

Changing the Guard in the Provinces

A New Platform for Hard Times

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Starting in mid-2000, independent candidates in Japan have shocked observers with underdog victories against candidates supported by what were thought to be well-entrenched political machines. On March 25, 2001 in Chiba, running without the support of a major political party, Akiko Domoto upset the major party candidates to become the first non-LDP governor in more than two decades. Just to the north of Tokyo, in November 2000 in Tochigi, when a little-known candidate upset the LDP incumbent of 16 years, the *Asahi Shimbun* said “the earth moved again in local politics.” *Again*, because only one month before, perhaps the most startling upset of all was fashioned by a novelist running in his first political campaign ever. Yasuo Tanaka, author of the 1980 best-seller *Nantonaku Crystal* [Somehow, Crystal] also beat an establishment favorite, the handpicked successor of an old-style governor who had held the post for 20 years. The loser enjoyed the support of both the LDP and the Minshuto. A key characteristic of the three candidates is that all ran without the support of any established political party.

What’s going on? Are established political structures “starting to crumble,” as suggested by the *Asahi Shimbun*? Is this purely a phenomenon of local politics, without implications for the national political scene? Are these elections of little importance because Japan is a country with a powerful central government and prefectural governments mean little? The answers to all of these questions are very clear.

“Crumbling?”

The people are angry. Political systems fail when they no longer deliver the goods that have kept them in power. The American expression is “throw the bums out!” when the “bums” no longer deliver.

The heyday for the entrenched system was the 1980s, the period of high economic growth. With jobs aplenty and a bright economic future for all, the electorate was happy. Of equal importance, economic growth provided an abundant source of largesse in the form of construction and public works projects up and down the country. Now this system must be unwound.

The economy has been flat for a full decade. Funding for public projects must be cut back. In 2000, when Moody’s announced a downgrade of Japanese government bonds, it noted “policy shortcomings and structural problems resulting in a level of government indebtedness that has become the highest, relative to gross domestic product, among the advanced industrial economies.”¹

Public debt exploded as the collapse of the *Bubble* exposed dysfunctional aspects of Japan's economy. Prime among these is the gross misallocation of resources represented by Japan's construction industry. According to Professor Gavan McCormack, approximately 40 percent of the national budget in recent years has been devoted to the construction industry, and that total is more than double the amount spent on public works in the United States, or in proportion to land area, more than 30:1.²

Construction is by far the largest industry in Japan. The absurd growth of the industry, symbolized by bridges to sparsely populated islands, bullet train lines running into the mountains and dams all over the country, is not an accident, but a matter of policy. The arrest of Shin Kanemaru provided the opportunity to explore details of the relationship between national politicians and the construction industry. Again, according to Professor McCormack, "it was learned that one percent of all public works contracts of up to two or three billion yen, and 0.5 percent in cases of contracts for sums of more than ten billion yen, had been going in gifts to politicians."³

Now the construction industry is bankrupt and the banks that finance it survive courtesy of national government funding. Goldman Sachs economist David Atkins recently calculated that 85 percent of Japan's problem loans are concentrated in the construction, retail, real estate, financial and services sectors and that "at current earnings levels,...it would take Japanese businesses in those industries 150 years to pay back their loans." The case of Kumagai Gumi, a major general contractor is illustrative. According to a recent report, the company carries about 1 trillion yen in debt. "In December 2000, Kumagai's lenders, led by Sumitomo Bank, forgave ¥430 billion of that debt in exchange for a sweeping restructuring plan that calls for reducing the work force by 30 percent over three years, selling assets and closing 14 of the company's foreign offices. The plan envisions a Kumagai Gumi with ¥242 billion in debt—12 years from now."⁴

While well-placed politicians have collected their share of the immense public works contracts, residents near the dams, high speed railways, and showcase bridges have benefited from business opportunities, employment and the convenience created by improved transportation and other services. This is standard pork barrel politics.

Now that the great general contractors and the banks are at the edge of collapse and the national debt burden is the most frightening among developed economies, even the entrenched interests may agree that it is time for a change. There is not so much pork left in the barrel. So the new candidates have turned the system completely on its head. Incredibly, instead of proclaiming their service to local residents by displaying the political power to bring big projects to their districts, they are doing the reverse--successfully campaigning *against* large-scale public works.

Perhaps, the turning point came in 1993. This was a year of dramatic change in Japan's political world. The Miyazawa government was brought down by a no-confidence motion and Morihiro Hosokawa became the first non-LDP prime minister in 40 years. That same year, a lesser-known politician named Shiro Asano was elected governor of Miyagi Prefecture. Hosokawa may be long gone, but Asano is still in power. His story may shed some light on Japan's murky future.

