Two Steps Forward, One Step Back: 
Japanese Postal Privatization as a Window on Political and Policymaking Change

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As recently as 2004, the conventional wisdom on the Japanese political system was that it had failed to fulfill its potential for change. The policymaking system with the Liberal Democratic Party (LDP) at its core, opined one scholar, had lost its effectiveness, and democracy in general had become “dysfunctional.” While Prime Minister Koizumi Jun’ichirō was still widely perceived as Japan’s best hope for change, many observers were disappointed that he had failed to carry out his agenda for comprehensive political and economic reform.1

Less than two years later, following the passage of Koizumi’s postal privatization bills in mid-October 2005, critics on both sides of the Pacific were hailing the dawn of a new era in Japanese politics. The September 11 general election, which had been fought over issues of policy rather than pork, had effectively severed ties between the LDP and one of its key electoral support organizations, the National Association of Commissioned Postmasters (Zenkoku tokutei yūbinkyokuchōkai), or Zentoku; the postal privatization laws, which were the product of a new kind of top-down, executive leadership centered in the Cabinet Office, promised to radically transform not only the 130-year-old postal system, but also the triangular relationship among postal employees, the bureaucracy, and the ruling party; and it appeared that the LDP, now cleansed of its anti-reform elements, was poised to embark on a path of active political and economic reform. For all intents and purposes, it looked as if the “1955 system” had died its last death, and that Japan was now on the threshold of a new “2005 system”.2

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Or was it? Now that we have some hindsight to assess the legacy of the Koizumi administration, what exactly changed under his tutelage and to what extent can we expect those changes to endure? To answer these questions, this paper analyzes the interconnected developments in the legislative and electoral spheres through the prism of postal privatization, an issue that Koizumi upheld as the most important prerequisite for political and economic change more broadly. And he had good reason for doing so. While this paper emphasizes the postal privatization legislative process, rather than the legislation’s substantive content, it is important to remember that Koizumi’s privatization plan promised to reinvigorate the financial system by subjecting the massive postal savings and insurance systems to private sector competition. Second, privatizing and breaking up the three postal services (mail delivery, savings and insurance) stood to weaken the postal network—perhaps the largest institutional network in the country,\(^3\) which has long functioned as a vote-gathering machine for the LDP. Finally, postal privatization promised to improve the lives of ordinary citizens by subjecting individual post offices to local competition and expanding the range of services at their disposal. In sum, the social, political and economic stakes of postal privatization were high; change the post office and change Japan.

After briefly chronicling the history of postal privatization during the 1990s, I will explore two phases in Koizumi’s post-2001 postal crusade: 1) his minimally successful efforts in the summer of 2002 to subject the mail delivery service to limited competition; and 2) the push to fully privatize the postal system, which began in the summer of 2003 and culminated in the stunning electoral and legislative events of September and October 2005. Briefly stated, I will show how Koizumi learned from his disappointing performance in 2002 by making creative use of new policymaking institutions, overturning decision-making norms within the LDP, and, of course, manipulating the post-1994 electoral rules to pass his postal privatization bills. But while these actions were to have a major impact on both the future of the postal system and Japanese politics as we know it, there is evidence to suggest that Japan is now partially unraveling those changes. After exploring these recent developments, the final section of the paper argues that despite new institutional procedures designed to encourage top-down, executive policymaking and new electoral rules that weaken the organized vote, the interest group machinations that characterized the legislative processes under the 1955 system are still a force to be reckoned with.

I. The Road to Privatization

The Hashimoto Reforms

When Koizumi assumed the prime ministership in April 2001, the government-administered postal system was already being primed for corporatization in spring 2003, thanks to an initiative launched by Prime Minister Hashimoto Ryūtarō during the 1990s.

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Although tied to the postal lobby by virtue of his historical connection to Tanaka Kakuei, Hashimoto advocated the privatization of the postal savings and insurance systems as a stepping-stone to financial reform and the reinvigoration of the private banking system. And so, in November 1996 he commissioned the Administrative Reform Council (Gyōsei kaikaku kaigi) to investigate the issue and make recommendations for legislation. The council’s interim report, issued in August 1997, met Hashimoto’s expectations almost to the letter: while the mail delivery service was to remain under direct government control, the council called for the immediate privatization of the postal insurance system and the eventual privatization of the postal savings system. But in its December 1997 final report, which also provided a blueprint for the January 2001 reorganization of government ministries and agencies, the commission instead recommended the formation of Japan Post, a public corporation that would keep all three postal services under one roof while subjecting them to private accounting practices.

The council’s surprising about face represented a compromise between the proponents of privatization and key actors in a powerful political lobby known informally as the “Postal Family” (yūsei famiriit): LDP politicians in the so-called postal tribe (yūsei zoku), bureaucrats in the Ministry of Posts and Telecommunications (MPT, now the Ministry of Internal Affairs and Communications or MIC), and Japan’s network of approximately 19,000 commissioned postmasters, as represented by Zentoku.4 Led by Nonaka Hiromu, the “don” of the postal tribe and an avowed friend of the postmasters, the Postal Family lobbied the government hard to prevent the privatization and breakup of the three services. The lobby’s rationale was that by eliminating cross-subsidization within the services and subjecting not only the services but also individual post offices to market competition, the mail delivery service would slip deeper into the red and small, vulnerable post offices would face bankruptcy; this in turn would weaken the network of commissioned postmasters as one of the LDP’s most reliable vote-gathering machines.

