

**Hashimoto's Leadership  
in Administrative Reform**

**Tomohito Shinoda**

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Tomohito Shinoda is Associate Professor of IUJ, Niigata, Japan. The author expresses gratitude to the Foundation of International education which financially supported this study.

Under the Hashimoto Ryûtarô administration (1996-98), strong public sentiment against the national bureaucracy emerged in Japan. The factors which created such public sentiment were government scandals and the *jûsen* problem which involved seven housing loan companies that had gone bankrupt. In 1996, the *jûsen* crisis sparked heated debates about the need to reform the Ministry of Finance (MOF) and to divide its functions among independent agencies. Critics argued that the MOF's authority was too strong, and that its use of fiscal authority to regulate financial markets distorted government policy, creating problems such as the *jûsen* crisis. Underlining the need for bureaucratic reform was the filing of a lawsuit over the transfusion of HIV-tainted blood. The Ministry of Health and Welfare was blamed for failing to take appropriate measures when in the 1980s an American authority issued a worldwide alert that all blood should be heated before infusion to kill HIV.

During the October 1996 general election campaign, virtually all the political parties listed administrative reform as top priority policy. While Hashimoto's rival, Ozawa Ichirô of the New Frontier Party, proposed the reduction of government agencies from the current 22 to 15 during the campaign, the Prime Minister pledged that his government would half that number. After the election, Hashimoto initiated a policy of administrative reform and his efforts and leadership will be examined in this study.

### Hashimoto Forms the Council

In November 1996, Prime Minister Hashimoto Ryûtarô inaugurated the

Council for Administrative Reform. The legal base of the Council was not as strong as Nakasone's *Rinchô* (or the Second Ad Hoc Commission for Administrative Reform) which had been established in the 1980s, with legislative support. Hashimoto felt the immediate need to begin administrative reform, and did not go through the process of obtaining legislative approval. Even the ruling LDP did not officially approve of the establishment and membership of the Council, which left room for ruling party members to freely attack its recommendations. In order to suppress the potential opposition, Hashimoto appointed himself chairman of the Council, thus forcing his government to act on its recommendations.

In addition to Hashimoto, there were two representatives from the political community. Minister of the Management and Coordination Agency (MCA) Mutô Kabun was appointed deputy chairman. Former Diet member Mizuno Kiyoshi, whom Hashimoto also personally appointed to the newly-created position of Assistant to the Prime Minister for Administrative Reform, was also asked to be a member of the Council and to head its secretariat. Among the twelve other members, there were three business leaders who had headed the existing government advisory councils on administrative reform-related matters.<sup>1</sup> In addition, there were six scholars, two media representatives and one labor leader.<sup>2</sup> It was important to note that Hashimoto chose no bureaucratic representative for the Council for Administrative Reform.

The Council's secretariat, headed by Secretary-General Mizuno, was located in the Prime Minister's Office or *Sôrifu*. Under Mizuno, there was a

deputy secretary-general and three executives who represented the national bureaucracy.<sup>3</sup> In addition, half of the 28 researchers were sent by different ministries. Although there were twelve researchers who represented the private sector, they had no experience in administrative affairs.<sup>4</sup> Once the Council's Deputy Secretary-General and former MCA Deputy Director-General, Yagi Toshimichi said to some private-sector researchers "You cannot understand how the government agencies work."<sup>5</sup> Although the Council itself had no bureaucratic representation, its secretariat was under the strong control of bureaucrats.

On November 28, 1996, Prime Minister Hashimoto called the first meeting of the Council. He asked the members for recommendations on three issues: the functions the state should fulfill in the 21st century, how the government should be restructured to perform these functions better, and how best to strengthen the Cabinet's functions. He introduced the so-called "Hashimoto vision." In which the government's policy areas were divided into four goal-driven themes: 1) the nation's survival, 2) the expansion of national wealth, 3) national welfare, and 4) education and culture. Hashimoto also proposed that the number of government agencies be reduced from the current 22 to ten in accordance with his campaign pledge. The following day, Hashimoto stated in his policy speech before the Diet that "Although resistance and difficulties are inevitable, I am fully committed to the cause of administrative reform."<sup>6</sup> As the public identified Hashimoto's determination, his popularity rate increased as seen in a Kyodo News poll in which his popularity rose to 58.3%, up from 43.4% at the beginning of his

term.<sup>7</sup>

The policy process for administrative reform seemed very complicated to the public. First, Hashimoto initiated reform schemes in five other policy areas: 1) financial system, 2) economic structure, 3) fiscal structure, 4) social welfare, and 5) education. The Hashimoto administration simultaneously dealt with these five reform schemes together with administrative reform. Second, there were two committees which dealt with administrative reform. The new Administrative Reform Committee concentrated on deregulation, the disclosure of administrative information, and the division of labor between the public and private sectors. The Council on Government Decentralization, on the other hand, focused on the division of labor between the national and local governments, but these issues were interrelated. Although the chairmen of the two committees became members of the Administrative Reform Council, the two committees continued their own deliberations. It was so confusing that the average voter could not follow which council was involved in what. Third, the reform of "special corporations" or quasi-governmental organizations was separated from other issues, and was delegated to the LDP's Headquarters for Promoting Administrative Reform. The plans to reform the deficit-running organizations were to be handled without disclosure to the public.

