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GOALS AND REFORMS OF CURRENT JAPANESE LOCAL TAX SYSTEM

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Abstract

This paper examines the structure of Japanese local revenue and the characteristics of the Japanese local tax system. Further, it examines the goal of financial autonomy in the Japanese context.

Local revenue is mainly composed of the general revenue resources in terms of quantity and quality. These revenue sources accounted for 55.2% of the total local revenue in fiscal year 2012. Moreover, they are not earmarked for specific purposes and are essential for local autonomy. The key elements of the general revenue resources are the local taxes, the local transfer tax, the special local grants, and the local allocation tax.

Local tax is the principal local revenue and the core method for the financial autonomy. However, the local tax system currently faces various issues. I identify several issues with the local tax system—disparity, sensitivity, overlap between national taxes and local taxes—and discuss the need to enrich local autonomy. These are architectural issues that are closely related to the characteristics of the Japanese local tax system.

Further, I examine the Japanese local tax reforms. The Japanese tax reform strategy involves two approaches—an urgent approach and a long-term approach. It would be preferable for the citizens to distinguish between these approaches when considering the local tax reforms.

Finally, I suggest three goals for the Japanese local tax system. The first is to reduce disparity. In a manner, this is the hottest issue at present. The national government enacted several very important reforms such as the foundation of the local corporate special tax in 2008. The second goal is to enrich autonomy. In order to achieve this, the Trinity Reform was implemented in Japan from 2004 to 2006. Moreover, the local governments will receive additional tax revenue in the form of an increase in consumption tax in 2014. However, the issue of the gap between revenue and expenditure has become rather remarkable. The third goal is to stabilize the tax revenue, which is a significant agenda. In this context, the local governments have made much of the asset tax and the consumption tax. Moreover, the expansion of local consumption tax in 2014 could contribute to stability. However, the taxes on corporate income (which amount to 3 trillion yen) are still principal local taxes and they are very elastic to economic situation. How to deal with those elastic local taxes and to procure more stability for the local tax system seems to be more crucial.

And as the concept of social values is becoming complicated, the reform of local tax system will be complex. But when we consider the future financial autonomy, the following point is significant. The local governments are required to be more and more sensitive to community needs in the framework of financial autonomy. And relationship between sensitivity

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and financial autonomy must be an indispensable combination in the contemporary society.

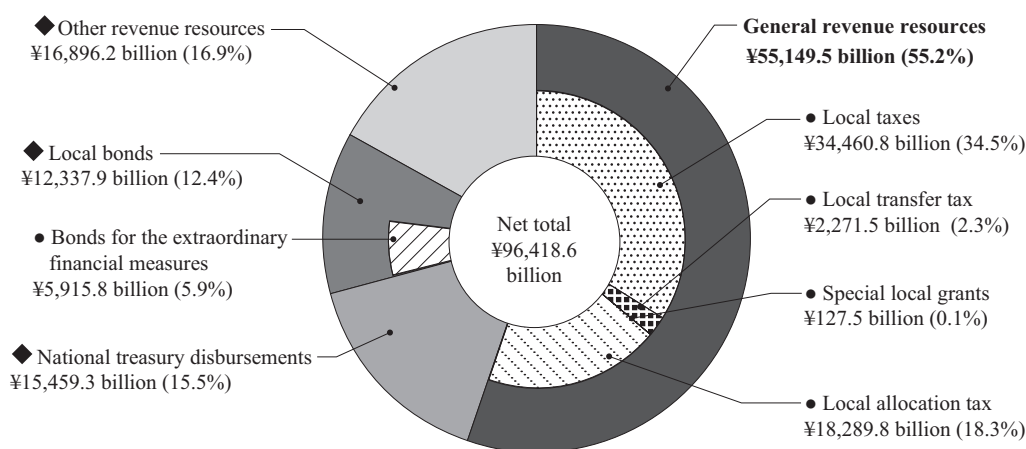
Introduction

In Japan, the local governments are given the authority to levy local taxes. The local tax revenue is the core revenue source among the various sources of local revenue. This paper examines the structure of Japanese local revenue and the framework of Japanese local tax. Further, it examines the characteristics of the local tax system and the relationship between national taxes and local taxes. Moreover, this paper examines the goal of financial autonomy in the context of Japan.

I. Structure of Japanese Local Revenue

1. Overview of Japanese Local Revenue

FIGURE 1. COMPOSITION OF LOCAL REVENUE (FY2012 Settlement)¹



The local revenue resources are mainly composed of the general revenue resources in terms of quantity and quality. These general revenue resources account for 55.2% of the total local revenue (Figure 1). Moreover, they are not earmarked for specific purposes and are essential for local autonomy. The key elements are the local taxes, the local transfer tax, the special local grants, and the local allocation tax.

The local taxes include an assortment of public levies. The local governments have the right of taxation—the authority to levy, collect, receive, and use taxes. (The details are discussed later.)

¹ Source: *White Paper on Local Public Finance, 2014*, Ministry of Internal Affairs and Communications (MIC)

The local transfer tax is a group of taxes that are collected as national taxes and directly transferred to the local governments. As a matter of taxation convenience, the national government acting on behalf of the local public bodies collects these taxes, which are regarded as local government revenue resources in the basic sense.

The special local grants are distributed for reducing the burden of local governments with regard to child allowance, compensation for a decrease in individual inhabitant tax according to the tax reduction for home loans, and so on.

The local allocation tax is an allocation of financial resources made by the national government to each local body in order to equalize the local revenue sources by reducing disparities and to guarantee the systematic management of local finances.

Among the various general revenue resources, the local taxes and the local allocation tax are the key resources. Before going into details about the local taxes, this treatise presents an outline of the local allocation tax in the next chapter.

2. Outline of the Local Allocation Tax

(1) Objective

The objective of the local allocation tax (LAT) is to strengthen the self-dependence of local governments by equalizing the financial resources and by ensuring the systematic operation of local administration through the establishment of allocation standards for LAT, without impairing the autonomy of such local public bodies.

The LAT has two functions:

(A) Financial equalization function

The LAT aims to rectify the disparities among the financial capabilities of local governments by distributing the local allocation tax appropriately.

(B) Financial resource guarantee function

This function can be divided into two levels.

① Macro-level financial resource guarantee function

The LAT guarantees revenue resources for local public bodies as a whole. The annual amount of LAT is set in such a manner as to guarantee the local financial revenue at the macro level through the national budgetary process.

② Micro-level financial resource guarantee function

The LAT guarantees financial resources for individual local public bodies. The LAT is distributed to those local bodies whose standard financial requirements exceed the standard financial revenue. A reasonable amount of financial resources for the performance of standard public services is secured through these distributions.

(2) Characteristics

The characteristics of the LAT are as follows:

(A) The LAT money constitutes revenue resources that are specifically intended for the local governments and are shared by them. The LAT can be thought of as a local tax

collected by the national government on behalf of the local authorities. This tax constitutes financial resources that local public bodies share and that are specifically meant for their use.

- (B) The LAT provides general revenue resources for the local governments. The national government does not decide how the funds are spent or does not impose any conditions regarding their use; the utilization of these funds is left to the independent decision of the local authorities.

The LAT is a scheme that corrects the gap between the scale of national tax revenues and that of local tax revenues. The former is larger than the latter; however, the local fiscal expenditure is greater than the national fiscal expenditure (see Figure 13). In this financial framework, the LAT has a crucial role as a financial transfer from the national government to the local governments.

(3) Mechanism and effect

The LAT is paid annually to the local bodies according to the formula given in Figure 2. The LAT is composed of a regular LAT and a special LAT. A regular LAT is a basic fund, and a special LAT is a complementary fund. These two funds are calculated separately for each local body. The amount of regular LAT of a local body can be obtained from the difference between its standard financial requirements and its standard financial revenue (Figure 2). In other words, this system is designed for “compensating for disparities in fiscal resources and needs” [Mochida].²

FIGURE 2. FORMULA OF A REGULAR LAT³

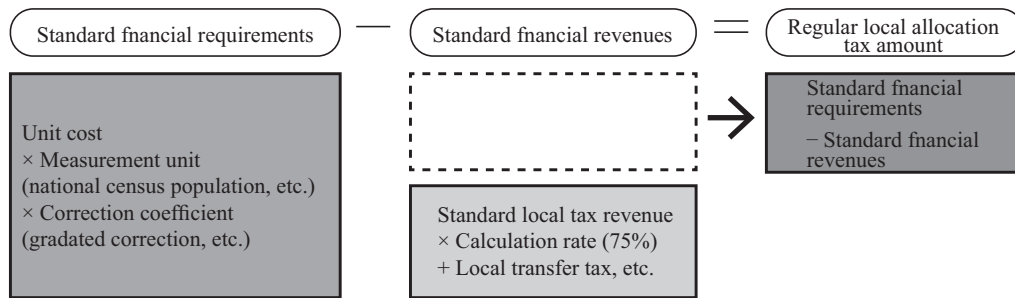


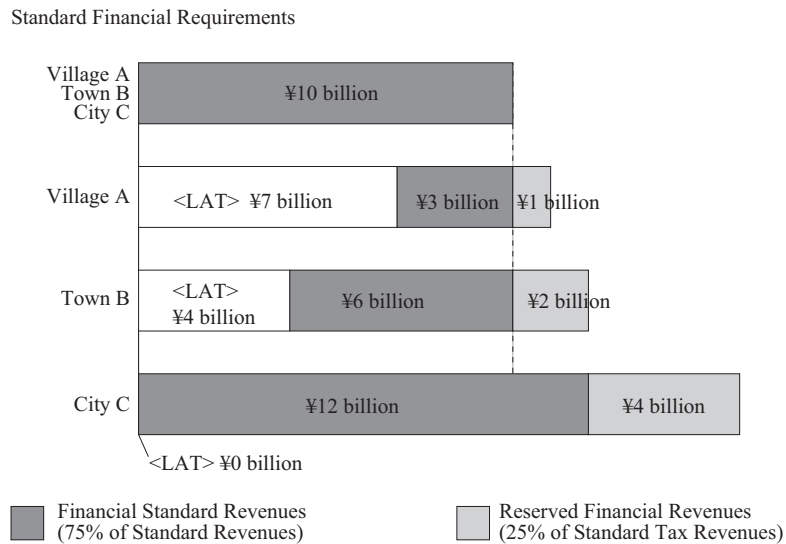
Figure 3 presents a model of the effects of the LAT. The standard financial requirements of village A, town B, and city C are 10 billion yen. The standard financial revenue of A is the smallest (3 billion yen), while that of B is 6 billion yen and that of C is the largest (12 billion yen). In this case, village A—the poorest local body—gets 7 billion yen, the largest amount of LAT. Conversely, city C, the richest body, receives no LAT.

This scheme is highly advantageous to those local bodies whose financial grounds are

² Nobuki Mochida, *Fiscal Decentralization and Local Public Finance in Japan* (N.Y., 2008) p. 103

³ Source: *White Paper on Local Public Finance, 2014*

FIGURE 3. MODEL OF EFFECTS OF THE LAT⁴



weak. Figure 4 shows the ratio of LAT to the total revenue in the municipalities. The ratio of LAT is 43.5% in the group of towns and villages whose population is less than ten thousand; this is the smallest group among the municipalities. This ratio is larger than that of any other group. This fact shows the importance of the role that the LAT plays, especially in the small local bodies. “Using this formula, the national government can transfer funds that will fill the gap between each region’s fiscal need and fiscal capacity to ensure that an authority with reasonable tax effort will be able to provide a reasonable level of public services” [Mochida].⁵

FIGURE 4. RATIO OF TOTAL REVENUE COMPOSED OF GENERAL REVENUE RESOURCES FOR MUNICIPALITIES (FY2012 Settlement)⁶



⁴ Figure 3 was created by the author.

⁵ Mochida (2008) p. 103

In other words, the LAT has been an essential support for the Japanese national minimum for as much as 1,765 (as of Apr of 2014) local bodies with viable sizes and natural conditions.

II. *Framework of Japanese Local Tax*

1. Framework

(1) Legal framework

The legal framework of the Japanese local tax system is stipulated by the Japanese Constitution. Art. 94 of the Constitution stipulates that “[l]ocal public entities shall have the right to manage their property, affairs and administration and to act their own regulations within law.”

Further, Art. 10, Sec. 2 of the Local Autonomy Law (LAL) stipulates the following: “According to the Law, inhabitants have their rights to receive equally public services offered by local public entities where they live and have their own shares of their community.”

This article stipulates that inhabitants should share the cost of the public services that are provided by the local government. This is called the “burden-sharing” principle, and it is the key concept of Japanese local administration.

Based on this concept, Art. 223 stipulates the following: “According to the Law, ordinary local governments have their power to levy and collect local taxes.” Under the Constitution and LAL, the Local Tax Law (LTL) regulates the local tax system. The LTL is the basic national law that stipulates the types of taxes and the means of taxation. Under this legal framework, both prefectures as well as municipalities are given the authority to levy and collect local taxes in Japan.

(2) Local tax and local autonomy

Why would the residents pay their share for their own community? Because they believe that they can place their trust in their local governments. Why would they believe that? One reason is that the local governments ensure that they have free will in deciding what public service they shall provide to the residents. The necessary financial revenue sources that are not earmarked are the key for ensuring free will.

This is the context of the relationship between local tax and local autonomy. For the local government to be able to function in accordance with the spirit of local autonomy, it is important that it has the authority to levy taxes and to acquire them on its own.

Without this authority, local governments would accept excessive interferences by the national government in exchange for financial aid. Therefore, the authority of a local government to levy taxes is an indispensable element of local autonomy. This can be termed the “principle of financial autonomy.”

(3) Significance of local tax

The local tax has two essential features. The first is that the local tax belongs to the

⁶ Source: *White Paper on Local Public Finance, 2014*

general revenue sources among the various local revenue resources. The general revenue sources are not earmarked for any specific purpose and can be used for any kind of expense of the local governments. They comprise local tax, local allocation tax, local transfer tax, and several non-earmarked grants. The local tax is a core source among them.

The general revenue sources have two important advantages.

(A) The local government can use these funds for any use at its complete discretion.

The local government levies and collects all the tax under its authority. The national government has no influence on the local government's decision-making.

(B) The local government can make flexible use of the general revenue sources.

Japanese local governments have to respond to abrupt financial needs. They need to have additional funds for emergency restoration, appreciated cost of public works, and so on, even in the middle of a fiscal year. In such situations, the local government compiles the supplementary budget, and flexible sources such as the general revenue sources are actually essential in such cases.

The second feature is that the local tax belongs to the independent revenue sources among the local revenue resources. The independent revenue sources are the ones that the local governments can collect under their authority. They are local tax, rents, fees, donations and such. On the other hand, the dependent revenue sources are the ear-marked grant, the local allocation tax, the local transfer tax, local bond and so on.

The independent revenue sources have two important advantages.

(A) The authority to collect these revenues rests with the local governments.

Therefore, they can use them for any uses independently; there is no room for the influence of the national government.

(B) Independent sources bring in more stable revenue for the local governments as their revenue policies are not affected by the national government's fiscal policy.

These features are quite important for the local revenue. The local tax has all the advantages needed for the local revenue, and its revenue sizes are bigger than those of other kinds of local revenue. Therefore, the local tax plays a core role as both a general revenue source and an independent revenue source.

“Where local autonomy is the aim, local taxes should be the most important source of local revenue” [Steiner].⁷ This indicates that there is an important relationship between local tax revenue and local autonomy. A local government should be able to finance its public needs. Given such a framework, the citizens can select the chief executive (governor/mayor) who is responsible for the quality of public services. Therefore, the size of the local tax revenue should be further expanded in order to advance local autonomy.

(4) Scheme of local tax system

(A) Local Tax Law

The Local Tax Law (LTL) specifies the kinds of taxes that local governments may levy,⁸ the tax base, and the “standard rate,” the “maximum rate,” or the “fixed rate” of such taxes.

⁷ Kurt Steiner, *Local Government in Japan* (California, 1965) p. 263

⁸ See Figure 5.

FIGURE 5. SYSTEM OF THE LOCAL TAXES⁹



Since the tax base is fixed in the LTL, the bases of such taxes are consistent across the country's various jurisdictions. The LTL stipulates the taxation requirements under the various tax headings and the procedures for levying and collecting tax in a uniform manner.

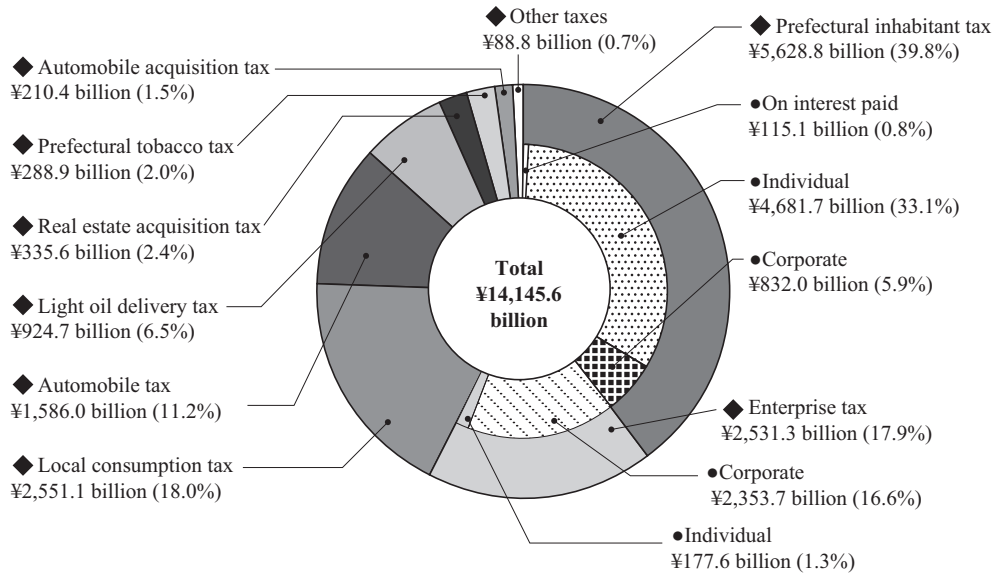
(B) Taxation bylaw

Local taxes must be levied and collected on the basis of the bylaws enacted by each local assembly. A taxation bylaw stipulates the tax headings, the objects of taxation, taxation criteria, rates of taxation, and other matters related to levying and collecting tax. The local government must act in accordance with the bylaws. The local governments in Japan must establish taxation bylaws and taxation regulations that are in accordance with the stipulations of the LTL, and they must levy and collect taxes based on these bylaws and regulations.

