

Chapter 8. Rural Governance and Municipal Amalgamation

Masatoshi Ouchi, Kiyokazu Ujiie, Tokumi Odagiri

Introduction

Two notions of governance are used as the framework for discussions in this chapter: governance of procedure (or democracy) and governance of the territory. The latter, governance of the territory, has two aspects: place and efficiency-oriented governance. Place-oriented governance is based on place-citizen relationships, such as economic, social and territorial. Efficiency-oriented governance is based on the premise that increasing demand for social services under limited resources can be resolved through the efficiencies gained by the amalgamation or reorganization of local governmental territories.

Both notions of governance of the territory have a serious defect. The problem of place-oriented governance lies in how to secure efficiency, while efficiency-oriented governance faces the challenge of how to rebuild place-citizen relationships. Without a strong relation between these two notions, governance in a municipal territory would seem to become a mere management of inputs and outputs. But then where would the authority to manage service delivery come from except through its communities and citizens who bear the tax burdens, elect representatives, participate in public activities, and most of all identify themselves with the place through their occupations, lifestyles and friendships? This question deserves special attention given the context that municipal government is only one of the players in rural governance in Japan. Over the last 60 years, the central government has played a strong leadership role in its drive towards modernization and industrialization by means of a top-down approach, using the local government system as its agent. Yet especially in rural Japan, local municipalities appear to citizens as the principal players in providing for the region's modernization and industrialization.

This chapter discusses the outcomes for rural governance in Japan when shocked or disturbed by central government proposals for municipal amalgamation. The first section examines the main issues and structure of rural governance in Japan. The second offers a brief history of municipal amalgamations. The third details a case study of the Municipality of Iitate-mura. The fourth analyses and interprets the case study. Iitate has undergone a very rare experience, initially being forced to amalgamate, then finally refusing it through a plebiscite, a mayoralty election and an election of a Municipal Congress. The fifth identifies four lessons from the case study. As rural governance is quite a new issue in Japan, the Iitate case study reveals fresh and important matters for discussion about rural governance. This chapter concludes with a number of observations concerning the future direction of rural governance in Japan.

Structure and issues of rural governance in Japan

Rural governance is generally conceived as including three social parts: government, private sector and civil society. Each is an indispensable player in rural governance. The elected government delivers public services, provides infrastructure and policy, raises revenue, and plans for the future. The private sector drives the economy, and delivers private consumer goods and services. The civil society elects the government and holds its actions to

account against core values. If we think of rural governance in a wider context, however, we would recognize the important status of primary groups such as families and small village communities that make up the social fabric of rural areas. This fabric is held together by direct relationships and performs diverse and basic functions. We propose that rural governance actually consists of four parts: government, private sector, civil society and primary groups.

Two important organizations form the foundation of rural governance in Japan, the community (*shuraku*) and the municipality. The former is a primary group, so peasants experience it as “we”. The latter is a secondary organization composed of several communities so it is often seen as “they”. A prefecture, a higher local government, and the central government exert their strong authority over the municipality, a lower local government. Each organization is responsible for almost all the collective decisions relevant to the daily life of the people in its territory. The municipality offers basic services from infrastructure to education, welfare, job creation, fire fighting, recreation and so on. So does the community but on a small scale. The community is a unique, multi-functional and principal player in its own territory. In turn, the multi-functional family, its smallest unit, comprises the community.

After the Meiji Restoration, a municipal structure was enforced to govern and modernize local areas. The first task was to register family members, impose taxes and build an elementary school. The municipality was just an aggregate of communities that cooperated and competed with each other. Before World War II, rural governance was achieved mainly by communities, but after the war municipalities gained their own importance. After the Local Autonomy Law was established in 1947, communities had their powers and mandate to govern weakened. They could not confront new regional issues such as pollution, regional planning, aging demographics, etc. Despite these changing circumstances, communities remained important especially in rural areas.

The problem, however, is that municipalities and communities are financially dependent on the central government. The average composition of expenditures by function for all municipalities of cities, towns and villages for the 2006 fiscal year, shows that public welfare expenses occupied 27.1% of the budget, civil engineering work expenses 15.0%, public debt payments 13.5% and education expenses 10.9%. On the revenue side, local taxes contributed only a third of total municipal revenue (36.8%). Funding from the central government accounted for half the revenue. The remaining comes from mainly local bonds (9.3%), money from prefecture (8.4%), user fees, money transferred from semi-public sectors etc. As noted in Table 1, rural municipalities are very dependent on outside revenue. Municipalities cannot operate their various services without financial support from the central government and prefecture. Rural people view municipal amalgamation as an external threat to their governance, but under these financial conditions they know their resources are insufficient to satisfy their needs. Thus, they must choose to amalgamate or not.