The process of Hashimoto's reform efforts involved so many institutions that former Prime Minister Nakasone Yasuhiro claimed that they covered too many issues. Nakasone boasted of his administrative reform efforts in the 1980s, and tried to maintain political influence by involving himself in

Hashimoto's reform process. Nakasone's close associate and chairman of the LDP's Headquarters for Promoting Administrative Reform, Satô Kôkô, echoed him and said that Hashimoto's reform efforts were too broad and detailed, and should be focused on deregulation and fiscal reconstruction.<sup>8</sup>

Despite his criticism, Satô was strategically important for Hashimoto. LDP lower house members usually experienced a first cabinet position after six elections. Although Satô was elected to the lower house eleven times, he had never been appointed to a cabinet position. The reason was due to his criminal record stemming back to the highly publicized Lockheed scandal in 1974 which involved the selection of aircraft for a major Japanese airline. Nakasone asked Hashimoto to appoint Satô to a cabinet position, but Hashimoto instead appointed him to a position in charge of administrative reform within the ruling party. Hashimoto implied that Satô might get a cabinet position in the next reshuffle. Hashimoto wanted Satô's support to suppress the opposition within the LDP against his administrative reform program. The lack of cabinet experience made Satô a political insider who had built up influence within the party and therefore useful to Hashimoto.

### **Preparation of the Interim Report**

Between January and March 1997 with strong public attention, the Council held a series of hearings with scholars and experts to exchange views on administrative reform. One member explains this process: "None of the members had had experience in the bureaucracy. We did not know exactly where to start the reform effort. We needed to acquire basic knowledge about

the problems of the administration by inviting experts.”<sup>9</sup>

At the earlier stage of the reform process, crisis management was an immediate issue. The disastrous experience of the 1995 Hanshin earthquake, the ongoing hostage crisis in Peru which began in December 1996, and the oil spill disaster in the Sea of Japan in January 1997 all made crisis management a top priority issue. The Council decided to separate this issue from other issues and to draft proposals by May 1997 which would allow the Prime Minister greater control over government ministries in emergency cases. According to the government interpretation of the cabinet law at that time, the Prime Minister could not instruct the ministries without the unanimous consent of the entire cabinet. On May 1, the Council announced recommendations for a package of cabinet decisions which would allow the Prime Minister to directly instruct ministries in times of crisis. Included also was a recommendation for a new position in the Cabinet called the Director for Crisis Management. Although the new Director could intervene into the jurisdiction of the existing agencies, such as the National Defense Agency, no strong opposition from the bureaucracy was observed. This position was created under the Hashimoto Administration in April 1998.

Strong reactions from the ministries emerged when the Council held a series of hearings with every ministry and agency between May and June 1994. The Council asked specific questions of each ministry and agency as to how they could reform their own organization. The MOF, for example, was asked for its opinion on the issues that the ministry had opposed. These issues included: the separation of MOF's control over fiscal and financial

issues, the transfer of the budget-making function to the Cabinet and the privatization of the government minting and printing office. These inquiries were in line with the Hashimoto plan to separate the two major functions of the MOF into two different categories: fiscal policy was placed in the category of nation's survival, and monetary policy was placed in the category of national wealth. This could imply that the ministry would be further divided. The MOF argued against this division, and its officials felt threatened. Since there was no bureaucratic representative in the Council, MOF officials tried to manipulate the direction of deliberations through the secretariat.

The secretariat provided information that was used as basis for debate and provided summaries of previous arguments in the Council. The bureaucratic executives of the secretariat sneakily changed the words in the documents made available. For example, there was an argument for the establishment of an Economic Advisory Council which would give the Prime Minister strong leadership power over the national budget. Although this proposal appeared in the first version of the document called "Reinforcing Cabinet Functions," it was removed from the third version.<sup>10</sup> Obviously, this change reflected the intention of the MOF which did not want its budget-making power weakened.

The MOF had been at the center of public criticism against the national bureaucracy. On June 16 1997, one year after the political turmoil over the *jûsen* scandal, the Diet enacted legislation to establish the new Financial Supervisory Agency. As a result, the inspecting and supervisory authority over financial matters would be removed from the MOF. MOF officials



managed to maintain influence over the financial industry by keeping for themselves the planning function of financial policy. Proud officials of the MOF could not endure any further erosion of their power, and desperately sought influence over administrative reform planning.

Another example of bureaucratic omission was related to the proposal for a powerful cabinet office which would be in charge of coordinating different interests among the ministries on behalf of the Prime Minister. It was not desirable for most ministries to have such a powerful new office directly under the Prime Minister. The bureaucratic officials in the secretariat listed an alternative plan which would combine the Prime Minister's Office and the Management and Coordination Agency [MCA] without giving it coordinating power. According to this plan, the new office would have equal status with other ministries. In an attempt to manipulate the direction of deliberation, the secretary leaked the alternative plan to the media as the Council's original plan.<sup>11</sup> This upset Secretary-General Mizuno. At the June 25 meeting, he criticized the secretariat for the intentional leak, and reintroduced his plan to establish a cabinet office which would be headed by the Prime Minister and placed above the other ministries. At the July 2 meeting, several members of the council further criticized the secretariat. One member stated that "the documents provided by the secretariat must not show any judgement. . . . Otherwise, the secretariat cannot escape the criticism of manipulation."<sup>12</sup>

In its attempt to manipulate the deliberations the secretariat merged the Hashimoto Plan with the four policy categories in the documents. In order to avoid the division of the MOF's fiscal and financial power,

bureaucratic officials put the two functions under the same category of “the expansion of the national welfare.” At the July 7 meeting, Hashimoto openly criticized the secretariat for the change.<sup>13</sup> In order to avoid bureaucratic manipulation, Hashimoto decided not to use the secretariat’s materials, and to ask members of the Council themselves to provide documents.