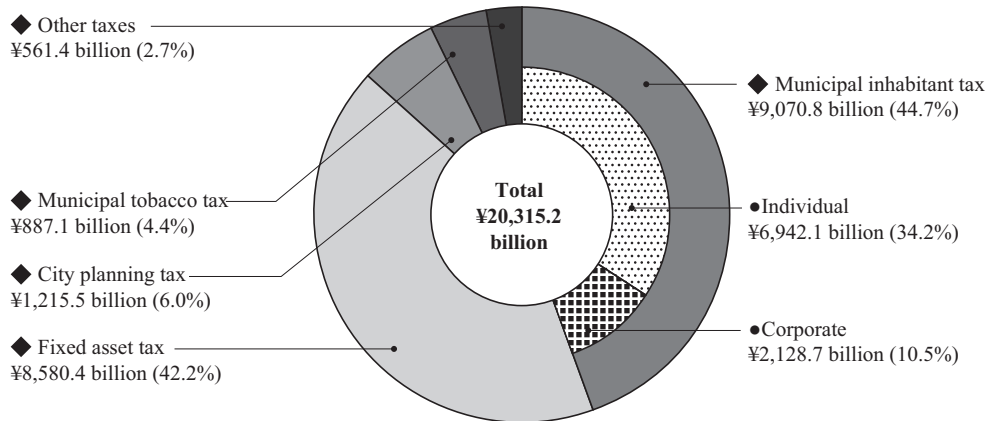
⁹ Source: Data of MIC

FIGURE 6. COMPOSITION OF THE LOCAL TAXES¹⁰

Composition of Revenue from Prefectural Taxes (FY2012 Settlement)



Composition of Revenue from Municipal Taxes (FY2012 Settlement)



(C) Setting tax rates

Given the principle of financial autonomy, it would be inappropriate for everything related to local taxation to be regulated in a uniform manner by national laws. Therefore, the most important matters including tax rates are decided by the tax bylaws.

On the assumption of that, standard tax rates are shown by the national government.

¹⁰ Source: *White Paper on Local Public Finance, 2014*

“Standard tax rates” are the rates that local governments should normally follow when levying taxes, but which do not necessarily have to be followed when financial circumstances or other necessary matters are taken into special consideration. These are the rates used as the basis for calculating the basic financial revenue when the amount of local allocation tax is determined by the Ministry for Internal Affairs and Communications.

Given that standard tax rates are the rates that are set when calculating the tax burden of the people as a whole (including national taxes and local taxes) or when considering matters such as the distribution of revenue sources between the national government and the local governments, these rates do have a significance. Due to these factors, standard tax rates have a considerable effect on the actual tax rates set by the local governments.

However, the local government can set a rate that exceeds the standard rates. This is called “tax levy in excess of the norm.”

(5) Situation

As shown in Figure 5, there are various Japanese local taxes. Prefectures have the authority to collect prefectural taxes, and municipalities have the authority to collect municipal taxes.

Among the various taxes, inhabitant tax and enterprise tax are the principal taxes. These taxes constitute 57.7% of the total prefectural taxes (Figure 6).

2. Relationship between National Tax and Local Tax

In this chapter, we look at the relationship between Japanese national tax and local tax. An international comparison would help us understand the features of the Japanese tax system.

(1) Outline

(A) Tax levy system

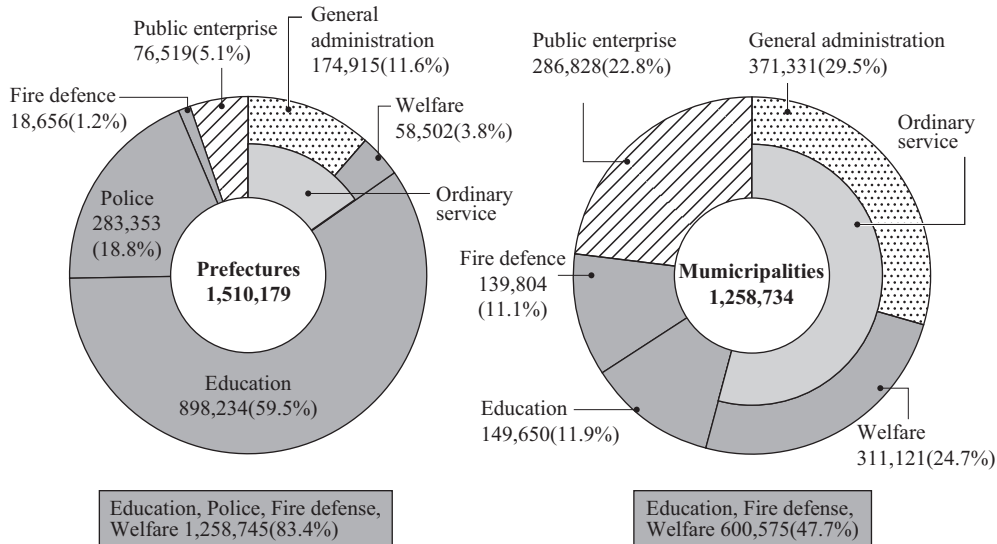
In Japan, the national government, the prefectures, and the municipalities collect taxes independently.¹¹ Each agency has its own staff. The tax staff of the local governments are specialists/authorities on tax. Table 1 shows the number of tax staff. The ratio of tax staff to the total number of general administration staff in prefectures is 9.4%, and the ratio is 18.2% in municipalities. Distribution of local civil servants is shown in Figure 7. Thus, the sections that levy tax have significant roles, especially in municipalities. Therefore, cultivating human resources is a crucial issue for each local administration.

TABLE 1. NUMBER OF STAFF (Apr 2012)

Organization	(person)		
	National Tax Administration Agency	Local Government	
		Prefecture	Municipality
Number	56,194	16,397	67,499

¹¹ The National Tax Administration Agency, Prefectures, and Municipalities are the independent tax agencies, but they cooperate with each other in sharing the information necessary for tax collection.

FIGURE 7. DISTRIBUTION OF LOCAL CIVIL SERVANTS IN REGULAR POSITIONS¹²
(as of April 1, 2012)



(B) Tax base structure

Table 2 presents the classification of Japanese national taxes and local taxes according to the types of tax bases. Japanese local taxes are quite well-encompassing, and the tax items levied on the three types of tax bases (income, asset, and consumption) are of an extensive range and the right combination.

There are various tax bases for the sub-national government taxes in different countries, such as income, social security contributions, payroll and workforce, property, goods and services, and so on (Figure 8). The local tax bases in Japan are income, asset, and consumption.

Figure 8 shows the structure of the sub-national taxes in countries belonging to the Organisation for Economic Co-operation and Development (OECD). This figure indicates that there are several models of taxation. Countries such as Germany and Finland have a structure in which taxes on income account for a large share of the total tax revenue. Countries such as the U.K. and New Zealand have a structure in which taxes on asset constitute the major portion of the total tax revenue.

Japan has the third taxation model; the tax bases are income, asset, and consumption of goods. “Industrialized countries with high local expenditure either diversify the local tax composition (as in the case of Japan) or rely heavily on local income tax (as in the case of Nordic states)” [Takahashi].¹³ Following the recommendation of the Shoup mission,¹⁴ which proposed the enrichment of local taxes in Japan in 1949, the Japanese local tax system has

¹² Source: Data of MIC

¹³ Masayuki Takahashi, *Fiscal Decentralization and Development* (Hampshire, 2012) p. 20

¹⁴ Osamu Koike, *Local Governance and National Development* (Tokyo, 1998) p. 64

TABLE 2. NATIONAL TAXES AND LOCAL TAXES¹⁵

	National taxes	Local Taxes		National taxes	Local Taxes
Income taxation	Income tax	Individual resident tax	Consumption taxation	Consumption tax	Local consumption tax
	Corporation tax	Individual business tax		Liquor tax	Local tobacco tax
		Corporate resident tax		Tobacco tax	Light oil delivery tax
		Corporate business tax		Special tobacco tax	Automobile acquisition tax
		Interest-based prefectural inhabitant tax		Gasoline tax	Golf course utilization tax
		Dividend-based prefectural inhabitant tax		Local road tax	Bathing tax
		Prefetural inhabitant tax based on capital gain from stock transfer		Liquefied petroleum gas tax	Automobile tax
				Motor vehicle tonnage tax	Light vehicle tax
				Aviation fuel tax	Mineral products tax
				Petroleum and coal tax	Hunting tax
	Promotion of power-resources development tax	Mine-lot tax			
Taxation on assets, etc.	Inheritance tax/ Gift tax	Real property acquisition tax	Customs duty		
	Registration and licence tax	Fixed asset tax	Tonnage dues		
	Stamp Tax	City planning tax	Special tonnage dues		
		Business Office tax			
		Special landholding tax, etc.			

shown signs of progress. One of the outcomes of this progress is the diversification of the tax bases. Such diversification would lead to a comprehensive tax system.

(2) Size of local tax revenue

Figure 9 shows the ratio of the state/local tax revenue to the total tax revenue. Figure 9 shows that Japanese local tax revenue accounts for 43% of the total tax revenue, which is much higher than the corresponding ratio in European countries. These data show that Japanese local tax revenue is a capital resource for the government's public services.

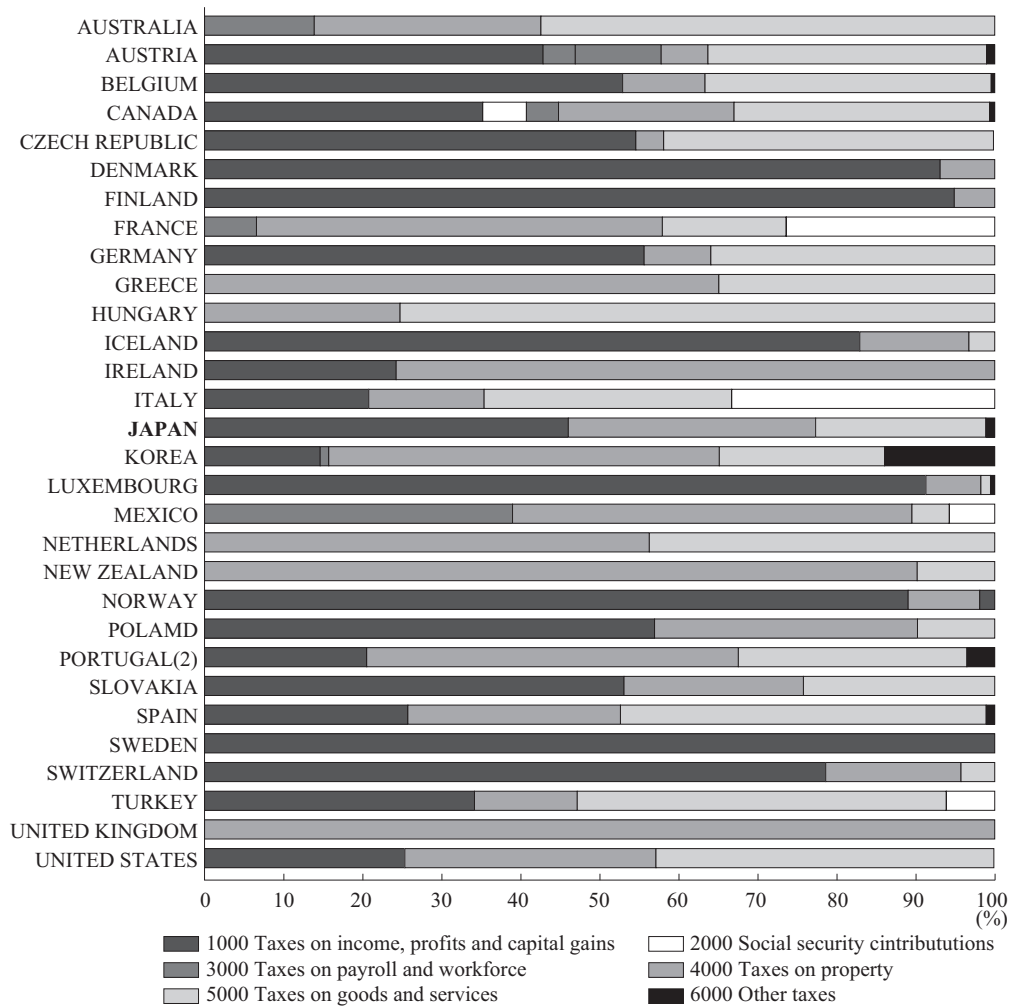
(3) Relationship between revenue and expenditure

Figure 10 shows the relationship between national expenditure and the expenditure of the local governments.

The size of local governmental expenditure is about two and a half times that of national

¹⁵ Source: Web site of the Ministry of Finance (MOF) (<http://www.mof.go.jp/jouhou/syuzei/siryou/001.htm>)

FIGURE 8. STRUCTURE OF STATE AND LOCAL GOVERNMENT TAX RECEIPTS, 2005¹⁶



Notes : 1. This refers to only those taxes which are classified as sub-central government taxes. Social security contributions paid to social security funds are excluded.
 2. 2004 figures

expenditure.

The expenditure of Japanese local governments forms 15.4% of the country's GDP; this is much higher than the corresponding ratio in European countries. "In a comparison of OECD countries, Japan looks rather like a decentralized country" [Tajika]. This is a remarkable feature of the Japanese local finance system (Figure 11).

In fact, the expenditure of the Japanese local governments is remarkably large compared to

¹⁶ Source: Data of OECD

FIGURE 9. RATIO OF STATE/LOCAL TAX REVENUE TO TOTAL TAX REVENUE (2007)¹⁷

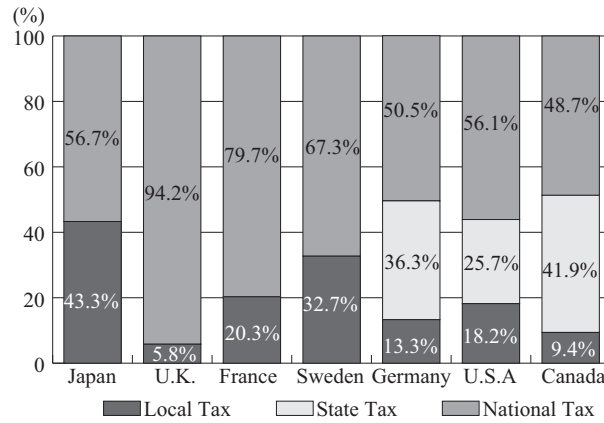
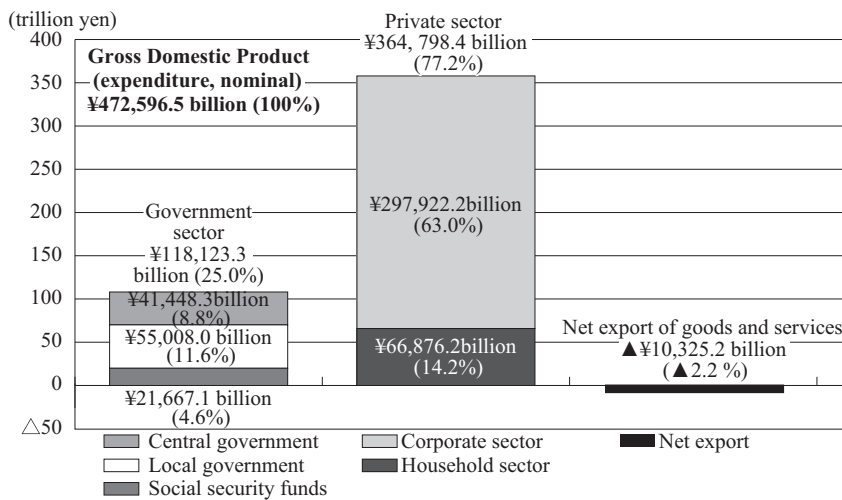


FIGURE 10. SIZE OF GOVERNMENTAL EXPENDITURE (FY2012 Settlement)¹⁸



that of the national government. This is because the Japanese local governments are covering a very wide range of public services (as shown in Figure 12). “The majority of expenditures are done at the local level” [Mochida].¹⁹

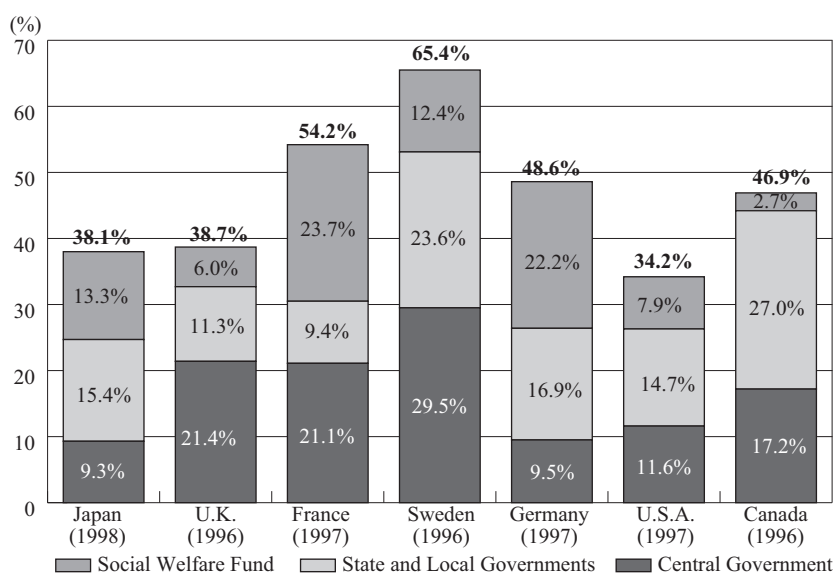
The local governments’ expenditure accounts for a large part of public services, especially in the field of school education, public welfare, and land development.

It is important to note the ratio of revenue and expenditure. Figure 13 shows this ratio in countries. Balanced ratio of revenue and expenditure would be ideal. However, when the

¹⁷ Source: Data of MOF

¹⁸ Source: White Paper on Local Public Finance, 2014

¹⁹ Nobuki Mochida, *Fiscal Decentralization and Local Public Finance in Japan* (Oxford, 2008) p. 21

FIGURE 11. RATIO OF GOVERNMENT EXPENDITURE TO GDP²⁰

expenditure exceeds the revenue, inter-governmental finance transfers (such as national grants and local allocation tax) are required.

Japan has a remarkable gap between revenue and expenditure compared to other countries. “Despite this high rate of spending through local governments, it would be inaccurate to characterize Japan as a decentralized system because a considerable amount of decision-making authority has tended to rest with central units” [Mochida].²¹

Figure 14 shows the Japanese finance structure in fiscal year (FY) 2011. The ratio of local expenditure to the combined total of national and local expenditure was 58.4%. The total tax revenues for the national and local governments was 78.7 trillion yen, of which the total local taxation was 35.1 trillion yen. This shows that local tax revenue accounts for no more than 45% of the total tax revenue.

