An Economic Analysis of Japanese Bureaucracy

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Preface

This paper aims to clarify the features of Japanese bureaucracy, compared with those of other western countries, especially those of the United States, from the viewpoints of structural, behavioral, and organizational analysis.

In analysing bureaucratic structure, I will remark on the relationship between politicians and bureaucrats, the relationship between the Diet (Congress or Parliament) and the government, as well as on the relationship between senior bureaucrats and subordinates. These relationships correspond to those of business firms; namely, relationships between stockholders and managers, and relationships between managers and employees. I will also compare relationships between stockholders and managers in Japanese firms with those in other advanced countries.

Concerning bureaucratic behavior, Niskanen's famous works[1)] are well known. Some improvements have been attempted by Migué & Bélanger and others. These theoretical models are fairly persuasive but they are insufficient when we apply them for explanation of bureaucratic behavior in Japan. The bureaucrat's budget-maximizing behavior may be generally appropriate in most advanced western countries. It is also partly appropriate among Japanese bureaucrats but not among all.

I want to add two factors to explain bureaucratic behavior in Japan. One is the importance of continuity

1) Niskanen, W.A., Bureaucracy and Representative Government, 1971.
Migué, J.L. and Bélanger, G., "Toward a General Theory of Managerial Discretion", Public Choice 17, 1974.

and the other is the organizational factor. The word continuity has two meanings. One embodies a concept of continuity over time, and the other is the concept of vertical continuity in the organization from top to bottom. It may be better to use the word homogeneity, rather than continuity. Breton and Wintrobe attach importance to the role of organizational factors for productivity in bureaucratic activities as well as in business activities.[2] They call attention to the importance of informal behavior among bureaucrats. Such behaviors are characterized as selective behavior, in the sense that bureaucrats can select patterns of efficient behavior or inefficient behavior. Needless to say, it is desirable for the organization that bureaucrats select efficient behavior. It depends on the character of the organization whether bureaucrats select efficient behavior or not. Breton and Wintrobe regard the organizational character of Japanese firms as an ideal type of bureaucracy. Especially they remark on the vertical relationship between superiors and subordinates in Japanese business organizations, corresponding to the concept of vertical continuity which I want to emphasize in this paper.

In section 1, I attempt to compare the political structure of each country, corresponding to the feature of business organization. The most important problem in this section is the relationship between congress and bureaucrats, or senior bureaucrats and junior bureaucrats, in political structure; and the relationship between stockholders and managers, or managers and employees in business organization.

In section 2, I will explain the distinguishing feature of Japanese bureaucracy. As mentioned, I will emphasize the concept of continuity, which embodies two meanings, as the main characteristic of Japanese bureaucracy. One is the concept over time; the other means continuous relation of each status in the

2) Breton, A. and Wintrobe, R.; The Logic of Bureaucratic Conduct, Cambridge University Press., 1982.

organization.

In section 3, I want to survey some theoretical models of bureaucratic behavior. These models partly include important aspects of bureaucracy. However, we need other explanatory factors when we refer to Japanese bureaucracy.

In Section 4, I will summarize the essential points of the theory of trust by Breton and Wintrobe, to which I want to add an important factor explaining Japanese bureaucracy, which is also closely related to the concept of continuity.

In Section 5, I will show the organizational structure of Japanese bureaucracy, using real data. Finally, I will have some concluding remarks.

1. Comparison of the Political Structure, Corresponding to Business Organization

To analyse bureaucratic structure and behavior, we can use analytical tools which are used in the theory of the firm. There have been various types of theory on firms which reflect the features of firms in each particular country.

In this section I will first attempt to clarify the organizational and behavioral feature of the firm. Next, I will compare the political structure of each country, and then I will show correspondence between the various types of business organization and the various types of political structure.

The business firm consists of stockholders, managers, and employees. By analogy, we can make the business organization correspond to the political structure. Stockholders correspond to the legislature and managers correspond to senior bureaucrats. You should notice that bureaucracy has a hierarchy which includes many statuses or positions. Therefore I must define the concept of bureaucracy, which in the narrow sense means senior bureaucrats and corresponds to managers in any business firm. But in a wide sense it would include employees in governmental offices. I will define bureaucracy in a wide sense and use the words "senior bureaucrats" and "junior bureaucrats". Junior bureaucrats correspond to empoloyees in the business firm.

In the traditional or neoclassical theory of production, a producer is treated as if he were a business firm itself. It is implicitly assumed that he behaves as an agent of stockholders. The goal of the producer or the firm is profit maximization in the neoclassical assumption. In the case of a modern corporation, its goal is maximization of the stock price. However, stock price maximization is substantially the same as profit maximization under the assumption of perfect competition in the stock market. Thus, we can regard the firm in neoclassical theory as an owner-controlled firm and it can also be said that the theory is based on the assumption of stockholder sovereignty.

A new theory of the firm presented by Penrose, Baumol, Williamson, and Marris can be called "manager discretionary theory."[3] They developed a new theory of the firm which assumed manager control. Managers have their own utility function and behave discretionally under the constraint of stockholder requirements for maximizing their wealth. The goal of the firm is to maximize manager utility. In the field of theory on the firm, we must not forget the managerial economics of such as M. Simon, Cyert, and March.[4] This type of theory is called organizational theory, and attaches importance not only to goals of the firm, such as profits, growth, and sales, but also to the internal or organizational factors of the firm in other words, to the decision makings process, the motivation to work efficiently, the relationship between superiors and subordinates in the internal organization.

Recently, economic analysis of the internal

3) Baumol, W.J.; Business Behavior, Value and Growth, 1959, revised ed., 1968.
Marrris, R., The Economic Theory of Managerial Capitalism, 1964.
Penrose, E.T., The Theory of the Growth of the Firm, 1959.
Williamson, O.E., The Economics of Discretionary Behavior: Managerial Objectives in a Theory of the Firm, 1964.

4) Cyert, R. and March, J., A Behavioral Theory of the Firm, 1963.
Simon, H., Behavioral Economics and Business Organization, 1982.

organization has been attempted by many economists. Many of these economists more or less refer R. H. Coase's famous work on the nature of the firm.[5] The paper suggests many important problems relating to internal organization.

Aoki showed a new model on the theory of the firm,[6] Japanese firms particularly into consideration. The most remarkable point of his theory is as follows: Net profits are distributed for stockholders and employees. The rate of distribution is determined by bargaining; in other words, it is determined as a solution to bargaining by the stockholders and employees. The manager is mediator or arbitrator in this case. This type theory was named the "corporative managerial model" by Aoki. We should remark that stockholders, managers, and employees play their roles in the decision making process, respectively.

We can apply these theories of the firm for analysis of political structure and bureaucratic behavior. Stockholders correspond to the legislature and managers correspond to senior bureaucrats. The neoclassical theory of the firm is based on the assumption of stockholder sovereignty which corresponds to the bureaucratic view that bureaucrats are public servants. In this view, the people's willingness is represented by the congress or parliament. In this sense, the neoclassical theory can be said to show the ideal type of capitalism just as the assumption of bureaucrats as public servants shows the ideal type of democracy. On the other hand, the managerial theory of the firm corresponds to the more realistic bureaucratic model. These theories presuppose a more or less monopolistic or oligopolistic firm. Managers have ability to make decisions under conditions of limited competition. The theory has many common characteristics with the theory of bureaucratic behavior, such as Nisknen, Migué & Bélanger. et ctc.

Williamson's expense preference (staff preference)

5) Coase, R.H. "The Nature of the Firm", Economica, Nov., 1937.
6) Aoki, M., Gendai no Kigyo -- Game No Riron Kara mita Hoh to Keizai (Modern Corporation-- Law and Economy from the viewpoint of the theory of Game), 1984.
Aoki, M., and Itami, T.; Kigyo no Keizaigaku (The Economics of the Firm), 1985.

model, specially, is fairly consistent with the Migué & Bélanger model of bureaucratic behavior. The organizational theory of the firm also includes an aspect of bureaucratic behavior. The "satisfycing"[7] principle by Simon is very appropriate in the budget-making process in Japan which is often called incrementalism. Noguchi and others[8] proved that the budget making process in Japan could be explained by the "satisfycing" principle.

