

**An Institution Model
For Reforming Japan
-Capacity to Budget-**

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An Institution Model for Reforming Japan: Capacity to Budget

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Abstract:

A strong market democracy needs the capacity to budget, because budgeting is the most important mechanism for attaining national policy goals. Allowing people to participate in the budget process is a key ingredient in creating a resilient democracy.

In the early 21st century, Japan is facing enormous economic and social problems that should be debated using solid analysis and the input of a broad range of policy views. Japan's budget situation is especially alarming in both the short and the long run. Japan does not now have the institutions necessary to address and resolve these problems effectively.

One of the nation's handicaps in this regard is the absence of a sufficient number of competing organizations that might present strong policy analyses and provide a rational framework for budget debates. The American success in imposing fiscal control in the last decade tells us that building consensus was the key to eventually balancing the budget. In the process of developing a consensus, strong democratic institutions need to provide objective analyses, alternative options, and the information that is indispensable for debate and decision-making.

Japan could improve the quality of its budget debate by developing an independent institution that would provide unbiased analyses of budget options. The institution could be located in the Diet and would serve members of all political parties. In some ways, the institution would be similar to the United States Congressional Budget Office, but because the role of the Diet in budget preparation is so different from that of the U. S. Congress, the institution would have to be adapted to the Japanese institutional and constitutional environment.





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I. WHAT JAPAN CAN LEARN FROM THE U.S. FISCAL EXPERIENCE: A POLICY DEBATE

A state's capacity to govern depends on its capacity to budget. A recent Organization for Economic Cooperation and Development (OECD) report stated, "The budget is the single most important policy vehicle for giving effect to countries' economic and social priorities. It is through the budget process that policy objectives are reconciled and considered in concrete terms. Budgeting requires paying heed to the relationship of the parts to a whole, to the links between tax and spending policies, and to prioritizing among competing claims for public resources"(OECD 2002). Without a carefully conceived budget, governments cannot successfully balance needs and resources, assets and liabilities.

In the late 1990s, the United States managed to balance the budget. This accomplishment was seen as a milestone of modern governance. Even though fiscal control deteriorated once a surplus emerged, the lessons learned during the experience are worth examining by other countries.

A significant part of the success is the result of U.S. public participation in budget debates (via citizens' groups and congressional representatives). One clear lesson from the



United States is that rules are useless in a democracy unless they support a goal that is widely shared by a majority of the people (Penner 2002). No one political leader or one policy can solve a nation's budget problem. Holding a rational debate and formulating consensus have been the greatest challenges. In the long process of balancing the U.S. budget, debate was fostered by the work of many think tanks and official bodies. Agencies at all levels of the federal government were influential participants. Having a broad range of stakeholders provide input into the budget process is indispensable in a democracy. Thus, the existence of strong policy debate is the most resilient part of American democracy. It helps the public understand that it is often necessary to make some very hard choices.

Japan Adrift

In early 2003, Japan's debt stands at 140 percent of GDP, the highest among industrialized countries. Unemployment last in September 2002 rose to 5.5 percent, with the rate for men alone reaching 5.6 percent, the highest since World War II. Wages fell at the fastest rate in a decade, and average monthly pay in all industries decreased a nominal 2.2 percent. Tax revenues fell for the 16th straight month in January 2003 and are expected to decline by nearly 11 percent between 2002 and 2003. Lower tax revenue is largely the result of companies' shrinking income, lower workers' wages, and falling labor participation rates. Only 60.0 percent of the working age population participated in the labor force, a decrease of 0.6 percent from the previous year. The latest wage and price data confirm fears that deflation is continuing at an alarming rate.

With an ever-falling fertility rate, the total population is projected to decrease after a peak of 127 million in 2006. The population of 65-year-olds and older will reach almost 29 percent of the total population by 2025 and 36 percent by 2050. As the world's second largest economy, Japan has a GDP of 532 trillion yen, somewhat less than half that of the United States. In the



past decade, the average GDP growth rate was 1.5 percent, far below the levels during Japan's miraculous economic expansion that followed World War II.

The Koizumi government said it would reduce expenditures in the fiscal year beginning April 2003 by cutting spending on public works by 3 percent, and that it would review its official development assistance budget, which was already cut by 10 percent in 2002. Nevertheless, the fall in tax revenues exceeded the spending cuts and the government's fiscal position has continued to erode. Without a major review, the revenue/spending gap will not improve satisfactorily. However, the government's intention to curb the increases in Japan's debt faces strong opposition within the ruling party and its constituents.

In early March of 2003, Japan's Lower House passed an 81.79 trillion yen (\$695.4 billion) budget bill for next fiscal year (April 2003 to March 2004). At the same time, the Ministry of Finance will have to issue 36.45 trillion yen of Japanese government bonds next year to pay for the package, accounting for 44.6 percent of financing for this budget. That will be the largest amount of debt ever issued for a national budget.

There is some consensus within the government as well as among some politicians on the need for financial reform and fiscal control. Takatoshi Ito, a prominent economist and professor of economics at the University of Tokyo, is a former deputy vice minister for international affairs, in the Ministry of Finance. He was quoted in the press saying said that Prime Minister Junichiro Koizumi had a real chance to turn around the Japanese economy during the coming 50 days, suggesting that to restore mild inflation and to return growth to its potential, Japan needed a package of three policies: the first is to convince the Bank of Japan of the virtues of unconventional monetary policy. The second is to resist calls for more deficit-financing. The third is to resolve the problem of nonperforming bank loans once and for all (Ito. 2003). Ito warns that if the prime minister misses this chance, and if deflation and deficit financing were to



continue for five more years, the debt-to-GDP ratio would climb to 200 percent, pushing Japan to the brink of default. Such views, however, have not received broad support.

In the longer term, Japan's dwindling population is a real problem that needs serious attention, including the possibility of opening the nation to immigrants. Nobuko Fukuhara, deputy director of Japan's immigration bureau, was recently quoted as saying "There needs to be a public consensus. If the public decides that it doesn't care whether Japan maintains its productivity level, we can only make policy on that basis (Piling and Nakamoto 2003)." However, no government officials have put the issue on the national agenda. Rather, they avoid conflict and choose "the slow death of a harmonious society (Piling and Nakamoto 2003)."

The problems that now face Japan are too large and complicated for lay people to comprehend unless they have much more information and hear a more vigorous, coherent policy debate. Current debates are often fragmented and sporadic that the public cannot grasp the total picture of the national budget situation or place each policy issue into budgetary context. Recently the Democratic Party, a major opposition party, presented a counter budget proposal. This represented the first important attempt to offer an alternative to the cabinet's budget proposal, but the arguments were weak because the party has no policy analytic capacity and it has never had any serious research arm or think tank. This limits the ability of policymakers to come up with systematic approaches to analyzing budget options.

It is obvious that policy proposals, written in a day or so by scholars or by politicians or bureaucrats cannot provide appropriate, long-term solutions. People in Japan think the huge budget deficit is a problem and understand that balancing the budget is an appropriate long-term goal, but they possess little information as to how the goal might be accomplished.



If Japan should default on its debt explicitly or decide to rid itself of the burden through very high inflation, the harm done would extend far beyond Japan. The entire world economy might be disrupted.

Policy Analysis: The Core of Policy Debate in a Market Democracy

The ideal policy debate provides politicians with a variety of policy options. The advantages and disadvantages of each option should be clearly articulated. A policy maker will choose an option based on his or her ideology and on his or her view of how the economy works. While ideology is based on individual tastes, a person's view of how the economy works should be based on economic science. Unfortunately, economics is not a very rigorous science and one's view of how the economy works is often colored by ideology. That is to say, ideology and science cannot be easily separated. That is one reason a competition of ideas is essential, with many individuals and institutions playing a role.