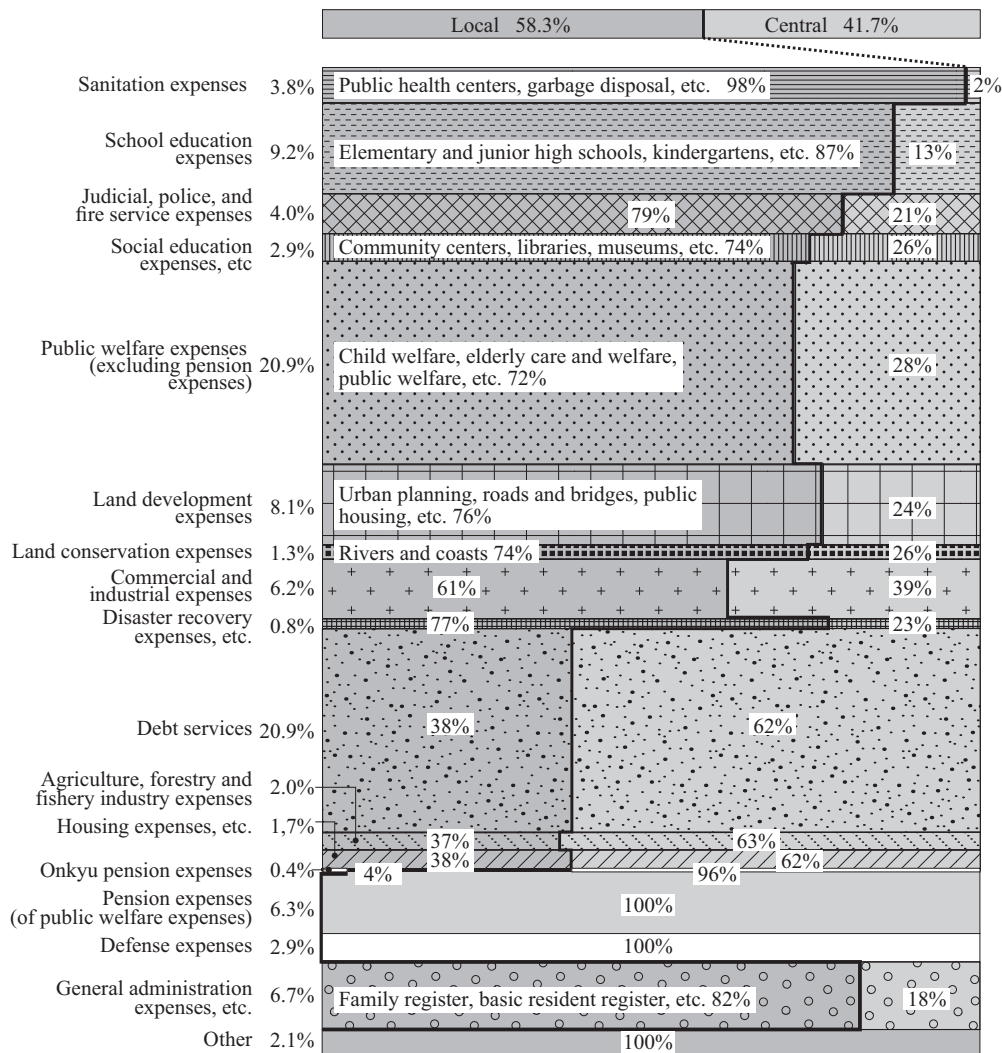
What makes it possible for local government expenditures to exceed those of the national government despite the fact that local tax revenues take up no more than 45% of the total tax revenue? This can be explained by the transfer of funds from the national government to the local governments in the form of national treasury subsidies, local allocation tax, and local transfer tax. Of these financial transfers, national treasury subsidies are restricted in how they can be used; hence, the decision-making related to these subsidies is in the hands of national government.

In this kind of revenue structure, the relationship between the benefits and the burdens for local residents in terms of the administrative services of local governments is unclear. Moreover, cost consciousness becomes weaker. Therefore, it is very important to secure and

²⁰ Source: Data of MOF

²¹ Nobuki Mochida, *Local Government Development in Post-war Japan* (N.Y., 2001) p. 86

FIGURE 12. SHARE OF EXPENDITURES BY FUNCTION OF CENTRAL AND LOCAL GOVERNMENTS (FY2012 Settlement)²²



strengthen local taxation in order to minimize the gap between local expenditure and local tax revenues as far as possible.

In order to achieve this, the Trinity Reform was implemented from 2004 to 2006; 2 trillion yen was transferred from the national government to the local governments. (See Section 4.1 in the following chapter for further details.)

²² Source: White Paper on Local Public Finance, 2014

FIGURE 13. RATIO OF NATIONAL GOVERNMENT AND STATE/LOCAL GOVERNMENT EXPENDITURE AND TAX REVENUE (1998)²³

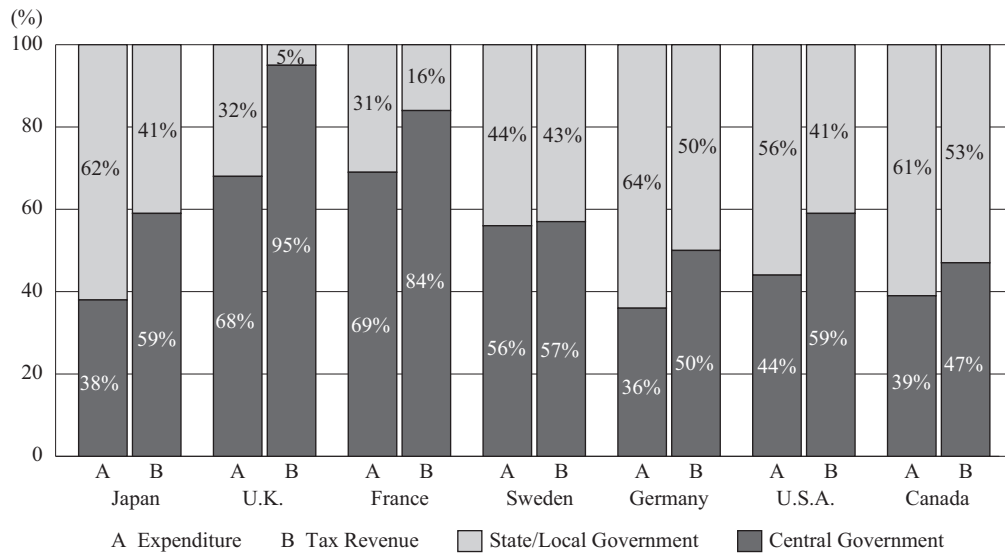
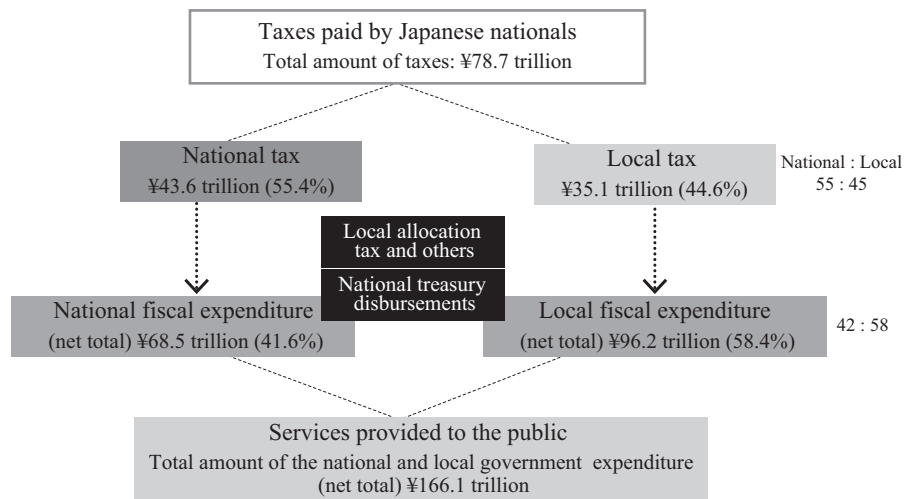


FIGURE 14. STRUCTURE OF FFSCAL GAPS (FY2011 Settlement)²⁴



²³ Source: Data of MOF

²⁴ Source: Data of MIC

III. Issues Related to Japanese Local Tax System

In this chapter, the current hot issues related to the Japanese local tax system are identified. These are architectural issues and are closely related to the characteristics of the Japanese tax system.

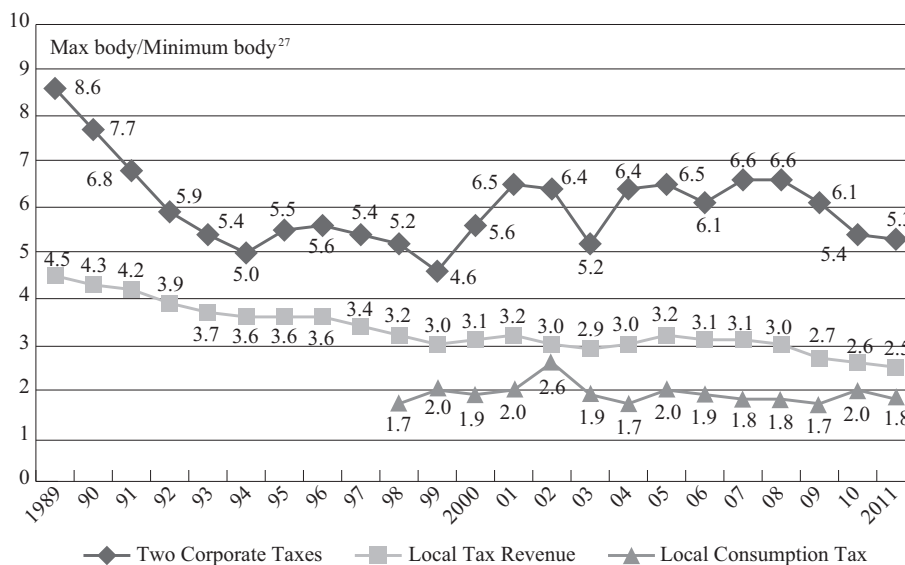
1. Disparity

In Japan, the disparity in taxes on the population and business establishments is remarkable. The local taxes on businesses are highly concentrated in urban areas in particular.²⁵ Figure 16 shows the disparities among the prefectural tax revenues per capita. Tokyo has a much larger amount of tax revenue compared to that of the other prefectures.

Figure 15 shows the change in the disparity in tax revenue. Over the years, as the economic situation became worse, the disparity reduced slightly; however, significant disparity continues to exist. Among the principal local taxes, the extent of the disparity between two corporate taxes—corporate business tax and corporate residential tax—is greater than the disparity involving the other taxes.

Figure 17 shows the change in disparity between corporate business tax and corporate

FIGURE 15. CHANGE IN DISPARITY IN TAX REVENUE PER CAPITA²⁶

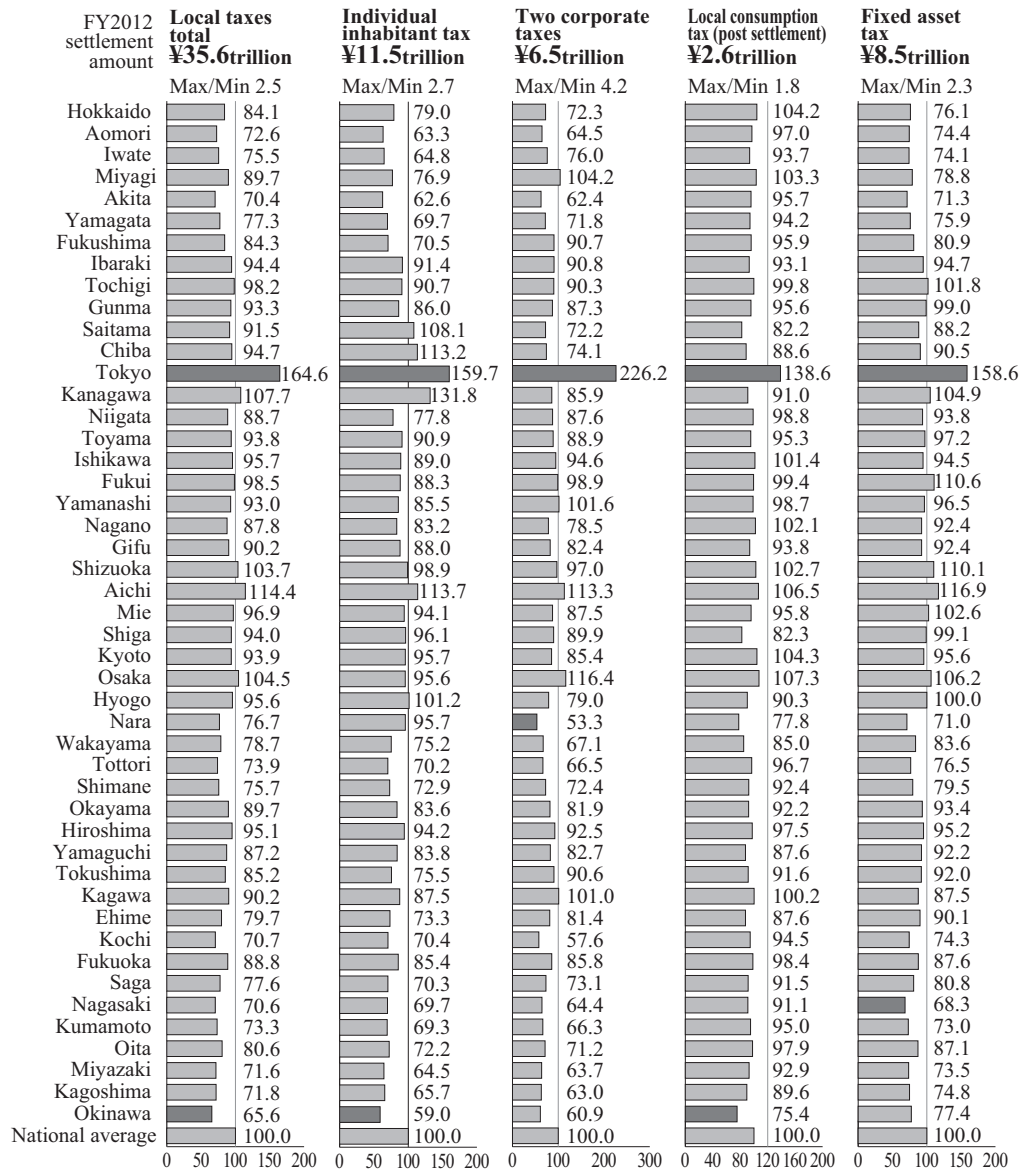


²⁵ Mochida, *Fiscal Decentralization and Local Public Finance in Japan*, p. 28

²⁶ Source of Figure 15 and Figure 17: *Report of Investigative Commission for Local Corporate Tax* (Dec. 2012, MIC)

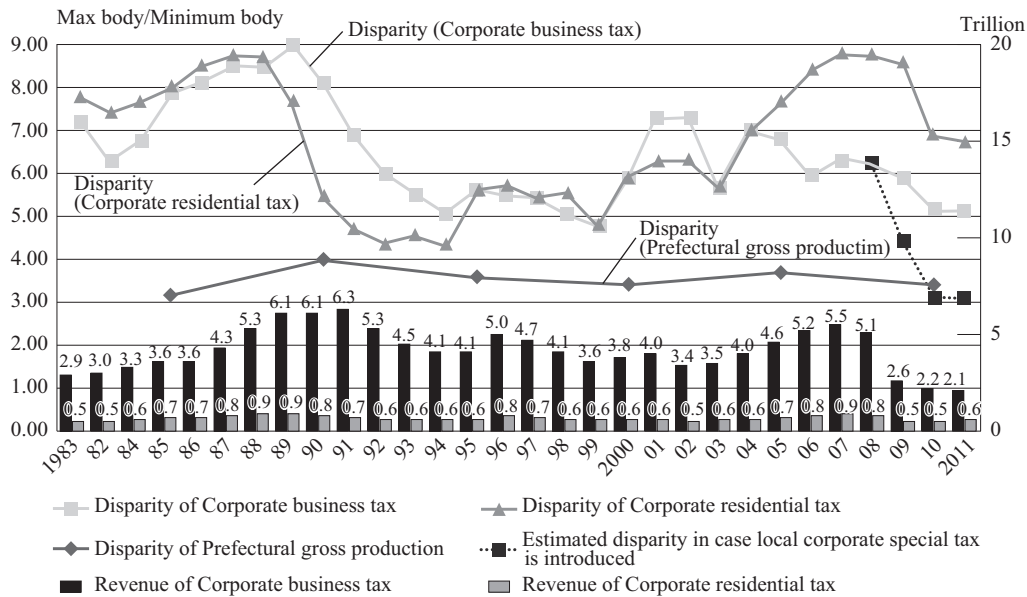
²⁷ The indices show the maximum of the prefecture's concerned local tax revenue divided by the minimum.

FIGURE 16. INDEX OF PER CAPITA REVENUE IN LOCAL TAX REVENUE (FY2012 Settlement)²⁸



²⁸ Source: White Paper on Local Public Finance, 2014

FIGURE 17. CHANGE IN DISPARITY OF CORPORATE BUSINESS TAX AND CORPORATE RESIDENTIAL TAX²⁹



residential tax. Following the 2008 reform, the extent of disparity of corporate business tax has become much smaller. Compared to this, the disparity of corporate residential tax has been greater than that of corporate business tax.

2. Sensitivity

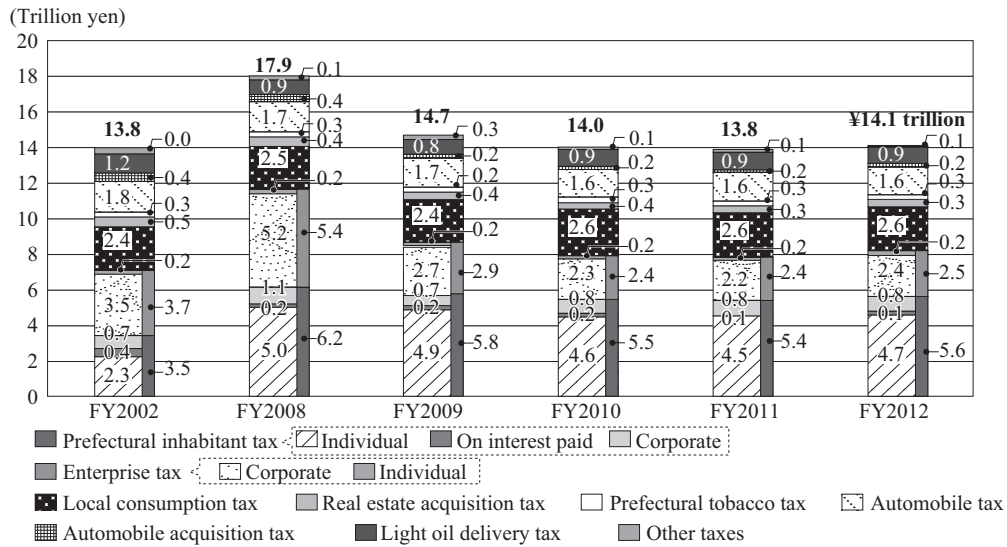
Figure 8 showed the tax structures of the sub-national governments. The tax bases of Japanese local taxes are of three types: tax on income, tax on property, and tax on goods.

