The automobile inspection case was suggestive in this regard. Though the PCAR recommended the extension of the inspection period by applying its goal of simplifying administrative procedures, the clause levying inspection violation fees became attached
became attached to the legislation during the LDP PRC examination. If we consider that the legislation for simplifying the administrative procedures was the major accomplishment of PM Suzuki and his cabinet, his leadership cannot be said to have fully developed for the realization of administrative reform.

It may be a harsh accusation to attribute the limited success to the PM Suzuki's lack of leadership. Most of all, for him the timing was bad; that is, the economic situation was not supportive, which meant less revenues for the government and led the prime minister to rely either on a tax increase or on the issuance of national bonds. On the other hand, PM Suzuki's commitment to the administrative reform had been consistent throughout the period. The problem was, however, that his sincerity had been questioned by Doko Toshio from time to time; for example, when the government decided to raise corporate taxes in 1981 and when it again decided to raise the rice producers' price in 1982. Besides the difficult economic situation, there are several factors that amplified his image of indecisiveness, of which the prime minister was personally responsible. First, PM Suzuki was known as a typical consensus builder or a management-oriented leader. This generally meant that no one could be sure of his true colors on a given issue. Second, selected rather unexpectedly, PM Suzuki had shown limited understanding or recognition of his goal, as the statements about his becoming a prime minister mentioned previously show, which in turn reinforced his reliance on the consensus-building style.

Third, PM Suzuki in fact had been situated between the proponents and opponents on various issues of administrative reform. For example, on the controversy of the PCAR's goal, fiscal reconstruction without tax increase, big business and Nakasone Yasuhiro insisted on the PCAR's goal of no tax increase, while many LDP politicians, such as Komoto Toshio, demanded the lifting of the "zero" ceiling principle in budget
deliberations. His abrupt announcement not to run for party president seemed to be partly caused by the burden of controlling these conflicts with which he had to endure for the realization of administrative reform. This is, therefore, the reason why his leadership was insufficient and he is very much responsible for the limited success on administrative reform.
4. The First Nakasone Cabinet

Nakasone Yasuhiro was elected as the 11th president of the LDP on November 25, 1982, and as the prime minister of Japan the next day. Because he himself was actively involved in launching the administrative reform movement as Director General of AMA in the Suzuki cabinet, PM Nakasone from the very beginning stressed the importance of administrative reform and demonstrated his strong support for it on various occasions. As the contents of the PCAR reports on specific issues were revealed and the locus of discussions for them moved from the PCAR to the government and the LDP at the closure of the PCAR activities, however, the prime minister had to confront a multitude of interests cutting across various issues. In the following pages we will proceed, as done in previous sections, from a description of how the discussions on the various issues of administrative reform progressed and, then, relate the process with the leadership of PM Nakasone.

4.1. The Process of Nakasone Administrative Reform

Declaring the motto of 'decisiveness and responsibility' for his cabinet, Prime Minister Nakasone made clear in the statement he made after the first cabinet meeting of November 27 that he would not retreat until the goal of administrative reform had been achieved, though he explained that the goal of abrogating the fiscal deficit until 1984 was unrealistic and thus needed to be rescheduled. In the following press conference he tried to establish his credibility in pursuing administrative reform by saying: "(E)specially concerning about administrative reform (I) promised with Mr. Doko to carry it out wholeheartedly, and (I) will endeavor to do so foremost. And to
do that job, (I) placed as the minister of prime minister's office Mr. Gotoda who is not from my faction, but capable of doing it. Most of all, (I) want to have something (that can remain in history)..."74

His support for administrative reform could be also seen on several other occasions. In a speech to the members of the Provisional Council on Administrative Reform (PCAR) he emphasized his strong commitment and Doko, the PCAR chairman, in return praised Nakasone's decisiveness. On the same day PM Nakasone attended a meeting of the administrative vice-ministers' conference, and there he stressed the importance of administrative reform and demanded their supports for its achievement. Then, on December 3, in his first policy-related speech to the Diet, he chose the issue of administrative reform as one of the most important ones and asked for their support, regardless of their respective party affiliations.

As the activities of the PCAR neared an end, however, discussions of the various issues in the administrative reform process became heated. We will first describe the activities of the PCAR and the process of instituting the new Provisional Council on Promoting Administrative Reform (PCPAR); then, we will examine more specific topics, such as tax increase in relation to budget making, privatization of special companies, and administrative integration in the form of building a new Management and Coordination Agency.

4.1.1. The Activities of the PCAR and the Formation of the PCPAR

On December 17, 1982, the Third Section of the PCAR issued a preliminary report on subsidies to its general council. Included in the report were the ideas of revising

and correcting national health insurance, the agricultural promotion fund, private sector subsidies, pollution-related rewards and others.\textsuperscript{75} Within a week, however, it decided to relax the clauses pertaining to revising the subsidies concerning with the public works and the private sector in its final draft.\textsuperscript{76}

On December 18, the second group of the Second Section in the PCAR also submitted its report on the issue of opening the administrative information and, on December 29, the third group of the Second Section in the PCAR that worked on the modernization and simplification of administrative works gave its reports. Through further discussions of the reports presented to it, the Second Section of the PCAR handed its report to the general council on January 9, 1983, which included the recommendations to strengthen policy coordination, to reform the ministries bureaucracy's internal organization and its regional offices, to open the administrative information, and to reconsider recruitment procedures and the budget deliberation.\textsuperscript{77}

On January 18, 1983, the Fourth Section of the PCAR presented its report on the special companies, which suggested reform of three government services related to the postal, forestry, and medical works.\textsuperscript{78} Then, on January 22, the First Section recommended the institution of another council, later called as Provisional Council on Promoting Administrative Reform (PCPAR), to supervise the progress of its reports to the government. It was suggested that it be attached to the Prime Minister's Office. This recommendation became the main part of the PCAR's fourth report that came out

\textsuperscript{75} Rinjigyosei Chosakai OB Kai, ed., \textit{Rincho to Gyokaku}, pp. 55-56.

\textsuperscript{76} \textit{Asahi Shimbun}, December 25, 1982.

\textsuperscript{77} Rinjigyosei Chosakai OB Kai, ed., \textit{Rincho to Gyokaku}, pp. 55-59.

\textsuperscript{78} Rinjigyosei Chosakai OB Kai, ed., \textit{Rincho to Gyokaku}, pp. 57-58.
on February 28. In receiving the report PM Nakasone noted that he would give the suggestions the utmost respect.79

The draft of the final report came out on March 2, and after incorporating the comments upon it, the final report of the Provisional Council on Administrative Reform (PCAR) was completed and presented to the government on March 14. The PCAR was, then, dissolved the next day, after duration of two years. At the closure of the PCAR the prime minister promised to follow the PCAR recommendations as much as possible and the MOF stated that it would respect the final report while preparing future economic and fiscal policies though it did not discuss the prospects to the future fiscal situation.80 On the other hand, the Zaikai (big business community) urged the government to carry out the PCAR recommendations in the final report as soon as possible.81

As the activities of the PCAR ended, opposition voices within and outside the government began to surface. While the opposition within the government aimed at specific issues, which will be described in detail later, the opposition outside the government was directed at the overall thrust of the PCAR. For example, a few days before the final report came out, on March 11, the Japan Socialist Party and the Sohyo jointly held a symposium in which the PCAR was criticized as being led by the Zaikai and being far from what the people wanted. But, support groups also moved quickly. For example, the Doko Committee (Doko linkai), aiming to supervise the reform

79 Asahi Shimbun, March 1, 1983.
80 Asahi Shimbun, March 14, 1983.
81 Ibid.
process as a private institution, was formed on March 25, in which Doko himself and other private sector forces, mostly big business, participated.

Amid these conflicts between two camps, the cabinet meeting of March 25 decided to introduce the "Law for Instituting the Provisional Council for the Promotion of Administrative Reform (PCPAR)". It passed the House of Representatives on April 15, when the "Law for Instituting the Supervising Committee of Rebuilding the JNR (SCRJ)" was also passed. As these two laws passed the House of Councillors on May 14, PM Nakasone announced his decision to appoint Doko Toshio as chairman of the PCPAR, and Otsuki Bunpei as chairman of the SCRJ. At the end of the PCAR Mr. Doko indicated to the press that he did not intend to take the chairmanship of the new council due to health problems stemming from old age, but it was said that PM Nakasone personally persuaded Doko to take it, because there was no other leader strong enough for the job, and that otherwise the administrative reform itself would be jeopardized.82

Though the post of the PCPAR chairmanship was assigned to Doko, there were still many problems to be solved for the PCPAR. For example, what would be the characteristics of this new council; that is, would it suffice to just supervise the process of administrative reform, or should it be more energetically involved in bringing it about by handing out reports to the government, as its former body, the PCAR, had done? Then, in relation to the former, its composition also posed a problem; if it was only to supervise the process, a few senior members would be enough, but if it aimed to give advice on the process so as to see whether it goes as recommended by the PCAR, it would need a large structure like the PCAR.

82 Tawara Soichiro, Sori o Ayatsutta Otokotachi, pp. 140-151.
For the latter problem, Saito Kunikichi, Direct General of the Administrative Management Agency, in an interview with the NHK on May 28, at first mentioned that Sakura, Administrative Vice Minister of the AMA, would be in charge of the main office of the PCPAR. Then, on June 12, he came out with the idea of attaching the sections to the PCPAR that would make it not only a supervising institution, but also an advisory one like the PCAR. Along with these moves of the government, the PCPAR, launched on July 1, decided to have a group of senior advisors, composed of four or five members, whose role would be to relate the council's work with other external forces and vice versa, when it held its first meeting on July 4.

Its characteristics were, however, not decided clearly even at this first meeting of July 4. At first it followed the steps of the former council; for example, at the second meeting of the PCPAR, on July 11, the procedural rules for the future PCPAR meetings were settled, and majority rule, not consensus, was selected.83 The impetus for this confusion, then, was the decision between the government and the LDP to raise the producers' price of rice at a rate of 1.75 percent. As we saw in the previous on the Suzuki cabinet, rice prices had been recognized as an indicator of the government's willingness to carry out the reform and Mr. Doko had been very sensitive to their increase. This time he had again demanded that rice prices be held down; he made this demand both in the press conference after the first meeting of the PCPAR, and in his speech during the second meeting of the PCPAR.

The council immediately issued a statement criticizing the decision, stating that this raise was against the basic principles of administrative reform; Doko himself showed his discontent and demanded that the government promote the administrative reform

83 Asahi Shimbun, July 11, 1983.
more enthusiastically at the AR symposium, held in the city of Fukuoka on July 17. But it was certain that this decision involved the PCPAR deeply in the process. Starting with the agreement between the PCPAR members to present to the government the urgent report of the fiscal situation, which was issued on August 2 and handed to the prime minister two days later, the PCPAR had produced recommendations on various issues, such as subsidies reduction, budget making, privatization, administrative integration, and the relationship between the center and the region. We will now move to these specific issues.

4.1.2. Subsidies Reduction

Included in the report of the PCAR Third Section to its general council on December 17, 1982, were the ideas of revising and correcting the present national health insurance, postal saving benefits, public works, the agricultural promotion fund, private sector subsidies, pollution-related rewards and more. The position of the PCAR was that the subsidization of these areas should be reduced, in order to reduce government expenses without a tax increase. This move, however, generated enormous criticism, especially in the areas of public works, health insurance and postal saving. Thus, the Third Section itself decided within a week to relax the clauses revising the subsidies concerned with public works and the private sector in its final presentation of the report.

The PCAR's self-adjustment was not sufficient to pacify the discontent with the report. Thus, in the meeting between the PCAR and the LDP on February 3, 1983, the party members criticized the PCAR's suggestions to restrict public works, the postal...

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84 Rinjigyosei Chosakai OB Kai, ed., Rincho and Gyokaku, p. 58.
savings, and the public servants' salary raises. On March 16, two days after the final report of the PCAR came out, the Minister of Posts and Telecommunications expressed strong discontent with the suggestion to revise postal saving and the relevant PRC division of the LDP also sided with him, reasoning that it would oppose the interests of the people. Strong opposition within the LDP was based on the fact that it had been used by the politicians themselves for keeping their political funds as well as their major supporters, such as the farmers and the small and medium-sized businesses, since the small amounts of savings under different names had been exempted from taxation.

The interesting move concerning this subsidies reduction came from the opposition groups. On October 6, one senior officer of the Sohyo mentioned that the federation would positively examine the reduction of subsidies, since they had been one of the major financial sources for the LDP. But what he targeted was the postal saving and the like that were thought to benefit the LDP. Thus, on November 15, when the PCPAR started to examine health insurance, Shinto Hisashi, a senior member of PCPAR representing the Sohyo, opposed the MHW plan because it was not good to increase the burden of the people without a fundamental rebuilding of the system, while Doko and other members talked positively about it.

In the next subsection, the process of the Health Insurance Law Revision will be introduced, since the issue of reforming the postal saving benefits didn not go very far and that of public projects is covered in the next subsection of discussing the budget making.

The Health Insurance Law Revision: Responding to the MOF's August 25 announcement of cutting its budget demand by ten percent, the Ministry of Health and Welfare presented the outline of its budget demand in September 1983. Included in the plan were the reduction of the insurer's contribution from the original hundred percent
to the new eighty percent, the introduction of patients' copayment for food when hospitalized and for nutritional medicines, and the exclusion of high income earners from health insurance benefits. It also proposed to create a health insurance system for the retired.

The opposition acted quickly. On September 22, the Japan Doctors’ Association, fearing that their profits would decline with the passage of the revision, opened the "National Doctors’ Conference for Protesting the Erosion of National Health Insurance System" and criticized the MHW plan. The same day, the Kenporen (Federation of Health Insurance Societies) also expressed their opposition to the plan, especially to the idea of creating the new health insurance system for the retired. Opposition forces got stronger as time went by. In consideration of the approaching House of Representative, then, Tanaka Rokusuke, chairman of the LDP Policy Research Council, met with the JDA representatives and promised to redo the MHW plan on November 28.

In spite of this opposition, on December 26 the PCPAR handed its report to the prime minister on the budget of FY 1984. Suggesting an overall reduction of expenses, it recommended a 20 percent burden of the patients. The LDP PRC division on social affairs, however, decided in January 1984 to propose a ten percent rate for patients' share of the burden and to postpone copayment for nutritional medicine as well as the exclusion of high income earners. The government draft of the budget came out on January 26, and in the provisional cabinet meeting on the same day the 1984 Outline for Promoting Administrative Reform was decided.

The second round began around April of 1984, when the Diet was about to begin examining the Health Insurance Law Revision. The conflict was on the method of how the patients would pay for their share of ten percent. The proponents of the MHW plan
insisted on the fixed rate for imposing the feeling of burden on the patients. The opponents, reflecting the argument of Japan Doctors' Association, insisted on a fixed amount. The JDA's concern was to minimized the impact of the revision. The JDA's oppositional activities were conspicuous. Newly elected JDA chairman, Haneda Haruto, met on April 4 with Prime Minister Nakasone and other LDP leaders. On April 16, the JDA also ordered all of its prefectural level offices to meet with the Dietmen of their respective region to gain their support. On April 24, it launched a "Council for Considering the 21 Century Public Medical Examination," and invited the Dietmen to participate in their cause.

Opposition was not confined to the JDA. On May 19, Tanabe Mokoto, party secretary of the JSP, talked about the revision of health insurance. He predicted that the revision might pass the Diet, but he insisted that negotiation would be needed so that the demands of the opposition parties could be accommodated. On the same day, officials of the Zenminroren, another strong federation of labor unions, visited the Ministry of Health and Welfare to demand the withdrawal of health insurance revision.85

Despite this strong opposition, however, the LDP's adherence to the passage of the revision was also great. Against the JDA's Conference, Tanaka Rokusuke in May 1984 ordered the LDP Dietmembers not to participate in the coming second meeting of the Conference. The proponents of the MHW plan inside the LDP also strongly pursued the realization of the revision as seen in the stalemate of the July 4 meeting with the JDA. This LDP's insistence on the revision was related to the approaching

85 The Zenminroren is another federation of labor unions that is composed of private companies. It came to being after the Domei was dissolved for the integration with other labor unions. It is the former body of the Rengo.
LDP presidential election. For instance, on May 15, Nikaido Susumu, a vice-president of the LDP, expressed his support to PM Nakasone, but he also suggested that revision of health insurance would be one of the main conditions for his support. Thus, Prime Minister Nakasone, seeking reelection, endeavored to realize the Revision that became the main target of his cabinet, and pushed the members of LDP leading group, such as Tanaka Rokusuke, Ozawa Ichiro and Hashimoto Ryutaro.

The LDP was not unified, however. Against the June 19 report that the LDP made an internal decision to postpone the date for passing the health insurance law, from the original goal of July to the month of September, Tanaka Rokusuke, in the June 23 press conference expressed hope that the revision of health insurance would be ready by the original date, the end of July. Against Tanaka's direction, however, Nikaido Susumu and Kanemaru Shin implied that the deliberation might be extended to the end of the year in regard to the opposition forces.

At the LDP's insistence on the fixed rate, then, the Japan Doctors' Association, along with the Japan Dentists' Association and the Japan Pharmacists' Association, presented its revised demand on July 5. It included raising the first examination fee to 800 yen and daily hospitalization fee to 1000 yen, and the partial acknowledgment of fixed rate on the low cost fees. On the July 9 meeting between the LDP and the JDA, the LDP suggested to combine the fixed rate method with the fixed amount one. The JDA and other two associations in reply asked for the expansion of the fixed amount method in the future.


The Health Insurance Law Revision, which had been reshaped several times by the LDP to alleviate the criticism of the opposition parties, passed the HR on July 12 and the HC on August 6.

The criticism of the subsidies reduction were not confined to the health insurance system revision, but was also directed at other areas: for example, the private university white paper, compiled by the conference of the private university presidents on June 5, criticized the government for reducing the subsidies to the private universities, since it would hurt those who had already experienced financial difficulties; on July 18, the Committee of Local Assemblies Chairmen announced its opposition to subsidy cuts. This opposition, however, began to fade as the health insurance system revision was completed, since it was a test case for reducing government expenses.

4.1.3. Tax Increase and Budget Making

The PCAR's basic norm of no tax increase had been applied to various aspects such as subsidies reduction, the holding-down of public works, and the maintenance of a minus ceiling in budget making. As we saw in the previous Suzuki cabinet, therefore, the norm itself had been one of the areas of confrontation between its supporters and its critics.

When the LDP Research Committee on Tax (LDP RCT) presented the principles for the FY 1983 taxation on December 24, 1982, no tax increase was suggested, though no tax reduction was introduced, either. Peculiarly enough, it was from the PCAR itself that carefully hinted at the possibility or the necessity of a tax increase. On February 6, 1983, the section chief of the PCAR's First Section presented a memorandum that admitted it would be difficult to achieve the goal of abrogating the
deficit bonds until 1984, and suggested the need to correct the ratio between direct and indirect taxes in the present tax structure. It fell short of becoming a sectional statement, for fear of giving the government a reason to raise taxes.

To this memorandum the Keidanren (Japan Federation of Economic Organization) quickly responded with a statement that the government should keep its promise of no tax increase. PM Nakasone, in a meeting with Doko on February 10, then, replied that he would continue supporting the goal of fiscal reconstruction without a tax increase and thus oppose the idea of introducing a large-scale indirect tax. Following the prime minister’s lead, Jun Shiozaki, Director General of the Economic Planning Agency (EPA), told the press that he had no intention of introducing any new indirect tax. Despite these assurances, the Zaikai tried to ensure no tax increase by handing its demands to the PCAR in the name of Five-Men Committee for Promoting the Administrative Reform, in which the chairmen of the major business associations, i.e., Keidanren, Nikkeiren, Keizai-Doyukai, and Nissho, were included as members. Supported by these demands, the PCAR decided to maintain the principle of no tax increase in the final report on February 19. Even the opposition parties, i.e. the Democratic Socialist Party, insisted on keeping the promise of no tax increase in its meeting with the PCAR members.

As the activities of the PCAR came to an end, however, its goal was placed under attack. In the HR Committee on Budget, Takeshita Noboru, Minister of Finance, expressed that as the one responsible for fiscal matters he would like to have a free hand to raise taxes. On March 18, then, Ogura Takekatsu, Chairman of the Government Research Committee on Tax (GRCT), criticized the PCAR’s principle of no tax increase. Despite this criticism, on December 26, 1983, the PCPAR that succeeded the PCAR handed its report to the prime minister on the FY 1984 budget
preparation, and, based on the report, the government draft of the budget came out on January 26, 1984.

The support for the PCPAR's insistence on the norm of no tax increase came from various channels. Foremost among them was the prime minister himself. On February 27, 1984, PM Nakasone, in a meeting with the members of the PCPAR, maintained his support for the motto of no tax increase, and on the same day in the HR Committee on Budget he directly denounced any plan to introduce a new indirect system. The second channel was the so-called "One-Day PCPAR" that was made to tour the nation by the PCPAR, in order to hear what the people had to say about its activities, and to propagate what it had been doing; for instance, in its first meeting, at the city of Osaka on March 10, a variety of opinions were elicited, but the common themes were to maintain the principle of no tax increase and to promote administrative rationalization. With this support, then, on May 29 the PCPAR decided on the 39 topics that were to be explored for the 1985 budget deliberations. It argued that all of them needed to be discussed in the direction of cutting their expenses.

This time, however, the opposition within the LDP was also strong. Fujio Masayuki, Chairman of the Policy Research Council (PRC), in the press conference of June 1 criticized the PCPAR-led management of fiscal matters and insisted it should be led by the party. The next day, in a meeting of the Government-LDP Center for the Promotion of the Administrative Reform (CPAR), Masayuki Fujio and other party representatives again strongly criticized the PCPAR norm of no tax increase. Though the Zaikai wasted no time in expressing their opposition to the LDP's criticism of the PCPAR, the LDP's discontent could not be easily appeased. Tanaka Rokusuke, Secretary General of the LDP, who supported the PCPAR for revising the health insurance system, implied the possibility of lifting the government-imposed ceiling on
budget growth in a television interview on July 5: "though the economic situations seem to get better, the number of companies going into bankruptcy doesn't decline yet so that it would be better to reconsider about the zero ceiling imposed for the budget deliberation." The PRC division on social services also resolved to oppose the minus ceiling. Their reasoning was that it had continued from 1982 for two years and consequently the people had experienced severe economic hardship. A similar resolution was made in a meeting of seven PRC division chiefs.

Thus, in the summer of 1984 the two sides confronted each other on the issue of whether or not stringent economic policies should be sustained, or whether or not taxes should be increased. The LDP and the opposition parties argued for changing to an expansionary economic policy and for an tax increase to pay for, and the PCPAR and big business argued for the maintenance of a tight economic policy and no tax increase. The parallel between the two sides could be seen in a June 5 meeting between the LDP leaders and the business leaders of the transportation industry; while the LDP asked for political contributions, the business leaders in return asked for no tax increase and a business subsidy increase. On the same day, however, in a joint meeting with the senior advisors, the PCPAR members reconfirmed their principle of no tax increase and the Five-Men Committee on Administrative Reform of the Zaikai opened a gathering to support the promotion of administrative reform.

In the middle of these conflicts, on July 11 a PCPAR subcommittee presented its reports for the FY 1985 budget compilation. Therefore, even though the PCPAR tried to listen to the opposition afterwards, i.e., in meetings with the representatives of the Shaminren, which opposed the direction of the cut in budget deliberation on July 18,

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and with the PRC section chiefs of the LDP, who raised their opposition against the report of the PCPAR subcommittee on July 19, the gap between these two sides could hardly be narrowed. On July 28, Komoto Toshio, Chairman of the LDP General Council, criticized the administrative reform line of the government, while on the same day the Keidanren raised strong opposition to the move within the LDP to increase corporate taxes in a meeting with Kato Mutsuki, Chairman of the LDP Research Committee on Tax.

The bureaucracies and the prime minister had sided with the Provisional Council on Promoting Administrative Reform (CPAR) during this period. Though the MOF, on June 5, adopted a moderate position by stating that it had decided internally to maintain the minus ceiling while increasing the amount of public works, to satisfy the demands of the party it announced its policy line of cutting government expenses by 1 percent on July 20. The MITI on the same day also expressed its opposition to the criticism against the minus ceiling. On July 22, PM Nakasone, in a seminar for the LDP party members, criticized the idea of introducing expansionary economic policies and instead confirmed his position on utilizing the private sector for economic growth.

The change of the situation came from the prime minister at the end of the year. Emphasizing the necessity to correct the uneven ratio between direct and indirect taxes, PM Nakasone precariously talked about the possibility of revising the current tax system from the mid-term perspective on December 4. Though the PCPAR, after the statement of the prime minister, reaffirmed the norm of having no tax increase and opposed the prevalent mood of an unavoidable tax increase within the LDP, PM Nakasone after a meeting with Fujio Masayuki, PRC chairman, on December 5 again stated that both of them agreed that the party should lead the budget deliberations. On
December 25, then, the cabinet decided on the government budget plan as well as on the 1985 Outline of Administrative Reform.

4.1.4. Administrative Integration

As was the case in the Suzuki cabinet, the opposition to administrative integration was strong in the Nakasone cabinet, where the same cases of integration, such as the unification of the Hokkaido Development Agency (HDA) with the National Land Agency (NLA) and that of the PMO General Affairs Department with the Administrative Management Agency, were on the agenda. As for the integration of the HDA and the NLA that elicited severe opposition in the Suzuki cabinet, Taketoku Kato, Director General of the NLA as well as of the HDA, moved quickly on April 15, 1983, by stating that the integration of the NLA and the HDA would not be included in the coming presentation of the 1983 AR Outline, and there was, in fact, not much discussion on the issue afterwards.

Much easier was the integration of supplementary institutions; for instance, the unification of the Workforce for Building the Atomic Ship and the Atomic Energy Institution, both of which were attached to the Science and Technology Agency. Though these institutions also attempted to explain the independence of their efforts when they visited the leaders of the party and the government, their demands could not be accommodated due to the general direction of integrating the complex administrative units. Thus, on November 19, the Science and Technology Agency announced its decision to integrate these two institutions and presented the related legislation to the next Diet session in the beginning of 1984.
In this section, then, we will go over the process for the formation of the new Management and Coordination Agency, which, unlike the above two cases, generated much turmoil.

The Somucho: As we have seen in the Suzuki cabinet, opposition to the formation of the new Management and Coordination Agency (Somucho), was strong, especially from the people related to the General Affairs Department, and it continued into the Nakasone cabinet. Despite strong opposition, however, the PCAR recommended integration in its final report. About a month later, (on April 22 to be exact), Doko Toshio, in a meeting with Hashimoto Ryutaro, Chairman of the LDP Research Commission on Administrative and Fiscal Affairs (RCAFA), asked for his support so that the idea of unifying the PMO GAD into the AMA could be realized in the coming presentation of the 1984 AR Outline. In the 1984 AR Outline, which passed the cabinet meeting on May 24, then, the PCAR recommendations on the integration were generally adopted.

With respect to the administrative integration, PM Nakasone involved himself quite deeply. On June 4, he suggested that the head of the would-be MCA be given the status of state minister, equal to the present Director General of the AMA, and in a meeting with Hashimoto Ryutaro on June 9 he expressed his desire for administrative integration and asked him to come up with a more specific plan for the integration.