The policy analysis process

Although policy conclusions are often influenced by a policy analyst's ideology that does not imply that policy analysis is totally devoid of scientific rigor. Analysts are entitled to their own opinions but cannot make up their own facts. There may be great uncertainties as to, for example, the effect of a particular tax on work effort and a wide range of respectable estimates is available. The policy analyst cannot go outside that range and still retain a good reputation.

Policy analysis cannot flourish and influence public policy if it is done only in the federal government. In the late 1960s, several major U.S. universities created new educational programs for students who wished to work in the public sector. Programs of public policy and management in graduate study were created at the University of Michigan (1967); the Kennedy



School of Government, Harvard University (1968); the Graduate School of Public Policy, University of California, Berkeley (1969); the School of Urban and Public Affairs, Carnegie Mellon University (1969); The Rand Graduate School (1969), and several others.

Although intellectuals have played a role in U. S. policy formulation since the beginning of the republic as individuals moved back and forth from academia to government, policy analysis did not begin to evolve rapidly as a distinct intellectual discipline until the 1960s.

"As one means of attempting to gain better control of federal expenditures, and of seeking the greatest possible efficiencies from such dollars as were to be spent, the Bureau of the Budget fostered and later mandated throughout the federal government, a system of what was called Program Planning and Budgeting (PPBS), which was supposed to rest on careful, detailed analyses of the costs and benefits of programs proposed for expenditure, with multi-year projections of costs. The analytic framework, along with the economic, mathematical and statistical techniques which underlay it, had been brought into the Department of Defense by "the best and the brightest" recruited by Defense Secretary Robert MacNamara during the Kennedy Administration" (Fleishman 1988).

The application of analytic techniques to solve problems of public policy, pioneered in the Rand Corporation's defense strategy study, provided a new way to manage public agencies. "The framework for the analytic studies became the basis of the PPBS/Policy Analyses/Planning/Evaluation establishment in the major federal departments"(Fleishman. 1988). Although PPBS ultimately failed because it attempted more analysis than could reasonably be done and because it became bureaucratized as it worked its way down the chain of command, it illustrated that rigorous analysis can inform policy choices in fields as diverse as defense procurement and housing subsidies.

Together with the establishment of public policy schools in the late 1960s, public policy analysis was established as a contributor to policy debate and policymaking.

As important as any achievement of policy analysis is the difference it has made by democratizing discourse about public problems. As Aaron Wildavsky makes clear, policy analysis is to public policy what the First Amendment's guarantee of a free press is to democracy as a whole.--By proliferating policy analysis-based groups of individuals-who know and respect the rules and



language of the same framework of reasoning and evidence-in the executive branch, in the congress, among contending interest groups, within the academic and think tank community as well as within the world of journalism, policy analysis has created, in truth, a common ground for public discourse. What more beneficial contribution could any institution make to any society? (Fleishman 1988)

The U.S. Policy Industry and Market

The United States has created a strong policy analysis and evaluation industry. The American market democracy makes the product of policy analysis compete in an open market. The accomplishment of balancing the U.S. budget over the last decade could be seen as a rare success of American governance and it could be attributed to this market system and its products. As shown below, like products and commodities, policy analysis is produced and distributed. It is a true public good in that everyone benefits whether or not they pay for it. Many institutions both inside and outside of government analyze, evaluate, and propose policy alternatives. There is demand for these activities among policymakers, politicians, the media, and the public.

Policy analysis and evaluation activities gave birth to an industry that involved nongovernment institutions--independent, nonprofit think tanks, for profit research firms, university departments and research organizations, and professional societies and associations.

U.S. Policy Industry and Market

<i>Government Sector Institutions</i>	<i>Nongovernment Sector Institutions</i>	<i>Clients/Sponsors</i>
Federal Government Executive Branch OMB Departments Legislative Branch Committees CRS GAO CBO State and Local Governments	Independent Think Tanks Academic Institutions Profit Seeking Research Firms Trade Associations	Governments Foundations Corporations <i>Audience/Users</i> Policymakers Politicians Media/Journalists Citizens Academics

[OMB: Office of Management and Budget; CRS: Congressional Research Service; GAO: General Accounting Office; CBO: Congressional Budget Office] By Makiko Ueno



The production of policy research, however, is concentrated in a few big institutions. As many as 1,000 to 2,000 organizations engage in evaluation, but a large portion of all funds is obtained by the largest firms, such as Abt Associates, the Rand Corporation, Mathematica, the Battelle Memorial Institute, the Urban Institute, the Research Triangle Institute, and the American Institutes for Research.

Evaluation projects are typically funded by public agencies, which are responsible for overseeing the programs in question. However, they can also be funded by foundations and lobbyists. On the national level the federal departments have been the main sources of evaluation funds. Often Congress incorporates mandated evaluations into its authorizing legislation, sometimes directing an agency to undertake research. Federal evaluations are typically funded by contract to big research firms, including but not limited to those mentioned above. The major federal agencies that fund evaluation research are the Departments of Education, Labor, Agriculture, Health and Human Services, Housing and Urban Development, Defense, the Environmental Protection Agency, and the General Accounting Office.

As noted above, philanthropic organizations such as private foundations have made huge amounts of money available for research. The Ford Foundation, the Mellon Foundation and the Rockefeller Foundation (to name just a few) historically have supported independent policy research. Such private money for public purposes is also a unique characteristic of American capitalism.

The industry hires a variety of talent: policy analysts, social science PhDs, economists, ex-bureaucrats, ex-politicians, scholars, lawyers, researchers, statisticians, computer specialists, accountants, policy dissemination specialists, research entrepreneurs, and research management specialists. The mobility of these skilled professionals between government and the private sector makes the industry powerful and attractive. The more productive and competitive policy



analysis and decision-making are, the more the industry enriches policy debate. America's unique democracy views its public sector as everybody's business (Gorham 1998). Eventually the industry strengthens the public sector and government.

II. CAPACITY TO BUDGET

The United States is unusual in that the legislature is the primary mechanism for ensuring that the budget reflects national priorities. In most other democracies, the executive branch has considerably more influence over budget priorities. A budget process is by nature easily closed to outside scrutiny "because of its inherent complexity, the obscure language of budget documents, the impenetrability of tax laws, and the failure of affected interests to invest in budget research and data (OECD 2002)." Essential to a democracy is the availability of independent, readable analyses that offer alternative budget scenarios and options for politicians, who are not able to be policy experts in a wide range of policy areas.

Allen Schick has suggested that efforts to improve the quality of public policy and programs must take into account the institutional competence and capacities of the legislatures that formulate public policies and allocate public funds (Schick 1980). An important step in democratizing the budget process in the United States was the creation of a nonpartisan government institution: the Congressional Budget Office (CBO), which came about with enactment of the Congressional Budget and Impoundment Control Act of 1974. The Congressional Budget Act of 1974 was heralded as a major step in making the Congressional budget process more rational and more transparent. The budget process established by the 1974 Act integrated the separate tax, appropriations, and authorizations processes that continue to function on Capital Hill to this day (Schick 1980). The process purported to give Congress a comprehensive and consistent means of formulating budget options and setting national priorities.



Short History of Budget Control

Regarding the budget, the U.S. Constitution states:

Article I, section 9, clause 7: [n]o money shall be drawn from the Treasury, but in consequence of Appropriations made by Law; and a regular Statement and account of Receipts and Expenditures of all public Money shall be published from time to time.