These various types of theories on the firm reflect the real characteristics of business firms in each country. Aoki classified theories of the firm into four types.[9] First is the neo-classical or traditional theory which corresponds to the firm within the institutional framework of classical capitalism. In the case of modern corporations, the characteristics are the same as those of the neoclassical theory, if the firm behaves under stockholder sovereignty. The second is the labor-participating firm which can be found in West Germany. The third is the corporative managerial type found in large Japanese corporations. And the fourth is what is called "discretional managerialism" as set forth by Baumol, Williamson, and Marris. This type resembles the third, but is somewhat different.

According to Aoki, we can show relationships among stockholders, managers, and employees concerning the decision-making process. Let us show these as follows:

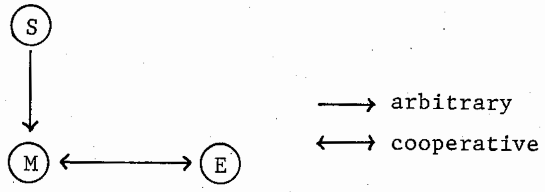
Modern corporations can be classified into four distinct types according to the decision-making process. The corporation consists of managers (M), stockholders (S), and employers (E).

(1) Stockholder Sovereignty Type

Managers are agents of stockholders in this type. Decision making is basically done by managers. Wages, working hours and other conditions are determined cooperatively by bargaining between managers and labor union

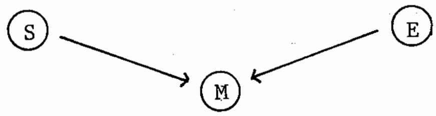
7) Simon used the word, "Satisfycing". It is somewhat different from the word, "satisfying", though it resembles each other.
8) Noguchi, Y. and others, Yosanhensei ni okeru Kokyoteki Ishikettei no Kenkyu (A Study of Public Decision Making Process in Budget Making), Study Series, No.33, Economic Planning Agency, 1979.
9) See Aoki and Itami, The Economics of the Firm, 1985.

leaders who represent employees. Besides this, managers arbitrarily assume the right to decide according to the interests of the stockholders. It can be shown by the following figure:



(2) Labor-Participating Type

This type is divided normally into two parts. Representatives of stockholders and of employees constitute the management group and make mutual decisions. Or, managers may make decisions under cooperative monitoring by stockholders and employees.



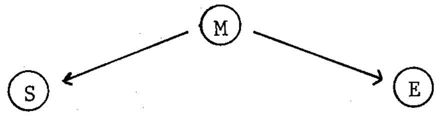
(3) Corporative Managerialism Type

In this case, managers are neutral and they integrate the interests of stockholders and employees. They make decisions to adjust different interests between stockholders and managers.

Managers are a kind of judge in the bargaining game between stockholders and employees.

(4) Discretionary Managerial Type

This type is a variation of the corporative managerial type. Relatively independent managers make decisions so that they may maximize their interests under constraints imposed by stockholders and employees.



We cannot find pure models of these four types anywhere in real world. But we can say that an aspect of real corporations is reflected in these types, respectively. The first type corresponds to unionized firms in the United States and Britain. The second type corresponds to the cooperative decision type or to the employee-participating type in West Germany. The third type corresponds to Japanese corporations or to non-unionized firms in the United States.

This classification is based on Aoki's argument. But I would like to show a somewhat different type among large Japanese corporations. The different points are as follows:

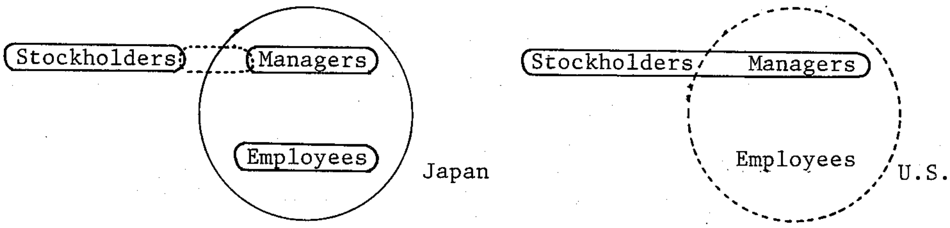
1. The relationship between managers and workers is continuous.
2. Stockholders influence the decision making indirectly.
3. Decision making by managers is gradually formed through proposals from the bottom.
4. Managers behave so as to maximize the firm's utility function with the interests of employees and stockholders in mind.

Next, let us show the political structure corresponding to business organization. Stockholders correspond to Congress or Parliament, managers correspond to government (or senior bureaucrats), and employees correspond to bureaucrats (or junior bureaucrats).

Neoclassical theory of the firm is characterized as stockholder sovereignty and reflects this feature of British firms. It is interesting that the political structure in Britain closely resembles the neoclassical type business firm. British political structure is an ideal type and named parliamentarianism.

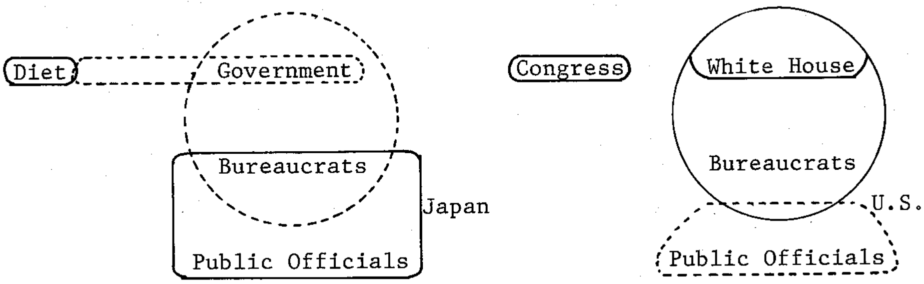
Business organization in Japan, on the other hand, resembles discretionary managerialism or corporative managerialism. Concerning political structure, the Japanese is close to the British. The American type is rather nearer the British than the Japanese is but political structure in the United States is somewhat different from that in the United Kingdom.

The main features of the political structure and business organization can be simplified as follows:

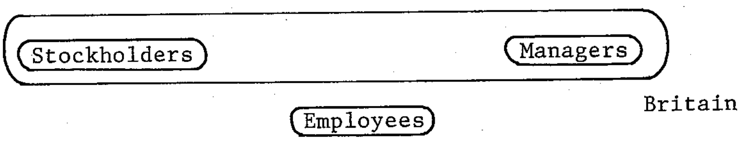


------- Dotted line means a weak connection.

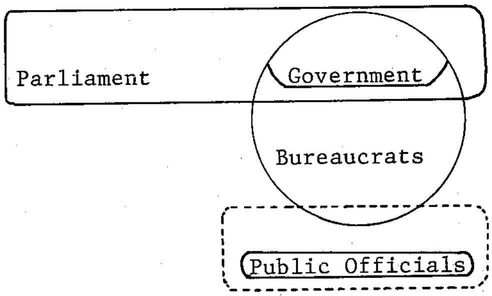
In the business organization, managers are more closely connected with employees than with stockholders.



In Britain, stockholders are perfectly joined with managers, but the relationship between managers and employees is extremely weak.



In America, the relationship between stockholders and managers is the same as the relationship between employees and managers. In the political structure it is somewhat complicated.



Britain

In Japan, bureaucrats are more closely connected with public officials than with government represented by ministers. In the United States, bureaucrats (the White House staff in this case) are closely connected with the President.

2. The Main Feature of Japanese Bureaucracy

I want to point out the concept of continuity as the distinguishing feature of Japanese bureaucracy. As mentioned earlier, the concept of continuity which I mean here includes two points. One is the concept through overtime, and the other is of vertical relationship within the organization. The concept is appropriate not only to bureaucracy but also to business firms. Vertical continuity can rather be found in business firms than in public agencies. Therefore, I will explain vertical continuity in private firms from the beginning.