It was on July 14 that Hashimoto Ryutaro presented his scheme to the prime minister. The main themes were to unify the General Affairs Department of the PMO with the AMA, to transfer some other work to the related ministries and agencies, and to place the rest of the work under the Cabinet Secretariat. The scheme was acknowledged by PM Nakasone at the presentation. As the plan was revealed, however, the opposition forces responded right back. In a meeting of the Government-
LDP Center for Promoting the AR, the direct-general of the PMO General Affairs Department revealed his opposition to the plan. The reasons he gave were the differences of work between these two offices and the resulting operating confusion, and the costs it might bring about. But the real fear of the PMO was that the plan would fragment in fact the office into pieces, which would mean the loss of its power. The AMA side did not comment on the plan, but it was generally known that it was delighted with it since, unlike the situation of the PMO, it would mean an increase in its power, despite some confusion in the beginning.89

On July 17, Gotoda Masaharu, Chief Cabinet Secretariat, at a news conference stated that he would endeavor to legislate the Hashimoto scheme as soon as possible. Two days later the cabinet acknowledged the Hashimoto scheme as it was presented originally, and a week later, on July 23, the cabinet formed a committee for the preparation of the Somucho, of which Gotoda was appointed a committee chief. On the same day it held its first meeting. Unlike the prompt action of the government on integration, however, the LDP moved cautiously, due to its regard for the bureaucracy; for example, the General Council and the Policy Research Council decided on July 19 that it would negotiate with the government for revision. On August 20, then, the government side implied that the original Hashimoto scheme might be revised.

In the middle of these conflicts, on August 29 the "Committee for the Preparation of the Management and Coordination Agency" completed its discussions on the basic principles and presented the report to the prime minister. On September 27 PM Nakasone, then, expressed his seriousness on the formation of the Somucho to the Diet, showing his schedule of carrying the administrative reform, i.e. the passage of the

legislation in the rest of 1983, and then the issue of health insurance revision in the coming year. The law passed the Diet in 1983. On June 5, 1984, the cabinet decided on two government ordinances for starting the MCA (Somuco) and, on June 23, Fujinami Takao, Chief Cabinet Secretary, made a formal announcement of Gotoda's appointment to the Director-General of the Somuco. The MCA started its work on the day of Gotoda's appointment.

4.1.5. The Privatization of Special Companies

Like the cases of administrative integration, the privatization of special companies, especially those three of NTT, JTSM, and JNR, had been a hot potato for the Suzuki cabinet, and that was why the discussion was somewhat delayed until 1983. But, as the final report of the PCAR confirmed the direction of privatizing these three companies, the discussion took on real vitality. I will describe here the process of privatizing the NTT and the JTSM - but not the JNR, since the latter was of much greater magnitude and continued well beyond the year 1984.

**NTT Reform:** Since the privatization of special companies had been one of the major symbols for administrative reform, PM Nakasone showed his concern for the issues from the beginning. On April 27, 1983, PM Nakasone, in a meeting with Saito Kunikichi, Director-General of the AMA, asked him to insert a clause into the coming 1983 AR Outline stating that the law for reforming the NTT and the JTSM would not be presented until 1984. On July 23, then, he stated that he would like to have the basic principles of the legislation on the reform of the NTT and JTSM ready in the fall of the year. Soon, however, he retreated from this position. On August 11, Nakasone
Yasuhiro rearranged his words by saying that the basic "thoughts" would be prepared by the fall; before it was the basic "principles", not the basic "thoughts".90

On September 4, the members of a subcommittee attached to the LDP's Special Committee on Telecommunication completed its own program of reforming the NTT, the content of which was admitted in the general meeting of the subcommittee on September 7. The reform plan passed the examination of the Government-LDP Center on the Promotion of Administrative Reform on September 14. While the discussions within the LDP and the government had moved at a rather smooth, quick pace, the opposition parties, especially the JSP, protested the plan. For instance, at the presentation of the plan by the LDP subcommittee, the JSP announced its decision to fight the Nakasone cabinet and to block its administrative reform plan from being realized. Noteworthy in the protest was the action of the U.S.A.; for instance, on January 8, 1984, the Subsecretary of the U.S. Commerce Department criticized the reform plan for including clauses limiting foreign investments.

Despite these scattered attacks on the plan, Gotoda, now Director General of the AMA, announced in a cabinet meeting of January 10, 1984, that the legislation reforming the NTT and the JTSM would be introduced in the beginning of the year. On March 4, then, the Ministry of Post and Telecommunication, as the responsible ministry, completed its preparation on its original version of the NTT Privatization Law. As the discussions began to focus on the more specific contents of the privatization plan, however, the opposition also grew more active. Especially noticeable in the opposition was the challenge of the Ministry of International Trade and Industry, which tried to have its share of jurisdiction over the privatized telecommunication

90 Asahi Shimbun, August 11, 1983
areas. On Mar 10, a group of scholars called the Forum for Policy Research presented its suggestions for reforming the NTT; these suggestions deviated from the MPT plan. The next day the MPT criticized the Forum and its suggestions for their lack of actual experience with the issue and succeeded in winning the support of other actors, such as the Keidanren. On March 14, the Keidanren expressed its position of supporting the MPT plan for privatizing the NTT, and added its demand that it be realized within five years. Two days later, on March 16, the LDP Committee on the Administrative and Fiscal Affairs also expressed its support for the MPT plan.

The jurisdictional turf battles between the MPT and the MITI, however, did not die easily. The conflict continued when the MPT explained its plan to the LDP. Thus, on March 20, the PCPAR demanded that the NTT reform plan be settled so as to be presented on the 27th day of March, as initially planned. On March 24, Hashimoto Ryutaro also demanded strong leadership on the part of the government for the realization of the NTT privatization. The opposition facing the MPT was not only the other ministry but also the opposition parties; for example, on March 23 the JSP representatives visited the MPT and expressed its opposition to the plan.

The government, in the middle of this turmoil, then, failed to present the NTT reform plan to the Diet on March 27 as it had initially planned to do. It was on April 6, two weeks later after the expected date, that the cabinet decided on the two bills dealing with the privatization of the NTT. The ministrial turf wars over jurisdiction were settled in favor of the MPT plan, because the MPT had taken charge of the telecommunication areas.91 At the presentation of the two bills the conflicts shifted from between the ministries to between the government and the opposition parties.

91 Asahi Shimbun, April 6, 1984.
On April 7, the JSP and the JCP restated their opposition to the NTT reform plan, while the DSP and the Komeito refrained from direct opposition. Zendentsu, labor union of the NTT, also announced that it would endeavor to revise it. For Zendentsu the general direction of privatization was not to be opposed. They had thought that they had been disadvantaged for being a public company since, unlike the JNR that suffered from mismanagement and the resulting deficits, it could have produced the yields, but their salary did not reflect their successful management. They, however, did not like the idea of dividing the service areas into several regions and making them into independent units since it might bring about the weakening of the labor union. What they had in mind was the plan that Kanemaru Shin had presented two years earlier, which proposed to manage the NTT in the same way that the Bank of Japan was handled; that was why his plan was admitted as its basic idea in the general assembly of the Zendentsu in December of 1982.

The cabinet, however, decided on April 18 to legislate the additional laws supplementary to the implementation of the NTT reform laws, and the HR committee on telecommunication held a hearing on July 7, in which Tanaka Rokusuke, SG of the LDP, attended and expressed his opinions supporting privatization. On July 20, the telecommunication-related legislations (or the NTT reform legislations) passed the HR


94 Ibid.
and, on December 14, the HC passed the NTT reform legislations with small corrections for the benefit of the opposition parties. The privatized NTT was launched on April 1, 1985.

**JTSM Reform:** The privatization of the Japan Tobacco and Salt Monopoly attracted relatively less public attention, but when the LDP started to examine it, after the NTT reform plan was acknowledged by the Government-LDP Promotion Center on AR on September 14, the opposition within the government was quite strong. On October 31, it was known that the LDP Committee on Administrative and Fiscal Affairs decided to retreat from the original plan of privatizing the JTSM, and instead decided to build a new type of special company for it.\(^{95}\) The representatives of four institutions had participated in a series of meetings that brought about the above decision; the Ministry of Finance taking charge of the JTSM, the Japan Tobacco and Salt Monopoly, the LDP Research Committee on Administrative and Fiscal Affairs, and the SCM (*Senmai Tokubetsu Iinkai*; a special committee on monopoly under the PRC of the LDP). The SCM was reported to oppose strongly the idea of privatizing the JTSM, because the privatization would hurt farmers working on tobacco and salt.\(^{96}\) The decision was, then, made by the yield of Hashimoto Ryutaro, who sensed that the demands of the SCM represented the general atmosphere of the LDP.\(^{97}\)

The next day the decision was formally announced in a statement in which the new type of special company was described as "government special company capable of managing the rational enterprise system". Though ambiguous, the SCM interpreted

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\(^{95}\) *Asahi Shimbun*, October 31, 1984.

\(^{96}\) *Ibid.*

\(^{97}\) *Ibid.*
this statement as meaning the end of the privatization of the JTSM and the creation of a new special company. The PCPAR also shared this interpretation and, therefore, it did not approve the draft plan on rebuilding the JTSM, presented by the LDP. On February 21, 1984, the MOF attended the PCPAR meeting and explained the difficulties in reaching an agreement between the government and the LDP for the privatization of the JTSM. The PCPAR, then, acknowledged the JTSM reform plan, presented by the MOF, on March 27.

On April 3, the cabinet decided on three pieces of legislation in relation to the JTSM reform, which was delivered to the Diet, then in session. On August 23, the JTSM prepared its own plan to rationalize its work, which included the idea of reducing the workforce by dissolving a number of local business areas. The privatized JTSM was launched in April of 1985, at the same time the privatized NTT started.

4.2. Nakasone Leadership: Its Elements and Environments

4.2.1. Issue Commitment: Extent and Direction

As can be seen in the above description of the process, Prime Minister Nakasone's commitment to administrative reform was strong and consistent. It might be seen as a somewhat natural move for him, considering the fact that he, as the Director-General of Administrative Management Agency, was the first one to raise the issue in the Suzuki cabinet, but his commitment is still something to be acknowledged, if we cannot exclude the possibility that he could have taken other courses of action, and taking into consideration the hesitation or passiveness that the former prime ministers of Ohira and Suzuki had shown. Though he rescheduled the time for the budget deficit correction from the original goal of 1985 to the new goal of 1990, his strong commitment to the
issue was demonstrated on various occasions; for example, right after he was elected as LDP president, in his first policy-related adress to the Diet, in his speeches to the PCAR meetings and to the administrative vice ministers' conference, and in the talks with the social forces. It was also seen in his argument for maintaining the PCAR principle of fiscal reconstruction without a tax increase.

His direction to reform the various aspects of administration - such as subsidies, special companies, and the center-localities relationship - was well located. Because the reform efforts in these aspects corresponded to the government's genuine efforts to renew itself, which the people had wanted to see before they could be asked to do anything, even though their effects might be meager in financial terms, as former prime minister Ohira noted. His resistance to the demand for a tax increase, therefore, could be seen as confirming that his direction was well located. His commitment was influenced and supported by other elements of his leadership such as ideology, personality, strategy, and resources.

4.2.2. Ideology, Goals, Motivations, and Personality

Ideologies, Goals, and Motivations: The single most important aspect of Prime Minister Nakasone's ideological orientation was nationalism. He had long been regarded as a "hawk," having the strongest of ideological preferences. Returning from the pacific war as it ended, he organized the youth movement in his hometown and entered the election of 1947. One particular episode might demonstrate well his ideological orientation during these early years. According to Justine Williams, who worked in the GHQ of the Allied Occupation and took charge of the Diet members, Nakasone Yasuhiro was one of the few that left the deepest impression: Nakasone entered his office one day and demanded that he be allowed to deliver his papers to
General MacArthur. The papers included young Nakasone's opinions, critical of various policies of the Allied Occupation and, in summation, demanded an end to the occupation as soon as possible. He was also known in this period to have worn the "Hinomaru" badge, banned by the GHQ because it could encourage the fascist and militarist past of Japan, and the black necktie implying that Japan was then in mourning. His ideological orientation also surfaced in his criticism of and opposition to PM Yoshida's line of pro-Americanism and of admitting the "peace" constitution instituted by the Allied Occupation. They also led him to enter the Democratic Party and the Kono faction after the formation of the LDP.

His nationalist fervor, on the other hand, was mixed with the realistic qualities that led him to shift his position on controversial issues and earned him the label of "political weather vane," and made him seem unpredictable and unreliable. For example, when the LDP was torn by severe conflict between the mainstream factions and the anti-mainstream factions on the issue of making PM Ohira resign due to his responsibility for the LDP's setback in the 1979 election, Nakasone Yasuhiro, who sided with the anti-mainstream factions changed his position at the last moment. Though he argued that it was for the maintenance of unity in the LDP, it was seen as underscoring his unreliability.

The realistic qualities, however, seemed to have helped to modify or make his nationalism less indiscrete and imprudent. This could be seen in the details of what he

98 Takahama Tatou, Nakasone Kaiseiron; Soriwa Nanio Mejashite Irunoka (Nakasone's Foreign Policy; What does the Prime Minister Aim at?) (Tokyo; PHP Kenkyusho, 1984), pp. 17-20.

proposed to do during his prime ministry. According to K. Pyle, Nakasone Yasuhiro's grand design could be categorized into four dimensions; preparing for the future of Japan, making Japan an international state, urging the Japanese to be proud of themselves, and adopting an active role in the strategic affairs.\textsuperscript{100} Though some of these were criticized as expressions of staunch nationalism, and invited controversy, as in the cases of the Yasukuni Shrine visit and the attempt to increase the defense share of the budget, they responded to public sentiments. The Japanese people had returned to a conservative tendency, seen in voting and survey results from the mid-1970s.\textsuperscript{101} It was accompanied by their awareness that they were equal or superior to westerners, which could be also seen in surveys.\textsuperscript{102}

\textit{Personality:} PM Nakasone was known for his eloquent speeches. He had the qualities of a populist leader, rarely seen in the Japanese politics. These qualities appeared in the forms of "wakari yasui seiji\textsuperscript{(easy-to-understand politics)}", "television politics" and "presidential style premiership". His popularity surged from the bottom in the beginning of his cabinet to a high of 60 percent in the middle of his premiership, reversing the usual pattern of decline, and the unique phenomenon was based on these qualities. "\textit{Wakari yasui seiji}" emerged as the prime minister tried to explain the issues using ordinary terminology, unlike his predecessors, whose statements were full of ambiguous terms making it difficult to understand politics; while "television politics"


\textsuperscript{102} Kenneth Pyle, \textit{op. cit.}, p. 260.
came from the fact that he tried to talk to the people directly through the medium of television.

The "presidential style premiership" was related to his maximum use of various advisory committees for the discussion of issues at hand. Thus, it was also called "deliberative council politics". It arose from his distrust of the bureaucracy, which he thought to be preoccupied with its own interests. It reflected his inclination, for the top-down flow of decision. According to many journalists, most of whom were quite cynical of his leadership, behind PM Nakasone's efforts to integrate the AMA and the OPM underlay his clandestine plot to recreate the notorious prewar Ministry of Interior. It was not a totally unfounded accusation; for example, Nakasone Yasuhiro's only short experience in the bureaucracy was the former MOI; he appointed Gotoda Masaharu as the cabinet secretary, and he had served in the former MOI and later reached the highest post in the police before retiring and entering the Diet; Gotoda himself argued for the need to integrate in the present cabinet system, as seen in his book and his demand to the PCPAR for the examination of the issue. It is not important to know whether his secretive attempt was true or not. What was certain, however, was that his personal preference for a hierarchical flow of decision making supported and benefitted his push for administrative reform.


104 Gotoda Masaharu, Naikaku Kanbochokan (Cabinet Secretary), pp. 55-58.
4.2.3. Resources and Strategies

Public Sentiments: Support in society towards the administrative reform was strong and numerous, continuing from the Suzuki cabinet. The most conspicuous support, however, came from the Zaikai, whose senior members - including Doko - participated in the PCAR. For example, on September 20, the People's Conference on Administrative Reform, in which the Zaikai was enthusiastically involved, which demanded that the PCPAR more emphatically promote the administrative reform. On July 6, the Japan Chamber of the Youth handed its demands to the PCPAR, in which the relocation of the Dietmen distribution and the institutionalization of the Provisional Research Council for Local Administration, and more was requested. On November 15, the People's Conference on Administrative Reform handed its demands to the prime minister, in which the promotion of AR and the criticism to increase of public works, discussed in the LDP, were included.

But the opposition groups also moved. On October 6, one officer of the Sohyo mentioned that it would sponsor the erection of Kokumin Gyokaku Kaii, and that it would examine the reduction of the subsidies since they had been one of the financial sources for the LDP. Two days later, the Sohyo-sponsored Kokumin Gyukaku Kaii began and held its first meeting, which aimed to oppose the Nakasone Yasuhiro-initiated administrative reform.

But the general support of the society can be seen in the responses of the civil movements. On October 28, one of the citizen movements, called the Citizen's Conference on Promoting the Citizen's Movements, visited PM Nakasone and demanded that he restabilize the Diet and pass the AR-related legislations as soon as possible. On March 24, in the One-day PCPAR, held in Osaka, opinions in favor of
limiting the number of the Dietmembers and the high pay of local public servants was expressed.

**Intraparty Situation:** Nakasone Yasuhiro became a LDP president with the support of the Tanaka faction. The Tanaka faction, which could not nominate its own candidate for the party presidential election in spite of its larger membership, decided to support Nakasone Yasuhiro after PM Suzuki announced his intention not to run for reelection. Joined in this alliance between the Nakasone Yasuhiro faction and the Tanaka faction was the Suzuki faction. This alliance of three factions included more than half of the LDP dietmembers. Left in the anti-mainstream was the Fukuda faction and the Komoto faction. Though these anti-mainstream factions criticized the administrative reform for the maintenance of the PCAR principles, such as no tax increase and the zero ceiling in budget making, this alliance of three factions was tight, and supports for administrative reform outside the LDP was strong. PM Nakasone could also attract suitable personnel such as Gotoda Masaharu and Hashimoto Ryutaro. Hashimoto Ryutaro, as the chairman of the LDP Administrative and Fiscal Affairs Committee, showed his support for administrative reform and endeavored to maintain the PCAR principles in the LDP; for example, in an interview with the NHK television on May 28, 1983, he expressed his support for administrative reform.

**Bureaucratic Concern:** Even though they had shown some opposition to the specific issues, the bureaucracy went along with the general line of administrative reform. For example, for the institutionalization of the new Management and Coordination Agency, the Office of the Prime Minister voiced strong opposition while the former AMA was rather quiet, since the integration was basically expanded its jurisdiction. More serious trouble existed, rather, between the ministries that endeavored to expand their jurisdictions. The representative example is the Value
Added Network in which the MITI and the MOTT severely fought against each other. But none of these stopped the general direction of the PCAR and the administrative reform.

**Strategies:** The strategy of PM Nakasone on the issue of administrative reform can be categorized into four components. First, he used the advisory committees, such as the PCAR and the PCPAR, as the place for discussing all the issues included under the name of administrative reform. By doing so he was able to accomplish what he intended to do on certain issues, since he could appoint his men (that is, his personal advisors) to the advisory committees. According to S. Aoki’s estimation, more than 70 percent of the PCAR members were directly and indirectly related to PM Nakasone and 29 of the 67 PCPAR members were the former PCAR members. It also helped him weaken the bureaucratic resistances on the respective issues, and succeed in arbitrating the jurisdictional turf wars between the ministry bureaucracies. Second, he relied on the leadership of notables: for example, Doko Toshio, who was respected not only in the political world but also in general and developed great leadership as the chairman of the PCAR, was asked again to take charge of the PCPAR; the appointment of Gotoda, who knew the workings of administration very well, would be another example, though this was strongly criticized and questioned inside and outside the LDP, due to his factional membership and to its unusual practice of appointing a man from another faction to the post of cabinet secretary.

The third one was his continuous assurance that he would maintain the basic principle of fiscal reconstruction without a tax increase. Here the emphasis was on keeping the promise of no tax increase. Aimed at the Zaikai, as well as the people who had feared that tax increase would be carried out after all, it succeeded in obtaining

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105 Aoki S., Dokyumento Nakasone Famiri, pp. 204-211.
their support. The last one was his mention about the deadline that concerned issues needing to be submitted. It helped the reform process to progress in the prompt pace, and pressured the conflicting interests to come up with certain conclusions. What had been mentioned above, i.e., "wakari yasui politics" and "television politics", had also been his strategy to create a situation demonstrating the need for administrative reform.

4.3. Summary

Administrative reform under PM Nakasone can be regarded as successful. The achievement of such goals as the institutionalization of a new Management and Coordination Agency, the reduction of the subsidies, and the pritization of the NTT and the JMTC are illustrations mentioned as examples. The reason for its success can be found in the elements of his leadership.

PM Nakasone's commitment to administrative reform was consistent. From the very start of his cabinet he emphasized his firm in support for it; to show his strong commitment, he maintained the PCAR goal of no tax increase and he carried out the establishment of the PCPAR, as the PCAR fourth report had recommended. His strong commitment help him to maintain supports of the business world. Along with the strong commitment, he employed unusual strategies for inducing public support and blocking such opposition such as the bureaucracy. To accomplish what he intended to do in the administrative reform he made maximum use of the advisory council, in which his supporters were particularly active.

His populist style of utilizing the media, such as television, succeeded in winning the understanding of the public. His personnel management also contributed to his success; for example, he appointed Doko as the chairman of the PCPAR once again,
Gotoda Masaharu as his chief cabinet secretary, and Hashimoto Ryutaro as the chairperson of the LDP Administrative and Fiscal Affairs Committee. With their support he achieved the erection of a new MCA and the privatization of the NTT and the JTSM, which met the general standards of the basic AR principles, even though, for the case of MCA, what was initially planned as Hashimoto Ryutaro's scheme had to be backed away from somewhat, and, for the case of NTT the MITI and the MOTT struggled against each other with their respective supporters in the LDP.
5. Conclusion

We have seen the processes of administrative reform in three cabinets, in order to see how policy change took place and what the role of prime minister was in it. We started from several propositions; first, in developing his policymaking leadership, the Japanese prime minister confronts formidable structural barriers, such as the bureaucracy and the factions in the LDP; second, when the issue becomes pregnant, however, the possibility that the prime minister can exercise leadership in the policy making process increases if he is equipped with a strong commitment to the issue and proper strategy; third, that the Japanese prime minister plays an important role in policymaking is seen in that in case of issue pregnancy, the success or failure of policy change depends more on his leadership than the structural barriers.

The case of administrative reform in the Fukuda cabinet shows us the importance of issue pregnancy. Even though Prime Minister Fukuda made a strong commitment to the administrative reform, he failed to reorganize administrative units. This failure resulted from the strong opposition of the bureaucracy, but behind the bureaucratic oppositions lay the prime minister's inappropriate recognition of the problem. PM Fukuda raised the problem of the approaching resources-constrained era, and thus argued for the necessity of reorganizing the administrative units. Even if his recognition of the problem and the ensuing mention about the solution were reasonable ones, they were inappropriate in that, first, there was an even more serious problem of economic revitalization versus that of resources limitation and, second, the administrative reform should have been focused on a fundamental way of reducing the size of the administration and government expenses, rather than on the reorganization of the administration.
PM Fukuda's emphasis on the necessity of administrative reorganization alienated the public from the discussion, especially since he suggested that the focus was not on the reduction but on the reorganization, and so did not succeed in winning the public over to his side. Even if his stress on the reorganization rather than on the reduction was directed at appeasing bureaucratic discontent, it did little to soothe the bureaucratic opposition, since the ministries to be reorganized feared losing their traditional jurisdictions. The prime minister's leadership style was somewhat problematic. Though he endeavored to meet with the ministers in his cabinet in order to win their support for the plan, his management of cabinet meetings was criticized as trying to impose his ideas on ministers unilaterally; for example, one of the ministers (Hasegawa Takashi) accused him of dictatorial management.

The case of administrative reform under the Suzuki cabinet shows us the importance of leadership commitment. Unlike the Fukuda cabinet, recognition of the seriousness of growing national debt was shared generally, and public demands for administrative reform as a means of solving the problem were prevalent, so that PM Suzuki, in his first policy-related speech in the Diet, picked it up as one of the main issues his cabinet would tackle. The prime minister's commitment to the issue afterwards was consistent, at least in appearance. On various occasions he expressed his firm support for administrative reform efforts, and went on saying that he would risk his political career to achieve it.

But, what was important in terms of commitment was how it was viewed by others. The PCAR chairman, Doko, criticized the prime minister for a lack of commitment, and expressed his intention to resign twice, one when the government decided to raise the corporate taxes for its revenue shortage in 1981, and again when the government decided to raise the producers' rice prices in 1982. These decisions were very much
caused by a weak economy, but the chairman of the Provisional Council on Administrative Reform, Doko Toshio, insisting on the maintenance of the PCAR goal, held the prime minister responsible for them.

The problem in PM Suzuki’s commitment can also be seen in his abrupt announcement not to run for another term. The decision was unexpected, since the general prediction before the announcement was that he, with the continued factional alliance and no particular scandal, would be reelected without much difficulty. The prime minister himself seemed to have thought about going on for another term, as seen in his refusal of the anti-mainstream factions' demand for the opening of the extraordinary Diet session in the fall of 1982. Thus, no specific reasons were given for his decision, except his own explanation that it would be better for a more capable man to win important struggles such as that for administrative reform. Implicit in his explanation was that the struggles between the proponents and the opponents on such issues as administrative reform seemed to have frustrated him. This is why it is argued here that PM Suzuki had a problem in his commitment towards the issue of administrative reform.

His personal style, which had earned him the title of consensus builder, did not help him to break through the pressures, but rather entangled him in the conflicts. Even though in the beginning his strategy of assigning to Nakasone Yasuhiro the job of coming up with specific ideas for administrative reform and utilizing the PCAR as the shield for blocking the opposition seemed to work, he could not overcome the pressures and continue on for the reform. The outcome in his cabinet, therefore, stopped at the presentation of the Special Legislations related to Administrative Reform, which were mainly used for the 1982 budget deliberation and the legislation for the simplification of administrative procedures.
The case of administrative reform under the Nakasone cabinet shows us the importance of leadership style. The situations was almost the same as for the Suzuki cabinet; the issue pregnancy was there, but the struggles between the proponents and the opponents had been great. The difference between the Suzuki cabinet and the Nakasone cabinet lies in the leadership style of the two prime ministers. PM Nakasone, who as the Director General of the AMA in the Suzuki cabinet came up with the idea of instituting the second PCAR for the realization of fundamental administrative reform, and consistently expressed his firm commitment to the reform. His strategy was composed of three parts. First, he made maximum use of the advisory council; that is, at the end of the second PCAR, he instituted the other advisory council called 'PCPAR', which would help his cause by presenting the reports on carrying out the reform as the second PCAR had.

Second, PM Nakasone employed unique personnel management. He appointed Gotoda Masaharu as his chief cabinet secretary in order to soothe bureaucratic opposition. Though the appointment was criticized inside and outside the LDP as indicative of the prime minister's reliance on the Tanaka faction, Gotoda, who had experience in the bureaucracy, endeavored to block bureaucratic opposition to the new Management and Coordination Agency (MCA). Hashimoto Ryutaro also remained in the post of the LDP Administrative and Fiscal Affairs Committee chairperson, and endeavored to block the opposition inside the LDP. The prime minister also managed to fill the PCAR and later the PCPAR with people who shared his ideas and so supported him.

Third, PM Nakasone adopted a populist or president-like approach. That is, he attempted to talk directly to the public through the media such as television. Public opinion survey results showed that the prime minister succeeded in making politics
easily understood and, consequently, the support for his cabinet soared during the middle of his term, which was quite extraordinary. With this success in winning the support of the public, the prime minister could pressure the opposition groups inside the government and the party. The difference in leadership style between PM Suzuki and PM Nakasone meant that the latter sided positively with the pro-Administrative Reform group while the former was more concerned with appeasing both sides.

To give more credit to PM Nakasone for the realization of administrative reform would be unfair to PM Suzuki, since the problem in his commitment mentioned above stemmed mainly from the economic situation. It can be also argued that Nakasone Yasuhiro's success could be attributed merely to the good timing. Two reasons can be offered for such treatment of these two prime ministers. First, it was always possible that they might drop or shy away from the controversial issue of administrative reform; unlike some predictions about him, then, PM Nakasone decided to go on with administrative reform in a similar situation in which PM Suzuki stopped midway by announcing his decision not to run for another term. Second, the success in reforming the administration came partly from PM Nakasone's leadership style, which brought him unusual popularity and helped him to circumvent the opposition.