We should pay attention to the fact that the tax on income has the largest ratio; the aggregate sum of the residential tax and corporate tax constitutes 57.7% of the total prefectural tax revenue in FY 2012 (Figure 6). Therefore, the amount of total local tax revenue is strongly affected by the local taxes on income. Thus, the local governments are highly concerned about their prospects.

Figure 18 shows the trends in the prefectural tax revenues. The enterprise tax was 2.5 trillion yen (17.7%) in 2012, and it was a key element of the tax revenue. In the good economic circumstances in FY 2008 in particular, it amounted to as much as 5.4 trillion yen (30.2%). However, after 2009 (when the “Lehman shock” occurred), the amount dropped suddenly. As shown in Figure 18, this tax is very tensible and sensitive to the economic situation. Therefore, local governments are concerned about the prospects of this tax.

²⁹ The indices show the maximum of prefecture’s corporate business tax divided by the minimum; the corporate residential tax and the prefectural gross production in a similar way.

FIGURE 18. TRENDS IN PREFECTURAL TAX REVENUES³¹



3. Overlap between National Taxes and Local Taxes

Table 2 indicated one issue: overlapping tax bases.³⁰ One characteristic of Japan's tax system is the frequent overlap of the tax bases of national taxes and local taxes. This overlap has its merits and demerits. The demerits are as follows:

① It might blur the benefit principle of taxation. "A problem with the overlapping tax-base system is that the tax payer has difficulty determining how much he or she is paying to the central government" [Mochida].

For example, when an individual who pays both the national income tax as well as the local resident tax that is levied on income has not paid considerable attention to the distinction between them, it might be difficult for her/him to determine how much public service they can expect. When people consider the benefit principle of taxation, a clear understanding of the tax burden is absolutely necessary.

② It could increase the fluctuation in tax revenues. The taxes on income account for a large portion of national tax as well as local tax. Figure 19 shows that the national government accounts for about 60% and the local government accounts for about 40% of the taxes on individual income and corporate income. However, these taxes on income depend on the economic situation. Figure 20 shows these outcomes. When the economic affairs become severe, national tax revenue and local tax revenue fell simultaneously. The fact that the fluctuation wave of each revenue stream is similar

³⁰ Mochida, *Local Governance in Industrial Countries* (N.Y., 2006) p. 161

³¹ Source: *White Paper on Local Public Finance, 2014*

FIGURE 19. REVENUE RATIO OF EACH TYPE OF TAX BASE (1998)³²

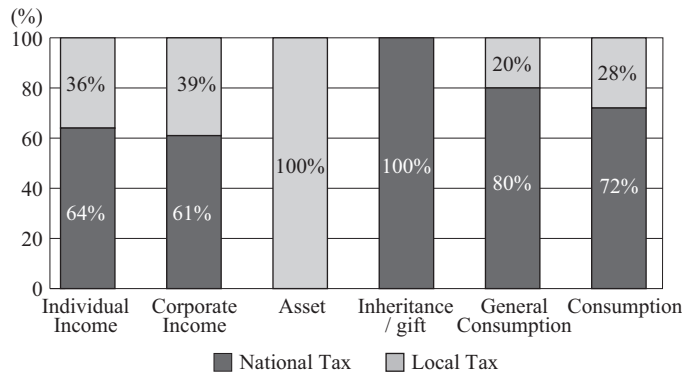
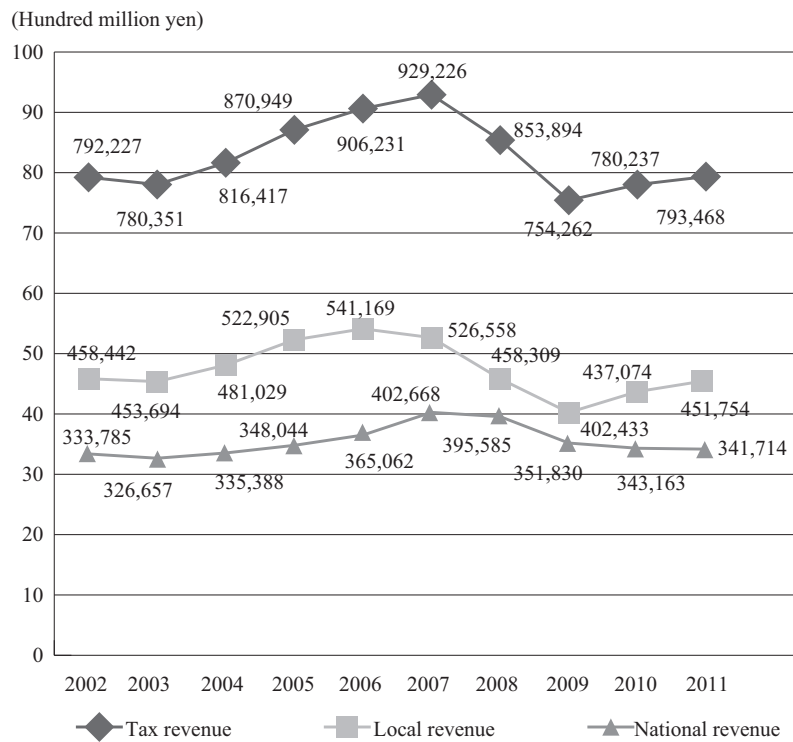


FIGURE 20. OVERVIEW OF TAX REVENUE³³



³² Source: Data of MOF

³³ Source: Data of MOF

affected the governmental financial situation and financial policies. When the economic situation worsens, the national government and the local governments frequently have handed in economic stimulus packages in Japan. The overlap in tax bases is thought to be one of the reasons for this.

On the other hand, overlapping tax bases have the following advantages:

- ① The administrative cost falls. For example, the national tax office collects the consumption tax, which includes the local consumption tax.
- ② The national government can more easily draft the reform of the tax system. For instance, the government transformed a part of the local corporate business tax into the local corporate special tax (which is a national tax)³⁴ in order to distribute the revenue as a local transfer tax for curbing the disparity in 2008.

Considering these factors, these overlapping structures could be maintained but would remain controversial. What we can expect is that the next principal tax reform, which aims at reducing local revenue disparities or enhancing revenue stability, would be closely connected to transforming this overlapping structure.

4. Need to Enrich Autonomy

(1) Tax transfers: The Trinity Reform experience

Japan has a structure of fiscal gaps, and expanding the local revenue has been a fundamental agenda for local autonomy. Closing the gap between the revenue ratio of the local government and its expenditure ratio has been a crucial agenda in Japan. Based on this concept, the Trinity Reform³⁵ was implemented in 2007. Through this reform (shown in Figure 21), 3 trillion yen of national tax resource was transferred to local taxes.

Figure 22 graphically represents tax resource transfer. A part of resource of income tax (a national tax) was transferred to the resource of individual resident tax (a local tax). At the same time, the progressive rate of individual resident tax was changed to a flat rate.

Figure 23 shows the changes in local revenue compositions. Compared to the composition in FY 2002, the ratio of local tax increased from 34.4% to 42.9% in FY 2008. These data show the remarkable outcome of this reform from the perspective of financial autonomy. However, the global financial crisis in 2008 hit the tax revenue, and the local tax revenue in 2012 came down to 34.5%.

We can conclude that this transferring has a high value attached. However, the gap between local revenue and local expenditure still exists, and greater enrichment of the local tax revenue would be preferable.

³⁴ Referred to as such henceforward. The local corporate special tax has been forced since 2008 and the Cabinet has decided that it goes on in 2015.

³⁵ The Trinity Reform is a package consisting of three parts. The goals of this package were as follows: (1) transfer tax revenue sources from the national government to local governments; (2) reform the national treasury subsidies; and (3) reform the local allocation tax. See Hiroshi Ikawa, *Decentralization policies in Asian Development* (Singapore, 2009) p. 29.

FIGURE 21. STRUCTURE OF TRINITY REFORM³⁶

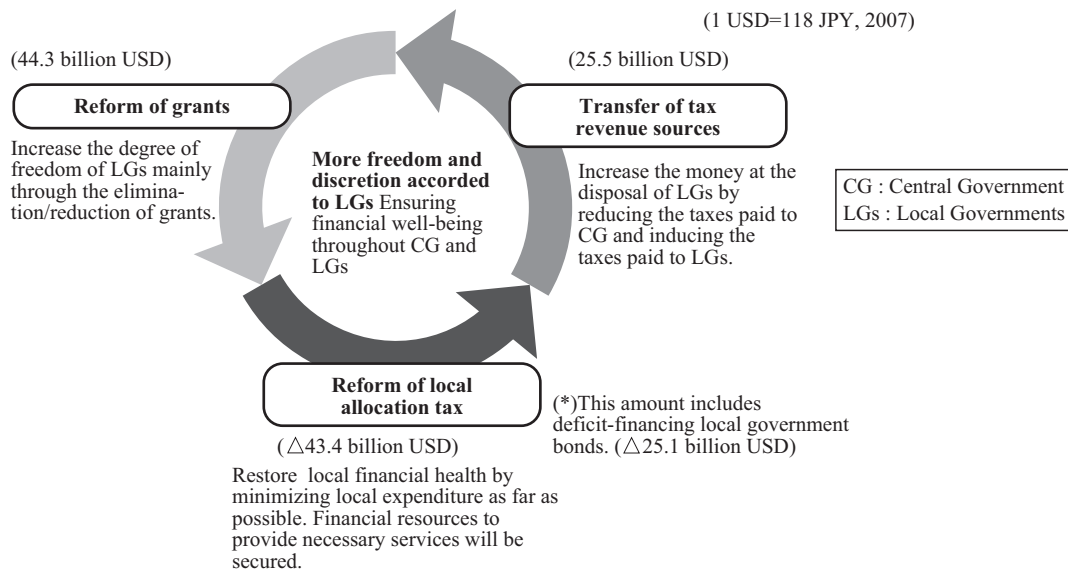
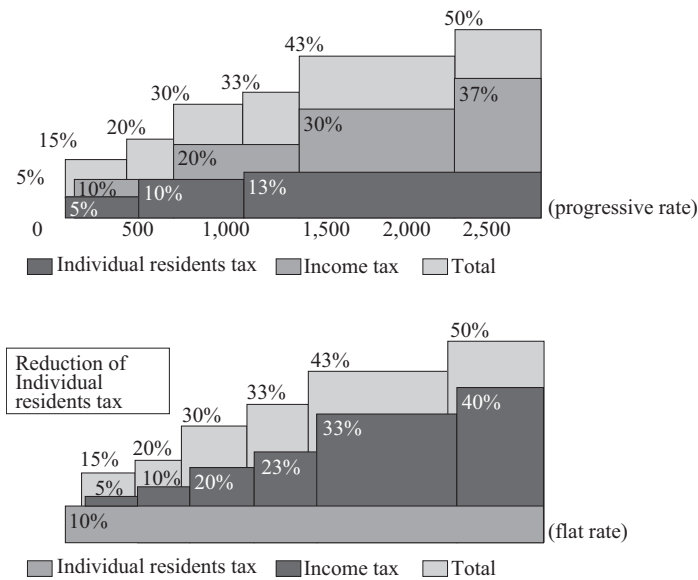


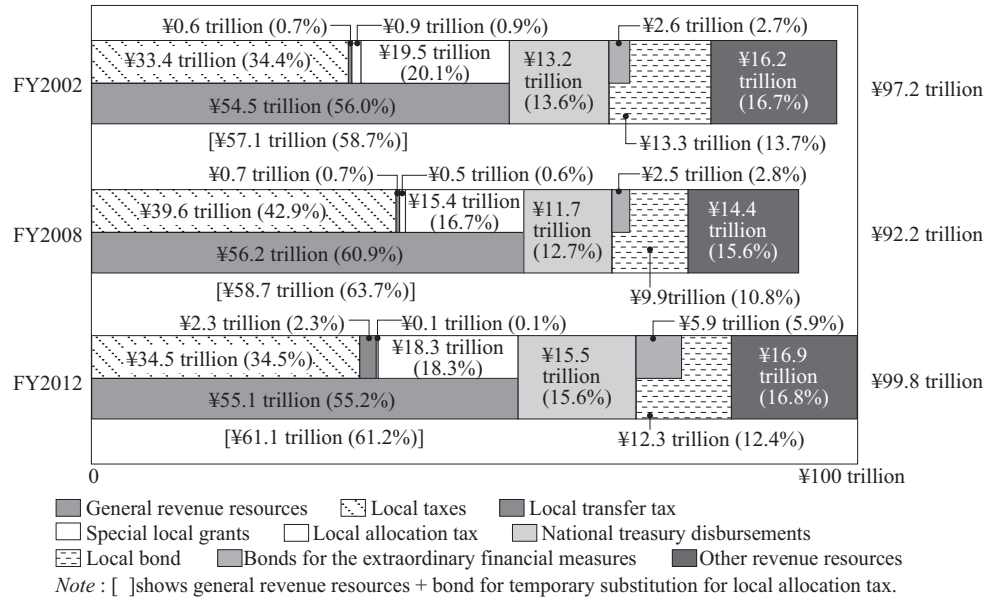
FIGURE 22. TAX RESOURCE TRANSFER³⁷



³⁶ Source: Data of MIC

³⁷ Source: Data of MIC

FIGURE 23. CHANGES IN LOCAL REVENUE COMPOSITIONS³⁸



(2) Motivation to expand tax revenue

As a relevant issue, I note the fact that Japanese local governments have a strong incentive to their expand tax revenue. Table 3 shows the tax levied in excess of the norm in the 2011 settlement account. The total amount was 471.9 billion yen, which corresponds to 1.4% of the total local tax revenue. This revenue can be obtained only when the local government passes a bylaw that sets an exceeding rate at its discretion. The size of the excess itself is not so large; however, this excess indicates that the Japanese local governments have the motivation to expand tax revenue. In addition to this, the amount of extra-legal local taxes shown in Figure 5 is 51.6 billion yen in 2010; the number of local bodies that introduced extra-legal taxes amounts to 56. Most local governments are planning regional development policies for attracting enterprises in order to expand the local tax revenue. These facts show that local governments have a strong motivation to expand tax revenue.

³⁸ Source: White Paper on Local Public Finance, 2014

TABLE 3. TAX LEVIED IN EXCESS OF THE NORM (FY 2011 settlement)

Kinds of Tax		Number of local bodies levying tax	Tax Revenue (billion yen)
Prefectural inhabitants tax	Individual per capita rate	31	18.5
	Individual income rate	1	2.5
	Corporate per capita rate	31	9.4
	Cooperation-based tax	46	86
Corporate business tax		7	91.1
Automobile tax		1	13million yen
Prefectural tax total			207.4
Municipal inhabitant tax	Corporate per capita levy	2	1.6
	Corporate income rate	2	0.7
	Corporate per capita rate	402	15.4
	Corporate tax levy	1,004	210.9
Fixed asset tax		160	35.8
Light vehicle tax		33	0.7
Mining products tax		33	10million yen
Bathing tax		2	24million yen
Municipal tax total			264.5
Total of tax above the norm			471.9

IV. Local Tax Reforms

In recent years, Japan has implemented local tax reforms—reforms for closing the gap among the local bodies. These reforms are meant for corporate business tax and corporate residential tax.

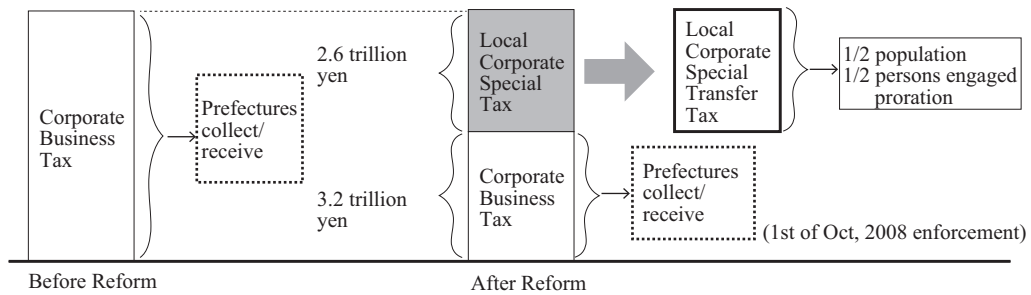
1. Reform of Corporate Taxes

In the face of the issues related to revenue disparity, the national government implemented two significant reforms.

(1) Reform of corporate business tax

As previously discussed, the government transformed a part of the local corporate business tax into the local corporate special tax in order to distribute the revenue as a local transfer tax for curbing the revenue differences in order to deal with revenue disparity in 2008. A part of the corporate business tax (which is a local tax) was transformed into local corporate special tax (which is a national tax). Subsequently, this was distributed to the local governments as local corporate special transfer tax based on the proportion of population and people engaged (as shown in Figure 24). By this method, the revenue can be more evenly distributed than by the income base. In a sense, the transformation from local tax to national tax is against the process of decentralization. However, this was adopted as a tentative measure. This trend indicates that eliminating revenue disparity is a pressing issue for the current local administration.