Between July and August 1997, discussion of the issues moved to two subcommittees. While the Subcommittee on Plans and Institutions mainly dealt with plans to reinforce the role of cabinet, the Subcommittee on Organizational Issues dealt with reorganization of the national bureaucracy. Two scholars were appointed to lead the discussion of the subcommittees; Satô Kôji on plans and institutions and Fujita Tokiyasu on organizational issues. In the subcommittee meetings, these two scholars provided their own documents as a basis for deliberation. As the Council proceedings were under the strong control of its members, it became more independent of bureaucratic and political influence. Hashimoto asked Satô and Fujita to come up with an original plan for the interim report, saying that: “I will take care of all the political sides. Do not bend to political pressure and provide a good proposal based on your conscience as a scholar.”<sup>14</sup> The proposals for an economic advisory council and a cabinet office were re-inserted in the interim report. Since Hashimoto’s leadership in his administrative reform efforts was seen as strong, his popularity rate hit the highest at 59.2%.<sup>15</sup>

### **Battles over the Interim Report**

On September 3 1997, after a four-day series of intense meetings, the

Council presented an interim report that included rather drastic plans to streamline the bureaucracy. The plan called for strengthening the role of the Cabinet, privatizing postal savings and insurance services, dividing the politically-powerful Ministry of Construction, and decreasing the number of government agencies from 22 to 13, creating a cabinet office as a powerful support organ for the Prime Minister. If these plans were realized, Hashimoto's reform would be at least as significant as Nakasone's administrative reform in the 1980's, which privatized the national railways.

The limited bureaucratic and political influence on the Council made it possible to come up with ambitious proposals. These proposals did not go through the policy approval process of the three ruling parties -- the LDP, the Socialist Democratic Party (SDP) and *Sakigake*.<sup>16</sup> The situation was completely different from the 1980s in relation to Nakasone's administrative reform efforts. Nakasone requested his reform commission to make its proposals "feasible and practical" and to obtain the prior consent of the related ministries and the ruling party. Also, legislation required the government to adhere to the recommendations of Nakasone's Commission. Hashimoto, on the other hand, when presenting the Council's interim report to the representatives of the coalition parties, had to bow and ask them to "pay the highest regard to the proposal."<sup>17</sup>

Media and political attention focused mainly on the reorganization of government ministries, and not on strengthening the role of the Cabinet and other proposals. The reduction of the number of agencies would clearly create winners and losers among the government agencies. This was quite

different from Nakasone's administrative reform which forced all the government agencies to feel the same pain. Losers began attacking Hashimoto's plan.

LDP's *zoku* members argued that there was no need to pay high regard to the recommendations of the Council because it did not have legislative approval. LDP members who were seeking to maintain voter support in the postal industry, for example, strongly opposed the idea of privatizing the postal saving and life insurance services. Special post offices, which make up 80% of Japan's 24,600 postal outlets, serve as a solid support base for many LDP members in election times. Hashimoto's privatization plan and the absorption of the telecommunication function into the proposed Industry Ministry would have effectively dissolved the Ministry of Post and Telecommunication (MPT), an unpopular move amongst those offices. On September 5, Chairman of the LDP Telecommunication Subcommittee Furuya Keiji met with LDP Secretary General Katô Kôichi and Policy Research Council Chairman Yamazaki Taku, and told them that they would oppose the privatization of postal services. Yamazaki publicly stated that the LDP would begin talks with the two other coalition parties on postal services, and would start from "scratch."

The mass media supported the Council's plan to privatize postal saving and insurance services. These services provided large financial resources for quasi-governmental organizations which had been criticized by many economists and the public for their inefficient investments. The postal saving service attracted as much as 35% of the nation's individual savings by

offering a higher interest rate made possible by the injection of tax money.<sup>18</sup> Many economists argued that this created a major distortion in Japan's financial market.

The public, however, did not feel this problem and was satisfied with the existing postal savings services. According to an *Asahi Shimbun* survey, 54% of those polled said they were against the privatization of these services.<sup>19</sup> The poll showed that people who lived in less populated areas with no commercial banks desperately needed the services, and that those who lived in urban areas did not have particular dissatisfaction with them. This was completely different from the national railway situation under Nakasone's administrative reform in which dissatisfied and angry customers formed a strong political support base for privatization.