After the turn of the 20th century, in response to the consensus that a more centralized approach to financial policy and processes was needed in both the executive and legislative branches, the Budget and Accounting Act of 1921 was enacted. The Act codified the submission of the president's budget and created the Bureau of the Budget (the predecessor to the Office of Management and Budget [OMB]) to oversee the executive budget process. The Act also established the General Accounting Office (GAO) as the government's auditor, responsible only to Congress. The Joint Committee on the Reduction of Federal Expenditures was established by the Revenue Act of 1941. Joint Committee staff tracked congressional action against the president's budget request. Scorekeeping reports were published on a regular basis. (The Joint Committee was replaced by the Congressional Budget Office following enactment of the 1974 Act.)

In 1967 President Lyndon Johnson appointed a commission to make a thorough study of the federal budget and the manner of its presentation. The commission's most important recommendation was that a unified budget presentation replace the several competing and confusing measures of the total scope of federal financial activity. The report of the president's Commission on Budget Concepts serves as the foundation for most budgetary concepts used at the present time (CBO 2002).

Box. Unified Budget: The 1967 President's Commission on Budget Concepts recommended the unified budget and the unified budget system be the basis for federal budgeting starting in 1968. The unified budget replaced a system of budgeting that existed before 1968 (an administrative budget, a consolidated cash



budget, and a national income accounts budget.). The unified budget is a comprehensive display of the federal budget. The display includes all revenues and all spending for all regular federal programs and trust funds. This display shows budget totals and transactions. However, transactions of government sponsored enterprises are not included in the unified budget. In the late 1980s, the Social Security Trust fund was technically taken off budget in a departure from the unified budget concept. However, public discussion still focuses on the unified budget.

Congressional Budget and Impoundment Control Act of 1974

Increased spending for programs initiated or expanded during the "Great Society" era of President Johnson, combined with escalating expenditures to support military efforts in Vietnam, heightened concern in Congress about budget deficits and spending controls. During the 1972 election campaign, President Richard Nixon asked Congress for authority to cut federal spending at his own discretion so as to stay under a proposed \$250 billion ceiling for FY 1973. Congress refused to go along with such an open-ended grant of authority. After Nixon's landslide electoral victory in 1972, he aggressively moved to impound (refuse to spend) monies that had been appropriated by the Congress. He justified his actions by arguing that Congress did not possess a rational budget process. There was no formal process for adding up revenues and spending or for relating the two sides of the budget. The Congress knew that it could not attack Nixon's impoundments without dealing with his criticism that they lacked a reasonable decision making process.

The Congress responded by passing the Congressional Budget and Impoundment Control Act of 1974. The Act attempted to rationalize the congressional role in formulating the budget by stating in section 2:

The Congress declares that it is essential—

- (1) to assure effective congressional control over the budgetary process;
- (2) to provide for the congressional determination each year of the appropriate level of Federal revenues and expenditures;
- (3) to provide a system of impoundment control;



- (4) to establish national budget priorities; and
- (5) to provide for the furnishing of information by the executive branch in a manner that will assist the Congress in discharging its duties.

(Congressional Budget and Impoundment Control Act of 1974. Section 2. The Declaration of Purposes)

The Act provided for additional committees and staff. The House and Senate Budget Committees and the Congressional Budget Office were created as a source of nonpartisan analysis and information relating to the budget and the economy.

The Congressional Budget Office

The Congressional Budget Office counter-balances the power of the executive branch; it brings analytical, logical thinking to the budget process; and it opens the way to democratizing the budget process. The responsibility and independence with which the CBO is equipped, and the information and data that the CBO provides are invaluable to a society's basic policymaking capability.

The first CBO director, Alice M. Rivlin, established the internal structure of the office, which has remained largely unchanged since the agency's founding in 1975. Figure 1: An Institution for Analyzing Budget Policies illustrates the CBO's organization and functions. The CBO model is particularly instructive because it shows the types of policy research necessary to analyze budget policy. The institution employs experts in the macro- and micro-economic analysis of tax, spending, and deficit policies, as well as experts on budget process and accounting issues.



[Figure 1: An Institution for Analyzing Budget Policies]



Role and Functions. The CBO's role is to assist Budget Committees, the Committees on Appropriations, Ways and Means, and Finance, and other committees and their members. Their first priority is to assist the House and Senate Budget Committees. On or before April 1 of each year, the CBO director submits a report for the fiscal year commencing on October 1 of that year, with respect to the spending and revenue levels for 10 years into the future implied by current law. The report is based on the CBO's own economic and technical assumptions. The CBO also provides an analysis of the president's budget and re-estimates its spending and revenue totals based on CBO assumptions. CBO does not make policy recommendations, but issues a supplementary report that includes a discussion of national budget priorities, including the advantages and disadvantages of alternative tax and spending policy options.

The CBO is tasked with three main functions: budgetary assistance, economic analysis, and policy analysis. The budgetary activities prescribed by the Act include providing cost estimates on pending legislation, scorekeeping reports, and making five-year (now 10-year) budget projections. About half of the CBO's resources are devoted to providing cost estimates for all bills reported out of committee, many of which won't be enacted.

To implement these tasks, the CBO has access to all data generated by federal departments. It has subpoena power to obtain data, although it never has to use it. To support its role, the Act authorized the CBO's director to secure information, data, estimates, and statistics directly from the various departments and agencies of the government executive branch and regulatory agencies and commissions. Also the director can obtain information developed by the General Accounting Office, the Library of Congress, and other agencies and utilize their services, facilities, and personnel with or without reimbursement. The CBO director's access to data is indispensable to the functioning of the CBO.



Responsibility and Independence. The first director of the CBO, Alice Rivlin, vigorously claimed institutional independence and enhanced CBO's capacity to do policy analysis. She believed that policy analysis cannot flourish without political independence. Rivlin's model for the CBO was a combination of two entities that were strong on policy analysis: the Office of the Assistant Secretary for Planning and Evaluation (ASPE) in then Department of Health, Education, and Welfare, where she served as director after William Gorham; and the Brookings Institution, where she had worked and produced the *Setting National Priorities* series (Schick 1980).

BOX: *The Brookings Initiative:* In 1970 the Brookings Institution first published a book entitled; "*Setting National Priorities*," edited by Charles L. Schultze and other staff members. The authors sought to explain the 1971 federal budget as a set of decisions about national priorities made in the crucible of limited resources. They first examined the budget as a whole, its impact on the national economy, and its proposed allocation of funds among competing public programs. The authors' purpose was to explain the significance of the decisions reflected in the budget, not to judge them (Schultze et. al. 1970). Since then, Brookings has published the series. The publication helped to develop the analytic view of public policy and set the course of policy debate. Table 1 shows the contents of four publications in 1970, 1971, 1992, and 2000.

So far the CBO has retained its independence, but this independence must be guarded constantly. One key factor is the selection of the CBO director. The Congressional Budget Act of 1974 spells out the procedures for appointing CBO's director and staff. The Speaker of the House of Representatives and the President *pro tempore* of the Senate jointly appoint the CBO director, after considering recommendations from the two budget committees. The term of office is four years, with no limit on the number of terms a director may serve. Either house of Congress, however, may remove the director by resolution. The fixed term and the difficulty in removing a director protect his or her independence. The appointment process is unfortunately flawed in that it can be time-consuming if the House and Senate disagree. There is no tie breaker.