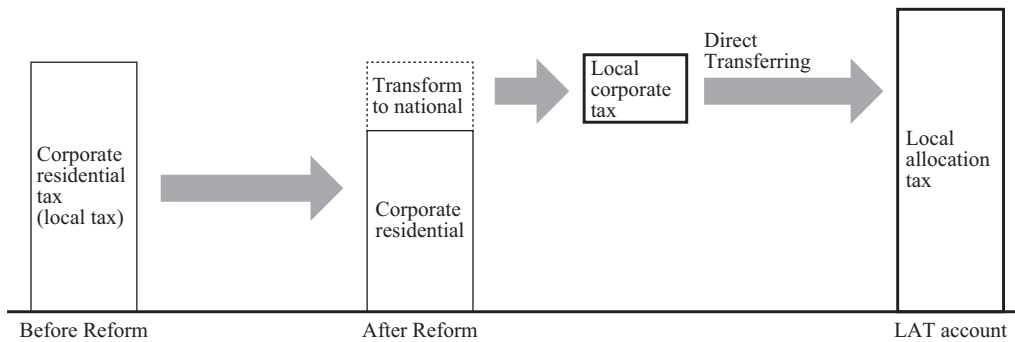
FIGURE 24. LOCAL CORPORATE SPECIAL TAX



2. Reform of Corporate Residential Tax

After 2008, the extent of disparity of business corporate tax was remarkably reduced through the tax reform. However, the disparity of corporate business tax continued. Therefore, in 2014, the local corporate tax was reformed significantly. A part of the corporate residential tax will be transformed to national tax and will be directly transferred to the local allocation tax account. Through this process, this portion would be distributed as a resource for the local allocation tax in 2014. The local corporate tax was introduced in 2014, and it will be put into effect in full scale in 2015. (as shown in Figure 25)

FIGURE 25. CORPORATE RESIDENTIAL TAX

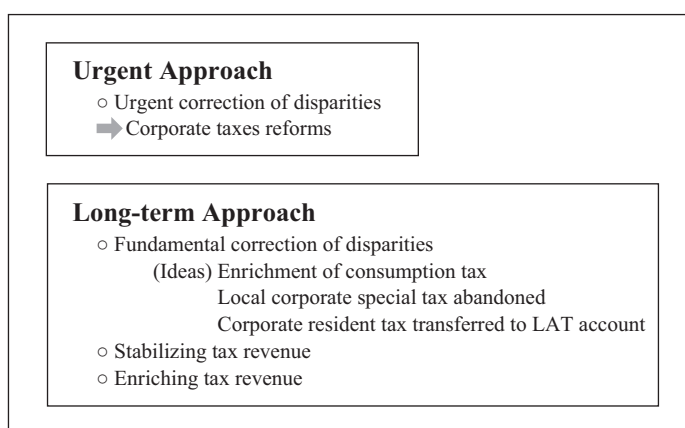


3. Characteristics of Japanese Tax Reform Strategy

Looking at the history of Japanese local tax reform, we can identify the characteristics of this strategy. The government has two approaches—an urgent approach and a long-term approach.

The urgent approach aims for early results. The reform of corporate business tax and corporate residential tax discussed earlier are representative of the urgent approach. Redressing

FIGURE 26. TRENDS OF LOCAL TAX REFORMS



the differences in tax revenue has been a pressing issue in the Japanese tax and finance system. Why is this a pressing issue? There are three reasons. Firstly, this issue is closely related to the local government's finance currently. Secondly, disparities among the local bodies would have an adverse impact on the economic situation of the whole country. Thirdly, Japan has hiked the consumption tax rate, which could widen the disparities among the local bodies' finances. Facing this urgent issue, the government gave it higher priority. The consumption Reform Act in 2012 stated that “[l]ocal corporate special tax and local corporate special transfer tax are tentative measures and they are reexamined fundamentally.”

From a long-term perspective, stabilizing tax revenue and enriching tax revenue are important issues. Reexamining the current items of local taxes and the tax bases is required. Further financial decentralization would be required. The government would need to examine the current local tax system in the future.

In Japan, such a combination of an urgent approach and a long-term approach could be expected to continue. Tax reform is reviewed mainly by the associated ministries and parties; however, it would be preferable for the citizens to distinguish between the urgent tax issues and the long-term tax issues when we consider these reforms. (as shown in Figure 26)

V. *Local Financial Autonomy and Goals*

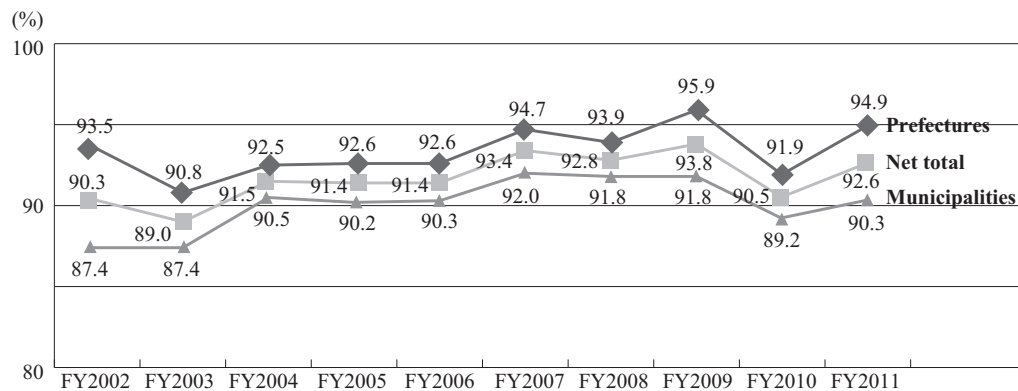
1. **Financial Autonomy**

Faced with the severe local financial situation, the government enacted the Local Finance Soundness Law in 2007. The objective of this law was set out as follows: “To establish a system of making public announcements concerning the ratios of local government finances, and to enable local governments to decide on a system for the speedy achievement of financial soundness and financial rebuilding as well as formulating plans aimed at promoting the sound management of publicly managed enterprises” (Art. 1).

By using four financial indicators, each local government would have financial self-control in order to avoid a dangerous situation. Seen in this light, such a system expects each local government to have financial autonomy. This law was fully enforced in 2009, and it had a marked effect on the local governments.

Figure 27 shows that the ordinary balance ratio³⁹ turned down.⁴⁰ Figure 28 also shows that the trend of personnel expenses, which was decreasing earlier, was driven up.

FIGURE 27. CHANGE IN THE ORDINARY BALANCE RATIO⁴¹



Based on these data, the local governments made efforts to attain self-control, and the spirit of financial autonomy seemed to function significantly.

As is shown in Figure 1, local tax is the principal source of local revenue and the primary method for financial autonomy. However, the local tax system faces various issues in the current society. I identify three goals for the Japanese local tax system as shown in Figure 29.

The first is to reduce disparity. In a way, this is the hottest issue at present. The national government enacted several very important reforms such as the foundation of the local corporate special tax in recent years. It seems that this agenda will remain a hot issue in the years ahead.

The second goal is to enrich autonomy. In this context, Japan implemented the Trinity Reform. The local governments will receive additional tax revenues in the form of an increase

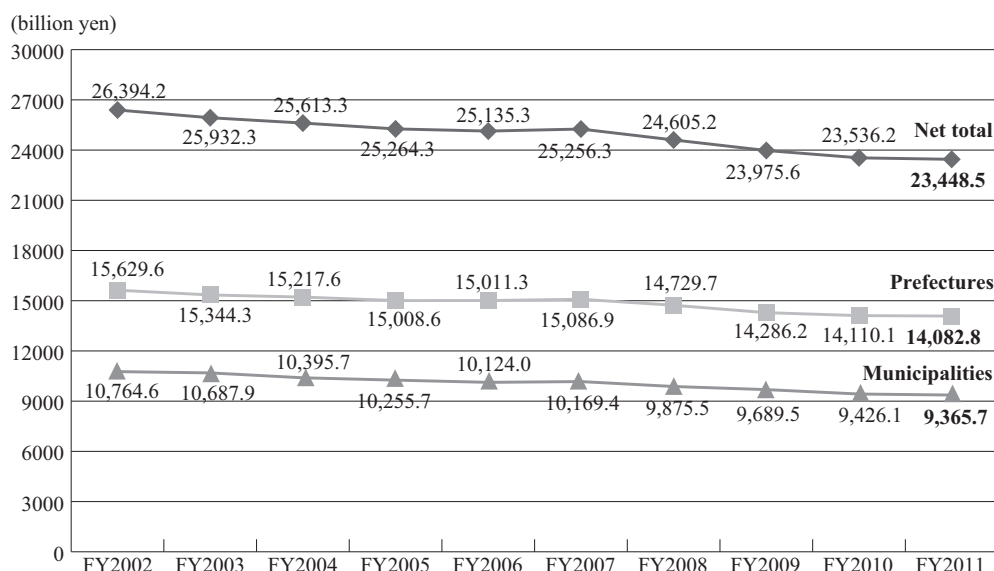
³⁹ The term “ordinary balance ratio” denotes an index for identifying the elasticity of the financial structure of local public bodies. It is calculated as a percentage of the amount of general revenue sources that are used for expenditures that are ordinarily disbursed every fiscal year (such as personnel expenses, social assistance expenditure, and debt service) in relation to the total amount of general revenue sources, represented by local taxes and ordinary local allocation tax (ordinary general revenue sources), a special share of revenue decrease compensation loan, and an extraordinary financial measures loan.

This index is used to see to what extent ordinary general revenue sources are appropriated for ordinary expenditures; it also shows that a higher ratio means less flexibility in the financial structure.

⁴⁰ In 2011, the amount of social assistance expenditure was increased because of the East Japan earthquake.

⁴¹ Source: *White Paper on Local Finance, 2014*

FIGURE 28. CHANGE IN LOCAL PERSONNEL EXPENSES⁴²



in consumption tax in 2014.⁴³ However, the agenda of reducing the gap between revenue and expenditure still exists.

The third goal is to stabilize the tax revenue. This is a significant agenda. The local governments have made much of the asset tax and the consumption tax. The increase in the local consumption tax in 2014 could contribute to stability. However, the taxes on corporate income (which amount to 3 trillion yen) are still principal local taxes, and they are very elastic to the economic situation. Dealing with those elastic local taxes and ensuring greater stability for the local tax system seem to be more crucial issues.

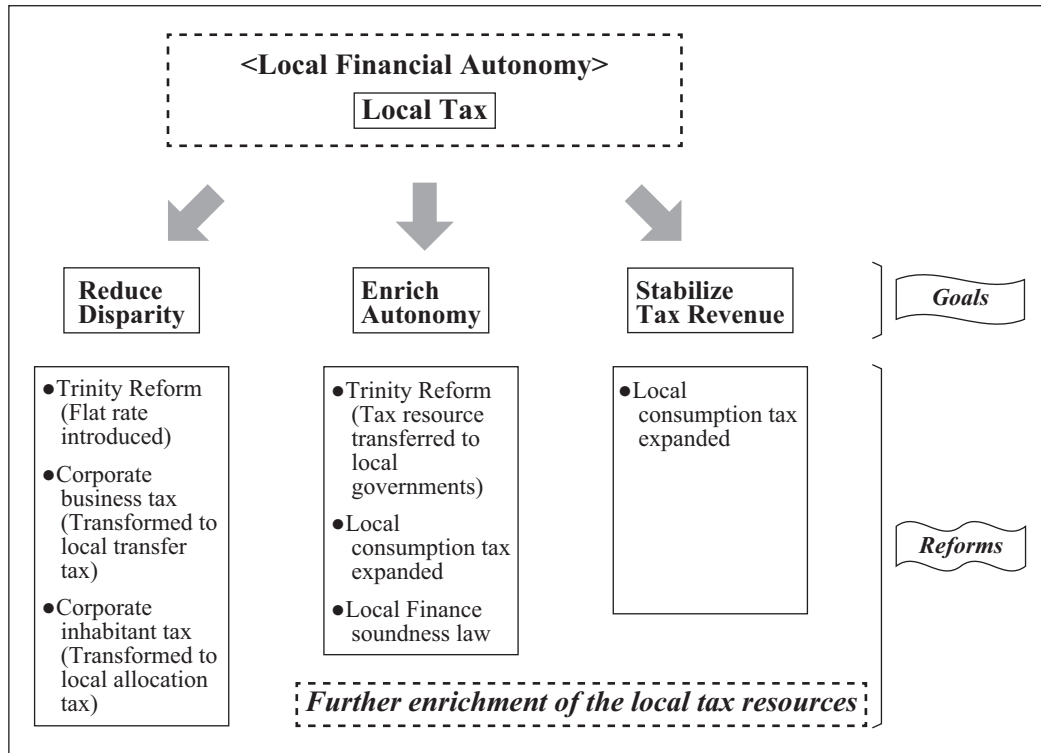
In this paper, I presented an overview of the characteristics of and the issues related to the Japanese local tax system. As the concept of social values is becoming increasingly complicated, the reform of local tax systems will be a complex process.

However, when we consider future financial autonomy, the following point is significant: “The power to determine the tax rate and base allows local variations in fiscal burdens to be sensitive to local preferences” [Mochida]. I suggest that we should pay attention to this finding. The local governments should be required to be increasingly sensitive to the needs of the community in the framework of financial autonomy. The relationship between sensitivity and financial autonomy must be an indispensable one in contemporary society.

⁴² Source: *White Paper on Local Finance, 2014*

⁴³ The local consumption tax rate was raised from 1% to 1.4% on 1 April, 2014.

FIGURE 29. LOCAL FINANCIAL AUTONOMY AND GOALS



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A MULTILAYERED CHECK-AND-BALANCE SYSTEM: TRENDS OF A DUAL REPRESENTATIVE SYSTEM IN JAPANESE LOCAL ADMINISTRATION

SHUNSUKE KIMURA*

Abstract

Japan's local government system is a presidential system, and both of its chief executives, governors/mayors and assembly members must be elected directly. This presidential system features a number of checks and balances. For instance, the heads, governors/mayors have a multitude of countermeasures that they can use against the assembly, including: (a) Right of convocation, (b) Right of submitting bills, (c) Veto power, (d) Right of dissolution when non-confidence is passed, and (e) discretionary disposition. The fact that the heads have both veto power and right of dissolution is an especially unique characteristic. This system is different from most in that these measures are superimposed and forceful in combination, representative of what can be called a "*Multilayered check-and-balance system*."

I have investigated the formal record in these thirteen years. The data shows us the following characteristics: (1) The ratio of the number of bills submitted by assembly sides is still low (5 or 6% of the total). (2) In those instances when the head uses their veto power, the resolution is affected at a rate of 40.5%. This rate is a little higher than for those instances when an assembly maintains the resolution by approving the resolution again with more than two thirds majority (37.8%). (3) When the assembly approves a non-confidence vote, the ratio of displacement or the resignation of the head is 20.9%, while the likelihood of dissolution is equivalent (21.6%) in municipalities.

Those phenomena suggest that the chief executives' measures are effective and substantially predominant in the present system. However, it looks like things are changing. The bigger city assemblies set the pace and have tried to enhance policy initiatives, such as increasing the number of bills, planning various new bylaws, and capping the number of discretionary actions.

Within this context, the local autonomy law has realized the delicate balance between head and assembly, and as a result it has been amended. The multilayered powers of heads have always been potential ones, but recently the conflicts have become so marked that some heads have made excessive use of those measures.¹ In 2012, those excesses led to the amendment of the law, with the right to convene the assembly and take discretionary action partly restricted.

In response to changes within society, further amendments to this multilayered check-and-balance system will be required in the future. The crucial issue that needs to be considered is

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¹ For example, Akune city and Nagoya city had the severe conflicts between assemblies and mayors for years since 2009.

what system we need in order to enhance the trust of citizens in local governments.

I. *Basic Framework*

1. **Constitutional Guarantee**

Japan's local government system is a presidential one, and both of its chief executives, governors/mayors and assembly members must be elected directly. This is also called a dual representative system. This system is guaranteed by the Japanese Constitution.

Japanese Constitution (Excerpt) Chapter VIII

Local Self-government:

Article 92: Regulations concerning organization and operations of local public entities shall be fixed by law in accordance with the principle of local autonomy.

Article 93: The local public entities shall establish assemblies as their deliberative organs, in accordance with law. The chief executive officers of all local public entities, the members of their assemblies, and such other local officials as may be determined by law shall be elected by direct popular vote within their several communities.

2. **The dual Representation System and Local Assemblies**

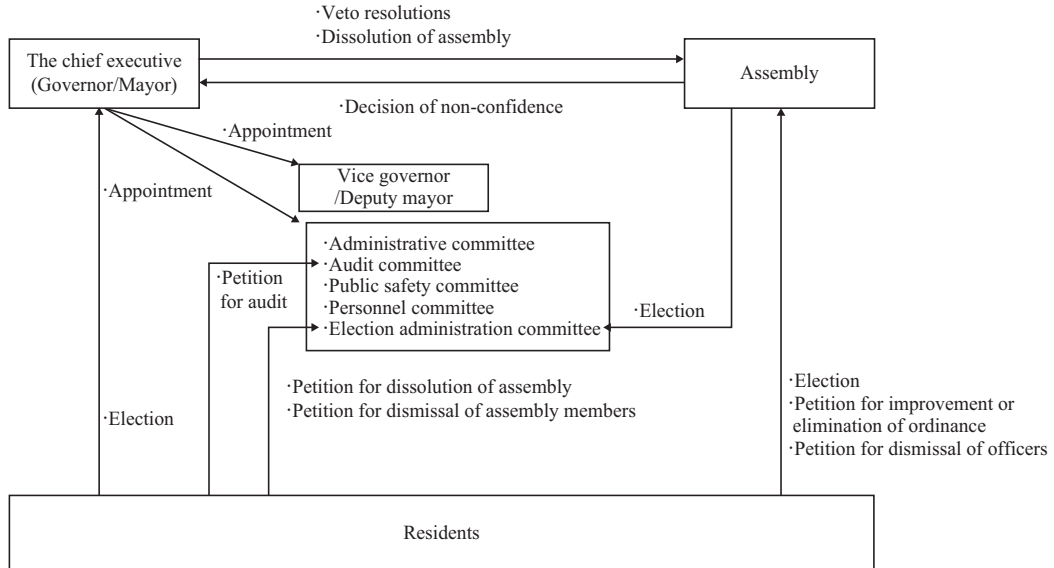
The Japanese local administration system works under the principle of dual representation. This principle means that both the assembly and the chief executive officer of local governments are directly elected in a public election as representative organs by the local population.²

The presidential system is characterized by its check-and-balance system, which sees very clear checks built into the relationship between the chief executive officer and the assembly. "All of these laws were passed during the Occupation, and each of them was designed to attack the previous system of centralization" (Steiner³). There are times when deep conflict arises because representatives of the two systems have different ways of thinking. On the basis of the tension that is prone to occur between the two sides in such circumstances, a cooperative style of management within local governments has evolved. On the basis of the characteristics of this dual representation system, mechanisms of control are built into the relationship between the assembly and the chief executive officer. In other words, the assembly and the chief executive have measures available to them that enable either party to enforce checks and balances. Figure 1 shows the relationship between those dual representatives.

² The frameworks of local governments which have adopted a dual representative system are comparatively few among democratic countries. Examples include the cities of the U.S.A., which have adopted the system of a city assembly and a city mayor; and the cities of the U.K. which have adopted a system of directly elected mayors.

³ Kurt Steiner, *Local Government in Japan*, (California, 1965) 331.

FIGURE 1 THE RELATIONSHIP BETWEEN THE CHIEF EXECUTIVE AND THE ASSEMBLY



3. Measures of Taking Initiative

When making administrative decisions in local public agencies, the assembly and the chief executive would make use of the measures in the following ways:

(1) The chief executive

(a) Right to submit bills

The right to submit bills is a basic measure available to the chief executive as a means to initiate policy initiatives. The bills include bylaws, budgets, contracts and others. Both of the chief executive and the assembly members have this right. However, the chief executive has the exclusive right to submit bills on budgetary matters. This is because the chief executive has the responsibility for the sound financial management of the local body and as such is given the authority to control budgets. The budget is central to any policy initiative, and as such this gives chief executive a significant level of power.