The Council, already weak without legal backing, faced trouble when Hashimoto's popularity declined over the appointment of Satô Kôkô to a cabinet post in a cabinet reshuffle. After Satô had served as chairman of the LDP Headquarters for Promoting Administrative Reform, Hashimoto could no longer reject former Prime Minister Nakasone's demand to give him a cabinet post. Satô's appointment also was a political gift to the conservative wing of the LDP led by Nakasone. The LDP was split into wings, one which supported the existing coalition with the Socialists and *Sakigake*, and the other which called for a conservative coalition with the New Frontier Party (NFP). Hashimoto, without a strong power base within his own party, was running the government on this delicate balance between the two wings. Reappointing the leaders of the pro-coalition group into LDP leadership

positions, such as Secretary-General Katô Kôichi, Hashimoto needed to resort to appeasement to win the support of the conservatives. Hashimoto was in effect forced by Nakasone to replace Mutô Kabun with Satô as the MCA Director-General, a key position for Hashimoto's top priority issue of administrative reform.

Sensitive to public opinion, Hashimoto was hesitant to appoint Satô to a cabinet post because of his criminal record. LDP Secretary-General Katô revealed Hashimoto's agony by stating in a television discussion program "up until the last moment, the Prime Minister was torn between Mr. Nakasone's pressure and public opinion."<sup>20</sup> Public reaction was much stronger than Hashimoto had expected. According to a Kyodo News poll, 74% of the respondents said that they were against Satô's appointment. Subsequently Hashimoto's popularity rating dropped dramatically from 60% to 28%.<sup>21</sup> After a week of political turmoil, Satô "voluntarily" resigned. At a press conference Hashimoto bowed deeply and expressed his apology to the public saying he "had not considered public opinion enough."<sup>22</sup>

This appointment and resignation incident had changed the political environment surrounding Hashimoto's administrative reform. Former MCA Director-General Mutô Kabun, who served as deputy chairman to the Council, now headed the LDP's Headquarters for Promoting Administrative Reform. A delicate political balance existed between Satô and Mutô. They were both sub-leaders within the former Nakasone faction who sought to succeed to the faction's leadership. Angered by his removal from the cabinet position due to Satô's appointment, Mutô began attacking the interim report for which he

himself was responsible. Mutô said at a meeting of the Headquarters that the report would not be binding on their discussions. A powerful political insider, Satô was forced to resign from the cabinet post in charge of administrative reform. Mutô changed from a strong supporter to a major opponent of the reform scheme. Hashimoto lost two most strategic political players for his efforts.

As Hashimoto's popularity dropped, the LDP's *zoku* members took the opportunity to attack the Prime Minister's administrative reform. In addition to the postal *zoku* members, other *zoku* members also joined the movement against Hashimoto's reform plan. The powerful construction *zoku* members, for example, publicly opposed the plan to divide the function of the Ministry of Construction (MOC) into two newly-created ministries. Against their campaign pledges for administrative reform, LDP members swarmed to attack Hashimoto's reform plan in order to protect special interests, an old habit the ruling party had developed under the one-party dominant system.

After the interim report was announced, political-level committees on administrative reform were created amongst the three coalition parties and within the LDP. Virtually all the government agencies asked for help from their patron LDP members to acquire a better deal in the reform scheme. The opinions of these committees were reported at the Council meetings. Besides such political pressure, many interest groups persistently lobbied the members of the Council. The workers at local post offices and construction companies were approached and requested to write to council members. Bureaucratic officials stepped on each other's toes as they struggled to secure

appointments with Council members to explain their standpoints.<sup>23</sup> As the Council members began considering their opinions, Hashimoto's administrative efforts were no longer independent from political and bureaucratic influence.

Over controversial issues, such as the privatization of postal savings and life insurance services, and the division of the MOF and the MOC, there were widening gaps in the opinions of the Council members. At the September 17 meeting, for example, five different members stated their opposition to the privatization plan, and three members questioned the division of the MOC. As Moroi Ken describes, "that was the birth of '*zoku iin*' [or *zoku* Council members]."<sup>24</sup> On September 27, the LDP Headquarters for Promoting Administrative Reform presented its proposal to reform the postal services, instead of adopting the privatization plan in the interim report.<sup>25</sup> As political pressures mounted, a major reworking of the interim report seemed more and more inevitable.

Prime Minister Hashimoto's weakness, his lack of power base within the LDP, and his dwindling political courage became more evident in a series of statements and actions in early October 1997. On October 1, the LDP's Policy Subcommittee on Communications and the Policy Research Committee on Telecommunications jointly voted for a resolution to maintain the government-run status of all the three postal services. Five days later at the LDP Executive Council meeting, the opposition to the privatization of the postal services was overwhelming. One member emphasized that LDP members knew the needs of people much better than the Council members.<sup>26</sup>



Following the October 8 Council meeting a member, Arima Akito, tried to encourage the Prime Minister who was fighting against such political opposition, saying "we totally support you. Please boldly proceed with your reform efforts." Another member, Moroi Ken, also stated that "administrative reform must be implemented now. Only the Hashimoto Administration can achieve this." Hashimoto's reply, however, was not encouraging: "There is a need for the government and the ruling party to achieve this policy together. In this sense, I need some moderation."<sup>27</sup>

Although Hashimoto was ready to compromise on some specific issues, he was determined to fight for the creation of twelve ministries and a cabinet office. There was no rationale behind his stance and it was purely political. With strong media attention on the reduction plan, any increase in the number would be widely reported as a major defeat.<sup>28</sup>