The CBO has had six directors since its inception in 1975. Douglas Holtz-Eakin is the current director. He was preceded by Dan L. Crippen, June E. O'Neil, Robert D. Reischauer, Rudolph G. Penner, and Alice M. Rivlin.

The director appoints all CBO staff, including the deputy director. Appointments are based solely on professional competence, without regard to political affiliation. For purposes of pay and employment benefits, all staff are treated as employees of the House of Representatives. The compensation of the director and the deputy director is set by law at levels tied to the annual rate of compensation of House and Senate officers. The director determines the compensation of all other staff (CBO 2002). The CBO had a staff of 232 and a \$32 million budget in 2002.

Providing Budget Information. The Congressional Budget Act and Impoundment Control Act of 1974 stated that the director should make all information, data, estimates, and statistics obtained available to the public. CBO prepares independent analyses and estimates. "The office routinely discloses the assumptions and methods it uses, which enhances the general perception of its products as objective and impartial" (Weiss 1992). The information and analysis are for the Congress and ultimately for the people. To produce and provide open and readable policy information is CBO's most important role.

The CBO provides much of the basic policy information necessary for debate on national priorities and options. CBO is organized into divisions. The two functions of cost estimating and policy analysis of spending programs are kept separate, with the latter organized according to budget function. Other divisions specialize in macroeconomic issues, long-term modeling and tax policy. Many projects require considerable cooperation among divisions.

BOX. Computer Technology and Budgeting: The 1974 Act proclaimed that the use of computers and other technology was fundamental to the operation of the CBO. It states that the director should provide the office with up-to-date computer capability, and obtain the services of experts and consultants in computer



technology, and develop techniques for the evaluation of budgetary requirements. The evolution of computer technologies provided a significant contribution to the budgeting process.

Functional Budgeting. The Congressional Budget Act of 1974 requires the Congress to estimate outlays, budget authority, and tax expenditures for each function. The functional classification is a means of presenting budget authority, outlay, and tax expenditure data in terms of the principal purposes of federal programs. The functions (e.g., national defense, international affairs, health) represent it's a programs major purpose, regardless of the agency administering the program. The functional budgeting system that was required by the Act is important in providing a better understanding of debates about budget priorities.

The functional classification, used in the United States, set in section 201 of the Budget and Accounting Act of 1921 and modified over time, is shown below. As reference for later discussion, the table also lists Japan's major governmental activities that are equivalent to the U.S. budget functional classification.

Table 2. Budget Functional Classification
U.S.A.

Code	Function of subfunction
050	National Defense
150	International Affairs
250	General Science, Space , and Technology
270	Energy
300	Natural Resources and Environment
350	Agriculture
370	Commerce and Housing Credit
400	Transportation
450	Community and Regional Development
500	Education, Training, Employment, and Social Services
550	Health

Japan: Major Government Activities

Code	
01	Social Security: Social Insurance, Social Welfare, Public Assistance, etc.
10	Education and Science: Compulsory Education Services, National Schools special Account, etc
20	National Debt Service
25	Government Employee Pensions and Others
31	Local Allocation Tax Grants
35	National Defense
40	Public Works: Roads, Sewers, Housing and Urban Development, Flood Control, etc.
50	Economic Cooperation
60	Small and Medium-Sized Business
63	Energy Measures
65	Major Foodstuff Measures



570	Medicare	70	Transfer to the Industrial Investment Special Account
600	Income Security	95	Miscellaneous
650	Social Security	98	Contingencies
700	Veterans Benefits and Services		
750	Administration of Justice		
800	General Government		
900	Net Interest		

Source (資料) : U.S.A., “A Glossary of Terms Used in the Federal Budget Process”, General Accounting Office, 日本 (Japan) “平成 13 年 予算書・決算書 (2002 Budget)”, 財務省, Ministry of Finance
<http://www1.mof.go.jp/data/h13/htm/subindex.htm>

III. JAPAN'S BUDGETS SYSTEM AND PROCESS

The Japanese Constitution, as well as Japan’s public finance law, prescribes that the government must prepare a draft budget each fiscal year, present it to the Diet for approval, and then implement the approved budget in an appropriate manner to the benefit of the general public (Ministry of Finance 2002).

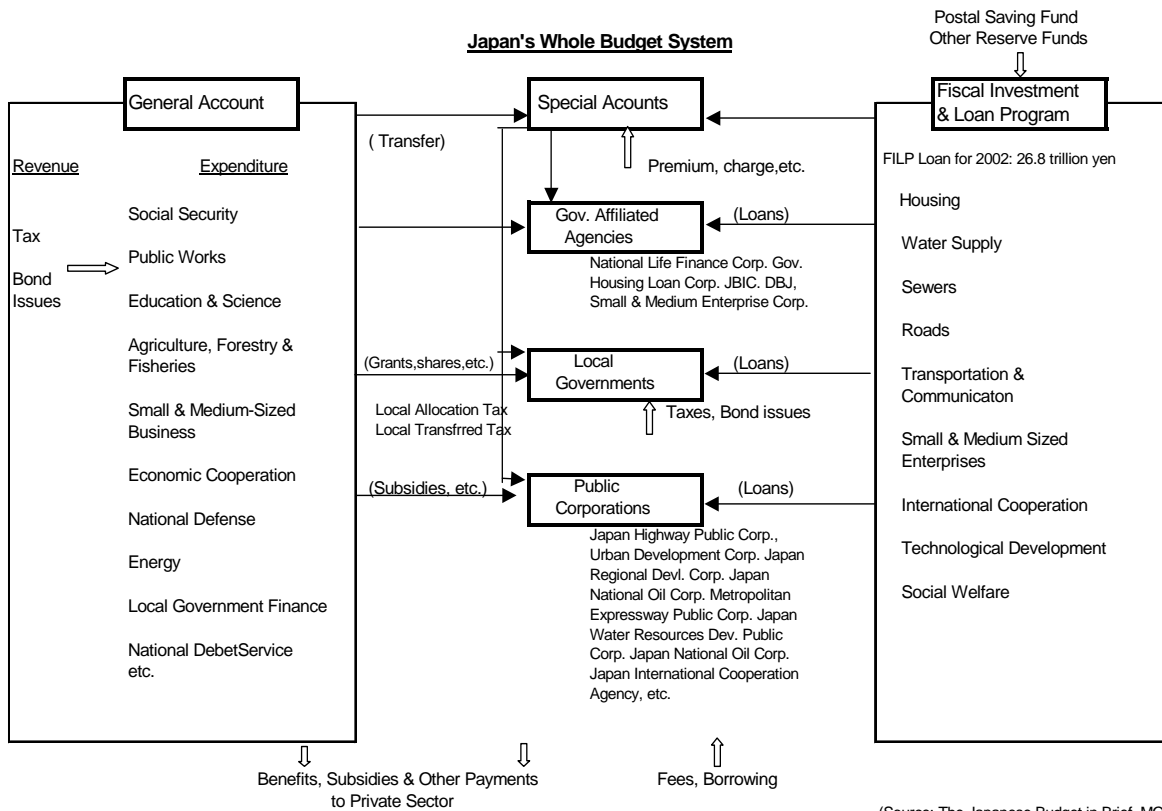
Article 86 : “The Cabinet shall prepare and submit to the Diet for its consideration and decision a budget for each fiscal year.”
 Article 83 states: “The power to administer national finances shall be exercised as the Diet shall determine.” (*The Constitution of Japan.*)

Under the Constitution, only the Cabinet has the right to prepare and submit the budget to the Diet. Unlike the case of ordinary bills, members of the Diet do not have authority to submit budget proposals to the Diet. If the Diet does not approve the budget, the government is likely to fall. The Diet is naturally reluctant to use this power. As a practical matter, the Diet, therefore, has little influence on budget policy.