For the first few weeks after the council’s interim report was released, it appeared that the Postal Family would force the government to drop its postal reform plans altogether. Then Koizumi entered the debate—and in ways that foreshadowed his daring political exploits in 2005. Long an opponent of the state-run postal system and of the vested interests that surrounded it, Koizumi held a press conference on October 12 in which he pledged to resign his position as minister of Health and Welfare if the three services were to remain under direct government control. His unprecedented threat had the desired effect. Knowing that Koizumi’s resignation would damage his reformist image, not to mention his already declining public approval ratings, Hashimoto had virtually no choice but seek a compromise.5 So, while the postmasters pelted the LDP with petitions and pressured one local assembly after another to adopt resolutions

4 After abandoning its postwar opposition to the commissioned postal system in the 1980s, Zentei, Japan’s largest union of postal employees, as well as their supporters in the opposition parties, can also be counted as members of the “Postal Family”. Zentei cannot, however, match the political influence of Zentoku, which has intricate institutional ties to both the LDP and the bureaucracy.

5 Yamawaki, Yūsei kōhō, pp. 84-85.
opposing the council’s interim report, Hashimoto’s team agreed to Koizumi’s demand that the MIC be allowed to independently invest proceeds from the postal savings and insurance programs instead of channeling them into the Ministry of Finance’s (MOF) Fiscal Investment and Loan Program (FILP). Hashimoto’s allies then worked out a deal with Nonaka. Like many other friends of the postal system, Nonaka recognized the social importance of post offices in rural Japan but worried about the system’s future revenue streams; he was eventually persuaded that while corporatization would help invigorate the services by subjecting them to competition, it would also protect small post offices from extinction by preserving cross-subsidization among the services and retaining significant government control over the system more broadly.

Nonaka and the Postal Family viewed corporatization as an acceptable compromise that preserved the institutional foundations of their political power while giving them the appearance of being reformers; they also believed that corporatization would alleviate the financial problems that were plaguing the mail delivery service and the postal network. Koizumi, by contrast, would not be placated. Although corporatization and the MIC’s new investment powers were steps in the right direction, he refused to rest until the services had been broken up and completely privatized.

**Koizumi’s 2002 Legislative Experiment**

Koizumi Jun’ichirō’s identity as an “anti-postal system” (han yūsei) Dietmember has long historical precedents. His grandfather, Matajirō, who served as Prime Minister Hamaguchi’s communications minister for two years from 1929, advocated the creation of an independent account for the postal services—an objective that was finally fulfilled in 1934—as well as the privatization of the telephone and telegraph services. Like his father, Koizumi was a loyal member of Fukuda Takeo’s faction, where he cultivated ties with the Ministry of Finance. When the young Koizumi first ran for his deceased father’s seat in Kanagawa, he was defeated by a margin of only 4,000 votes; legend has it that Koizumi’s supporters blamed the electoral machinations of the postmasters for his loss. The postmasters were again a problem for Koizumi during the 1978 LDP presidential primary. While Koizumi stood by his faction boss, Tanaka Kakuei and his henchmen rallied the party’s rank-and-file members—many of them systematically

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7 In addition to administering the postal services on the ground, the commissioned post offices—which constitute roughly 75 percent of the total number of post offices in Japan—implement informal social services in their communities, most notably assistance to elderly residents.
9 Koizumi was not, however, a diehard ally of the MOF; his plans for the abolition of the FILP, for instance, met with some resistance from the ministry.
recruited by Zentoku—behind Ohira Masayoshi, the eventual winner.\footnote{Segawa Kōsuke, \textit{Koizumi Jun‘ichirō to tokuteikyokuchō no arasoi} (Tokyo: Eeru shuppansha, 2001), pp. 15-17, 64.} The Postal Family also mobilized behind Koizumi’s opponents during his two failed attempts for the LDP presidency during the 1990s. Although we may never know if Koizumi harbored a personal grudge against the postmasters and their LDP supporters, he was clearly no fan of the state-run postal system. While Minister of Posts and Telecommunications under Prime Minister Miyazawa Kiichi, he spoke out against the \textit{maruyū} (tax exemption) system of the postal savings service, was quick to deny the budgetary requests of postal officials, and routinely trumpeted postal privatization as a prerequisite for comprehensive banking reform.\footnote{Yamawaki, \textit{Yūsei kōbō}, p. 23.}

One of Koizumi’s first acts as prime minister was to try to maximize Japan Post’s potential in anticipation of eventual privatization. Although Koizumi had accepted corporatization as perhaps the only politically viable option open to postal reformers in 1997, he was very skeptical that the flexible management and business accounting system of Japan Post would effectively solve the postal system’s long-term problems. Of particular concern were projections of rising interest rates, which would have a detrimental effect on the revenue streams of the system’s financial services. Since corporatization would keep the three services under one roof—one of the Postal Family’s primary demands—cross subsidization among the services would serve as a disincentive for the system to innovate in accordance with market demand.

In the summer of 2002, Koizumi appointed Ikuta Masaharu director of the Postal Services Agency (\textit{Yūsei jigyōchō}), which was established in January 2001 to administer the postal services until the launching of Japan Post in 2003. Ikuta defied the consensus-oriented, bottom-up decision-making norms of the postal bureaucracy by imposing top-down leadership procedures onto the agency’s administrative structure and by introducing a host of horizontal organizations to help overcome bureaucratic sectionalism.\footnote{Yamawaki, \textit{Yūsei kōbō}, pp. 25-26.} He also weakened the influence of the approximately 100 “family enterprises” that serviced the postal network, by injecting more competition into contract bidding. These steps not only lowered costs within the services but also made the family enterprises less appealing landing spots for \textit{amakudari} bureaucrats from the MIC. Meanwhile, he encouraged product innovation within the postal services and forged a partnership with Lawson’s, the nation-wide chain of convenience stores. These innovative, cost-cutting steps significantly invigorated the mail delivery service, placing it on sound financial footing after years of decline.