Brief history of municipal amalgamation

Three waves of amalgamations have been undertaken in modern Japan, each initiated by the central government. The first occurred in 1888 when the Meiji government forced local authorities to amalgamate into a municipality with an area suitable for an elementary school, which was to accommodate the children from 300 to 500 households. As a result, the 71,314 communities became 15,859 municipalities.

In the second wave of 1953-56 during the Showa era, these municipalities were reformed into areas with a population of about 8,000 deemed sufficient for a secondary school. The municipalities diminished in number from 9,868 to 3,472. The central government determined the criterion of these two amalgamations simply as the number of students to be admitted to each school.

In the third wave, the so-called 'Heisei amalgamation' of 1994-2006, the central government expected a still larger geographical area and a smaller number of municipalities, aiming for about 1000 from 3,229. The central government listed several reasons of this amalgamation: (1) decentralizing power from the central government to municipalities, (2) dwindling birthrate and an aging population, (3) increasing demand for broad-based public services such as high-tech medical services, nursing services, refuse disposal, fire attack, river control and etc, (4) administrative reform under poor financial conditions, and (5) expanding transport and communication systems.

As a result of these changes, municipalities faced a real challenge. Some regarded amalgamation as a viable solution to these problems. To others another solution was not amalgamating but learning to grapple with these issues alone. To amalgamate or not is a difficult choice and one based on the residents' notion of governance. Not surprisingly, different notions will lead to different solutions.

The Heisei amalgamation differs from the former two. They were mandatory by the authority of the central government. The Heisei amalgamation was optional though strongly encouraged. The size of the population needed for a school district was the main criterion for determining the earlier number of municipalities to be amalgamated. But in the Heisei amalgamation service delivery and finance were the primary considerations. Some local governments refused to comply with the Heisei amalgamation. Some held a plebiscite and chose another type of governance. The central government neither anticipated the rejection nor the new types of governance that emerged from the process.

Case study of Iitate

Iitate-mura experienced almost the same amalgamation history as other communities. Before 1888 there were 18 communities (*Shuraku*) with over 300 years of history and semi-autonomy dating back to the 16th century. In 1888 the Meiji Government amalgamated these 18 communities into 4 municipalities, two of which also organized a Municipal Cooperative. The four municipalities retained a legal status but only as nominal municipalities with representation provided by municipal congress members. The 18 communities were still alive as communities with some political responsibilities such as establishing a hamlet representative and hamlet board, as well as setting a budget and collecting money from households.

Then in 1942, the two municipalities owning a municipal cooperative amalgamated. As it happened during wartime, this amalgamation seemed to be forced by the government. It resulted in nothing except a weakening of residents' pride because the former four municipalities did not retain any of their operations as a municipality. Finally in 1956, the two municipalities were again forced to amalgamate by the central government under the Special Tentative Law for Promotion of Municipal Amalgamation enacted in 1953. After the amalgamation in 1956 Iitate-mura expanded its functions beyond education and local administration to become a significant player for rural modernization and industrialization.

The structure of the municipal finances helps explain the expansion of Iitate-mura's municipal functions. Table 1 shows the municipal budget in 1951 and the 1984-6 average. In 1951, the main role of Iitate-mura was the management of the primary education system. The largest cost was 'Education' at 29.9% of total expenditures. While the prefecture government employed the teachers and other employees of primary schools, the municipality carried the costs of construction and maintenance for the schools and maintaining the register for new pupils. The second biggest category was 'Administration' at 29.3%. Notably in 1951, 'Industry' including agriculture accounted for only 3.8%, and 'Civil engineering' (Roads and Bridges) only 3.4%.

By comparison, the average expenditure of 1984-6 shows how Iitate-mura expanded its roles in 'Agriculture' and 'Civil engineering' since 1951. 'Agriculture' became the biggest category with 20.8% while 'Civil engineering' was at 14.7% of the total. These two accounts covered mainly public works for infrastructure and land improvements. The second largest expenditure was 'Education' at 19.5%.

