

« The Rôle of Advocacy Think Tanks in the Process of Public Policymaking: Japan's Expérience »

Hiroshi KATŌ, Executive Vice President (NIRA/Japan)

National Institute for Research Advancement

His Royal Highness Prince El-Hassan Bin Talal,

Dr. Ismail SERAGELDIN, First Director of the Bibliotheca Alexandrina,

Dr. Megued OSMAN, Chairman of the Information and Decision Support Centre,

Distinguished guests,

It is a great honour for me to participate in this prestigious First International Conference of Think Tanks and to have the opportunity to deliver a brief speech for such distinguished guests from all over the world.

My name is Katō. As people of the Mediterranean, this name may seem familiar to some of you, thanks to Cato Major and Cato Minor who lived in the era of Hannibal and Julius Caesar. To my disappointment, I bear no relation to the Roman Catos, and my name is simply Japanese.

Today, I would like to speak about Japan's expérience of the historical introduction of democratic policy advocacy, and how think tanks function in Japanese society at present. By the term "think tank," I refer to organisations which collect information, conduct surveys and engage in research concerning public policy and which offer policy proposals in order to benefit the public by promoting sound management of public affairs, regional development and fair economic activities, among other public goods.

1. The Historical Period:

For over 670 years from end of the 12th century, a bureaucratic system developed in Japan under the feudalistic rule of the *shōgun*, the leader of the samourai. During that period, under the central administration of the *shōgun* and the local administrations of the *daimyō* or feudal lords, the samourai class, acting in a spirit of *noblesse oblige*, developed a system of education and training and became, in effect, "bureaucrats." The samourai groups functioned in practice as "think tanks" and as

“policymakers.”

Following a short period of civil war, Japan’s feudal era ended with the Meiji Restoration, a type of revolution, in 1868. A constitutional monarchy was established under the *Mikado*, or Emperor, and the nation proceeded to gradually westernise and democratise. Education was opened not only to the children of noblemen and samourai, but also to the children of the bourgeois and yeoman classes. The path was now open for any individual who was able to work hard and graduate from an Imperial university to become an élite government official – in spirit, a “new samourai.” Utilising their networks with other alumni of Imperial universities in the academic and business communities, these élite officials turned the ministries into enormous “think tanks,” and functioned in practice as policymakers behind the backs of the members of parliament. Following the Meiji Restoration, even as Japan set about putting in place a Western-style parliamentary democracy, in terms of the way in which politics was perceived by the mass of the people and in terms of the actual functioning of the government, politics was the province of an élite minority, and the political system was a triangular one in which influential political leaders, who had replaced the *shōgun*, were supported by an emerging capitalist class engaging in industrial and economic activities, while a class of élite bureaucrats, or “new samourai,” functioned in the background in the areas of lawmaking and administration.

2. The Post-war Period (Après-guerre):

Following Japan’s defeat in the Second World War, the nation’s education system was further democratised under the US occupation headed by General Douglas MacArthur. The path towards university study and a position as an élite government official now became open to the children of the peasant and working classes. The two-party “1955 system” consisting of the Liberal Democratic Party, or LDP, and the Japan Socialist Party, or JSP, was established, but the LDP maintained a monopolistic régime with the support of the business community. Following the Second World War, contrôls on goods and prices continued for some time, a foreign exchange allocation system was introduced, and restrictions were placed on foreign investment. However, these contrôls were gradually removed, and Japan enjoyed a period of phenomenal economic growth during the 1960s as the liberalisation of trade and capital proceeded.

In terms of policymaking, the élite bureaucrats in the nation’s respective ministries engaged in competition. Exploiting their own networks in the academic and business communities in order to conduct research and collect data, they attempted to influence LDP parliamentarians while also conducting the practical tasks of formulating budgets and proposals for legislation. While the political system maintained the form of a separation of legislative, administrative and judicial powers,

in practice, under a small group of political leaders, the administrative branch (the *élite* government officials) acted in place of the legislative body (members of parliament) in formulating plans for the enhancement of Japan's international competitiveness in industry and in implementing a variety of policies, relating for example to the adjustment of the nation's taxation systems, the establishment of the financial system, the provision of infrastructure for regional development, the improvement of the level of science and technology, and the prevention of pollution. Their tremendous power and closely-guarded information enabled *élite* government bureaucrats to dominate Japan's policy arena, and members of parliament simply rubber-stamped their policies. It is possible that we can explain Japan's phenomenal post-war recovery and growth as having resulted precisely from the fact that the nation's ministries functioned as enormous "think tanks," and from the continuation of the triangular political system developed in the 19th century – a meritocratic system in which powerful political leaders were supported by industrial capital (not by familial business people, but by competitive and incorporated industrial capital), while "new samurai," the *élite* bureaucrats of the administrative branch, worked in the background.