Koizumi’s support for administrative and financial innovation in the Postal Services Agency raised the ire of bureaucrats in the MIC, many of whom had opposed him since his days as Minister of Posts and Telecommunications. In 2002, however, the postal officials were able to score a few points against Koizumi during his campaign to subject the mail delivery service to more competition. For by centering the legislative
drafting process in the MIC—the very ministry that would be most affected by postal reform—Koizumi unwittingly subjected that process to pressure from MIC allies, namely, members of the LDP’s postal tribe and the commissioned postmasters, both stalwart opponents of expanded competition in the mail delivery service.

In the end, Koizumi made waves by having the cabinet adopt his postal reform bills without first receiving party approval, knowing full well that the LDP was prepared to reject the bills outright. As we shall see, Koizumi’s willingness to defy party convention was only to expand three years later, when comprehensive postal privatization was on the table. In 2002, however, his maverick approach to the legislative process was not quite enough to overcome the Postal Family’s resistance, as evidenced by the very content of the legislation, which was formulated under the Postal Family’s watchful eye. Put simply, the bills had been so watered down as to render competition virtually meaningless. Private firms that had been granted ministerial permission to enter the national mail services market were required to charge uniform delivery fees, thereby preventing price competition between the post offices and the private sector. In addition, new participants had to set up approximately 100,000 mail boxes (posuto) around the country, a prohibitive and needless expense for private firms like Yamato Transport Company that service their customers door-to-door.14 Not surprisingly, precious few firms entered the national market between 2003 and 2005.

The Road to Privatization

From the summer of 2003, Koizumi put comprehensive postal privatization at the top of his agenda. In addition to fretting about the long-term effects of cross-subsidization among the services under Japan Post’s watch, Koizumi and his allies complained that the many perquisites enjoyed by the services—ranging from corporate and property tax exemptions to government guarantees of postal savings deposits—provided the postal system with a grossly unfair advantage over private sector firms. Last but not least, Koizumi saw in the outright privatization and breakup of the services an opportunity to weaken the political functions of the postal network and hence the nucleus of the anti-reform Postal Family.

Under Takenaka Heizō’s guidance, and with Koizumi’s stamp of approval, the postal privatization process departed from Japanese policymaking custom in that ample opportunity was provided for top-down “political” leadership. This did not mean that politicians had gained the upper hand over the bureaucracy within the policymaking sphere, but rather that a space had been created for the prime minister and his aides to steer the process. The most conspicuous expression of this shift was the Council on Economic and Fiscal Policy’s (CEFP) assumption of ultimate authority over the privatization process. Operating within the Cabinet Office and led by and answerable to the prime minister, the advisory council consists of the cabinet’s leading economic

ministers plus several high-profile leaders within the private sector. In theory, the CEFP is supposed to transcend the pressures of special interests by pulling cabinet ministers out of their ministerial bailiwicks, making them directly accountable to the prime minister, and publicizing council minutes on the CEFP’s website. As others have commented, however, the CEFP had failed to live up to its potential since its establishment in January 2001. During the Mori administration, for instance, the council met only seven times and accomplished virtually nothing. Some scholars attributed this to the organizational mentality of the bureaucracy, which prevents officials from different ministries from interacting flexibly and effectively with one another. As the postal privatization saga suggests, however, interest group politics were as much—if not more—to blame.

Takenaka took several steps to ensure that the CEFP would follow his (and Koizumi’s) lead on postal reform. First, he took great care in choosing the handful of private sector representatives on the committee, ensuring that they endorsed his views on privatization. Second, he and his aides drew up a list of five basic principles that were to serve as the cornerstone for council discussions and that Koizumi immediately endorsed; violations of those principles were not permitted. Briefly stated, the principles required that postal privatization: 1) invigorate (kassei) society and the economy; 2) be consistent with past financial reforms; 3) enhance the convenience of postal customers; 4) make use of the human and infrastructural resources of the postal system; and 5) protect the employment of the greatest possible numbers of employees within the system. In some ways, these principles acknowledged the concerns of the anti-reform camp relating to the adverse effects of privatization on the postal network and the employment of the postmasters and postal workers. But although the CEFP accepted the principles shortly after deliberations began in fall 2003, the discussions were quickly mired in conflict.

Third, to help overcome these conflicts and compensate for the fact that none of the CEFP members were experts on the postal system, Takenaka established what he called a “guerilla unit” (gerira butai)—an inner circle of close aides who fleshed out a game plan for deliberations that would keep the initiative on Koizumi’s side. This game plan, which included the breakup of the postal services and the subjection of each service to the same laws that governed other private sector firms, constituted the bottom line for postal privatization. And to protect that bottom line, Takenaka initiated—and Koizumi approved—the spring 2004 establishment of the Postal Privatization Preparation Office (PPPO, Yūsei min’eika junbi shitsu) under the auspices of the Cabinet Office’s secretariat.