This column illustrates how far the municipal government of Iitate-mura has become involved in industrialization in the 30 years up to 1985. Nonetheless, Iitate-mura achieved this expansion of its functions under the direction of the central government. The contribution of the government including projects shares and loans accounts for as much as 74.7% in 1984-84. This figure shows the extent to which Iitate-mura remained under the control of the government as its agent for rural industrialization.

Table 1. Source of revenue and categories of expenditure for Iitate-mura, 1951, 1984-86 and 2004-06

(Unit: %, Million yen)

Revenue				Expenditure			
Source	1951	84-86 Average	04-06 Average	Category	1951	84-86 Average	04-06 Average
Taxes	29.5	9.8	12.0	Congress	3.1	1.6	2.0
Transfer from Gov.	51.8	44.3	50.6	Administration	29.3	9.3	15.4
Fees	0.2	3.4	3.8	Civil engineering	3.4	14.7	5.6
Projects shares				Education	29.9	19.5	12.9
By National	9.7	8.7	2.6	Social and labour	10.8	4.9	14.4
Prefecture	5.3	10.0	8.4	Health and hygiene	8.6	6.1	10.7
Others	1.6	10.6	9.2	Agriculture	*3.8	20.8	12.9
Miscellaneous	1.9	0.0	0.0	Commerce and industry	...	0.9	4.7
Loans	-	11.7	9.8	Repayment of loan	1.7	10.3	15.1
Carry-forward	-	1.5	3.6	Miscellaneous	9.4	8.2	6.2
				Carry-over	-	3.6	5.0
Total %	100	100	100	Total %	100	100	100
Million yen	15.161	3,042.90	4,101.19	Million yen	15.161	3,042.90	4,101.19

Source. Odate-mura, Agricultural development plan for 1951-1956 (Nogyo Shinko Keikaku, Showa 26 to 30), 1951 and Community Center of Iiso-mura, Actual situation of Iiso-mura in April 1951 (Iiso-mura Jittai Chosa, 1951.4), 1951, Iitate-mura Settlement of account 1984-1986 and 2004-2006.

Note 1. The figure for 1951 is a budget amount. The 1984-6 and 2004-6 averages are from the fixed amounts of accounts.

2. '-' means zero.

3. The totals for 1951 are not the same as the total of detailed items but are the same as the total from the original data source.

4. Civil engineering consists of construction and maintenance of roads and bridges, and control of river flow, erosion and landslides, etc.

5. '*3.8% of Agriculture' in the column for 1951 includes agriculture, commerce and manufacturing.

Under the Heisei-Amalgamation Scheme initiated in 1994, the Municipal Congress of Iitate decided to amalgamate, and Iitate-mura formed a Statutory Amalgamation Committee with a neighbouring city and town in 2004. Then in 2006, Iitate-mura left the Committee and declared it would not amalgamate with the others. Table 2 provides a chronology of the main events in the amalgamation process ending with its rejection.

