

The Change of Japanese Metropolises

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Introduction

Japanese Metropolises can be classified into two groups: the Tokyo Metropolitan Government (hereinafter referred to as the “TMG”), and the ordinance-designated cities (hereinafter referred to as the “designated cities”). TMG is one of the prefectures in Japan but as the country’s capital local government it has been assigned additional functions and systems. The designated cities are the biggest municipalities that have been given limited status by the state laws as referred to hereinafter.

In this chapter, we shall first provide an overview of both systems, and second we shall focus on the movement of the designated cities. What issues are the designated cities facing? What investment strategies should be taken? This question is closely related to the bottom lines of the current Japanese local government system.

I Basic Structure of the Japanese Local Government System

A Framework of the Japanese Local Government System

1 The Characteristics of Local governments of Japan

Based on this constitutional framework, the characteristics of local governments of Japan can be summarized as follows:

- (a) A unitary state : Japan is not a federal state but a unitary state.
- (b) Two-tier system ; the prefecture as a wide area local government and the municipality, as a basic local government.
- (c) Pluralism and directly, publicly elected positions ;
Every local government has a chief executive, governor/mayor, and an assembly; Effective checks-and-balances are expected for the purpose of establishing an absolutely democracy. The rule of direct election of both the head and the assembly members is guaranteed by article 93 of the Constitution.
- (d) Authority to enact bylaws ;
Both the prefecture and municipality are given the authority to enact bylaws by article 94 of the Constitution.
- (e) Financial autonomy ;
Each local public entity has the authority to impose taxation; each body can enact tax bylaws, collect tax, and use tax revenue.

The Japanese local government system has evolved in accordance with a broad range of state laws. <See Table1-1>

<Table1-1> History of the principal changes to the local government system

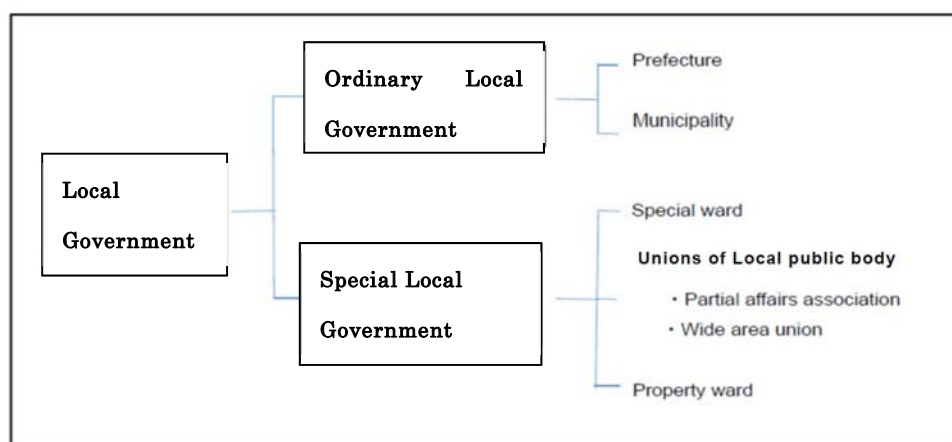
Period	Events	Significance
1878	Three new laws (San-Shinpo: The Counties, Towns, and Villages Organizations Law, and such.)	First-time local administration legal systems
1888~1889	The Greta Meiji Consolidation	Number of municipalities reduced from 71,134 to 15,859.
1888	Start of implementation of the City Law and the Town and Village Law	Main act of basic local governments
1891	Start of implementation of the Prefectural Law and the County Law	Main act of upper-tier local governments
1943	Implementation of the Tokyo Metropolitan System	Tokyo-fu (prefecture) and Tokyo-shi (city) were merged to form the TMG.
1947	Implementation of the Constitution of Japan	Formulation of democratic administrative systems
1947	Implementation of the Local Autonomy Law	Main postwar law of local governments
1953~1956	The Greta Showa Consolidation	Number of municipalities reduced from 9,868 to 3,975.
1999	The Great Heisei Consolidation	Number of municipalities reduced from 3,229 to 1,771.
2000	Implementation of the Uniform Decentralization Law	Transfer of administrative powers and responsibilities put seriously in motion.
2008	Framework of "Autonomous settlement zones" started.	This framework corresponds in significance to the post-Great Heisei Consolidation.
2014	Vision of "Linked core city zones" started. <small>Source: Ministry of Internal Affairs and Communications</small>	This framework deals with declining population through local revitalization.

B The Classification of Japanese Local Governments

1 Outline

In Japan, a local government is a juridical body under Art. 2, LAL. There are two major categories admitted as local governments: ordinary local governments and special local governments. <See Figure1-1>

<Figure1-1> Classification of Local Governments



Source: Created by the author

2 Ordinary local governments

The number of ordinary local governments is shown in Table1-2.

<Table1-2> Local Governments in Japan (as of April 1, 2016)

Ordinary Local Entities	
Prefectures	47
To (Tokyo metropolitan)	1
Do (Hokkaido)	1
Fu (Osaka, Kyoto)	2
Ken	43
Municipalities	1,718
Shi (cities)	791
Designated cities	20
Core cities	48
Exceptional cities at the time of the enforcement	36
Cho (towns)	744
Soa (villages)	183
Special Local Entities	
Special wards	23
Cooperatives of local authorities	1,609
Wide area unions (As of July 1, 2016)	116
Partial cooperatives (As of July 1, 2016)	1,493
Community properties (As of April 1, 2016)	3,995
Local development corporation	1

Source: Created by the author

The characteristics and situation of prefecture and municipality are as indicated below.

(a) Prefectures

Prefectures, are wide-area local governments that encompass municipalities, and there are 47 prefectures at present in the country. TMG (Tokyo Metropolis) is the only prefecture designated as To.

TMG is the capital of Japan and differs from Do, Fu, or Ken, in such features as special wards. Its governmental system was directly influenced by the national policy especially until the 1970s, and it has had a tortuous history. <See Table1-3>

<Table1-3> History of TMG

Year	Events
1603	Tokugawa Ieyasu establishes Shogunate Government (Tokugawa Shogunate) in the town of Edo. Edo period begins.
1721	First population census conducted (Edo's population about 1.3 million).
1867	Tokugawa Yoshinobu, last shogun of the Tokugawa Shogunate, resigns and returns governing power to the Emperor.
1868	New Meiji government established. Meiji era begins. Edo renamed Tokyo and becomes a prefecture.
1885	Cabinet system established. Ito Hirobumi appointed as first Prime Minister.
1888	Municipal organization system introduced.
1889	Constitution of the Empire of Japan promulgated. Tokyo City and 15 wards established.
1904	World War I begins (ends 1918).
1920	First census conducted. Population of Tokyo-fu rapidly increases and becomes 3,699,428.
1923	Great Kanto Earthquake claims the lives of around 140,000 people and destroys about 300,000 houses.
1925	Universal male suffrage enacted.
1927	First subway line opens between Asakusa and Ueno.
1931	Tokyo Airport opens in Haneda.
1935	Tokyo's resident population reaches 6.36 million (almost the same as New York City and London).
1941	Port of Tokyo opens. Pacific War begins.
1943	Metropolitan administration system established.
1945	Pacific War ends. Tokyo's population drops to 3.49 million (half of 1940 levels).
1947	Constitution of Japan promulgated. New local self-government system introduced. Seiichiro Yasui elected first Governor of Tokyo by popular vote. Tokyo launches 23 special-ward administration system.
1962	Tokyo's population reaches 10 million. Start of high economic growth period.
1964	Olympic Games held in Tokyo.
1973	Oil crisis occurs.
1975	First public election of ward mayors conducted.
1999	Fiscal Reconstruction Promotion Plan announced.
2000	Responsibility of refuse collection and disposal transferred to wards.
2013	Tokyo selected to host the 2020 Olympic and Paralympic Games.
2015	Tokyo Metropolitan Expressway Central Circular Route fully open to Traffic.

Source: Created by the author

(b) Municipalities

① Outline

Municipalities are basic local governments that are involved in affairs closest to the lives of residents.

② Designated cities

The LAL assumes that cities that have a population of more than 500,000 and designated as such by Cabinet Order are designated cities¹⁷.

The “designated city system” was introduced by a revision of the LAL in 1956.. At the time the cities included within the system were Yokohama, Nagoya, Kyoto, Kobe, and Osaka. In 1963, Kita-Kyushu City was added, and in 1972, Sapporo, Kawasaki, and Fukuoka were also added. At the present time, also given the loosening of conditions in the wake of the Great Heisei Consolidation, the total of large designated cities currently amounts to 20. <See Table1-4>

<Table1-4> List of Designated Cities

Name of the city	Population (2015 Census)	Enforcement date	The cabinet order of the designation	Number of the designated cities (accum.)
Osaka	2,691,185	Sep 1, 1956	1956 Cabinet order No 254	5
Nagoya	2,295,638			
Kyoto	1,475,183			
Yokohama	3,724,844			
Kobe	1,537,272			
Kitakyushu	961,286	Apr 1, 1963	1963 Cabinet order No 10	6
Sapporo	1,952,356	Apr 1, 1972	1971 Cabinet order No 276	9
Kawasaki	1,475,213			
Fukuoka	1,538,681			
Hiroshima	1,194,034	Apr 1, 1980	1979 Cabinet order No 237	10
Sendai	1,082,159	Apr 1, 1989	1988 Cabinet order No 261	11
Chiba	971,882	Apr 1, 1992	1991 Cabinet order No 324	12
Saitama	1,263,979	Apr 1, 2003	2002 Cabinet order No 319	13
Shizuoka	704,989	Apr 1, 2005	2004 Cabinet order No 322	14
Sakai	839,310	Apr 1, 2006	2005 Cabinet order No 323	15
Niigata	810,157	Apr 1, 2007	2006 Cabinet order No 338	17
Hamamatsu	797,980			
Okayama	719,474	Apr 1, 2009	2008 Cabinet order No 315	18
Sagamihara	720,780	Apr 1, 2010	2009 Cabinet order No 251	19
Kumamoto	740,822	Apr 1, 2012	2011 Cabinet order No 323	20

Source: Created by the author

¹⁷ However, the population of more than 1 million at the time of designation was actually required, or even if their population is less than 1 million at the time of designation, a population of more than eight hundred thousand was required. The population requirement was reduced to seven hundred thousand at the Great Merger of the Heisei era.