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Consisting of about 100 academics and sympathetic officials from throughout the bureaucracy, the PPPO drew up the September 2004 Basic Framework for Postal Privatization, which served as the blueprint for the 2005 legislation, as well as the legislative bills themselves.\textsuperscript{20} At the April 26, 2004 ceremony to launch the PPPO, Koizumi himself was on board to help write the office’s sign board. The event was widely reported by the press, and the accompanying photograph of Koizumi, Takenaka, and two PPPO officials emphasized to the public that the prime minister was ultimately in charge of the postal privatization process.\textsuperscript{21}

With these supplementary institutions in place, all that the CEFP had left to do was approve the handiwork of the PPPO. But that proved easier said than done. Of particular concern was opposition from Ikuta Masaharu and Aso Taro, the Minister of Internal Affairs and Communications and a friend of the Postal Family, to Takenaka’s bottom line requirement that the postal system be broken up into three independent services. Insisting that all three services be kept under one roof, the two men effectively stalemated the deliberations. Meanwhile, key LDP leaders put relentless pressure on Takenaka, threatening to withhold party approval of the privatization plan if Aso’s demands were not met. The stalemate persisted until early September, when Koizumi intervened by meeting personally with both Ikuta and Aso. Finally, on September 7 the council adopted the Postal Privatization Basic Plan (\textit{Yūsei min’ei kihon hōshin}), which was to serve as the blueprint for the subsequent legislation. Koizumi then brought pressure to bear on the party, which withdrew its opposition to the basic plan—at least temporarily. Three days later, the Koizumi cabinet officially endorsed the plan,\textsuperscript{22} which recommended the breakup of Japan Post into four companies—one each for mail delivery, postal savings, postal insurance, and the network of post offices—plus a government holding company that was to divest its shares in the postal savings and insurance companies by 2017.\textsuperscript{23} What is remarkable about this stage in the deliberations is that despite persistent pressure from the Postal Family through both the party and Aso Taro, Takenaka’s basic principles and bottom line requirements had not been compromised.

As the PPPO prepared for the drafting stage of the privatization process, Takenaka—who by late September had been appointed minister in charge of postal privatization—built up his defenses against LDP politicians, the majority of whom opposed his basic plan on one point or another. He began by launching a campaign to sell the notion of postal privatization to the public, a move that could not have come a moment too soon given the public’s confusion about privatization and the media’s fixation on the political machinations surrounding the privatization process.\textsuperscript{24} Assuming

\textsuperscript{20} Takenaka, “Kōzō kaikaku no shinjitsu,” p. 158; Yamawaki, \textit{Yūsei kōbō}, p. 122.
\textsuperscript{21} Takenaka, “Kōzō kaikaku no shinjitsu,” p. 156.
\textsuperscript{22} Takenaka, “Kōzō kaikaku no shinjitsu,” pp. 165-71.
\textsuperscript{23} The holding company will retain its shares after 2017 in the mail and postal network companies, which will be designated \textit{tokushū gaisha} (special corporations that carry out public functions).
\textsuperscript{24} According to a Jiji Press public opinion survey conducted in October 2004, six out of 10 respondents complained that privatization hadn’t been adequately explained to the
that public opinion was key to motivating the government and, ultimately, the LDP to line up behind privatization, Takenaka personally participated in a series of town meetings around the country, appeared on numerous local television programs, and disseminated information drawn up by the PPPO about the financial feasibility of a privatized postal system.

Takenaka and Koizumi were also prepared to offer some concessions to their opponents, knowing full well that the LDP would never vote for the privatization bills without them. These concessions included the establishment of a large government fund to help struggling post offices in rural areas adapt to market forces and to continue to provide informal social services to their communities. Takenaka also publicly pledged during his town meetings to guarantee one post office for each village, a pledge that appeased members of the Postal Family who worried about the effects of privatization on employment within the services and the size of the postal network, as well as residents concerned about a possible decline in official services in their neighborhoods.

In addition to battling their opponents in the LDP, Takenaka had to contend with the ministries. In a nod to custom intended to facilitate the smooth implementation of the postal bills after passage, Koizumi instructed Takenaka and the PPPO to invite the input of the relevant economic ministries during the drafting stage, a concession that immediately triggered unwanted interference from the MIC. By Takenaka’s own admission, certain bureaucrats in the PPPO adhered to the long-standing custom of keeping interested politicians informed by leaking information to the MIC and members of the LDP’s postal tribe about the drafting process and Takenaka’s personal intentions. More dramatically, a group of MIC bureaucrats, with Aso’s support, drafted a series of alternative privatization bills that were put to the cabinet at the same time as Takenaka’s bills. The MIC bills proposed to keep all three services under a single institutional umbrella, thereby maintaining the custom of cross-subsidization among the services. As one PPPO bureaucrat argued, the bill had the added benefit of guaranteeing the postal network, with its politicized corps of commissioned postmasters, thereby reassuring local LDP politicians in rural areas whose electoral fortunes depended on the postal network.

Koizumi not only rejected the MIC bills, but also fired two MIC bureaucrats who worked public. Only 26.7 percent responded that they understood what postal privatization entailed, and 64 percent claimed that government explanations of privatization had been insufficient. Sadamitsu Jō, “‘Yūsei min’eika kihon hōshin’ ketteuke seron chōsa,” Jiji Top Confidential (November 12, 2004): 14-16.

26 Interview, Yoshino Naoyuki (Professor of Economics at Keio University and member of MIC’s Yūsei shingikai), Tokyo, July 15, 2006.
27 The fund is to be established with proceeds from the sale of the government holding company’s sale of shares in the savings and insurance companies.
28 Interview, Yoshino.
30 Interview, Kinoshita Nobuyuki, Director General of the Postal Privatization Promotion Office (Yūsei min’eika suishin shitsu), January 9, 2007.
on them in collaboration with the LDP’s postal tribe—an unprecedented move against the bureaucracy that one LDP Dietmember likened to “a reign of terror.”