(b) Attendance

Under the Local Autonomy Law (LAL for short) Art.121, the chief executive shall appear in the assembly hall for explanations when required by the chairperson of the assembly. This article is an obligatory measure aimed at the chief executive. However, this also represents an opportunity for the chief executive to explain any bills they have put forward and inform the public about them, as the speeches and questions within the assembly are widely covered by newspaper, TV and internet. As such, attendance at the assembly is a good opportunity for the chief executive to take initiatives forward.

Local Autonomy Law (LAL) Article 121

The chief executive, the chairperson of the education commission, the chairperson of the election administration commission, the chairperson of the personnel commission or the equity commission, the chairperson of the public safety commission, members of the local labor commission, the president of the agricultural commission and audit commissioners, members or representatives of any commission established by law as well as any person who has received delegation or commission therefrom, shall, when required by the chairperson of the assembly, appear in the assembly hall for explanations.

(c) Right to convene the assembly in principle

The authority to convene an assembly is vested in the chief executive officer of the local public body (Art.101(1)). The assembly is basically made up of both regular and extraordinary sessions. A regular session must be convened on the number of occasions specified in the relevant bylaw; normally there are 4 sessions in a year. An extraordinary session is convened for the purpose of discussing specific agenda items when deemed necessary (Art.102(1) to (3)). In a case where the assembly chairperson requests the chief executive to convene an extraordinary session for the matter to be discussed, or where a quarter or more of all assembly members make a request, the chief executive must convene the session within 20 days. This is a standard parliament procedure⁴. This system is not common among countries that have the presidential type local government systems⁵, and represents a measure that allows the chief executive to steer the assembly.

A severe conflict between the chief executive and the assembly occurred in Akune city in 2010 when the mayor would not convene the assembly in spite of the requests by the assembly chairperson. The LAL was amended in 2012 as a way of mitigating those potential negative effects. Now the chairperson is given the right to convene the extraordinary session when the chief executive will not convene the assembly, despite requests.

(d) Measures that check the assembly

There are times when deep conflict arises because representatives of the two systems assert different views on policies. The central characteristic of this dual representative system are the mechanisms that control and steer the relationship between the chief executive and the assembly. Those measures that relate to the assembly are as follows:

(1) *The chief executive has the power to veto resolutions passed by the assembly and to seek reconsideration of those resolutions by the assembly. This includes a general veto (ordinary reconsideration)⁶ and a special veto (reconsideration of illegal resolutions or*

⁴ This rule was partly amended in the 2006 revision; the chairperson was given the right to convene an extraordinary session when the chief executive did not convene one.

⁵ For example, chairpersons have the right to convene assembly in both basic local body and the upper tier body in Italy. In U.S.A the president has the right to convene Congress for only the special session. In thirty States of U.S.A, not only the governors but also the chairpersons have the rights to convene the special sessions. See Toshiyuki Otaki, *Local Government in America*, (Tokyo, 2004) 79.

⁶ General veto is a power which can suspend temporarily the legal effect of decision-making of the assembly. Japan introduced general veto system from U.S.A. in 1948. See Nagatoshi Onishi, "Chiho Gikai ni okeru Saigi Seido [Veto System in Local Assembly]", *Chihou Jichi [Local Autonomy]*, No.380, (Tokyo, 1979) 43.

elections). A general veto can be exercised by the chief executive at his discretion when he objects to resolutions adopted by the assembly, revision or abolishment of bylaws or budgets. However, if two-thirds or more of the assembly members vote once again in favor of the resolution, it is adopted and cannot be vetoed a second time. The latter veto is provided as a means for avoiding illegal acts and its exercise is mandatory for the chief executive.

(2) *Discretionary action can be exercised by the chief executive* using powers normally issued to the assembly in two instances: (1) When the assembly has not been convened and requires action on its behalf or when it fails to act on a matter requiring its attention; and, (2) When powers normally held by the assembly are exercised in accordance with prior agreement and the assembly delegates its authority in some minor matter to the chief executive in order to more efficiently carry out the local government's duties.

The former cases are as follows:

1) where an assembly is not duly formed; 2) where an assembly is unable to open proceedings, particularly where there is a need for urgency and there is clearly not sufficient time to bring together the assembly; and, 3) where an assembly does not pass a resolution on a matter on which it should pass a resolution, the chief executive can address the matter with their own authority (Art.179(1)).

In the former cases, any such discretionary action must subsequently be approved by the assembly. However, even if approval is not obtained, although the political responsibility falls on the chief executive, the validity of the discretionary action in question is not affected. This measure is very effective when urgent matters arise and the chief executive has to deal with affairs swiftly. However, the measure has caused controversy on the past. In Akune city in 2010, a deputy mayor was appointed through this measure, prompting a reaction with the city. This incident caused such controversy that the LAL was amended in 2012 and the ability to appoint a vice governor or deputy mayor was removed.

(3) *The right to dissolve the assembly as a countermeasure against a resolution of non-confidence.* In the event of an ongoing conflict that proves incapable of resolution between the chief executive and the assembly, the assembly may conduct a vote of non-confidence in the chief executive. Any such vote requires a quorum of two-thirds or more of the assembly members and the motion must receive the assent of three-fourths or more of the assembly members present in order for it to be passed. If a non-confidence motion is adopted, the chief executive may, in turn, dissolve the assembly. This is the mechanism whereby a deadlock between the chief executive and the assembly can ultimately be resolved, through an appeal to the fair judgment of the voters⁷. If the assembly adopts a motion of non-confidence in the chief executive and the chief executive does not dissolve the assembly within the prescribed period (10 days), the chief executive automatically loses his or her position as the head of the local government. Also, if the assembly again passes a non-confidence motion in the chief executive at the first meeting convened after the dissolution, the chief executive no longer has the right of dissolution and will lose his or her position on the day notification is received of the second vote of non-confidence.

⁷ This rule is considered to be not a legal consequence, but a policy mode of settlement. See Shouichi Kono, "Fushinningiketu to Kaisan [Non-confidence and Dissolution]", *Chihou Jichi [Local Autonomy]*, No.392, (Tokyo, 1980) 103.

TABLE 1 ASSEMBLY RESOLUTION TERMS

<ol style="list-style-type: none"> 1. Establishing, amending or abolishing bylaws 2. Deciding budgets 3. Approving statements of accounts 4. Carrying out matters concerned with imposing or collecting local taxes and such 5. Concluding contracts (respective sums of money and such) 6. Handling the transfer of property 7. Investing property as a trust 8. Dealing with the acquisition and disposal of various kinds of property and monetary amounts 9. Receiving a donation with conditions attached 10. Dealing with the renunciation of rights 11. Making important public facilities set out for exclusive or long-term use 12. Dealing with matters raised by a local public body, including demands, expressions of dissatisfaction, proposed lawsuits, negotiated settlement, mediation, and arbitration 13. Deciding the amount of compensation for damages 14. Comprehensive adjustment of activities carried out by public entities 15. In addition to the above, all matters falling within the purview of an assembly as determined by laws or government orders based on these laws
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The right to dissolve the assembly in a presidential system is exceptional. Moreover, the chief executive is given the right of veto and the right to dissolve the assembly. The chief executives are given those measures at multiple levels.

(2) The Assembly

The assembly is also given multiple measures to take initiatives in policy making. These are as follows:

(a) Assembly resolutions

The basis of the assembly's basic authority is its resolutions. Matters relating to assembly resolutions are categorized under 15 headings, which are stipulated in Art.96(1) of LAL (as outlined in Table 1). A local government body can also make assembly resolutions by means of a bylaw (Art.96, (2)), which can expand the scope of a policy covered by a resolution.

(b) Right to submit the bills

An assembly member may submit bills to the assembly on any matter on which an assembly resolution is required (Art.112(1)). The assembly has a comparable measure for taking initiatives in this regard. The difference between the assembly and the chief executive rests on the fact that the assembly is not given the authority of submitting bills on budgetary matters.

(c) Investigative authority (Especially authority under Article 100 of Local Autonomy Law)

The assembly may investigate any of the duties of the local government and is entitled call upon any member of the public or other relevant person for a verbal testimony or written testimony. This is called "Investigative authority" under Article 100. In the event of requesting a testimony on the basis of this article, the assembly must follow the same procedures and rules that would apply when questioning a witness in the Civil Court. Furthermore, when people are requested to make an appearance or to give testimonies

TABLE 2 CHECK AND BALANCE MEASURES: CHIEF EXECUTIVE AND THE ASSEMBLY

<p>< <i>Chief Executive (Governor / Mayor)</i> ></p> <p>(a) Right to submit bills (Including the exclusive right to submit bills on budgetary matters)</p> <p>(b) Attending the assembly, explaining the points of the bills and appealing the bills through Qs and As at the assembly</p> <p>(c) Right to convene the assembly in principle</p> <p>(d) Veto</p> <p>(e) Discretionary action by the chief executive</p> <p>(f) Right to dissolve the assembly</p> <p>< <i>Assembly</i> ></p> <p>(a) Assembly resolution (Including increase and decrease budget amendment)</p> <p>(b) Right to submit the bills</p> <p>(c) Investigative authority (Especially authority under Article 100 of Local Autonomy Law)</p> <p>(d) Submission of a written opinion</p> <p>(e) Non-confidence</p>
--

under this article, those who decline or bare false testimony are fined. In this manner, investigative authority is a highly effective measure held by the assembly, and can be used to strengthen its position vis-à-vis the chief executive.

(d) Submission of a written opinion

The assembly can submit a written opinion regarding a matter concerned with the public interest of the local government to the National Diet or to the appropriate government administrative agency. These opinions do not have any legal binding. However, those opinions cover a wide variety of administrative fields that do not just include issues relating to local administration, but also diplomatic problems, national security issues and such. This measure has flexibility and swiftness, and many assemblies make much use of it.

(e) Non-confidence

Non-confidence is the ultimate measure held by the assembly. In the event of an ongoing conflict, the assembly may conduct a vote of non-confidence. “Normally the resolution of no confidence is of course the assembly’s ultimate weapon to resolve its conflicts with the executive” (Steiner⁸). The vote requires a quorum of two-thirds or more of the assembly members and the motion must receive the assent of three-fourths or more of the assembly members. If the assembly adopts a motion of non-confidence and the chief executive does not dissolve the assembly within 10 days, the chief executive automatically loses his or her position. The assembly members take the risk of the dissolution, but if they successfully implement resolutions, they can have politically lethal effects on the chief executives.

Table 2 indicates those measures that can be made use of by the chief executive and the assembly, and is indicative of the multilayered nature of check-and-balance system. Under the dual representative system, both the chief executive and assembly are given various measures for taking the initiative in implementing policies. The fact that both actors can exercise these

⁸ Steiner, 369.

measures brings a power balance between the representatives and enhances the transparency of policy making process in local society.

On the other hand, some people point out that the measures of the chief executive dominate those of the assembly. “[T]he legislative record of most assemblies seems to indicate that the chief executive is still in a predominant position” (Steiner⁹)¹⁰. When you consider that the chief executive has both veto authority and the right to dissolve the assembly, it is possible to see where this view comes from. Each measure can bring important consequences and the fact that the chief executive has both powers is an internationally unique system.

In the next chapter the application of these measures in practice are reviewed, along with emerging trends within the Japanese system.

II. *The Situation*

I examined the official record¹¹ concerning the number of exercises of those measures by the chief executives and the assemblies in these thirteen years.

The following section provides an overview of who is involved in initiating policies.

1. Bills Submitted by Both Representatives

TABLE 3. BYLAW BILLS SUBMITTED BY CHIEF EXECUTIVE, ASSEMBLY PERSONS OR COMMITTEE

Groups	Proponents	Total Number of bills
Prefectures	Chief executive	3,303 (94.4%)
	Assembly persons	196 (5.6%)
	Committee	1 (0.0%)
	Total	3,500
Cities and Districts	Chief executive	37,926 (96.2%)
	Assembly persons or committee	1,493 (3.8%)
	Total	39,419
Towns and Villages	Chief executive	25,423 (93.4%)
	Assembly persons	1,745 (6.4%)
	Committee	60 (0.2%)
	Total	27,228

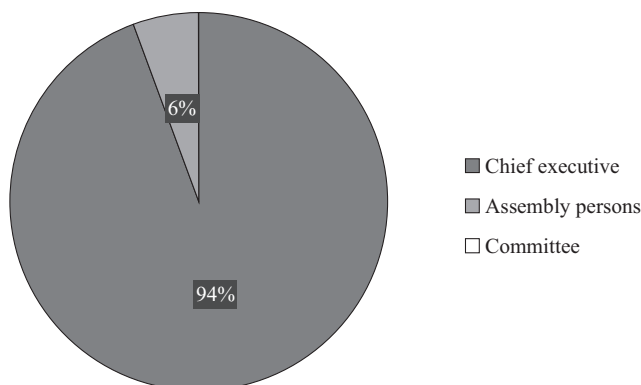
Note: 1) The data period of prefectures, cities and districts is from Jan. 1st to Dec. 31st in 2006.

2) The data period of towns and villages is from July 1st in 2006 to June 30th in 2007.

3) Numbers shown in parentheses are the component ratios of actors who submit the bills.

Sources: Data from *the Report of the National Association of Chairpersons of Prefectural Assemblies*, *the Report of the City Assemblies Activities*, National Association of Chairpersons of City Assemblies, and *the Report of Japan National Association of Chairpersons of Town and Village Assemblies*.

FIGURE 2. THE COMPONENT PERCENTAGES OF PROPONENTS OF THE BILLS OF PREFECTURES IN 2006



Source: Report of the National Association of Chairpersons of Prefectural Assemblies.

2. Number of Bylaw Bills

Bills submitted by both the chief executive and the assembly¹² is the basic measure used for taking the initiative in policy making. Submitting bills relating to budgetary matters is the exclusive right of the chief executive. However, the right to submit other bills is given to both representatives. The present situation is shown in Table 3.

This data shows the fact that the number of bills submitted by the chief executive is much larger than those submitted by the assembly and committees. The ratio of the number by the chief executive is 94.4% in prefectures, 96.2% in cities and districts, 93.4% in towns and villages. Figure 2 also shows the ratio of the bills submitted by the chief executive and those by assembly-sides in prefectures. It shows as much as 94.4% of the bills are submitted by the chief executive.

Increasing the number of submissions by the assembly has been an important issue in the local assembly. A number of assemblies have been making efforts to submit the bills through employing the slogan of “Parliamentary reform.” However, the percentage of assemblies submitting bills is still not high. The following facts can be noted:

- (1) The ratio of the number of the bills submitted by the assembly members is bigger in

⁹ Steiner, 372.

¹⁰ A comparative idea is also advanced; “the post-war institution of chief executives of local governments in Japan is not exactly like the American presidency, which stresses check and balances. In Japanese local government the governors and mayors have the authority to submit measures to, and dissolve, the local assembly, and this assured strong mayors and governors.” Michio Muramatsu, *Local Government Development in Post-war Japan*, (N.Y., 2001) 231.

¹¹ *Chihoujichi Geppou* [Local Autonomy Monthly Report] No.54 and No.55. These records cover the results of the surveys from 1999 to 2011 by the Ministry of Internal Affairs and Communications.

¹² The assembly side denotes both of the assembly members and the committees of the assembly. Both of them have the authority of submitting the bills.

towns and villages than those in the other two groups.

- (2) The committees do submit bills to some extent in towns and villages, while it is very rare in prefectures.

Seeing these appearances, we can see that bills have been submitted by the assembly, even to an extent in small local bodies.

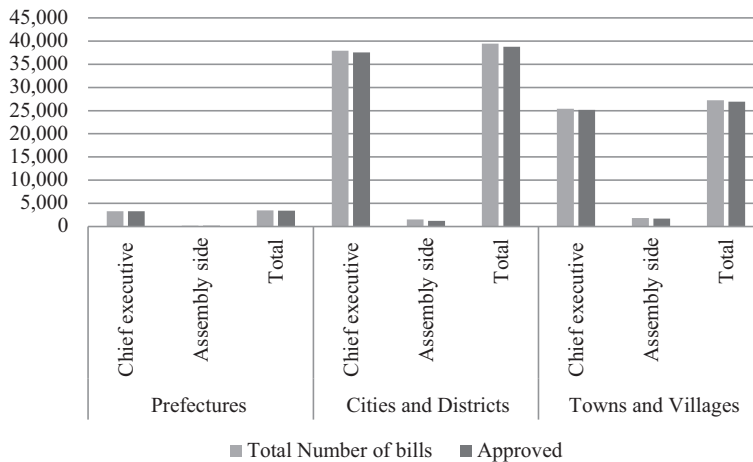
3. Results of the Bills

TABLE 4. RESULTS OF THE BILLS

Groups	Proponent	Approved	Others	Total Number of bills
Prefectures	Chief executive	3,283 (99.4)	20 (0.6)	3,303 (100.0)
	Assembly side	159 (80.7)	38 (19.3)	197 (100.0)
	Total	3442 (98.3)	58 (1.7)	3,500 (100.0)
Cities and Districts	Chief executive	37,576 (99.1)	350 (0.9)	37,926 (100.0)
	Assembly side	1,183 (79.2)	310 (20.8)	1,493 (100.0)
	Total	38,759 (98.3)	660 (1.7)	39,419 (100.0)
Towns and Villages	Chief executive	25,169 (99.0)	254 (1.0)	25,423 (100.0)
	Assembly side	1,732 (96.0)	73 (4.0)	1,805 (100.0)
	Total	26,901 (98.8)	327 (1.2)	27,228 (100.0)

Sources: Data from the Report of the National Association of Chairpersons of Prefectural Assemblies, the Report of the City Assemblies Activities, National Association of Chairpersons of City Assemblies, and the Report of Japan National Association of Chairpersons of Town and Village Assemblies.

FIGURE 3. NUMBER OF THE BILLS



Source: Prepared by the author based on Table 4.