The Ministry of Finance has general jurisdiction over public finance, including the budget formulation and, within the Ministry, the Budget Bureau is in charge of drafting the budget. The fiscal year in Japan begins on April 1 and ends on March 31 the following year. The budget is compiled each fiscal year, and the expenditures for each fiscal year must be covered by the revenues from that year.



Figure 2. Japan's Whole Budget System



(Source: The Japanese Budget in Brief, MOF)

The national government's budget consists of the general account budgets, special account budgets, and government-affiliated financial agencies budget. These budgets are submitted to the Diet for approval. As of 2002, there are nine government-affiliated agencies. These budgets are, however, part of a whole budget system. As Figure 2 shows, there are other components in the system: Fiscal Investment and Loan Program (FILP), the local governments' budgets, and public corporations' budget. The fiscal system in Japan is characterized by a multitude of budget accounts and many of these accounts relate to the operations of the FILP.

The general account budget that in general the public and the media discuss, is the government's basic account. It shows the expenditures of government revenue. The spending is classified by major government activities, corresponding to the functional classification of the U.S. budget, discussed earlier, such as public works, social security, education and science,



national defense, economic cooperation, energy measures and so on. The general account illustrates the framework and priorities of the Japanese government's policies and programs,

The special accounts are established by legislation under specific conditions. The accounts may be instituted when the government needs to carry out specific projects, to administer and manage specific funds, or to administer revenue and expenditures separately from the general account. As of April 2002, there were 37 special accounts. They were classified into several types such as special accounts for government enterprises, administrative business, insurance, loans, and the consolidation of funds.

The budgets of government-affiliated agencies are established under special laws, separately from the government, in order to provide them with flexibility in personnel management and accounting. These agencies are fully funded by the government. As of April 2002, there were seven public finance corporations and two banks, which were originally set up in the 1950s. Because these agencies are closely tied to overall government policies, their budgets are subject to approval by the Diet. Government-affiliated financial agencies include: the National Life Finance Corporation; the Agriculture, Forestry and Fisheries Finance Corporation; the Government Housing Loan Corporation, the Japan Finance Corporation for Small Business; the Japan Finance Corporation for Municipal Enterprises; Okinawa Development Finance Corporation; and the Japan Small and Medium Enterprise Corporation Credit Insurance Division. The special banks are: the Japan Bank for International Cooperation and the Development Bank of Japan.

The relation between these budgets and the Diet is shown below.

Relationship Between the National Government and Each Budget

General account budget	
Special account budget	---Subject to diet approval



Government-affiliated financial agencies budget (9)		
Chartered Corporate Entities	Public Corporations (other than government- affiliated financial agencies)	---National government involved in drafting the budget and project plans ---Diet approval is not necessary
		---National government not involved in drafting the budget and project plans.

(<http://www.mof.go.jp/english/budget/brief/2002/2002-21.htm>)

The budget formulation process begins the previous fiscal year, when the Cabinet approves the guidelines for budget requests, usually during the summer. The guidelines indicate the priority areas. As an example, the allocation might give highest priority to areas such as environment, aging society, local community revitalization, urban rejuvenation, science and technology promotion, human resources training/education/culture and transformation of Japan into a globally advanced IT nation. The guidelines set the targets. Each ministry and agency submits its budget requests according to guidelines and, based on such a request, the Ministry of Finance examines the budget in close consultation with the concerned ministries. In late December, based on the results of the examination by the Ministry of Finance, the Cabinet approves the draft budget to be submitted to the Diet next year. The Diet usually will start deliberating on the draft budget, in late January. After the Diet approves the draft budget, the implementation of the budget begins with the new fiscal year. At the end of the fiscal year, each ministry and agency prepares settlements of accounts and submits them to the Ministry of Finance. The Ministry compiles the individual settlements to produce an overall settlement of accounts. This overall settlement is submitted to the Diet for approval, along with the audit report of the Board of Audit (MOF 2002).

A big issue in the Japanese budgeting process is the Financial Investment and Loan Program (FILP). The Japanese government over the last 100 years has accumulated a huge



amount of funds through the postal saving account, postal life insurance fund, and pension system. Annually the FILP, often called the “second budget” or “another budget,” is formulated by the Ministry of Finance. Using these interest-bearing public funds, the FILP lends or invests public funds to FILP agencies, such as government special account agencies, government-affiliated financial agencies, public corporations, and local governments. The FILP agencies carry out policy programs and projects “which are difficult for the private financial institutions to provide” (MOF 2002) in areas such as housing, small and medium sized businesses, social infrastructure, education, medical care, social welfare, industry, regional development, urban infrastructure, and international cooperation. Public corporations other than the government-affiliated financial agencies funded by the FILP are: Japan Highway Public Corporation, Urban Development Corporation, Japan Regional Development Corporation, Japan Scholarship Foundation, Social Welfare and Medical Service Corporation, Metropolitan Expressway Public Corporation, Hanshin Expressway Public Corporation, Honshu-Shikoku Bridge Authority, Japan National Oil Corporation, Japan Water Resources Development Public Corporation, and so on. Some activity areas are funded with a combination of subsidies (taxes) and interest-bearing funds. Huge subsidies (approximately 3 trillion yen for FY 2002) have been paid out to these public corporations, though, as seen in the Table above, these budgets are subject to the Diet’s discussion, but not to its’ approval.

Because of Japan's parliamentary system, over the years the Ministry of Finance has controlled and monopolized the budget. The Budget Bureau of the Ministry of Finance has primary authority to formulate the general account budget, special account budget and government-affiliated agencies budget as well as the budgeting of FILP. Its responsibility is to incorporate the budget allocations of all ministries and agencies into a final budgetary framework set by the guidelines for a year. In Japan’s budget process, one MOF official has noted that, compared with other countries, exceptionally huge amounts of energy and time are devoted to negotiations that address the concerns of MOF officials, each ministry’s officials, and politicians who fight endlessly over details to protect and expand their favorite programs.



However, until recently, budget proposals prepared by the MOF passed the Diet within only a few days, because the negotiations among the interested parties, including the ruling party's politicians, were already completed. Legislators from the majority party who were outside of the inner circle of the party and politicians in opposition parties could not provide counter-arguments or alternative options regardless of their merits. Although the primary focus of the budget debate is the government general account budget, the special budget is more than four times larger and the FILP is five times larger than the annual general account budget. The government programs and implementing agencies are financed to varying degrees from special accounts as well as the FILP.

The links between various agencies and programs and their relationship with the national budget are complicated. Current institutional arrangements are not easy to understand, because they are difficult to interpret in terms of central government or general government activities. The general account relates to central government operations. The same functional classification is not used for the special account budget or government-affiliated financial agencies' activities. Each budget has own objective and line-item categorizations of expenditures, which don't relate to the major government activities, i.e. the main functional classification.

The Ministry's huge power depends on this budget and decision-making process. The information and knowledge that the MOF accumulates through its closed-door processes are not easily accessed by the people.

Ministries of Finance in all parliamentary democracies tend to acquire similar powers because of constitutional limits on the legislature's ability to determine budget policies. Ironically, parliamentary systems tend to make legislatures powerless by giving them too potent a weapon. If a parliament rejects the Executive Branch's budget, the government is likely to fall and new elections may be required. No legislature is likely to want to cause that much trouble.