Sendai

Following the arrest of Shin Kanemaru, Tokyo prosecutors launched a campaign against corruption in the construction industry. A primary focus was bid rigging on public works in the Sendai area. In the summer of 1993, the prosecutors struck. In one of the largest scale corruption investigations of the post-war period, prosecutors arrested the mayor of Sendai, the governors of Ibaraki and Miyagi prefectures, the chairmen and presidents of two major *zenekon* companies, and nearly a dozen other senior executives from a long list of contractors. In the following year, this campaign led to the arrest of former Minister of Construction Kishiro Nakamura.

On June 29, 1993, the same day as the arrest of Sendai mayor Toru Ishii, a small team of do-gooding lawyers appeared at Sendai City Hall. Outraged at reports of corruption in their local government, they decided to conduct an investigation of their own.⁵ They came to city hall to file requests under Sendai's information disclosure ordinance in order to examine government files. The attorneys had two initial targets: to clarify entertainment spending by senior officials and to investigate a local real estate deal involving the city's purchase of land for a park. They suspected that word of the city's plans had been leaked to insiders who then acquired the land and sold it back to the city at a mark-up of two to three times market value.⁶

As local officials pondered how best to respond to the attorneys' troublesome demands, events were also moving forward on the local political front. Arrested and charged with accepting bribes, Miyagi Prefecture governor Shuntaro Honma resigned, precipitating an election. In November 1993, within days of the election, Shiro Asano announced that he would run. Asano, then in his mid-40s, had been a career official in the then-Ministry of Health and Welfare. He won the election with a campaign featuring his attack on established political parties.

As Asano took up his new duties, Sendai attorneys continued their search. After nearly a year of grappling with the Miyagi books, they hit upon a curious expense category labeled *shokuryohi* or "food expenses." Intended to cover the costs of incidental meals provided when office staff worked late and similar occasions, they discovered that this account was instead used as a cover for millions of dollars in questionable entertainment spending.

For example, they discovered that, of 70 items under this expense column for the finance section of Miyagi Prefecture in fiscal year 1993, 64 of the expense records were created on May 17, 1994. It also appeared that the majority of the reports were in the same handwriting. Clearly, the reports had been manufactured after the fact.

Further analysis revealed that the tabs included heavy volumes of alcohol. For example, one expense report said that a party of six people consumed 30 bottles of beer, 26 decanters of sake, and four bottles of *reishu* (chilled sake). Another stated that 17 individuals drank 30 bottles of beer, 18 decanters of sake, and ten bottles of wine (at a cost of 15,000 yen each).

Through the autumn and winter, the Sendai attorneys demanded copies of expense reports, restaurant receipts, and other details. They were not satisfied by the response from the local officials. Details such as the names of restaurants and the identities of those participating in the events had been blacked out of the released documents. Pleas for additional details were rejected. On March 3, 1995, they filed suit in Sendai District Court under the Miyagi information disclosure ordinance.

From Sendai to the Nation

As they worked through the great puzzle of the Miyagi accounts, the Sendai attorneys contacted colleagues around the country to discuss their project. Not surprisingly, attorneys in Osaka, Nagoya, and elsewhere shared their concern and enthusiasm. Before long, the Sendai attorneys called a meeting to share information. This was held in July 1994, one year after the national prosecutors' great sweep through the Tohoku construction industry and political world. It was attended by about 130 people from around the country. Sendai attorney Kazuhiro Yoshioka served as the chair.

Following a precedent set by a citizens group in Osaka more than a decade before, the participants decided to call themselves the "Citizen Ombudsmen." They didn't know it at the time, but they had laid the foundation for a nationwide anti-corruption drive that would occupy the front pages of Japan's newspapers for months and would result in tens of thousands of government officials being subjected to fines and other punishments.

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The critical step was taken in early 1995, when the newly-formed group agreed to a startling plan. They would make a coordinated strike, simultaneously filing identical demands concerning “food expense” records with each of Japan’s 47 prefectures and all of the major cities. The date chosen was April 25, 1995.

According to one participant, on that date “requests were made for documents related to ‘food expenses’ (*shokuryohi*) of the secretary’s section, the finance section, and the Tokyo office of virtually *all prefectures and major cities (seirei toshi)*. There were only four prefectures and two cities where requests were not filed. A simultaneous nationwide request filed with approximately 50 local governments (under approximately 50 separate ordinances) was unprecedented.

By the end of May, the Sendai attorneys had received 40 responses and began production of an omnibus report. The data indicated that under the three categories selected (Tokyo office, secretarial section, and finance section), the average annual “food expense” was 2.3 billion yen (roughly \$20 million). Extrapolating from this data, they estimated that the total annual expenditure for all local government agencies for this category at approximately 30 billion yen (roughly \$250 million), a figure that was later confirmed by an *Asahi Shimbun* study.