Table 2. Chronology of the Iitate Heisei-Amalgamation process: 1994-2005

1994	Iitate-mura ¹ announces the 'Fourth Iitate Development Plan', declaring a policy transformation from 'Development led by Municipality' to 'Development cooperated with other players'. The plan emphasizes resident's participation in rural governance.
2000.04	Law of Decentralization (<i>Chiho Bunken Ikkatsu Ho</i>) is enacted. Fukushima Prefecture government starts to discuss municipal amalgamation. Iitate lies within Fukushima Prefecture.
2000.10	Election of the mayor of Iitate is conducted at the end of the office's term. Mr. Norio Kanno is re-elected by acclamation. Iitate-mura starts to study issues concerning amalgamation.
2001.01	Voluntary Amalgamation Committee ² is organized with six municipalities including Iitate.
2001.07	The above committee breaks up.
2001.09	An election of Iitate-mura Municipal Congress for 18 seats takes place at the end of its term. Amalgamation is one of the main election issues.
2001.12	Iitate-mura organizes open meetings and 'Community Assemblies' for discussions on amalgamation until the end of 2002.
2003.09	Voluntary Amalgamation Committee is organized with Iitate-mura, Haramachi-shi and Kashima-machi, the city and town proposed as amalgamation partners.
2003.10	Mayor Kanno organizes a 'Resident Assembly' for three days.
2003.11	Iitate-mura again holds a 'Community Assembly' in twenty communities, and explains the concept of a plebiscite. Iitate-mura Municipal Congress passes a Plebiscite Regulation.
2003.12	The Mayor declares he would abide by a decision with the support of 60% or more of the voters. The results of the Plebiscite on Amalgamation are 53% opposed and 47% in favour.
2004.01	In the Assembly of Chairman of Community, 17 chairmen support the amalgamation and 3 are opposed. Mayor Kanno expresses his opposition to the amalgamation to the Iitate-mura Municipal Congress. The Iitate-mura Municipal Congress votes on amalgamation. Ten vote in favour while eight are opposed, clearing the way to form the Statutory Amalgamation Committee. Mayor Kanno declare he would withdrawal from it if Iitate-mura's two important requirements are not met, namely, a guarantee on regional autonomy and never increasing the tax burden on Iitate-mura's people.
2004.02	Statutory Amalgamation Committee ³ is organized with the above three municipalities.
2004.06	Iitate-mura announces its 'Fifth Iitate Development Plan' with an idea of 'Madei-life'
2004.09	Iitate-mura organizes meetings in each community to explain how the amalgamation plan was discussed in the Statutory Amalgamation Committee. Mayor Kanno again expresses his opposition to amalgamation, and proposes the withdrawal from the Statutory Amalgamation Committee to the Iitate-mura Municipal Congress. Iitate-mura Municipal Congress votes on the withdrawal and decides to reject the mayor's proposal.

- 2004.10 The election of mayor of Iitate after the end of the four year term is contested this time by the outgoing mayor and the vice chairman of the Iitate-mura Municipal Congress. Amalgamation is a heated issue. Mayor Kanno wins with 2,755 votes over the vice chairman's 2,304, with 90.9% of eligible voters participating.
- 2004.10 Re-elected Mayor Kanno proposes withdrawal from the Statutory Amalgamation Committee to the Iitate-mura Municipal Congress. Iitate-mura Municipal Congress votes 8 in favour of withdrawal and 8 against. The chairman decides to deny the Mayor's proposal.
- 2004.11 Mayor Kanno again proposes the withdrawal from the Statutory Amalgamation Committee to the Iitate-mura Municipal Congress. The Iitate-mura Municipal Congress votes again 8 for withdrawal and 8 opposed. The chairman decides to accept the Mayor's proposal. The Statutory Amalgamation Committee accepts Iitate-mura's withdrawal.
- 2005.09 The Iitate-mura Municipal Congress election for 14 seats takes place⁴ Amalgamation is one of main issues.
- 2005.12 Iitate-mura announces its 'Future Programme for Independent Iitate' (*Iitate-mura Jiritsu Keikaku*).

Note 1. 'Iitate-mura' means the government of Municipality of Iitate. The Municipality of Iitate consists of twenty communities (Shuraku), and each community has its own chairman and budget. This chairman is not a Congress Member. There is only one electoral district for the congress election

2. 'Voluntary Amalgamation Committee' is an organization of the governments of municipalities that have an idea to amalgamate with each other.

3. 'Statutory Amalgamation Committee' is an organization of the governments of municipalities proposed for the amalgamation, required by the Law of Decentralization.

4. Iitate-mura Municipal Congress decides to decrease the number of members from 18 to 14 in 2005.

Five points are important for understanding the sequence of events leading to the rejection. First, Iitate-mura decided to have a plebiscite of residents for settling the amalgamation issue because it was a most important event for its people's future. Iitate-mura had been an early innovator with people's participation in the municipal administration since 1994. Second, when Iitate-mura joined the Statutory Amalgamation Committee, it expressed two conditions: a guarantee for 'Autonomy of Autonomous ward' and no increase to Iitate people's tax burden.

The 'Autonomous ward' authorized by the Law of Decentralization (Chiho Bunken Ikkatsu Ho) consists of a branch office within a municipality, with a representative nominated by the Mayor and the ward-congress. The Autonomous ward supplies daily services and supervises ward-development projects. By gaining special autonomy for the 'Iitate-ward', the Iitate people were seeking a right to recommend a representative to the Mayor and the ward-congress.

