

Corruption, construction, conservatism

Apr 18th 2002

From The Economist print edition

The bureaucrats and politicians have much to answer for

THE bizarre FILP system did not in fact get through the 1990s wholly free from assault. Ryutaro Hashimoto, prime minister from 1996 to 1998, made a start on tackling it when he was in reform-minded mood. But look at what he was up against.

First, the bureaucrats. The people who administer the system, the heirs of those who devised it, stand to gain enormously from its perpetuation. One way they do so is through *amakudari* (descent from heaven), the practice whereby top bureaucrats on retirement land in comfortable sinecures in the industries they used to be responsible for. That is bad enough: it leads to an utterly improper relationship between the civil servants and the very people who, in a system less collusive and secretive than Japan's, they would be monitoring. But the sinecures they fill on retirement are not only in private industry, they are also in the special corporations such as the one for housing (subsidy in 2000 ¥443 billion) and the one for highways (¥306 billion).

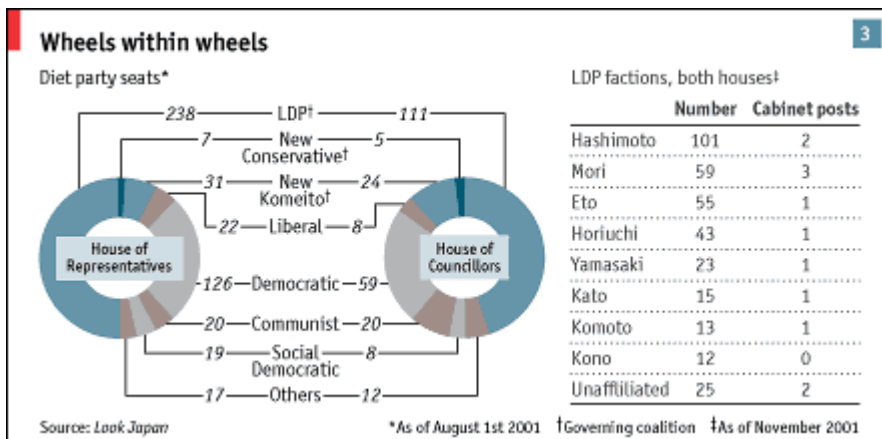
When they come down from heaven, these bureaucrats land on their feet. Retiring in their 50s, they can hope to spend up to 30 years doing the rounds among the special corporations, and over ten years the senior ones may earn \$1m or so in lump-sum fees alone, half of it tax-free. They can hardly be expected to welcome an end to such post-celestial rewards.

And bureaucrats are creatures of extraordinary power in Japan. Today's elite are the functional descendants of the samurai, the warrior class that provided the administration in feudal Japan. After the Meiji restoration in 1868, these bureaucrats became the servants of the emperor, whose lineage supposedly came from the deities. To the prestige this gave them, the necessities of the second world war added power, notably through "the 1940 system" which put them in charge of the entire industrial economy. After the war that power grew, largely thanks to the desire of the victorious Americans to rule indirectly through the bureaucracy rather than through a political elite. Soon the latter-day samurai were involved in every aspect of control, from micromanagement of the economy to writing the laws of the land. To this day, says Stephen Church of Analytica Japan, a consultancy, "It is widely...believed to be true that the civil-servant vice-ministers meet on Mondays and Thursdays to decide the agenda to be rubber-stamped by the cabinet on Tuesdays and Fridays."

Mr Church sees three main influences on the Japanese bureaucracy: Yamato (the state that started to emerge about 1,700 years ago, introducing a tradition of obfuscation of responsibility), China (where flourished a mandarin class of superior persons) and Prussia (with its rule-bound civil service). Masao Miyamoto, a psychiatrist and former bureaucrat himself, saw in the modern bureaucracy a microcosm of Japanese society. In "The Straitjacket Society" (1994), he enumerated its main characteristics, including control of the market through permits and regulations (hence hostility to deregulation and opening up); giving priority to producers over consumers (to promote Japan Inc); the philosophy of *messhi hoko*, self-sacrifice for the sake of the group (ie, Japan Inc, once again); and the promotion of conformity, especially through the education system (to reduce dissent). "What distinguishes Japan's 'totalitarianism'," he wrote, "is that there is no observable Big Brother figure. It is the structure itself that functions as Big brother, [which] makes it almost impossible to change the system."

Serving the people

With a caste of people exercising such enormous and deep-rooted power, Japan might be considered an oligarchy or an autocracy. It is of course a democracy, and not just in form. Indeed, in at least one respect, it is highly democratic: that is, that elected politicians dutifully serve the people, or, to be more exact, their constituents (and, no doubt, themselves). By tradition at least, they do not engage in forming policy, nor do they really have any sense of the common good. In the Japanese system, politicians chiefly act as mediators between the bureaucrats and the voters, a role they perform mainly by delivering goodies back to their districts.