To see whether PM Nakasone's leadership style can prevail on other issues or not, we will examine the process of tax reform in the next chapter - because, as prime minister, Nakasone Yasuhiro also strove for tax reform.
CHAPTER IV
CASE TWO: TAX REFORM

1. Introduction

In this chapter we will examine the process by which a large-scale indirect tax, which had been given different names by different cabinets, was introduced in Japan. The idea of introducing such a tax was floated at first by the Tanaka cabinet. Prime Minister Tanaka, who promised to carry out the big tax break in the LDP presidential election, pushed the plan and at the same time presented the idea of a large-scale indirect tax to pay for it.\(^1\) There was even an earlier attempt for the introduction of large-scale indirect tax by the Ikeda cabinet when, launching on the so-called income-doubling plan, it searched to finance it.\(^2\) Due to the unexpected economic success, however, the Ikeda cabinet did not have to bother with its introduction. The Ministry of Finance (MOF), which was responsible for controlling government revenues and expenses, on the other hand, continued to study it for the future.\(^3\) Later, Prime


\(^3\) Kuribayashi Yoshimitsu, *Okurasho Shuzeikoku*, p. 36.
Minister Tanaka came to use it, but it again was not introduced since the prime minister had to resign due to scandal.

For a while the idea of introducing the large-scale indirect tax had not surfaced on the political scene, even though the need for it was well acknowledged due to the increasing size of the national debt. For instance, the Government Research Council on Tax (GRCT) in September 1977 submitted a report that recommended the introduction of a general consumption tax, but it was declined by Prime Minister Fukuda, who argued that it was not politically feasible. The full acknowledgment of its necessity was given by Prime Minister Ohira who, as the secretary general of the LDP in the Fukuda cabinet, had already admitted to carry out the plan. We will, then, start from the Ohira cabinet that initially tried to introduce a large-scale indirect tax, called "General Consumption Tax," and look into the second and third Nakasone cabinets in which "Sales Tax" as another type of large-scale indirect tax again failed to be introduced, and, finally, the Takeshita cabinet that succeeded in introducing the large-scale indirect tax, called "New Consumption Tax".

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2. The Ohira Cabinet

Elected in the primary of all the party members on December 1, 1978, Ohira Masayoshi became the ninth president of the LDP. He was the first LDP president to be elected in such a primary. He became the prime minister of Japan on December 7. Advocating the motto of "trust and cooperation," the prime minister presented a variety of ideas in his first speech to the Diet - for example, the making of the "garden" state and the "family-based" society. To be noticed more importantly in his speech was the emphasis on the responsibility of the people. The plan of the large-scale indirect tax introduction, which would eventually ask for the increase of people's tax burden, was, therefore implied in the speech, and the discussion of its introduction began quite early in his cabinet.

2.1. The Process of General Consumption Tax Introduction

2.1.1. Initial Setting, Pre-1979

On December 19, 1978, a mid-term report on tax reform came from an ad-hoc subcommittee, chaired by Professor Kinoshita and attached to the Government Research Committee on Tax (GRCT).\(^\text{5}\) The report recommended no further reduction of income tax, land tax and investment tax while the taxes levied on the social expenses, the interests from the sales of bonds and securities, and others were suggested to be strengthened.\(^\text{6}\) On the introduction of a large-scale indirect tax named

\(^{5}\) It is called as a *Seibu Zeisei Chosakai* in Japanese and from now on the shortened form, GRCT, will be used.

as General Consumption Tax (GCT), it suggested that further reviews should be needed in the following meetings.\(^7\)

At the presentation of the GRCT mid-term report, the LDP Research Committee on Tax (LDP RCT)\(^8\) started its examination of various taxes. In its first meeting on December 25, the opinions on the GCT introduction were sharply divided into two groups, its proponents and opponents. On the basis of the serious fiscal situation, its proponents argued that the introduction was needed, while the opponents insisted that it was not feasible on the basis of the parity situation between the government party and the opposition parties.\(^9\)

Reflecting this struggle, Prime Minister Ohira on December 26 announced his decision not to carry out the GCT adoption in 1979 while showing his opposition against moves to block the repeal of the doctors-favoring tax system for giving regards to the people working on it.\(^10\) The general principles of tax reform that were decided in and presented by the LDP Research Council on Tax (LDP RCT) on December 27, therefore, vaguely stated on the GCT introduction that they would endeavor for its implementation from 1980.\(^11\) In a meeting of the LDP General Council on the same day, the LDP announced its opposition to the doctors-favoring tax system.

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\(^7\) *Ibid.* The General Consumption Tax is called *Ibban Sohizei* in Japanese, and it is the name of the large-scale indirect tax that was planned to be adopted by the Ohira cabinet. The shortened form, GCT, will be used from now on.

\(^8\) It is called *Jiminto Zeisei Chosakai* in Japanese. The shortened form, LDP RCT, will be used from now on.


The day these vague words were, then, interpreted as meaning that the government would prepare for tax reform to be used from 1980, not for the FY 1979 budget.\footnote{Asahi Shimbun, December 28, 1978. General Council is called Somukai in Japanese and since it will be used sparingly, we will stay with this without using the abbreviated form from now on.}

\textit{The Opposition:} Although the Liberal Democratic Party (LDP) and the government tried to emphasize its delayed implementation of the tax, the editorials of the major national newspapers wrote as if the GCT would be introduced sooner or later and the general public perceived likewise.\footnote{Kuribayashi Yoshimitsu, Okurasho Shuzeikoku, p. 125.} Thus, various consumer groups and the small business associations expressed their strong opposition to the plan, including "the League of the Japan Specialty Retail Stores," "the Taniyama Tax System Research Center," "the League of Housewives," and "the League of Salarymen." They formed a "Community for Protesting the General Consumption Tax Introduction." The reasons for opposition were: first, it would invite inflation; second, before introducing the new tax the government should do something about itself; and, third, before its introduction the government should amend the biased current tax system.\footnote{Asahi Shimbun, December 27, 1978.}

\subsection*{2.1.2. Government Moves and Their Effects}

Entering 1979, the government and the LDP tried to avoid the excessive politicization of the GCT and instead acted for the supplementary measures that aimed at placating the oppositions and showed its acceptance of their complaints. Emphasis was placed on administrative reform, which was to respond to the demand that the
government should do something about itself at first. On January 16, 1979, the cabinet passed the government plan for administrative reform. Entitled "For the Simplified and Efficient Administration," the plan included the revision of the Administrative Units Establishment Law as its main part that allowed the government to integrate the administrative units without introducing the related legislation. In a meeting with Tsuji Keiichi, Administrative Vice Minister of the Administrative Management Agency (AMA), on February 25, PM Ohira expressed his interest in rearranging the salary level of the public employees in the special companies, on exchanging the positions of public servants, and on fixing the retirement age of public servants. On August 4, he disclosed his plan to cut the number of public servants by 28,000, to rearrange the administrative procedures and to reduce the administrative organization at the levels of bureau and below. The next day he ordered Kanai Motohiko, Director-General of AMA, to prepare for a new administrative reform plan along the lines of what he said the previous day.

Government efforts to reform the administration had only a limited success, however, partly because the government limited itself to the less controversial areas. For example, the organizations to be affected by the administrative reform plan, which was passed by the cabinet in January, were only the minor units of the administration such as the regional offices of national bureaucracy, not the special companies that had been targeted for reform in the public eyes. Such restrained efforts were based on

17 Asahi Shimbun, August 4, 1979.
the government's negative view of administrative reform. In a speech at the House of Representative (HR) Committee on Budget, Prime Minister Ohira clarified his position on the issue of administrative reform by saying: "the officials in the government, risking whole life for their work, are very serious so that even though the politicians like to lightly touch upon their work the battle can be hardly won. Having this in mind, (I) would like to do things that can be done without making a whole lot of slogans."19 Appearing on a television talk show on August 18, then, Kanai Motohiko explained that the plan was the one to basically correspond to the five-year plan prepared a year earlier. The plan proposed to constrain the expansion of administration through redistributing the workforce to the much demanded areas of public service, which was why Kanai mentioned that it was not a reorganization of the current administrative units.20 At a press conference on the same day he opined that a major point of administrative reform was not to produce the effect of reducing the expenses, but to show the attitude of government.21

The vice-ministers' meeting on January 18, then, showed that no administrative reform, not to mention the fundamental one, could be achieved with this kind of perspective. The meeting, which was held to talk freely about administrative reform, was full of special pleading and was said to have come to the conclusion that, unless prime minister himself became director-general of the Administrative Management

19 Asahi Shimbun, April 6, 1979.
20 Asahi Shimbun, August 18, 1979.
21 Asahi Shimbun, August 18, 1979.
Agency, it would be very hard to carry out the reform.\textsuperscript{22} Even with such focus of reforming the minor parts of the administration the bureaucracy had a reason for opposition - that is, although it might not be a fundamental reorganization and touch only upon the minor parts it was still against the norm of "one family-ism" underlying individual ministries and agencies.

The second effort was given to the abolition of the tax system favoring doctors. Along with the GCT introduction, the reform of the doctors-favoring tax system had been one of major issues in the discussion of tax reform since the second half of 1978 when the GRCT made its suggestions on the tax system. The Japan Doctors Association naturally opposed the idea and Hashimoto Ryutaro, Minister of Health and Welfare, on December 12, also expressed his opinion that the idea of abolition needed to be more carefully handled. Facing with this resistance, Prime Minister Ohira promised an alternative to abolition would be examined. The LDP outline for FY 1979 tax revision that came out on December 26 suggested that there would be five stages for taxing the doctors and that the present system be applied for those whose income was under 25 million yen.\textsuperscript{23} Although it was criticized for making things worse, the LDP members had to work hard to come up with it. Yamanaka Sadanori, senior advisor of the LDP RCT, tried to explain the party position in a meeting with Takemi Taro, Chairman of the Japan Doctors Association, on December 23, during which Takemi was known to have asked for the reform of the medical insurance system. With Yamanaka's reply of showing its difficulty, however, no specific results could

\textsuperscript{22} Asahi Shimbun, January 18, 1979.

\textsuperscript{23} Asahi Shimbun, 26 December 1978.
come out. The next day Saito Kunikichi, LDP Secretary General, met with Takemi Taro, but again failed to narrow the gap between them. With the promise that the government would endeavor to recover the possible losses with the fiscal measures, Saito was finally able to get the consent of Takemi on the plan. As a result, the LDP outline for tax revision was passed the cabinet meeting on January 19, 1979.

The last task was to appease the opposition parties, which argued that there should be ample time for discussion of the tax introduction. For instance, PM Ohira on February 11 explained about his position on the introduction of a general consumption tax in the HR Committee on Budget: "In the midst of strong protest by the Japan Socialist Party of the first opposition party it is almost impossible to introduce the general consumption tax. Thus (it) can't be carried out unless the JSP comes to acknowledge its importance although not approving it. I hope they move to promote it without expressing absolute opposition...."

Opposition Responses: Despite the efforts of PM Ohira and his government to distance themselves from the General Consumption Tax, the opposition forces did not stop protesting against its introduction. On January 19, the representatives of the consumer groups met with Kosaka Tokusaburo, Director General of the Economic Planning Agency, to discuss the issue of GCT. The minister sympathized with their fear of inflation, but did not go further for assuring any positive action for them. As scheduled, the "Community for Protesting the General Consumption Tax Introduction" conducted a nationwide demonstration on February 24, which was joined by other consumer groups and small business associations not included in the Community.


By April the prime minister showed some flexibility by saying that he would reconsider the introduction if there was any alternatives and began to push for the GCT introduction from July when the new economic plan, proposing the six percent annual growth rate, came out. On July 25, in a press conference, which was held just before the start of a LDP members' gathering, PM Ohira said: "Fiscal reconstruction is the foremost domestic issue. Raising tax is difficult thing to do for a politician, but I want you to understand my tragic resolution."26 He, then, suggested the need to increase taxes for the middle income stratum. In a July 30 television interview he explained this need: "Most of all we have to cut government expenses, but the unit is different for such cuts to solve the problem of fiscal shortage. Money amounting to some trillions cannot be raised by them (so that) tax increase by the way of the General Consumption Tax introduction is almost inevitable..."27

The opinions of LDP members were not consensual, however. The prime minister's April statement that he would reconsider the GCT introduction was to reflect the atmosphere within the Liberal Democratic Party. More than half of the HC Dietmembers signed up to demand that the government move more carefully. Reflecting the LDP Dietmembers' discontent, Komoto Toshio, Chairman of the LDP Policy Research Council (PRC), stated to the press in April that the GCT introduction should be based on the public awareness and so the government should make more careful preparations for its introduction. He argued against the statement that the prime minister made in July on the necessity to increase the tax burden of the middle income stratum and was later joined by a former prime minister, Miki Takeo.

In August, opposition within the Liberal Democratic Party surfaced more conspicuously. The LDP Dietmembers who were opposing the General Consumption Tax had a gathering on August 2 and handed in their suggestions on fiscal reconstruction to the prime minister on August 9. These moves were followed by the August 14 announcement that the LDP members of the Osaka Bu (prefecture level) opposed the GCT introduction. The voice of opposition was not confined to the LDP. Even though the Keizai Doyukai (Japan Committee for Economic Development) suggested the European Community (EC)-style indirect tax system as a better alternative, the Nissho (Japan Chamber of Commerce) announced that it would soon decide to oppose the GCT introduction at the end of August.

The Impact of the 1979 Election: In the midst of this turmoil the date for the HR election was posted on September 17 and the introduction of the general consumption tax became naturally the main issue of the campaign. Having in mind the Diet's early dissolution and expecting the opposition to the GCT in the election campaign, the prime minister tried to minimize its impact in election. On September 7, for example, he suggested that the GCT would be time-constrained and advised that its introduction would reduce the issuance of deficit bonds. His efforts to appease the opposition, however, could not stop the protest unless he clearly commented himself to withdraw the tax. He rather continued to adhere to the need for a tax increase, which left all his efforts in vain and invited even more serious opposition movements. The Department Stores Association released its own report that the GCT introduction would increase the tax burden of the low income stratum on September 6. At the same day the LDP local offices made resolutions opposing the GCT introduction. The Nissho also handed in its decision to oppose the GCT introduction to the government on September 10.
In addition to strong opposition from the interest groups and the following demands of the LDP candidates to withdraw, Prime Minister Ohira had to retreat gradually on the issue as the election date came near. At the press conference of September 18, the prime minister stated that the final decision on the GCT would be made after the election and a few days later said that he would respect public opinion. In the city of Niikata on September 26, he made a special speech in which he finally made clear his decision not to introduce the GCT in 1980.

In the next section this failed attempt of the Ohira cabinet to introduce the general consumption tax will be reassessed by analyzing the leadership conditions; that is, the extent and direction of prime minister's commitment, resources and factors behind them, and his strategies.

2.2. Ohira Leadership: Its Characteristics and Environments

2.2.1. Issue Commitment: Extent and Direction

As we have seen in the description of the process, the extent of Prime Minister Ohira's commitment to tax reform, especially on the General Consumption Tax introduction, was very strong. Although he announced the decision not to introduce the GCT for FY 1979 in the beginning of his cabinet, he showed his determination for its introduction when the issue became the main focus of debate in 1979. For instance, in the aforementioned July 25 gathering of the LDP members, he explained to his fellow LDP members about the need for the GCT and asked their cooperation, despite the hardship the Liberal Democratic Party might experience in introducing it. In the July 30 television interview he took the chance to talk directly to the general public that it was something inevitable if the goal of fiscal reconstruction was to be attained. The
latter was certainly a daring move for a politician, given its unpopularity. His efforts on the issues of administrative reform and doctors-favoring tax system revision might be other examples of revealing his strong commitment to tax reform, since he pursued them despite the unease he had, especially on administrative reform, and the opposition he must have anticipated on these issues.

In terms of direction, his commitment to the GCT introduction was properly placed because tax reform was the only appropriate solution that could solve the problem of the growing national debt. On this account, Prime Minister Ohira showed his keen awareness. In the aforementioned July speech to the fellow LDP members, he argued that government efforts to cut the expenses would offset only a small segment of the enormous national debt and that tax reform was the only alternative.

What were the elements restraining the realization of the General Consumption Tax in spite of the prime minister’s commitment? For these we must examine at first why he tried to pursue for tax reform, despite the troubles he himself could foresee. One possible explanation given by Yanagizawa Hakuo was Ohira’s sense of responsibility on the growing amount of national bonds.²⁸ It was Ohira who admitted and administered the issuance of national bonds as the Minister of Finance in the Miki cabinet, and it was known to have aggravated, if not caused, the worsening fiscal conditions. Thus, his guilty feeling for increasing budget deficit was mentioned as the main reason for his proposed indirect tax as the LDP secretary general in the Fukuda cabinet, when the Ministry of Finance (MOF) senior officials presented it to him, and as a prime minister when the issue surfaced again in his own cabinet.

²⁸ Yanagizawa Hakuo, Akazaisei no Junen to Yonin no Soritachi, pp. 35-41. This explanation also appears in other articles; for instance, Kuribayashi Y., op. cit., p. 56; and Kishiro Y., op. cit., p. 124.
Although it might be true, it is not a sufficient explanation for it. As Yanagizawa himself mentioned, Prime Minister Ohira was not only an ex-MOF member who might have some kind of guilty feeling about the issuance of national bonds, but was also a politician who could and should have calculated the costs and benefits of his choice. We will, then, look into the ideological elements and the personality that might have caused him to come up with such determination.

2.2.2. Ideologies, Goals, Motivations, and Personality

**Personality:** The nickname of Ohira Masayoshi, "dull bull (donushi)," whose relaxed, but heavily movements could be compared with his slow pace and integrating style of handling the matters, represents his work style and accordingly his leadership style was known as "politics of waiting (machi no Seiji)." While Miki Takeo, whose pursuit of clearing up the money-ridden image of the Liberal Democratic Party had shaken the party and eventually resulted in his resignation, and Fukuda Takeo, who was known for his decisive actions, were a more outspoken and determined type, Ohira Masayoshi was the type who painstakingly waited for others to follow or to come to the table for discussion.

Along with the motto of his cabinet, "Trust and Consensus," we could see this in his handling of the opposition parties. Ohira endeavored to listen to what the opposition parties had to say and to narrow the gap between them. It could be also seen in the way he presided over the cabinet meetings. He was known to have said to the cabinet members; "since I appointed you on the basis of trust you should not hesitate to say what you had to say and do on the fields you were responsible for."

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Most of the time he was known to listen to what the cabinet members had to say on the issues of concern to them.  

It was not only what the other people perceived of him, but he described himself as such. Born as the second son to a self-employed farmer, Ohira once mentioned that he had learned to be patient while cutting the grasses around the rice fields in the living conditions that could not be regarded as rich. He also often quoted as his own maxim a sentence from one of the Chinese classics that "one needs to yield a step back for him to live in a complex world." This aspect could be also seen in his own words for defining his leadership style. In a television interview with a journalist, Takemura, on December 1, 1978, Ohira said; "I am not much of a leader. I am rather more like an orchestra conductor, and I think a leader should be like that...."

It was, however, not the whole picture. There was another aspect of Ohira Masayoshi that showed from time to time the determination, recklessness, and tenacity. For example, in a statement he made in the 1978 presidential election he stressed not only the efforts to integrate the differences between diverse interests but also suggested the need to employ the flexible, but strong methods to carry out his responsibilities. Several other instances may indicate more clearly Ohira's determination. Firstly, the

30 Tanaka Rokusuke, Ohira Masayoshi no Hito to Seiji, p. 23.
33 Yamagawa Yakio, op. cit., p. 302.
normalization of the relationships with the People's Republic of China could be mentioned. Initiated by Prime Minister Tanaka who tried to catch up Nixon's surprise visit to the People's Republic of China, it was quite a daring move from the conventional perspective in Japan and so produced lots of controversy within the LDP. For example, some senior LDP members such as Fukuda Takeo criticized the move and argued for the maintenance of traditional relationships with Taiwan. Situated in the middle ground, Ohira, as Minister of Foreign Affairs decided to follow the prime minister's initiative. There might be many reasons for him to come up with the decision, such as his close relationships with PM Tanaka and his foreign policy position of giving first priority to good relationships with the U.S.A., and his own realistic position. Whatever the essential reason might be, however, it was certainly to show the determination that the realistic position would require at times.

The submission of the government budget plan could be the other example. Prime Minister Ohira in March of 1979 decided to go along with the plan in spite of protest from the opposition parties. Although it was blocked in the HR Committee on Budget, it was passed in the HR floor meeting due to the prime minister's continuous efforts. The reckless aspect could be also seen in his decision of the same year, 1979, to dissolve the Diet and to hold an election in spite of the strong opposition within the LDP. The election ended in the great setback for the LDP. Prime Minister Ohira was, however, determined to stay in office, which invited the prolonged conflicts with the anti-mainstream members accusing him for election failure and demanding his resignation. Therefore, PM Ohira's rather imprudent decision to adopt a consumption tax could be seen in the same light.

**Ideologies and Motivations:** As his personal traits revealed two contrasting qualities, his ideological orientations were also placed between two contradicting
themes, realism and idealism. Contrary to the former prime minister, Fukuda Takeo, Prime Minister Ohira had been categorized as a "dove" whose entitlement stemmed from his factional lineage that linked him distantly to Yoshida Shigeru and more closely to Ikeda Hayato. Although he might as well be a nationalist sentimentally, Prime Minister Yoshida set the direction of postwar Japan towards the emphasis of economics-first policies and in doing so suppressed the political nationalism under the name of which his opponents within the conservative camp - i.e., Hatoyama Ichiro and Miki Bukichi - argued for more independent stances in policies. He believed his such actions would serve better for the national interests. Following PM Yoshida's lead, Prime Minister Ikeda, who was Yoshida's key economic advisor, also turned the Japanese people's attention to the economy by announcing the "income-doubling plan" when he took over the Kishi cabinet that collapsed due to the controversies over the police law revision and the U.S.-Japan security treaty revision. The set of policies formulated in this factional lineage from Yoshida Shigeru to Ikeda Hayato was later called as the Yoshida doctrine or the conservative policy line, which consisted of three elements: the economism or economy-first policies mentioned above, the maintenance of close relationships with the U.S.A. in all aspects, and the avoidance of heavy militarization.

Prime Minister Ohira followed these basic themes of his predecessors by displaying at first his disdain of the involvement with the ideologically delicate and conflicting issues. In his first policy-related speech, he stated that "ideological confrontations had mainly produced political confusions" and "these confusions reveal only the neglect or depreciation of the historical fact the general public had already reached to a consensus on the maintenance of democratic institutions." This position could be seen more specifically if compared with that of Fukuda Takeo: for example, Ohira Masayoshi argued for cautious and incrementalist approaches in the development of defense capabilities and in changing the status of Self-Defense Forces, while Fukuda insisted on the more daring and urgent moves. He was also rather negative about the passage of the "Yuji" legislations that proposed to use the unique year order of Japan while Fukuda positively argued for their realization.

The realistic position that set him apart from the ideological issues and made him argue for the importance of improving the quality of livelihood, however, was connected with the idealistic elements that appeared in the form of giving the priority to the cultural aspect. In his first policy-related speech to the Diet, he argued that Japan had so far endeavored for the achievement of economic growth almost unilaterally that, despite the visible success in that aspect, it had been accompanied by the various side effects such as the pollution and the devastation of cities. As the situation changed from the high economic growth to the slow economic growth, he mentioned the necessity of adjustment in every aspect of society for which politics, overcast by the demands of interest groups, should be renewed and correspondingly public patience

was demanded. He proposed a new set of goals he intended to pursue during his tenure under the headings of "garden state" and "family-based society."[36]

If the realistic position was attained through the experiences in the bureaucracy and the political sphere, the idealistic elements had been prepared for long by his love of reading books as well as close relationships with the scholars. His office in his constituency was known to have been filled with over 7,000 books and, when he was asked to mention the book he was presently reading in a television interview after he was elected as the LDP present, he did not pause a moment to name the book that was written by one of the Japanese historical leaders.[37] His close relationships with scholars resulted in the nine private study groups that were formed after he was elected and attached to the LDP presidential office; there would be no need to mention that these scholars of study groups lend him the ideas of "garden state" and "family-based society."

Prime Minister Ohira's mixture of realism and idealism was known to have begun from the early period of his life. According to his friend, Miyazawa Kenichi, Ohira's dissertation in the Hitotsubashi University, entitled "the Vocational Society and the Trade Association," and based on the recognition of social problems coming from the prevalent free competition and the following class conflicts, aimed at integrating the problem with the newly rising movement of forming trade associations in America and


[37] It was the book by Onda Moku, an administrator in the Edo period. For the episode, see Yamakawa Yakio, "Ohira Masayoshi," p. 298.
of controlling the industry in the world at that time.\footnote{38} It was written under Ueda Tatsunosuke, a renown scholar on the study of Thomas Aquinas, who emphasized the human aspect in economics. The general academic atmosphere of the Hitotsubashi University was to stress the human and cultural aspects before getting into economics, in which Ueda's teachings was the most representative case and by which Ohira Masayoshi was influenced.\footnote{39} Ohira's ideas of building the "garden" state and the "family-based" society were not only prepared by the advices of his scholarly friends, but also were something deeply related to these learnings.

2.2.3. Resources and Strategies

Public Sentiments: The opposition against tax reform, especially the introduction of the General Consumption Tax, has been prevalent across all segments of the society, including the consumer groups, the small and medium-sized businesses, the local assemblies reflecting the local people, and others. Tax reform, however, could have been attractive since the unfairness of the existing tax system, known as a "9-6-4 (Kuroyon)," was one of many concerns for the people, especially the salarymen. "Kuroyon" represents the ratio of the amounts different occupation groups had to pay for tax in the existing tax system - that is, the salarymen pay nine while the self-employed such as farmers and retail shop owners pay six and the people with expertise such as doctors pay only four.

\footnote{38}{Arahi Shunjo and Morida Hajime, \textit{Bunjin Saisho, Ohira Masayoshi} (Scholarly Prime Minister, Ohira Masayoshi) (Tokyo: Shunju Sha, 1982), pp. 309-12.}

\footnote{39}{Ibid., p. 310.}
This problem was partly caused by the structure of direct tax that had been too much subdivided and so elastic that the small increase of income would mean the change of the column and accordingly cause higher tax rate. The salarymen whose income sources were transparent had suffered most from this tax structure and experienced no substantial increase of real income while the self-employed and the professionals, whose actual income could not be as clear as the salarymen, had had the means to escape the higher taxation and had also benefited from the various tax-exempt measures. Thus, the dissatisfaction of the salarymen was natural and for them tax reform would have been attractive, if properly carried out.

Despite its attractiveness, the discussion of tax reform in the Ohira cabinet could not meet the expectation of salarymen and other groups in the society since, centering around the issue of introducing the General Consumption Tax, it was directed to increase the tax after all. Tax increase might be unwelcomed in any circumstances, but especially in consideration of economic hardship at that time. As was in the Fukuda cabinet, economic revitalization was the main demand towards and main concern of the Ohira cabinet; for example, Nagano Shigeo, Chairman of the Nissho (Japan Chamber of Commerce), at the newspaper interview demanded to the new prime minister, Ohira, that he should endeavor for the economic revitalization through the expansionary economic policies so that the unemployment rate and the bankruptcy rate could be dropped.\footnote{Asahi Shumbun, December 1, 1978.} The small and medium-sized businesses had feared in addition that the GCT might bring down their profits due to the transfer of consumers' tax burden to them.