Economic conditions further eroded Hashimoto's leadership. The consumption tax was raised from 3% to 5% in April, tax increases and a tight spending policy in the FY 1997 budget slowed down the economy far more than Hashimoto had anticipated. The GDP growth rate of the second quarter (April-June) of 1997, which was announced in mid-September, was minus 2.8%, nearly a 5% drop from the previous quarter. Medical costs were increased in September 1997 and the addition of this burden upon people was expected to make economic recovery difficult. The media portrayed the worsening recession as due to Hashimoto's policy failures. This further tilted the power balance between the Prime Minister and the LDP towards the latter. Moroi Ken observed that "Prime Minister Hashimoto lost his strong

determination which he had had at the beginning of the reform efforts.”<sup>29</sup>

On October 14, Chairman of the LDP Headquarters for Promoting Administrative Reform Mutô sent the result of his committee’s discussions to the Prime Minister’s Office. He implicitly declared to the office that the LDP would be the final decision-maker. As Hashimoto’s leadership weakened, the lobbying activities of interest groups and their patron LDP *zoku* members were so widely reported in the media that nearly 80% of voters in a poll found that lobbying by *zoku* members was a problem.<sup>30</sup> At the Council meetings, its members found that Prime Minister Hashimoto was under strong political pressure and he was avoiding a decisive statement on controversial issues.<sup>31</sup> A strong determination for drastic reform was no longer apparent in Hashimoto.

Between November 17 and 21 1997, a second intensive session of the Council was held in order to produce its final report. Simultaneously, the three coalition parties held a conference on administrative reform to define their position. Much negotiating, compromising and deal-making took place in this final stage. Not only the LDP but also the Social Democratic Party opposed the postal services privatization plan. On November 18, the three parties agreed that the three postal services would remain government-run which was announced the Council meeting. Although it was expected, it disappointed the members and they then delegated all the authority to Prime Minister Hashimoto to negotiate with the three coalition parties on further reform suggestions. Moroi Ken, a member of the Council explains that, “at the earlier stage, I suggested that the Council leave the final decision on

highly political issues, including the privatization of postal services, to the Prime Minister. I did not think that the Council should nor could make such decisions.”<sup>32</sup>

Because the LDP, the SDP and *Sakigake* representatives were determined to reject the privatization plan, Hashimoto proposed a compromise. The postal services would remain government-owned, but they would be separate from the ministry and operated by a new government corporation within five years. The coalition parties hesitated to accept Hashimoto's proposal because the government corporation plan seemed like a step toward privatization. In order to reach an agreement with the coalition parties, Hashimoto promised that the government would not privatize the postal services. In return, the coalition parties also agreed to allow private companies to compete with the postal services, and that none of the three postal services would receive subsidies.

When the most controversial issue of Hashimoto's administrative reform effort was resolved the Council introduced its final report. While Hashimoto managed to retain the idea of thirteen agencies and the plan to strengthen the cabinet's role, he had to yield in several areas. As described above, the postal services privatization plan was abandoned. Postal services would be continued as a government operation under the Postal Service Agency for five years, and later would be run by a newly-created government corporation. All the functions of the Construction Ministry would be continued under a new Ministry of National Land and Transportation.<sup>33</sup> In the final report, an agreement was not reached on the separation of the fiscal

and financial functions of the MOF amongst the coalition parties. *Sakigake* strongly pushed for a total separation which the LDP was hesitant to support, later a political compromise was reached. According to the compromise, the MOF would keep its influence over financial policies, by maintaining its authority over financial crises.

On December 4, the Hashimoto Cabinet decided to implement the Administrative Reform Council's final report. Two months later, a bill for the Basic Law for the Reform of Central Government Ministries and Agencies, based on the final report, was approved by the Cabinet and submitted to the Diet. The law outlined reforms that must be carried out within five years. Separate legislation revising many existing laws would also be required for further details. More than 90 hours were spent on the deliberation of this bill but there were few controversial debates. On June 9, 1998, the Hashimoto government was successful in having the legislation passed in the Diet.

After the passage of the legislation, Prime Minister Hashimoto formed the LDP Headquarters for Central Government Reform to draft the revisions of the existing laws. In order to oversee the process of administrative reform, Hashimoto formed an Advisory Council chaired by *Keidanren* Chairman Imai Takashi.<sup>34</sup> Though new institutions were created, Prime Minister Hashimoto could not continue his reform efforts. In the July 1998 upper house election, the voters demonstrated their discontent in relation to Hashimoto's handling of economic policy and his lack of leadership. The LDP lost 17 seats, leaving it 23 seats short of a majority in the 252-seat chamber.

This historic loss forced Prime Minister Hashimoto to resign in the midst of administrative reform.

