

Successfully Navigating the Fiscal Challenges of the Age of the Aged: Municipal Government in Japan

Ageing populations have been identified as a looming fiscal threat to many developed nations across the world. However, in Japan both the scale of the problem and the institutional context is such that it represents a rather desperate predicament. Within the next twenty-five years it is projected that over a quarter of Japan's local governments will have the majority of their population composed of senior citizens. This is problematic because as populations age, needs increase but revenue capacity simultaneously decreases. We apply a commonly employed success framework with a view to demonstrating how it can be used to guide implementation of some of the most prominent policies thus far canvassed in Japan to mitigate these fiscal challenges. We conclude with some comments regarding the importance of good policy design to successfully navigate the age of the aged.

Introduction

Ageing populations present a fiscal threat to many developed nations across the world, including the United States of America (Kiewiet and McCubbins 2014), the European Union (Haase et al. 2013), Australia (O'Brien 2016) and Korea (Lee et al. 2017). Put simply, fiscal problems have arisen because as a population ages the tax base shrinks – at precisely the same time that aged related expenditure need emerges (Lee et al. 2017; Hatta 2016). Moreover, in many communities infrastructure associated with growing and youthful populations (for example, playgrounds) tends to become under-utilised (Kiewiet and McCubbins 2014; Development Bank of Japan 2014), even though it continues to attract expenditure for maintenance and operation. Thus, dwindling revenue streams, rising need, and

large legacy infrastructure burdens combine to exert fiscal stress on governments. This is particularly the case for municipal governments which are often directly responsible for providing aged services and also constrained by narrow or regulated revenue bases (Drew 2020; Hatta 2016).

Ageing populations are by no means the only problem facing local governments in Japan. For instance, disaster response (for example, earthquakes), labour shortages, and declines to industry also present challenges (Ministry of Internal Affairs and Communications 2018). In addition, Japanese municipalities also confront many of the problems common to their international peers, such as difficulty dealing with large infrastructure burdens and the challenge of managing the rising expectations of citizen consumers (Drew 2020; Nemoto 2011). However, in this study we focus on the problem of ageing because it is widely considered to be the most pressing issue facing Japanese municipalities over the next few decades (Ministry of Internal Affairs and Communications 2018).

In Japan, the fiscal problems engendered by ageing populations are particularly acute owing to both the relative size of the aged cohort and the unique institutional context. For instance, by 2045 demographic projections suggest that Japan will have over 52 million aged persons (persons over 65 years old), and that 27.7% of the 1,718 municipalities will have the majority of their populations composed of senior citizens (National Institute of Population and Social Security Research 2018).

Because Japanese municipalities have a relatively large remit that includes some welfare functions and health services, increases to the aged population result in large demands on budgets (Ministry of Internal Affairs and Communications 2018).

At the same time, revenues have been dwindling due to an alarmingly large proportion of vacant housing (as high as 17.5% in some regional blocks) which is, in

part, exacerbated by Japan's rather unique inheritance laws (see Section 2). In addition, many Japanese municipalities have large infrastructure burdens which are a legacy of times that were both more prosperous and more youthful (Development Bank of Japan 2014). This has led to an expected infrastructure maintenance and renewal backlog of about 10 trillion yen (8.3 billion Great British Pounds) in 2032 (Ministry of Land, Infrastructure, Transport and Tourism 2011).

Japan, like most nations, has been aware of its looming aged population crisis for some time – demographic data has provided advanced warning and a number of remedies have been proposed and tried. These strategies include supposed remedies commonly employed in other nations, such as efforts to enhance efficiency in order to offset fiscal imbalance (the Great Heisei (1999 – 2010) amalgamations that reduced the number of local governments from 3,232 to 1,727; Miyazaki 2019), as well as changes to the retirement age (which is set to increase from 65 to 70; Headquarters for Japan's Economic Revitalisation 2019). In addition, 'made in Japan' remedies such as trying to encourage aged populations to move to lifetime activity towns (continuing care retirement communities), and legislation to reform inheritance laws have also been proposed. However, as we will see in Section 3, these measures are unlikely to bring about sufficient change required for municipalities to survive the Age of the Aged.