Tax increase was also problematic, given the public perception about the government efforts to streamline itself. According to the newspaper editorials, the
general public had felt for long that while they worked so hard to survive the economic hardship caused by the oil shock, the government did not do enough to be compared with their efforts, as manifested in the recent corruption cases of special company employees.41 Prime Minister Ohira's limited efforts for administrative reform, therefore, could not be sufficient to erase such perception of the people and to induce their supports for tax reform.

Intraparty Situation: Ohira Masayoshi was the first LDP president who was elected from the primary participated by all the members. Despite its significance, however, his power as a prime minister was greatly limited by the confrontations between the mainstream and anti-mainstream factions. The election of Ohira was a kind of surprise. Most of the concerned people expected Fukuda, the incumbent prime minister, to be elected since he had no particular wrongdoings in his primiership, and in fact Fukuda himself was quite sure of his reelection that he announced to resign if he had not won the election in the first ballot. This surprise was mostly explained by the help of former prime minister Tanaka Kakuei and his faction. The cooperation between two or more factions in the presidential election was not new or wrong by any mean, but the alliance with Tanaka who, being accused of corruption, had to resign from his primiership and thus had a bad public reputation was problematic and raised the questions about Prime Minister Ohira's credibility. It was criticized both internally and externally as implying the extensive use of money for buying the votes.42

41 Such public sentiments had been revealed in various newspaper articles; for example, "Fukujisei wa Komakashi (Welfare Tax is a Cheating One)," Asahi Shimbun, December 27, 1978.

42 According to Chalmers Johnson's analysis, the machine politics in the LDP presidential election was still possible in the all-members primary. For more
The conflicts between the mainstream and anti-mainstream factions started from the beginning when PM Ohira tried to appoint Suzuki Zenko of his faction as the secretary general. The opposition group protested the appointment for the reasons that it had been an unwritten rule to appoint a man from other faction to the post of secretary general and that Suzuki was not only from the prime minister’s faction but also too close to the Tanaka faction or Tanaka Kakuei. The trouble continued when the LDP had a great setback in the 1979 election, for the responsibility of which the opposition group demanded Ohira to resign. It resulted in the so-called "forty-day rebel" by the opposition group and created an unusual happening in the Diet where two Liberal Democrats, Ohira Masayoshi and Fukuda Takeo, were nominated as the candidates for prime ministership. These confrontations in the end came down to the impeachment of Prime Minister Ohira that was submitted by the opposition parties and unexpectedly passed due to the absence of the LDP internal opposition group in the Diet. PM Ohira in response dismissed the Diet and announced to hold a general election, later called "Same-Time Election" since the election dates of the HR and the HC almost coincided.

Besides these conflicts along the factional lines, Prime Minister Ohira in carrying out the consumption tax introduction had to face the oppositions from the individual LDP Dietmembers who were concerned with the demands of their constituencies. One of the strong supporting groups for the LDP was the small and medium-sized businesses. Although they did not make much contribution, they had the votes for the Dietmembers. These medium and small businessmen thought that they might be the ones to pay the taxed portion eventually since, though taxes were to be computed for

the consumers, they might have to give up the margins for the extra taxed amount in the competition among themselves. Thus, they had made the petitions to the Diet members of their respective constituencies while participating in the protest rallies.

It was the same story with the case of the doctor-favoring tax. Even though it emerged as a representative case of unfair taxing practices and so the LDP with the public back-up tried to do something about it, the opposition of the medical doctors was not something the LDP and its Diet members could easily neglect. Being one of the main supporters for the LDP, like the small and medium-sized businesses, they had money as well as votes since due to their good reputation in society their influence in voting was quite strong, especially in local areas. In the national and local levels they opposed the idea and, if to be carried out, demanded to prepare for other substitute measures. Prime Minister Ohira on the issue of consumption tax introduction, therefore, had been well surrounded by the opposition within the Liberal Democratic Party.

**Bureaucratic Concern:** The supports from the bureaucracy was also hard to come by. Although the Ministry of Finance (MOF) as the main proponent of General Consumption Tax introduction and the Administrative Management Agency (AMA) in charge of administrative reform expressed their supports towards the administrative reform that PM Ohira proposed as a prerequisite for tax reform, other ministries had not been supportive. As mentioned in the description, the statement coming out from the Conference of Administrative Vice Ministers was a good example, which expressed that unless the prime minister became the chief of the Administrative Management Agency the administrative reform would not be achievable.

In case of doctor-favoring tax revision, the Ministry of Health and Welfare (MHW) showed the negative view. Although the MHW had considered the revision necessary
and had not maintained smooth relationships with the medical doctors' association, their position was that there should be the accompanying measures to supplement the revision. The appointment of Hashimoto to the Minister of Health and Welfare could have been a distracting factor, who was a well-known "zoku" Dietman on the health and welfare issues. He reasoned that the revision of insurances should preempt the doctor-favoring tax revision, which might cause the inflation.

**Strategies:** As we had seen in the description of the process, Prime Minister Ohira employed two main strategies: one was to appease the opposition forces protesting the large-scale indirect tax introduction through the means of administration reform and doctors-favoring tax revision; the other was to wait for the opposition parties to come to the table for discussion. These strategies, especially the former one, seemed at first appropriate. For example, administrative reform corresponded to the demand of the opposition forces that the government itself should endeavor to cut its own wrongdoings while the doctors-favoring tax revision was to correspond to the demand that the unfairness of the existing tax system should be corrected before carrying out the large-scale indirect tax introduction.

The problem in the former was that PM Ohira and his government had so readily admitted the limits of these methods. As shown previously, PM Ohira manifested that administrative reform would heal only a small segment of budget deficit. It was seemingly an honest and true argument, but it could also be viewed as the lack of enthusiasm. The situation became worse when the doctors-favoring tax revision was postponed. That his emphasis was on the presentation of ideas rather than on the consolation of the people could be seen in his attempt to institute the aides system while lacking the attempts to advertise the tax reform plan. Thus, his strategies could not achieve much of what they were supposed to do.
2.3. Summary

The process the consumption tax introduction went through in the Ohira cabinet can be summarized by three aspects of PM Ohira's leadership. First, the issue of large-scale indirect tax introduction was placed on the government agenda by the MOF that had long prepared for it for the improvement of fiscal conditions and under the acknowledgment of PM Ohira. Behind the prime minister's acknowledgment on the issue underlay a mixture of two things. One was some kind of responsibility he had felt towards it since the worsening fiscal condition was thought to be related to the expansionary economic policies he had carried out in the Miki cabinet as the Minister of Finance. The other was his recognition of changing situations from the former high growth economy to the present slow growth economy, against which he thought that the people also had to prepare. Therefore, his commitment was consistent over time. Although in the beginning he retreated somewhat by saying that the discussion was the fiscal 1980, he stepped forwards by directly stating its necessity.

In spite of his consistent commitment on the issue, however, he lacked the resources for its realization, and the strategies he employed could not replace his lack of resources. Even though he was backed by his own faction and the Tanaka faction, which had the largest following, he had to face on the one hand the strong and continuous opposition from the anti-mainstream factions such as Fukuda Takeo's and Miki Takeo's within the LDP. On the other hand the general public who had preferred to see the correction of unfairness in the existing tax system and the streamlining of the administration rather the introduction of another burdensome new tax system. He proposed to do administrative reform and to revise the doctor favoring tax, but these as his strategies of winning the supports of the people could not succeed. It was because
the case of administrative reform had to confront the resistance of bureaucracy and more importantly it was ultimately a limited attempt to satisfy the public. As such, the revision of doctor-favoring tax failed to produce any result.

In addition, his direct appeal to the people about the necessity of consumption tax introduction as seen in his attempt of delivering such a controversial issue to the election was rather an unreasonable strategy, if it could be called a strategy at all. He also did not give much time for the discussion of the issue, which was peculiar if we considered his style of waiting and the prominent norm of Japanese society, consensus-building.
Reelected in December 1984, Prime Minister Nakasone had to finish up the major items of administrative reform such as the privatization of Denden Kosha and others. More importantly, however, how to deal with the lack of revenues remained a major problem and, despite the administrative reform efforts, fiscal deficit was not much soothed. The choice left for the prime minister was to do something about the existing tax system, either to increase direct taxes as done previously or to introduce a new indirect tax as the Ministry of Finance had tried to realize for some time. As had been done in the previous section, we will first look into the process the government's efforts to introduce the Sales Tax, the name of the large-scale indirect tax in the Nakasone cabinet, had gone through and, then, move to the analyses of Nakasone's leadership on this issue.

3.1. The Process of Sales Tax Introduction

Since there had been a great deal of conflicts and arguments surrounding the issue of the large-scale indirect tax introduction and the process covered a long period, we will divide the process into three stages. The first stage is from the end of 1984 to the time the 1986 Outline of Tax Revision came out. The second stage is from the end of 1985 to the time the LDP finally came to a decision to adopt the new large-scale indirect tax, called Sales Tax. The third stage is from the end of 1986 until the time the Sales Tax legislations were virtually shelved as the Diet session came to an end.
3.1.1. The First Stage: 1984-85

Acknowledging the Necessity of Reform: We discussed in the previous chapter the administrative reform process in which the issue of whether or not tax should be increased brought about the conflicts between the big business and the PCAR on the one hand and the LDP on the other. The former, fearing that tax increase would eventually mean the expansion of their burden, insisted on implementing the administrative reform more thoroughly and accordingly on maintaining the PCAR goal of fiscal reconstruction without tax increase. The latter on the other hand, asking for the expansionary economic policies, argued for the lifting of the PCAR goal and instead for tax increase, if necessary. The conflicts had been arbitrated by the continuous announcements of prime ministers who confirmed the maintenance of the PCAR goal. The mood had turned to the one of acknowledging the necessity of tax reform, however, around the end of 1984, when most of the administrative reform efforts were carried out and it became clear that they could not do much good for worsening fiscal conditions.

Prime Minister Nakasone himself advocated the need to reform the existing tax system, which came out as one of his efforts to search for the agenda of his cabinet that entered its second term from November of 1984. On December 19, 1984, the LDP Research Council on Tax (LDP RCT) reported on the general principles for 1985 tax system revision. To be noticed in their reports was that a need of fundamental reform including the revision of the ratio between the direct and indirect taxes was emphasized along with the admission of the difficulties to obtain sufficient revenues in the existing tax system, which came out as one of his efforts to search for the agenda of his cabinet that entered its second term from November of 1984.

On January 9, 1985, Takeshita Noboru, Minister of Finance, made a speech of arguing for tax reform to the Japanese Press Club. At first he reassured to continue the efforts for financial reconstruction without tax reform until 1986, but he stressed that it was definitely necessary to remold fundamentally the existing tax system. His reason for the schedule was that it might bring about the illusion of immediate revenue increase if tax reform was discussed primarily. Supported by these movements within the party and the government, the Officials' Council (Yakunin Kai) and General Council (Somukai) of the Liberal Democratic Party on January 16 decided to insert into the party's policy outline the opinions that it would be difficult to achieve fiscal reconstruction without tax increase and that the difference between direct and indirect taxes needed to be corrected.

Setting the Reform Schedule: Although the general direction of reforming the existing tax system had been set up, there remained many problems still to be settled - for example, how and when the reform should be carried out.

After the cabinet meeting on February 15, 1985, Takeshita Noboru stated that he would ask the Government Research Council on Tax for the prompt consideration of tax issues in relation to the 1986 budget preparation. Appearing on the television program, Fujio Masayuki, Chairman of the LDP Policy Research Council (PRC), interpreted Takeshita's statement as not meaning to introduce the new tax system in 1986. On March 18, however, Fujio Masayuki himself launched his personal advisory council on tax, called "Murayama Research Committee," and revealed the schedule in which the reform plan was expected to come out in October. Prime Minister

44 Asahi Shimbun, December 19, 1984.
Nakasone and the MOF showed a negative view on the schedule right after it was announced out of the fear that it might cause the excessive politicization of tax reform. On June 5, Kato Mutsuki, Chairman of the LDP RCT, also presented a much negative view on Fujio Masayuki's schedule, according to whom it would be better to maintain the current tax system for a few more years and then to introduce the new system when the welfare costs lead to the increase of the government expenses. On September 2, then, Takeshita Noboru talked to the policy study group of the Tanaka faction that a new large tax would be introduced, if it is done, by 1987. Talking to the press club on October 26, he repeated the schedule that tax reform might be carried out in 1987 since its discussions in the GRCT would be ended in the fall of 1986. Although there were some confusions on the timing within the LDP and the government, it was somewhat settled to the one mentioned by Takeshita Noboru since the bottom line was that they needed to escape the early debate of tax reform in order to minimize its impacts on the 1986 election.

Choosing a New Type of Tax: More confusion and serious conflicts occurred on the problems of what kind of large-scale indirect tax would be introduced, how tax reform could be proceeded, and what else could be included in tax reform.

On February 1, 1985, Prime Minister Nakasone in the HR Committee on Budget opposed the idea of adopting the multi-stage taxing method by which the products were to be taxed in every stage of circulation. In a meeting of the Employer-Employee Conference on the same day he reiterated his position. Even though it was not the direct opposition against tax reform per se, it was to place the actual blockade on it since one major form the governing party and the government, especially the Ministry

of Finance (MOF), had prepared in terms of tax reform was to introduce a large-scale indirect tax using the multi-stage taxing method, whatever form it might take. Thus, the MOF tried to persuade the prime minister to correct his position, but he rather went further by explaining his position that the EC-style indirect tax system would not fit to the Japanese complex circulation structure.47

Despite the prime minister's statement, however, the introduction of a large-scale indirect tax became somewhat synonymous with tax reform, and for that the prime minister was criticized. On February 8, when they met together, Kanemaru Shin, Secretary General of the LDP, and Miyazawa Kiichi, Chairman of the LDP General Council, strongly criticized the prime minister's position and at the same time showed their supports for Takeshita Noboru's position of adopting a large-scale indirect tax by stating that prime minister talked too much without understanding the hard work of the Finance Minister. On March 8, Ogura Takekatsu, Chairman of the Government Research Council on Tax, expressed his enthusiasm for studying the issue of the large-scale indirect tax.

The respective policy proposals presented by the Tanaka faction and the Komoto faction also included the idea of introducing a new indirect tax. On July 10, the policy study group of the Tanaka faction, "New Integrating Policy Research Council," presented a policy proposal, entitled "Fundamental Tax Reform for the Long-Term Perspective" to the LDP RCT and the GRCT. The proposal included the ideas of reducing the income tax and corporate tax by one trillion yen and financing it through the means of introducing a new indirect tax of a broad tax base - i.e., the European Community (EC)-style Value Added Tax and taxing at ten percent the small accounts

such as the Maruyu Funds and the postal savings. On July 24, the policy study group of the Komoto faction also came up with its own policy proposals which suggested on the tax reduction, reaching the amount of six trillion yen, and the introduction of the new indirect tax system.

Besides the introduction of a new indirect tax, various ideas had been suggested for the government revenue sources, including the broadening of the tax base, the abrogating of the Maruyu Funds, and the taxation of the interests accruing from the small savings accounts and others. On August 1, 1985, Kato Mutsuki talked about the need to broaden the taxing base for the overall revision of tax system and the possibility of introducing the export commodity tax in a forum held by the Keidanren (Federation of Economic Organization) in Karuizawa. Fujio Masayuki on the same day also argued for the necessity of reforming the Maruyu system and the possibility of taxing the benefits coming from the trade of foreign exchanges. On September 11, Inayama Yoshihiro, Chairman of the Keidanren, talked to the press conference that a few people had taken the burden of high tax so that the tax base needed to be broadened and suggested an idea to tax the red-inked companies as well as the low income stratum. Indebted to these suggestions, the first section of the GRCT on October 30 decided on the direction of reducing the burden of the people to the one below 50 percent, while the second section of the GRCT started on November 2 to examine the reform of the income tax structure. Its direction was to bring about the overall effects of reducing the income tax by simplifying the taxing range through pulling down the highest


stratum to the level of the EC countries while raising the lowest stratum, to simplify the taxing range.

The Link between Tax Increase and Tax Reduction: Confusion was also produced on the problem of how the reform should be proceeded - that is, how tax reduction should be linked with tax increase by tax reform. As we noticed in the proposals of two LDP factions mentioned above, tax reduction was suggested along with the introduction of a new indirect tax and other measures for tax reform. But, the emphasis on tax reduction was what Prime Minister Nakasone had pursued from the beginning of tax reform discussion.

Answering to the HR Committee on the Fiscal Affairs on June 5, PM Nakasone stressed the aspect of tax reduction in the present attempt to revise the overall aspects of the tax system: "The purpose of tax reform is to correct the deficiencies in the current tax system, instituted under the leadership of Dr. Shoupe during the American Occupation, for example, to reduce the unevenness that the people had felt towards the current tax system. Thus it is not to increase the government revenues, but to reduce the income tax and the corporate tax." In the first meeting of the Government Research Council on Tax (GRCT) on September 2, therefore, he asked for the council to examine the ways that the tax reduction could be possible and in a Nissho (Japan Chamber of Commerce) assembly on the same day he announced that tax reduction had been placed on the political agenda.

The bureaucracies also participated in the efforts to search for the items of tax reduction. On August 4, for example, the Ministry of International Trade and Industry announced its decision of giving benefits to the importing companies, which was to

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alleviate the trade conflicts. On August 18, the Ministry of Construction decided to demand for the large sum of tax reduction for housing and the MITI on the same day made another decision to relax the regulations on the depreciation period. A more drastic demand for tax reduction came from the opposition forces; on October 31, the labor unions including the Sohyo and the Domei decided on the two trillion tax reduction plan.

The general mood of the Liberal Democratic Party and the Ministry of Finance was, however, a pessimistic one about unilaterally arguing for tax reduction. In a meeting between the MOF senior bureaucrats and the Keidanren leaders on May 22, the tax bureau chief explained about the position of the MOF that it would make cautious steps on reforming the overall aspects of the tax system, that tax reduction would be carried out with tax reform, that the reform would not be possible procedurally in 1986 and that it would be difficult to have any significant tax reduction for 1986. On October 5, Fujio Masayuki, appearing on a television program, mentioned that the tax reduction would have to be substituted by the introduction of some form of indirect taxes.

The mid-term report submitted by Murayama Research Committee on October 8 also mentioned that the EC-style Value Added Tax System was the most feasible method, and it might be coupled with the tax reduction of corresponding amount. Although Prime Minister Nakasone regarded it as only having analytic viewpoints, not the realistic policy suggestions, his emphasis on the side of tax reduction only was yet to be subjected for criticisms. In an address to his Koenkai (supporters' group) in the city of Matsuyama on October 10, Miyazawa Kiichi criticized the prime minister’s plan of big tax break for being unrealistic. He gave the reason that there was a lack of revenue resources making such reduction possible. Even the GRCT made an negative
assessment on the priority given to tax reduction. In its first meeting on October 19, the members of the GRCT second section pointed out that Nakasone's insistence of big tax breaks was somewhat problematic since the tax burden of the Japanese people in 1983 was only 6.8 percent, which was the lowest in the OECD countries, while acknowledging the necessity of reforming the current tax system. On October 26, Takeshita Noboru talked to the press club that he supported the LDP's move towards tax increase.

The position of the Zaikai in these conflicts was also split between the Nissho and the other associations. In the beginning stage of reform discussions, their main concern was still to block any attempt to increase taxes. Thus, when Koto Noboru, Chairman of the Nissho (Japan Chamber of Commerce), criticized any move to increase taxes on March 20, the "Fiscal and Monetary Committee," attached to the Keidanren (Japan Federation of Economic Organization), sided with this criticism and argued instead to continue the efforts of existing administrative reform and of enhancing the expense reduction. Entering the fall of 1985, then, the Keizai Doyukai (Japan Committee for Economic Development) changed its direction towards supporting the introduction of a new indirect tax. The reasoning of the Keizai Doyukai was that it would contribute to making the people share the tax burden evenly. The Nissho, however, maintained its opposition against the new indirect tax introduction. It was because it was mainly composed of the small and medium-sized businesses. On October 2, for example, the Japan Department Stores Association and the National Council of Small and Medium Corporations, and others made a statement opposing the large-scale indirect tax introduction and presented it to the Liberal Democratic Party, which was the major show of protest by the civil sector. The reasoning was that the low income strata would get more burden.
Tax Revision Outline for FY 1986: Surrounded by the criticisms, Prime Minister Nakasone announced the change of his position. In the House of Councillor's Committee on Budget on November 6, PM Nakasone replied to the question of the opposition parties about the difference between him and the Murayama Research Committee by showing a new position that tax reduction would be coupled with tax increase. At the HR Committee on Fiscal Affairs on the same day, then, Ogura Takekatsu, Chairman of the GRCT, reflected the prime minister's demands by saying that the ways to reduce the tax would be at first examined, but he also mentioned that they would have to be matched with the ways of tax increase, to cover the shortage coming from tax reduction.

What had been settled down through these tug-of-wars for the year of 1985 was the various, minor measures of tax reduction and the maintenance or the increase of the extent the direct taxes were levied. Although a private institute called "the Japan Tax Research Group" suggested to reduce direct tax and to introduce a general indirect tax and other measures in its own reform outline on November 21, the MOF already announced on October 29 its decision to continue on applying the special tax clauses to the private corporations due to the lack of the revenue sources. On December 3, the LDP Research Council on Tax (LDP RCT) in its meeting acknowledged the examination list handed to it by the Ministry of Finance and the Ministry of Home Affairs and it presented the tax revision plan for fiscal year 1986 on December 17, 1985.

Included in the plan were the continuation of the alleviating means for the land acquisition tax, the pulling-down of the untaxed limit for the resident tax, the tax reduction for single transferees, and the increase of corporate tax at 1.3 percent, while the introduction of the transfer price tax system, the advertisement tax, and the big tax
break were postponed. Much of the contents had been made before its actual presentation. For example, the MOF made an internal decision to reconsider the introduction of advertisement tax from the long-term aspect so as to postpone it on December 4 while the decision to postpone the big tax break was made in the section chiefs and vice-chiefs' meeting of the LDP RCT on December 5. The increase of the corporate tax was also decided in fact on December 6 by a subcommittee, attached to the LDP Research Council on Tax (LDP RCT) and chaired by Yamanaka Sadanori.

At the outcome the Zaikai expressed their strong dissatisfaction for the increase of the corporate taxes. For example, Inayama Yoshihiro, Chairman of the Keidanren, on December 18 showed his dismay about the 1.3 percent increase of corporate tax and mentioned that tax increase amounting to 200 billion yen was made by it. Accordingly, he asked for the introduction of a new indirect tax. On January 14, 1986, however, the cabinet made formal the 1986 tax system revision.

3.1.2. The Second Stage, 1986

Pre-1986 Election Period, Division of the Zaikai: It was the Zaikai, business community of Japan, that had felt the damages from the passing of the 1986 tax revision plan, since tax reduction for 1986 were to be mainly financed by the 1.3 percent increase of corporate tax. Therefore, the Zaikai, entering 1986, made the swift moves for protecting themselves from the similar kind of damages in the future. For example, the mid-term report on tax reform, presented by the Keizai Doyukai (Japan Committee for Economic Development) on January 23, placed as the primary goal the escape from such high taxes as levied in the EC countries as well as the achievement of

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51 *Asahi Shimbun*, December 17, 1985.
the society where the private sector vitality would be prevalent. Accordingly, it suggested to reduce the rates of direct taxes such as income tax, corporate tax, and inheritance tax, to introduce a large-scale indirect tax such as the General Consumption Tax, and to revise the unevenness of present tax structure. The Keidanren meeting of February 11, then, acknowledged that either the introduction of a new tax or tax increase should be admitted for the realization of big tax break and accordingly decided to form a special task team for the further examination of these matters.

The Zaikai's prompt moves to prepare for a new indirect tax introduction, however, had to confront with the opposing voices against the large-scale indirect tax that came directly from the independent business associations. On January 16, 1986, the associations of retail stores, the small and medium-sized businesses and others gathered around and decided to spread the protest movements against the introduction of a large-scale indirect tax. They planned to open the protest conferences in the twelve places across the nation during March and April. On May 21, eleven groups including the above gathering to against a large-scale indirect tax introduction. The reasons they provided for the protest were the increase of costs for the preparation of a new tax and the damages to the expansion of internal market. As the opinions were divided as such among the various actors of the business world, the voices of the civil forces were also splitted. For instance, in the GRCT local hearing of Osaka on February 19, where the entrepreneurs and the intellectuals had been the main participants, a general


53 Ibid.

54 Asahi Shimbun, May 21, 1986.
consensus was made for the alleviation of the proportional taxes, but the difference surfaced on the issue of a large-scale indirect tax introduction.  

**Division of the Governing Circle:** As the interest groups revealed their respective positions on the issue of large-scale indirect introduction, the government side tried to distant itself from the issue and focused on the means of alleviating the public discontents, i.e., tax reduction and supplementary budget making. The Government Research Council on Tax (GRCT) did not talk about the large-scale indirect tax introduction in any direct way, but only in relation to the measures of tax reduction. Attending to the HR Committee on the Fiscal Affairs on March 7, Ogura Takekatsu of the GRCT stated that, even though the government had not yet thought about the introduction of a large-scale indirect tax, some kind of new tax needed to be introduced if a big tax break were to be carried out. He mentioned the so-called welfare-aimed tax as one of the alternatives. On March 19, an expert subcommittee, attached to the GRCT, submitted a report on the structure of the current proportional tax system to the second special section of the GRCT. The report recommended that the income strata ranging from four million to nine million yen should be regarded as one or two levels for taxation. Ogura Takekatsu added on May 1 that his committee would examine the possibility of introducing the enrichment tax, which was not only to be linked with tax reduction but also to maintain the fairness rule of taxation in case of the large-scale indirect tax introduction.

The positions about tax reduction were distributed almost identically as they were in 1985. The LDP and the MOF remained cautious for carrying out tax reduction unitarily while the prime minister and the opposition forces tried to emphasize the need

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of tax reduction. Miyazawa Kiichi on February 20 again criticized PM Nakasone's attempt to realize a big tax break. He reasoned that the sources for such a tax break, such as the deletion of the Maruyu Fund and the introduction of the large-scale indirect tax, were not feasible. Takeshita Noboru, Minister of Finance, in the HR Committee on Fiscal Affairs on May 14 indicated the long-term direction of increasing the tax revenues. According to him, tax reform would concentrate on the balancing the increase and the decrease of tax revenues for the initial some periods, even if it might bring about the tax increase in the long run.

Prime Minister Nakasone, however, continued on showing his concern with tax reduction. In the HR Committee on the Fiscal Affairs on March 28, he revealed his timetable for tax reform, according to which the tax reduction plan would be presented in the middle of April and the tax increase plan in the fall. On June 12, he again confirmed the possibility of three trillion tax reduction in the fall, although he failed to mention where the money might come from. The bureaucracies other than the MOF also searched for the ways of tax reduction; for example, the suggestions submitted on March 25 by an advisory committee of the MITI, called "Study Group on the Relationship between Business and Tax System," mainly demanded to bring down the level of corporate tax to the one of the EC countries as well as to revise the regulations on the deprecations.56 The labor unions also pursued the realization of tax reduction. In a joint gathering in the Hibiya Park on February 23, where seven thousands reportedly participated, the Sohyo and the Rengo made the demand to carry out the tax reduction worth of 2,300 billions yen. On April 19, these labor unions submitted their

suggestions to the second special section of the GRCT, in which the reduction of income tax and the introduction of various tax-exempt items were demanded.

One of the reasons PM Nakasone exerted himself for the realization of tax reduction was to abscond the early politicization of the large-scale indirect tax introduction. From the experiences of the Ohira cabinet, he had known too well its probable impact on the election scheduled for the summer of 1986. Although the party position was not much different on that matter, it was much more cautious, as seen in Miyazawa’s argument, due to the problem of how to finance the amount of tax reduction. Thus, when the opposition parties demanded to have an open forum to discuss about the introduction of the big indirect tax system and the deletion of the Maruyu Funds system on June 12, the LDP, a few days later, replied that it was willing to have it if the opposition parties would agree to discuss the current economic situations, caused by the yen appreciation, as well as the deletion of the Maruyu Fund system and the introduction of the big indirect tax system.