### Reform After Hashimoto

Three LDP dietmen declared their candidacy to succeed Hashimoto -- Foreign Minister Obuchi Keizô, former Chief Cabinet Secretary Kajiyama Seiroku, and Health and Welfare Minister Koizumi Jun'ichirô. Obuchi, who promised to trim down the central government by cutting 20% of its employees within ten years, was elected with 225 of the 411 votes cast. In his first policy speech on August 7, 1998, Obuchi stated, "my target is to submit, under political leadership, the necessary legislation to the Diet as early as next April, aiming to launch the transition to the new regime in January 2001. I will not retract this schedule."<sup>35</sup>

Despite of the verbal commitments, Prime Minister Obuchi showed little personal involvement in administrative reform. Obuchi attended only five of thirteen advisory council meetings on administrative reform. Apparently, economic revitalization was more urgent issue for the Prime Minister who attended all the Economic Strategy Council meetings which proposed various measures for reviving the Japanese economy.<sup>36</sup>

In the fall 1998 Diet session, Prime Minister Obuchi had difficulty having the economic revitalization bills passed with majority control of only the lower house. In order to legislate the financial renewal bills to help the troubled banking industry, the government party reluctantly adopted the Democratic Party's proposal to gain support from the largest opposition party,

as well as from *Kômeitô* and the Socialist Party. In the negotiation process, the LDP made an agreement with the Democratic Party and *Kômeitô*, against opposition from within the government and the ruling party, to remove authority over the financial industry from the Ministry of Finance. The LDP sought to team up with the democrats and sought cooperation with the Liberal Party to promote legislation for early reconstruction of the financial system. In order to pass the budget bills, the LDP had to cut a deal with *Kômeitô* by agreeing to issue consumption coupons to children under 16 and selected elderly people.

These difficult Diet operations made Prime Minister Obuchi and his cabinet to realize the need to form a coalition government. Obuchi had to secure the passage of the bills to revise the U.S.-Japan Security guidelines during the 1999 ordinary Diet session. Obuchi's choice for a partner was Ozawa Ichirô's Liberal Party. It was surprising and reasonable at the same time, surprising in consideration of the strong animosity against Ozawa among LDP members, and reasonable considering the Liberal Party's policy of strengthening the U.S.-Japan Security relationship.

The Liberal Party set several conditions for its participation in the coalition, including the immediate reduction of the number cabinet ministers, the gradual downsizing of civil servants by 25% over ten years and an end to the government commissioner system which allows civil servants to answer questions at the Diet. Before the coalition was officially formed, the LDP agreed to reduce the number of cabinet posts from 20 to 18, and to form five project teams between the two parties to further pursue policy arrangements.

Two of these project teams were directly involved in administrative reform. One team discussed the abolition of the government commissioner system, and the introduction of deputy ministers to strengthen the position of the parliamentary Vice Minister. Another team dealt with reorganization of the central government and the downsizing of the number of civil servants. After negotiations, the two parties agreed on a detailed scheme for the reduction of government employees by 25% over 10 years (5% higher than Obuchi's original target), the abolition of the government commissioner system, and the number of deputy ministers to be appointed. These agreements were incorporated in the final administrative reform bills.

Despite the limited personal involvement of Prime Minister Obuchi, the establishment of the LDP-LP coalition government in January 1999 accelerated the administrative reform effort. For the first four months of 1999, the secretariat of the Headquarters of Central Government Reform was extremely busy preparing administrative legislation reform. As most of the secretariat officers were sent from the different ministries and agencies, there were concerns that they might fight with each other or sabotage their tasks in order to protect their home ministries' interests. Except for the redrawing of jurisdiction boundaries for the twelve ministries, there were no major inter-agency conflicts. One of the two dozen officers in the secretariat sent by private organizations stated that the other members, "were competent bureaucrats who would work effectively once their tasks are specified."<sup>37</sup>

The only major backlash from the bureaucracy was from the Ministry of Finance. MOF officials moved to retain some of their financial functions in

opposition to the October 1998 three-party agreement. The Democratic Party criticized this move and stressed that any deviation from the agreement would destroy trust in the LDP. MOF officials also tried to reverse the decision to accept the Japanese name, *Zaimushô*, for their ministry and attempted to retain the name *Ôkurashô* which literally translates as the Ministry of Treasury and which had a 1,500 year history. Former Prime Minister Hashimoto, who emphasized the symbolical importance of the name change in the bureaucracy streamlining, argued that there was no specific need to maintain this name and that institutions had changed their names before. At the end, the MOF won one battle and lost the other. The Obuchi Government decided to break the agreement with the Democratic Party, while sticking with the new name, *Zaimushô*, which is a more accurate translation of the English name, the Ministry of Finance. The Democratic Party condemned the decision, but its influence was limited because the LDP gained support from the other participant of the three party agreement, *Kômeitô*.

On the political front, LDP *zoku* members, who had actively resisted Hashimoto's reform efforts before the December 1997 final report, took little action as if all the fights were over. MCA Director General Ôta Seiichi, a cabinet member who was in charge of administrative reform in the Obuchi Cabinet, stated at an Advisory Council meeting, that "the lobbying from diet members has been really limited, surprisingly limited." Deputy Chief Cabinet Secretary Suzuki Muneo further said, " 'limited' is not an accurate description. Nothing happened. Never happened."<sup>38</sup>

With an unexpectedly restrained political battle, the Obuchi Cabinet



approved 17 related bills on administrative reform and on the following day, the cabinet introduced them to the Diet. After deliberation in both chambers, the bills passed the Diet on July 8, 1999, which promised to bring drastic organizational change to the central government in January 2001.