The question that we address in this study is: how might policy success frameworks be used to critique the *ex ante* design of policy interventions that aim of help Japanese municipalities to meet the fiscal challenges of ageing? To do so we review the scholarly literature surrounding a popular policy success framework. We then apply this literature to assess the two most prominent current ideas that have been proposed to deal with the fiscal challenges of ageing, and we note why these seem

to be problematic. Following this we select two commonly proposed ideas for future policy intervention and also assess these through the policy success framework. By examining these exemplars of potentially problematic, on the one hand, and likely more successful policy interventions, on the other, we are able to demonstrate the advantages of using existing policy success frameworks for the development of efficacious interventions. We stress that our principal aim is to demonstrate the importance of applying policy success frameworks in order to ensure that interventions are indeed efficacious – not to canvass all the possible options that might be employed (a task that would be beyond the constraints of a single journal article). For a broader discussion of potential remedies readers are directed to the extant literature including Maeda (2020) and Sato (2019).

Policy success is often defined in terms of a government achieving its objectives without alienating key stakeholders or incurring meaningful opposition (Howlett, 2012). As will be demonstrated in Section 4 the Japanese national government stands in great need of policy success with respect to the challenge of successfully navigating the fiscal challenges of the age of the aged. Where this work contributes most to the literature is in its use of a common *ex post* evaluative framework of policy success – see, the seminal work of Bovens, t'Hart, and Peters (2001) – for *ex ante* design and application. The use of the framework in this manner would be consistent with the purpose of policy evaluation scholarship which is to 'enable future policy-makers to do better' (Bovens and t'Hart 2016, p. 662).

In the next section we spend some time explaining the fiscal crisis confronting Japan's municipalities as a consequence of ageing populations. Following this we outline contemporary policy success scholarship and show how this could be employed to assist in efficacious policy design. Thereafter we outline the two most

prominent existing proposals to mitigate the fiscal problems associated with the age of the aged, that are said to be problematic, and use the policy success framework to explain why we agree that they may not be successful. We then investigate two **prominent and** relatively novel approaches, which appear to be more promising for addressing the fiscal plight of Japanese municipalities. We conclude with some remarks regarding the importance of planning public policy interventions with reference to policy success frameworks.

The Problem of Ageing in Japan

Data from the National Institute of Population and Social Security Research (2018) can provide us with a sense of the current and future burdens placed on municipalities as the population of Japan ages. Table 1 reports on the proportion of municipalities which have varying compositions of residents over the age of 65 years. The data is organised by eight regional blocks (the block of Kanto is further disaggregated into North Kanto and South Kanto (Tokyo)) to make matters manageable given that there were 1,718 municipalities and 47 prefectures in 2018 (see Figure 1). Thus, reading Panel A of Table 1, relating to the percentage of population over 65 in 2015, we can see that currently around 3.4% of the 179 municipalities in the Hokkaido block have 45-50% of their populations over the age of 65. Moreover, none of the 179 municipalities have more than half of the population composed of persons over the age of 65. Moving to Panel B of Table 1, which are projections of the percentage of the population over 65 in 2030, we see that 24% of the 179 Hokkaido block municipalities are expected to have 45-50% of the population over the age of 65 and 9.5% of the 179 municipalities are likely to have more than half of their populations composed of aged persons. By 2045 (Panel C of Table 1) the proportion of municipalities with 45-50% of the population over the age of 65 is steady at 24%, but 44.7% of the 179 Hokkaido block municipalities will have more than half of their population composed of aged persons.

Matters are even worse for the Tohoku block of 227 municipalities, that lies just to the south of Hokkaido, which is expected to have 50.6% of its municipalities with more than half their population composed of aged persons by 2045. Things are expected to be somewhat better in the South Kanto (Tokyo) region in 2045 where only 15.6% of the 189 municipalities are projected to have more than half their

population composed of aged persons. However, this latter result needs to be considered in light of the current situation in South Kanto where no municipalities are currently composed of a majority of aged persons – that is, the rate of change in South Kanto is still rather large.

Ono,(2005, 5) an advocate for “marginal villages,” calls ‘municipalities struggling with financial maintenance where over-65 elderly people make up more than half of the total municipality population, and which face decreased tax revenue and increased spending related to senior welfare, nursing, and elderly medical treatment, “marginal municipalities”. It seems from the data in Table 1 that ‘marginal municipalities’ are set to increase considerably over the next three decades.