Before the cabinet adopted the Takenaka bills, Takenaka and Koizumi carried out a series of behind-the-scenes meetings (nemawashi) with key government ministers, many of whom still had strong misgivings about privatization. As before, Aso Taro was particularly vociferous in his opposition, attacking Takenaka personally and accusing him of “hating Kasumigaseki.” Takenaka, for his own part, privately branded Aso a “front” for the Postal Family. In the end, first the ministers and then the party leadership endorsed the bills, but it was clear that their support was based on the understanding that the bills could be amended once they reached the Diet. The LDP had authorized the cabinet to submit the bills to the Lower House on April 27 without actually approving their content.

Lower House committee deliberations on the privatization bills began in late May. The proceedings were predictably contentious, with LDP backbenchers voicing their opposition as boisterously as the opposition parties. The privatization issues that proved most troublesome to the LDP were precisely those that had a bearing on the political future of the Postal Family: the impact of privatization on the size of the postal network; the effects of the breakup of the three services on the ability of individual post offices to offer a full range of financial services to their customers; and the future profitability of the privatized services. Since the Democratic Party of Japan (DPJ) was too divided to significantly influence the proceedings, the debate was for largely an intra-LDP affair. In the end, Takenaka and Koizumi granted their opponents several concessions, including the expansion of the size of the government fund to up to two trillion yen and the provision that the government holding company could retain up to one-third of its shares in the postal savings and insurance companies after 2017. After 109 hours of questions—a period that, according to Takenaka, exceeded the committee time devoted to the Mutual Security Treaty in 1960—the committee approved the bills and submitted them to the chamber for a vote.

On July 5, 2005, the Lower House passed the postal privatization bills by a narrow five-vote margin, with 37 LDP members voting against them and an additional 14

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31 “Antireform bureaucrats out: Cabinet demotes two opponents of postal privatization,” *The Japan Times*, May 18, 2005. This may be the first instance in which a prime minister fired bureaucrats over policy differences rather than because of scandalous behavior. Of course, since the evidence suggested that the officials were collaborating with sympathetic members of the LDP, the firings were as much a struggle with vested interests within the LDP for policymaking authority than a reflection of policy differences.


33 Takenaka, “Kōzō kaikaku no shinjitsu,” pp. 206-08.

34 Takenaka, “Kōzō kaikaku no shinjitsu,” p. 216.
either abstaining from or boycotting the vote.\textsuperscript{35} The next challenge was to secure passage through the Upper House, where the LDP did not enjoy a firm majority and LDP opposition to postal privatization was particularly entrenched. Despite Koizumi’s and Takenaka’s best efforts to win over individual Diet members to their side, the Upper House defeated the bills by a vote of 125 to 108.

\textit{The Election}

What happened next has become part of Japanese political legend. Following the Upper House defeat of the postal privatization bills, Koizumi made good on a long-standing threat by immediately dissolving the Lower House and calling a general election that was to be fought as a referendum on postal privatization. He then withheld the LDP’s official endorsement for candidates who had voted against the bills, dispatching young, pro-privatization “assassins” (\textit{shikaku}) to run against them. The move was unprecedented in the LDP’s history and signified once again Koizumi’s willingness to defy custom as he sought to outmaneuver his opponents.

The effects of Koizumi’s electoral ploy on the LDP’s ties to the commissioned postmasters were profound—at least over the short term. It appears that many postmasters decided to take their chances with the LDP on the assumption that Koizumi was simply a passing phenomenon, but for all intents and purposes, Zentoku had ceased to be a loyal LDP supporter during the 2005 campaign. Taiju, an association of about 100,000 retired postmasters and active postmasters’ spouses that has functioned as an electoral arm of the LDP, viewed Koizumi’s attack on the LDP’s “forces of resistance” as a betrayal of their long-standing exchange relationship with the party. Like Zentoku, it vowed to back the rebels in constituencies where they were running either as independents or members of the hastily-formed Nihon Shintō; where there were no rebels running, Taiju chapters were given the freedom to back whomever they preferred. For the first time in its history, Taiju—and Zentoku, for that matter—failed to speak with a single voice in an election. Thanks to the postmasters’ backing, many rebels, including Noda Seiko, a former Minister of Posts and Telecommunications who had voted against the privatization bills in July, were reelected to the Diet.\textsuperscript{36} But the LDP eventually triumphed, securing 296 of 480 seats, marking its biggest electoral win in history.

On October 11, the Lower House passed the postal privatization bills by a 200-vote margin; the Upper House followed suit three days later with 34 votes to spare. The bills were passed unchanged, save for one small point: in response to the delays caused by the election, the start date for the privatization process had been bumped up from April to October 2007.


\textsuperscript{36} Noda met frequently with Zentoku—which was desperate to keep her in power—throughout the campaign. She beat her opponent, a professional economist, in a single-member district in Gifu Prefecture by 15,800 votes. Yamawaki, \textit{Yūsei kōbō}, p. 177.
II. Assessing the Significance of Postal Privatization

The postal privatization saga appeared to transform Japanese politics on many fronts: the institutional norms of the legislative process; the triangular relations among conservative politicians, bureaucrats, and the commissioned postmasters; and even the manner in which elections are conducted. This section summarizes some of those changes in an effort to understand not only Koizumi’s impact on them, but also the extent to which we can expect them to endure.