Each prefecture has its capital city; fifteen out of forty-seven capital cities are designated cities (Table1-5). This shows that many designated cities play significant administrative roles in the prefectural jurisdictions.

<Table1-5> Prefecture's population, area, and capital city (as of October 1, 2015: based on 2015 national Population census)

Prefecture	Population (people)	Area (km ²)	Capital/Designated city
Hokkaido Area			
1. Hokkaido	5,383,579	83,456.87	◎Sapporo
Tohoku Area			
2. Aomori	1,308,649	9,644.54	○Aomori
3. Iwate	1,279,814	15,278.89	○Morioka
4. Miyagi	2,334,215	7,285.76	◎Sendai
5. Akita	1,022,839	11,636.25	○Akita
6. Yamagata	1,122,957	9,323.46	○Yamagata
7. Fukushima	1,913,606	13,782.75	○Fukushima
Kanto Area			
8. Ibaraki	2,917,857	6,095.72	○Mito
9. Tochigi	1,974,671	6,408.28	○Utsunomiya
10. Gunma	1,973,476	6,363.33	○Maebashi
11. Saitama	7,261,271	3,798.13	◎Saitama
12. Chiba	6,224,027	5,156.70	◎Chiba
13. Tokyo	13,513,734	2,187.50	
14. Kanagawa	9,127,323	2,415.86	◎Yokohama ●Sagamihara ●Kawasaki
Hokuriku Area			
15. Niigata	2,305,098	12,583.81	◎Niigata
16. Toyama	1,066,883	4,247.61	○Toyama
17. Ishikawa	1,154,343	4,185.66	○Kanazawa
18. Fukui	787,099	4,189.83	○Fukui
Chubu-Tokai Area			
19. Yamanashi	835,165	4,465.37	○Kofu
20. Nagano	2,099,759	13,562.23	○Nagano
21. Gifu	2,032,533	10,621.17	○Gifu
22. Shizuoka	3,701,181	7,780.42	◎Shizuoka ●Hamamatsu
23. Aichi	7,484,094	5,165.04	◎Nagoya
24. Mie	1,815,827	5,777.27	○Tsu
Kinki Area			
25. Shiga	1,413,184	4,017.36	○Otsu
26. Kyoto	2,610,140	4,613.21	◎Kyoto
27. Osaka	8,838,908	1,898.47	◎Osaka ●Sakai
28. Hyogo	5,536,989	8,396.13	◎Kobe
29. Nara	1,365,008	3,691.09	○Nara
30. Wakayama	963,850	4,726.29	○Wakayama
Chugoku Area			
31. Tottori	573,648	3,507.28	○Tottori
32. Shimane	694,188	6,707.95	○Matsue
33. Okayama	1,922,181	7,113.21	◎Okayama
34. Hiroshima	2,844,963	8,479.58	◎Hiroshima
35. Yamaguchi	1,405,007	6,113.95	○Yamaguchi
Shikoku Area			
36. Tokushima	756,063	4,146.67	○Tokushima
37. Kagawa	976,756	1,876.53	○Takamatsu
38. Ehime	1,385,840	5,678.18	○Matsuyama
39. Kochi	728,461	7,105.16	○Kochi
Kyushu Area			
40. Fukuoka	5,102,871	4,977.24	◎Fukuoka ●Kitakyushu
41. Saga	833,245	2,439.65	○Saga
42. Nagasaki	1,377,780	4,105.33	○Nagasaki
43. Kumamoto	1,786,969	7,404.73	◎Kumamoto
44. Oita	1,166,729	6,339.71	○Oita
45. Miyazaki	1,104,377	7,735.99	○Miyazaki
46. Kagoshima	1,648,752	9,188.78	○Kagoshima
47. Okinawa	1,434,138	2,276.15	○Naha

● Designated city
◎ Designated capital
○ Other capital

In the dual system of prefectures and municipalities the designated cities are given the authorities on the basis of the individual laws by means of a re-allocation of administrative duties and financial resources.

So they have, through allocated duties, powers similar to those of the prefectures in areas such as social welfare, public health, and urban planning, and other individual laws grant them similar powers in fields such as the management of the national roads and compulsory education.

II Outline of Japanese Metropolises

A Specific Metropolises

1 Situation of the Specific Metropolises

We shall review the overall situation of the TMG and designated cities (hereinafter collectively referred to as the “specific metropolises”³).

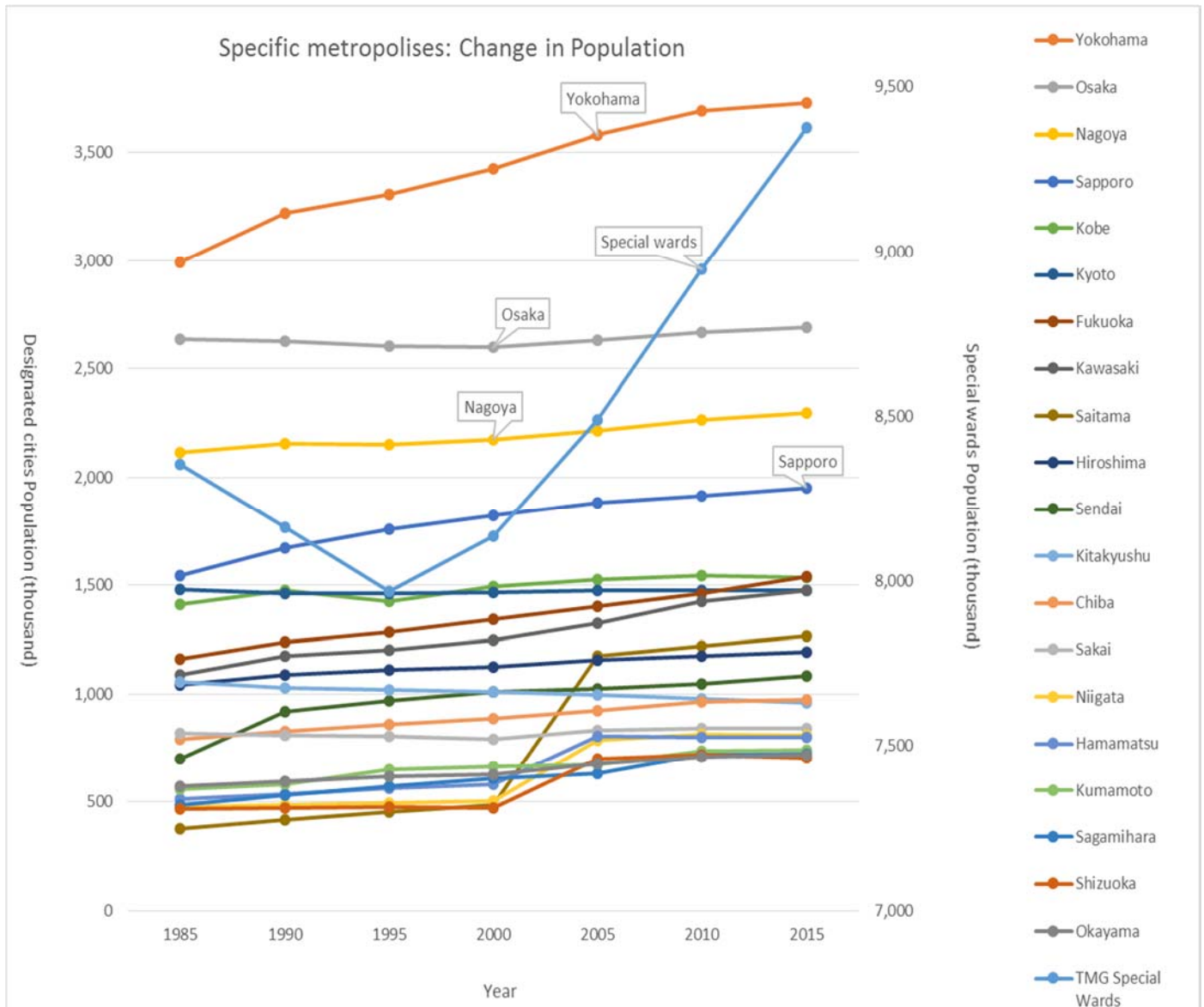
Examining the recent change in the population of the specific metropolises, we can point out some characteristics.

- (a) The increase in the population of special wards is remarkable, especially since 1995. As background an increasing move-in to the TMG was observed from the 1950s to the 1970s. In the 1980s, there was another boom in migration, and it peaked in 1987. In 1991, the bubble economy burst, reducing the migration of people. Since the mid-1990s, however, there was again an increase in migration because of the reemergence of the urban areas through housing development.
- (b) The total population of the designated cities has an increasing trend. However, looking at the details, we find that the change in each city is different.
 - ① The gap in population size is large. Yokohama city has the largest population, about 3,600,000 people; Shizuoka city has the smallest, about 750,000 people (Figure 2-1). The former is 5.3 times more than the latter.
 - ② The population trend is also different among the designated cities. Yokohama city, Nagoya city, and Sapporo city maintain the increase in population. On the other hand, the population of the other designated cities remains about the same or shows a slight decline.