Changes and Challenges Ahead

A decade ago, few people in Japan understood the urgent need for independent think tanks. Indeed, the Urban Institute only began to introduce the American concept of a nonprofit, independent sector to Japan in the early 1990s. At that time, the Urban Institute faced strong antagonism toward introducing and promoting Western-style think tanks (Struyk, Ueno, and Suzuki, 1993). Several prominent figures in Japan said it was too soon to do so and too disturbing to the status quo. Japan had its own policymaking system. Now, people say that think tanks are of no use in fixing Japan's failed economy, and the idea of establishing a new institution is out of fashion. The Japanese public has lost trust in all institutions—whether they be government, public, or private.

Historically Japan's civil society has been weak and still is. Over the last decade, however, the government's inability to handle huge problems, including its stagnant economy, has increasingly drawn public attention to the nation's need for a nonprofit sector. The large number of Japanese newspaper articles on NPOs (non-profit organizations) reflects this growing interest.

Japan's Law to Promote Specified Nonprofit Activities was enacted by Parliament in March 1998. This law allowed citizen's groups to set up and incorporate legal entities without an authorized approval of government ministries. The law will not create a strong civil, nonprofit sector by itself, but it does give some credence to the concept of a nonprofit sector that promotes a wide range of citizen activities. Since this legislation was implemented, citizens' groups have gained strong momentum; to date, 10,000 organizations have been established under the law (Cabinet Office 2002). Their activities fall mainly in the realm of social service delivery. By using the recently enacted Law Concerning Access to Information Held by Administrative



Organs to access government information, however, in the future these organizations could engage in policy research.

Currently citizen groups' efforts to receive favorable tax provisions for NPOs, which have do not have tax exempt status and the status receiving tax deductible contributions, face many obstacles. Foundations, which are not common in Japan in the first place, are now having increasing financial difficulties under zero percent interest rates and are being forced to reduce their activities. The MOF as well as ruling party politicians, who do not have much trust in NPOs, resist tax provisions that would reduce the tax base, which already is eroding.

The basic problem is that the Japanese government as well as the people do not have a firm understanding of the democratic principles governing relations between the government and the people as stated in the country's Constitution. At the same time, the Constitution prohibits the government to fund nonprofits directly. As stated, "No public money or other property shall be expended or appropriated for the use, benefit or maintenance of any religious institution or association, or for any charitable, educational or benevolent enterprises not under the control of public authority" (Article 89). This is a huge challenge for the Japanese nonprofits.

Government Reform and Policy Evaluation Law. In January 2001, Japan implemented a large-scale reform of government organizations based on the Basic Law on the Administrative Reform of the Central Government, enacted in 1998. This reform provided a new structure consisting of a cabinet office and 12 Ministries (the old structure had one Office and 22 Ministries) and introduced a new system of independent administrative institutions. The new system was put in place to enhance the political leadership of the prime minister. The reorganization, coupled with a new inter-ministry coordination system, was aimed at bringing



more efficient and effective decision-making to the government. One of the goals is to reduce the number of government employees by 25 percent over a 10-year period.

In addition, the government enacted the Law on Policy Evaluation Performed by the Administration, and set the *Standard Guidelines for Policy Evaluation*. Under this initiative, all ministries are mandated to implement "policy evaluation" suggested by the *Guidelines*.

For example, the Ministry of Land, Infrastructure and Transport (MLIT) was created in the reorganization by combining four entities: the Ministry of Construction, the Land Agency, the Ministry of Transport, and the Hokkaido Development Agency. These ministries and agencies used to set policies for the powerful construction and civil engineering industries, and it implemented huge public works, .

The MLIT's proposed budget for fiscal year 2002 was 8 trillion yen (US \$60 billion), which made up 10 percent of the government's general accounting budget that fiscal year--a higher ratio than that of any of the leading Western economies. Eighty percent of Japan's public works investment is provided through this ministry's budget. The industries that the public works support together employ a labor force of 6 million people, accounting for 8 percent of GDP.

Japan has spent five decades pouring money into its national infrastructure such as dams, bridges, bullet trains, ports, and roads. Yet the quality of life for urban families—measured, for instance, by small living space per person, meager green space, long and arduous commutes between home and jobs—remains low relative to that in other industrialized nations. Private space is poor and choices are limited. For decades, despite huge outlays for public works projects, there had been almost no substantial research effort to analyze and evaluate the Comprehensive National Development Plans, which has been the base for the allocation decisions for public works investments since the early 1970s.



Under the new law, all government agencies are required to clarify their objectives and the effectiveness of their programs. Cost-benefit analysis is required for major public work projects. For the first time the MLIT, has a staff of some 64,000, has set up an evaluation office and assigned a staff of 10 to work under a director general for policy planning. This group, which, mainly composed of auditing officers, has scarce experience in policy evaluation, is tasked with evaluating the ministry's performance and programs. The MLIT also set up an advisory committee that includes third-party specialists. Finding outside individuals qualified as evaluators, let alone policy analysts, is difficult but necessary. Although the *Standard Guidelines for Policy Evaluation* is limited in that it calls for a ministry to measure its own management performance, it is an important step toward improving the return to public works investments.

Implementation of the Policy Evaluation Law moved rapidly: Program evaluation became urgent business for all central ministries and local governments as well as for many public and private organizations. The MLIT is actively engaged in reviewing public works projects and actually is halting projects that are deemed useless. Other agencies are following in its footsteps, including the Japan Bank of International Development, which is evaluating its 900 projects.

However the evaluation activity now flourishing is limited to a kind of internal audit and scoring agencies' activities; it doesn't include in depth study. It is imperative that the government strengthens its policy analysis and evaluation capacity. We would recommend that under the oversight of the Minister, all ministries set up the evaluation division that be staffed with at least 10 to 30 researchers with special expertise and that the majority of these researchers could be brought in from outside the ministries. The division directly under the minister's oversight should maintain a clear line of separation between the research arm and the policy



implementation arm of the ministry. These researchers should also be given the freedom to conduct genuine policy analysis and evaluation research, including mid-to-long-term projections and reviews of policy objectives.

Government officials at all levels who participate in these activities need training to attain the policy competence for these new tasks. The officers of the evaluation division established in each ministry especially need training in choosing evaluation projects and asking the right questions. One component of the National Institute for Research Advancement (NIRA) and the Urban Institute (UI) Collaboration Research Project aims to offer a training program for program evaluation for government officials as well as academics in order to further develop their analytical, decision-making, and program management skills. We recommend, however, that a more comprehensive curricula be developed in public policy schools.

One clear shortcoming of the Policy Evaluation Law, is the lack of financial commitment to serious evaluation research by the government. There is no special funding for evaluation activities by the ministries and agencies. As mentioned before, that is because evaluation activities are supposed to be conducted within the ministry.

Based on the U.S. experience, we believe that setting aside 1 percent of new project funding, including public works spending, for policy analysis and evaluation would be very helpful for Japan (see Box). This funding should be used for evaluation and analysis activities by researchers both in and outside government. Increased access and availability of policy-related information would make for a better-informed citizenry and improved government accountability. Stating the government's financial commitment to evaluation is particularly important. If ministries implement the evaluations with strong financial backing and rely on outside expertise to conduct them, this government initiative could give real momentum to strengthening the



nation's policy capacity. This would also enable the government to develop a pool of talent that could be used to revitalize and strengthen Japan's policymaking establishment.

Box: One Percent Set Aside for Policy Evaluation: The absence of systematic policy research and analysis in the Japanese government contrasts heavily with the case of the United States. In the U.S., a stable group of scholars, academics, and former government executives has carried out broad policy assessments for decades, applying empirical methods to analyze public policies and programs (Struyk 1999).