The Making of the 1986 Supplementary Budget: The concern for election made the supplementary budget for FY 1986 as the other main subject for discussion in the first half of 1986, which was to respond to the economic hardship caused by various conditions such as yen appreciation at that time. On May 7, Prime Minister Nakasone spoke to the upper house that he would like to recommend on the examination for the possibility of issuing the construction bonds that would aim at revitalizing the economic hardship arising from the yen appreciation. Right after the statement, however, Fujinami Takao, Chief Cabinet Secretary, talked to the press that the government had not yet considered on the introduction of supplementary budget and the prime minister himself explained it by saying that what he meant was that he would give some consideration about it in the future. Fearing any misconception, PM Nakasone also
sent the messages, similar to Fujinami's, on several other occasions; for instance, he talked to the press on May 9 and to the general assembly of the Nikkeiren (Japan Federation of Employer's Associations) on May 16 where he announced that for the present the government would continue on pursuing the PCAR (Provisional Council on Administrative Reform) principle of maintaining the tight economic policies, but that in the fall there might be the introduction of some expansionary economic policies, depending on the changes of the economic situations.

Towards the making of the supplementary budget the Zaikai showed their supports. On May 21, for example, the Keidanren made a statement showing the change from its original position of supporting the tight economic policies to the one of admitting the necessity of expansionary economic policies. It acknowledged the necessity of issuing the construction bonds for protecting the possible deflation caused by the yen appreciation, but it did not forget to add the condition that such an attempt should be a temporary measure.\(^{57}\) The final reports of the PCPAR (Provisional Council for Promoting the Administrative Reform) on June 11 reflected this change of mood. It left some room for expansionary economic policies by showing that the government might have to respond to the changes of situations requiring the urgent measures, though it still insisted on the maintenance of the tight fiscal policies and suggested to delete the Maruyu Funds and to institute another advisory committee for supervising the further progress.\(^{58}\)

Even though the mood of making the 1986 supplementary budget began to get some momentum, however, the Ministry of Finance remained cautious. The MOF on May

\(^{57}\) Asahi Shimbun, May 21, 1986.

\(^{58}\) Asahi Shimbun, June 11, 1986.
9, a day after PM Nakasone's speech, announced that it was too early to plan for the supplementary budget, but they might consider it around fall. Takeshita Noboru, Minister of Finance, on May 27 also reconfirmed that the decision of the LDP to establish the supplementary budget for 1986 did not mean the retreat of the fiscal reconstruction principle. On June 21, Yoshino Yoshihiko, Administrative Vice-Minister of the MOF, showed a lack of enthusiasm about making an early draft for the supplementary budget. He rather repeated his argument of coupling tax reduction with tax reform, which implied that this coupling would do better than the supplementary budget which would necessitate the issuance of construction bonds.

*Post-1986 Election Period, the GRCT Recommendations and the Responses:* The issue of a new large-scale indirect tax introduction, therefore, became a central focus naturally after the election whose date was announced on May 27 by the LDP and carried out on July 6. The election, named as "Same Day Election" in Japan, ended in the tremendous victory of the LDP which captured the 300 seats in Diet. As a result, Prime Minister Nakasone became one of a few Japanese prime ministers who could have served the third term, which was decided by the agreement of the new leaders such as Takeshita Noboru, Abe Shintaro, and Miyazawa Kiichi.

After the election the Government Research Council on Tax resumed its activities and produced the more specific suggestions on tax reform. On August 9, the overall opinion of the GRCT third section was to continue the tax reduction measures for the small and medium-sized businesses, while reducing those for the big companies. In a meeting of the GRCT's third section on September 27, most of the participants acknowledged the necessity of introducing the large-scale indirect tax system. That same section, on October 8, announced that it would discuss the possibility of introducing the Sales Tax (ST), ruling out the alternative of the Japanese-style Value-
Added Tax (JVAT). The reasons it provided were that the JVATS was against the general public sentiments as well as the prime minister's promise in election where he said that he would not introduce any large-scale indirect tax the people did not want.\textsuperscript{59} On October 29, the final report of the GRCT came out, which, in addition to the Sales Tax introduction and the tax reduction measures, recommended for the present on the balance between tax increase and reduction, but in the long run on the direction to increase the tax.

The main items of the GRCT recommendations, especially the issues of tax reduction and Sales Tax introduction, became soon the foci of discussion between the proponents and the opponents. On October 9, the \textit{Keidanren} showed its resentment towards the government move to introduce the Sales Tax and announced that they would put all the efforts to discard it. The reason they gave was that its introduction would worsen the manufacturers' situation which was already experiencing the difficulties due to the yen appreciation.\textsuperscript{60} Prime Minister Nakasone in a meeting with the LDP RCT members on October 19, however, made known his supports towards the GRCT recommendations by expressing his opposition against the JVAT system while showing interests for the Sales Tax introduction. PM Nakasone's speech of support on the other hand could not prevent 150 LDP Dietmembers, most of whom were the members of a new study group on tax launched on October 22, from making a resolution of opposing the Sales Tax introduction on November 21.

The issue of tax reduction also invited the conflicts among the actors. When the Ministry of Finance and the Ministry of Home Affairs submitted their preliminary 2.7

\textsuperscript{59} \textit{Asahi Shimbun}, October 8, 1986.

\textsuperscript{60} \textit{Asahi Shimbun}, October 9, 1986.
trillion tax reduction scheme to the second section of the GRCT on September 27, a
MOF tax bureau chief, Mizuno Masaru, stressed his ministry's position that tax
reduction should be accompanied by tax increase. He projected that tax reform would
be effective after the three-year term from 1987, even if the abolishment of Maruyu
Funds and the introduction of Sales Tax were to be decided formally.

The opinions of the LDP on tax reduction were divided: some argued for tax
reduction primarily, but others maintained the match-up between tax reduction and tax
increase. In the fund-raising party of his faction on October 3, Komoto Toshio asked
for the big tax breaks and the issuance of construction bonds, who also showed his
discontents on the government economic policy packages announced a week earlier.
On October 7, however, Miyazawa Kiichi, new Minister of Finance, asked to the LDP
Research Council on Tax (LDP RCT), which would soon begin to examine on tax
reform, that the discussion of tax reduction should be aligned with that of tax increase.
PM Nakasone in a meeting with LDP RCT members mentioned above asked for the
balance between tax reduction and tax increase. On October 21, then, in a meeting
between party leaders and the government leaders the prime minister's plan was
acknowledged, which was to do tax reduction at first and to equate that amount of tax
reduction with that of tax increase.

The LDP Tax Reform Plan: At the presentation of the GRCT final reports, the
LDP RCT actively began to examine tax reform and the conflicts on the issues
mentioned above emanated again. The basic mood of the LDP RCT, which started its
examination of tax reform on October 8, was not to link tax reform directly with the
goal of fiscal reconstruction since the consideration of fiscal reconstruction should at
first begin from the expense reduction.61 Thus, when the GRCT presented its final

61 Kuribayashi Yoshimitsu, *Okurasho Shuzeikoku*, p. 78.
reports, the LDP RCT criticized it and argued for the party leadership. On November 8, however, Yamanaka Sadanori, Chairman of the LDP RCT, revealed that the result might be directed more toward tax increase than tax reduction. The prime minister immediately replied to the House of Councillors that Yamanaka's opinion was different from what he had in mind and he again talked to the press on November 12 that the balance between tax increase and tax reduction should be maintained. On November 14, the LDP RCT announced to correct Yamanaka’s comment on welfare-aimed tax and reassured that the discussion of tax reform would be carried out at first for the search of tax reduction sources. Although Miyazawa Kiichi in a meeting with Yamanaka Sadanori on November 18 asked for his cooperation in reforming the tax system by demanding that the discussion should not be focused solely on the side of tax reduction but also on the aspect of tax increase, a subcommittee, attached to the LDP RCT, on November 27 opposed a direction to increase the tax after all.

During this period the opposition parties foremostly insisted on the primacy of tax reduction. On November 21, the Japan Socialist Party argued that the tax reduction should be carried out first while suggesting that the unfairness, present in the current tax system, should be corrected, the Maruyu Funds maintained, and the short-term bonds issued. It presented its own plan for tax reform on December 7, which suggested the tax reduction of three trillion yen and the correction of the unfairness in the present tax system.

Reflecting these conflicts, the general outline for tax reform, completed by the LDP RCT on December 23, included tax reduction amounting to 1.8 trillion yen and the introduction of the Sales Tax. The next day the Keidanren (Japan Federation of Economic Organizations) and other economic associations announced their positive
evaluation about the LDP outline on tax reform, especially focusing on the reduction of the corporate tax. The Nissho (Japan Chamber of Commerce) and the automobile industry, however, expressed their dissatisfactions on the outline that decided on the introduction of Sales Tax and on the luxury tax levied to automobiles. Nakasone cabinet passed the 1987 tax reform outline on January 16, 1987.

3.1.3. The Third Stage, 1987

Activities of the Opposition: As the LDP and government tax reform plan for the Sales Tax introduction came out at the end of 1986, the oppositions against the plan also became active from the beginning of 1987. The Democratic Socialist Party, right after the announcement of the outline, responded with its decision to fight against the government's pursuit for the Sales Tax introduction. On January 15, 1987, the associations of the small and medium-sized businesses and the retail stores came out to the street for the protest, and on January 22 the Japan Socialist Party also joined in criticizing the government by stating that the reform plan fundamentally aimed at tax increase.

But more indicative of strong opposition from the general public was the resolution made by the local assemblies against the Sales Tax introduction. The members of the opposition parties in one of the Tokyo district assemblies, Taito Ku (district level), on January 22 announced in the name of the assembly that they would protest the Sales Tax introduction. It was followed by a resolution of the similar contents made by a group of the LDP members in the Yamashiro prefectural council on January 23. Their reasoning was that their supporters strongly opposed the new tax. The whole council members, then, supported this resolution by sending letters of appeal to the prime minister and the MOF on January 28. On February 2, the five major labor unions
having different party affiliations gathered together for the first time for the protest against the Sales Tax introduction.

With these mounting criticisms against the Sales Tax introduction, the opposition parties endeavored to embrace the protest movements in their side; for example, on January 27, the four opposition parties had a meeting with the representatives of the retailing industry and succeeded in inciting an agreement of protesting the Sales Tax introduction.62

The LDP and Government Responses: The LDP and the government on the other hand tried to minimize the impact of these criticisms. On January 18, Gotoda Masaharu, Chief Cabinet Secretary, implied the possibility of revising the tax reform plan in the Diet and on January 21, Miyazawa Kiichi also expressed that the tax reform plan would be possibly revised according to the demands of the opposition parties. On the same day the Ministry of Home Affairs (MHA) announced its decision to give more to the local areas than to the cities for the distribution of the revenues accruing from the Sales Tax introduction. The Liberal Democratic Party also made a decision on February 3 to put more efforts on advertising tax reform to the public and planned to hold a national conference as one way.

The LDP and the government used not only the consoling methods but also the whipping ones. On January 30, the LDP headquarter sent their command to their local offices, ordering them not to participate in the making of resolutions protesting the Sales Tax introduction. They also pursued to proceed with the outline as it was. On February 3, a decision of inserting no more tax-exempt merchandise came out and on February 4, the legislations related to the Sales Tax introduction and the income tax

revision was decided by the cabinet and presented to the Diet. Prime Minister Nakasone upon this presentation stressed that tax reduction would be carried out prior to the tax increase measures. The next day the LDP by itself forcefully opened the examination session of the HR budget committee.

The process the LDP actions were taken, of course, was not smooth. The LDP General Council meeting, held on the same day the legislations were presented to the Diet, was known to be filled with serious talks between the proponents and the opponents although it acknowledged them in the end. Vigorous debates on the Sales Tax introduction also were undertaken in a meeting of Komoto faction whose leader himself was inclined to oppose the legislations. On February 11, the local representatives criticized the Sales Tax introduction in a meeting of "the National Assembly for the Promotion of Tax Reform" that the LDP formed for the propaganda purpose towards its own members and whose first meeting was held on February 6.

Along with the internal turmoil of the LDP the oppositions outside the Diet continued. On the same day of the forceful opening of the Diet session by the LDP, the Sohyo decided on its principle of Spring Protest (Shunto), which planned to rally around the protest against the Sales Tax introduction. The LDP members of the Kobe city council, participating in the Sales Tax protest, issued a statement that in addition to their concern on constituency it was against the 1986 election promises of the LDP or the prime minister. On February 17, the Aomori prefecture chamber of commerce made a resolution of opposing the Sales Tax introduction, and the next day the governor of Fukuoka prefecture expressed his oppositions, as well.

64 Ibid.
Amid these prevalent mood of opposition, the only support the LDP could secure was from the big businesses. On February 10, the Keidanren demanded for the early introduction of the Sales Tax system and on February 14, the Nikkeiren expressed its positive evaluation towards the Sales Tax introduction by stating that the Sales Tax in lieu of tax reduction would be somewhat inevitable.

In spite of the strong oppositions within and outside the governing party, the proponents within the LDP and the government remained on the original line of introducing the Sales Tax legislations, sometimes posing even stronger gestures. For example, unlike his former statement of revision possibility, Miyazawa Kiichi on February 6 stressed that the Sales Tax legislation would not be revised and PM Nakasone on February 10 backed up Miyazawa's move. They did also retain flexible gesture, however. In the aforementioned February 10 statement, the prime minister did not forget to leave some room for the possibility that some revisionary elements might be inserted in the stage of making government ordinances. The leaders' meeting of the government and the LDP on February 17 made an announcement of confirming Prime Minister Nakasone's suggestion that the government ordinances would flexibly reflect the revisionary opinions.

At this stage the Liberal Democrats were divided into two groups: the supporters' group which was mainly composed of the mainstream members and the critics' group which was composed of the anti-mainstream members. On February 18, Komoto Toshio argued for the revision of the Sales Tax legislations and the next day several senior party members such as Fukuda Takeo, Nikaido Susumu, and Komoto Toshio criticized the official line for a lack of sufficient discussions on the Sales Tax introduction within the party. The supporters' voices could be also heard. On February 19, Watanabe Michio, Deputy Chairman of the LDP RCT and a veteran
member of the Nakasone faction, suggested that after the passage of the budget the government and the governing party would respond to the revision demands only after the passage of the budget and on the same day Uno Sosuke, Deputy Secretary General and another veteran member of the Nakasone faction, criticized the movements of revising the Sales Tax legislation within the party.

Breaking the balance between these two groups was the messages coming from the cross-factional group. On February 25, the Study Group on the Fiscal Reconstruction (SGFR) that had been negative of the Sales Tax introduction decided to form a subcommittee for examining the Sales Tax legislations and on February 26, the members of the Tanaka faction that had been most powerful, at least in terms of the number, also mentioned about the necessity of the revision.

The increasing number of critics within the LDP, however, did not stop the pursuit of the leading group for the Sales Tax realization. It only intensified the debates within the LDP. For instance, in a meeting of the Officials Council on February 27, heated debates were on the way between the proponents who criticized the protesters and the opponents who argued that it was against the election promise. The members of the leading group on the other hand endeavored in various ways to get the legislations admitted within and outside the party. First of all, they tried to block any further movements of the opponents. On February 14, Takeshita Noboru, LDP Secretary General, strongly rebuked Hatoyama Kunio and one other LDP Dietman for independently acting against the Sales Tax introduction and ordered them to follow the party line. On February 26, the LDP leaders advised the SGFR members to behave, according to which the Study Group on Financial Reconstruction dropped their attempt to examine the issue of the Sales Tax introduction. The joint meeting of the
government and party leaders on March 3 also produced an agreement that they would harshly respond to the Diet members who went against the Sales Tax introduction.

On the other hand they attempted to advertise their just causes and to turn the focus to other issues. On February 25, Prime Minister Nakasone was known to have explained to Miyazawa Kiichi about the specific methods of propagating for the Sales Tax while one LDP leader leaked the information that the government would soon or later adopt the expansionary economic policies.\textsuperscript{65} When Yamanaka Sueharu of the JSP on March 4 in the HR budget committee criticized the Sales Tax introduction as the election promises violation, Prime Minister Nakasone replied that it was not the election promise violation since the government had prepared for the plan that the people would be satisfied. The next day, as the examinations in the HR budget committee got stuck due to the conflicts between the LDP and the opposition parties, PM Nakasone pointed out that the introduction of the Sales Tax system would help to rationalize the current retailing structure.

\textit{Continuation of the Opposition:} Despite these efforts of the LDP and the government, the oppositions outside the LDP were getting stronger in number and activities. On February 19, five labor unions such as the \textit{Sohyo} announced to have an unified center for protesting the Sales Tax introduction and, on February 25, the National Assembly on Tax System started to operate as the center of the opposition forces against the Sales Tax introduction, in which various other interest groups participated. The next day the national farmers cooperatives also joined in the protest to the Sales Tax introduction. The same five labor unions went further by demanding on the resignation of the incumbent cabinet members on March 13. On the same day

\textsuperscript{65} \textit{Asahi Shimbun}, February 25, 1987.
the Komeito announced that their drive to get the public signature for the protest of the Sales Tax introduction reached to 20 million. On March 15, four business associations, whose bases were located in the central regions of Japan, sent to the government their demand to revise the Sales Tax legislations.

More indicative of the growing oppositions was the acknowledgment of one LDP leader that there was in fact no further means to block the participation of the local LDP members in the making of the Sales Tax protest resolution. According to *Asahi Shimbun*, by March 16, 31 local assemblies had made the resolutions either for the protest or for the revision of the Sales Tax legislations.66

At such growing oppositions, Kanemaru Shin, a senior member of the Tanaka faction, on March 17 said that the party needed to respond to the criticism of the Sales Tax introduction since the local election date drew nearer. On the same day, however, Nakasone still expressed that he had not yet thought of revising the legislation. Although Kanemaru again asked Takeshita Noboru for the revision of the legislation, two days later the meeting between the government and the party on March 20 decided to go with the Sales Tax legislations in the local elections and the cabinet also followed the decision. Appearing on the NHK program on the same day, Takeshita Noboru responded to the criticism of election promise violation that most of the necessary contents became tax-exempt.

*Shelving of the Sales Tax Legislations:* It was on April 3 that PM Nakasone discussed the possibility of revising the Sales Tax legislation in a press conference near his constituency. It was, however, a delayed response, since around this time the opposition forces already demanded on the retreat of the Sales Tax introduction.

When Kanemaru asked for the revision of the legislations on March 19, even the revising efforts of the government were attacked by the opposition parties that aimed at the retreat of the legislation. They came out with their own, unitary plan for tax reform on March 25. When PM Nakasone talked positively about the revision on April 3, the Komeito (CGP) and the DSP demanded for the retreat of the Sales Tax legislation and agreed to oppose even the revision of the legislation. On April 7, about 300 groups including the department stores' association held a conference on tax system, which was to enlist the support for the retreat of the Sales Tax legislation. The *Asahi Shimbun* survey, conducted on April 9, among the people of the Hokkaido and Fukuoka provinces, reflected this general sentiment of opposition, in which about 80 percent expressed their oppositions to the Sales Tax, 50 percent insisted on its retreat, and 30 percent on its revision.

The demands for the retreat also came from the inside. On March 17, Sekimoto of the *Keizai Doyukai* that had supported the legislations expressed his personal opinion that it would be better to retreat at this time from the Sales Tax introduction. On March 30, Komoto Toshio, a senior LDP member, argued for the first time to freeze the Sales Tax legislation. On April 10, Nikaido Susumu also criticized the prime minister for being inadequately responding to the criticisms against the Sales Tax introduction. He argued that the prime minister should have just admitted he had mistaken about the Sales Tax introduction.

**Local Election Results and Their Impact in the Diet:** In the middle of these mounting oppositions came the results of the Hokkaido and Fukuoka provincial elections on April 13, in which the candidate backed up by the opposition parties won the governorship by a good majority and the provincial council was also filled by the opposition parties-affiliated candidates.
Regarding the electoral outcomes, Takeshita Noboru, LDP Secretary General, and Miyazawa Kiichi, Minister of Finance, acknowledged that the defeat of the LDP was influenced by the Sales Tax introduction. The next day, in the reopened HR Committee on Budget, Prime Minister Nakasone also admitted that the Sales Tax introduction was one of the reasons for the defeat of the LDP. They, however, adhered to their position to introduce the Sales Tax legislations. As one reason, PM Nakasone in that HR budget committee stated that the results were basically from the local, not the national elections. Accordingly, the LDP leading group on the same day agreed to pursue further for the passage of the budget and the Sales Tax legislation. They, then, forcefully passed the budget plan in the HR Committee on Budget on April 15 and in the HR floor on April 16.

Although Takeshita Noboru assured that the enforcement of the budget did not automatically mean the introduction of the Sales Tax system and it was only for the procedural preparation upon prime minister's visit to the U.S., the LDP leading group had to confront with even more severe oppositions inside and outside the party. On April 17, more than 150 LDP Dietmembers, most of whom participated in the SGFR, joined in making a resolution of demanding the actual retreat of the Sales Tax legislations. More specifically, the resolution included that the Sales Tax introduction was the main cause of the LDP defeat in the local election, that the passage of the budget plan was independent of the Sales Tax Introduction, and that it would need more time for further review for the Sales Tax legislations to be introduced. It was delivered by Hara Bunbee, Chairman of the SGFR, to Takeshita Noboru, Secretary General, and Gotoda Masaharu, Chief Cabinet Secretary.

The opposition parties on the other hand had employed all the means for the retreat of the Sales Tax introduction. On April 15, the opposition parties collectively
demanded for the resignation of the Nakasone cabinet and showed their determination that they would fight until the Sales Tax legislations were retreated. When the LDP asked them to reconvene the HR floor meeting on April 21, they demanded the LDP to come up with a written promise that the Sales Tax legislations would be retreated, which was declined by the LDP. As the LDP again tried to reopen forcefully the HR floor meeting next day, they resisted it with the so-called "cow walking."

There were arguments against the shelving of the Sales Tax introduction, too. On March 31, Yamashita Ganri, Deputy Chairman of the LDP RCT, opposed the shelving of the legislations while suggesting that it was possible to do tax reduction primarily. On the same day Watanabe Michio, another Deputy Chairman of the LDP RCT, made the suggestion that tax reduction would be carried out first, if the Sales Tax introduction became apparent, at which Prime Minister Nakasone mentioned that it might be one of the ways to pursue the Sales Tax introduction. On April 14, the three associations of the Zaikai, except the Nissho, argued for the Sales Tax introduction regardless of the election results, and on April 17, however, the Nissho also showed its intention to change from its former demand on unconditional retreat of the Sales Tax legislation to the one that more time would be needed for discussing the Sales Tax introduction.

As the Diet could not go any further due to the confrontation between the LDP and the opposition parties, however, the vice prime minister, Kanemaru Shin, on April 23 advised PM Nakasone for the retreat of the Sales Tax legislation and on the same day Mitsuzuka Hiroshi, a veteran Dietmember of the Abe faction and an advisor of the Diet Operation Committee, asked Takeshita Noboru, LDP Secretary General, for his resolute leadership so that the Diet session could be resumed.
Finally appearing on the scene was the arbitration of Hara Kenzaburo, Chairman of the HR, who on April 24 came up with the ideas of passing the budget, shelving the Sales Tax legislations for the shortage of time, and making a joint committee between the LDP and the opposition parties for further discussions of tax reform. Although Prime Minister Nakasone continuously showed his willingness for the Sales Tax introduction afterwards, he had to face again and again the strong oppositions from the opposition parties, and the LDP began to be involved in the coming presidential election. Thus, as the Diet closed its session on May 28, the Sales Tax legislations were naturally shelved and became dead for the Nakasone cabinet.

3.2. Nakasone Leadership: Its Elements and Environments

3.2.1. Issue Commitment: Extent and Direction

Prime Minister Nakasone had shown his willingness and supports for the realization of tax reform in various occasions. One example would be that, unlike the conventional way of appointing the Secretary General and the chairman of the Policy Research Council (PRC) primarily, he appointed Yamanaka Sadanori to the post of the LDP RCT chairmanship as his first job. Another example could be seen in his involvement with the advertisement of tax reform. As the oppositions against the Sales Tax introduction got the momentum, PM Nakasone was known to have advised Miyazawa Kiichí, Minister of Finance, on the specific methods of advertising the tax reform.

The major efforts on the realization of tax reform can be, however, seen in his announcement of opposing the multi-stage taxation method. On January 31, 1985, he talked to the HR Committee on Budget that he would not introduce the large-scale
indirect tax system levying taxes on every stage of circulation. Despite the efforts of the MOF that had regarded the multi-stage taxing system as the most desirable choice and so tried to convert what the prime minister had said, PM Nakasone on February 5, 1985, expressed again his opposition towards it by reasoning that due to the complex nature of the circulation structure in Japan the multi-stage tax system was not appropriate. To accomplish this in the process of internal government examination, he suggested during his visit to the United States that he intended to have in the Government Research Council on Tax the new additional members coming from the private sector. The appointment of several new members as the senior advisors to the GRCT was announced after the prime minister's meeting with the vice-minister of the MOF, Yoshino.

His tenacious efforts to maintain the original tax reform plan without revising it could be also seen as another example. His efforts continued even after the tax reform legislations were almost decided to be terminated between the LDP and the opposition parties in the Diet; for example, he continued to suggest on the possibility to carry out tax reform by implying the extension of the Diet session and he also demanded to insert the clause in the LDP tax reform outline that the coming cabinet would of tax reform.

Despite its extent, Prime Minister's commitment had a seed of conflict in its direction. Corresponding to the slogan of "Overall Settlement of Postwar Era," tax reform had been one of three major policies Prime Minister Nakasone announced to tackle; the other two were administrative reform and education reform. For him to pursue the goal of tax reform, however, the direction of tax reform should be set up first. It was because he had argued for maintaining the goal of fiscal reconstruction without tax increase and accordingly had denied the possibility of introducing the large-
scale tax system previously in various occasions while carrying out the administrative reform. As a way to promote tax reform without losing his consistence, then, he opposed the multi-stage taxing system as mentioned above, of which Prime Minister Ohira's General Consumption Tax was the representative type. What he had in mind was believed to be the warehouse-departure tax. The problem here is not the opposition of the MOF, but that his carefulness on the issue was strangely connected to the overconfidence making him announce that he would not introduce the indirect tax the people do not want in the 1986 election. This announcement provided the opposition forces for the root cause of protest and invited the withdrawal of the LDP leading group's supports in the last minute.

3.2.2. Ideologies, Goals, Motivations and Personality

Since we discussed these elements when we analyzed the case of administrative reform under the Nakasone cabinet, only those related to the issue of tax reform will be presented here. When we discussed the leadership of PM Nakasone for the case of administrative reform, three ideological elements were mentioned: nationalism, internationalism, and liberalism. The prime minister's attack on the existing tax system, then, was related with the former two elements. The main frame of the existing tax system was instituted by the Allied Occupation forces that asked Dr. Shoupe, then professor of Columbia University, for the examination of proper tax system for Japan and later followed the recommendations given by Dr. Shoupe and his team. Behind his attempt to reform the tax system underlay his intention to remold this

67 Gotoda Masaharu, Naikaku Kanbochokan, p. 228.
remnant of the past along with the reason of correcting the unfairness existing in the present tax system, as his slogan of the overall settlement of postwar Japan suggested.