Political leaders were also often selected from among the ranks of the *élite* bureaucrats. Shigeru YOSHIDA, a prime minister who worked hard to achieve independence for Japan following its defeat in the Second World War, was originally a Foreign Ministry bureaucrat. Prime Minister Nobusuke KISHI, who sought to achieve stability in East Asia following the Korean War on the basis of an alliance between Japan and the US, was previously a bureaucrat in the Ministry of Commerce and Industry. In the first half of the 1960s, beginning with Hayato IKEDA, who implemented the "Income Doubling Plan" and spurred Japan's high economic growth, a succession of prime ministers including Takeo FUKUDA, Masayoshi OHIRA and Kiichi MIYAZAWA had in their younger days been active in formulating policy as bureaucrats in the Ministry of Finance. Nobusuke KISHI's brother, Eisaku SATO, who introduced the "Three Non-nuclear Principles," the non-possession, non-production and non-introduction of nuclear weapons, and was a recipient of the Nobel Peace Prize, had been an *élite* bureaucrat in the Ministry of Transport, rising to the position of Vice Minister. Prime Minister Yasuhiro NAKASONE, who pushed ahead with the privatisation of the national railway, NTT, Japan Tobacco, and the national air carrier, had been temporarily a navy officer in the war, but was originally an *élite* bureaucrat in the Interior Ministry. As these examples show, *élite* bureaucrats have not only worked behind the backs of politicians, but have themselves become part of the legislative branch, and even led national politics as prime minister. Kakuei TANAKA, who advanced a plan for the transformation of the Japanese archipelago and contributed greatly to Japan's economic development, can be taken as an example of a prime minister who did not come from the ranks of the *élite* bureaucrats. An architect who owned a regional civil engineering firm before he became politician, Tanaka was known to have a high regard for *élite* bureaucrats, and to cultivate good relations with them.

3. Japan's Changing Political Landscape:

The term “think tank” is said to have originated with the US military’s term for a group convened to propose strategy. It later came to be used to describe organisations such as the RAND Corporation and the Council on Foreign Relations (CFR) in the US and Chatham House (formally known as the Royal Institute of International Affairs) in the UK, and is now used as a general term for intellectual advocacy organisations worldwide. Private sector activity in the area of think tanks commenced in Japan with the foundation of the Nomura Research Institute, Ltd. in 1965 and the Mitsubishi Research Institute, Inc. in 1970. NIRA, the National Institute for Research Advancement, was established in 1974 by the quasi-public sector (the Cabinet’s Economic Planning Agency, together with local governments and the business community). Since then, numerous think tanks have been established in Japan. However, Japan is not the US, nor is it the UK. The majority of Japan’s citizens feel that the concept of advocacy (i.e. advocating specific plans or a specific position in relation to public policy) bears no relation to their activities, and therefore have no concept of supporting advocacy think tanks by making donations or volunteering. Even if it strives for fairness and neutrality, a Japanese think tank cannot expect to receive donations or voluntary assistance, and this presents a considerable problem in terms of think tank finances. Think tanks in Japan have been forced to accept support from specific business groups and government ministries, making it difficult for them to continue in their roles of independently proposing and evaluating policy.

In the last twenty years, the world has seen the dismantling of the Berlin wall, the outbreak of the Gulf War, the collapse of the Soviet Union, and, in the 21st century, the September 11 attacks, the Afghan war, and the invasion of Iraq. In Japan, in the 1990s the long-reigning LDP was involved in serious scandals and lacked an effective policy direction, leading to factional splits and a period out of government. Despite later returning to power, the party has had no choice but to form a coalition government. Against this background, corruption scandals have occurred in the nation’s ministries and there have been consistent failures in economic policy, leading to a tremendous loss of confidence in Japan’s élite government officials among the nation’s citizens. The advance of global informatisation and the IT revolution demand that Japan should privilege market mechanisms, relax controls, and institute smaller government. Given this, criticism of the ministries, which are resisting these trends, is increasing.

In the background of this climate of opinion is a movement on the part of many members of parliament to take the initiative in policymaking from élite government officials, the implementation of administrative reforms modelled on the US and the UK, deregulation, increasing openness of information, and an increasing trend towards evaluation of policy. In 2001, the Prime Minister’s Office assumed new policy development powers with the establishment of the Cabinet Office and the Council on

Economic and Fiscal Policy. In the same year, the ministries were reorganised and placed under more direct legislative oversight through two new ministerial political posts, Senior Vice Minister and Parliamentary Secretary.

4. The Role of Advocacy Think Tanks:

Japan's experience since the 19th century up to the present, a period in which the nation has aimed headlong for modernisation followed by economic growth, is that the most effective form of policymaking has been one in which government departments have been transformed into enormous "think tanks" led by elite government officials. The education system fostered in the nation over the course of centuries has brought individuals of all social classes into the ranks of elite government bureaucrats. These officials have exploited networks of alumni of their universities in the academic and business communities, and have functioned in practice as the nation's policymakers.