Aoki presented the corporative managerial firm model which reflected the situation of Japanese firms, as explained in a previous section.

This theory partly fits the Japanese firm. But my view is somewhat different from that of Aoki. In my opinion, the behavior of the Japanese firm is nearer the

Baumol type or Marris type than to the Aoki type. The reasons are as follows:

(1) The behavior of Japanese firms has been growth oriented rather than profit seeking, at least in the period of high and rapid economic growth.

(2) The relationship between managers and workers is very continuous compared with that of other countries.

(3) The place and role of stockholders is not important in the Japanese firm. Main stock shares are held by corporations, not by individuals. Stocks are mutually held by corporations and there are interweaving relationships between companies. The purpose of mutual stockholding is somewhat different from Aoki's assertions.

I will explain these three points more precisely. First, concerning the behavior of the firm, it has often been pointed out that Japanese firms were growth oriented while the American firms were profit oriented, and that Japanese managers did not have to be alert to the wishes of the stockholders, as compared with American managers. This was fairly true and a main feature of Japanese firms formerly.

However, the situation is beginning to change. Many managers insist that Japanese firms must attach importance to profit in the very near future and also point out that efficiency should take priority over expansion. The age of expansion and growth has vanished and there will come an age of more efficiency and competition. Even if this is true, however, the structure and behavior of Japanese firms, in my opinion, will not change.

Secondly, Japanese managers are essentially homogeneous with workers. Workers are classified by two categories. According to Japanese custom, they are called career and non-career. The former is an elite class and the latter is not. The former, in many cases, have graduated from a famous university and are expected to become members of the managerial class.

Many university students can expect to predict their own future, observing graduates of the university to which they belong. Many of them expect to become at least members of the lower management class, and they may be promoted to middle management if they are sufficiently successful.

Large parts of the career managers can get a second job after they retire from their firm. In most cases, they are accepted for subcontracts with firms which are closely related to the firm for which they have worked. Some are in top management and others are in middle management in accordance with their career or status in the former firm. Therefore, many young people can approximate their whole life in the business world. The most successful will become members of top management. But young people know that opportunities by which they can attain status are seldom forthcoming.

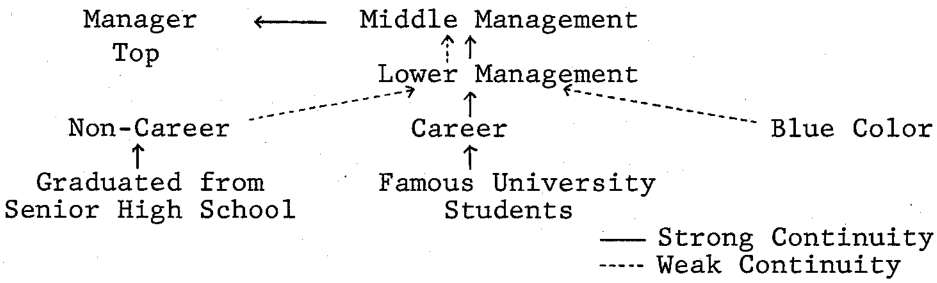
You may doubt whether or not the relationship between career and non-career is continuous. Concerning this point, we must separate the situation in the business world from that of the bureaucracy.

In the bureaucracy, the distinction between career and non-career is clearer than in business firms. The words "career" and "non-career" were first used of public officials. Generally speaking, bureaucrats mean career men in public office. There are three types of examination for becoming a public official. They are called the advanced examination, the intermediate examination, and the elementary examination.

The advanced exam is the most difficult and only the person who passes this examination can become a career man. The non-career man can seldom transit to a career course. This system may be rather like the American army. Youth who graduate from West Point will be career men and they are distinguished from other non-careers men.

In the business world, however, the distinction between career and non-career is not so clear. Non-careermen have the opportunity to become members of the management class according to their effort. In many cases, they can participate in lower management groups. Even the blue-collar worker may participate a lower-management group, just before they retire. The reason for this is based on the seniority system.

In the private sector, the relationship between career and non-career is continuous. Of course, the continuous relationship between managers and career personnel is more direct than is the relationship between managers and non-career personnel. Continuity means that there is not absolute distinction between managers and others. The lower class has opportunity to ascend to the management group and ultimately to reach the top. Thus, every worker has the opportunity to become a managers, though the degree of possibility differs according to his present status.



Careermen have strong continuity, at least until they reach middle management. Non-careermen have strong continuity, at least until they reach lower management, and weak continuity until middle management. Even blue collar workers have weak continuity until they reach lower management.

There is another reason why the relationship between managers and workers is continuous. Japanese managers are nearly all elected from the management group and seldom adopted from other specialities, lawyer or business consultants, for example. One of the features of Japanese firms is that status is acquired by promotion.

Thus, the behavior of the manager is represented by maximization of the firm's utility function which includes not only manager utility but also worker utility.

The third reason for which I believe Japanese firms are somewhat different from the corporative managerial model by Aoki is the fact that the place and role of stockholders is not important. In large Japanese firms, stocks are more widely dispersed than in other advanced countries. A large portion of the stock in a given firm are held by other large corporations. Therefore, the big stockholders are corporations themselves.

I wish to emphasize the second point, namely, the homogeneity of managers and employees. By homogeneity here, I mean almost the same thing as the concept of continuity. I must explain the vertical relationship or vertical structure in the public sector more precisely.

In every country we find a high level of society. However, its makeup is different according to the country. In Britain, the upper class is traditionally composed of owners (landlords) and capitalists (large stockholders). In this case, the capitalists must be distinguished from the managers. They may be simply investors who have nothing to do with any particular firm. Even if they don't engage in any honourable job, they are at least rich people. In historical studies, it is often pointed out that the upper class in Britain has been the non-productive class.

In Japan, the situation is fairly different. The people who belong to the upper class are not always rich people. They are not always large stockholders. They need not have fortunes. The upper class consists of political society, business society, and governmental society. The main members of each society compose the upper class. Bureaucrats, needless to say, belong to governmental society. However, they also belong to the other two societies as well. In many cases they are supposed to get a responsible position in large business firms and some will become politicians.

The government party (the Liberal-Democratic Party) comprises many types of congressmen because it is supported by various interest groups— agricultural cooperatives, fishing cooperatives, businessmen, managers in small business, etc. for example. The central members are congressmen who have been bureaucrats. Therefore, it can be said that the bureaucrats are spread out over three strata in society, namely, governmental society, political society, and business society.

They are not always rich people. Their income level is only slightly above average I will explain the vertical structure again from another viewpoint. Public officials are classified in their positions from the past to the future. As I have already mentioned, they are generally classified by two groups; the so-called career and non-career. Career groups are qualified by an examination which is called a high level public official examination. A thousand students pass this exam every year and half of them will be able to attain middle class responsible positions, section chief which corresponds to lower management in business firms. A quarter of them will be able to attain to high class responsible positions such as department head, which corresponds to middle management in the business firm; but very few can become head of the ministry, which corresponds to top management.

Those who rise above section chief are known as class bureaucrats. Most get responsible positions in business firms. Non-careermen have the possibility of attaining to the position of assistant section chief but they can seldom become section chief.

It is very important that in the business sector, however, the relationship between career and non-career personnel is more continuous than in the bureaucracy, and it is one of the reasons why organization is more efficiently and successfully accomplished in the business sector as opposed to the public sector. You will recall that I explained the continuous relationship between managers and workers in Section 1. Such continuity can be understood as follows: If we take the manufacturing industry as an example, we can divide workers into three groups. The first is a group which consists of workers who are expected to be executives of the company in future. The second is a group composed of clerical workers who are not necessarily expected to become leaders. The third is a group of factory workers. In many cases, workers who belong to the first group are graduates of famous universities. The second group's members are graduates from other colleges or senior high schools. The third group's members are factory workers. A large part are gruadates from technical high schools.