The local press began to report the activities of the Sendai attorneys some time early in 1995. The District Court filing on April 25 provided the perfect opportunity to hold a press conference and tell their story. Governor Asano found himself in a tight spot. He had been swept into office on a tide of popular anger against corrupt government. Now, as governor, he was the named a defendant in a suit demanding that the government open its files. The standard response was to stonewall. His subordinates insisted that the attorneys were seeking confidential information inappropriate for public disclosure. This aligned them with local governments across the country.

Confrontation

Once again, Sendai became the focus of national attention. The national media had described Sendai as a hotbed of corruption in 1993; now it was back for a very different story. The *Asahi* treated its readers to a peek inside the governor’s mansion: “The residence of the governor of Miyagi Prefecture is located in Sendai city’s Aoba district. To the right of the entrance is a small meeting room. This is the room in which the previous governor, Shuntaro Homma, currently on trial for taking bribes, received 100 million yen from representatives of the Daishowa Paper Company.” The primary use of the room had changed, according to the *Asahi*. Now, “Governor Asano uses this room as his study.”

It was said that Asano had entered this very room one morning in late June to type out the terms of a sharply worded instruction addressed to the senior members of the Miyagi prefecture civil service. The instruction framed the issue in stark terms: “We must choose one of two avenues. Either we will sincerely devote ourselves to explication of the real truth, or we will direct all of our efforts to protection of prefectural officials, even if it means concealing the truth.” Asano’s decision was clear: “In all ways, we will seek to show the truth.” The final two sentences removed any doubt about the governor’s intention: “This statement is not merely for discussion; this is an order. For those of you who cannot follow this guideline, resignation is the only course.” The *Asahi* reprinted a summary of this order beneath a photo of Asano with a senior prefectural official taken at a press conference held on August 10.

The investigation launched by Asano revealed that the receipts and statements maintained in the Miyagi government offices and provided to the Ombudsmen in response to their requests did not always reflect reality. In many cases, reported expenses were inflated by clerical staff to conceal the true flow of cash.

Asano responded to the Ombudsmen’s requests in a surprising way. He gave them *more* than they asked. Miyagi prefecture delivered *shokuryohi* data for the entire government rather than just the three departments targeted by the Ombudsmen. In the face of internal opposition (“In the midst of litigation, why should he be conducting the very kind of investigation our opponents are demanding?” “What can

somebody who just dropped in from the Ministry of Health and Welfare do? The governor is all excited about putting on a performance for some public audience. He won't defend us."), he ordered his internal investigation to go forward and for the results to be announced to the public.

A year later, Asano took another big step. Together with Governor Hashimoto of Kochi, Asano declared that further use of public money for the entertainment of public officials was prohibited. In one stroke, the Ombudsmen achieved their key objective. The entrenched practice was put to a stop—in Miyagi and Kochi. No change had yet taken place in the other 42 prefectures in Japan. Asano and Hashimoto would be followed in succeeding months by the governors of Hokkaido, Akita, Ibaraki, Gunma, Shiga, and Tokushima.

By then, everyone able to read a newspaper had learned a new term: "*kan-kan settai*." In fact, the term itself would be selected by the press as one of the hit new additions to Japanese vocabulary for the year. The Ombudsmen's campaign, in particular their national study, had touched off a mass media frenzy. The Ombudsmen counted no fewer than 15 editorials in national newspapers condemning excessive entertainment spending by public officials between August and December 1995. The nation observed these revelations on the television screen as well, no doubt with a mixture of disgust and glee. The haughty bureaucrats had been caught with their hands in the till and would finally get a well-deserved comeuppance. In the following year a new term entered common vocabulary: *kara shutcho*, literally "empty business trip." The term the practice of paying travel allowances for business trips that never happened.

In varying periods from 1992 through 1997, data gathered by the Ombudsmen and from newspaper reports indicated that a total of 43.6 billion yen in improper spending had been identified by 25 prefectures. Eighteen prefectures had refused to conduct any internal investigations, contending that no such spending practices had taken place among their employees. Of the 43.6 billion yen identified, prefectural governments had ordered employees to return no less than 30 billion yen (approximately \$250 million). More than 20,000 prefectural employees nationwide had been reprimanded or subject to disciplinary measures.

As a leader in the new movement toward transparency in government, Shiro Asano became a national hero. Asano was re-elected in 1997, again without the support of any political party. He later formed a study group with five other progressive governors from around the country.⁷ (Members included Governor Terata of Akita, another outsider. Terata stunned the LDP again winning re-election on April 15, 2001.)