Today, Japan's period of modernisation is at an end, and the nation has entered a phase of economic stability. Under these conditions, Japan is moving towards an era of policymaking led by politicians rather than bureaucrats. With the end of the "1955 system," i.e. the end of the LDP's monopoly on government and the appearance of the possibility of change in the administration, Japan's citizens are demanding a choice of policies, and are placing increased expectations on the role of advocacy think tanks which are independent of the government. In the twenty-first century, the range of actors involved in the policymaking process will expand and diversify; in addition to politicians and governments, the private sector and civil society will be involved in the process. The amount of information which is freely available is also increasing exponentially today. For example, in this Internet era blogs are taking root as a new medium enabling everyone to speak their minds, and their number has already exceeded that of regular news services. It is becoming increasingly important to accurately identify from this increasing mass of information where the concerns of citizens are focused. Filling in new gaps in the policymaking process and bringing together knowledge from different sources will be one of the new roles to be fulfilled by policy research think tanks, and they will be required to make more rapid responses.

5. Current Research at NIRA:

Japanese society is facing profound changes, and the nation's advocacy think tanks are urgently required to adopt new roles.

- Japan as a nation is under pressure to respond to a variety of issues, including
- the aging of the population, future arrangements for medical treatment and pension payments for the elderly
 - the status of the economy and increasing economic disparity

- the revitalisation of regional economies
- and - the problems associated with globalisation.

It is essential that we rapidly identify the implications of these issues for public policy on the basis of comprehensive, independent and interdisciplinary analysis and propose appropriate policy responses.

I would like to introduce several strands of research which NIRA is currently pursuing. The first deals with the problem presented by 30- to 40-year-olds in Japan who are not engaged in full-time employment. The collapse of Japan's bubble economy at the beginning of the 1990s created a situation in which many of the generation born between 1968 and 1977 did not find full-time jobs. This generation is even known as the "employment ice age" generation. This situation shook the traditional employment system, based on lifetime employment and seniority-based salary, and at the same time produced large numbers of young people who were excluded from the social security system. This increase in the number of people not in full-time employment will, against the background of the downward pressure on personnel costs and the division of labour in technological innovation spurred by globalisation, become a chronic problem rather than a temporary phenomenon. Not a few of these individuals not in full-time employment are the chief breadwinners in their households. In addition, it is extremely difficult for these people to make the transition to full-time employment. Individuals in this position find it difficult to develop skills and their employment status is unstable. Given this, there is a danger that they will remain low income earners for their entire working lives. At NIRA, we are seeking to highlight the fact that this represents an issue which will have a significant effect on Japanese society in the future. Unless large-scale employment assistance is provided now, the low salary earners of this generation will reach old age having been unable to provide for their future. They will ultimately require support from social welfare, and we estimate that this will increase the financial burden on the nation by approximately 20 trillion yen, i.e. 200 billion U.S.dollar.

How to revitalise Japan's regions in view of the nation's declining population is another issue on which NIRA is conducting research. A survey of changes in population figures for Japan's 47 prefectures between 2000 and 2005 shows us that population has already begun to decline in the nation's 32 prefectures which do not contain major urban centers. If this situation continues unchecked, it is predicted that the populations of all of Japan's prefectures will be declining by 2030. The future rate of population decline will be greater in Japan's regions than in its large cities, and the economic effects of population decline will consequently be felt more strongly in regional areas than in the cities. Three major effects can be predicted. A decline in demand will result in a loss of the ability to provide advanced services, causing stagnation in regional economies. A decline in the working population will reduce the rate of economic growth. And finally, social infrastructure will collapse, resulting in increasing inconvenience for residents of regional areas.

However, we do not have to view Japan's declining population as an exclusively negative phenomenon. We can also see it as offering us the potential to reduce the burden on the environment, and to improve the quality of life of the nation's citizens.

From this perspective, we believe that it will be important for Japan to model itself after the EU in creatively reducing the size of its cities, promoting cooperation rather than competition between them, and optimising the zones formed by its cities and the regions surrounding them. We should aim, by revising our concepts of urban planning in this way, to increase the convenience of life in the cities and their surrounding regions, and to increase the well-being of their citizens. In order to respond to Japan's declining population, NIRA is proposing strategic plans to stimulate the revitalisation of regional areas, for example by urging cooperation between regional cities, resulting in the formation of "clusters" over a wide area, and promoting the investment of social capital in important areas rather than adopting a scattershot approach.

Finally, NIRA has also formulated proposals towards the resolution of the problem of excess savings in Japan and the stimulation of the nation's economy. A long-term stagnation in personal consumption is one factor which is preventing the achievement of a higher level of growth in the Japanese economy. This sluggishness in personal consumption is the reverse side of the tendency towards excessive saving in the household sector, a phenomenon which originates in anxiety regarding the future. The excess savings held in the household sector, in particular by high-income earners, are not being sufficiently directed towards consumption expenditure. At NIRA, we have estimated these excess savings at approximately 100 trillion yen. One policy option that we have suggested to promote greater spending of these excess savings is increasing the national consumption tax, based on the specific objective of enabling the maintenance of the social security system.

Japanese think tanks, including NIRA, are attempting to stimulate policy discussion and contribute to the policy-making process through timely analysis of issues and the dissemination of results in an easily comprehensible form. Using networks of scholars, researchers and specialists in a diverse range of fields, we endeavour to rapidly grasp the essentials of issues, and to outline concrete policy proposals in response.

Thank you very much.

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