The rivalry Prime Minister Nakasone had consciously against President Reagan was also mentioned as having worked for his attempt. As Reagan's tax reform plan emphasized the simplification of taxing range from the current 15 columns to the five without increasing tax revenues, Nakasone's idea of tax reform also emphasized the simplification of the taxation structure, the maintenance of fairness, and the balance between revenues and expenses. The differences between the attempts of the U.S. and Japan were that Japan tried to introduce the large-scale indirect tax without abrogating or limiting the existing favored tax measures while the U.S. attempted to avoid the large-scale indirect tax introduction with the measures to renew the various favored taxes. Thus, Prime Minister Nakasone who tried to stress the aspect of reducing the direct taxes had to face the opposition from the LDP as well as from the bureaucracy, especially the MOF, which tried to solidify the government revenues through the introduction of the large-scale indirect tax. The aspect of internationalism fitted into the point of balancing the ratio between the direct tax and the indirect tax. There was fear that the heavy burden on the direct tax would drive the Japanese money to go aboard.

PM Nakasone's distrust of the bureaucracy also led him to institute another advisory council similar to the Provisional Council on Administrative Reform. Although he dropped the idea at the opposition of the MOF, he managed to add several members to the existing Government Research Council on Tax, who were known to be close to him. His disinclination might be based on the recognition that the bureaucratic

68 Kuribayashi Yoshimitsu, Okurasho Shuzeikoku, p. 152.
resistence and manerism was too great to bring about the creative policies, but it could also be explained in his own perception of the prime minister's power. In several places, Nakasone mentioned that Japanese prime minister was powerful, having even greater power than British prime minister.69

3.2.3. Resources and Strategies

Public Sentiments: Even though PM Nakasone received high percentage of supports as shown in the survey, the opposition against the Sales Tax introduction was strong as had been the case in the Ohira cabinet.

As the necessity of expansionary economic policies grew, the Zaikai, which had argued for the maintenance of no tax increase in the realization of administrative reform, cautiously moved to admit the necessity of tax reform in the direction of correcting the unbalance between the direct and indirect tax rates. They, however, opposed the idea of introducing the Sales Tax when it was first suggested. Only after it became explicit that reduction for corporate tax and expansionary economic policies would be exchanged with the Sales Tax introduction, they turned to admit the introduction. For example, when appointed as a new member of the Fiscal System Examination Board attached as an advisory committee to the MOF, Inayama Yoshihiro, former chairman of the Keidanren, still asked for the budget deficit to be zero. On September 5, 1986, however, Otsuki Bunpei, Chairman of the Nikkeiren, came to express his opinion that acknowledged the need to introduce the large-scale indirect tax

system, if it was not to increase the direct tax and a few days later, on September 9, Saito Eisaburo, Chairman of the Keidanren, demanded to use the supplementary budget for various social areas. The survey conducted by the Keidanren towards its members on October 10 also showed the growing demands for the expansionary economic policies, in which 65 percent of the respondents expressed the necessity of expansionary fiscal policies for protecting from the deflation.

The Nissho, another major association of the Zaikai, on the other hand had expressed their strong opposition against the Sales Tax introduction. Therefore, even though he initially expressed his position of admitting the necessity of large-scale indirect tax introduction in response to the government's moves, Koto Noboru, Chairman of the Nissho and one of the major advisors to PM Nakasone, soon had to repeal his position due to the strong criticisms against him within the Nissho.

The opposition parties also criticized strongly against the Sales Tax introduction and instead demanded for the expansionary economic policies. In July 1986, the Komeito (CGP) handed its demands for the expansionary budget to the MOF, and on August 1 the Democratic Socialist Party criticized the government's attempt to introduce the Sales Tax as the violation of the 1986 election promise, when they met with the MOF officials who replied that the GRCT would endeavor to reflect the public demands. On December 23, three opposition parties - the JSP, the DSP, and the CGP - submitted to the government their joint demands for the expansionary fiscal policies.

The opposition was not limited to these major organized actors. Joined in the opposition were a great number of private-sector organizations such as the Franchise Stores Association, the Department Stores Association, and the Retail Stores Association as well as the citizens' movements such as the Housewives League. They would have supported the LDP in the normal situations, but on this special issue of
Sales Tax introduction they moved not only to form a center for unitary action, but also to align with the opposition parties. Another example of showing the dissatisfactions on the part of general public against the tax reform plan was the survey results reported on April 15, 1986, by the New Salarymen's Party. According to the survey, 75 percent of the married salarymen replied that the incumbent government had given little consideration on the salarymen at all in the on-going discussion of tax reform.70

*Intra-party Situation:* As shown in the description of the process, the LDP had been divided into two groups: one of supporting the tax reform plan and the other of criticizing it. Although it is difficult to sort them out according to the factional line, the mainstream factions including prime minister's and Tanaka's led the former group, while the anti-mainstream factions including Komoto's and Fukuda's were the main components of the latter group. Also included in the latter group was a cross-factional gathering of LDP Dietmembers. There might be various reasons for participation, but the major concern was the demand of their constituencies. Hatoyama Kunio's opposition might be the representative case. Reflecting his constituency, located in the urban shopping area, Hatoyama actively involved in the protest movement within and outside the LDP.

These two groups crashed not only on the issue of Sales Tax introduction, but also on the issue of where the sources for supplementary budget would come from. The anti-tax reform group proposed to issue the national bonds for the expansionary economic policies, while the pro-tax reform group tried to maintain the tight economic policies and to cover the expansionary economic policies with tax reform. For example, four divisions of the LDP Policy Research Council, all related with the social

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70 Asahi Shimbun. April 15, 1986.
security issues, demanded on July 16, 1986, to delete the government decision to oppress the budget increase demands. On October 14, the construction division of the LDP PRC expressed its dissatisfaction against the Ministry of Finance's suggestion about the public work project, and the LDP General Council on the same day also demanded to issue the construction bonds more in the making of the supplementary budget. On October 16, the aforementioned four divisions of the LDP PRC made a joint resolution of demanding the issuance of the construction bonds, arguing that the supplementary budget of over three trillion yen was the party's promise in the election. Against these movements, Ito Masayoshi, Chairman of the PRC, expressed on July 26 his opposition against the demand of issuing the national bonds for tax reduction and suggested some kind of tax increase instead. The general outline for the budget making, decided by the LDP on December 19, maintained the principle of administrative reform supporting the tight economic policies, although some measures were allowed in case of the urgent economic situations.

The growing opposition inside and outside the LDP, however, shattered the coherence of the LDP leading group - that is, the pro-tax reform group - as manifested in the final stage of tax reform in the summer of 1987. Becoming a new secretary general on July 26, 1986, Takeshita Noboru expressed his continuous and firm supports towards the new indirect tax introduction. He was, however, known to have declined Prime Minister Nakasone's demand to push the reform plan in the Diet. Insufficient time of discussion and the violation of election promise were the reasons that he provided for declination. Not only Takeshita Noboru, but also Abe Shintaro and his faction turned their back against the tax reform plan as the opposition got stronger. Gotoda confirmed this series of changes. According to him, the prime minister had
thought about the forceful passage of reform plan as the last resort, but had not tried it in consideration of the opposition within the LDP leading group.71

This changing mood of the LDP leading group was related to the intraparty power dynamics. As discussed earlier, those three "new" leaders of Takeshita Noboru, Abe Shintaro, and Miyazawa Kiichi had endeavored for the realization of tax reform. They all shared the political calculation that it would be better to carry out the troublesome tax reform in the current Nakasone cabinet, all of whom aimed at the post-Nakasone era. As the opposition got stronger inside as well as outside the LDP, however, they had to reconsider their calculation, since forceful passage of controversial issue would not do any good for them in the coming presidential election.

**Bureaucratic Concern:** Due to his style and his distrust of bureaucracy, Prime Minister Nakasone had to confront with the bureaucracy, especially the MOF, on tax reform. The first clash between them was on the formation of a new council that would examine tax reform. PM Nakasone tried to make something similar to the PCAR for tax reform, but the MOF opposed the idea by reasoning that the existing GRCT and the LDP RCT could fulfill the job. Then, the prime minister suggested to appoint the new members from the private sector in the existing GRCT and carried out the appointments, notwithstanding the MOF's comment that the GRCT was presently full.

The second instance was Nakasone's view on tax reduction plan. Although the prime minister regarded it as the prerequisite step for large-scale indirect tax introduction, the MOF opposed it. They feared that in case of the failure of large-scale indirect tax introduction it might mean the issuance of national bonds, which would

only worsen the fiscal conditions. The third case was the prime minister's announcement not to carry out the multi-stage taxing method. It was a shock for the MOF which had regarded the EC-style Value-Added Tax, using the multi-stage taxing method, as the most feasible solution for their goal of achieving the sound fiscal conditions. According to Gotoda Masaharu, Prime Minister Nakasone had the warehouse-departing tax. The MOF's efforts to persuade the prime minister directly failed, even though the Sales Tax that the GRCT came up with and the prime minister acknowledged later was not much different from the multi-stage taxing method.

Although the MOF as the major proponent of tax reform had remained in supporting the plan even with these troubles, it was certain that PM Nakasone's efforts to distance himself from the MOF could not help him much in the situation of mounting oppositions. The other units of bureaucracy as the spending ministries did not do any good, either; for example, the MHW put their efforts for blocking the attempt to abrogate Maruyu Funds, the MITI opposed the introduction of water usage tax respectively, and the MOC tried to introduce the plan of reducing the housing tax.

Strategies: According to one account, PM Nakasone had felt the urgent need of tax reform after he saw the results of the 1983 election by which the LDP Dietmembers declined from the former number of 280 to that of 250 that led him to have the first coalition cabinet with the New Liberal Club (NLC) since the formation of the LDP. He understood that the election results were caused by the defection of the middle class away from the LDP and interpreted that one of reasons for defection came from their dissatisfaction on the existing tax system that was biased against the middle class


73 Kuribayashi Yoshimitsu, Okurasho Shuzeikoku, p. 170.
salarymen. As mentioned in the previous section, however, there had been one major obstacle that he had to overcome for the realization of tax reform. That is, he had argued that he would maintain the goal of fiscal reconstruction without tax increase, and accordingly he had expressed occasionally that he would not introduce the large-scale tax system.

To accommodate the opposition forces without compensating the necessity of tax reform, Prime Minister Nakasone chose several different strategies: to give priority to tax reform over tax increase, to denounce the multi-stage taxation method for the newly introduced large-scale indirect tax, and to put efforts for advertising the necessity of tax reform. Prime Minister Nakasone's suggestion to carry out tax reduction prior to tax increase had started from the very beginning of tax reform discussion. For instance, in answering to the HR Committee on the Fiscal Affairs on June 5, 1985, the prime minister made clear that the current tax reform attempt was not for the increase of government revenues. In the first meeting of the GRCT on September 2, he asked for the council to examine the ways that tax reduction could be possible. On the same day, then, he came to announce in the Nissho assembly that tax reduction had been placed on the political agenda. Later he had to change his position to the one of linking tax reduction with tax increase because even the LDP leading group, not to mention the MOF, criticized on carrying out tax reduction unilaterally. But his preference of tax reduction over tax increase remained firm. According to the timetable Prime Minister Nakasone revealed for tax reform in the HR Committee on the Fiscal Affairs on March 28, 1986, the tax reduction plan was suggested to be presented in the middle of April and the tax increase plan in fall. When Yamanaka Sadanori stated on November 8, 1985, that the tax reduction plan had been placed on the political agenda.

74 Kuribayashi Y., op. cit., p. 72.
1986, about the long-term direction towards tax increase, PM Nakasone immediately responded that his idea was different from Yamanaka Sadanori. The prime minister's timetable was acknowledged in the LDP and the government.

The denouncement of the multi-stage taxation method was another attempt made by the prime minister to appease the opposition forces' aberration against the large-scale indirect tax introduction. It was, however, a shock to the MOF which had regarded it as the best. Expecting the opposition of the MOF, therefore, he proposed to appoint new GRCT members participating from the private sector and tried to make the GRCT something similar to the PCAR. The government, after the meeting between PM Nakasone and Yoshino, AVM of the MOF, on August 9, 1985, released its decision to add several special members to the Government Research Council on Tax. On August 31, ten new special members were appointed to the GRCT, most of whom had been regarded as personal advisors to the prime minister. It was not clear how much effect he had expected in consoling the people by denying the multi-stage taxation method. His promise in the 1986 election campaign that he would not introduce the large-scale indirect tax the people did not want seemed to show that he thought it would not aggravate the opposition. Or as implied in Takeshita Noboru's reply to the opposition parties, he might have thought that the Sales Tax introduction, accompanied by the broadening of tax-exempt items for the necessary goods, would soothe the opposition.

Much efforts had also been given to advertising the necessity of tax reform. Prime Minister Nakasone himself tried to advertise the positive effects tax reform might bring about. From the very start of tax reform discussion, he tried to stress on various occasions that the current tax reform was aimed at correcting the unfairness in the existing tax system, such as the "Kuroyon" problem. He provided another explanation
that tax reform would simplify the complexity of the existing circulation structure so as to produce positive effects on economy.

For advertising these points, the prime minister and his fellow LDP leading group instituted the "national conference on tax reform" that was directed towards the LDP members and published pamphlets, booklets, and other kinds on tax reform. As mentioned previously, there was a case that the prime minister was directly involved in advertising tax reform; that is, he was known to have instructed specifically Miyazawa Kiichi, Minister of Finance, on the methods of advertisement. The survey results were also used for gaining and amplifying the supports and minimizing the oppositions; for example, on July 28, the OPM announced its survey results in which the 80 percent of the respondents showed their discontent about the unfairness of the present tax system, the half supported the abolishment of the Maruyu Funds, the opinion about the indirect tax introduction were fragmented.

Not only did he put his efforts on the advertisement but also on blocking the movements within the LDP to oppose tax reform. For instance, as a group of the LDP Diet members began to examine the issue of tax reform on their own initiative, the LDP leading group restricted their activities. The other example was the messages that the LDP headwater sent to the LDP members of local assemblies who were increasingly participating in the opposition movements, which criticized of such movements and ordered not to join in the making of resolutions for opposition.

The adoption of the expansionary economic policies should be also seen as the other effort to console the opposition. On May 7, 1986, PM Nakasone spoke to the HC that he would like to recommend the examination for the possibility of issuing the construction bonds, which aimed at alleviating the economic hardship coming from the yen appreciation. Accordingly, he implied that in the fall of 1986 he might introduce
the supplementary budget for 1986. After the election, then, he appointed Miyazawa Kiichi as Minister of Finance who had argued for the adoption of expansionary economic policies. The supplementary budget plan of 1986 was decided by the cabinet on October 18, which included the public work project size of 850 billion yen and the construction bonds issuance of 133 billion yen.

Even with this variety of strategies, Prime Minister Nakasone failed to realize tax reform. A number of reasons can be mentioned about the failure; for example, the magnitude of opposition in the society and the strong unity between the opposition forces. The prime minister's overconfidence or miscalculation having made the electoral promise that he would not introduce the large-scale indirect tax the people would not want, however, can be pointed out as one major cause. It is because the Sales Tax introduction was regarded as the violation of this electoral promise by the opposition groups and brought about the division of the LDP leading group.

3.3. Summary

The process the Sales Tax introduction had gone through during the Nakasone cabinet can be summarized by recapturing the major aspects of Nakasone leadership. Even though the issue of tax reform was the one the MOF had argued for the long time, the beginning of its discussion could be credited to the prime minister more in the Nakasone cabinet than in the Ohira cabinet since in the former case tax reform was picked up as a new issue for its second term. Two probable reasons had been cited for Prime Minister Nakasone's attention towards tax reform: one was his recognition of the public, especially the salarymen's, dissatisfaction about the existing tax system, which was obtained by seeing the great setback of the LDP in the 1983 election; the other was
the tax reform plan of President Reagan against whom PM Nakasone had felt some kind of rivalry. What could be added was his ideologies of nationalism and internationalism by which PM Nakasone tried to remake Japan an international state. Viewed from this perspective, tax reform was the attempt to abrogate the remnants of the Allied Occupation on the one hand as well as to cope with the newly achieved economic status of Japan. Therefore, the extent of prime minister's commitment was strong.

Prime Minister Nakasone's failure on the issue of Sales Tax introduction, despite his strong commitment, can be explained not only by the strong opposition outside the LDP and the government to which his strategies could not do much good, but also by the split of his supporting group in the last moment. Included as his strategies were the arguments to carry out tax reduction prior to the Sales Tax introduction and to equal the amount of tax reduction with that of tax increase and the efforts to alleviate the public. His statement that the multi-stage taxing method would not be introduced and his announcement during the election campaign that he would not introduce the large-scale indirect tax that the people did not want, and to advertise the necessity of Sales Tax introduction can be also included as another aspects of his strategy.

His strategies, however, contained the seeds for conflicts. Prime Minister Nakasone's position - setting tax reduction as the first priority - was criticized for not thinking about its resources within the LDP and the government as well as by the opposition groups outside the LDP since they thought it as presupposing the large-scale indirect tax introduction. His announcement of not carrying out the large-scale indirect tax that the people did not want was effective in bringing about the landslide victory in election, but became in the final stage of reform discussion the main cause for his supporting groups to retreat from supporting him, which indirectly acknowledged the
Sales Tax was the election promise violation. It eventually led the LDP and the government to drop the Sales Tax legislations. That the retreat of supports was caused by the prime minister's strategies could be seen in the realization of the Maruyu Funds revision. As the representative case of unfairness, the Maruyu Funds revision had been placed on the government agenda, but could be carried out. This time, however, the LDP leading group put concerted efforts for its realization after the Sales Tax legislations were shelved since otherwise the government lacked the resources for big tax break decided previously.
4. The Takeshita Cabinet

Takeshita Noboru was selected as 12th LDP president on October 20, 1987. It was by the arbitration of Prime Minister Nakasone that Takeshita Noboru was named as the LDP president. As they failed to choose one between themselves, three candidates of Takeshita Noboru, Abe Shintaro, and Miyazawa Kiichi agreed to hand in the matter to the hand of PM Nakasone who in the end made a choice of Takeshita Noboru, according to which the other two candidates withdrew from the presidential contest. Proposing the theme of "Hometown Japan," Takeshita Noboru started his cabinet from November 7, in which Miyazawa Kiichi joined as a vice prime minister as well as the Minister of Finance while Abe Shintaro as the Secretary General and Watanabe Michio as the PRC chairman supported from the party. As was done so far, we will describe the process tax reform had been discussed in the Takeshita cabinet and then analyze the leadership elements and environments of PM Takeshita.

4.1. The Process of New Consumption Tax Introduction

4.1.1. Initial Setting

Tax reform became the major issue of Takeshita cabinet from the very start. PM Takeshita stated at the start of his cabinet that he would put all the efforts for the realization of tax reform. In the press conference after the first cabinet meeting of November 7, Miyazawa Kiichi also made known his strong wish to introduce the new indirect tax during 1988. Attending a meeting of the reconvened GRCT on November 13, the prime minister repeated his willingness to realize the new indirect tax introduction and mentioned that the efforts for its realization would be given from the
early period of 1988. Accordingly, Ogura Takekatsu, Chairman of the GRCT, in that first GRCT meeting suggested his idea of preparing the plan in two stages; first, presenting the 1988 tax revision plan at the end of the year and, second, preparing the fundamental tax reform plan until the spring of the next year.75

Setting the Timetable: Although Abe Shintaro talked to the press on the next day (November 14) that the procedure for tax system discussion had not yet been settled, one of the leaders in the LDP Policy Research Council (PRC) reassured on November 18 that the new indirect tax would be introduced in 1988, more specifically before the upper house election. In a meeting between Takeshita Noboru and Miyazawa Kiichi on November 20 came out an agreement that the new indirect tax would be passed in 1988. After a meeting with Miyazawa Kiichi, which talked about the procedure of tax reform, then, Abe Shintaro on November 21, acknowledged the MOF plan to introduce the reform plan in the next fall. Accordingly, the GRCT on the same day recognized Ogura Takekatsu’s plan to hand in the final draft in the next spring.

As the timetable for tax reform was set up within the LDP leading group, the LDP on November 14 tried to reopen the joint tax system council between the LDP and the opposition parties. The opposition parties, however, refused to having talks with the LDP and on November 25 insisted that it would be the first step to introduce the large-scale indirect tax. On December 24, four opposition parties of the JSP, CGP, DSP, and Saminren, again criticized the government plan of tax reform and at the same time argued for the three-year period of public discussion. On December 31, the JCP and the Shaminren made a joint demand for having public decision on tax reform plan, if the LDP wanted to introduce the new indirect tax. Unlike these demands of the

opposition parties, some distracting moves could be noticed within the protesting camp, which preceded the divisions of the opposition side coming later. On December 15, for example, Shimizu Nobutsuku, Chairman of the Franchise Stores Association, who had been active in protesting the Sales Tax introduction in the Nakasone cabinet, visited Abe Shintaro and said that unlike the previous activities of opposition he would cooperate with the LDP for the large-scale indirect tax introduction.76

_Broadening the Choices:_ Along with the problem of setting the timetable for tax reform, there was one more problem of how tax reform would be proceeded in the Takeshita cabinet. For this, Obuchi Keizo, Chief Cabinet Secretary, on November 22, in the interview with the NHK opined that the new cabinet would not be constrained by the former cabinet's opposition against the multiple-stage taxation. Agreeing with Obuchi Keizo's argument, Miyazawa and Abe on November 24 remarked that the examination of tax system would start from the scratch. On November 26, Prime Minister Takeshita also backed up Obuchi Keizo's position by saying that former prime minister Nakasone's comments on the opposition of the multiple-stage taxation represents only his personal idea, not that of the government as a whole, so that it would not restrain his cabinet. On the same day the prime minister and Yamanaka Sadanori, Chairman of the LDP RCT, had a meeting in which the direction of fully restarting the reform plan examination was decided and the prime minister acknowledged the party leadership in this examination.

As the adoption of the multi-stage indirect tax was made possible, various types of indirect tax had been mentioned. On November 26, Watanabe Michio, Chairman of the LDP PRC, said that the tax levied on the consumption was necessary. On

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December 5, the private study group called "Contemporary Issue Study Group," suggested that the Japanese-style Value Added Tax (JVAT) introduction would make the people's tax burden fair. On December 31, then, the MOF announced that with the motto of "wide and shallow" it would start examining from the possibility of introducing the value-added tax.

There was one problem for making the consumption tax as one of viable as well as critical alternatives - that is, the 1979 Diet resolution. It was the one made after the Ohira cabinet decided to withdraw the GCT introduction and stated that the general consumption tax would not be introduced. Thus, trying to overcome this barrier, Watanabe Michio on February 4 suggested that the former Diet resolution on the indirect tax system introduction should be renewed. He soon rephrased his suggestions in the LDP membership training camp on February 10, by saying that what he meant was that one could introduce a new indirect tax without renouncing the resolution. He, however, didn't forget to add that the general consumption tax, presented in the Ohira cabinet, had been the best. On February 18, therefore, he asserted again that the party would not be constrained by the former Diet resolution.

Watanabe's argument was echoed by several others. One government leader was known to have said on February 6 that the former Diet resolution on the general consumption tax introduction talked only in relation to fiscal reconstruction so that it would not constrain the present attempt to introduce a new large-scale indirect tax as a way of reforming tax system itself. On February 19, Prime Minister Takeshita addressed to the HR floor meeting that the present discussions on tax reform would not be bounded by the former Diet resolution. In a supporting speech for the candidates

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77 Asahi Shimbun, February 6, 1988.
running for the UH supplementary election in Osaka on February 22, he again pointed out that the present efforts of reforming tax system were not against the 1979 Diet resolution.

Advertising the Reform Necessity: While advancing the necessary steps for the new indirect tax introduction, the LDP made cautious moves of selecting proper timing for submitting reform plan so as not to repeat the failure of the former cabinets. On January 9, the LDP decided to delay the presentation of the reform plan to the coming Diet session that was to be held at the end of January. They instead decided on January 18 to be more actively involved in advertising the necessity of tax reform. Although Abe Shintaro, SG of the LDP, expressed on February 1 that he would try to present the tax reform plan during the current Diet session, if possible, the government and the LDP on February 26 announced that they had reconsider the presentation of the tax reform plan in the present Diet session.78

The advertisement of the tax reform plan came in various forms of proposing the slogan, emphasizing its necessity, showing its benefits, and others. Abe Shintaro on January 20 stressed the motto of "wide and shallow" in the present tax reform and on February 4, PM Takeshita explained that for the correction of unfairness in taxation the introduction of stable tax system was necessary for the correction of unfairness in his visit to a meeting of the management-labor conference. On February 18, Miyazawa Kiichi suggested that tax reduction in exchange of the new indirect tax introduction would benefit the middle income earners. On February 25, one LDP leader also hinted on the possibility that tax reduction would be carried out first due to the increase of tax revenues. On March 1, Abe joined in by arguing that the fundamental tax reform

would be coupled with the tax reduction. Watanabe Michio and Yamanaka Sadanori support this opinion by stating that the fundamental tax reform would be the permanent source for the tax reduction. On March 9, the MOF also participated in these efforts by mentioning that it would be inevitable to introduce a new large-scale indirect tax for the tax reduction of 2.9 trillion the opposition parties had insisted while opposing any suggestion of issuing the deficit bonds.

The GRCT Schedules: Apart from the moves of the LDP, the GRCT followed its own schedule. On February 6, it held a general assembly that decided only on having further examinations on the new indirect tax introduction due to the differences of opinions. From February 9, the GRCT started its local hearings. In the first stop, the city of Osaka, most of the participants stressed the importance of correcting the unfairness of the present tax system and at the same time acknowledged the necessity of the new indirect tax introduction with some conditions. On February 10, the special section of the GRCT held a meeting in which most of the participants admitted the taxation on consumption as the historical trend. On February 16, the same special section of the GRCT reconfirmed the three points agreed between members. The agreement included the necessity of correcting the unfairness, the existence of unbalance between the direct and indirect in the present tax system, and the examination of tax reform from the viewpoint of the tax payers. On March 4, the local hearing of the GRCT ended. In summary the necessity of tax reform was


The opinion on the indirect tax introduction was fragmented, the hearing after the preparation of the specific plan was to be held again.81

On March 26, the Government Research Council on Tax decided on the preliminary plan for tax reform and decided on reopening the hearings for four days. Although there were some complaints about the plan - i.e., the criticisms of the steel industries on the clause of corporate tax for the increase of burden, the Keidanren at the presentation of the preliminary plan expressed its supports and demanded for the early legislation while the Nissho refrained from giving any comment.82 In the hearings the responses of industries varied, but there were no serious opposition. Encouraged by these responses, the GRCT advanced to examine the new indirect tax introduction. On April 20, it stated that it would aim at the introduction of a large-scale indirect tax, suggesting a name of "New Consumption Tax (NCT)" for the newly adopted indirect tax. The mid-term report that came out on April 28, thus, included the recommendation to introduce the NCT.

The LDP RCT Follow-ups: At the presentation of the GRCT's preliminary plan, the LDP Research Council on Tax (LDP RCT) started its own activities. On March 27, Prime Minister Takeshita talked to Yamanaka Sadanori that the party should prepare the reform plan by its own initiatives. Accordingly, the LDP RCT on April 5 held a hearing in which the Zaikai demanded for the careful procedure of indirect tax introduction. Again the Nissho refrained from giving their opinions, but Okada Takuya, Chairman of the Nissho, suggested that they had been rethinking about the


82 Asahi Shimbun, March 26, 1988.
indirect tax introduction. On April 6, the economic examination board attached to the prime minister demanded for the large indirect tax introduction and, on April 13, the governors association also expressed their support for the indirect tax introduction, hoping that it would increase the local share of total tax revenues. Corresponding with these changes, then, the meeting of the LDP RCT section chiefs and vice chiefs on April 28, when the GRCT submitted its mid-term reports, came close to decide on the introduction of new indirect tax.