Third, it was revealed that many chairmen of the communities did not grasp the community people's opinion. Fourth, Iitate-mura worried that the Statutory Amalgamation Committee would not guarantee its two conditions. And finally, the people's opinion on amalgamation was confirmed by a plebiscite, a very seldom-used innovation in direct democracy in Japan.

During the mayoral election in 2004, the present Mayor who was against amalgamation won the seat over the former Congress vice-chairman. The main points of dispute between the two groups are as follows.

Points against amalgamation:

- The agreement proposed by the Statutory Amalgamation Committee guarantees organizing an 'Autonomous ward' and granting 'Autonomy', yet mentioned that it would be reorganized within 10 years. People against amalgamation were worried that the 'Autonomous ward' would lose its 'Autonomy' after it was reorganized.
- Most people from the other two urban municipalities on the warmer coastal plain could not understand the needs of rural people in the cool mountainous area of Iitate.

Points for amalgamation:

- Iitate-mura would obtain a special bond for constructing the Library for residents if it amalgamates.
- People for amalgamation expected that the 'Autonomous ward' would remain when the 'Special ward' was to be reorganized.

Analysis and interpretation of events

The amalgamation dispute in Iitate-mura is a good case for examining what rural governance is all about in Japan. The central focus of this governance story concerns who has the authority to govern the local economic development of the territory of Iitate-mura. In the most recent proposed amalgamation, the central government took leadership in promoting amalgamation, using its authority and considerable power over municipalities through its legal, regulatory, and budgetary systems.

Yet in spite of this power, the amalgamation did not go through. The Iitate story reveals the conflict is a dispute over the right to govern among the principal players, including the Municipality of Iitate and its citizens, versus the central government and Fukushima Prefecture. Importantly, it helps highlight a critical feature of rural revitalization – understanding the sensitive balance of local and central authority over governance.

The central government promoted the amalgamation of municipalities during 1999-2006. Its primary objective was to balance the increasing demand for social services with limited resources. The configuration of the municipality was considered first of all as the optimal unit for delivering public services efficiently and fairly. Amalgamation was seen as a way to enhance the achievement of this goal through a reorganization of the authority of and the power relationships among the main local players in governance.

If Iitate-mura had amalgamated with the adjacent municipalities, the new municipality would have been larger, but the territory of Iitate-mura would have been one of the subunits with the smallest population and political power, without real budgetary autonomy. Moreover, Iitate people would have lost the opportunity to participate in governance as a main player. On the other hand, as Iitate-mura did not amalgamate, it now has to face the prospect of reduced public services and limited municipal resources.

The central government did not have a clear design for the new governance needed for an amalgamated municipality. In the political process of amalgamation, the other two municipalities did not propose a future governance structure for the proposed new municipality either. In fact the two municipalities amalgamated in 2006 with another partner

and the governance structure seems to be the same old style. The elected officials of these municipalities have assumed a leadership role in regional issues, sidelining citizens' participation.

Citizens of Iitate-mura had the choice to support or reject amalgamation. They chose not to amalgamate but instead to remain as a smaller municipality. They asserted their authority over governance within their municipal territory, which illustrates the real conflict over local authority between the citizens and the central government. The latter emphasized that a municipality should be considered principally as a delivery unit for public services with limited resources. The former rejected this interpretation, stressing other aspects of governance.

This difference in perspective between the two sides in the dispute calls for clarifying two distinct notions of governance: governance of procedure (or democracy) and governance of the territory (or the place).

The dispute over amalgamation in Iitate-mura highlights the two familiar routes for public decision-making. Seen in the context of governance of procedure, they are indirect and direct democracy. The former is the established method in Japan. This representative democracy gives citizens two kinds of representatives. As residents of Iitate-mura, they elect congress members or councilors. They also have a Community Chairman, who represents each community on behalf of its members. Citizens can exert their influence in two ways as a member of Iitate-mura and as a member of each community. Each representative forum works with its own organization – Iitate-mura Municipal Congress for councilors and the Assembly of Community Chairmen for their community. The former is officially by far the more important but the latter cannot be ignored. Both reflected the opinions of the citizens. In this dispute both favored amalgamation. The majority of elected representatives for the Congress were for amalgamation.

At the same time, the elected representatives to the prefecture and central governments did not pay too much attention to the debate because the promotion of amalgamation was understood to be a principal national policy. Almost all of them thought amalgamation was necessary for the future of the rural area. It seems also that because their electoral districts were much larger than the area designated for the Iitate-mura amalgamation, they were more worried about losing supporters who had different opinions on the issue from their own.