[PLEASE INSERT TABLE 1 HERE]

[PLEASE INSERT FIGURE 1 HERE]

It might also be noted that there is a trend towards migration from rural and regional areas towards more urbanised centres of Japan (see Figure 2). Thus, not only are many municipalities likely to experience distress, first as a consequence of ageing and later due to high death rates, but many are also likely to have population decline further accelerated due to internal out-bound migration.

[PLEASE INSERT FIGURE 2 HERE]

The nett changes elicited from both urban migration and ageing by 2045 can be summarised in Figure 3 using an index of ageing set to 100 at 2015. As can be seen in Figure 3, the degree of change in aged populations is expected to be rather patchy and by no means concentrated in rural regions as one might expect. This is because by 2045 the wave of aged populations may have already passed over these rural areas and might instead emerge as problem for urban municipalities. Indeed,

previous research by Inoue (2014) has found that the speed of the increase in population ageing in non-metropolitan areas surpassed metropolitan areas prior to 2000, but since 2000, that the trend has largely reversed (speed of ageing in metropolitan areas has now surpassed non-metropolitan areas). This caused Inoue (2014, 23) to refer to the latter half of the 20th century as being ‘the age of non-metropolitan population aging,’ and the first half of the 21st century as ‘the age of metropolitan population aging’.

[PLEASE INSERT FIGURE 3 HERE]

To get yet a better sense of the imposing problem confronting Japanese municipalities it is important to understand the sheer scale of numbers of aged persons that are likely to require age-specific services, as well as inherit and bequeath properties over the coming three decades. Table 2 details that the current population of aged persons in Japan (44.3 million) is set to rise by around 19% over the next three decades to 52.7 million. That is, municipalities will need to provide health, welfare and aged care services for an additional 8 million people during the next thirty years, in the context of a declining national population. The numbers of elderly persons in the Tokyo region is particularly imposing – in 2015 there were over 8.66 million persons over the age of 65 in South Kanto and this is expected to rise to almost 12 million by the end of the next decade. Given that Japan has the highest life expectancy at birth in the world (84.2 years OECD Data 2019), this not only represents an enormous fiscal burden on municipalities, but also a grave future risk as current property owners become deceased and the next generation is left a large portion of the housing stock.

[PLEASE INSERT TABLE 2 HERE]

Indeed, 51.7% of homeowners currently liable for property taxation are over the age of 65 years (Ministry of Health, Labour and Welfare 2017). Thus, over half of the housing stock is likely to be subject to change of ownership during the next few decades. To complicate matters further the next generation is likely to be at or near retirement age (due to long life expectancy of their parents) when they become legatees. Moreover, due to urban migration, legatees are likely to reside in an area some distance from the bequeathed property, the real value of which is often quite negligible (Horikawa 2018).

Change of property ownership arising from death of the title holder has already caused a good deal of problems for Japanese municipalities. Under current Japanese law registration of inherited property is entirely voluntary. Persons who are named beneficiaries of properties – which might have already retired (and thus have limited resources to service new municipal tax burdens) and who also might live some distance from the property in question – often fail to register ownership when entitled to do so. Indeed, the cost of property registration can sometimes exceed the real value of the property (Horikawa 2018). As a result there are currently 8.5 million abandoned properties in Japan, which is about 13.6% of the current housing stock for the nation) (Statistics Bureau of Japan 2019).

Collecting property taxes on unclaimed inheritances is a difficult task, which takes on great importance for municipal finances given that property tax represents around 40% of all municipal tax revenue (Ministry of Internal Affairs and Communications, 2019). Unclaimed properties also exert other deleterious effects on the region – they are not only aesthetically displeasing (casting a pall of economic decline on an area which does little for confidence in the local economy), but they also present dangers to residents (via the threat of falling structures, and overgrown land which attracts

vermin and presents a fire risk) that municipalities must spend funds on to manage. In addition, a surplus of property stock tends to lead to a decrease in land prices and a decrease in the number of housing starts, and hence a decrease in tax revenue (Maeda 2015)

Yoshihara (2017) has noted the seriousness of the problems associated with abandoned properties but reports that municipalities have largely struggled to find effective countermeasures to deal with the issues. Like most jurisdictions, Japanese municipalities can take legal action to forcibly acquire properties to recover unpaid property taxes, however the cost-effectiveness of appointing an inherited property manager to oversee and liquidate the abandoned inherited assets is limited (Yoshihara 2017). As a result property taxes owed on unclaimed properties are often treated as uncollected accounts by Japanese municipalities.