TABLE 5. RESULTS OF THE BYLAW BILLS SUBMITTED BY CHIEF EXECUTIVE, ASSEMBLY MEMBERS OR COMMITTEE

		Total Number of bills	Results				
			Approved	Amended	Disapproved	Adjourned	Others
Prefectures	Chief executive	3,303 (94.4%)	3,283 (95.4%)	4 (80.0%)	8 (18.6%)	1 (50.0%)	7 (87.5%)
	Assembly persons	196 (5.6%)	158 (4.6%)	1 (20.0%)	35 (81.4%)	1 (50.0%)	1 (12.5%)
	Committee	1 (0.0%)	1 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
	Total	3,500	3,442	5	43	2	8
Cities and Districts	Chief executive	37,926 (96.2%)	37,576 (96.9%)	106 (97.2%)	111 (29.4%)	62 (72.1%)	71 (81.6%)
	Assembly persons or committee	1,493 (3.8%)	1,183 (3.1%)	3 (2.8%)	267 (70.6%)	24 (27.9%)	16 (18.4%)
	Total	39,419	38,759	109	378	86	87
Towns and Villages	Chief executive	25,423 (93.4%)	25,169 (93.6%)	63 (98.4%)	115 (63.9%)	0 (0.0%)	76 (91.6%)
	Assembly persons	1,745 (6.4%)	1,673 (6.2%)	1 (1.6%)	64 (35.6%)	0 (0.0%)	7 (8.4%)
	Committee	60 (0.2%)	59 (0.2%)	0 (0.0%)	1 (0.6%)	0 (0.0%)	0 (0.0%)
	Total	27,228	26,901	64	180	0	83

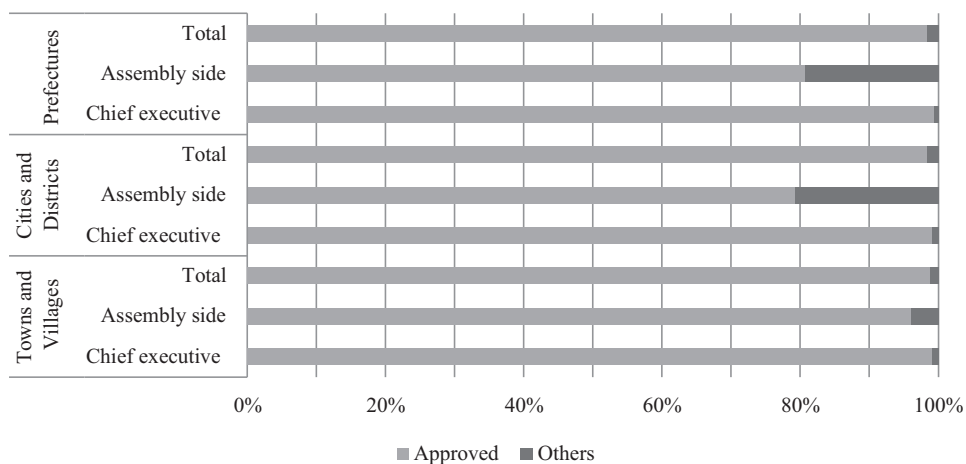
Note: 1) The data period of prefectures, cities and districts is from Jan. 1st to Dec. 31st in 2006.

2) The data period of towns and villages is from July 1st in 2006 to June 30th in 2007.

3) Numbers shown in parentheses are the component ratios of actors who submit the bills.

Sources: Data by the Ministry of Internal Affairs and Communications.

FIGURE 4. RESULTS OF THE BYLAW BILLS



Source: Prepared by the author based on Table 5.

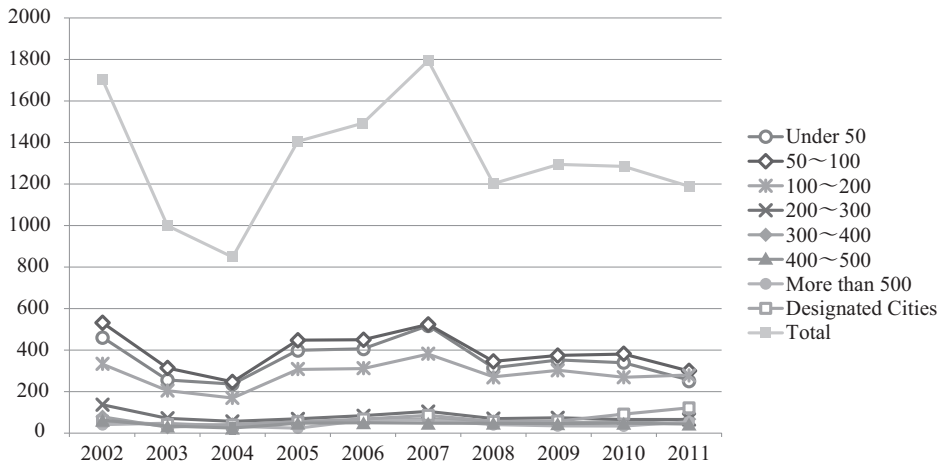
TABLE 6. NUMBER OF BYLAW BILLS SUBMITTED BY ASSEMBLY MEMBERS IN CLASSIFIED CITIES (Unit: Thousand people)

	Under 50	50~100	100~200	200~300	300~400	400~500	More than 500	Designated Cities	Total
2002	462	533	333	137	79	63	41	58	1,706
2003	256	314	205	71	29	34	48	42	999
2004	236	247	169	57	41	25	33	40	848
2005	399	448	307	69	56	48	24	54	1,405
2006	406	450	311	84	62	50	62	68	1,493
2007	518	524	381	105	69	48	63	86	1,794
2008	315	346	271	70	55	47	41	57	1,202
2009	353	375	303	74	50	46	35	58	1,294
2010	339	381	269	66	56	48	34	92	1,285
2011	256	299	280	66	67	44	55	122	1,189

Note: The population of designated city is more than 700 thousand.

Source: Report of the City Assemblies Activities, National Association of Chairpersons of City Assemblies, 2002-2011.

FIGURE 5. NUMBER OF BYLAW BILLS SUBMITTED BY ASSEMBLY MEMBERS IN CLASSIFIED CITIES



Source: Prepared by the author based on Table 6.

Table 4, Figure 3 and Figure 4 show the fact that the ratio of the fact that the ratio of approved bills by the chief executive is high in all three groups. The approved ratio is 99.4% in prefecture, 99.1% in cities and districts, and 99.0% in towns and villages. On the other hand, the approved ratios of assembly side proposals are 80.7% in prefecture, 79.2% in cities and districts, and 96.0% in towns and villages; those are lower than the approved ratios of chief executive proposals. These data show that the bills submitted by the chief executive gain approval more successfully than those made by the assembly.

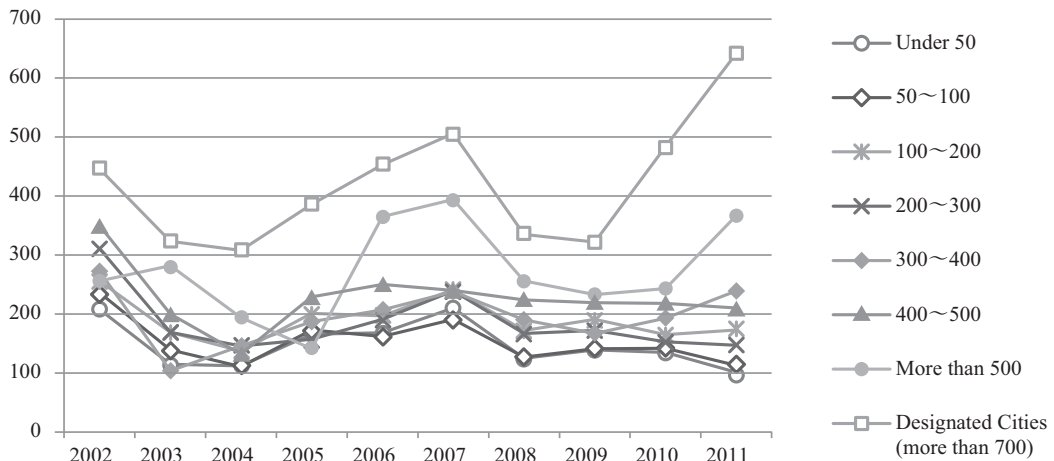
The other point is that the approved rate of assembly side bills is 96.0%, higher in towns

TABLE 7. NUMBER OF BYLAW BILLS SUBMITTED BY ASSEMBLY MEMBERS PER LOCAL BODY
(Unit: Number of cases × 100)

	Under 50	50~100	100~200	200~300	300~400	400~500	More than 500	Designated Cities (more than 700)	Total
2002	208	236	256	311	272	350	256	446	244
2003	115	139	169	169	104	200	282	323	146
2004	112	111	137	146	146	132	194	308	126
2005	166	173	201	157	187	229	141	386	181
2006	168	162	197	191	207	250	365	453	186
2007	210	191	241	239	238	240	394	506	223
2008	125	127	172	167	190	224	256	335	149
2009	139	141	191	172	167	219	233	322	161
2010	135	142	165	153	193	218	243	484	159
2011	101	113	173	147	239	210	367	642	147

Source: Prepared by the author based on the Report of the City Assemblies Activities.

FIGURE 6. NUMBER OF BYLAW BILLS SUBMITTED BY ASSEMBLY MEMBERS PER LOCAL BODY



Source: Prepared by the author based on Table 7.

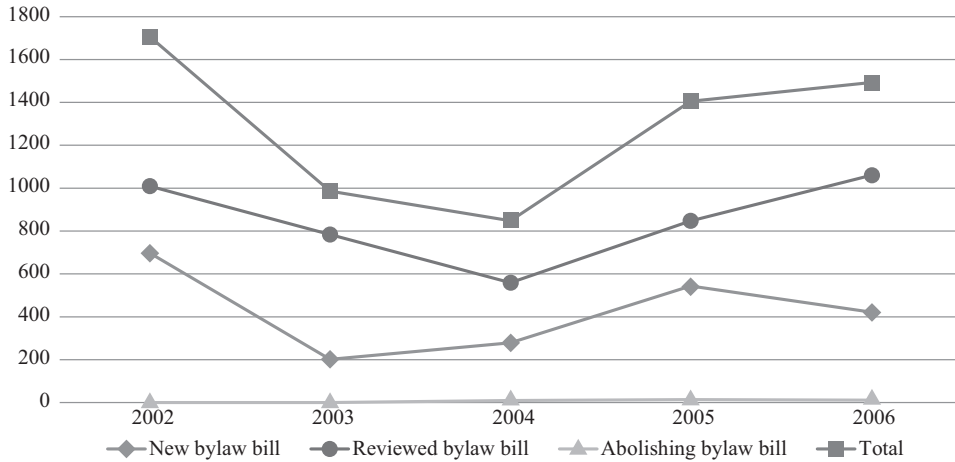
TABLE 8. NUMBER OF BYLAW BILLS SUBMITTED BY ASSEMBLY MEMBER

(Classified by types: Cities)

	New bylaw bill	Reviewed bylaw bill	Abolishing bylaw bill	Total
2002	697	1,009	0	1,706
2003	202	784	0	986
2004	279	559	10	848
2005	544	847	14	1,405
2006	422	1,060	11	1,493

Source: Report of the City Assemblies Activities, National Association of Chairpersons of City Assemblies.

FIGURE 7. NUMBER OF BYLAW BILLS SUBMITTED BY ASSEMBLY MEMBER
(Classified by types: Cities)



Source: Prepared by the author based on Table 8.

and villages than the other two groups: 80.7% in prefectures and 79.2% in cities and districts. This seems to suggest that making consensus is easier within smaller assemblies, such as those in towns and villages, while the assembly can more easily take initiatives in passing the bills.

Table 5 shows the detail of the results. When we look at the disapproval rate, the rates of chief executive proposal are lower than those of assembly side proposals in prefecture and in cities and districts. On the other hand the former, 63.9% is higher than the latter, 35.6% in towns and villages. In other words, the disapproval results of chief executive proposals are not unusual in towns and villages. This suggests that the situation of conflicts between the dual representatives tend to take place in the smaller local bodies.

Following this, the trend for the number of bylaw bills by assembly members in these years is shown in Table 6. Focusing on the trends within cities, it is possible to draw the following points from Table 6 and Figure 5:

- 1) The total numbers of bills in cities remain at the same level in these years.
- 2) The numbers of bills in cities whose population is more than two hundred thousand is growing.

When the number of bylaw bills per local body are reviewed, the characteristics are more remarkable. Table 7 and Figure 6 show the number of bylaw bills submitted by assembly members per local body. Among eight groups classified by the size of population, the number of designated cities is remarkably increasing. The number is increasing in a similar way to those the cities whose population is more than five hundred thousand. We can point out that the bigger cities' assemblies have tried to increase the number of submissions of the bills.

TABLE 9. NEW BYLAWS (APPROVED IN 2011: CITIES)

Field	Contents of Bylaw	City
Assembly matters (26)	Assembly basic bylaw (16)	Kurihara city, Kazuno city, Nikaho city, Kaga city, Kanuma city, Higashi-matsuyama city, Fujimi city, Inuyama city, Shinjo city, Takahama city, Kishiwada city, Takarazuka city, Fukuyama city, Mine city, Kitakyushu city, Taku city
	Assembly member political morality bylaw (6)	Kasu city, Higashi-matsuyama city, Otsu city, Akashi city, Fukuyama city, Mine city
	Addition of matters to be resolved by assembly bylaw (2)	Inuyama city, Isa city
	Process of drawing up fundamental city plan bylaw (2)	Inzai city, Hikari city
Industry (6)	Promotion of small and medium enterprises basic bylaw (3)	Yokosuka city, Saitama city, Osaka city
	Intermediate and mountainous area promotion bylaw	Joetsu city
	Manufacturing promotion bylaw	Sizuoka city
	Local production for local consumption bylaw	Suzuka city
Health Care (6)	Cancer countermeasure bylaw (2)	Kashiwa city, Okayama city
	Supporting community healthcare bylaw (2)	Nishiwaki city, Masuda city
	Prevention of adult disease bylaw	Yamatokoriyama city
	Oral health promotion bylaw	Yasuki city
Environment (4)	Prohibition of walk smoking and throwing stub bylaw	Edogawa district
	Prohibition of carrying off waste papers bylaw	Nagoya city
	Pet hallow ground construction permit bylaw	Kashihara city
	Prevention of dog dropping bylaw	Kurashiki city
Child Welfare (3)	Protecting children against abuse bylaw (2)	Sakai city, Takasago city
	Children's rights bylaw	Oshu city, Oita city
Community (2)	Formulation of community bylaw	Oita city
	Public proper management of abandoned houses bylaw	Nagareyama city
Security (1)	Eradication of crimes bylaw	Takahama city
Finance (1)	City's involvement in semi-public corporation bylaw	Nishinomiya city
Others (3)	Suicide countermeasure bylaw	Kashiwa city
	Special measures of allowance for deputy mayor bylaw	Suita city
	Special measures of retirement allowance for deputy mayor bylaw	Suita city

Source: Report of the City Assemblies Activities in 2012, National Association of Chairpersons of City Assemblies.

3. Number of Bylaws Submitted by Assembly Members

Focusing on the types of bylaw bills submitted by the assembly members Table 8 and Figure 7 show that the ratio of reviewed bylaw bills makes up the highest percentage and this number continues to rise. The ratio of new bylaw bill has been the second. Drafting new bylaws is an ideal style for realizing policies, but “reviewing the existent bylaw” style is mainstream at this time.

4. Contents of New Bylaws

Table 9 provides an outline of the new bylaws approved in all cities in 2011, of which there were 52. Assembly matters, covering things such as assembly basic bylaws, represent the largest ratio bylaws of approved. Other matters that are closely related to the wellbeing of citizens such as the promotion of small and medium enterprises (SMEs), supporting community healthcare, and city planning dominate. These bylaws show us that the bylaw bills submitted by assembly members make up the substantial policy measures of these local bodies.

III. *The Measures in Practice*

1. Veto

In the following section, the use of veto in the local agencies is explored. Table 10 and Figure 8 show the following points:

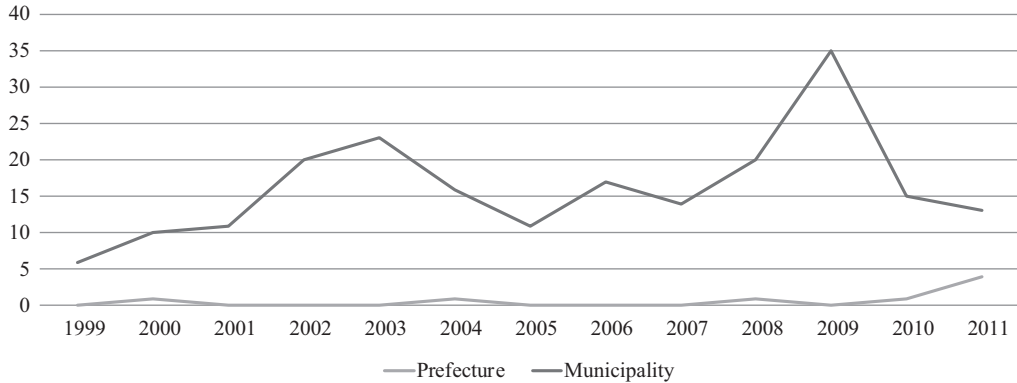
- 1) Veto measures have not been used as frequently as others. These numbers, 4 in prefectures and 13 in municipalities, are not large, compared with the number of local bodies; prefectures (47) and municipalities (1,730) in 2011.
- 2) There is no specific pattern with the number of vetoes. A larger number of vetoes were evident in municipalities in 2009, but the number decreased the following year.

TABLE 10. NUMBER OF VETOES

	Prefecture	Municipality	Total
1999	0	6	6
2000	1	10	11
2001	0	11	11
2002	0	20	20
2003	0	23	23
2004	1	16	17
2005	0	11	11
2006	0	17	17
2007	0	14	14
2008	1	20	21
2009	0	35	35
2010	1	15	16
2011	4	13	17

Source: *Chihoujichi Geppou*, No.54 and No.55.

FIGURE 8. NUMBER OF VETOES



Source: Prepared by the author based on Table 10.

TABLE 11. EFFECT OF VETO (From 1999 to 2011)

Local Body	Number of Veto	Result			
		Approval of Veto (A)	Adjusting the modified draft (fail in keeping and adjust) (B)	Keeping the modified draft (more than two thirds majority) (C)	The first draft abandoned (D)
Prefecture	8	2	0	3	3
Municipality	214	69	19	81	45
Total	222	71	19	84	48

Source: *Chihoujichi Geppou*, No.54 and No.55

The process of veto is as follows.

- Case: The first draft is submitted by the chief executive.
 - The assembly modifies the first draft and passes the one; the modified draft.
 - The chief executive uses its veto power.
 - (a1) The assembly keeps the modified draft; It approves the modified draft again with more than two thirds majority.
 - (b1) The assembly fails in approving the modified draft again with more than two thirds, and it adjusts the first draft and approves it.