We should focus on the fact that the difference in size and trend is not little even in the specific metropolises.

³ Currently, the specific metropolises are composed of the TMG and 20 designated cities. The TMG is composed of 23 special wards, 26 cities, 5 towns, and 8 villages. In this section we focus on the data of 23 cities as the representative local governments.

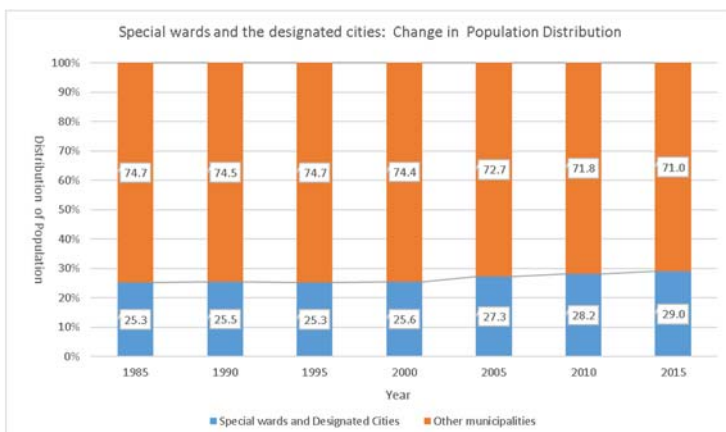
<Figure 2-1> Specific Metropolises: Change in Population



Source: Created by the author

During these decades, the total population of Japan increased and it peaked in 2010; it started decreasing since then. On the other hand, the population of the special wards and the designated cities has been consistently increasing. <See Figure 2-2 and Table 2-1>

<Figure 2-2> Special wards and the designated cities: Change in total population



Source: Created by the author

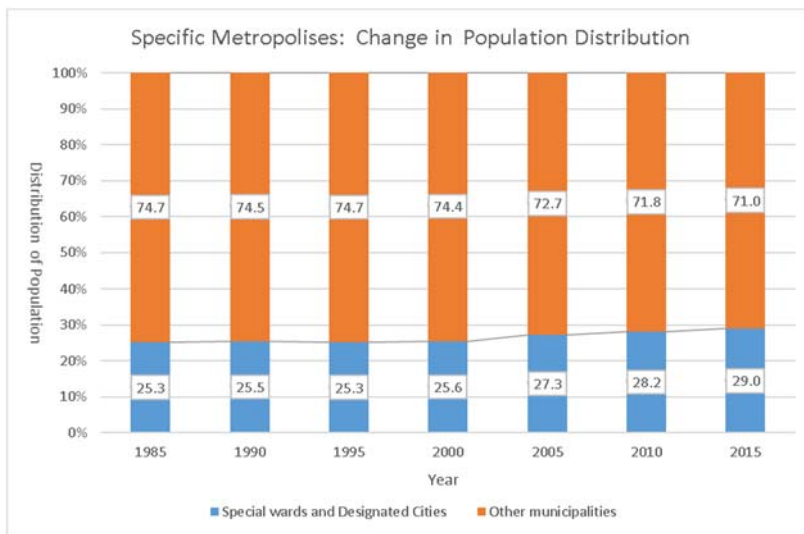
<Table 2-1> Special wards and the designated cities: Change in Population
(thousand people)

	1985	1990	1995	2000	2005	2010	2015
Total of Specific metropolises	30,635	31,467	31,740	32,463	34,890	36,099	36,872

Source: Created by the author

These data reveal that metropolitanization has steadily advanced in Japan; the ratio of the population of the specific metropolises has been increasing, and it amounted to as much as 29% in 2015. Currently, around one in three people lives in the specific metropolises. <See Figure 2-3>

<Figure 2-3> Special wards and the designated cities: Change in Population Distribution



Source: Created by the author

This situation has had a gradual and significant impact on local public administration. The handicapped area policies have been emphasized among the regional development policies, but we can assume that the urban area policies would have more significance. In particular, the public government policies regarding social welfare and regional industry would change because those policies are closely related to the financial management of the cities from the perspectives of population migration and tax revenues.

B TMG

1 TMG's function

(a) Basic and Additional Functions

In Japan administrative functions are clearly allocated among three tiers governments so that they are carried out without confusion and duplication. In keeping with this concept, public functions are allocated according to state laws. <See Table 2-2>

<Table 2-2> Allocation of Functions Among the Governmental Sectors

	Basic, Safety	Education	Welfare, Sanitation	Social infrastructure	Industry, Economy
Central	<ul style="list-style-type: none"> - Diplomacy - Defense - Judicature - Criminal punishment 	<ul style="list-style-type: none"> - University - Subsidy for private school (university) 	<ul style="list-style-type: none"> - Pension - Social insurance - License for doctor - Approval of medicine 	<ul style="list-style-type: none"> - Highway - National road (designated section) - First-class river - Airport 	<ul style="list-style-type: none"> - Currency regulation - Banking regulation - Customs - Regulation on transportation - Regulation on Telecommunication - Economic policy
Local Prefecture	<ul style="list-style-type: none"> - Police 	<ul style="list-style-type: none"> - High school - Salary / Personnel of Elementary / junior high school - Subsidy for private school (others) - Sports facility - Cultural facility 	<ul style="list-style-type: none"> - Livelihood assistance (area of town / village) - Child welfare - Elderly welfare - Health center 	<ul style="list-style-type: none"> - National road (other section) - Prefecture road - First-class river (designated section) - Second-class river - Port - Public housing - Urban planning 	<ul style="list-style-type: none"> - Vocational training - Support for small businesses
Municipality	<ul style="list-style-type: none"> - Fire defense - Family register - Resident register 	<ul style="list-style-type: none"> - Elementary / junior high school - Kindergarten - Sports facility - Cultural facility 	<ul style="list-style-type: none"> - Livelihood assistance (city) - Child welfare - Elderly welfare - Nursery care insurance - National health insurance - Water supply - Sewerage - Waste disposal - Health center (specific city) 	<ul style="list-style-type: none"> - Municipal road - Small river - Port - Public housing 	<ul style="list-style-type: none"> - Regulation on agricultural land use

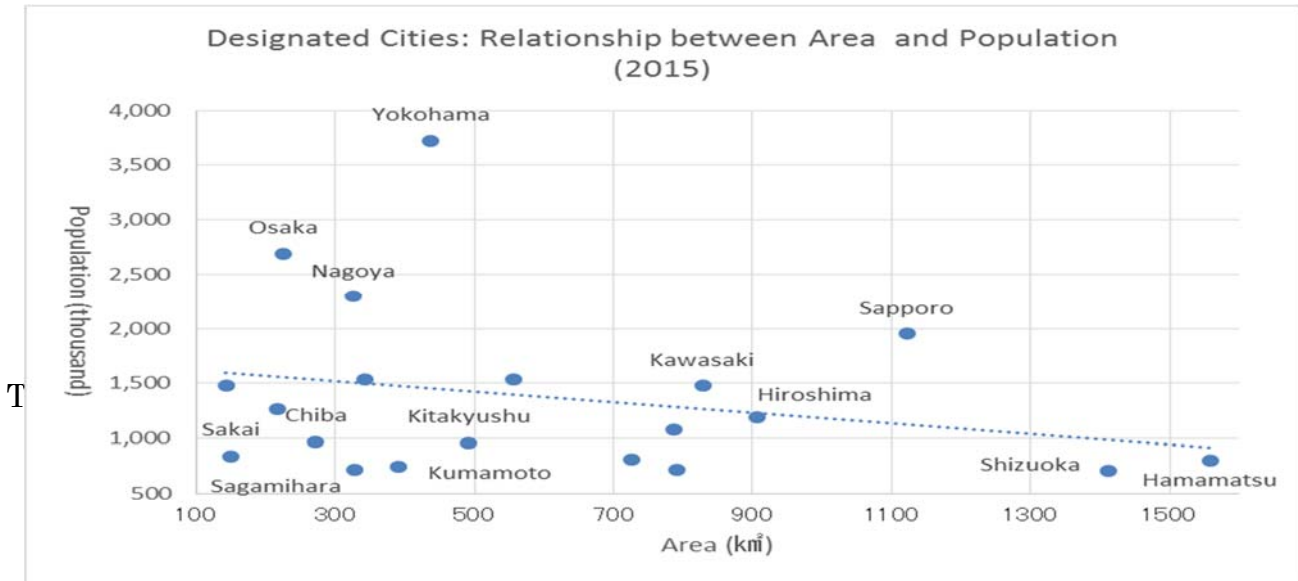
Source: Created by the author

The TMG is given the functions allocated to local prefectures (as shown in Table 2-2). Moreover, the TMG is allocated the additional functions of firefighting services, water supply, and sewerage services. These are generally designated under the state law as municipal services. However, considering that these services can be handled more efficiently on a broader scale and such an approach would also serve to lessen the financial burden.

C Designated Cities

The population of most designated cities has been continuously increasing. < See Figure 2-1> When considering the basic elements (area and population), we find large gaps in both. Moreover, area and population are remotely related; the correlation coefficient is as low as -0.25. <See Figure 2-4> These data indicate the diversity based on its terrain condition, historical background, industrial structure, etc.