The first group may become members of middle management in future and some of them may attain to top management, though the possibility is slight.

The second group will attain positions in lower management and a small part may rise to middle management. In many cases, a large part of this group can be promoted to assistant section chief but cannot easily get positions above section chief.

Fig. 1 shows the possible range of positions which each group member might attain when he retires from the company. The first group will be able to get a position in lower management at least and top management at best.

Top Management	President Vice-President Director
Middle Management	Head of Department
Lower Management	Section Chief

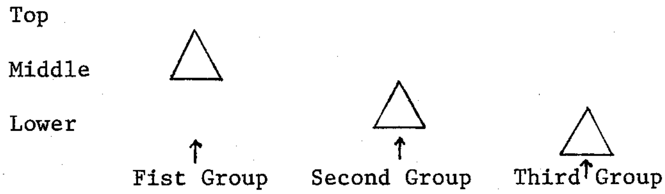


Fig. 1.

The second group can get a position in middle management at best and in lower management with high probability. The third group can hardly be promoted to middle management but some members of the group will get this position, with effort. Each position is made up of the three types.

In such manner, each grade position is continuous. The degree of continuity of position or class is much stronger in the private sector than in the public sector. This is one of the reasons why the private sector is more efficient and successful than the public sector. In the private sector, workers are not only concerned about their own interests but also about the performance of the firm to which they belong. They often think of and talk about the management of their firms from the managerial viewpoint. Of course they are members of a labor union. When they attend union conferences, they think and act on the viewpoint of the labor union. This may seem to be contradictory, but it avoids radical strikes.

In the public sector, however, the degree of continuity is weak compared with that in the private sector. As I have already mentioned, career positions and non-career positions are distinguished. A typical organization in which the relationship between upper class and lower class is discontinuous is the police system, including the National Police Agency and the local police. The army is also a rigid organization. Other public agencies have rigid organization and the relationship between upper and lower classes is discontinuous to some extent.

The Japanese educational system corresponded to the class system during the pre-war period. There were three courses of education which corresponded to classes of citizens respectively.

Course(a) was established for the purpose of educating the elite class. Ten per cent of the same

(a) Elementary School → Middle School(Junior High School)
(six years) (five years)
Senior High School → University
(three years) (three years)
(b) Elementary School → Senior Elementary School
(six years) (two years)
(c) Elementary School → Senior Elementary School
(six years) → Normal School or Others
(three or four years)

generation entered this course forty years ago. They were relatively rich people. The laboring class or relatively poor income class entered course (b). These courses were already constituted at the end of the the nineteenth century when Japanese modernization began. Course (c) was the Japanese-specific education system. Normal school was established for the purpose of the education of elementary school teachers. Besides this, there have been various types of schools which could be classified within course (c). Military preparatory school was typical, and it is worth noting that there have been such schools for the training of each governmental agency.

These schools were established for the purpose of training the middle class or assistants of the leading members, who were then expected to become assistant section chiefs through much experience.

For instance, the military preparatory school was aimed to educate future non-commissioned officers or petty officers. They could become sergeants but seldom become officers. But they were most appropriate for the army. Public officials from the middle class were the same as these non-commissioned officers.

Such officers played an important role both in the public sector and in the private sector during the pre-war period, since the modernization process started. In many cases they were born in the poor class but they did not become anti-establishmentarians, but, to the contrary, strong supporters of the establishment. One of the reasons is that they were supported by government scholarships. They could learn while receiving salaries so that they could expect to move into the upper class, though the probability was very small. However, it was very important that they have an opportunity to move up according to their effort.

This probability is larger in the private sector than in the public sector. In the private sector, we can easily find top managers who have not graduated from any university or college, while we can hardly find such cases in the public sector.

After the end of the war, the Japanese education system was altered by the advice of the American Mission on Education. Nowadays, Japanese education is almost the same as that in the United States. After 1947 it took the following form:

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Elementary School  ——  Middle School         ——  High School
                       (Junior High School)
  (six years)             (three years)          (three years)

┌ University   ————  Graduate School
│                     Master      Doctor
│ (four years)      (two years) (three years)
│
│ College
└ Short-Term College
   (two years)
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Everybody is obligated to go to school through junior high. Nowadays, above ninety per cent enter high school and thirty per cent enter universities or colleges. Post-war Japanese education is called a single track type, while pre-war education was double track. In the case of the double track system, the elite students were separated from the non-elite when they entered middle school or senior elementary school at the age of twelve. It was not then clear whether the student would be an elite or a non-elite member of society until he graduated from the university.

Opportunities in which a person might become a member of the upper class have been more and more opened to all segments of society. But it brought rigorous competition in the form of the so-called "examination hell." There are about nine-hundred universities and colleges in Japan now. Even if students are graduated by them, they are not assured of becoming members of the upper class. But graduates of famous universities are able to entertain high probability for getting high positions.

In the public sector, an examination for service was given every year. The examination is given in three levels, an advanced level examination for university graduates, an intermediate level examination for community college or short term college graduates, and an elementary level examination for high school graduates. Successful candidates of the advanced level exam are about one thousand annually and they are employed by each ministry or agency. A large number can be expected to get positions above section chief on the one hand, but other people who pass the intermediate level exam can hardly expect to get these top class positions on the other.

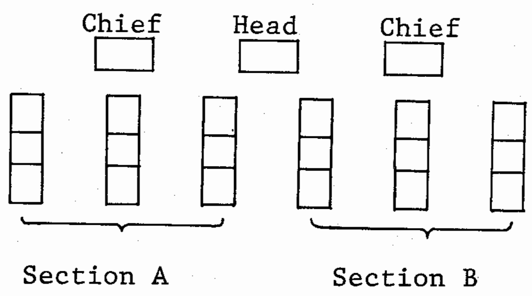
In the public sector, the distinction between an elite and a non-elite is determined by examination, and the opportunity to sit for the examination is open to all university students. But the distinction between elite and non-elite is relatively rigorous as compared with the private sector. In the private sector, the distinction is not so rigorous, but it is insufficient for students of unknown universities who desire opportunities to apply for employment with large companies. Thus, competition to succeed for entrance examinations to famous universities becomes violent.

It has been pointed out that the entrance examination to Japanese universities is very difficult but that graduation is relatively simple. Many people insist that the university should change its policy so as to make it easy for entrance and difficult for graduation. Why is competition for entrance violent and why not competiton for graduation? The reason seems to be that in Japan, competition among individuals is essentially weak. People are cooperative within a community. Both companies and schools are communal societies. On the contrary, competition among companies is very violent. If one observes the violent competition among companies, he may imagine that Japan is a very competitive society. One might imagine this by observing the behavior of Japanese firms in international trade.

Nevertheless, Japan is not a competitive society by nature. People are competitive on the outside and cooperative on the inside. This means that Japanese are not individualistic. The company which they belong to is a home for them. They usually call the company "my company" or "our company". Therefore, competition among workers within the company is relatively weak. Japanese workers work in a large room together with the section chief.

The most general case is as follows: a department has one room and there is a desk for the head of the department in the center. There are desks for chiefs of each section on both sides of the department head. This is the typical layout of a Japanese office.

In Japan, such an office system is called *Ohbeya shugi*, which means "large room principle" (Ohbeya means a



large room and shugi is an "ism" or a principle.). This principle prevails both in private firms and in public offices. In the United States, not only the department head but also the section chief work in individual rooms and their offices are separated in many cases.

Another feature of Japanese bureaucracy is continuity over time. I want to explain this by showing the same degree of bureaucracy in America and in Japan.

There will be some differences in bureaucracy between the two countries, of course. But in this chapter, I will explain the most distinguishing feature of Japanese bureaucracy, the continuity of bureaucrats. Continuity means that even if the ruling party is altered by an election, the bureaucrats do not change. While the ruling party can be altered, the bureaucrats continue to hold office.