The main vehicle for doing this is the LDP, which has ruled, for all but a few months in 1993-94, since 1955. This makes Japan a one-party state in many respects, with some similarities to the Soviet Union (central planning, enforced conformity), more to pre-2000 Mexico (reformers and "dinosaurs" within the ruling party) and even more to pre-1990s Italy (constant changes of prime minister without any change of party control, manipulation of power from behind the scenes, an opaque faction system within the ruling party). To these characteristics could be added two more that are common to all one-party states: corruption and conservatism.

In such a system, huge quantities of money flow between government and voters. Japanese politicians are expected, for instance, to be lavish givers to their constituents when they marry, but largesse distributed by public works through politicians' *koenkai*, their personal support organisations, plays an even bigger part. This is where the construction industry comes in again. The country is littered with airports that no one uses, bridges that carry no traffic and roads that go nowhere. To give just one example, the Seto inland sea is already served by three bridges connecting the islands of Shikoku and Honshu, yet vested interests have been agitating for two more. Not for nothing is Japan known as the construction state.

Benefiting from all this are politicians not just in Tokyo but in local governments too, as well as the building companies and, through them, at least some ordinary people. The cost is vast. Much of the money goes on projects that serve no useful purpose. Much rubs off corruptly (and brazenly: one boondoggle involving a bridge across Tokyo Bay was so huge that the politician behind it openly said he would be content with 2% rather than the usual 3%). And meanwhile the government's debt heads ever higher.

It is not hard to see why the LDP is so resistant to change. Its two main purposes—rent-seeking and self-perpetuation through electoral success—have both flourished under the status quo. Almost every interest-group imaginable is represented within its ranks, and it takes care to look after them. Farmers are treated especially well, mainly through protection of their markets. And, thanks to a gerrymandered electoral system, their votes count disproportionately in the Diet.

How does the LDP get away with it? Partly at least thanks to a supine judiciary, which is always loth to defy parliament—accepting in one instance an electoral arrangement whereby five urban votes were considered equal to a single rural one. The law, it should be noted, does not count for much in Japan. Although, or perhaps because, the country's top bureaucrats have typically graduated from Tokyo University's law department, the number of lawyers is controlled by the government. At present it stands at just over 18,000. The United States, with a population a little over double Japan's, has 891,000.

A system in which power lies in an amorphous swamp of bureaucracy and ruling party, each plumbed into the private sector, is unlikely to welcome scrutiny, and indeed secrecy is one of its notable features. Even more serious perhaps is the general lack of any sense of responsibility or accountability. Who, for instance, might take the blame for the problems of the banks, or the money squandered by the special corporations? People sometimes bow out—literally—when caught in some egregious malpractice; they may even commit suicide, if honour is considered at stake. But among bureaucrats at least, honour never seems to be at stake where the victims are mere taxpayers.

Never rock the boat

Complaisant attitudes are fortified by compliant institutions. To some extent this is a consequence of the post-war constitution, which was partly written by the Americans to ensure that Japan stayed politically and militarily weak. It has never been amended. In any event, most ministries are adept at serving their clients, and not much else. Some, it is true, have done much better than that: during its heyday, the Ministry of International Trade and Industry was a master of picking and backing winners. But that was when things were going well. When things go badly, the ministries neither propel forward any individual to take charge nor do they provide the institutional impetus needed for corrective action. Japan has no equivalent to the British Treasury's public-spending review, for instance, nor does it have any institution like America's Congressional Budget Office or its General Accounting Office. Diet members, each with only three staffers paid for by the government, are particularly poorly served. They huddle in tiny offices, looking after constituents and interest-groups and deferring to more senior figures on weightier matters.

At the apex is the prime minister. In the past ten years prime ministers have come and gone every year or so, grey old men, most of them, frequently controlled by faction leaders behind the scenes and unable anyway to do much before some scandal or failure unseated them. The factions they serve may have some modest ideological flavour, but most are vehicles for distributing party and ministerial posts; they seldom promote reform. Mr Koizumi's predecessor, Yoshiro Mori, hardly promoted anything. On some issues, the dominant Hashimoto faction—named after Ryutaro Hashimoto, but in fact the faction of Kakuei Tanaka, who came to power in 1972—simply failed to consult him at all.

The civil servants, however clever, are neither trained nor disposed to provide the prime minister with a skilful diagnosis when things go awry. They can and do offer proposals to be endorsed with little change by the LDP's policy committees, but conservatism, self-interest and the lack of accountability usually ensure that these fall far short of what is needed. In short, the status quo is a recipe for failure.