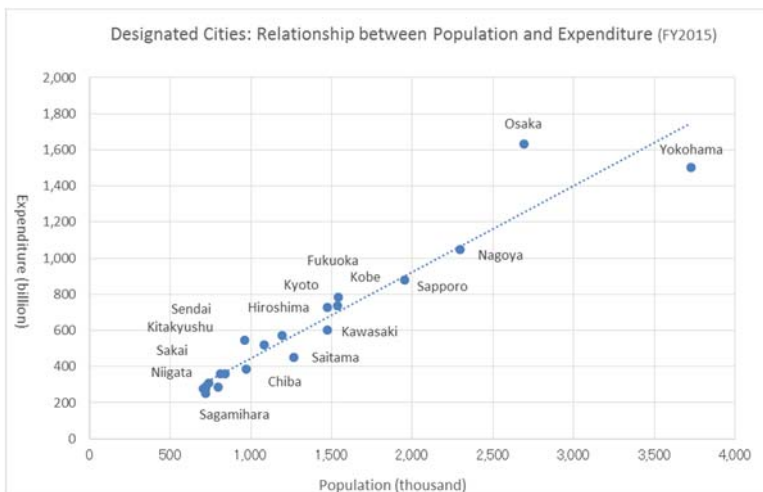
<Figure 2-4> Designated Cities: Relationship between Area and Population



Source: Created by the author

Second, considering the relationship between expenditure and population, expenditure is compatible with the amount of local tax revenue. In fact, substantial gaps in total revenue and tax revenue are recognized among the designated cities. In Japan, municipal/local taxes are taxes levied on the income: the municipal inhabitant tax levied on the individual and corporations. Therefore, the amount of expenditure and revenue of each area reflects its economy. The correlation coefficient between population and expenditure is 0.95. We realize that economic size is proportionate to the size of population. However, when we look at Osaka, Fukuoka, and Kobe, they are large cities with respect to population. These cities are big economic zones and play a pace-setting role in the regions. From this aspect, we can find out each designated city's features and diversities. < Figure 2-5 >

<Figure 2-5> Designated Cities: Relationship between Population and Expenditure



Source: Created by the author

IV Perspective of Japanese Metropolises

A Forward Perspective

In the previous sections, I highlighted the characteristics of large Japanese cities, that is, the specific metropolises. When considering the forward perspective of financial management in large Japanese cities, we should focus on the following two key points.

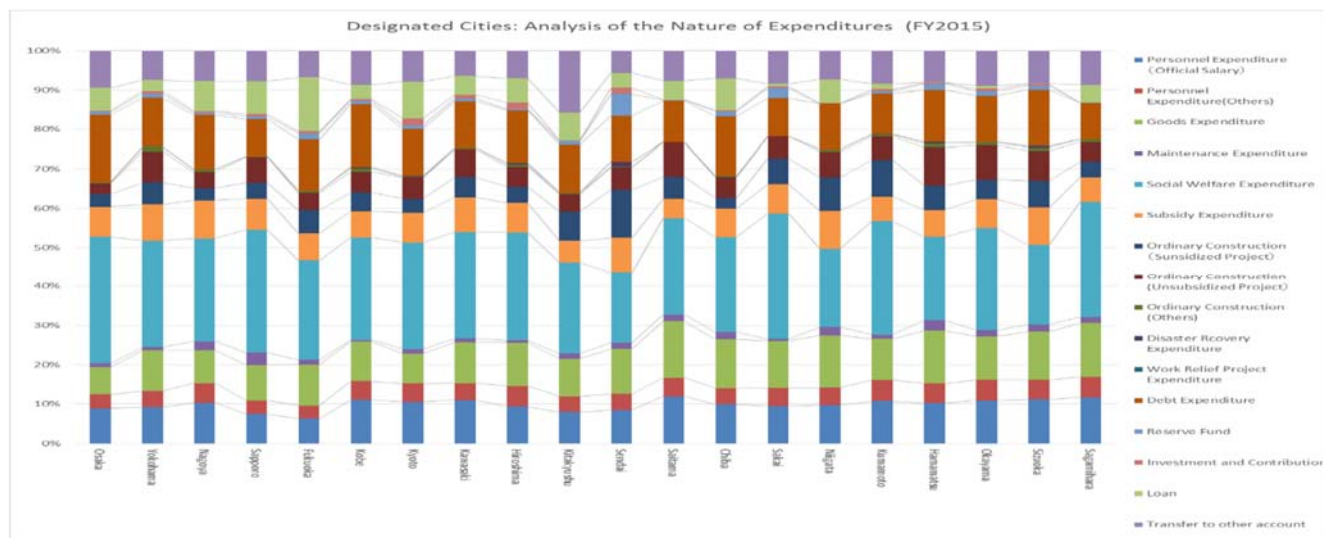
- From the perspective of revenue, the *concentration* of tax bases composed of fixed assets and tax-paying corporations is characteristic of the specific metropolises. Finding a way to enhance this concentration is the key to a city's successful investment strategy. A city's investments should lead to further concentration of tax bases; looking at the structure of tax revenue, for example, developing good-quality housing or attracting the headquarters of major corporations should be a primary goal.
- From the perspective of expenditure, the policy regarding capital and consumption expenditures is significant. As stated earlier, the local administration in Japan has matured to a certain extent; the financial demand is shifting from the construction stage to the consumption stage. Therefore, each city should pursue the best combination of both expenditures.

In such situations, how should large cities plan their investment strategy? In this part, focusing on the designated cities, we will consider the best ways to proceed. As Peterson (1981)¹suggested, a city's economic well-being can be affected by taxation and expenditure policies. Thinking of that, I indicate two significant methods: strategic expenditure and inter-governmental relationship.

B Strategic Expenditure

Examining the nature of each designated city's expenditure, we can observe the diversity in patterns of composition (See Figure 4-1).

<Figure 4-1> Designated Cities: Analysis of the Nature of Expenditures (FY2015)



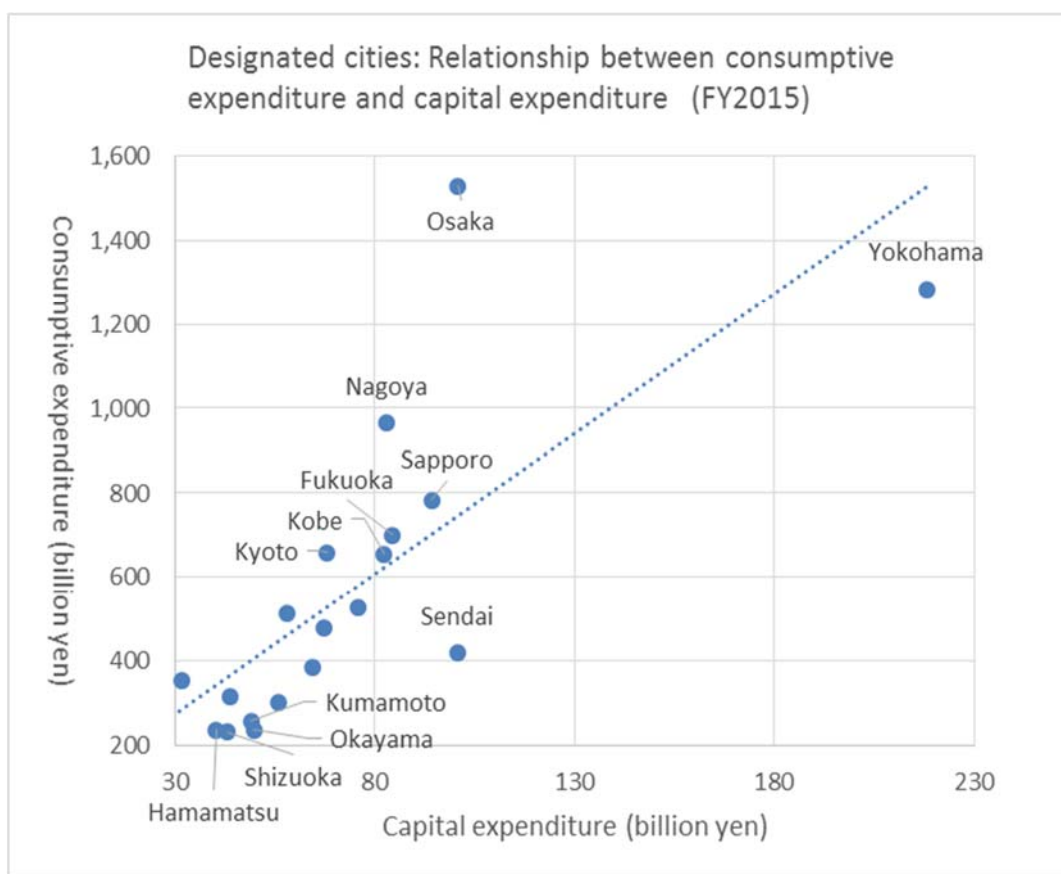
The composition of the various categories of expenditure in Source: Created by the author

¹ Paul Peterson, "City Limits" Chicago, 1981, p.32.

example, Osaka city (far left in Figure 4-1), an industrial-type city, has a higher ratio of construction expenditure, and Sagami-hara city (far right), a residential-type city, has a higher ratio of social welfare expenditure. In this manner, each city is carrying out financial policymaking through budget compilation under discretion.

Next, we look at the relationship between consumption expenditure and capital expenditure. These expenditures are correlated to some extent; the coefficient of correlation is 0.76. However, some cities, such as Osaka and Nagoya, prioritize consumption expenditure, while other cities, such as Yokohama and Sendai, prioritize capital expenditure (See Figure 4-2). We can observe the differences in approaches toward policymaking among the cities; they are based on each city's dominant segment of society, kinds of industries, etc.