In the United States, if the President is defeated in an election, most of the staff members in the White House are retired and the new President will choose new ones. Of course, the head of a ministry will also be altered in Japan, but a large number of bureaucrats remain entrenched. Such a tendency is more obvious in local governments. The continuity of bureaucrats means at the same time the continuity of policies. It means that people do not expect extreme change in policies but can expect social and economic stability. This tendency also is more often found in local areas.

In the central government also, the party remains unchanged. Therefore, it is likely that the bureaucrats have not been changed in spite of alterations in the Cabinet. The Cabinet is frequently changed in the same party, namely, the Liberal Democratic Party. The largest non-governmental party is the Socialist Party, which includes various streams of ideology and ways of thinking. The left wing of this party claims to stand for pure socialism on the one hand, and the right wing is very near traditional Democratic Socialism in Western Europe on the other.

Japanese fear that radical change might occur in politics and society if the Socialist Party won an election and monopolized the Cabinet. The tendency toward aversion to change has grown stronger since 1960 when the high and rapid economic growth began. That the Socialist Party will win an election is not anticipated in the near future. I think, however, that the ruling party may change from the Liberal Democratics to the Socialists, but not without difficulty. There are two reasons for this.

First, the Socialist Party must avoid radical change in order to gain the support of the people. It is almost impossible to hold ruling power by only one faction in the party, especially by the left wing. In other words, it would be nearly impossible for the Socialists to hold ruling power without cooperation from both left and right. But cooperation is very difficult in reality, because they are often at odds. If cooperation were possible, policy could not but be neutralized, so that the situation would not change radically.

The second reason is that the Socialist Party has had no experience as the ruling party except for a few months in 1947. Then, it could not help but depend on the bureaucracy to manage complicated affairs. Without the cooperation of bureaucrats, the government would not be able to do anything.

The government cannot help but act in accordance with the advice of bureaucrats. Ultimately then, remarkable changes can seldom occur.

Generally speaking, bureaucrats are relatively neutral in the sense that they are neither too radical nor too conservative. Such an attitude on the part of bureaucrats makes people feel at ease. But it means that people cannot expect rapid improvement. Japan maintains stability at the expense of giving up an exciting social situation, and this causes frustration in the young generation. These are difficult problems.

3. General Theory of Bureaucratic Behavior

In this section, I want to survey the general theory of bureaucratic behavior, many theories of which have been published these twenty years, but they have different characteristics from the early theories of bureaucracy which were dominated by Weberian notions of impartial, efficient service by government officials. In other words, the early theories implicitly assumed that bureaucrats were public servants. As I have already showed, the Weberian type model of bureaucracy corresponds to the stockholder sovereignty type in theory of the firm.

A new model of bureaucracy which challenged the Weberian type model stemmed from Tullock and Downs.[10] Niskanen showed an analytical model of bureaucratic behavior,[11] and Migué & Belangér[12] repaired Niskanen's model. These models are applicable for real bureaucratic behavior fairly well. I think, however, that these models are only partly appropriate for explaining Japanese bureaucratic behavior, but non-Japanese bureaucrats have common characteristics with bureaucrats of other advanced countries in the sense that they have their own utility function. It is also true that they seem to behave as Weberian type bureaucrats compared with other countries' bureaucrats, vis-a-vis the specific feature of Japanese bureaucratic behavior. An interesting model of bureaucratic behavior by Wintrobe & Breton[13] is worth noticing, to which I will refer in the next section.

The most analytical model of bureaucratic behavior was at first established by Niskanen. The model is called monopoly or the bilateral monopoly theory of bureaucracy. In this model, Niskanen assumes that bureaucrats have their own utility function and seek to maximize it. He selected budgets as a proxy of many variables which compose the utility function of bureaucrats. These variables are salary, perquisites of office, public

10) Tullock, G. The Politics of Bureaucracy, 1965.
Downs, A. An Economic Theory of Democracy, 1959.
11) Niskanen's budget maximizing model is well known. See Niskanen. op. cit.
12) Migué & Bélanger; "Twoards a General Theory".
13) Breton & Wintrobe; The Logic of Bureaucratic Conduct. Their Theoretical model is shown in Section 3.

reputation, power, and patronage, which are monotonic increasing functions of the total budget of the bureau.

Rowley and Elgin[14] skillfully showed the Niskanen model and the Miqué & Belangér model which repaired Niskanen's.

$$B= aQ - bQ^2 ,$$

where B is the budget that the government is willing to grant the bureau for a given expected level of output, Q.

$$TC= cQ + dQ^2 .$$

TC is the total cost which is required to supply bureau output. TC is an increasing function of Q and it cannot exceed the total budget.

$$TC \leqq B .$$

The budget maximizing output under demand constraint is shown by dB/dQ=0.

$$dB/dQ= a - 2bQ= 0 ,$$
$$Q= a/2b .$$

On the other hand, under the budget constraint, the bureau head will settle for a constrained maximum which assures equality of the total cost with budget, namely,

$$B= TC .$$

From (1) and (2),

$$aQ - bQ^2= cQ + dQ^2 ;$$

thus,

$$Q= \frac{(a - c)}{(b + d)} .$$

This solution shows "the over supply in the sense that exceeds that which would maximize net value to the government sponsor".[15] The output level diverges from Pareto optimality.

Rowley and Elgin say, "In an important paper which retained the monopoly assumption of Niskanen's basic

14) Rowley, C. and Elgin, R., "Towards a Theory of Bureaucratic Behavior" in G.K. Shaw (eds.) Public Choice, Public Finance and Public Policy, 1985, Section 3.
15) ibid., p.33.

model, Miqué and Belangér (1974) challenged Niskanen's budget maximization hypothesis as internally inconsistent, in that it fails to differentiate between bureau output and all other perquisites of office attainable via budget discretion. The Niskanen bureaucrat is seen to derive zero utility from fiscal residuum. Instead, he pursues the productive efficiency of the competitive firm without any regard for taking rents from the bureau for himself."[16] Miqué and Belangér attach importance to fiscal surplus or residuum which they can expend discretionally. Such a surplus can be shown by the following:

$$\begin{aligned} D &= B - TC \\ &= aQ - bQ^2 - cQ - dQ^2, \end{aligned}$$

where D is fiscal surplus. Thus, the output level that maximizes the discretionary budget is

$$Q = \frac{(a - c)}{2(B + d)} \quad .$$

The level of output is equal to the level which is preferred by the sponsor (government or congress), but it is supplied inefficiently with the total surplus appropriated by the bureau. Their model can be shown as utility maximizing one and the utility function is composed by the bureau's output and budget surplus.

$$U = f(Q, D),$$

We can easily see that the model is analogous with O.E. Williamson's staff preference model. The surplus will be expended for expansion of staff or other purposes which the bureaucrats desire. This model is partly applicable to the behavior of Japanese bureaucrats, who desire to expand their tasks and personnel.

But there is another feature in Japanese bureaucracy. The national welfare or achievement of the national purpose is included in the bureaucrat's utility function. It is true that many senior bureaucrats in Japan are more or less nationalists; such a tendency bespeaks the fact

16) Rowley, C. and Elgin, R., "Towards a Theory of Bureaucratic Behavior" in G.K. Shaw (eds.) Public Choice, Public Finance and Public Policy, 1985, p.33.

that maximization of the firm's goal is included in the employee's utility function.

Public choice studies used to treat bureaucrats as a kind of economic man— Homo Economicus— who behave rationally along with other economic units, producers, and consumers. Generally speaking, economic theories analyse only the rational aspect of human behavior, but in reality there are various other aspects in human behavior the altruistic aspect, for instance. Economics has remade the rational aspects of human behavior, however, since the *Wealth of the Nations* was published.

In the case of Japanese bureaucracy, the assumption of bureaucratic budget maximization is partly appropriate but not altogether. They are rather nationalists than rationalists. They are proud of the fact that they behave so as to contribute to the national interest, that they at first attach more importance to the national interest than to their own interest; in other words, they give priority of national interest to their own interests.