The U.S. has gone to extraordinary lengths not only to involve ordinary citizens in the determination of public policies, but also to ensure that the opportunities to get involved are widely known, transparent, and rational. Since early in the 1900s, many prominent U.S. social scientists and other intellectuals from the private sector have been brought into the inner circle of the administration. Great efforts have been made to apply scientific and systematic analysis to government policymaking.

In the late 1960s, despite a high level of government spending at the time to wage a “war on poverty,” the inner cities of America exploded in violence and there was enormous pressure to reevaluate government policies. Amid the conflicting claims of democratic egalitarianism on the one hand and free market efficiency on the other, experts charged with policy assessment struggled to come up with a fair and equitable share of the national budget that would be allocated for this purpose.

When William Gorham became Assistant Secretary of Planning and Evaluation (ASPE) for the Department of Health and Human Services (formerly the Department of Health, Education and Welfare) in 1966, ASPE was the first department-level domestic policy analysis unit in the U.S. government. He headed a staff of 30, which grew to several hundred within a decade (Weiss 1992). He brought in many policy analysts from inside and outside of government. Gorham created the concept of including funds for evaluation in each of the agency's program appropriation requests. A clause stipulated that up to 1 percent had to be allotted for that task. This meant that 1 percent of funds budgeted for a new program was set aside and used for policy research and assessment at the discretion of the department's secretary. This provision was extended to other domestic programs within a few years. The initiative eventually, in combination with other factors, created a flourishing policy evaluation industry in the United States (Gorham 1998).

Figure 2 shows an overall perspective of what can be produced with the 1 percent of set-aside funds for policy evaluation.



Conclusion: Building a Policy Capacity

"In the ever-renewing society what matures is a system or framework within which continuous innovation, renewal and rebirth can occur" (Gardner 1981).

Failure to face the realities of change brings heavy penalties for a nation. As the result of Japan's resistance to change, it is experiencing such penalties as economic stagnation, cynicism, and apathy among the public toward the government. This implies government failure as well as policy failure.

Pluralism is a social strategy that encourages the existence of many kinds of institutions, conflicting perspectives and beliefs, and competing economic units. In authoritarian political systems there is one dominant source of power and initiative, one ideology, one "correct" answer. Such systems do not give rise to progress. Japan's economic problems are crying out for new approaches. Nurturing a market for policy analysis and research, enlarging the policy capacity of government, and promoting the public interest in participating in policy debate could go a long way in helping the Japanese out of their current situation.

Since September 11, Americans have begun to realize the great gap of understanding between the United States and the rest of the world. That gap exists not only between western and Muslim nations, but the West and the East. Asia, especially Japan, has strong barriers to learning Western logic and concepts. Western people, especially Americans, view a market democracy as so basic that it is taken for granted. However, for most of the world, democracy is not a natural political and economic state.

One issue exacerbating these barriers is language. Even in a rapidly spreading Internet world, the language difference clearly separates the Japanese community from the English-speaking world. Information flowing on the Web is never merged; the conceptual gap between



these two worlds is deepening. In addition, xenophobic, nationalistic attitudes further facilitated by anti-American sentiments that have recently spread through Japan mean that the gap will not be easily closed.

On top of these obstacles is a cynicism toward and distrust of government among the Japanese. Disinterest and apathy exist across many strata of the population. Japanese people think their voices don't count because they have been ignored for so long. This is particularly the case among the generation of people in their late fifties and early sixties who should now be at the forefront of society. This generation experienced strong political and social turmoil in Japan. Many of the best and brightest of this generation, which constituted the main force of the student movements of the 1960s and early 1970s, excelled in science, technology, and engineering fields, but not in the social sciences or in the government bureaucracy. Japanese democratic initiatives stalled in the early 1970s and never marched forward during following decades. Instead, the government bureaucracy became staffed with technocrats who are tied to each ministry's narrow interest in gaining power and controlling their budget. As a result, public discourse subsided: fundamental issues related to how a market democracy works and how the government functions were untouched and left behind. Academics focused on their own narrow specialties and did not pay attention to the relationship between markets and democracy.

This generation of people in their fifties and sixties now constitutes a conservative force, thereby shrinking the pool of potential talent that might have contributed to reforming Japan's political system. Japan's affluence during the last quarter century has failed to produce a strong corps of policy analysts who could be the nation's most important resource--a strong, diverse, and creative human capital for reforming a society. Richard Katz recently has written about



Japan's economy and its potential to revive Japan. "What Japan lacks," he argues, "is a clear economic program, critical mass, and an institution around which to coalesce" (Katz 2003).

We strongly believe that one of the most urgent and important tasks Japan should take on is reforming its budget process. In order to do that, the country needs to create an independent budget institution or a Diet Budget Office, that would perform functions analogous to those of the U.S. Congressional Budget Office. The duties of the office, its powers, its priorities, and the process for appointing the Director should be described in legislation.

A key step to producing the capacity to budget is to engage in rigorous policy analysis and initiate policy debate through the team efforts of foreign and domestic policy analysts. Japanese researchers on staff would include economists and other social scientists with experience working abroad, as well as engineers who have been trained in critical, systematic thinking. If it could mobilize the potential talent now tied up in obsolete institutions, such an entity would help to revive Japanese society. What Americans can do to help Japan meet these challenges is to introduce the democratic mechanisms with which Japan can build its own policy capability. Learning from the U.S. experience, Japan could create a more resilient, democratic society.



PROPOSAL: A BUDGET INSTITUTION MODEL FOR JAPAN

As one of the NIRA/UI Collaboration Project, we present an institutional model for Japan.

A Japanese budget institution would be an independent entity that would provide a broad perspective and in-depth analysis of the national budget to politicians and the public. It would aim to address Japan’s current and future economic and social problems and to shape and lead the national debate on budget priorities.

This institution would:

- engage in budgetary research and analysis
- provide fundamental budget information
- provide a total picture of the national budget
- analyze budget and economic projections
- provide an analysis of the executive branch budget
- conduct program evaluation
- provide information necessary to make policy options
- provide budget accountability and transparency
- disseminate reports and educate the public

The institution should be an independent organization headed by a director who is able to access information, data, estimates, and statistics directly from government agencies.

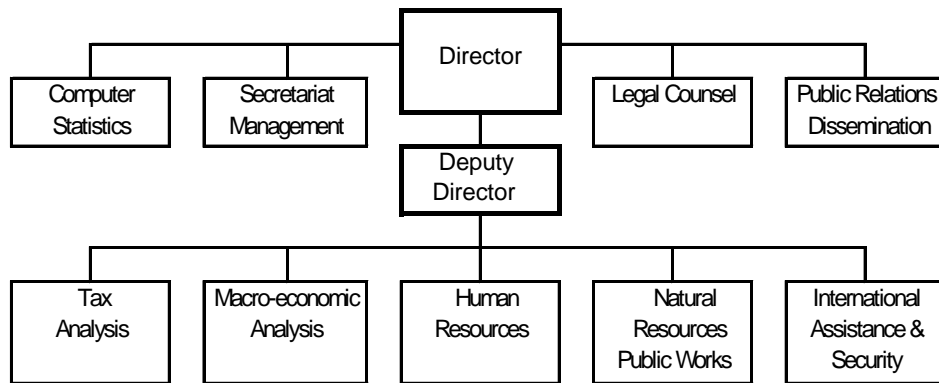
The staff would be organized along the lines of the institute’s research products, as follows.