The Opposition Responses: Against this series of actions taken by the government side, the opposition parties had shown rather confusing responses. On January 25, the JSP and the JCP agreed on the direction to fight the government outside the Diet and on February 6 the opposition parties in concert criticized the statements of Watanabe Michio and other LDP leaders intending to revise the former Diet resolution. Despite these joint actions, some delicate differences could be seen between them. Distant from the strong opposition of the JSP and the JCP, the DSP and the CGP revealed some possibilities of having talks with the LDP about the new indirect tax introduction. On February 2, the DSP announced to correct what its chairman had said and reconfirmed their original position that only after tax reduction and the correction of unfairness in the present tax system were carried out they would participate in the discussion of large-scale indirect tax introduction. On February 25, the Komeito also showed the flexible position by saying that it might agree with the reopening of the consulting body on tax system if the government responded to do tax reduction at first. The delicate differences between the opposition parties could be seen in the passage of 1988 budget. Although the Diet session was on stalemate from March 5 due to the

protest of the opposition parties on the new indirect tax introduction, the 1988 budget passed the House of Representatives on March 11.

The differences between these opposition parties became more manifest after the government decided on the tax reform plan on June 14. The DSP on June 16 expressed their intention to participate in the tax system discussion, even though the statement came with three conditions. On June 18, the CGP held a gathering for the protest of the consumption tax introduction, reasoning that with the consumption tax the unfairness could not be corrected. On June 23, Tsukamoto Saburo, the DSP chairman, met with the CGP chairman and explained his party's line, who stated that the three conditions should be understood as their last call for the reconciliation between his party and the LDP. On June 24, three opposition parties assured their common ground that no other than tax reduction would be deliberated with the LDP in the Diet. Next day the CGP showed its own plan of tax reform including the introduction of the card system, the reevaluation of land and stock prices, and the correction of doctors-favoring tax system. On June 27, the JSP in the press conference expressed their position that they would fight against the tax reform plan without negotiation. On July 6, the CGP and the DSP again confirmed their common ground that the correction of unfairness should be carried out first. On July 26, the opposition parties showed their agreement with the tax reduction plan of the LDP and also demanded to write down the clause that specify to continue tax reduction afterwards.

84 The three conditions are to demand for the LDP's actions of carrying out the tax reduction plan, of suggesting the ways to correct the unfairness in the present tax system, and of suggesting the vision for welfare. See Kuribayashi Yoshimitsu, *Okurasho Shuzeikoku*, p. 229.
The crack between the opposition parties was to reflect the changing mood of the protest movements. Some indicated on the principle of tax reform. On March 3, the chairman of the steel workers union stressed at first the necessity of tax reduction and the correction of unfairness. He, however, pointed out that they might admit the new indirect tax introduction at the "wide and shallow" extent, if former conditions were satisfied. On March 8, the consulting body of new businesses made its demands to the government that the new indirect tax should be simple and clear. Some others asked for the extended time of discussion. On March 19, the franchise store association advised that the government should not do the tax reform in a fast pace and so sufficient time for examination should be given. On the same day the national conference on tax system also asked the government for having sufficient time of examination. The demands for more time could be also seen inside the LDP. For example, on May, 20, a study group on new tax system, composed of young Diet members, demanded that the goals for tax reform should be clearly written down along with that more hearing for the opinion of the industries should be given.

The only straight-forward opposition came from the Rengo and the consumers groups. The central committee of the Rengo made a resolution on February 19 that they would protest to introduce the new indirect tax without correcting the unfairness. On June 23, the Rengo even asked the opposition parties for their unified action so as to effectively confront the new indirect tax introduction. But, within the Rengo some oppositions could be found - for instance, on June 23, the central committee of the

private steel workers union criticized the policy line of the *Rengo* for not being flexible enough.

The consumers groups also decided on February 22 to restart the league of taxpayers for the protest of new indirect tax introduction, which was launched on April 24. Entering April, the housewives association expressed their opposition towards the new indirect tax introduction in the LDP RCT hearing. After the formal decision of consumption tax introduction, the consumer groups gather for the protest on June 16. A few days later, the small and medium-sized businesses, gathering for the protest of the large indirect tax introduction, conducted a survey towards the would-be candidates for the next year UH election.

*The LDP and Government Moves:* The LDP leading group employed several means of soothing the opposition forces. The first was to pose the gesture that they intended to listen and revise according to the demands of the opposing forces without hurrying for the reform plan submission to the Diet. On April 8, the government announced that it had given up the presentation of the tax reform plan to the present Diet session and accordingly Abe Shintaro suggested that the party would endeavor to present the tax reform plan to the next Diet session. On the same day the prime minister expressed the positive attitudes towards the revision of tax reform that might be carried out on the basis of public consensus. On April 18, the LDP RCT announced that the reform outline would be ready around the 20th of May, which was decided in the meeting of the section chiefs and vice chiefs. On May 7, Abe Shintaro said that he would be patient for gaining the party consensus on tax reform even if delaying the timing for the presentation of the tax reform plan to the Diet, which was to confirm his former statement that the reform plan would not be presented in the present Diet session. The prime minister suggested on the same day that he would go on with the
current members of the cabinet and the party posts, that he would present the reform plan to the next temporary Diet session expected to be held in July, and that he would do the tax reduction first before introducing the indirect tax. On May 14, Watanabe Michio suggested the menu method according to which one alternative was to be selected from the presented various types of tax reform plans. The second effort was to publish a variety of materials on the necessity of the large-scale indirect tax; for example, on the same day of Watanabe's suggestion the government published a new version of a book on tax reform that aimed on the salary men. Lastly, they tried to match other measures of tax reform with the large-scale indirect tax introduction, i.e., tax reduction. On May 18, the LDP RCT announced that tax reduction would reach six trillion yen against the size of five trillion yen that the MOF suggested in its preliminary plan of April 2. On May 29, the prime minister in the press conference expressed his strong willingness to correct the unfairness in the present tax system, which was said to be necessary for the indirect tax introduction and also mentioned tax reduction as one part of the fundamental tax reform. Miyazawa Kiichi in his meeting with the Rengo representatives on June 2 confirmed that tax reduction would be carried out within the year as initially planned.

4.1.2. Passage of the New Consumption Tax Legislation

Selecting the Tax-Exempt Items: As the activities of the LDP RCT drew nearly to the end, several issues got the most attention; for example, tax-exempted items, tax rate, and taxes for the localities. For tax exemption, Miyazawa Kiichi, on November 8, 1987, already mentioned that in the new indirect tax the simplicity would be the

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principal norm, which meant that in principle there would be no tax exempt categories. On February 14, 1988, however, Ogura Takekatsu suggested the possibility of exempting the livelihood products from taxation, changing from the former position of no tax exemption on any products in principle. On February 19, he again stressed the existence of tax exempt products in the local hearing held at the city of Nagoya. The demands for tax exemption also surged in the LDP RCT hearing of April 7. Yet, the LDP RCT subcommittee on May 19 maintained the former decision that in principle there would be no tax exempt products. It, however, could not calm down the eruption of demands for tax exemption. On May 20, the MITI and the Energy Agency demanded tax exemption for oil. On May 27, the social affair division of the Policy Research Council (PRC) argued that the things related to the medical service and welfare should be exempted from the taxation and, on May 30, the divisions of the LDP PRC started to hear the opinions from the industries again. On June 1, the education division asked the class fee to be tax-exempted. Although these demands within the LDP PRC were to reflect the demands of the various social forces for tax exemption, the official line of no tax-exempt items was still maintained by the leading group.

Setting the Tax Rate: The problem of setting the tax rate also became one of the major foci. In an early stage (December 9, 1987), Kanemaru Shin made a suggestion that it would be better to set the rate of the new indirect tax at one percent for the beginning. But, PM Takeshita indicated on May 19 that tax reduction might make it possible to raise the rate for the indirect tax and on the same day the MOF suggested tax rate of five percent to be adequate. On May 3, the Kankeiren (Federation of the Kansai Region Economic Organizations) came up with its own suggestions on tax reform. They proposed to pull the indirect tax rate below 3 percent and to examine
about the introduction of Japanese-Style Value-Added Tax. The LDP RCT in its meeting of May 24, then, made a preliminary decision to adopt the general consumption tax as the new large-scale indirect tax while setting temporarily the rate to be about three percent.

Despite the LDP RCT decision, the tug of war continued between the LDP RCT and the MOF. Against the MOF's complaint on tax rate, Yamanaka Sadanori, Chairman of the LDP RCT, reconfirmed on May 27 that tax rate had been settled at three percent. On May 28, the MOF again asked for the reconsideration of tax rate and demanded for the rate of five percent. On June 7, however, Yamanaka Sadanori repeated his insistence on the three percent tax rate. Despite the MOF's proposal of four percent tax rate on June 10, then, the final decision made in the LDP RCT on June 12 stick to the three percent rate and recommended on the implementation of the consumption tax from next April.

Revising the Doctor Privilege System: The LDP RCT on May 12 decided to postpone the revision of the doctors privilege system while proposing to levy the residence tax in three steps and to tax separately the benefits for the stock sales. As the revision was decided to be postponed, Abe Shintaro, SG of the LDP, on May 18 expressed his discontents and asserted that it did not keep up with the general principle of correcting the unfairness in the present attempt of tax reform. His response was partly to reflect the growing demand inside the LDP for the correction of the doctors-favoring tax system. Corresponding to the mood of the LDP, then, Yamanaka Sadanori on June 1 met with Haneda Haruto, Chairman of the Japan Doctors Association, where Yamanaka suggested a preliminary reform plan to Haneda. The meeting failed to produce any specific conclusion on the matter since Haneda Haruto refrained from giving answers to Yamanaka Sadanori's suggestions. The continuous
efforts, however, brought about the LDP RCT's announcement of June 9 that the doctors privilege system would be applied to the ones of having the yearly earning of 50 million yen or below.

_Concerning with the Local Government Financing:_ On the issue of compensating for the local governments, the Minister of Home Affairs asked on June 17 for the complete reimbursement of the amount lost by the New Consumption Tax introduction, but the Finance Minister, although expressing that he would endeavor for the recovery, suggested the difficulty of complete recovery. The next day the governors association also demanded that the central government should completely recover the amount of the local finance caused by the consumption tax introduction. According to their calculation, the loss would reach to 250 billion yen just in case of Tokyo. On June 21, the local assemblies also demanded for the complete recovery of the reduced amount. On June 27, in a meeting between the MOF and the MHA, it was agreed that the central government would recover 2.13 trillion yen of the reduced amount, 2.92 trillion, the rest of which the local government had to cover with the natural increase.

While the examination of these issues were on the way, the LDP advanced to formulate what had been discussed. On June 9, the LDP RCT presented its plan for tax reduction in which the range for the lowest taxation had been broadened and three steps for the residence tax had been adopted. On June 14, it completed the outline for tax reform and, on June 28, the cabinet made a formal decision on the tax reform outline by acknowledging what the party presented.

_Government Campaigning for Tax Reform:_ As the reform plan was formally decided, the LDP leading group continued or even increased their efforts to promote it. Even before its formal announcement, Prime Minister Takeshita expressed his strong will on June 25 that he would risk his luck for the realization of tax reform and added
that tax reduction would be examined sincerely in the separate discussion. Such a
determination also appeared in a statement coming out after the formal announcement
of the decision on June 28 and was reiterated from time to time. In a meeting with the
Zaikai members on July 22 as well as in his own faction meeting of July 24, he
declared to risk his political career for the realization of tax reform. In a press
conference of August 30, the prime minister remarked more clearly that he would
resign if the reform plan could not be passed. Following the prime minister's lead, the
major LDP members revealed their strong supports for the tax reform plan. At the
statement of the prime minister, Abe Shintaro had a meeting with Kanemaru Shin in
which both of them agreed to maintain their resolute position for the support of the tax
reform plan. Attending their respective faction membership training camps on
September 4, Miyazawa Kiichi and Abe Shintaro again expressed that they would
introduce the tax reform legislations by all means.

There were other diverse efforts to promote the reform plan. As a whipping
method, the LDP headqarter on the day of formal decision, June 28, distributed its
order of prohibiting its members from responding to the survey conducted for the
protest of the indirect tax introduction. On August 12, it delivered its decision to
Hirose, who in running for the governorship signed a resolution of protesting the tax
reform plan, that the party had withdrawn its support towards him. To advertise and
educate its own party members, the LDP on July 2 held a national conference for the
promotion of tax reform. Attending to the conference, Abe Shintaro and others asked
for party unity and the members' cooperation in introducing the reform plan. In a
gathering of his own party, on July 6, Abe Shintaro showed his genuine efforts for the
correction of unfairness. On August 24, Obuchi Keizo, Chief Cabinet Secretary, asked
for the cooperation of all the factions when he attended in a meeting of factional secretaries.

The efforts were also directed to the general public. On July 6, the government made a video advertising the reform plan and distributed copies to the libraries and other places that would be rented free. They also made and distributed the pamphlets of advertising the consumption tax on August 4. In a leaders' meeting of the government and the LDP on August 10 it was decided to have a promotion center for the realization of tax reform. Appearing in a television talk show on August 27, Obuchi Keizo opined that after tax reform the balance of taxation between income, consumption, and property would be achieved. From September 5, Prime Minister Takeshita started a tour of advertising and attaining supports for the reform plan.

They also showed their readiness to listen to the opposition forces while spreading the benefits coming from the reform plan introduction. Attending a television program on July 9, Watanabe Michio stated that the LDP might delay the expected date for the implementation of reform plan if the opposition parties agreed to participate in the deliberation of reform plan. He also suggested that a upper limit for the public tax burden would not exceed the level of 40 percent. On July 16, Kanemaru Shin backed up Watanabe's position by saying that, even if the tax reform legislation might be presented to the coming Diet session that was supposed to start on July 19, the LDP would flexibly respond for the date of its implementation. On August 23, Watanabe Michio indicated that the LDP might agree to tax on the fund-raising parties of the politicians, which the opposition parties had argued for. On September 8, one senior member of the MOF positively responded to the revision of reform plan. In a speech to the entrepreneurs of his constituency on September 17, Miyazawa Kiichi asked for their cooperation on tax reform and also expressed that the government would respond
flexibly to the issue of taxing the transfer price. In his trip to Hokkaido prefecture, PM Takeshita also showed the flexible attitude for the revision of the reform plan to correct the unfairness in the present tax system.

The Opposition Reactions: While the LDP leading group put all their efforts to realize the tax reform, the opposition parties - although still maintaining some differences between them - moved to spread the protest movements. On August 2, the Japan Socialist Party held a hearing to protest the tax reform plan in their central office. On August 4, the Democratic Socialist Party distributed the booklets that pointed out the demerits of the New Consumption Tax. On August 6, the Clean Government Party (Komeito) presented their own tax reform outline that argued for the adoption of total taxation system, the correction of the unfairness and, if still necessary, the correction of the present ratio between the direct and the indirect taxes. As can be noticed in these activities, some delicate differences existed between the opposition parties, but despite their differences, these opposition parties came to a decision of making the joint plan for tax reform on September 21.

The opinions of social forces were more manifestly divided. While the construction workers union of Tokyo on August 3 held a gathering for the protest of the consumption tax introduction, a private committee called the Forum on Tax System and composed mainly of the businessmen and the intellectuals, announced on August 12 its position that it was inevitable to introduce the New Consumption Tax. On September 7, Katayama Shizuka, Chairman of the Electric Powers Workers Union, expressed the union’s support for the tax reform plan. The Rengo, however, on September 9 reconfirmed its position of protesting the consumption tax introduction despite the conflicting messages of its member unions such as Katayama’s.
The confusion within various labor unions could be also seen within the Sohya. When the Sohya held a meeting of the representatives coming from the member unions on September 8, the Sohya's position of unconditional opposition against tax reform was questioned by the participants such as the private train workers union. Reflecting this inside opposition, the Sohya on September 26 announced its decision that the correction of unfairness should be the primary target. It was the retreated one from the absolute opposition against the consumption tax introduction. The confusion could be also noticed within the LDP. On August 10, for example, the LDP members, who had participated in the protest against the Sales Tax introduction of the former cabinet, decided to republish the booklets explaining their position. They indicated that the New Consumption Tax would hurt the poor more than the rich. Another example was Hirose, who was running for the governorship of the Fukuoka prefecture and made an agreement to protest the consumption tax introduction with other candidates.

*Struggles in the Diet Deliberations:* Then, the 113th extraordinary Diet session opened to examine the tax reform legislations on September 19. Its opening was decided through a meeting of secretary generals of parties where the issue of tax reduction was decided to be examined separately from the discussion of the tax reform law itself. From the beginning, however, the LDP had to face the protest of the opposition parties due to the difference on the issue of whether tax reduction would be legislated time-constrained or not. The opposition parties opposed to make it time-constrained. On October 6, the Diet resumed due to the agreement of the CGP and the DSP to open, both of which acknowledged the LDP's efforts of tax reduction. But the process could not be smooth. On October 29, the LDP forcefully passed the plan of holding the hearings in relation to the tax reform. On November 11, then, the New Consumption Tax legislation passed the HR special committee on tax where the LDP
alone participated. On November 16, six tax-related legislations passed the House of Representatives due to the LDP's success of obtaining the DSP's agreement to participate. The DSP was known to have in turn demanded for the flexible administration of the consumption tax for the first six months.\(^7\) Later the CGP also came to support the revision of the reform plan. On November 24, the Diet decided to extend the session by 34 days. On December 17, the government decided on and announced the ordinances related to the consumption tax legislations. On December 24, the tax reform legislations finally passed the HC floor meeting.

As the possibility that the New Consumption Tax (NCT) could be introduced in the current Diet session increased, the opposition forces actively involved in its protest. On October 6, the Osaka city council passed a resolution of protesting the consumption tax introduction and, on October 20, the Osaka Bu (prefectural level) council also passed a resolution of protesting the consumption tax introduction. Encouraged by these protest movements, the JSP and the CGP on October 25 agreed on their resistance for the NCT introduction during the current Diet session. At the passage of reform legislations, then, the consumer groups on November 22 held a protest gathering and the anti-NCT groups on December 12 assembled again for the urgent meeting. These oppositions, however, could not stop the New Consumption Tax introduction as the DSP changed their position from the absolute opposition and participated in the examination of legislations; the delayed, but hurried participation of the CGP represented the meaning such a situation could bring about.

During this Diet session the LDP made the prompt moves. When Fujida Masaaki, Chairman of the HC, could not preside the meeting due to illness, the LDP leading

\(^7\) Asahi Shimbun, November 16, 1988.
group decided to let him resign on September 29. On October 25, the prime minister in the HR special committee on tax explained that the consumption tax introduction would not go against the election promise and on November 22 the prime minister in response to the DSP's demands suggested that the government would flexibly administer the consumption tax for the half of year.

4.2. Takeshita Leadership: Its Elements and Environments

4.2.1. Issue Commitment: Extent and Direction

The extent of Prime Minister Takeshita's commitment on tax reform had been strong throughout the period under description. From the start of his cabinet, he emphasized the necessity of tax reform and talked about his intention to realize it during 1988. As the reform plan was formally decided in the summer of 1988, he continued to show in words and action his willingness for the realization of tax reform. His words elevated from the comment that he would risk all the luck for the realization of tax reform to the statement that he would resign if it could not be realized. He also carried out his nationwide tour of explaining tax reform.

Takeshita Noboru had been the consistent supporter of the large-scale indirect tax introduction since the Nakasone cabinet on in which he served as the Minister of Finance. It was not clear, however, whether he himself came up with the alternative of new consumption tax or not. On the other hand it was clear that he and his fellow leading group thought about its introduction from the early stage since the Chief Cabinet Secretary, Obuchi Keizo, argued for the overall reexamination of tax reform plan, and the PRC chairman, Watanabe Michio, stated the consumption tax as the best solution from the beginning of his cabinet. In fact, it did not matter much whatever the
name the large-scale indirect tax took as long as it remained to be the large-scale indirect tax for the proponents as well as the opponents.

It was, therefore, fair to say that there was not much difference between Prime Minister Takeshita and Prime Minister Nakasone in terms of their commitments on the issue of tax reform. We will, then, turn to the aspects of personality and ideological orientation, and resources to see where the differences in results both of them brought about came from.

4.2.2. Ideologies, Goals, Motivations, and Personality

**Personality:** Takeshita Noboru can be said as a typical Japanese leader in that modesty and consensus-building have been his main traits. Such a leadership style can be seen by the titles the journalists had chosen to describe him when he was elected as a prime minister of Japan; "a compromise prime minister," "a back-room man steps forward," "a step-by-step leader for Japan," and "forging a following."\(^88\) Ito Masaya, a former personal secretary of PM Ikeda and a well-known journalist, gives us a short account of how a man with this kind of style becomes a leader by comparing Takeshita Noboru with Ohira Masayoshi. According to him, both of them are alike in that they are more likely to listen to what the others had to say without raising much question and try to do something about it.\(^89\) Thus, although they do not appear conspicuous in

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the front scenes of politics, they emerge quietly as leaders due to the following of their juniors and the guidance of their seniors.

Gotoda Masaharu, a former cabinet secretary under the Nakasone cabinet, also explains us about what this kind of style can bring about when he compares Takeshita Noboru with Nakasone. As we discussed in the previous sections, he describes Nakasone as a straight-forward and populist leader who sets up the goal clearly he intends to tackle and pursues that goal by addressing to the general public and asking for their understanding and cooperation. Thus, although he succeeds in getting the supports for the general direction of certain policies, he often faces the formidable opposition when the specific aspects of concerned issues are to be examined. Takeshita Noboru, on the other hand, is quite contrary to this. Although it is difficult to comprehend what he intends to do from what he says, his tenacious efforts to accommodate the differences between two opposing sides often succeeded in settling the controversies and brought about certain results in practice.

Takeshita Noboru himself agrees with this kind of descriptions applied to him. When he is asked in any situation in an interview with Itoh why he is so patient and hardly gets angry, he replies that he had learned getting angry doesn’t help. Takeshita Noboru is the son of a sake (rice wine) brewer in the remote town of Kakeya in the mountains of Shimane prefecture in western Honshu. What he says is, thus, that the drunken and angry people he had seen in his youth have taught him to be patient and avoid resentments.

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His skillful management of accommodation had been known from the early period on. He was attending at Waseda, the prestigious private university in Tokyo, when the Pacific war ended and he was known to have become interested in politics and fascinated by the workings of the democratic system that was freshly instituted by the Allied Occupation forces. Thus, he often visited the Diet while it was in session and, coming back to his hometown after graduation, he organized a local youth association, in which he sometimes held mock Diet sessions. Even at this time he was known for his skill in mediating between opposing sides over controversial issues.

His style is also related to the political apprenticeship; that is, the advancement as a party politician. His first political move was the participation in the election of selecting farmland committee members that was held by the Allied Occupation forces in 1946. He was elected as a representative of the landlords at his hometown while attending the university. After this, he went on to the prefectural assembly from 1951 that he served for seven years and it was in 1958 that he was elected to the HR. Being elected as the LDP Diet members, he entered the faction of Sato whose skillful management of personnel helped himself to stay for about eight years in office, the longest period in the postwar era. Takeshita Noboru's hard work and 'nemawashi' abilities were acknowledged in the faction, which brought him his first office, the post of vice-cabinet secretary, when the Sato cabinet started. At becoming a vice cabinet secretary, he was advised by Prime Minister Sato to memorize the order of graduation years for the bureaucrats most of whom came from the University of Tokyo.

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93 Hirose M., op. cit., p. 40.

94 Ito M., op. cit., p. 308.
Takeshita Noboru became a cabinet secretary at the last years of the Sato cabinet. After these posts, he seated mainly in the party posts except the post of Finance Minister.

In terms of this personal style, his adoption of the "divide and rule" strategy seems to be natural. Thus, his personal style can be said to have greatly contributed to the realization of tax reform.

_Ideology:_ One aspect of PM Takeshita's ideological orientations is realism. It could have been influenced by his above-mentioned personal style as well as his factional involvement. His mentor, Sato Eisaku, was the one following the Yoshida line of avoiding the ideologically sensitive issues and instead concentrating on the economic and social issues. Accordingly, even if he belonged to the war-participation group at the final years of the war, Takeshita Noboru has been known to be moderate in the ideological standpoint and has tried to avoid ideological confrontations. The other side of his ideological orientations is, however, something that can be called as political romanticism. About his interests in politics he explained once that he was influenced by what he had read when he was young, all of which instigated the fervent aspiration inside - for example, _Narrow Gate_ by Andre Gide, _Ai to Ninshiki no Shuppatsu_ (Beginning of Recognition and Love) by Kurada Momomi, _Santaro no Nikki_ (Diary of Santaro) by Abe Ziro, and _Zen no Kenkyu_ (Study on Virtue) by Nishida Kitaro.95 This latter element of his ideological orientations is probably the one that put him to go through the troublesome issue of tax reform.

4.2.3. Resources and Strategies

Public Sentiments: Unlike their unified action against the Sales Tax introduction, in the Nakasone cabinet, the opposition forces showed the delicate differences among them. On the other hand, the proponents of the Consumption Tax introduction such as the Zaikai maintained their support.

We had seen that the Zaikai in the case of Sales Tax introduction raised their oppositions initially and then changed their position to the one of admitting it by demanding the reduction of corporation taxes. Thus, when the Takeshita cabinet announced that they would start examining tax reform from the scratch, the Zaikai maintained their supports of tax reform and the consumption tax introduction while trying to avoid the alternative of Sales Tax adoption and demanding the reduction of corporation tax. For example, on May 28, the Keidanren passed their resolution that tax reform should be accomplished as soon as possible. To be noticed in this series of actions taken by the Zaikai was that the Nissho, which had opposed strongly against the Sales Tax introduction, had shown a cautious, but flexible position of acknowledging the necessity of tax reform and the consumption tax introduction. In the June 17 Nissho meeting the consumption tax was acknowledged with conditions that the unfairness should be corrected and that tax reduction size should be increased. This change of the Nissho was to reflect the retreat of various private-sector associations such as the Japan Franchise Store Association from their former position of absolute opposition to the demand for the extended time of examination as well as the lower tax rate.

The opposition parties had shown similar reactions. Although the JSP and the JCP maintained the strong oppositions against the tax reform plan, the other opposition parties such as the DSP and the CGP retreated from the former position of absolute
opposition to a more flexible position. This change made the LDP succeed in bringing them back to the Diet session when the tax reform plan was deliberated. The confusion within the opposition parties was to reflect the division of opinions within their supporting groups. Although two largest federations of labor unions, the Sohyo and the Rengo, managed to retain their stance of opposing the tax reform plan, the individual labor unions often questioned about these federations' position of absolute opposition. For instance, the electric workers union and the train workers union criticized the Rengo's position and showed their supports towards the tax reform plan.

The only organized group consistently opposing the tax reform plan was from the citizens movements such as the housewives league that resented about the taxation of basic such as foods and social services. That the mood of the general public was still against the consumption tax introduction could be inferred from the election results. On February 28, the JCP candidate won the Osaka UH supplementary election and on June 14, the candidate supported by the opposition parties was elected as the governor of the Saitama prefecture. Only in the Fukuoka prefecture election of September 5, Sato of no party affiliation was elected as the governor while Ishihara with the LDP endorsement was elected in the HC supplementary election from the same region. There could be many factors influencing the election results, but the surveys conducted by the various institutions showed the results somehow related with the consumption tax introduction. Although the new Takeshita cabinet got the 48 percent supports in the Asahi Shimbun survey reported on November 12, 1987, that group of supporters did not turn to the one of supporting the consumption tax introduction.96 Against the survey results that the Office of Prime Minister announced on March 21, in which 80

percent was known to have admitted the necessity of the indirect tax introduction, the
Asahi Shimbun survey of March 29 showed that 60 percent opposed the large indirect
tax introduction.97 Another survey results reported by the Asahi Shimbun on October
5, 1988, showed that 65 percent of the respondents opposed the consumption tax while
only 16 percent being positive although 76 percent asked for the correction of the
unfairness.98 An independent Institute for Integrated Study showed a middle ground,
which reported its survey results on October 22, and showed that 45 percent opposed
the consumption tax while only 27.8 percent supported it.99

Whatever the truth was, the decline of opposition could be seen in the newspaper
columns. At one time, on May 28, 1988, the Asahi Shimbun reported that the protest
movements against the new indirect tax introduction had been getting stronger as seen
in the number of opposing consumer associations and local assemblies reaching to
274.100 The same newspaper reported on July 11 that the protest for the consumption
tax had not been serious as much as that of the former Sales Tax, however.101

Intraparty Situation: Compared to the Nakasone cabinet, the Takeshita cabinet
experienced much less tension within the LDP on the issue of Consumption Tax
introduction. For this phenomenon, Kuribayashi mentioned that it was due to PM
Takeshita's efforts to distribute the posts properly to all the factions that aimed at

calming down the dissatisfactions and oppositions coming from the minor or anti-mainstream factions.\textsuperscript{102} Besides PM Takeshita's own efforts, the \textit{Asahi Shim bun} on November 30, 1987, exposed another clue for the unity within the LDP.\textsuperscript{103} According to it, three candidates of Takeshita Noboru, Abe Shintaro, and Miyazawa Kiichi made an agreement during the LDP presidential race that all of them would support the tax reform plan whatever the form it would take and whoever might become the prime minister. Although there was no written evidence to confirm this argument, the concerted action of these three leaders in the LDP seems to imply that there was something to tie them together.