As I have already defined, bureaucrats mean so-called senior bureaucrats and I have separated them from public officials. Such a tendency for bureaucrats to give priority to national interest above their own interests is especially evident among careermen. The word, "career" as I have already explained is usually used in Japan to mean an elite position in the organization. It was originally used for public offices and it is also used in business organization now.

However, the abovementioned characteristic among bureaucrats can also be found in non-elite public officials. In the case of bureaucrats, the first purpose of their behavior is to maximize national interest but in the case of public officials, (non-careermen in the bureaucracy), the purpose of their behavior is to contribute to the nation or people. What is the difference? Bureaucrats think that they represent the national interest. Such a consciousness is especially found among bureaucrats in MITI, the Ministry of International Trade and Industry. This is one of the reasons for the recent trade friction. In the case of non-career personnel, their consciouness is a little nearer that of public servant.

Let us take the case of police officers, for example. An interesting study, concerning the thinking and behavior of policemen in Japan and the United States has been made. This investigation says that American policemen think that they are keepers of the law and are obliged to force people to obey the law. Japanese policemen think that it is their duty to protect people's life and property. They attach importance to the significance of their tasks, while the U.S. policemen regard their task as duty.

4. The Exchange Oriented Theory of Bureaucracy

The exchange oriented theory of bureaucracy developed by Breton and Wintrobe stands in contrast to the Niskanen type theory.

The early public choice perspective regards bureaucratic behavior as inherently inefficient, while the Weberian traditional theory of bureaucracy assumes the rational and efficient behavior of bureaucrats. According to Breton and Wintrobe, bureaucrats have both characteristics; in other words, their behavior is selective in such a manner that they behave efficiently in some situations and inefficiently in others. The selection of these behavior patterns depends on the organizational factor in bureaucracy. Breton and Wintrobe attach importance to the organizational factor both in analysing the business firm and in analysing bureaucracy.

The reason why their theory is called exchange oriented is based on the fact that they regard the relationship between superiors and subordinates in bureaucracy as one governed by exchange and trade. Of course, exchange and trade are internal.

To assist their task, they introduce three notions: trust, selective behavior, and bureaucratic competition. In Chapter 7 of their book, they attempt to apply their concepts to the Japanese firm. First, I will survey their theory of bureaucratic behavior.

1) Trust

They say, "To understand the role and importance of trust in exchange in bureaucracies, recall that one of the most basic assumptions of neoclassical economics ..... is that trade requires the existence of property right".[17] Property rights is supported by law and legal enforcement. Exchange, which arises in the relationships of superiors and subordinates, also rests on property rights. However, these internal exchanges are not and cannot be supported by legal institutions. Instead, they suggest that these exchanges are supported by trust. They define trust as follows: An individual (A) trusts another individual (B) whenever A is confident in some degree that B will undertake to do what he (B) has promised to do.

2) Selective Behavior

There are two classical views of the superior-subordinate problem. One is the Weberian view that subordinates are neutral and that they have no utility function of their own. Instead they seek only to implement the wishes of their superiors. The other is the famous Parkinsonian type view that bureaucrats only serve their own interests rather than those of their superiors. Early public choice theory is rather nearer the Parkinsonian view than the Weberian. Breton and Wintrobe suggest that "bureaucrats will sometimes behave in the way suggested by the first view and sometimes in the way suggested by the second. The essence of our theory, however, is that bureaucrats choose whether to be efficient or inefficient, that is, they behave selectively."[18] These behavior

17) Breton and Wintrobe, op. cit., p.4.
18) Ibid., p.7.

patterns deal with informal labor services. "Informal services are not the services codified in the formal contracts and the formal description of tasks associated with positions in the formal structure. Instead, they are services that are commonly associated with bureaucratic phenomena such as slowdowns and speedups of operations negative or positive entropy regarding information and command, and leakages and plants of information in the media or elsewhere."[19]

3) Bureaucratic Competition

They suggest that competition is a dominant feature of bureaucracy. Competition means fighting among the bureaus for "territory" or for more resources. I will especially remark on the two former notions, concerning the Japanese bureaucracy.

Let us look at the words "superiors" and "subordinate". A typical bureaucrat is at once a subordinate and a superior. In a bureau with N levels, the bureaucrats at N-2 intermediate levels are all bureaucrats. "Decision makers at the highest level in the hierarchy are not bureaucrats at all but politicians in government and managers in business."[20] They focus on bureaucracy at intermediate levels; politicians or managers at the highest level in the bureau are called the sponsors of the bureau, following Niskanen.

It is a most important point that efficiency in bureaucratic services depends on informal structure or informal labor services. Breton and Wintrobe say, "An essential aspect of bureaucratic organizations is that rules, rights, and obligations that are formally set down are attached to positions and not to individuals, as Weber emphasized in this classic definition of bureaucracy. These rules, rights, and obligations correspond to the formal demarkation of the salary structure, a structure that also pertains to positions and not individuals".[21]

We can apply this idea to analysis of the theory of

19) Breton and Wintrobe, op. cit., p.7.
20) Ibid., p.30.
21) Ibid., p.31.

production in private firms. Usual production function is shown by following a simple formula.

$$Q= F(k, L).$$

Q is output, K and L are capital and labor respectively. Here L represents formal labor services. We can associate this organization with the formal cost curve. But in reality, Q is influenced not only by K and L, but also by other organizational factors. Thus we can show the production function as follows:

$$Q= F(k, L, L_o).$$

L_o is an organizational factor, namely, informal labor services; whether $\partial Q/\partial L_o$ is positive or negative depends on the characteristic of the behavior, namely, efficient or inefficient. The concept of efficiency based on informal labor services corresponds to the concept of X-efficiency or X-inefficiency by H. Leibenstein.[22] If $\partial Q/\partial L_o > 0$, informal behavior is efficient and the usual cost curve shifts downward. And if $\partial Q/\partial L_o < 0$, informal behavior is inefficient and the usual costs curve shifts upward. If we stand on the Weberian tradition, the usual cost curve is at the same time the cost curve which derives from efficient labor service. However, we should note that bureaucracy has a tendency to oversupply bureaucratic products in a different meaning from Niskanen and other public choice theorists. Breton and Wintrobe suggest that "Because of the belief that bureaucrats are competent and bureaus consequently efficient, Weberians emphasize the inevitability of bureaucracy and of further bureaucratization. For them, the chief social problem of bureaucracy is to prevent monolithically efficient bureaucracies from occupying a position of virtually absolute power in society".[23]

Another view of bureaucracy, namely, the Parkinsonian view, or the view of many public choice theorists, has a common central idea that bureaucracy is always

22) Leibenstein, H. "Allocative Efficiency vs X-Efficiency" American Economic Review, December, 1967.
23) Breton and Wintrobe, op. cit., p.33.

inefficient. Breton and Wintrobe say, "The proofs of inefficiency vary from one case to another, but all require the assumption that bureaucrats, either because they are pure discriminating monopolists, because there is no competition, or because of some other attribute or condition, are successful in obtaining what they seek, whether it be a larger budget, managerial discretion, security, secrecy, or some other target".[24)]

They also say, "Both the Weberians and the Parkinsonians predict, albeit for opposite reasons, that bureaus and bureaucracies will grow continuously. In the first case, that growth represents the triumph of efficiency; in the second, the ability of bureaucrats to achieve unchecked what they want, and therefore the success of inefficiency."[25)]

Thus we can say bureaucracy inevitably begets large government even if bureaucrats behave efficiently or select efficient informal labor services. But in private firms, the situation is different, and ideal bureaucracy not to excess may sometimes be found. Breton and Wintrobe show the application of this theory in chapter 7 in their book. They show organizational structure as a factor of production, in addition to conventional input such as labor and capital. They attempt to explain productivity differentials among firms which have the same quantity of input, quality of technology, and growth rate of productivity.

Differentials mainly depend on the difference of organizational structure. Their answer is that organizational structures differ in efficiency primarily because of differences among them in the amount and distribution of trust.