The LDP

The postal privatization process both reflected and contributed to changes within the Liberal Democratic Party. Needless to say, the LDP had changed significantly even before Koizumi assumed the presidency, the role of factions and their effects on political leadership being one of the more salient cases in point. In the past, career advancement for LDP politicians was heavily dependent on obtaining seniority in the factions; as a result, cabinet members tended to have fairly short tenures and were therefore not in a position to exercise significant leadership over their ministries.37 Factions were already on the wane by 2001, thanks largely to the 1994 abolition of the multi-member district system which had encouraged factional longevity by obliging LDP candidates to run against one another in Lower House elections.

The nature of Koizumi’s ascension to the presidency in 2001 underscored and further strengthened many of these changes. The introduction of a primary system for selecting the party president, for instance, increased the power of local LDP chapters and the party rank-and-file relative to that of the factions, thereby making the party more broadly attentive to the wishes of Japan’s expanding cohort of urban floating voters.38 These developments put Koizumi—who from the start was disinclined to follow the party’s rule book—in an even stronger position to transcend what remained of factional alignments, shuffling his cabinet without consulting faction leaders, appealing to the public for support, inventing new cabinet portfolios to allow the likes of Takenaka Heizō—who until 2004 lacked a seat in the Diet—to assume the leadership over his pet projects, and conducting election campaigns on issues of policy rather than personal factional affiliations. There was perhaps no better proof of Koizumi’s leadership skills and the institutional changes that facilitated them than the willingness of LDP members of the Postal Family to support him during his reelection for the party presidency in 2003—despite their intense dislike of his postal privatization plan. For example, Aoki Mikio, the leader of the LDP caucus in the Upper House and a leading member of the Hashimoto faction’s anti-postal privatization camp, backed Koizumi in the presidential

race for no other reason than Koizumi was better positioned than his contenders to lead the party to electoral victory.\textsuperscript{39}

\textit{The Democratic Party of Japan}

Koizumi’s ability to transcend factional alignments and exercise broad political leadership simply widened the longstanding fissures within the Democratic Party of Japan (DPJ), reducing the party to a minor player within the legislative process. In the past, many DPJ members had come out in favor of postal reform; indeed, Japan’s largest opposition party was reputed to be far more supportive of postal privatization than the LDP, as evidenced by its predominance in a study group organized in 1999 on the issue.\textsuperscript{40} Once the privatization process was launched in earnest in 2003, however, the DPJ’s stance on postal privatization was nothing short of confused. During the summer of 2005, DPJ Diet members boycotted many of the Q&A sessions during Diet committee deliberations on the privatization bills; when they did participate, they focused not on the substance of postal privatization but rather on unrelated rumors meant to discredit Koizumi and Takenaka.\textsuperscript{41} In a marked departure from parliamentary custom, moreover, the party failed to put forward a counterproposal for postal privatization until after the September 2005 election, when the opportunity to make a difference in the discussion had long since passed. The party did, however, produce an eleventh-hour statement on postal reform in its 2005 election manifesto that proposed retaining Japan Post but reducing the size of the postal savings system, but the statement was widely criticized for being financially unfeasible, not to mention too little too late.

The DPJ’s failure to produce a viable counterproposal on postal privatization was in part a reflection of Koizumi’s and Takenaka’s leadership skills. Put simply, the two men had put the DPJ between a rock and a hard place: opposing postal privatization outright would be the kiss of death for a party that was established on the promise of reform, but quibbling on the specifics of the Takenaka plan would expose the fact that the party had lost the initiative—not to mention any semblance of control over the legislative agenda—to Koizumi and Takenaka. The party’s fortunes plummeted even further during the 2005 election campaign, when Koizumi narrowed the voters’ choices down to supporting or opposing privatization.

DPJ inertia on postal privatization also reflected its composition as a loose alliance of factions. While some, like the party’s former LDP members, were bullish on privatization, others, including supporters of Zentei, the country’s largest postal workers union, were opposed to the idea. Okada Katsuya, the party leader during the summer and


\textsuperscript{40} Of the 17 members of the non-partisan \textit{Yūsei min’eika kenkyūkai}, organized by Koizumi and the DPJ’s Matsuzawa Shigefumi, ten hailed from the DPJ and only two—one of whom was Koizumi himself—from the LDP. Koizumi Jun’ichirō and Matsuzawa Shigefumi, eds., \textit{Yūsei min’eika ron} (Tokyo: PHP kenkyūkai, 1999), p. 254.

\textsuperscript{41} Takenaka, “Kōzō kaikaku no shinjitsu,” p. 211.
early fall of 2005, tried in vain to strike a balance between these diverse groups.\textsuperscript{42} If he came out in favor of privatization, party members of a socialist persuasion balked; if his proposals fell short of Koizumi’s recommendations, his reform-minded colleagues complained that he was not going far enough; if he tried to exceed Koizumi’s privatization plan by proposing the outright abolition of the postal savings and insurance systems, he was in trouble with the party’s Zentei supporters, who were determined to maintain employment levels within the postal system. In short, Okada’s efforts to find a “third way” on postal reform failed because of dissention within the party’s rank-and-file, as well as the constraints imposed on him by Takenaka and Koizumi. The ultimate irony was that in the past, the DPJ had attacked the LDP for its cozy ties with interest groups; now that Koizumi had distanced himself from the Postal Family and was pressing forward with comprehensive reform, the party was all but immobilized by special interests.\textsuperscript{43}