Asano has developed such a reputation as a clean politician and leader of the future, that he even traveled to Chiba on two campaign visits to help the independent candidate Akiko Domoto. (It is worth noting that Naoto Kan, another hero of open government also campaigned in Chiba, apparently to less effect.)

The New Platform

The implications for national elections are clear. Candidates in national elections may be different, but the voters are the same. Is there a common platform shared by the successful local candidates? What are the key elements?

The first, independence, is clear and is heavily emphasized in the press. Supporters of the new wave governors appear to evaluate support by an established political party as a negative. Candidates who follow the example of Shiro Asano stress non-affiliation as a core element. Affiliation appears to be seen as inevitably rendering the candidate beholden to special interests.

Lack of party support suggests that the successful candidate should be a recognized public figure. Novelist Tanaka and former television announcer Domoto fit this mold. On the other hand, Asano himself was an unknown until his confrontation with subordinates over disclosure. Others have served as mayors.

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A second element is a pledge of open government. Willingness to open government files made Asano a national leader. He was quickly joined by Hashimoto of Kochi and Kitagawa of Mie. Later, when Aoshima of Tokyo was replaced by Shintaro Ishihara, the latter immediately announced that Tokyo would drop appeals against court disclosure orders and would be more open.

Yasuo Tanaka has taken this element to an extreme, moving the governor's office from the third floor to the first, encasing it with large windows and adopting an open-door policy, enabling citizens and members of the media to take a peek at their governor at virtually any time of the day. He has also held heavily publicized town hall meetings, featuring the governor on the road to meet constituents in their hometowns.

A third element is a pledge to review the costs of government, especially large ticket construction projects, such as dam construction. Even the ruling coalition has created a list of outstanding public works projects to be scrapped. The Isahaya Bay disaster has provided one of many media focal points for the costs of excessive construction. Others include the anti-nuclear referendum in Tokushima. Most recently, is the anti-dam statement of Governor Tanaka.⁸ The burden of proof is shifting to the promoters of public works.

It is interesting to note that during the recent LDP presidential elections all the candidates spoke out against dam construction. This is precisely the opposite platform for the successful politics of the past. These issues have legs. Already faced with a massive fiscal deficit and about to be charged with the enormous costs of providing for an aged society, political leaders must come up with difficult fiscal solutions. Increasing tax burdens will require the complicity of the electorate. Candidates with the image of cost cutters will have greater credibility.

In an editorial following the defeat of a four-term incumbent in Tochigi, the *Asahi* suggested a way out: "Taxpayers are growing increasingly vigilant about how local governments are spending their money...The only way to decide which projects take priority is to disclose as much information as possible and carefully work out policies while relying on the wisdom of residents and non-profit organizations."⁹

Transparency (*joho kokai*) is *in*. Building the image of a reformer, even then-prime minister Ryutaro Hashimoto embraced the concept. Within days of delivery of the Administrative Reform Commission report on information disclosure in December 1996, the Hashimoto Cabinet passed a resolution to create a law based on the Commission's proposal. This law duly came into effect on April 2, 2001. Meanwhile, the Ombudsmen continue their consciousness-raising efforts, most notably through a ranking of the transparency of local governments. Featuring a numerical score, this provides a relatively objective, regular focal point. In sum, the new platform requires candidates to run against the establishment, attack big-ticket public works and present an image of transparency and fairness. Call it politics for hard times.

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¹ Kyodo News, Sept 9, 2000.

² MCCORMACK, THE EMPTINESS OF JAPANESE AFFLUENCE, 33 (M.E. SHARPE, 1996).

³ MCCORMACK, id. at 34.

⁴ International Herald Tribune, April 4, 2001. (Stephanie Strom, NYT News Service)

⁵ As a direct attack on corruption in Japan's construction industry, this prosecution is an important event in Japan's modern history. But for the people of Sendai, it was a local story. Mayor Ishii had been in office since 1984 and had long played a key role in coordinating "dango" bid-rigging on Sendai area public works projects. The immediate cause of his arrest arose from events preceding the mayoral election of 1992. Although Ishii was virtually unopposed, construction company executives saw the election as an ideal opportunity to prove their allegiance to the mayor with donations of several hundred million yen to his campaign chest. This included the delivery of one hundred million yen in cash to the mayor's son-in-law at a restaurant in the Shiba area of Tokyo.

⁶ For details of the Citizen Ombudsmen campaign and related citations, see Repeta, "Local Information Disclosure Systems in Japan," National Bureau of Asian Research, 1999 (www.nbr.org).

⁷ The Daily Yomiuri, May 25, 1999.

⁸ "Dams place a burden on the global environment that cannot be ignored. We should try as far as possible not to build dams." Asahi Evening News, March 1, 2001.

⁹ Asahi Evening News, November 26, 2000.