According to Breton and Wintrobe, the two key variables are vertical trust (T_V) and horizontal trust (T_H). The amount of vertical trust determines capacity for efficient behavior and the horizontal trust determines capacity for inefficient behavior. The ratio T_V/T_H may be

24) Breton and Wintrobe, op. cit., p.34.
25) Ibid., p.37.

interpreted as an average ratio determining relative frequency of efficient versus inefficient behavior.

They say, "Productivity will be higher *ceteris paribus* , the greater the capacity for efficient behavior, the smaller the capacity for inefficient behavior, and the greater the relative frequency of efficient versus inefficient behavior".[26)] Productivity depends not only on purely technological labor skill but also on specific skill, which is accumulated through OJT at the firm. The firm's specific technique is influenced by vertical trust, namely, trust between superiors and subordinates. Similarly, the growth rate of physical capital and the rate of adaptation to change in technology depends on the capacity of human resources to adapt to technological change. Adaptability depends mainly on vertical trust. On other hand, T_H becomes large in a situation where the labor union is strongly organized, the craft union being a typical case.

Under this assumption, Breton and Wintrobe show that

$$\partial Q/\partial T_v > 0, \quad \partial Q/\partial T_H < 0 \ .$$

Q is productivity. Moreover, they show the factors which influence the accumulation of trust; namely, promotion, perquisites, and turnover. Let us summarize their assertion.

The Effect of Promotion

If the frequency of promotion is large, the next yield to forming trust with superiors obviously increases and subordinates will tend to substitute investments in T_V for those in T_H. P shows promotion.

$$\partial T_V / \partial p > 0, \quad \partial T_H / \partial p < 0 \ .$$

Thus,

$$\partial (T_V / T_H) / \partial p > 0 \ .$$

The frequency of efficient behavior is positively related

26) Breton and Wintrobe, op. cit., p.133.

to productivity.

$$\partial Q/\partial p > 0 \ .$$

We must consider an extra administrative cost, C, as including the obvious cost of deciding who gets promoted and who does not.

$$\partial C/\partial p > 0 \ .$$

We can further assume either diminishing returns to the productivity-augmenting effect of promotion ($\partial^2 Q/\partial p < 0$), or increasing marginal costs of training or administration ($\partial^2 C/\partial p^2 > 0$); there is a unique optimal level of p.

$$\partial Q/\partial p = \partial c/\partial p \ .$$

Breton and Wintrobe continue by saying, "From this analysis, it follows that promotions will tend to be more frequent in some organizations than others for any one of three possible reasons: (i) the productivity benefits from promotions are higher: (ii) the costs of promotion are lower; or (iii) the level of promotions that maximizes profits (in the case of firms) is not optimal from the point of view of senior bureaucrats in the organization".[27] It is easily concluded that the cost of offering promotions is obviously small when demand and therefore the size of the organization is growing. I will add another factor which decreases the cost of offering promotion, namely, the seniority system. This system decreases administration cost "perks" or perquisites (PE).

They use the term here as follows: Perks are payments to employees that are not a part of the employee's contractual wage. "They may be made in money such as bonus, or in kind (housing or subsidized housing and so on). It is easily shown that $\partial T_V / \partial PE > 0$, while $\partial T_H / \partial PE$ is unchanged.[28] Thus,

$$\partial Q/\partial PE > 0 \ .$$

27) Breton and Wintrobe, op. cit., p.133.
28) Ibid., pp.137-138.

Turnover

The third variable is turnover. X shows turnover. They say, "The relevant theoretical variable is a subordinate's subjective probability that he will leave the organization (X). So both resignations and firings are included. An increase in X reduces both the anticipated number of future trades between the subordinates and his superiors, and between him and other subordinates".[29] Thus,

$$\partial T_H / \partial X < 0, \quad \partial T_V / \partial X < 0 ,$$

and T_V / T_H is unchanged. If T_V / T_H is high, so that selective behavior is primarily efficient, the decrease in capacity for selective behavior means that productivity will fall.

$$\partial Q / \partial X < 0 .$$

Conversely, if T_V / T_k is low,

$$\partial Q / \partial X > 0 .$$

The fourth variable is turnover among superiors or sponsors (X_A).

$$\partial T_V / \partial X_A < 0, \quad \partial T_H / \partial X_A < 0 .$$

Numerical Ratio of Superiors to Subordinates

A fifth variable is the numerical ratio of superiors to subordinates (inverse of the span of control). If the ratio is high, T_V will increase and T_H will decrease. If we apply these variables Japanese firms or to the Japanese bureaucracy, we can easily cite a general tendency.

1 Frequency of promotion in Japan is higher than other countries.
2 The ratio of perquisites is higher in Japan.
3 Turnover among subordinates is small.
4 Turnover among superiors is also small.

29) Breton and Wintrobe, op. cit., p.138.

5 The numerical ratio of superiors to subordinates is high.

These tendencies all exert a positive effect on the accumulation of T and in turn increase productivity.

5. Statistical Analysis in Japanese Bureaucracy

Breton and Wintrobe say that the notable success of organizational structure in the modern Japanese corporation can be explained by the abovementioned factors, especially by the accumulation of vertical trust. They show data of man-days lost in disputes, which compare with those of the United States, as the index of accumulation in vertical trust.[30] Of course the figure which is quoted by them shows that man-days lost in disputes in the U.S. are fairly more than those in Japan. They suggest that this fact depends on the accumulation of vertical trust. Moreover, they show the example given by M. Hashimoto "who emphasizes the importance of low transaction costs between employer and employee in the Japanese firm in allowing for wage adjustments over the course of the business cycle".[31] The wage adjustment, he pointed out, can be easily found in the bonus system. Another example which Breton and Wintrobe show as an index of the accumulation of vertical trust is research on opportunities for promotion given by Ronald Dore who compared the size of those opportunities in Japanese electronics (Hitachi) with those in a British factory (English Electric).[32]

In the British firm, opportunities for promotion are very limited, while in Hitachi, there are 16 grades of personnel, ranging from managerial workers at the top level to three different kinds of "specially titled workers", three classes of foremen, and eight grades of "skilled workers and administration workers". Hitachi's employees can look forward to a continuous series of

30) See Breton & Wintrobe, ibid., p.141, Table 7.1.
31) Ibid., pp.141-142. M. Hashimoto, "Bonus Payments, On-The-Job Training, and Lifetime Employment in Japan", Journal of Political Economy, October, 1979.
32) Breton and Wintrobe, ibid., p.142.
Dore, R., British Factory-- Japanese Factory: The Origins of National Diversity in Industrial Relations, 1973

promotions, if they stay with the firm.

Dore shows other interesting data, namely, the ratio of superiors to subordinates. In Hitachi, there is one supervisor for every 16 workers, whereas at English Electronic, the ratio is 1 to 35. Dore, Hashimoto, etc. show that in Japan vertical trust can be more easily accumulated than in other countries. In this section, I will show the data more precisely, and also show the feature of Japanese organization both in bureaucracies and in private firms. But I assert that such is gradually changing under the influence of the recent economic situation in Japan.