\textit{The Postmasters and their Relationship with the LDP}

Since Tanaka Kakuei’s brief stint as minister of Posts and Telecommunications during the mid- to late 1950s, the commissioned postmasters have functioned as an essential cog in the LDP’s electoral machine. In brazen disregard of the 1948 National Public Service Law (\textit{Kokka kōmuin hō}), the postmasters have been systematically engaged in numerous electoral functions that have been collectively dubbed the “fourth service,” after mail delivery, postal savings, and postal insurance. The postmasters, along with their wives and retired colleagues, constituted one of—if not the—largest cohorts of LDP party members, and routinely recruited local residents to join the party and individual \textit{kōenkai}. At the height of their influence, the postmasters were said to mobilize nearly one million votes behind the LDP, especially in Upper House elections. These functions were carried out through the auspices of Zentoku, a national association with local and regional chapters that asserts the postmasters’ interests in both the bureaucracy and the LDP while transmitting electoral directives to the grass-roots level. Because of the almost complete leadership and organizational overlap between Zentoku and Tokusuirren, a national association of postmasters administered by the MIC to facilitate communications between the national government and the postmasters on matters concerning the postal services, postal bureaucrats have also been embroiled in these electoral functions. According to one journalist who covered the postal beat during the 1990s, it was not unusual for bureaucrats to advise the postmasters on whom to support during elections;\textsuperscript{44} not surprisingly, most of the ministry’s preferred candidates have been retired national or regional postal officials.\textsuperscript{45}

In the past, the LDP rewarded the postmasters’ loyalty with protection from Zentei, which had clamored for the abolition of the commissioned postal system until the

\textsuperscript{42} Yamawaki, \textit{Yūsei kōbō}, p. 165.
\textsuperscript{43} Yamawaki, \textit{Yūsei kōbō}, p. 161.
\textsuperscript{44} Interview, \textit{Mainichi shinbun} reporter, Tokyo, January 23, 2003.
\textsuperscript{45} I explore the political functions of the postmasters in greater detail in “Post Office Politics in Modern Japan.”
early 1980s, as well as policies to preserve the customs and institutions of the state-run postal system. The postmasters’ electoral activities, in other words, held some sway over the policy directions of the party. But by the mid-1980s, the postmasters began to lose ground. Population decline in rural areas and the rise of the floating voter made it increasingly difficult to mobilize the vote, as did changes to the electoral system. More ominously for the postmasters, a postal-reform movement was steadily gaining ground within the party, threatening the postmasters’ influence over the party. Meanwhile, the media had become increasingly critical of the commissioned post offices, particularly in the aftermath of the August 2001 Upper House election when it revealed that Kosō Kenji, an LDP candidate and former official with the Kinki Postal Bureau, had been at the center of an illegal vote-gathering scheme embracing both the postal bureau and the postmasters. Kosō was forced to relinquish his Diet seat a few weeks later.

Koizumi’s electoral strategies precipitated a further decline in the postmasters’ electoral influence. As noted above, his refusal to grant the LDP’s official endorsement to candidates who had voted against the postal privatization bills in July 2005 drove a wedge in the postmasters’ loyalties, forcing them to choose between voting for pro-reform LDP candidates or for the rebels. These split loyalties persist today. As the country prepares for the summer 2007 Upper House election, Zentoku will refrain from instructing its local chapters how to vote. Meanwhile, many postmasters are casting their lot with the Kokumin Shintō not only to reward them for voting against privatization in August 2005, but also in the hopes that the party will eventually force an unraveling of some of the more troublesome features of the privatization plan. Judging from an unsystematic perusal of local newspaper articles, moreover, it appears that the postmasters constitute the largest membership group in local chapters of the party.

The Bureaucracy

Well before the postal privatization process had moved into its final stages, it was clear that the bureaucracy’s role in the overall policy process was in transition. As Muramatsu notes, while in the past politicians may have held sway over the bureaucracy in a kind of principal-agent relationship, surveys reveal that bureaucrats were losing confidence in the LDP and becoming more and more willing to defy political leadership and policymaking principles. At the same time, however, the bureaucracy was steadily losing what remained of its reputation for administrative excellence. Both trends were apparent during the privatization process. As noted above, the now-marginalized MIC tried on numerous occasions to reassert its authority over the policy process by pressuring members of the Postal Privatization Preparation Office and, more dramatically, fielding

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48 Kato, “Reforming the Japanese Bureaucracy.”
alternative legislation that had been drafted in collaboration with the LDP’s postal tribe and that reflected the interests of the Postal Family. That Koizumi ultimately prevailed in this incident marks a significant victory for his new style of top-down, executive leadership—a leadership style that received a stamp of approval during the 2005 election.