Even without this agreement the unity between them on the issue of tax reform could be maintained. For example, Takeshita Noboru and Abe Shintaro had been friends for a long time, both of whom were elected to the Diet around the same time and had no bureaucratic backgrounds. Therefore, although they had to fight for the post of prime minister, they could cooperate with each other on policy issues. Miyazawa Kiichi on the other hand was given again the post of Finance Minister in the Takeshita cabinet so that his supports of tax reform could naturally come about. The combined number of Diet members in these three factions exceeded more than two hundreds. The rest of the LDP factions included the Nakasone faction, the Komoto faction, and the Nikaido group. PM Takeshita, backed up with his own factional following of over one hundreds, could attain the cooperation of the other minor factions, except the Nikaido group that was separated from the Takeshita faction when


\textsuperscript{103} \textit{Asahi Shim bun}, November 30, 1987.
succeeding the Tanaka faction, since the Nakasone faction, for example, had been supporting tax reform.

_Bureaucratic Concern:_ To attain the support of the bureaucracy was not much of a problem. The MOF resisted the three percent rate for Consumption Tax. The resistance was, however, not something to jeopardize the realization of tax reform since the tax reform including the Consumption Tax introduction was what it had prepared and demanded for about two decades from the Ohira cabinet. A little more resistance arose from the other spending ministries, such as the MITI and the MOE on the issue of deciding tax-exempt items. The former demanded for the oil to be exempted, while the latter demanded for the textbooks of educational purpose to be exempted. These demands were not accepted, but it did not cause much trouble since the principle that there would be no tax-exempt items for the fairness was applied to all the items unitarily.

_Strategies:_ His style of realizing the works to be done through the mediation of opposing sides was greatly displayed in soothing the oppositions against the tax reform plan. The most conspicuous strategy PM Takeshita had employed was something that could be called "divide and conquer." As he had seen and experienced the strong oppositions in the former cabinet, he tried first to do away the issues of generating much dissatisfaction and then to dissipate the opposition forces and mobilized all the means and forces to that aim. For the former, he tried to have no items exempted for tax. Those included the food and the other basic social goods related to education and medical services. Although in the beginning the LDP leading group such as Miyazawa Kiichi and Watanabe Michio suggested that there would be in principle no tax-exempt items, Ogura Takekatsu and his GRCT continuously mentioned that the basic goods would be exempted from taxation and accordingly the GRCT mid-term reports included
such recommendations. In the stage of LDP RCT examination, however, the recommendations had been reversed and the principle of no tax exemption was maintained as initially suggested by the LDP leading group. The reasoning they provided was that the existence of tax-exempt items, even for the basic goods, would generate the confusion in the examination and implementation and the corresponding strong demands from the various interest groups.

The other example was the retreat of the card system introduction. In the perspective that the card system introduction would make transparent the taxing sources and contribute to the correction of unfairness in the current tax system, the GRCT recommended its introduction in its mid-term reports of April 1988. To this, the opposition groups such as the *Rengo* and the *Sohyo* changed its former position of opposition to the one of admitting it. Initially they opposed it because of the possibility that it might encroach the privacy, but later they reasoned that it might correct the unfairness and at the same time give more damages to the LDP. From the beginning, however, the LDP leading group - for example, Watanabe Michio on February 3 and March 2 - had shown negative position since they could easily anticipate the oppositions coming from the inside and the interest groups. In fact, there was an even earlier attempt to introduce the similar kind called the green card system, but it was not implemented, even if it was passed in the Diet. This issue, therefore, was dropped or suggested for needing further examinations.

For the second, Prime Minister Takeshita tried to convert the position of the leading opponents. For example, *Shimizu Nobutsuku*, who played a leading role in opposing the Sales Tax introduction as a chairman of the Franchise Stores Association,

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104 Kuribayashi Yoshimitsu, *Okurasho Shuzeikoku*, pp. 207-229. The examples mentioned here are drawn from this book.
was forced to resign at the termination of his tenure. Another example was Yoshida Munichi who also posed his opposition towards the tax reform plan as the executive of the Blue Sign Enterprises League and was advised to take careful moves. Accordingly, he remained inactive or silent while participating in the opposition camp called the "People's Tax Diet." Another example was the involvement of Kenmoji Shoji, Kumamoto office chief of the Taxation Agency, in blocking the activities of the Nissho's Kumamoto branch to oppose tax reform.

Takeshita Noboru also employed the methods that were utilized in the previous cabinet for soothing the opposition groups - i.e., the suggestions to carry out the tax reduction plan and to correct the unfairness in the existing tax system and the activities to advertise the tax reform plan and its necessity. These consoling methods seemed to have worked for PM Takeshita as seen in the division of the opposition parties. Although they from time to time confirmed their unitary position, some of them, such as the DSP and CGP, at the same time prepared for the rooms to talk with the LDP and the government. This situation was a quite different one from the case of Sales Tax introduction in which they maintained their affirmative, unitary opposition.

4.3. Summary

The process the new consumption tax introduction went through in the Takeshita cabinet can be summarized by recalling the major aspects of Takeshita leadership. The issue of tax reform was regarded as the first priority in the government agenda from the beginning of the Takeshita cabinet. It was not only because the failure of the former cabinets' attempt on the issue was only the temporary retreat but because PM Takeshita himself had been one of the main supporters on tax reform. Thus, it was
somewhat natural that he had revealed the strong and consistent commitment to the issue, even though there might have been other possible courses of action he could take.

Along with his strong commitment, his success on the new consumption tax introduction had been supported by his strategies to appease the dissatisfied opposition groups within the LDP, to divide the opposition forces outside the LDP, and to match the issue with other alleviating means such as tax reduction and the advertisement. Not to mention the supports of his own faction, he could have secured the firm intraparty supports. Abe Shintaro and Miyazawa Kiichi, sharing with Prime Minister Takeshita on the necessity of tax reform from the Nakasone cabinet, maintained their support for the Consumption Tax introduction. Added to this alliance of three major factions was the Watanabe faction that, succeeding the Nakasone faction, continued to support the large-scale indirect tax introduction. Even with this unity of four factions, PM Takeshita tried to minimize any intraparty conflict by distributing the posts of the LDP and the government evenly to almost all the factions. Such efforts could encircle the opposition of Komoto faction that had criticized so loudly against the Sales Tax introduction in the Nakasone cabinet.

Towards the opposition forces outside the LDP, PM Takeshita at first separated the issue of tax reform from that of tax reduction and continuously tried to talk with and appease the opposition parties with the latter, by which he succeeded in dividing the opposition parties and inducing the supports or agreements of the DSP and the CGP to participate in the Diet deliberation. He also posed the gesture of admitting the demands of the opposition parties; for example, at the final stage of negotiation, he promised to carry out the reform plan flexibly for a certain period of time. On the other hand, he adopted the forceful means to the opposition forces of private sector; for some he
pressed to resign as they continued to oppose and for some others he suggested to withdraw the benefits if the opposition continued. These activities helped to reduce the strength of the opposition forces. When compared to the former two cabinets, the absence of critical events such as election also helped him to pursue the reform plan.
5. Conclusion

In order to see how policy change had taken place in Japan and what was the role Japanese prime minister had played, we have traced down the processes of tax reform in three cabinets. The case of tax reform under the Ohira cabinet, as was the case with the administrative reform under the Fukuda cabinet, shows the importance of the issue pregnancy. Even though the seriousness of growing national bonds was generally acknowledged so as to lead the prime minister to mention about the problem in his first policy-related speech to the Diet, PM Ohira's decision on the consumption tax introduction could not have won the supports of the public. In the eyes of the public who had endeavored to streamline their own budget during the two oil shocks, the government had something to do before asking to the people for another item to increase their tax burden - that is, to streamline the government spendings and to correct the unfairness in the existing tax system.

Amid these public sentiments, PM Ohira's strong commitment to the consumption tax introduction, which put the issue on the election agenda, was only to aggravate the public oppositions. Even though the prime minister tried to appease the oppositions with such ideas of reforming the administration and abrogating the doctors-favoring taxes, they fell short of satisfying the public discontend. First of all, in pursuing the administrative reform the prime minister from the beginning had in mind that it could not solve the problem of growing national bonds and, thus, it was only to show to the public that the government had done something about itself. In fact he did not try to conceal this mindset and, accordingly, the reform touched only the easily accessible areas of the administration - i.e., the closing or integration of local branches. Second,
the efforts to abrogate the doctors-favoring taxes did not go far due to the oppositions of the MHW and the medical doctors association and so became shelved in the midway.

The case of tax reform under the Nakasone cabinet on the other hand suggests the importance of leadership commitment as well as issue pregnancy. Even with the successes in the administrative reform, the Nakasone government’s move to introduce the Sales Tax had to face the strong oppositions from the public as seen in the resolutions made by the local assemblies and the demonstrations led by the interest groups. The Nakasone cabinet, however, succeeded in winning the support of the big business and, even if there were some resistance movements within the party whose participation was decided not factionally but individually, it could also manage to sustain the party supports in general. With these supports PM Nakasone pursued the Sales Tax introduction by confronting the oppositions directly.

Although the prime minister’s commitment to the reform had been consistent and strong, the problem there was that the public dissents could be appeased by the alternative of the Sales Tax. Predicting the strong oppositions on any kind of tax reform, especially when it attempts to introduce the new tax so as to increase the burden, PM Nakasone at first tried to distance himself from the adoption of the multi-stage taxing methods that the MOF had prepared for so long from the Ohira cabinet. To come up with the alternative that complied with what he proposed, the prime minister had appointed new members to the existing GRCT. The outcome was the Sales Tax.

With the idea of Sales Tax introduction, Prime Minister Nakasone went on saying that he would not introduce any form of large-scale tax that the people did not want in the 1986 election campaign. This statement by the prime minister, however, had been the target for the oppositions group during the period from the time that the Sales Tax
introduction was decided by the party and the cabinet at the end of 1986 to the time that the legislations in relation to the Sales Tax introduction was in fact shelved in the summer of 1987. As was the case with the Ohira cabinet, the opposition parties in concert accused the government efforts of mainly attempting to increase the tax and the local assemblies from one to another made the resolutions of expressing their oppositions. The seriousness of these resistance movements lied in that the traditional supporters of the LDP such as the small and medium-sized businesses and even farmers group turned into the oppositions, which caused to shatter the unity within the party.

In exchange for the Sales Tax introduction, then, PM Nakasone employed several supplementary measures - for example, to make tax-exempt the necessary goods such as the foods and the education, to equate the amount of tax increase with that of tax reduction, and to introduce the expansionary economic policies. At the final moments he even suggested to revise the legislations as the oppositions wanted, if acceptable. Backed by the general moods against the Sales Tax introduction, however, the opposition parties aimed at the shelving of the legislations and opposed the Diet deliberation. The results of the local elections in which the LDP experienced a great setback also amplified the opposition. At the last moment, the LDP and the opposition parties came to the agreement to shelve the legislation as the given time for the Diet came close to the end.

The case of tax reform under the Takeshita cabinet reveals the importance of the leadership style. Although the extent of opposition against the large-scale tax introduction was almost identical, the situation under the Takeshita cabinet was somewhat different from that under the Nakasone cabinet - i.e., most significantly the opposition camps were divided. The opposition parties that had maintained the unity between themselves showed delicate differences towards the new consumption tax
introduction. While the JSP and JCP continued on opposing any attempt to introduce the large-scale tax, the DSP and the CGP from time to time suggested the priority of tax reduction before the discussions of large-scale tax introduction. The activities of the interest groups also became less active. For example, major opponents of the Sales Tax introduction, i.e., Shimizu Nobutsuku of the Franchise Store Association, were involved less actively in the oppositions.

This change of situation was attributed to PM Takeshita's leadership style. Aiming at the realization of tax reform from the beginning, PM Takeshita, who served as the Minister of Finance in the former cabinet and so endeavored to realize the reform showed consistent and continuous commitment to the reform. The prime minister tried at first to balance the factional dividends of the posts in the government and the party, by which he could oppress the oppositions within the party to the minimal level. Therefore, the opposition with the LDP against the new consumption tax introduction was much less than in the former Nakasone cabinet. PM Takeshita was also backed up by the so-called "new" leaders of Abe Shintaro and Miyazawa Kiichi who competed with him in the LDP presidential contest. With their strong support, the prime minister endeavored to block any moves of the LDP members from participating in the opposition movements.

PM Takeshita also tried to divide the opposition forces. Towards the opposition parties he approached to the DSP and the CGP, which were more likely to negotiate with the LDP, by suggesting them that he and the LDP were ready to accept their demands as much as possible. For example, in response to the demands of the opposition parties that tax reduction should precede any discussion of new consumption tax introduction, he suggested the separation of tax reduction from the new consumption tax introduction. Towards the oppositions of the interest groups he
employed two strategies: the first one was to evade the possibility of unbalance any of them might feel through the suggestion that there would be no tax exempt items in the present tax reform; and the second was the efforts to dissuade the active participants from involving in the opposition movements, in which some of them were warned of the disadvantages their organizations had to pay if they continued to be involved in the opposition movements. Along with the adoption of these strategies, the prime minister also endeavored to advertise the tax reform as seen in his national tour for the explanation of tax reform.

In relation to the top executives' role in policy change, two points can be observed from the analyses of the tax reform process. The first is the importance of leaders' strategy. Prime Minister Ohira's straightforward comment on the necessity of tax reform and the limitation of administrative reform did not help him for nullify his lack of support on the issue. It rather amplified the cause of the opposition forces inside and outside the Liberal Democratic Party. From this experience, Prime Minister Nakasone tried to avoid the early polarization of the large-scale indirect tax introduction and opted to denounce the multi-stage taxation method. His rather hasty announcement in the election that he would not introduce the tax the people did not want was the debt for his attempt of tax reform. It was criticized as the violation of election promise by the opposition forces. His efforts of advertising the reform necessity was short of appeasing the opposition. There can be various reasons for Prime Minister Takeshita's success of realizing the Consumption Tax introduction, but it is certain that his efforts to divide the opposition forces contributed to the success. This series of changes in strategy show the feasibility of the argument that the tendency to ascribe the responsibility to the coming cabinet would contribute to increase Japanese prime minister's role in policymaking.
Related to the first, the adaptibility of different leadership styles to different situations can be observed. In terms of leadership style, Prime Minister Nakasone is quite contrary to Prime Minister Takeshita. The former is outspoken and populist, while the latter is basically the consensus-builder. Although PM Nakasone's leadership style worked well when the public were all supportive towards the issue, it could not do much when the public turned against the issue. PM Takeshita's leadership style on the other hand worked right even when the public was against the concerned issue since his individualistic approach succeeded in dividing and debilitating the oppositions. This, however, does not mean that the leadership style of PM Takeshita can be used in all conditions as seen in PM Suzuki who had been basically the consensus builder, but could not bring about any significant results by himself and announce the statement of not running for another term.
We have traced down the processes of administrative reform and tax reform respectively in order to see whether the role of prime minister is important in Japanese policymaking and, if important, how important it is, and under what conditions it becomes important. Against the traditional assessment of deemphasizing it, this thesis attempted to show its importance in policymaking with the presupposition that, as generally acknowledged in the analyses of policy change, the role of Japanese prime minister would be increased if the conditions of issue pregnancy and leadership commitment were satisfied - that is, the structural and cultural elements that were regarded for long to distract the power of prime minister was supposed to be overcome with the satisfaction of these conditions. In addition, this thesis pointed out in the beginning that three elements in Japanese policymaking process would help the prime minister's role to increase. They are the ascent of politicians' status in policymaking, which is represented by the appearance of "zoku" Dietmen; the upsurge of advisory committees, which would expand the prime minister's resources; and the characteristics of leadership circulation in Japanese policymaking process.

The most interesting finding from the survey of two processes is a three-stage pattern into which policy debates of two processes had commonly developed. The first stage is the one of issue prematurity, and the Fukuda cabinet for the administrative reform case and the Ohira cabinet for the tax reform case fit this category. Prime
Minister Fukuda made a strong commitment to the administrative reform, but he failed to realize what he intended to do, that is, the reorganization of the administrative units. This failure is derived from the strong opposition of the bureaucracy. Behind the bureaucratic oppositions lay several aspects, such as the lack of strategy and the forceful handling of reform discussion. Ultimately, however, the prime minister's inappropriate recognition of the problem and selection of the solution seem to be the most important. PM Fukuda raised the problem of the approaching resources-constrained era, and thus argued for the necessity of reorganizing the administrative units according to the changes. Even if his recognition of the problem and the ensuing position about the solution were reasonable ones, they were inappropriate in that, first, there was an even more serious problem of economic revitalization versus that of resources limitation. Second, his efforts on administrative reform should rather have been focused on the fundamental themes, such as the redistribution of work between the center and the region and the simplification of administrative procedures. Prime Minister Fukuda's attempt of reorganizing the administration without touching upon such fundamental themes only alienated the public, as seen in the criticism of the six regional associations and the opposition parties.

The case of tax reform under the Ohira cabinet, as was the case with the administrative reform under the Fukuda cabinet, shows the importance of the issue pregnancy for policy change. Even though the seriousness of growing national debt was acknowledged, at least within the governing circle, Prime Minister Ohira's decision to introduce the General Consumption Tax could not have won the public support. As mass media pointed out, the general public, who endured the 1973 oil shock and the aftermath, demanded implicitly and explicitly that the government do something about itself before asking for the increase of tax burden. The widespread
opposition in the society, showing public discontent, can be seen in the demonstrations and protest rallies by various groups of the small and medium-sized businesses and in the resolutions made by the local assembly members. Amid these public sentiments, PM Ohira's "limited" efforts to administrative reform and to the doctor-favoring tax revision was only to aggravate the situation.

The second stage is the one of leaders' ill-directed (half-hearted) commitment, and the Suzuki cabinet in the administrative reform case and the third Nakasone cabinet for the tax reform case can fit this category. Unlike the Fukuda cabinet, the seriousness of growing national debt was shared generally in the Suzuki cabinet, and public demands for the administrative reform to solve the problem were prevalent. Thus, Prime Minister Suzuki, in his first policy-related speech in the Diet, picked up administrative reform as one of the main issues his cabinet would tackle. In addition to this favorable environment, the prime minister's commitment to the issue afterwards was also consistent, at least in the appearance; on various occasions he expressed his firm position of supporting the Provisional Council on Administrative Reform and its efforts on administrative reform, and went on saying that he would risk his political career for the realization of administrative reform. But, what was important in terms of commitment was how it was viewed by others. The PCAR chairman, Doko Toshio, criticized the prime minister for lacking the willingness to realize the administrative reform, and expressed his intention to resign twice, one when the government decided to raise the corporate taxes during the government revenue deficiency in 1981, and again when the government decided to raise the producers' rice prices in 1982. These decisions were very much caused by slow economic situations, but the chairman of the Provisional Council on Administrative Reform, Doko Toshio, insisting on the maintenance of the PCAR goal, held the prime minister responsible for them. The
problem in PM Suzuki's commitment can also be seen in his abrupt announcement not to run for another term. The decision was unexpected, since the general prediction before the announcement was that he, with the continued factional alliance and no particular scandal, would be reelected without much difficulty. The prime minister himself seemed to have thought about going on for another term, as seen in his refusal of the anti-mainstream factions' demand for the opening of the extraordinary Diet session in the fall of 1982. Thus, no specific reasons were known for the decision of withdrawing his candidacy, except his own explanation that it would be better for a capable man to take the post for the realization of important issues such as the administrative reform. This is why it is argued here that PM Suzuki had a problem in his commitment towards the issue of administrative reform.

The case of tax reform under the Nakasone cabinet on the other hand suggests the importance of leadership commitment as well as issue pregnancy. Even with the successes in the administrative reform, the Nakasone government's move to introduce the Sales Tax had to face the strong oppositions from the public, as seen in the resolutions made by the local assemblies and the demonstrations led by the interest groups. Even with this strong opposition, Prime Minister Nakasone pursued the introduction of the Sales Tax due to the support of the big business and the united LDP leading group. He himself, however, prepared for the cause of failure. In an attempt to appease the opposition, Prime Minister Nakasone promised in the 1986 election campaign that he would not introduce any form of large-scale tax that the people did not want. This statement became the basis of the opposition forces who argued the Sales Tax introduction as the election promise violation. At the last moment of Diet deliberation, it became the reason that his supporters of the LDP withdrew their support on the introduction.
The last stage is the one of policy realization, and the first and second Nakasone cabinet for the administrative reform case and the Takeshita cabinet for the tax reform case fitted this one. This three-stage pattern is interesting in two respects. First, it shows that, as presupposed in the beginning of the thesis, the satisfaction of two conditions, issue pregnancy and leadership commitment, was the important prerequisite for the prime ministers to increase their role in policymaking. It is because the reforms had been realized in the third stage where the prime ministers were equipped with the two conditions and failed in the first and second stages where the prime minister lacked any one of these conditions.

Second, it reveals that two drastically contrasting prime ministers in terms of leadership style, PM Nakasone and PM Takeshita, had succeeded in realizing their respective, concerned areas of administrative reform and tax reform. What this implies is that different issues require different leadership styles. That PM Nakasone who had succeeded in realizing the administrative reform failed in the attempt to carry out the tax reform is suggestive in this aspect. His presidential style of using the advisory council for administrative reform was effective in inducing the supports of the public and pressing the affected actors such as the bureaucracy to comply with the reform efforts, but it was not effective for tax reform, especially the problem of Sales Tax introduction, against which not only the affected interest groups but also the general public were readily opposing. For tax reform, PM Takeshita's conservative style of negotiating with the affected actors was more effective in scattering the oppositions and realizing the tax reform. This implication provides an interesting point for the controversy of what kind of leadership would be more effective for policy change.¹

¹ For example, Terry argues for the importance of conservative leadership against Doig and Hargrove's assertion on entrepreneurial leadership. See Larry D. Terry, "Leadership in the Administrative State," Administration and Society 21, no. 4
This second aspect in turn confirms the argument of this thesis that the ascriptive tendency of Japanese policymaking, produced by the combination of frequent leadership circulation and prolonged policy debate, would increase the role of prime minister in policymaking.

The analyses also show us where the limitations of prime minister's role in policymaking lie. One of them is related with the problems of whether the issue is confined or not and whether the response towards the issue can accompany with the strong, organized opposition or not. As Campbell and others suggested, the issues of confined nature, coupled with the organized opposition, were the difficult ones for prime minister to carry out his initiative.\(^2\) The cases in point are the integration of the Hokkaido Development Agency with the National Land Agency and the retreat or revision of the doctors-favoring tax system. The HDA successfully blocked PM Fukuda's attempt of integration by mobilizing the supporters' group that included the Dietmen coming from the region, Hokkaido, and the administrators of the local governments. In the Suzuki cabinet and the Nakasone cabinet, it was again targeted for integration, but its strong resistance succeeded in making the discussion of its integration going no further from the quite early stage of discussion. The doctors-favoring tax system had been also targeted for reform in a way of repealing it. But the strong opposition of the medical doctors association in the Ohira cabinet succeeded in, at first, changing the mood from the initial direction of its abrogation to the one of

revision and, then, making the revised form not so much harmful to them. The further revision was suggested in the tax reform efforts of PM Nakasone and PM Takeshita, but the association, connected with the LDP "zoku" Dietmen such as Yamanaga Sadanori, managed to get no further addition to the former revision.

These cases on the other hand hint on the extent of how much prime minister can rely on the "zoku" Dietmen for increasing his power in policymaking. As assumed in the beginning of the thesis, the "zoku" Dietmen had lent a helping hand to the prime minister. Yamanaka Sadanori as the LDP RCT chairman endeavored to keep the sales tax on the agenda against the LDP rank-and-files' criticisms in the third Nakasone cabinet. He also played an important role in setting the consumption tax on the agenda and maintaining the three percent rate against the MOF's protest in the Takeshita cabinet. As mentioned above, however, in the issues he was involved in, he turned into distracting the prime minister's initiative. Hashimoto Ryutaro provides a similar case. Though in the Ohira cabinet he expressed his opposition against the initial attempt to repeal the doctors-favoring tax system, he as the chairman of the LDP Committee on Administrative and Fiscal Affairs endeavored for the AR plans to pass the party as initially intended in the Nakasone cabinet. These do not negate the initial assumption of the thesis that the appearance of "zoku" Dietmen, a little apart from the factional attachment in the examination of policies, may contribute to the prime minister's cause, but suggest at the same time that the prime minister's reliance on them would be limited.

Another limitation is related with the impact of critical event such as election. The importance of crisis or critical event for policy change is generally acknowledged; for example, the analyses of J. Kingdon, N. Polsby, P. Gourevitch, and K. Calder suggest
that crisis precedes or gives momentum for policy change.\textsuperscript{3} Two reforms of this thesis, administrative and tax reforms, were basically related with two oil crises of the seventies that brought about slow economic growth and growing national debts. But, what is more interesting in our survey is that the election as critical event was the means for the oppositions to block the prime minister and his government's initiative. The 1979 HR election was the main key point of blocking the Ohira cabinet's attempt to introduce the general consumption tax and the 1987 local elections also contributed to retreating the Nakasone cabinet's attempt to introduce the sales tax. These events suggest the relationship between the position of prime minister and the expanded issue. Even though prime minister can increase his role as the issue expands, he can be also influenced by the expansion, which could reach such event of election, since the oppositions use it as a chance to campaign their cause and to induce the supports from the general public, especially when the expanded issue touches negatively on the general public.

These constraints to prime minister make an additional statement to the ongoing debate between the bureaucracy-dominance model and the pluralist perspective on how to describe the Japanese political system. Even though the bureaucracy appears to be powerful as their policy preparation and involvement for its realization show, this case study reveals that the Japanese policymaking process is packed with various actors who

try to represent and protect their respective interests. Thus, this thesis is in accordance with the pluralist perspective in that the power of policymaking is very much fragmented in Japan.

Although Japanese prime minister is constrained from the reasons mentioned above, however, he is not a mere rubber stamp as the negative effect of leaders' ill-directed commitment and the ascriptive tendency of Japanese policymaking indicate. The final question is, then, that of how powerful or important the role of Japanese prime minister is in policymaking. Our examination shows on the one hand that Japanese prime minister does not exhibit his initiative much. Two aspects confirm this point. First, the attempts of PM Fukuda and PM Ohira, whose reasonings in carrying out their respective issues were more creative than their successors, failed due to the issue immaturity and, second, the issues were readily set up or narrowly defined in case of the other four cabinets of our survey. On the other hand, it also shows that they are more than a rubber stamp. Despite the readily-set problem and the narrowly-defined solution, Japanese prime minister still has room for his role in coming with the strategies and carrying them out, whose actions are not much affected by the bureaucratic power but by the situational need and his own reasoning. Thus, Japanese prime minister can be an important "policy sponsor", the term Campbell coined to describe the role of the bureaucracy in policymaking.4

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