<Figure 4-2> Designated Cities: Relationship between Consumption and Capital Expenditures (FY2015)



Source: Created by the author

As just described, each city's investments are quite discretionary in Japan. So, what is required to enhance the investments of the specific metropolises?

Although capital expenditure shows a declining trend, some kinds of demand remain in the specific metropolises. I point out the following remarkable fields of demand for the investments of large Japanese cities: earthquake resistance, traffic bases, and world events. Japan experienced the Great Hanshin Earthquake in 1995 and the Great East Japan Earthquake in 2011. After these experiences, improving the earthquake resistance of urban structures became (and remains) an urgent issue, especially in large cities. As regional traffic networks and the modal mix evolve, the function of traffic bases becomes more significant. Further,

demands to redesign station squares, to build a light rail transit, etc. will likely continue to be made. Concerning world events (for example, the Tokyo 2020 Olympics, which involves the construction of related facilities), the TMG and other local governments will spend approximately six billion dollars.

In responding to these investment demands, the cities should exercise ingenuity and caution. They should not simply build the related facilities, but focus on constructing sustainable and multi-purpose facilities. Disregarding the traditional idea that a public facility should have a single function, these cities should develop public facilities that have multiple functions.² Considering the financial hardship faced by the Japanese local governments, such strategic public investment expenditure to build sustainable public facilities should certainly be carried out by the specific metropolises.

C Inter-Governmental Relationship

1 Vertical governmental relationship

The second important method is inter-governmental relationship. This relationship is classified into vertical and horizontal relationships.

A recent development in the vertical governmental relationship in Japan is the decentralization reform. As shown in Table 4-1, the decentralization reform has made progress in Japan, especially since 1999 when the Omnibus Decentralization Law was enacted.

Further, since 2006, when the Promotion of Decentralization Reform Law was enacted, new omnibus decentralization laws have been gradually enacted; the latest one is the seventh law enacted in 2017 (See Table 4-1).

<Table 4-1> Transition of Decentralization

Year	Achievements
1993	Upper and Lower Houses:Resolution of promotion of decentralization
1995	Establishment of the committee of decentralization
1998	Decentralization Promotion Plan (Cabinet decision)
1999	Omnibus Decentralization Law
2006	Promotion of Decentralization Reform Law
2009	Promotion of Decentralization Reform Plan
2011	The first new omnibus decentralization law
	The second new omnibus decentralization law
2013	The third new omnibus decentralization law
	Policy for transition of affairs and powers (Cabinet decision)
2014	The forth new omnibus decentralization law
2015	The fifth new omnibus decentralization law
2016	The sixth new omnibus decentralization law
2017	The seventh new omnibus decentralization law

² Indications of this trend is that we are going to have a boom in public school houses with multiple function: e.g., a complex facility with a school house and a welfare center for the elderly.

The transition of affairs and powers from the prefecture to the designated city has been one of the effects of the actual decentralization move. This move directly causes a change in the inter-governmental relationship between the prefecture and the designated city.

The contents of the cabinet decision “Policy for transition of affairs and powers” in 2013 were significant (See Figure 4-4).

<Figure 4-4> Policy for Transition of Affairs and Powers (Cabinet Decision)

Affairs of Education	Power	Prefecture	Designated City
	Powers of appointing teachers		
Responsibility of teachers' salary		○	→
Power to decide the number of teachers		○	→
Power to decide class composition		○	→

Affairs of Medical care	Power	Prefecture	Designated City
	Authorization power for the establishment of clinics		
Authorization power for the establishment of hospitals		○	→

Affairs of City planning	Power	Prefecture	Designated City
	Zoning of city planning area		
Power to decide the master plan for city planning area		○	→

Source: Created by the author

This policy recommended significant changes. The public fields of education, medical care, and city planning are the principal fields in municipal administration. Further, the functions targeted in the transition were substantially important and included the following: the responsibility of teachers' salary, the authorization power to establish hospitals, the power to decide the master plan for city planning, etc. The designated city can even be considered equal to the prefecture, and through these transitions, the functions of the designated city move closer to those of the prefecture. Moreover, this trend will continue at present.

2 Horizontal relationship

The Heisei amalgamation between 1999 and 2010 reduced the number of municipalities from 3,232 to 1,730. However, small-sized municipalities still exist. Moreover, the Japanese society has been experiencing depopulation since 2010. Under such circumstances, the significance of the horizontal governmental relationship should be reevaluated.

A practical method is inter-municipal cooperation; there are several types of cooperation in Japan as shown in Table 4-2.

<Table 4-2> Number of Establishments of Inter-Municipal Cooperation (FY2016)

Kinds of cooperation	Number of establishment
Agreement	147
Consociation	189
Shared administrative organization	434
Delegation of duties	4,413
Alternative enforcement	1
Partial-affairs association	1,456
Regional union	110
Total	6,750

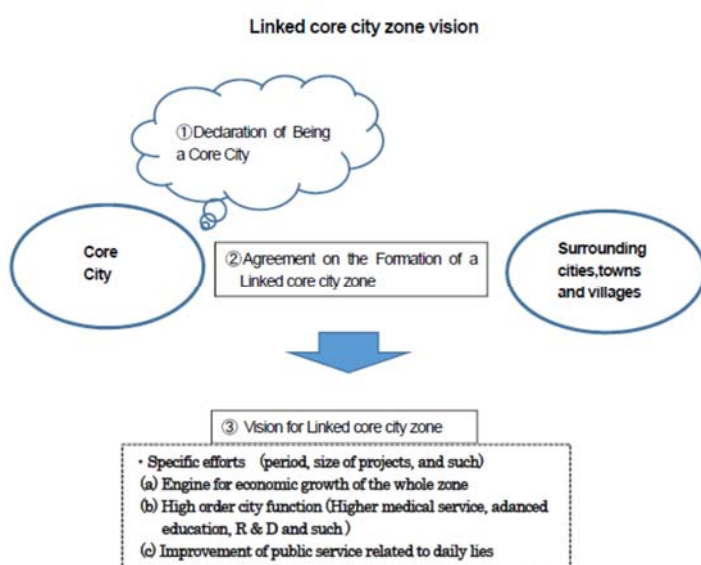
Source: Created by the author

Recently, agreement, a contract-type cooperation (first line of Table 4-2), is gaining in popularity. This method has a one-for-one style and can ensure flexibility in the contents of cooperation. Based on this legal framework, the MIC has promoted the linked core city zone vision since 2015. This vision expects that the core city³ will lead the establishment of the linked core city zone through agreement with the surrounding cities, towns, and villages; the related local governments of the zone (hereinafter referred to as the “members”) will aim at economic growth, high-order city function, etc.

The process is as follows:

- (a) A city makes the declaration of being a central city.
- (b) The core city makes agreements on the formation of a linked core city zone with the surrounding cities, towns, and villages.
- (c) The members create a linked core city zone vision (See Figure 4-5).

<Figure 4-5> Framework of the Linkage Core City Vision



Source: Created by the author

³ The designated cities and core cities, with several conditions, will meet the requirements of a core city in the linked core city zone vision.

The zone's roles are divided into the following three types:

- (a) Engine for the economic growth of the whole zone
- (b) High-order city function, especially medical care function and the transport business (e.g., bus services) in the zone supported by the members
- (c) Improvement of public services related to daily lives (See Table 4-3)

<Table 4-3 > Three Roles of the Linked Core City Zone

(A) Engine for economic growth of the whole zone	(B) High order city function	(C) Improvement of public service related to daily lives		
		①Improving of public service related to daily service	②Enriching community and network	③Improving management of the zone
(a) Drawing up the economic strategy by government hand-in-hand with industry, academe and banking circles	(a) High order medical service	(a) Regional medical care	(a) Regional public transportation	(a) Cultivation of humanresources
(b) Making the industrial cluster, realizing innovation, encouraging new businesses, growing the strategic industry with a core of the leading medium-sized enterprises in that zone	(b) Building high order transport bases, wide-area publictraffic networkcity function	(b) Nursing care	(b) Building ICT Infrastructure	(b) Scouting public and private staff
(c) Expanding the regional economy by making use of regional resources	(c) General improveent for advanced education and R &D	(c) Welfare	(c)Building transportation infrastructure such as road	(c)Mutual manpower dispatching in the zone
(d) Strategic tourism policy	(d) Other integrating and enriching high order city function	(d) Education,culture and sports	(d) Local production for local consumption in the alliance efforts	(d) Other policy
(e) Other engine for economic growth of the whole zone		(e) Land use	(e) Expand the wae of exchange with the people outside zone	
		(f) Regional deelopment	(d) Other policy	
		(g) Contingency planning		
		(h) Environment		

Source: Created by the author

Designated cities are expected to be the core cities in this vision; the economic size of a designated city is strong enough for leading the economy of the entire zone. Currently, four zones with designated cities as the core cities have been established (See Table 4-4).