## Conclusion

Previously, I divided the Japanese Prime Minister's leadership style into four categories depending on the informal sources of power which they have and utilize. They were the political insider, the grandstander, the kamikaze fighter; and the peace lover.<sup>39</sup> The political insider is a leader with abundant internal sources of power who enjoys stable support within the ruling party, and close ties with the bureaucracy and the opposition parties. Typical examples of this type are Satô Eisaku, Tanaka Kakuei and Takeshita Noboru. The other three leadership styles lack internal sources of power. The grandstander -- such as Nakasone Yasuhiro and Hosokawa Morihiro -- directly seeks external support from the public and the media for his policy goals to compensate for his lack of internal sources of power. The kamikaze fighter -- like Kishi Nobusuke -- tries to implement an unpopular policy by sacrificing his political leadership. The peace lover -- such as Suzuki Zenkô and Kaifu Toshiki -- is an indecisive leader who fails to achieve controversial policy goals because he tries to please all the actors.

In which of the four categories can Hashimoto Ryûtarô be placed? Hashimoto was elected LDP president in September 1996 not because of his power base within the party but because of his popularity amongst the public.

Hashimoto was often described as the lone wolf as he had very few enthusiastic followers within the party, even in the Obuchi faction to which he belonged. While Hashimoto had expertise in some policy areas and many admirers in the bureaucracy, his ties with the opposition parties were limited. Therefore, it probably is not appropriate to classify him as a political insider.

With limited internal sources of power, Hashimoto actively sought public support. After Hashimoto managed to pass the politically difficult *jusen* bills, he was rewarded by the public when the LDP gained more seats in the October 1996 lower house election. Without losing any momentum from the election victory, he formed the Council on Administrative Reform, and named himself chairman. In his policy speech, he expressed his commitment to the reform effort. As the public saw Hashimoto's determination, his approval rate rose strengthening his control over the government and the party.

During the first two years, Hashimoto showed leadership, and his policies moved forward as they were backed by the public. In relation to the revision of the land-lease law for the American bases in Okinawa in Spring 1997, Hashimoto successfully acquired support from the opposition New Frontier Party when the government failed to reach an agreement with the Social Democratic Party. In September 1997, Hashimoto won a second term as LDP president without a contest. At his political peak, Hashimoto's Council introduced an interim report which contained many difficult reorganization proposals to streamline the national government agencies. At this point, he could be classified as a grandstander, taking advantage of public

support to supplement his weak power base inside the political circle.

Everything fell apart after the cabinet reshuffling of September 1997. Hashimoto appointed to the cabinet Satô Kôkô, a man with a criminal record. This appointment was made in order to win the support of the conservatives for the success of the administrative reforms on which he staked his political life, as a kamikaze fighter would. He decided to sacrifice public support in order to gain internal support. At this point, Hashimoto was no longer a grandstander.

The public reaction was much stronger than Hashimoto expected. His popularity rating dropped dramatically. As Hashimoto's popularity declined, LDP's *zoku* members took the opportunity to attack the Prime Minister's administrative reform. After his failure to maintain public support, the Prime Minister became more like a peace lover, as he scrambled to maintain political support for his reform efforts. Although Hashimoto salvaged his idea of reducing the number of ministries to thirteen, many political compromises were made. The final report on Hashimoto's administrative reform was a major setback.

With a weaker power base within the ruling party, a Prime Minister must attract considerable public and media support in order to effectively maintain a fractious coalition government, and to fight against *zoku* members in achieving his policies. Without public support, it is difficult for him to suppress the opposition of powerful *zoku* members, as seen in Hashimoto's administrative reform effort. The Prime Minister today must bear in mind that his will and ability to attract public support is the most critical factor for