Understanding this process allows us to interpret the results in Table 11. The results for (A) and (B) indicate that the chief executive has been successful at changing results through the veto. The ratio of the total of (A) and (B) divided by the total number of veto means the percentage of success for the chief executive through veto or their success rate is as follows:

$$\text{The chief executive success rate: } (71 + 19) / 222 \times 100 = 40.5\%$$

On the other hand, the assembly success rate is *the ratio of keeping the modified draft with*

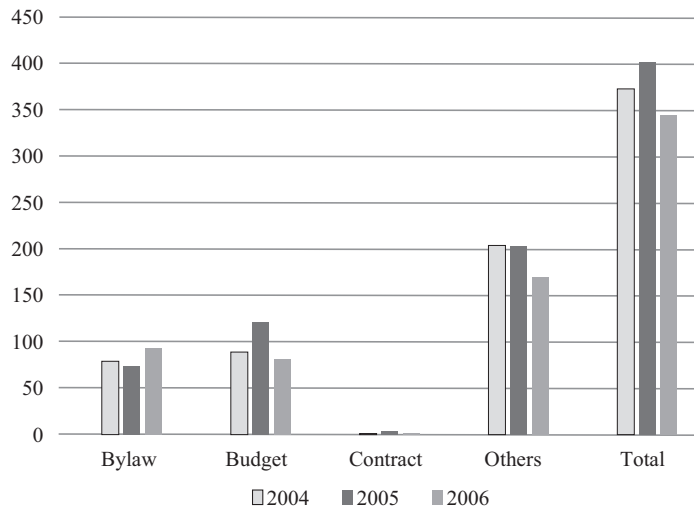
TABLE 12. DISCRETIONARY ACTION (PREFECTURE)

(Unit: Number of actions)

	Bylaw	Budget	Contract	Others	Total	Reason	
						Having no time of convening assembly	Others (Vacancy of member, intended delay, etc.)
2004	79	89	1	204	373	373	0
2005	74	121	4	203	402	402	0
2006	93	81	1	170	345	345	0

Source: Data by the Ministry of Internal Affairs and Communications.

FIGURE 9. DISCRETIONARY ACTION (PREFECTURE)



Source: Prepared by the author based on Table 12.

more than two thirds majority, column (C) in Table 11.

The assembly success rate: $84 / 222 \times 100 = 37.8\%$

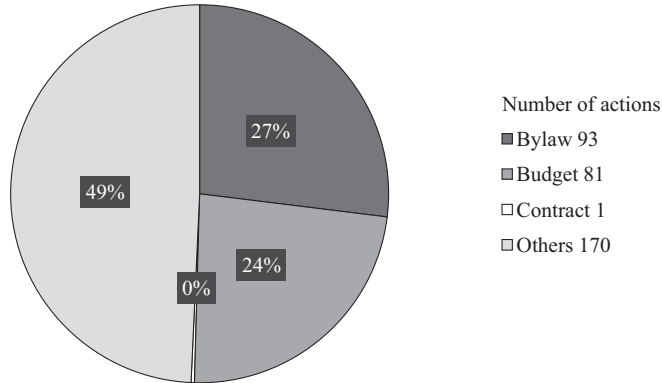
Based on this analysis, it is possible to conclude that the chief executive has a higher success rate than the assembly does when it uses the veto ($40.5\% > 37.8\%$). Veto power has not historically been used in the local government context a great deal, but we can say that it holds strong potential authority.

2. Discretionary Action by the Chief Executive

(1) Contents of discretionary action

Discretionary action is exercised by the chief executive on his own authority, but this power normally held by the assembly. It can be used only in the following situations; 1) where

FIGURE 10. DISCRETIONARY ACTION (PREFECTURE, 2006FY)



Source: Prepared by the author based on Table 12.

TABLE 13. NUMBER OF DISCRETIONARY ACTION PER LOCAL BODY (CITY)

(Unit: Number per body \times 100)

	Bylaw	Budget	Total
Under 50	236	383	692
50~100	220	329	661
100~200	180	347	673
200~300	204	280	578
300~400	218	257	582
400~500	138	171	405
More than 500	140	67	327
Designated Cities	168	105	421
Total	211	330	647

Source: Report of the City Assemblies Activities, National Association of Chairpersons of City Assemblies.

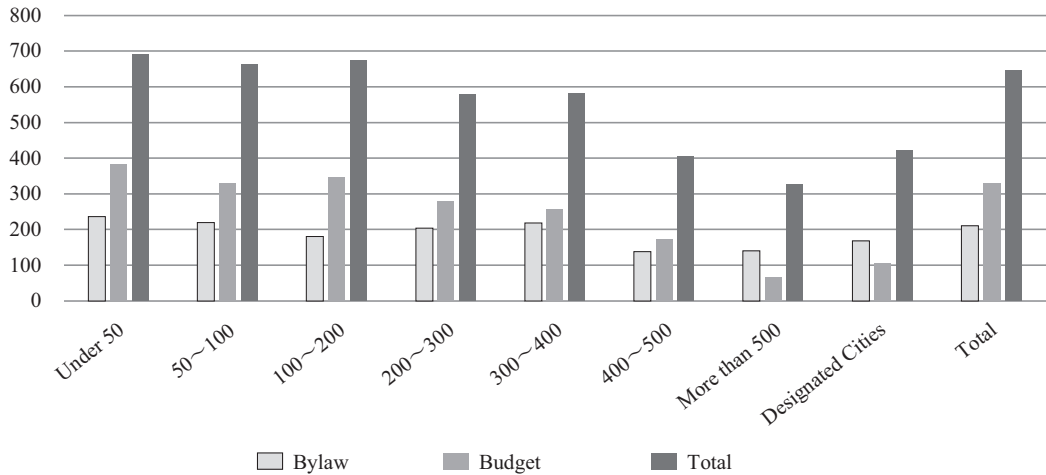
an assembly is not duly formed or 2) where an assembly is unable to open proceedings, particularly where there is a need for urgency and there is clearly not sufficient time to form an assembly, or 3) where an assembly does not pass a resolution on a matter on which it should pass a resolution. The chief executive can exercise the matter on which the assembly has the right of resolution. Fifteen headings are stipulated in the LAL.

Table 12 and Figure 9 show that largest number of discretionary actions has fallen under the budget. In fact, the typical case is a disaster recovery budget that is required as a swift response.

(2) Discretionary action per local body

Table 13 and Figure 11 show that discretionary actions are more frequently adopted in smaller cities, such as the ones whose population is less than four hundred thousand, rather than in the bigger cities. The assembly members in the bigger cities keep watch on the discretionary actions and check whether the chief executives have justified reasons for calling upon them and this might be helping keep the numbers lower.

FIGURE 11. NUMBER OF DISCRETIONARY ACTION PER LOCAL BODY (CITY)



Source: Prepared by the author based on Table 13.

(3) Reason of discretionary action

Table 14 and Figure 12 show that among the reasons for calling on discretionary actions, “Having no time of convening the assembly” is in all cases the main reason for calling on discretionary powers. In smaller cities, the vacancy of assembly members is also cited to a significant degree.

3. Non-confidence and Dissolution

(1) Contents

Non-confidence is a final measure for the assembly when the conflict between the dual representatives is escalated. This chief executive has the right of dissolution as a counter-measure.

(2) Situation

The dissolution and non-confidence powers of the assembly are now reviewed. The following indexes relate to non-confidence and dissolution:

1. Approval rate (%) : $(B) / (A) \times 100$

This rate denotes the ratio of approval of the bill when the non-confidence bill is submit to the assembly. The assembly side is successful in using its influence over the chief executive; it means that an ultimate opposing opinion against the chief executive is established.

Prefecture: $3 / 6 \times 100 = 50.0\%$

Municipalities: $29 / 111 \times 100 = 26.1\%$

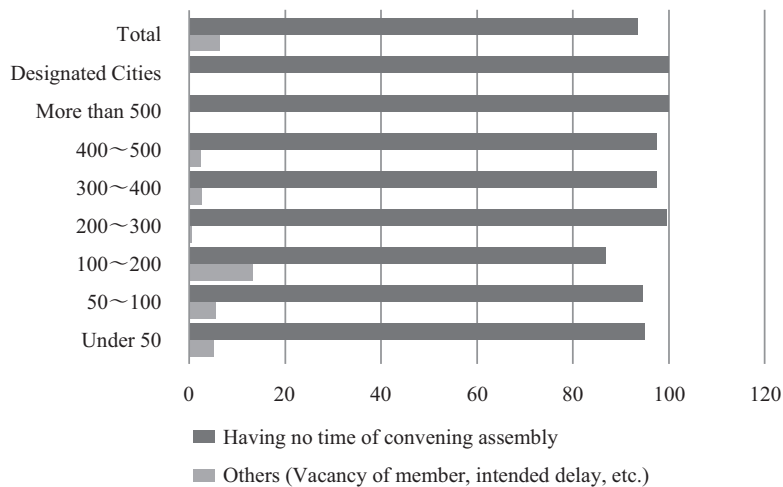
TABLE 14. REASON OF DISCRETIONARY DISPOSITION

(Unit: %)

	Having no time of convening assembly	Others (Vacancy of member, intended delay, etc.)	Total
Under 50	94.9	5.1	100
50~100	94.6	5.4	100
100~200	86.8	13.2	100
200~300	99.6	0.4	100
300~400	97.5	2.5	100
400~500	97.6	2.4	100
More than 500	100	0	100
Designated Cities	100	0	100
Total	93.6	6.4	100

Source: Prepared by the author based on the *Report of the City Assemblies Activities*.

FIGURE 12. REASON OF DISCRETIONARY ACTION (City)



Source: Prepared by the author based on Table 14.

2. Core success rate: $((E) + (F) + (I)) / (A) \times 100$

This index shows the ratio of the occurrence of displacement or resignation of chief executives when the non-confidence vote is submitted. This index indicates the substantial influence of the non-confidence measure.

Prefecture: $2+0+2 / 6 \times 100 = 66.7\%$

Municipalities: $4+11+8 / 111 \times 100 = 20.9\%$

3. Dissolution risk (%): $(D) / (A) \times 100$

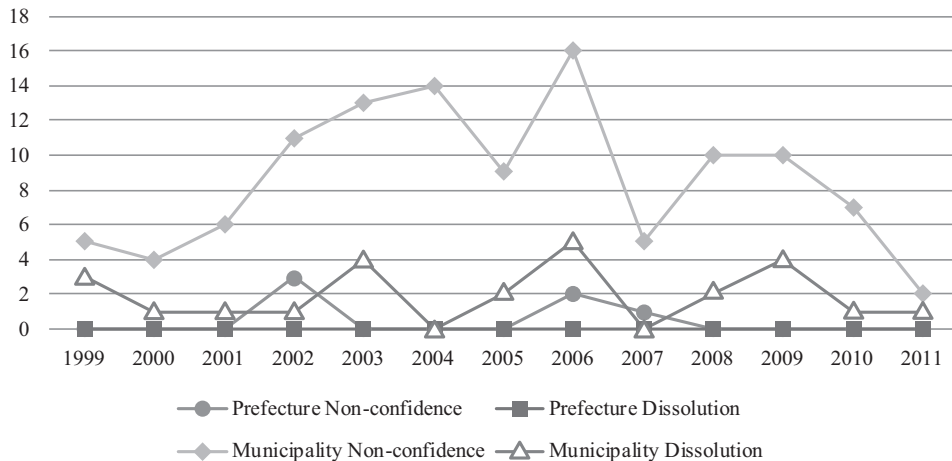
This index refers to the possibility dissolution occurring. This is a risk for the assembly members because they face the risk of losing their position. The assembly

TABLE 15. NUMBER OF NON-CONFIDENCE AND DISSOLUTION

	Prefecture		Municipality		Total	
	Non-confidence	Dissolution	Non-confidence	Dissolution	Non-confidence	Dissolution
1999	0	0	5	3	5	3
2000	0	0	4	1	4	1
2001	0	0	6	1	6	1
2002	3	0	11	1	14	1
2003	0	0	13	4	13	4
2004	0	0	14	0	14	0
2005	0	0	9	2	9	2
2006	2	0	16	5	18	5
2007	1	0	5	0	6	0
2008	0	0	10	2	10	2
2009	0	0	10	4	10	4
2010	0	0	7	1	7	1
2011	0	0	2	1	2	1

Source: *Chihoujichi Geppou*, No.54 and No.55.

FIGURE 13. NUMBER OF NON-CONFIDENCE AND DISSOLUTION



Source: Prepared by the author based on Table 15.

member has to weigh-up the advantages and the risks when they consider the non-confidence measure.

$$\text{Prefecture: } 0 / 6 \times 100 = 0.0\%$$

$$\text{Municipalities: } 24 / 111 \times 100 = 21.6\%$$

Table 15 and Table 16, which are based on data from 1999 to 2011 illustrate the following points:

- 1) The situations are different in prefectures and municipalities. In prefectures, the non-confidence measure is not so frequently used, and the dissolution is never used according to data in this survey period. On the other hand, in municipalities the system

TABLE 16. SITUATION OF NON-CONFIDENCE AND DISSOLUTION (From 1999 to 2011)

Local Body	Number of non-confidence (A)	Result of vote		After the non-confidence resolution		After dissolution and assembly election			Voluntary resign of governor / mayor (I)
		Approve (More than 2/3) (B)	Disapprove (C)	Dissolution (D)	Displacement of governor / mayor (E)	Approve (More than 1/2) (F)	Disapprove (G)	Not submit non-confidence again (H)	
Prefecture	6	3	3	0	2	0	0	0	2
Municipality	111	29	82	24	4	11	2	4	8
Total	117	32	85	24	6	11	2	4	10

Source: Prepared by the author based on *Chihoujichi Geppou* No.54 and No.55.

is sometimes used with the number of non-confidence votes standing at 111 and for dissolution is 24 during this period.

- 2) For prefectures we have to pay attention to the fact that the number of cases are as small as 6. However, it should also be noted that the approval rate is 50%, and the core success rate is as much as 66.7%. When the assembly is in the situation of serious discussion about non-confidence, we can recursively estimate that there is not a low probability of a resolution to be approved and the continuing political process.
- 3) For municipalities, we have a larger number of instances. The approval rate is 26.1% and the core success rate is 20.9%. Generally speaking, in the municipal assemblies, various factions and unaffiliated members exist and it is not always easy to get groups together for the non-confidence measure. These indexes are as a consequence lower than those of prefectures. On the other hand, the dissolution risk is 21.6%. This is close to the percentage rate for the core success rate ($20.9\% \doteq 21.6\%$). We can describe this situation as a delicate balance. From a recursive standpoint, the assembly members should carefully weigh-up the advantages of displacement of the chief executive and the disadvantages of the risk of losing their position.

IV. *The Latest Improvement of the System*

The current framework based on the dualistic representative system is considered to be functioning well. However, in recent years, cases of decisions independently made by the chief executive have occurred and become the focus of a lot of attention in some local authorities. For instance, even after the council passed a non-confidence vote against the mayor of one city, he was reelected to the post and repeatedly made independent decisions: He used the discretionary measure for appointing the deputy mayor and was unwilling to convene the assembly despite being required to do so by the chairman. Meanwhile, the mayor of another city used the veto power over the crucial bylaw draft. The conflicts between the two representatives became a central issue in the local administration.

In this context, the amendment of the LAL was passed in 2012. The contents were as follows:

- The appointment of vice governor/deputy mayor is excluded from matters subject to

discretionary action.

- When the council does not approve decisions independently made by the chief executives on bylaws and budgets, the chief executive must take necessary measures and report them to the council.
- The assembly chairperson must convene the extraordinary session when the chief executive does not convene it within 20 days.

Matters relating to veto power have also been amended. Bylaws and budgets were previously subject to veto authority, and a wider range of matters for resolution other than those (such as comprehensive plans) are subject to a veto coverage in the amendment of LAL in 2012. This is because important matters like comprehensive plan have been added to the resolution items in each local body and it is reasonable to add those matters to the coverage of veto.

As a result of these incidents, the multilayered check-and-balance system has been amended. The multilayered balance system is an elaborate one, as outlined in Table 2. Nevertheless, it is expected that the current system will continue to be reviewed and improved in order to establish the ideal balance between the dual representatives.

V. Conclusion

Based on the data of the latest 13 years, we can pick out some key characteristics of the Japanese local governance system, outlined as follows:

- (1) The right of submission of the bill
 - (a) This right is overwhelmingly enforced by the chief executive; the ratio of the number of bills submitted by assembly sides is still low, 5 or 6% of the total.
 - (b) However, in the bigger cities whose population is more than 500 thousand, the assemblies show the signs of increasing the number of the submissions of bills planned by the assembly sides; the local assemblies put up the postures of enhancing the policy initiatives through planning and establishing bylaw bills.
 - (c) On types of processes, establishing new bylaws is ideal in view of original policy making. Such new bylaw bills which assembly members draft have been accounting for the constant rate. The contents of those new bylaws are matters relating to the assembly management, and the wellbeing of citizens such as small industries, health care, environment, child welfare and community.

(2) Veto power

Veto power has not so frequently been used historically in local government, and the total number of cases is 219 between 1999 and 2011. When the chief executive uses this authority, the success rate is 46.4%. The chief executive can abolish or adjust the modified draft which was planned by the assembly. On the other hand, the assembly success rate using the veto measure is 37.8%. The assembly can keep a modified draft by approving the modified draft again following a veto, so long as it has more than two thirds majority. The rate of the former is bigger than the latter and so it is possible to conclude that veto power in the hands of the assembly as effective and potentially strong.

(3) Discretionary Action

Discretionary action is an ad hoc measure and the total number of cases has varied with the data showing consistent or decreasing trends in its use. This measure is set up to allow the chief executive to take prompt responses when required. However, the assembly appears to be able to prevent straightforward implementation.

(4) Non-confidence and dissolution

Non-confidence and dissolution are the final measures and countermeasures between the dual organizations. These are also ad hoc means and the number of cases have been changing year after year. When we focus on the effectiveness of non-confidence, the core success rate is 20.9% in municipalities – the rate that the non-confidence measure becomes the trigger of the displacement or resignation of governor/mayor. On the other hand, the rate of dissolution is 21.6% and assembly members should prepare themselves for risks when they propose the non-confidence bill as the rates for success and failure are very close.

Based on this analysis three central conclusions can be drawn:

- (1) When we look at the appearance of the multilayered check-and-balance system, the measures of the chief executive are various. When you consider the substance of these, it is clear that the chief executive's measures are effective and predominant.
- (2) However, it does look like things are changing. The bigger city assemblies set the pace and they have tried to enhance the number of policy initiatives emanating from the assembly by increasing the number of bills, planning various new bylaws, and capping the number of discretionary actions. In this context, the local autonomy law has realized the delicate balance between head and assembly, and following instances when it has not worked efficiently it has been amended.
- (3) The chief executive is invested with a great deal of multilayered powers, and recently conflicts between the chief executive and the assembly have become so marked that there have been instances when chief executives have used those measures excessively. In 2012, those incidents caused the amendment of the law, and the right to convene the assembly and the discretionary action were partly restricted.

Putting it all together, the dual representative system rests on a delicate balance of multilayered checks and balances. In response to a changing of society, further amendments of this system will be required in the future. The crucial and final point that should be considered is what system we need in order to enhance the trust of citizens in the local government. To this end, we must ultimately pursue the best balance in order to secure effective governance and the wellbeing of citizens.

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