Table 3 details the scale of the problem which ranges from 11.3 (South Kanto) to 17.5 (Shikoku) percent of the housing stock for the eight regional blocks. Indeed, the percentages are brought into stark relief by considering the numbers of vacant houses, which include over 2.5 million properties in the Kanto block alone.

[PLEASE INSERT TABLE 3 HERE]

Fiscal problems engendered by ageing populations in Japanese municipalities are further exacerbated by the intergovernmental grant transfer system currently in place. Like many countries Japan provides a system of formula based grants to its municipalities on an annual basis (referred to as Local Allocation Tax (LAT) grants which are composed of 94% Ordinary Allocation Tax (OAT) grants and 6% Special Allocation Tax (SAT) grants). These grants are allocated on the basis of the difference between standard financial resources (SFR) and standard financial needs

(SFN). The latter is determined according to individually calculated expenses, which are obtained by separating the administrative content of prefectures and municipalities into multiple items, and the comprehensive estimated amount calculated simply using population and area. The content of the former is divided into expenses for police, firefighting, roads and bridges, city planning, elementary, middle, and high schools, social welfare, agricultural administration, and commerce and industry. Each factor attracts a standardized unit cost and is multiplied through by the number of units. Mostly population size is the unit employed for the calculations although health and welfare for the elderly uses population over 65 and population over 75 (Ministry of Internal Affairs and Communications n.d.).

For municipalities experiencing rapid population decline, LAT grants have been shrinking (despite some efforts, at the margin, to mitigate the problem). This is particularly problematic given that declining populations tend to coincide with ageing populations and increased vacant properties (and hence lower tax revenue). In general, LAT grants represent around 13% of revenue, however for small towns and villages LAT grants typically account for around 36% of revenue (Ministry of Internal Affairs and Communications 2019).

The cumulative effect of ageing populations, rising levels of vacant housing, and unresponsive grant formulas results in municipalities struggling to balance budgets and hence resorting to debt finance. Indeed, there is a strong positive correlation (0.2372) between the proportion of aged persons in municipalities and the debt service ratio (an index used in Japan to assess the financial burden of debt), at the one percent level of statistical significance. This association presents *prima facie* evidence in support of the need for public policy interventions. In order to understand

the key ingredients for efficacious public policy we now spend a little time looking at existing scholarship on policy success.

Policy Success Frameworks as Design Tools

In reality policies are rarely unambiguous successes or failures, but rather occupy a spectrum of relative success according to the perspective taken by those evaluating the policies. The scholarly literature has identified three discrete lenses through which one might evaluate the success of a policy and, as we will demonstrate, these perspectives hold important lessons for those charged with policy design.

The first lens measures how well policy architects and politicians transition from a mere idea to a fully articulated and implemented policy (Howlett 2012). This ‘process’ lens deals with the stages of design and implementation including, but not limited to, consultation, co-ordination of stakeholders, garnering of sufficient resources, and passage of legislation. Elements of policy sustainability, innovation, and influence may also play a part in the assessment of success from a process perspective (Ugyel and O’Flynn, 2017). Essentially this lens is all about the practical aspect of public policy and the literature notes that failure to attend sufficiently well to process lies at the heart of many public policy failures.

By way of contrast the second lens focusses on the political aspects of evaluating public policy. This dimension is concerned mainly with the tools of the politician’s trade – managing impressions through careful use of rhetoric, framing contests employing heresthetic, and blame games (Bovens and t’Hart, 2016). Judgements around the political success of a policy have a large bearing on whether a government persists or seeks to revise a given approach to a public policy problem (Howlett, 2012). In sum, the political lens is concerned mostly with subjective judgements.