**the successful achievement of major policy goals.**

## Endnotes

- <sup>1</sup> They were Iida Yôtarô of Mitsubishi Heavy Industry who chaired the Administrative Reform Committee, Toyôta Shôichirô of Toyota Motors who chaired the Economic Policy Council and Moroi Ken of Chichibu Onoda Co. who chaired the Council on Government Decentralization.
- <sup>2</sup> The five scholars were Arima Akito of Tokyo University, Inoguchi Kuniko of the Sophia University, Kawai Hayao of the International Center for Japanese Culture, Satô Kôji of Kyoto University, Shionoya Yuichi of Hitotsubashi University and Fujita Tokiyasu of Tohoku University. The two media representatives were Kawaguchi Mikio of NHK and Watanabe Tsuneo of Yomiuri shimbun, and the labor representative was Ashida Jinnosuke of the *Rengô* [labour union].
- <sup>3</sup> Deputy Secretary General Yagi Toshimichi was former Deputy Director General of the Management and Coordination Agency. Three executive members were Sakano Yasuharu of the Management and Coordination Agency, Koyama Yutaka of the Prime Minister's Office and Ofuji Toshiyuki of the Ministry of Finance.
- <sup>4</sup> The twelve researchers were from Asahi Beer, Nippon Steel, Toyota Motors, Tokyo Electric Power, Toshiba, Nissan Motors, NEC, Mitsui, Mitsubishi Electric, IBM Japan, *Keidanren* and *Rengô*.
- <sup>5</sup> One of the researchers at the Council on Administrative reform, interview by author, December 19, 1997.
- <sup>6</sup> Policy Speech by Prime Minister Hashimoto Ryûtarô to the 139<sup>th</sup> session of the Diet, November 29, 1996.
- <sup>7</sup> A poll taken by Kyodo News Service on December 7-8, 1996.
- <sup>8</sup> Mabuchi Masaru, "Shôchô Saihen, Hashimoto Gyôkaku no Owari," [The reorganization of government agencies -- the end of Hashimoto Administrative Reform], *Chûô Kôron*, February 1998, p.49.
- <sup>9</sup> Moroi Ken, interview by author, October 22, 1998.
- <sup>10</sup> Mizuno Kiyoshi, "Gyôkaku Kaigi: Kanryô tonô Kôbô," [The administrative reform council: Fights with bureaucrats], *Bungei Shunjû*, October 1997, pp.105-7.
- <sup>11</sup> *Nihon Keizai Shimbun*, June 20, 1997.
- <sup>12</sup> Gyôsei Kaikaku Kaigi Jimukyoku, "Gyôsei Kaikaku Kaigi dai 20kai Giji Gaiyô," July 2, 1997.
- <sup>13</sup> Gyôsei Kaikaku Kaigi Jimukyoku, "Gyôsei Kaikaku Kaigi dai 20kai Giji Gaiyô," July 7, 1997.
- <sup>14</sup> Fujita Tokiyasu, "Gyokaku Kaigi Iin Zen Uchimaku wo Kataru." *Bungei Shunjû*, February 1998, p.389.
- <sup>15</sup> A poll taken by Kyodo News Service on July 12-13, 1997.
- <sup>16</sup> Although Hashimoto held several meetings between the government and the LDP on administrative reform between January and July 1997, the ruling party had very limited influence over the interim report.
- <sup>17</sup> *Nihon Keizai Shimbun*, September 4, 1997.
- <sup>18</sup> Total postal savings amounted 225 trillion yen at the end of 1996.
- <sup>19</sup> A poll taken by *Asahi Shimbun* on September 7-8, 1997, *Asahi Shimbun*, September 10, 1997.
- <sup>20</sup> Katô Kôichi's statement in "Hôdô 2001," Fuji television, September 14, 1997.
- <sup>21</sup> *Tokyo Shimbun*, September 17, 1997.
- <sup>22</sup> Prime Minister Hashimoto Ryûtarô's statement at a press conference, September 22, 1997.
- <sup>23</sup> Fujita Tokiyasu, pp.390-91.
- <sup>24</sup> Moroi Ken, interview by author, October 22, 1998.

- <sup>25</sup> Instead of privatization, it suggested that: 1) funds from the postal service should not be used for fiscal loan and investment programs 2) part of funds should finance the government deficit 3) the interest rate for postal savings should be lower than that of private banks and 4) the number of employees of post offices should be significantly reduced. *Nihon Keizai Shimbun*, September 28, 1997.
- <sup>26</sup> *Asahi Shimbun*, October 10, 1997.
- <sup>27</sup> Gyōsei Kaikaku Kaigi Jimukyoku, "Gyōsei Kaikaku Kaigi dai 31kai Giji Gaiyō," October 8, 1997.
- <sup>28</sup> Fujita Tokiyasu, pp.390-91.
- <sup>29</sup> Moroi Ken, interview by author, October 22, 1998.
- <sup>30</sup> They claimed that intimate relations between politicians and specific industries were not desirable, that industry and ministry's interests were elevated over national interests. The opinion poll was conducted on October 25-26, 1997 with 1952 samples. *Yomiuri Shimbun*, November 4, 1997.
- <sup>31</sup> *Nihon Keizai Shimbun*, October 19, 1997. Also, Gyōsei Kaikaku Kaigi Jimukyoku, "Gyōsei Kaikaku Kaigi dai 32kai Giji Gaiyō," October 15, 1997.
- <sup>32</sup> Moroi Ken, interview by author, October 22, 1998.
- <sup>33</sup> The new Ministry of National Land and Transportation would be a merger of the Ministries of Construction and Transportation, and the Agencies of National Land, Hokkaido Development and Okinawa Development.
- <sup>34</sup> The other members included two scholar members of the Administrative Reform Council, Satō Kōji and Fujita Tokiyasu, and six new members, former Deputy Chief Cabinet Secretary Ishihara Nobuo, Koike Tadao of Mainichi Shimbun, former Economic Planning Agency Chief Takahara Sumiko, Emoto Teruhito of *Rengō*, Yamaguchi Nobuo of Tokyo Chamber of Commerce, and Nishizaki Tetsurō.
- <sup>35</sup> Policy speech by Prime Minister Obuchi to the 143rd session of the Diet, August 7, 1998
- <sup>36</sup> About the proceedings of the Economic Strategy Council, see Takenaka Heizō, Keisei Zaimin: Keizai Senryaku Kaigi no 180 nichi, [Governing the world to rescue people: 180 days of the Economic Strategy Council] Daiyamondo-sha, Tokyo, 1999.
- <sup>37</sup> Asakura Kōji, interview by author, Tokyo, April 26, 1999.
- <sup>38</sup> "Chūō Shōchō Suishin Honbu/ Komon Kaigi (dai 9 kai) Gijiroku," December 17, 1998.
- <sup>39</sup> Tomohito Shinoda, *Struggle to Lead: The Japanese Prime Minister's Power and His Conduct of Economic Policy*, University Microfilm International, Ann Arbor, Michigan, 1994, and Tomohito Shinoda, *Kantei no Kenryoku*, Chikuma Shinsho, Tokyo 1996.