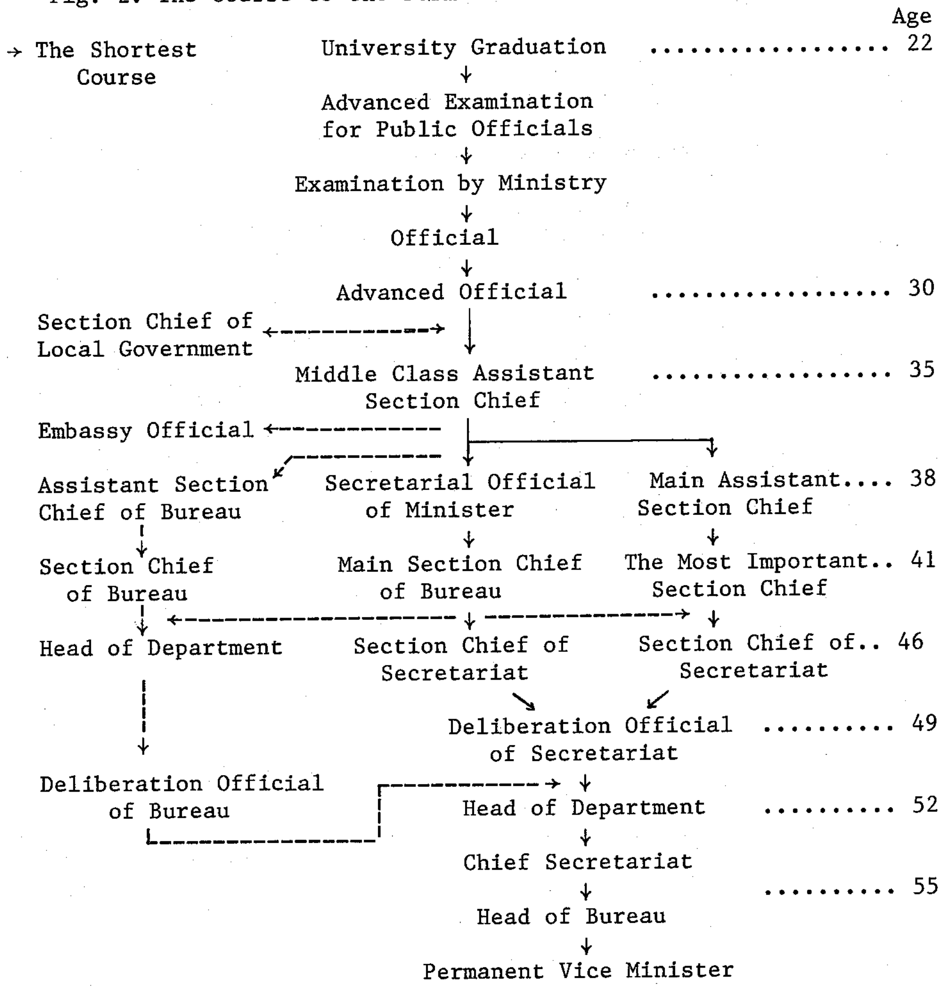
I have emphasized that the main feature of Japanese bureaucracy could be found in the concept of continuity. It includes two meanings: one is the concept of organizational structure; the other is the concept over time. These features can be more apparently found in private firms than in the bureaucracy.

As Dore showed, there are many grades of personnel in Japan. A large number of grades may indicate at a glance that the structure has a feudal hierarchy. But it produces the reverse effect, namely, a homogeneous or continuous relationship between superiors and subordinates. If the grades were only two, workers would be perfectly divided into two classes; namely, the elite and the non-elite. These two types of workers seldom fraternize. On the contrary, if there were many grades, employees could anticipate promotion to a higher level. Some may be promoted to section chief and others may be promoted to department head. Most employees will have their own subordinates in the future. This means that most employees can consider the problems of management from the standpoint of managers.

It is also interesting that many middle or lower management workers consist of elite workers, perhaps relatively young, and non-elite workers, perhaps older. Two section chiefs, one of whom is thirty and career, the other of whom is fifty and non-career, cooperate with each other. This is exactly the reason why the Japanese organization is homogeneous or continuous.

Figure 2 shows the organizational structure and usual promotion pattern of career bureaucrats in the Ministry of Autonomy. There are 13 grades of personnel from highest to lowest. Figure 3 is an example of local government (Sapporo). There are 8 grades of personnel from top (Mayor) to bottom (general official). There is a reward system which consists of 12 grades, corresponding to personnel grades. Generally speaking, many employees can

Fig. 2. The Course to the Permanent Vice Minister



expect to become at least vice section chief by retirement age.

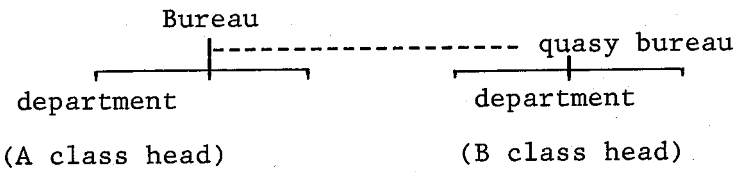
Fig. 3. Course to the Vice Mayor (Sapporo)

Rank of Reward		Age
1	General Official	
	↓	
2	High Class General Official	
	↓	
3	Super High Class General Official	below 31
	↓	
4	Group Formation	above 32
	↓	
5	Group Formation with Difficult Task	
	↓	
6	Section Chief	
	↓	
7	B Class Head of Department Section Chief with Difficult Task	
	↓	
8	B Class Head of Department	
	↓	
9	A Class Head of Department	
	↓	
10	Head of Bureau	
	↓	
11	Vice Mayor	
	↓	
	Mayor	

Next, I will show the numerical ratio of superiors to subordinates. As we have already seen, the larger the ratio, the more vertical trust increases. In Sapporo, the simplified structure is as follows:

		Number of Officers in Each Position
Mayor		1
Vice Mayor		3
Bureau Head		23
Department Head	A	69
	B	83
Section Chief		511
Group Foreman		1208

Table 1 shows the period that an officer may remain at the same position in Sapporo City Hall. There are 23 bureaus, each of which has three departments on the average. Therefore, there are 69 heads of departments but there are 83 other equally qualified positions. They are usually called A class department head and B class department head, respectively.



In many cases, the B class department head belongs to an outside bureau. A department has three or four sections, so that there are three or four times the number of

Table 1. Number of Officials in Each Position and Average Period that an Official may remain at the position.

	Number of Officials in Each Position	Average period that an officer remained at the position (months)					
		Bureau Head	Department Head A	Department Head B	Section Chief	Group Formation	General Official
Mayor	1						
Vice Mayor	3						
Bureau Head	23		65	31	70	70	96
Department Head A	69			41	95	76	115
Department Head B	83				113	81	121
Section Chief	511					109	146
Group Formation	1208						176
Total	1894 (Except Mayor and Vice Mayor)		65	38	100	101	Average 162

Note: The periods mean that an official has experienced each position. For example, section chief experienced 176 months at the position of general official and 109 months at group formation.

section chiefs as compared with bureau heads. Many staffs members are included in the position of section chief. But the naming of these staff members is different from that of section chiefs. In the case of Sapporo, one supervisor has three or four subordinates. The ratio of superiors to subordinates in the case of Sapporo City Hall is very large, approximately one third. The period for which an officer has remained at the same position is as follows: A group leader remained a general official for 176 months and become a leader. A section chief remained a general official for 146 months and a leader for 109 months. A B-class department head remained a general official for 121 months, a leader for 81 months, and section chief for 113 months. As you can readily see, an officer who reached a higher position stayed at a lower position for a shorter period than other lower class officials. For example, a bureau head remained a leader for 96 months, a shorter period than other officials held. Next, I will show the position retained by officials when they retired. Table 2 shows position distribution for retiring officials in 1985 at Sapporo City Hall. The average position was section chief. Greater turnover is found in the lowest position, but most cases were young women who quit because of marriage. This table shows that turnover is rarely found, other than for younger women. These data show that the arguments by Breton and Wintrobe or Dore are very applicable to the Japanese bureaucracy. However, the situation is gradually changing. Both central and local government are trying to simplify their organizational structure. They are likely to attempt a decrease in the number of grades for the purpose of achieving efficient government, but it is doubtful whether such a decrease will result in efficient behavior among bureaucrats in the long run.

Table 2. Position Distribution for Retiring Officials in 1985, Sapporo

	Number of Retired Officials	By Age Limit	By Other Reasons
Vice Mayor	3	0	3
Head of Bureau	8	7	1
A Class Head of Department	8	8	0
B Class Head of Department	7	6	1
Section Chief	31	28	3
Group Formation	24	20	4
General Officials	152	93	140

Age Limit in General: 60 years old.
Above Section Chief: 58 years old.

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