The final lens identified in the policy success literature is also the oldest and most commonly employed perspective – the programmatic lens. This lens derives from the

rationalist tradition and is concerned principally with measureable outcomes, 'facts and social balance sheets' (Bovens and t'Hart, 2016, p. 656). Scholars employing this lens are focussed on assessing efficiency, and effectiveness, generally for the purposes of policy learning (Ugyel and O'Flynn, 2017), notwithstanding the fact that research has shown that policymakers only 'seek out and use information [of this rationalistic kind] in order to bolster previously developed arguments and positions rather than new positions or alternative strategies' (Howlett, 2012, p. 540). The best summary term for this lens is that it is all about objective judgements.

The development of the tripartite lens approach to public policy evaluation has spawned a large literature on *ex post* studies and has generally proven to be an effective way of understanding where a policy falls on the success continuum (see, for example, Bovens, t'Hart and Peters, 2001; Marsh and McConnell, 2010). In particular, the compartmentalisation of practical, subjective, and objective ways of knowing respectively has led to more consistent evaluations of policy – and where scholars have disagreed it is now far easier for them to understand the basis for the disagreement (Howlett, 2012).

However, we believe that the lens approach to policy success also holds significant potential as an *ex ante* policy critique tool (something thus far largely neglected by the extant literature). Specifically, we think that designing policy in cognisance of the three principal perspectives upon which it will ultimately be evaluated will allow policy makers to build in measures likely to elicit more positive responses from stakeholders employing the different lenses. Howlett (2012, p. 541) alludes to this potential when he notes that 'clearer ideas about the sources of policy failure' will allow policy-makers 'to identify and avoid those [policies] with a higher probability of failure'. For example, use of the process lens will ensure that policy-makers are not

just content to have a good idea, but that rather they put thought and time into the practical measures required to ensure that they have appropriate resources and the support necessary to pass legislation. In similar vein, use of the political lens will ensure that policy-makers remain mindful that it is not enough to have a policy that merely reaches its goals, but that it is also important to ensure that stakeholders also gain a subjective impression of success, commensurate with the objective achievements.

In order to demonstrate the usefulness of the lens evaluative framework for policy critique we now review two of the likely problematic policies that have been proposed for Japanese municipalities to navigate financial sustainability in the Age of the Aged.

Potentially Problematic Public Policy Responses to Ageing and Municipal Sustainability

Two **prominent** proposals have been put forward as solutions to the problem of ageing in Japan. We provide a brief account of each proposed remedy, before applying the policy success lenses to the proposals in order to identify the elements that augur against success.

Lifetime Activity Towns

The former Abe administration championed the creation of lifetime activity towns as a way to solve the ‘problem’ of large numbers of aged persons in Tokyo, whilst simultaneously revitalising regional areas which have suffered population decline, especially as a result of factories being relocated to nations with cheaper labour supply. The plan, announced in 2015, is based on three points: (i) the realisation of elderly person’s wishes to relocate to rural areas and receive support and care, (ii) promotion of the flow of people to rural and regional areas, and (iii) addressing the large burden placed on Tokyo due to the current and projected numbers of aged individuals (Council of Lifetime Activity Towns 2015) (in 2015 the South Kanto aged population was estimated at 8.66 million but this is set to rise to 11.42 million by 2045).

Lifetime activity towns are essentially large-scale continuing care retirement communities, wherein a person can have their needs catered to as they age – from independent living, up to high care nursing. They represent a cost effective way of servicing the needs of the elderly (through economies of scale and density) and have been embraced by residents in many western countries. Moreover, in Japan, land and wage costs tend to be lower in rural and regional areas, which means that the plan to encourage the flow of the elderly out of Tokyo is also a cost-effective

solution. Indeed, as we have noted, lifetime activity towns could bring much needed 'industry' to the regions.

The proposal – which is, in fact, modelled on the precedent of Nasu town (Cabinet Office 2017) – looks good on paper, but is it likely to lead to policy success?

Applying the policy lens framework allows us to understand how various design elements are likely to be ultimately evaluated and hence provides us with a sense of the policy's potential problems.