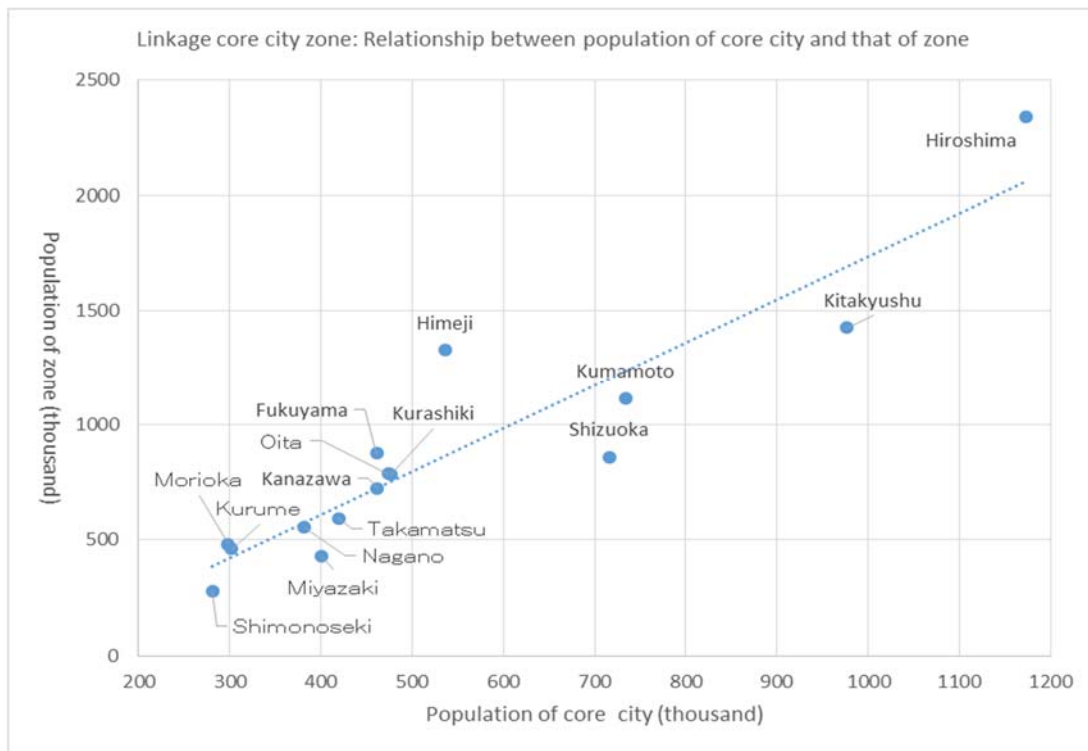
<Table 4-4 > Movement of Formulation: Linkage Core City Zone

Name of Zone	Core city	Declaration of being a core city	Linkage agreement	Vision for Linkage core city zone	Partner entities	Population of the zone (thousand)	Population of the corer city (thousand)
Kumamoto linkage core city zone	Kumamoto City	Jun 18,2015	Mar 30,2016	Mar 31,2016	4 cities, 10 towns,2 villages	1,116	734
Hiroshima broad city zone	Hiroshima City	Feb 15,2016	Mar 30,2016	Mar 31,2016	10 cities,13 towns	2,341	1,173
Kitakyushu city zone	Kitakyushu City	Dec 24,2015	Apr 18,2016	Apr 18,2016	5 cities, 11 towns	1,425	977
Middle Shizuoka linkage core city zone	Sizuoka City	Mar 3,2016	Mar 31,2016	Apr 28,2016	1 city	859	716

Source: Created by the author

Figure 4-6 shows the relationship between the population size of the core city and that of the zone.

<Figure 4-6 > Linked Core City Zone: Relationship between Population of Core City and that of the Zone



Source: Created by the author

We find that the population of the designated cities is much larger than that of the core cities. Further, the population of the zones, with the designated cities as the core cities, is generally larger than that of the other zones. We can recognize that the designated cities are expected to achieve the leading effect of the larger size zones.

V Epilogue

In this chapter, we surveyed the changes of large Japanese cities including the migration in those cities. Nowadays, one third of the population lives in large cities, and the potential of such cities is still noteworthy in the shrinking and complicated Japanese regional society. Making good use of the concentration of tax bases and appropriately demarcating capital and consumption expenditures can lead to regional revitalization in Japan

III Financial phases of specific metropolises

In this section, we discuss the financial issues of the specific metropolises. We shall consider the following questions: what are the features of the specific metropolises? What does it mean for the future of Japanese local administration? As part of the analysis, we look at the features of the TMG among the prefectures and the designated cities among the municipalities and will clearly show the issues of the specific metropolises.

A Revenue

1 Characteristics of Japanese local taxes

Under the current tax system in Japan, there are three main taxation bases, namely *income*, *asset*, and *consumption*. We can classify both the national and local taxes into these three groups in accordance with their tax bases. <See Table 3-1>

<Table 3-1> Three types of Tax in accordance with tax bases

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

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

We can conclude the following:

- (a) The Japanese system is unique for its structure; the tax-bases are based on a mixture of three tax bases.
- (b) Among the three types, the income tax-base has the largest share. This means that expanding the incomes of corporations and individuals is the best strategic way to enact each local government's financial policy.
- (c) The flexible property of each type is different. The income tax-base is the most flexible; the tax revenue is very responsive to business conditions. On the other hand, the consumption tax-base and the assets are stable in view of the effect of economic circumstances. As premises for that, the income tax-base occupies the largest share in the current local tax system; the local government, the regional management of public policy, has to make efforts to relieve the regional deterioration of business conditions.

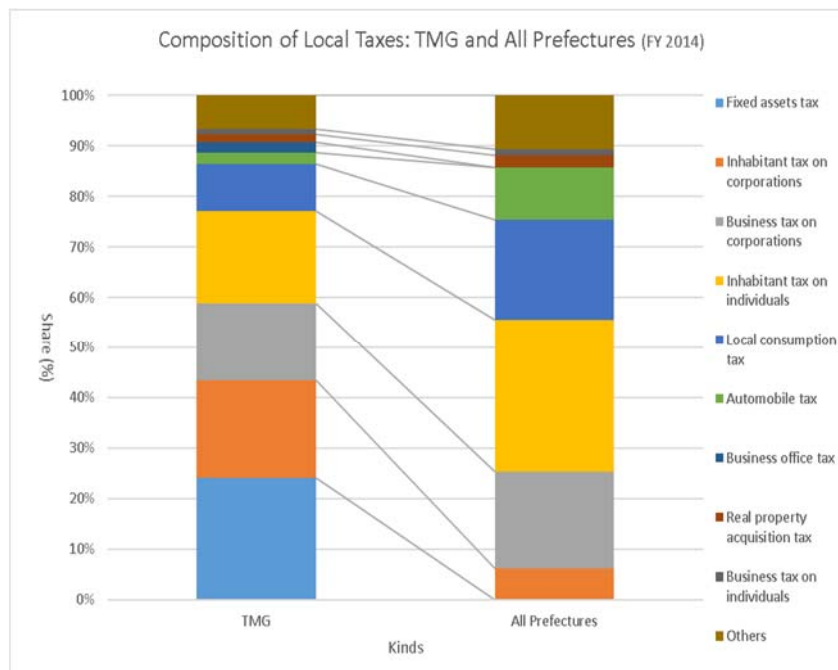
2 TMG

When we look at the situation of the revenue of the TMG, we shall focus our attention on the composition of the revenue. The main components are local taxes, local transfer taxes, national treasury disbursements (hereinafter referred to as the “NTD”), local loans, and others.

We shall further focus our attention on the composition of the tax revenue. The main components are fixed assets tax⁵, prefectural inhabitant tax on corporations, business tax on corporations⁷ (hereinafter referred to as the “two corporate taxes”), and such.⁹ Comparing the composition of the TMG with that of all the prefectures, we find the following.

<See Figure 3-1>

<Figure 3-1> Composition of Revenue: TMG and all Prefectures (FY2014)



Source: Created by the author

- (a) The TMG has the exceptional authority of levying the fixed assets tax, and in fact this tax is the main local tax(24%); this is a very stable source as its financial basis.
- (b) Two corporate taxes are the main taxes. Inhabitant taxes on corporations in particular has a larger share of the TMG than that of all the prefectures (the TMG: 19.3%, all the prefectures: 6.1%). The large corporations are located in the jurisdiction of the TMG; the higher share of this tax is a remarkable feature.

When we look at the change of population and tax revenue in Figure 3-2, we see the following:

- (a) The population of the TMG has continuously increased since 1945.
- (b) The tax revenue has fluctuated; the amount of tax revenue dropped sharply as a result of

⁵ Fixed assets tax is a property tax imposed on taxation objects, such as land, houses and buildings, and business assets by municipalities where such fixed assets are located.

⁷ Business tax on corporations is levied on the corporations conducting business and having their offices or place of operation in the prefecture.