But this position was opposite to the result of the plebiscite on amalgamation where the majority voted against it. Furthermore in the election for mayor, the majority of the citizens voted for the candidate who argued strongly against amalgamation. These contradictory results reveal that both Iitate-Congress and Assembly of Community Chairmen did not represent the citizen's real views on the policy of the central government. The voices of the citizens gained more influence through direct democracy than by following the decisions of both representative bodies.

This transition in the voice of authority to citizens from elected officials illustrates the changing dynamic of local governance. The transition is supported by two newly institutionalized systems of citizens' voice in Japan, the plebiscite and two kinds of resident assemblies. The plebiscite regulation was enacted just before the referendum. The result was an authoritative expression of the citizens. Resident meetings also played an important role in the decision making process. The local government presented information about the proposed

amalgamation and participants exchanged their various opinions freely. Although the meetings were not recognized as authoritative, they formed the basis of an informal plebiscite. The meetings served the needs of citizens to learn about the issue, to communicate with each other and to participate in the decision. The referendum took place after these resident meetings. The result showed that those who supported amalgamation were a minority.

In this way governance of procedure shifted from indirect to direct democracy with the support of the newly institutionalized system. On such major issues as who has authority to govern and the politics of power, the results also revealed the dysfunction of the representative model.

The debate on amalgamation also illustrates the significance of the governance of the territory (or place). All the arguments against amalgamation seemed to center around the importance of the place in which people live. They feared they might be drowned in a larger amalgamated area and lose their individual identity based on the place. Citizens of Iitate classified their reasons as both geographical and social.

The proposed geographical area of amalgamation stretched from the local governments on the plain areas along the Pacific Ocean to the mountainous Iitate-mura far from it. A coastal city was to become the center, forcing Iitate-mura to the periphery of governance. The reorganization of territories of local governments into one larger territory would in effect establish a new center-periphery configuration. Furthermore, the regions of the proposed amalgamated area have widely different climates. Iitate-mura is colder and receives snow, which damages crops and calls for special measures to protect them. Within the new territory, so the opposition thought, the center would not care about disasters resulting from cold weather in the outer regions.

The social reason focused on the idea of social identity. The citizens in Iitate-mura identify themselves within two territorial units, their community (shuraku) and Iitate-mura. They affirm themselves as a member of their community and as a member of their municipality, Iitate-mura. These two collectivities are very different in origin and entity. Communities have hundreds of years of history and heritage, and residents feel that their identity is socially conditioned by the direct, lasting, cooperative, and sometimes competitive, relationships among its families. Understandably, residents' identification with their small historic communities is strong. Iitate-mura, on the contrary, celebrated last year in 2007 the 50th anniversary of its establishment, which was the third amalgamation in the area since the Meiji restoration in 1868. As the territories of the municipalities became larger through the three amalgamations, it is expected that this process would have re-forged its residents' sense of identity. However, as these larger municipalities were political constructions authorized by and receiving authority from the central government with its own budget, representatives, administration, and legislature, this new identity towards the municipality was only just beginning to be formed.

Through the amalgamation process, the larger municipalities got stronger authority from the center, but external pressures of urbanization and industrialization also transformed the relative position of the municipalities and communities. Communities have been losing significance in determining the quality of rural life, while their municipality has gained prominence in the equation. This transition stimulated Iitate-mura to play a leading role in rural vitalization with its five successive development plans. Its achievements through these

plans are well known in Japan, which in turn helped furnish some of the force in the arguments against amalgamation. Through these revitalizations efforts, the citizens came to identify themselves closely with Iitate-mura along with each of their communities. If Iitate-mura had chosen amalgamation, its citizens would have lost not only their identity but also autonomy over its budget and authority over their representatives.

The amalgamation debate in Iitate-mura revealed a political contradiction as well as a conceptual conflict. The main concern of the group opposed to amalgamation was to maintain authority over the governance of the place in which they live and will live. They thought amalgamation would deprive them not only of this authority but their political power as well, especially by losing control over the budget and representatives. This issue is about place-oriented governance, which is based on a place-citizen relationship.