The process lens requires us to ascertain whether sufficient resources are available to facilitate the rollout of a policy. When we consider the lifetime activity towns from this perspective problems immediately emerge. It seems that many rural and regional communities simply do not have the required infrastructure, and health and allied services labour required to provide for large inflows of elderly citizens. For instance, when the *Hokkaido Shimbun* (newspaper in Hokkaido regional block; 2015) inquired of the six central cities cited in a report of the *Japan Creation Council* as having adequate capacity to absorb inflows of elderly persons, they were informed – in all cases – that the cities did not, in fact, have excess capacity. Moreover, Hatta (2016) has argued that revenue inflows associated with the internal migration of older persons may not be sufficient to offset the significant extra costs incurred by municipalities (such as medical expense). Infrastructure shortfalls might conceivably be addressed by capital funding and incentives from central government, as might increases to operating costs (see the next section regarding intergovernmental grants), but skilled labour shortages would seem to be a much weightier process problem to overcome.

When we view the policy through a political lens more problems emerge. Vocal criticism has been made of the policy which is captured by the Japanese saying, *obasute yama* (roughly translated to abandoning the old on the mountains, which was a practice of geronticide in ancient times; Otake, 2015). Clearly this kind of subjective impression of the goal of moving the elderly away runs counter to political success appraisals and could represent a significant political risk to the Suga administration given the large number of elderly voters.

Moreover, an appraisal of the policy through a programmatic lens also provides cause for concern. It seems that programmatic success might be elusive given that few elderly citizens are, in fact, inclined to move to regional and rural areas. For instance, in response to the statement 'I would like to consider moving', in the *Survey of Future Migration of Residents in Tokyo*, just 12.5% of men, and 6.6% of women, in their 60s responded in the affirmative (Cabinet Office 2015). Even if all persons acted on their considerations, this would only result in a relatively small mitigation of the aged population in Tokyo, and probably not constitute a programmatic success. Moreover, it is hard to see how this proposal will address the lack of revenue and large infrastructure backlog problems that we identified in the introduction.

Thus, applying our three discrete lenses to the policy design confirm that lifetime activity towns are unlikely to be ultimately evaluated as a success and may indeed be a policy best avoided.

Obligatory Registration of Inheritance

A public policy with much broader potential implications is the proposal to make changes to the Real Property Registration Act (2004) so that registration of inherited

properties becomes mandatory. At present, in Japan, it is not compulsory to register the title of an inherited property with the Ministry of Justice (it is, however, compulsory to register the title for purchased properties). It must be noted, at the outset, that registration of title is a completely separate matter to ownership for inherited estates (that is, ownership passes to the beneficiary of a will irrespective of whether title to the property is registered). It should also be remembered that because of the high life expectancy in Japan, it is quite possible that legatees may themselves be retired and living elsewhere (especially given the long trend of internal immigration towards high density urban centres).

The decision about whether or not to register an inherited property is largely contingent on the location and market value of the said property. If the property is located some distance from the legatees' current or preferred residence, or the property has negligible market value (recall around 13.6% of the housing stock in Japan has been abandoned, in the main, due to a lack of demand), then the inheritance can represent a sizeable burden (in terms of both maintenance of the property and liability for municipal property taxation¹). In this case registration of title to the property is disadvantageous and many legatees take advantage of the current legislation and elect not to do so. If people fail to register the property then it becomes very difficult for municipalities to collect property taxation and also recover costs associated with ensuring that the property does not present a health and safety risk to the community (Yoshihara 2017).

A proposal has been made to amend the Real Property Registration Act (2004), so that registration of title becomes mandatory. It must be stressed that at this stage it is

¹ In addition, death duties may apply to the inheritance.

only a proposal of the Legislative Council of the Ministry of Justice, not a policy in the throws of implementation (Ministry of Justice 2019). At first glance this might seem a rather obvious solution to the fiscal plight faced by municipalities struggling to locate the owners of properties for the purposes of collecting property taxation or recovering the costs of community safety remediation works. Indeed, forcing legatees to register the title on properties might also be expected to have benefits for disaster recovery and town planning functions of municipal government. However, there are some substantial difficulties involved with the implementation of this reform.