Director

Deputy Director	
Secretariat/management	
Legal Counsel	
Public Dissemination _____	10
IT/Statistics _____	5
Tax Policy Analysis _____	3
Estimate & project tax revenues, Analyze tax system and structure	
Macro-economic Analysis and Projection _____	3
Estimate short-term & long-term economic projection, Population/Demography	
Analyze and Project Social Security System, Health Insurance.	
Human Resources _____	5
Small business, Trade, Labor, Human capital, Welfare and Social Services,	
Long-term Care, Education, Research and Development, Family, Women,	
Children, Immigration, Nonprofits,	
Natural Resources and Public Works _____	3
Housing and Community Development, Agriculture, Food, Energy	
Environment, Urban Development	
International Assistance, Security and Defense, _____	3
Economic Assistance Programs, Defense and Security Programs.	
Total staff	32



A Budget Institution Model



Tax Analysis

Estimate & project tax revenues

Analyze tax system & structure

Economic Analysis

Estimate short-term & long-term economic & budget projections

Population study

Social security & pension

Develop macro-models & indicators

Policy Analysis & Evaluation

Analyze and evaluate micro policies

Health & Medicare government enterprise

local governments

Analyze functional area policies

public works housing community & urban development natural resources energy

Analyze budgetary issues related to national & international security, international aid

International relations economic assistance defense



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Figure 3. What can be produced with the one percent of set-aside funds for policy evaluation

Areas of Policy Analysis & Research	Policy Analysis Products	Production Process & Stakeholders	Industry's workers/professionals
<p>Policy field and function</p> <p>Finance Budget Taxation National military, National defense, National security International Affairs, Diplomacy, Foreign Aid Science, Space development and Technology Energy Natural Resource, Environment Agriculture Trade, Housing Finance, Credit Transportation Community Regional Development Education Health Medical Insurance System Minimum Income, Welfare Social Security and pension Employment Social service Human rights, gender, family Judicature Administration Decentralization</p>	<p>Project Development</p> <p>Selection of Policy Issues Research Project Issues Research Framework Cost of Project Specifications</p> <p>Project's output Policy research, Analysis, Policy Information and Data Program Evaluation Macro/Micro Analysis Projection Statistical Analysis Projections Performance Measurement Monitoring</p>	<p>Clients/Sponsors</p> <p>Govt. Dept. Evaluation Divisions Policy Administration Policy Maker and evaluator</p> <p>Foundation, Industries Corporations</p> <p>Procurement/Bidding</p> <p>Disclosure Cost of Project</p> <p>Contract</p> <p>Government-Private Public-NPO Foundation-NPO</p> <p>Users/Customers</p> <p>Citizens Media</p>	<p>Suppliers/Producers</p> <p>Research/evaluation Institutions Nonprofit/forprofit think tanks University Centers</p> <p>Professionals/Workers</p> <p>Research entrepreneur Executive/Administration officers Policy Analysts Researchers Research Management/ Managers IT Specialists Statisticians Information Managers Education, Dissemination Officers Research Contract Specialists Accounting, Audit</p>



Table 1. Setting National Priorities by Brookings Institution Contents

Year	The 1971 Budget (1970)	The 1972 Budget (1971)	The 1992 Budget (1991)	The 2000 Budget (2000)
Editor	Charles L. Schultze with Edward K. Hamilton and Allen Schick	Charles L. Schultze Edward R. Fried Alice M. Rivlin Nancy H. Teeters	Henry J. Aaron Charles L. Schultze Gordon Berlin Barry Bosworth Linda R. Cohen John J. DiIulio, Jr. Frank Levy William Mcallister Richard J. Murnane Roger G. Noll Isabel V. Sawhill Clifford Winston	Henry J. Aaron Robert D. Reischauer Gary Burtless I.M. Destler John J. DiIulio, Jr. William Gale Michael O'Hanlon Bruce Katz Donald F. Kettl Paul C. Light Thomas E. Mann Paul R. Portney Diane Ravitch Isabel V. Sawhill James Sly
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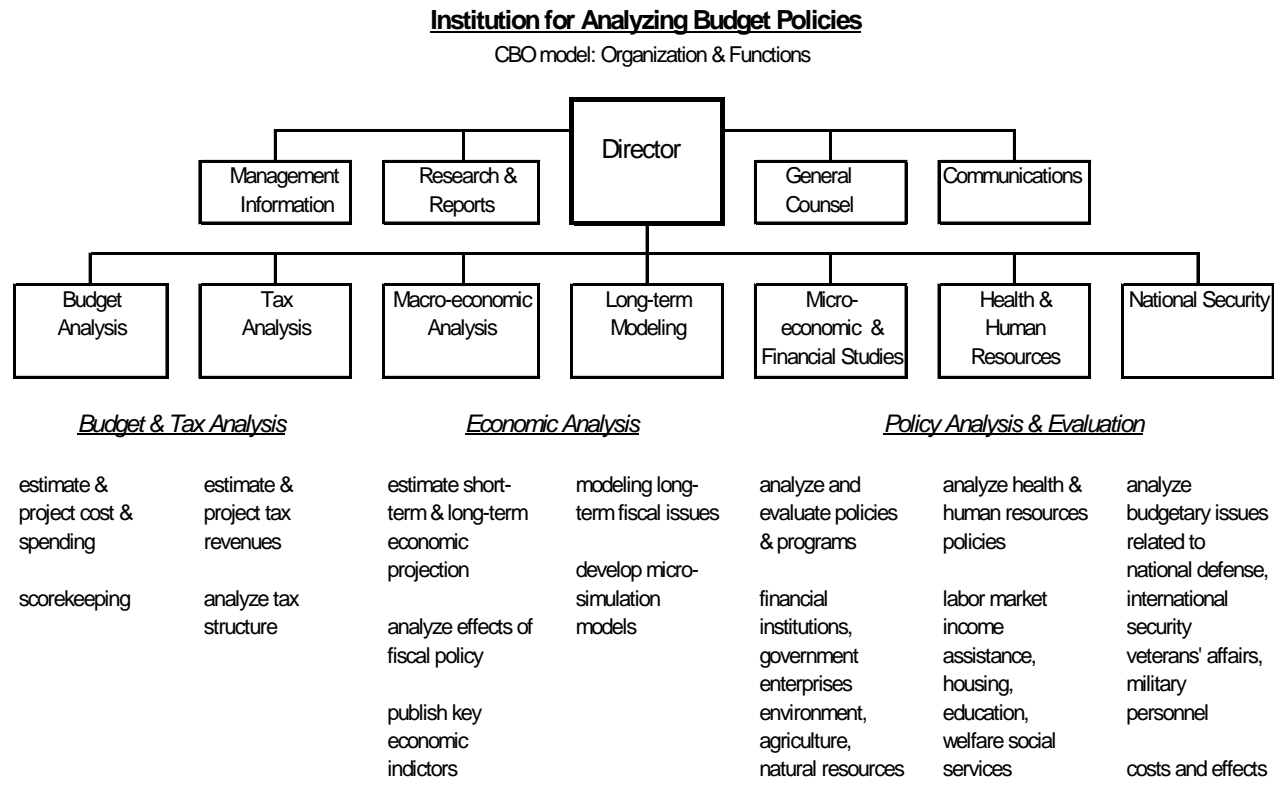
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Figure 1.

Figure: CBO model



sources: www.cbo.gov/organization,12/02/2001, www.cbo.gov/staffing.shtml. 06/09/2000,

made by Makiko Ueno