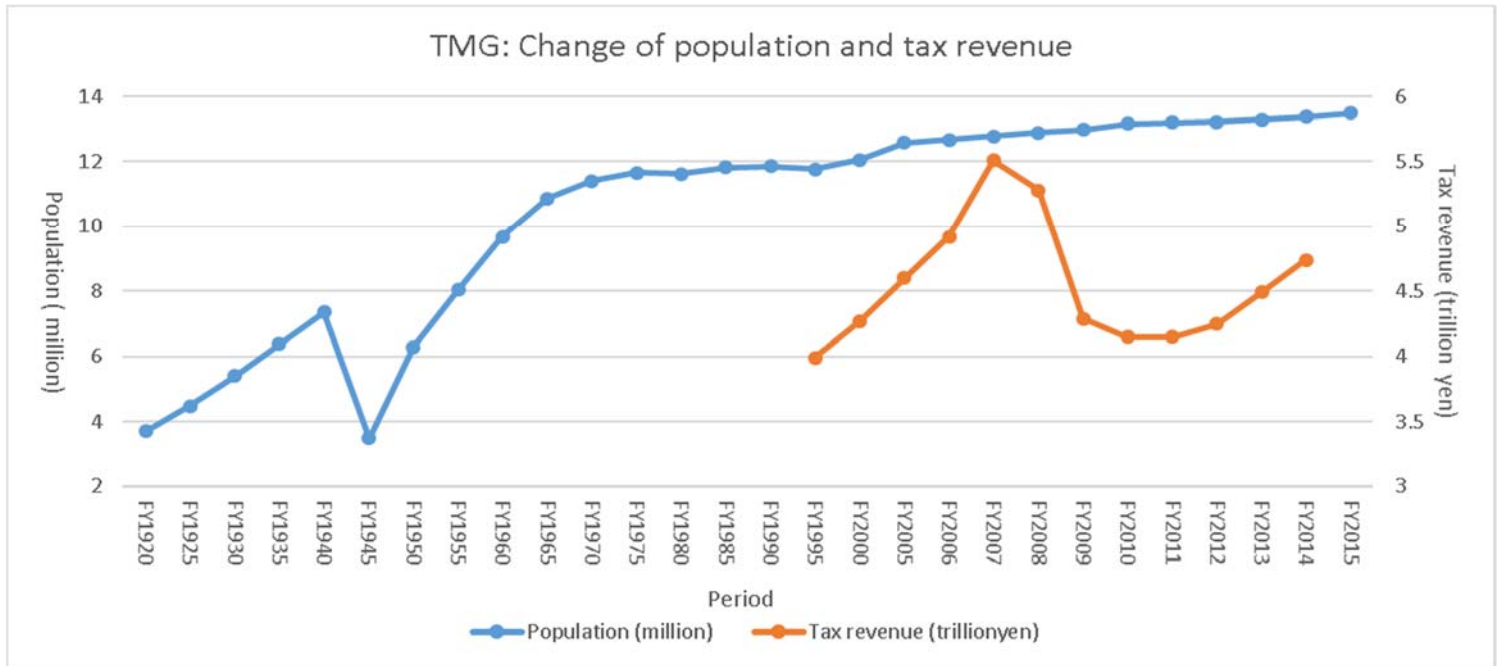
⁹ Among them, the fixed asset tax and establishment tax are essentially municipal taxes. However, the TMG has the exceptional authority of levying those taxes in the special district jurisdiction.

the financial crisis in 2008.

(c) The increase in population size seems to have supported the underlying upward trend of tax revenue. However, the phase of the change of tax revenue is different from that of the change in population size; the former seems irrelevant to the latter.

Therefore, we can conclude that the key for enriching the total tax revenue is how to expand the revenues of the two corporate taxes.

<Figure 3-2> TMG: Change of population and tax revenue



Source: Created by the author

Surveying this data, we can conclude that the key point of the financial management of the TMG is the *concentration*, particularly the concentration of the assets and that of the corporations. The standout volume of those tax-bases is the core financial feature of the TMG, and that structure is expected to continue because the TMG will fulfil a metropolitan role. The TMG is expected to strategically make use of its special status.

3 The designated cities

(a) Situation of local tax revenue

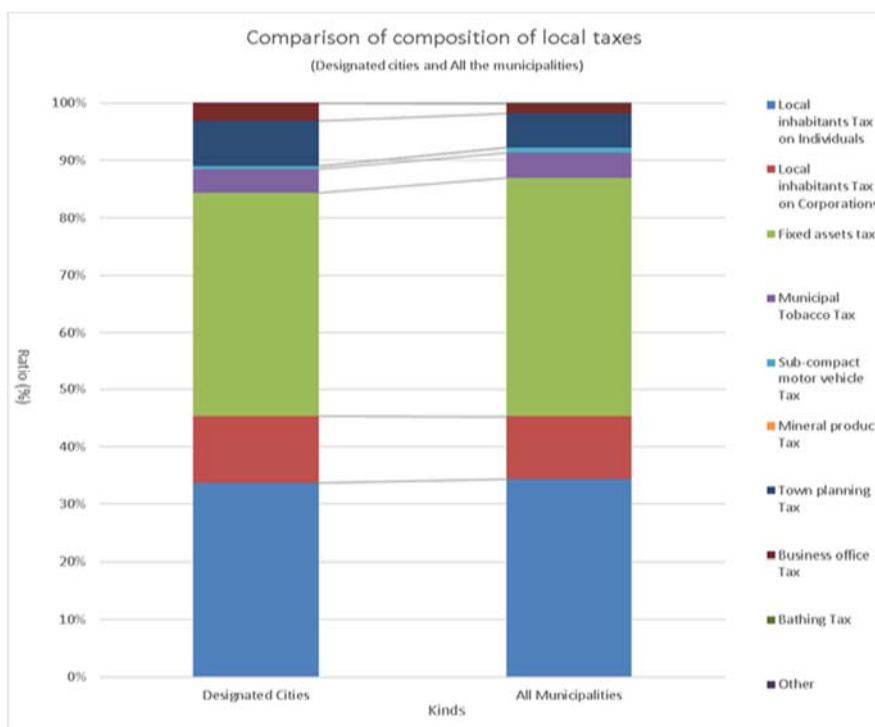
Among the revenue sources we focus on the local tax revenue of the designated cities. Local inhabitant tax on individuals (34%), fixed assets tax (39%), town planning tax (8%), and such are the main local taxes.

We find that the local inhabitant tax has been fluctuating remarkably: until 2007, the economic situation was improving, but because of the credit crisis in 2008 its share took a downturn until 2012. Since then, the economy has returned to prosperity.

On the other hand, the fixed assets tax has continued on the same level. This shows that this tax has played the role of a buffer for the revenue not only in the smaller municipalities but also in larger of cities like the designated cities.

When we compare the local tax structure of the designated cities with that of all the municipalities, the ratio of the fixed assets tax is a little lower than that of the all the municipalities. On the other hand, the share of the town planning tax¹⁰ and business office tax¹¹ of the designated cities is higher than that of all the municipalities. The core area of the designated cities are urbanized zones, and so are the tax bases where those taxes are collectively located. Therefore, those taxes are especially important for the designated cities as financial resources. <See Figure 3-3>

<Figure 3-3> Comparison of composition of local taxes (All the municipalities and the designated cities, FY2015)



Source: Created by the author

B Expenditure

1 TMG

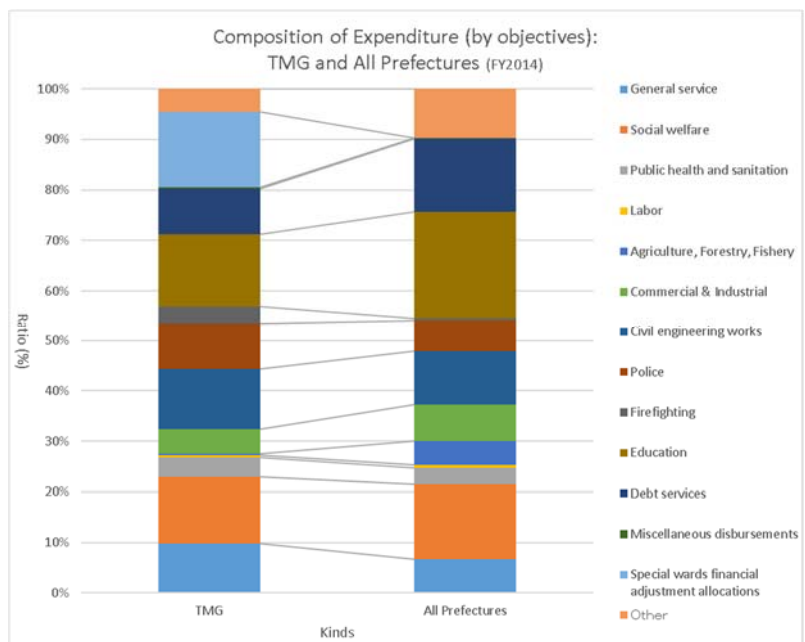
In the phase of the expenditure by its objectives of the TMG, education (14%), social welfare (13%), civil engineering works (12%), and such are the main items. When we compare the composition of the TMG and that of all the prefectures¹² in Figure 3-4, we find the following:

¹⁰ Town planning tax is a tax to be levied as objective tax to allot for expenses required for city planning projects or land readjustment projects. Taxable properties are land and buildings located within an urbanization promotion area designated in the City Planning Act.

¹¹ Business office tax is an object tax that was established to allot for the expense of required maintenance of the city environment and related improvements.

¹² We set aside the items of the special wards financial adjustment allocations and firefighting, because they are exceptional expenditures under the special cases of the TMG.

<Figure 3-4> Composition of expenditure by objectives: TMG and all the prefectures



Source: Created by the author

- (a) The ratio of social welfare and civil engineering works of the TMG is higher than those of all the prefectures (TMG: 16.1%, 14.7%, all the prefectures: 14.8%, 10.7%).
- (b) The ratio of agriculture-forestry-and fishery and commercial-industrial are lower than those of all the prefectures (TMG: 0.4%,6.0%, all the prefectures: 4.8%, 7.3%).

Since 1945, the population of the TMG has continued to grow, and both social welfare and urban development have become urgent administrative challenges. The present composition reflects this background.