To understand potential problems with the proposal it is probably best to consider things first from the programmatic lens. Whether the policy is ultimately deemed to be a success largely comes down to whether it is effective in reducing the number of unregistered properties. As it turns out, this program objective must be considered to be in doubt for at least three reasons. First, if legatees are forced to register properties then they may instead decline the inheritance (possible under Japanese law; Civil Code 1896). Second, testators of undesirable and unmarketable properties may elect to spare their children from future burdens by writing them out of their wills and instead bequeath properties to charities or non-government agencies, thus thwarting the revenue objectives of the policy. Third, unless the legislation is made retrospective, then it will do little to address the large stock of property currently unregistered which is causing present fiscal problems (Ishikawa *et al.* 2018). Indeed, it is difficult to see how this policy – even if successfully implemented – would do much to address the rising expenditures associated with the age induced fiscal distress of Japanese local government.

The process lens alerts us to further complications arising from the identified programmatic flaws. Not only will it be necessary to pass legislation requiring

compulsory registration, but it seems that it may also be important to pass additional legislation to change the Civil Code (1896), so that inheritances can longer be declined. This requirement will add considerably to the legislative process burden. Moreover, it seems that retrospectivity in legislation would be essential to mitigate the existing stock of unregistered properties. However, there is a strong tradition of eschewing retrospective legislation in Japan, and any process depending on doing so must therefore be considered doubtful (Saito 2016).

Even if process obstacles are overcome, the political lens suggests that the proposed policy may well be evaluated unfavourably. Enacting retrospective legislation against long-established custom is likely to cost the government support – particularly from the large voter base directly affected by the legislative changes. In addition, in the event of process and programmatic success significant undesirable side-effects are likely to arise: if retiree legatees are forced to accept and register properties, and as a result experience financial hardship or even bankruptcy, then the result is likely to yield very unflattering subjective judgements from the wider population. It thus seems that our policy success framework also confirms this particular policy as being far more precarious than it appears to be at first sight.

Looking at policy design through these policy success lenses seems to be a useful exercise that has clarified some serious problems (not least of which are the process obstacles that may prevent the remedies from even being implemented). However, we have not yet employed the lenses to evaluate more potentially promising options and this is the task to which we now turn our attention.

Potentially Successful Public Policy Responses to Ageing and Municipal Sustainability

What seems to be needed are policies that mitigate, in a programmatic sense, all of the factors associated with aged related fiscal distress that we discussed in the introduction – lack of revenue, rising expenditures, and large infrastructure backlogs. Moreover, successful public policy architects will need to also consider process matters (especially adequate resourcing and ability to have any required legislation passed), and political dimensions (particularly the risk of subjective judgements alienating large numbers of voters). We believe that there are some policy interventions that avoid the obstacles of the more problematic proposals discussed earlier and **also** hold greater promise as a means to mitigating the fiscal problems engendered by ageing. We examine two of the **most prominent** potential policies as a means to further illustrate the potential of applying the policy success framework.

Introduction of Correction Factors and Additional Needs into Intergovernmental Grant Formulas

Existing grant formulas used in Japan have failed to respond sufficiently to the dramatic drop in tax revenues experienced by local governments caught in the midst of a wave of ageing sweeping the nation. This is largely because most of the inputs into standardised need formulae employ population size variables (Tobita 2013). Introducing correction factors which respond to the proportion of aged residents would allow local governments to receive additional help when it is most needed, but have this help slowly tapered off as the ageing wave passes. It would thus serve as an automatic stabiliser of sorts.

In addition, introducing new need categories for age-specific services currently neglected by the funding model – such as community buses² – might also be expected to alleviate some of the fiscal distress.

We acknowledge that reform to intergovernmental grants is never a simple matter and that there may be some resistance. However, from a process lens perspective most matters could be dealt with quite expeditiously. We are not talking here about increasing the total pool of grant money – which whilst no doubt welcomed, would likely present a resourcing problem – rather simply distributing it more effectively with respect to the demands engendered by ageing. Moreover, to change the formulas doesn't require any legislation to be passed. Therefore from a process perspective alone this policy presents relatively fewer problems than some alternatives.

Similarly, seen through the political lens a policy of redistributing intergovernmental grants presents less problems – certainly in terms of voter backlash – than some other options. It does not marginalise a specific group of voters like the lifetime activity town and inheritance law proposals do. Indeed, most voters are generally ignorant of the size or rationale for intergovernmental grant transfers, and efforts to politicise changes to grants in other jurisdictions have largely proved fruitless (Drew, 2020). Moreover, notwithstanding the unhappiness of municipalities that might lose initially, we believe that objections by municipalities are likely to be somewhat muted given that those which currently have relatively low proportions of aged persons are likely to benefit in the future from new formulae as the wave of ageing catches up with them. Nevertheless politicians, political parties, and some stakeholders might prove to be obstacles to reform – thus, this policy option is not a perfect solution (for

² Buses required to transport aged persons to doctors, shops and the like.

a broader discussion of the obstacles to grant reform see Miyazaki, 2018; Drew, 2020).