The central government, on the other hand, placed much more weight on the efficiency of governance. In its view, the increasing demand for social services under limited resources should and could be met by amalgamation and reorganization of the territories of local governments. This approach could be called efficiency-oriented governance. Furthermore, while admitting the essential meaning of the place, the supporting group was afraid of deviating from the policy of the central government.

Both notions of governance have drawbacks. The problem of place-oriented governance lies in how to secure efficiency, and efficiency-oriented governance faces the challenge of how to sustain place-citizen relationships. Without strong bonds with its citizens, governance in a municipal territory would descend to mere management of inputs and outputs. There would be no communities and no citizens, who bear the tax burdens, elect representatives, participate in public activities, volunteer and most of all identify themselves with the place.

But the place-oriented governance of Iitate-mura is weak on efficiency. Iitate-mura knows it needs to deliver social services with severely limited resources. After deciding not to join the amalgamation, Iitate-mura announced the 'Future Programme for Independent Iitate' (Iitate-mura Jiritsu Keikaku). It is aimed at sustaining an independent and autonomous Iitate by promoting the participation of and cooperation among its citizens, and by instituting administrative and financial reforms. This plan called for raising the governance of Iitate-mura to another stage. The decision to reject amalgamation meant it was the first time for Iitate-mura to remake its regime even with shrinking resources.

As the central government strove to demonstrate in its arguments for amalgamation, the demand of broad-based public services, professional staff and larger regional planning is increasing. Once Iitate-mura chose not to amalgamate, it recognized the necessity of meeting these demands through its own initiatives. There are very few municipalities that recognize exactly the point at issue in the Heisei amalgamation, and Iitate-mura seems to be a unique municipality to have recognized it and in turn refused amalgamation. This is not to say that other municipalities have not also recognized the issue and still accepted amalgamation, but that is a matter of their deliberation and choice.

Lessons learned

The Iitate amalgamation experience reveals unique lessons on rural governance. Here are four.

First, the concept of rural governance is a complex one of various meanings. The central government stressed governance for efficiency to achieve national standards for social services. Iitate-mura governance emphasized process and procedure (or democracy) and governance of the territory (or the place). These two levels of government differ on what it means to govern properly. These contrasting notions shaped the dynamic of the amalgamation dispute, though admittedly other dimensions of governance could take priority in another context, for instance, in deciding on the best form of governance for the rural economy.

Second, although Iitate-mura chose not to amalgamate through a deliberate process, it still experienced procedural difficulties. Resident meetings were held several times to exchange information about amalgamation, yet several decision-making bodies reached contradictory conclusions. Iitate-mura Municipal Congress and the Assembly of Community Chairmen, representatives of the electorate, were for amalgamation. The mayor, elected at large, and the result of the plebiscite were opposed. Legally, the Iitate-Congress is the supreme decision-making body concerning the municipality of Iitate-mura. In the dispute, the Iitate-Congress paid serious attention to the result of the plebiscite and the Mayor's election, and reversed its earlier decision to amalgamate. Furthermore, it is interesting to note that the regulation permitting plebiscites was established by Iitate-Congress only one month before the plebiscite on the amalgamation. On the strength of this evidence, governance of procedure for Iitate-mura did not function well in a critical dispute like an amalgamation.

Third, the 10-year 'Future Program' for an autonomous Iitate, which was based on place-oriented governance, seems to be insufficient to meet the growing demand for social services in an aging society. The plan aims to mobilize social capital, which has not been utilized, but the financial and human resources in Iitate-mura are seriously limited. A way to complement the plan would be to introduce outside resources to replace the reductions in central government municipal financing. The building of cooperative networks of municipalities to reduce costs could be one such scheme. This network could be formed with municipalities in the region or in the urban district. If Iitate-mura fails to mobilize its social capital and to entice outside resources to build economies of scale, it may be expected to face the same problems again.

Fourth, the Iitate-mura amalgamation dispute has a significant meaning. Although it reveals the weak features of rural governance, such as governance of procedure and governance of social services with limited resources, it awakened a sense of the place and a will to govern in the minds of its residents. These new senses of purpose are the starting point for rural governance. Both drove the people to embrace a plebiscite regulation and the 10-year 'Future Program' for the development of an autonomous Iitate. This action was the first experience of a popular movement in the history of Iitate. This dispute produced the seeds for new rural governance. If people hold to their plan, they may yet have the courage to address the weak elements in their local government.