2 Designated cities

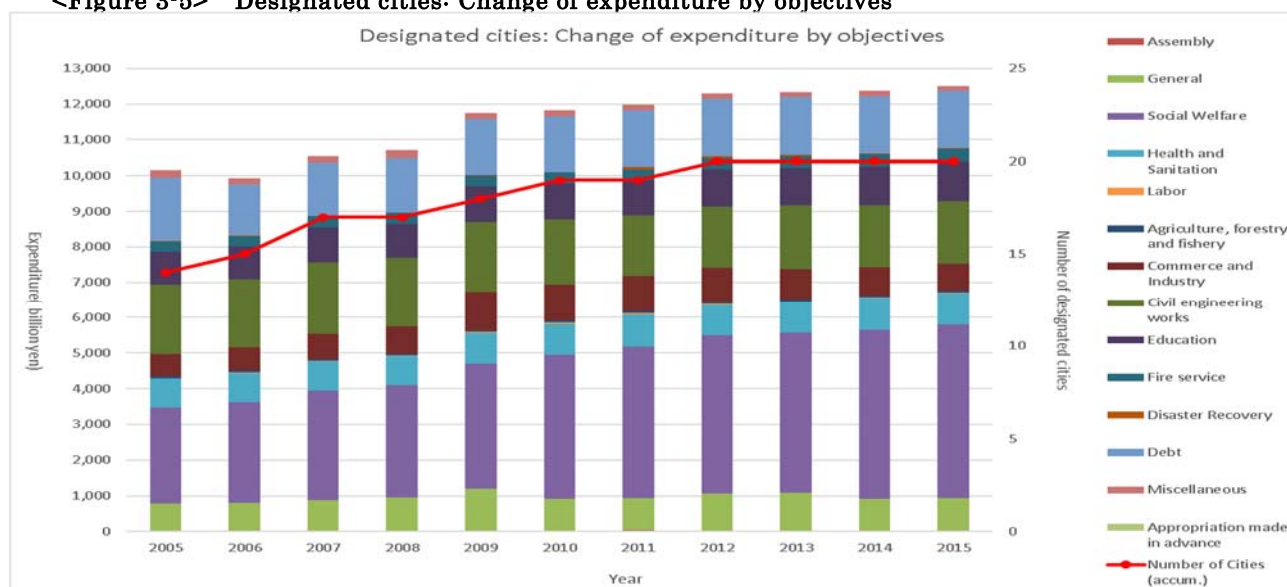
(a) Expenditure classified by objectives¹³

In the phase of classifying expenditure by objectives of the designated cities, social welfare (39%), civil engineering works (14%), fire services (9%), and others are the main items.

We also look at the change; the total expenditure of the designated cities has continued to grow as the number of cities have increased; the total expenditure in 2015 was 1.23 times higher than that of 2005. The increase in the amount for social welfare is remarkable. <See Figure 3-5>

¹³ Expenditure classified by objectives denotes a classification focusing on their administrative functions. They are general administration, social welfare, sanitation, labor administration, agriculture/forestry/fisheries, commerce/industry, public works, fire service, police, education, debt service, and others.

<Figure 3-5> Designated cities: Change of expenditure by objectives



Source: Created by the author

This data illuminates the fact that the designated cities are becoming more mature; their financial demands have been shifting from building infrastructure to soft public services like social welfare.

(b) Expenditure classified according to nature¹⁴

① General statement

(i) Change of expenditure

We also look at the change of expenditure by nature. The total expenditure for the designated cities has continued to grow as the number of cities have increased. Regardless of the increase in the number and the total expenditure, personnel expenditure has not increased. On the other hand, the increase in the amount for social welfare is remarkable.

(ii) Capital expenditure and Consumptive expenditure

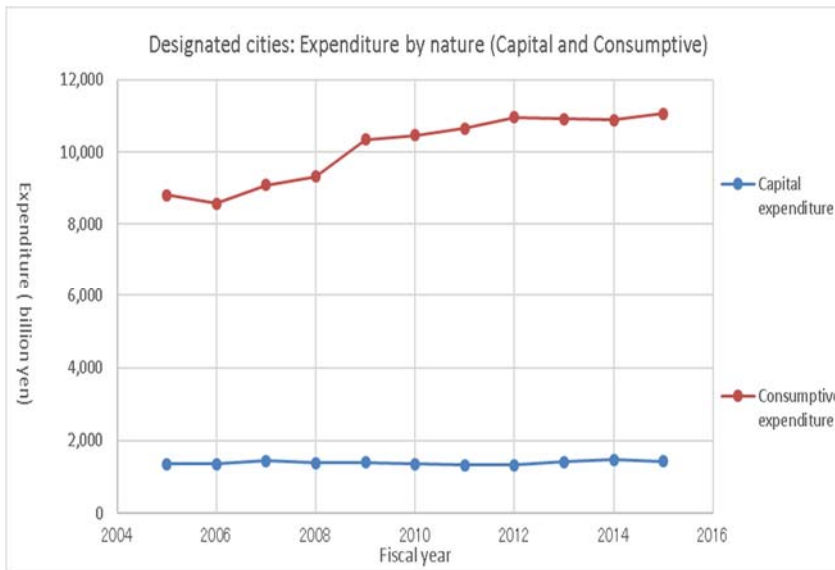
The items are classified into two types: capital expenditure¹⁵ and consumptive expenditure¹⁶. In accordance with recent trends, capital expenditure remains mostly level; on the other hand, consumptive expenditure has gradually increased (see Figure 3-6).

¹⁴ Expenditure classified by nature denotes a classification of expenditures focusing on economic characteristics, where expenditures are classified into capital expenditures and consumptive expenditures.

¹⁵ Capital expenditures denote expenditures used for the development of social infrastructure such as roads, bridges, parks, schools, and public housing, and consist of expenditure on ordinary construction works and expenditure on disaster restoration.

¹⁶ Consumptive expenditures denote expenditures whose effects last one fiscal year; e.g., expenditures of human resources, goods, maintenance, and such.

<Figure 3-6> Designated cities: Expenditure by nature (Capital and Consumptive)



Source: Created by the author

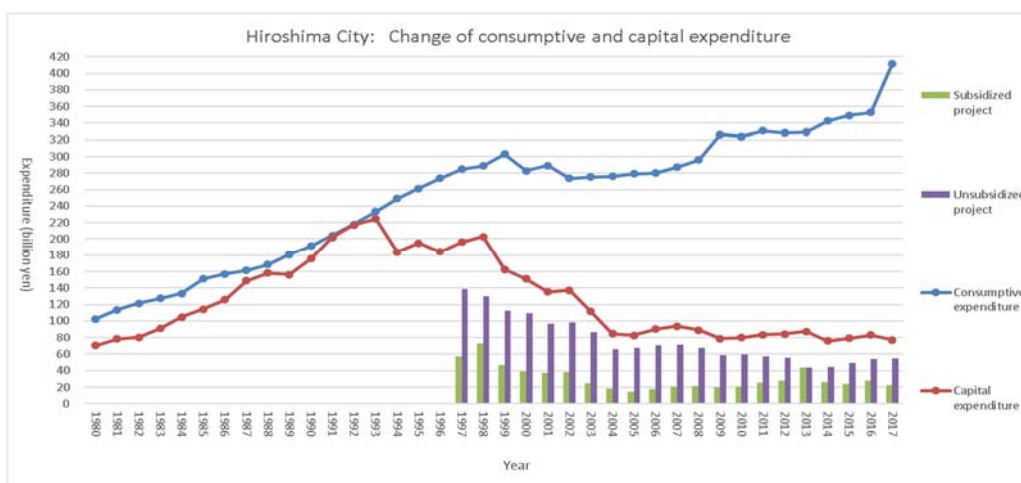
The change of ratio shows that the ratio of consumptive expenditure is growing. This has been particularly true since 2009 when social welfare expenditure grew; the rise of its share is notable.

② Case study: Hiroshima City

I will pick up the situation of Hiroshima City¹⁷ as a case study. The city's capital expenditure reached its peak in 1993 and since then it has decreased remarkably: the bubble economy burst in 1991 and the economic circumstances affected the financial management.

When the subsidized projects increased they supported securing the capital expenditure. For example, the amounts of them from 2011 to 2013 increased, and the national government enriched its support for countermeasures against the disasters based on the Great East Japan Earthquake which occurred in 2011 (see Figure 3-7).

<Figure 3-7> Designated cities: Change of size of expenditure by nature



Source: Created by the author

¹⁷ I selected Hiroshima City as a standard designated city; the population size is the tenth largest among other designated cities.

C General Overview

At this moment, the financial characteristics of the specific metropolises are summarized as follows:

(a) They have higher ratios of tax revenues in revenue sources than smaller local governments.

(b) They have lower levels of tendencies on the LAT (particularly since the TMG is given no regular local allocation tax).

(c) In the Japanese local tax system, the tax bases are based on a mixture of three tax bases: income, assets, and consumption. Among the three types, the income tax-base has the largest share. This characteristic is significant:

① Expanding the incomes of corporations and individuals is the best strategic way to enact each local government's financial policy.

② The income tax-base is the most flexible: the tax revenue is very responsive to business conditions. Therefore, the specific metropolises should make efforts to relieve the regional deterioration of business conditions through the regional management of public policy.

(d) The *concentration* of the assets of corporations is a characteristic of them and key for their investment strategies. Such a *concentration* is the worth of them in regional development. Currently, regional revitalization is a pressing issue in Japan, a country that, since 2010, is facing a depopulating society. Under these circumstances, how to effectively make use of that *concentration* is key to their regional revitalization.

(e) In the expenditure phase, capital expenditure mostly remains level and consumptive expenditure has gradually increased. One of the reasons for this is that social welfare expenditures have continued to show remarkable growth. On the other hand, capital expenditure is affected by the policies of the NTD; e.g., the local governments' disaster countermeasure expenditures are substantially affected by the policy of the NTD.

In a manner, local administration in Japan has matured, and financial demands are shifting from the constructive to the consumptive stage.

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