Therefore it seems that a policy of altering grant formula has a relatively higher probability of success, than some alternatives, with respect to addressing revenue shortfalls. However, it does little to deal with infrastructure backlogs which seem to require an additional and dedicated policy response.

Rationalising Redundant Properties and Underutilised Infrastructure

Japan's large stock of unwanted housing and underutilised infrastructure is clearly a problem that requires radical intervention given that future population projections point to continued steep declines nationally. Spending money to mitigate problems related to abandoned housing or maintaining rarely used infrastructure, in the context of future declines to population, is pointless because such 'assets' will probably never come into demand again (Maeda, 2015). Therefore in most cases it makes financial sense to demolish unwanted housing and infrastructure to free up land that can be potentially put to more productive uses, as well as funds desperately required for the provision of age-specific services. From a programmatic success lens, the removal of unwanted property and infrastructure will almost certainly result in savings and a more aesthetically pleasing environment and will thus likely be deemed by most as a success.

Moreover, when viewed through a process lens relatively few obstacles are apparent. Indeed, the legal device to demolish abandoned housing already exists (Act on Special Measures to Forward Municipalities' Moves for Vacant Housing 2014) and in a recent survey it was revealed that many municipalities are considering demolishing vacant houses notwithstanding the cost they are likely to

incur by doing so (Ono and Kikuchi 2019). In addition, there are no legislative obstacles preventing municipalities from destroying unwanted municipal infrastructure and indeed a precedent of sorts has been set by Nagano City which abandoned unused facilities in 2018 that were a legacy of the 1998 Winter Olympics. However, a potential problem relates to resourcing – although this could be mitigated by special purpose bonds issued where a local government is able to provide a business case demonstrating the economic benefits of demolition. The money borrowed for rationalising redundant assets could then be serviced by the savings realised by no longer having to maintain the said assets.

From a political perspective there also seems to be relatively fewer obstacles in the way of this policy proving successful. Clearly the owners of abandoned properties will not form negative impressions as a result of the demolition – indeed, they will probably be relieved to see the problem resolved. Moreover, improving the aesthetics of the area and creating new opportunities to put land to more productive use is likely to be embraced by most voters. Similarly the destruction of under-utilised and unwanted infrastructure is also unlikely to meet with any strong opposition, especially if appropriate consultations are first made (during the process phase). Indeed, recent research suggests strong support for the policy (in the order of eighty percent) although there is some indication of potential problems getting citizens to agree to the specific facilities to be eliminated (Development Bank of Japan 2014).

We concede that neither of these last two policy prescriptions are perfect, however, on balance it seems that it will be infinitely less problematic to execute them rather than lifetime activity towns or obligatory registrations. In addition, it must be stressed that until such time as the housing and infrastructure burden has also been resolved

it is hard to see a plausible end to the fiscal distress faced by Japanese local government (especially given the low likelihood of future demand for what is currently unwanted; Maeda 2015).

Concluding Remarks

This paper has demonstrated that achieving policy success requires far more than simply coming up with an idea to fix a pressing problem. Use of the policy success lenses can ensure that policy-makers also pay due attention to the practical requirements of implementation (process), as well as the subjective (political) assessments that stakeholders will ultimately make. Too often, it seems, that little thought is given to all three lenses of policy success and the cost of neglecting to do so may well weigh heavily on *ex post* evaluations of public policies.

As we have seen, the literature suggests that policy success can be measured, in part, by the innovation and influence of a given policy on other nations (Ugyel and O'Flynn 2017). This way of viewing success seems particularly salient given that Japan is at the vanguard of demographically induced municipal fiscal crisis, and no doubt many nations are watching to see how efficacious various measures will prove to be. Thus by taking action that responds to all three lenses of success Japan may well shine a light on the path required to be taken in order to successfully navigate financial sustainability in the Age of the Aged.

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