Meanwhile, the MIC has emerged from the postal privatization process with its influence significantly diminished and its morale low. Unlike the policy process surrounding the privatization of NTT, which, as Vogel explains, was centered in the MPT and resulted in an expansion of the ministry’s regulatory powers over the telecommunications sector, the postal privatization process effectively sidelined the MIC and drastically reduced its powers in the postal realm. In October 2007, Japan Post (Nihon Yūsei Kōsha) will be dissolved and many of its functions assumed by the largely independent government holding company, Nihon Yūsei. Although the MIC will have some oversight over Nihon Yūsei, its influence over the savings and insurance systems will shrink. The ministry will oversee a special fund (Yūcho/kanpo seimei hoken kanri kikō) that administers savings accounts and insurance policies that were and will be established before the privatization process officially begins in October 2007—a fund that may become a destination for retiring amakudari bureaucrats. But as the number of these savings accounts and insurance policies dwindles, so too will the MIC’s powers over the postal savings and insurance systems. Meanwhile, its influence over the actual privatization process between 2007 and 2017 will be minimal. In keeping with the top-down leadership endorsed by Koizumi and implemented by Ikuta Masaharu first in the Postal Services Agency and then Japan Post, broad oversight over that process has been granted to two blue-ribbon committees lodged in the Cabinet Office, while the day-to-day responsibilities of the privatization process will be overseen by the Cabinet Office’s Postal Privatization Promotion Office (Yūsei min’eika suishin shitsu), the PPPO’s successor. Although the MIC has responsibilities for preparing the postal network for privatization and for making recommendations to other bureaucratic organs, its policymaking and administrative powers are a shadow of what they once were. As a result of these changes, morale in the ministry is low and the number of bureaucrats is declining as more and more seek transfer to the more innovative government holding company.

In sum, it appears that the once mighty posts administration has been emasculated. To summarize, this development can be attributed not only to the new institutions established during the 2001 governmental reorganization that strengthened the potential for prime ministerial leadership within the policy process, but also to the leadership skills of both Koizumi and Takenaka. Their decision to concentrate the privatization process within the CEFP partially marginalized the MIC, while Koizumi’s decision to appoint Takenaka as postal privatization minister in 2004—and then MIC

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50 Interview, Postal Administration Bureau official, MIC, Philadelphia, February 8, 2007.

51 Interview, Postal Administration Bureau official, MIC, Tokyo, January 10, 2007.

52 Interview, MIC official, January 10, 2007.
minister after the passage of his privatization bills—underscored the prime minister’s refusal to submit to interest group pressure as exercised through the ministry. Takenaka’s establishment of first the “guerrilla unit” and then the Postal Privatization Preparation Office further reduced opportunities for the MIC and vested interests to influence the policy process. Koizumi’s willingness to take drastic steps against bureaucrats who dared to defy the new policymaking procedures drove yet another nail into the coffin of bureaucratic initiative in the postal sphere. Finally, the content of the postal privatization legislation has ensured that the MIC will remain a much smaller player in the overall administration of the postal services.

We can conclude from these observations that Koizumi ultimately succeeded in asserting top-down, executive control over the postal policymaking process and in diminishing the powers of at least one government ministry. When combined with the effects of the 2005 election on the unity of both the LDP’s postal tribe and the postmasters’ associations, we can also conclude that Koizumi effectively broke up the iron triangle that controlled postal affairs throughout the postwar era—at least for the time being. We cannot conclude, however, that top-down leadership has become an institutionalized fact in the Japanese legislative sphere more generally; the CEFP’s relative inertia under Prime Minister Abe’s watch would seem to underscore this point, further suggesting that the council’s effectiveness is heavily dependent on the ability of key leaders to take ad hoc steps to buttress its authority. More importantly for our purposes, electoral incentives and recent developments in the realm of postal privatization itself point to a partial resurgence in the mutual exchange relationship between the LDP and the commissioned postmasters—the most important partnership within the postal system’s postwar iron triangle.

The Postal Family Reemerges

While the significance of the electoral and policymaking changes wrought by the Koizumi administration should not be underestimated, there are signs that some of these changes are now being unraveled.

First, there is evidence that the LDP and the postmasters are patching up their relationship. While the Kokumin Shintō appears to be the party of choice for the majority of postmasters in the months leading up to the July 2007 election, some are siding with the LDP on the assumption that cooperating with the most likely electoral victor would be the safest route toward preserving the commissioned postal system. Meanwhile, the LDP has been taking steps to woo the rest of the postmasters back into the party. In the fall of 2006, for instance, Prime Minister Abe Shinzō readmitted eleven of the postal rebels—including Noda Seiko—who had been reelected to the Diet as independents. Although required to take an oath upholding the stipulations of postal privatization, the rebels still have close ties with the postmasters and are likely to put pressure on the reform camp to soften the effects of privatization on the postal network.

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From the LDP’s perspective, readmitting the rebels should strengthen its position during the Upper House election at a time when it can no longer rely on Koizumi’s charismatic personality to attract the floating vote. The fact that the LDP has been actively courting Taiju since the fall of 2006 underscores this point. One might safely conclude from these trends that for as long as the LDP’s electoral fortunes remain uncertain, it will continue to rally the postmasters. And for as long as the party rallies the postmasters, it will face pressures to meet at least some of their policy-related demands.

Second, although the postmasters have lost much of their clout over the MIC in the wake of the postal bureaucracy’s emasculation, steps have been taken that should preserve a few of the vestiges of the postmasters’ relationship with postal authorities. The future of the commissioned postal system and of its institutional links to the privatized postal companies are particularly important in this regard. In 2006, Japan Post President Ikuta Masaharu declared that in order to carry out a renewal (isshin) of the postal services, the commissioned postal system—which, to Ikuta’s mind, was as feudal an institution as the Tokugawa domains (han)—would have to be abolished. To that end, he proposed a series of reforms, including bumping up the retirement age of the commissioned postmasters from 65 to 60, subjecting them to periodic transfer, like their counterparts in the ordinary post offices, and most significantly, abolishing Tokusuiren, which had evolved into far more than just a mechanism for conveying ministerial directives to the postmasters. Tokusuiren was to be replaced by an administrative structure with centers at the prefectural level that would service both commissioned and ordinary post offices alike. Predictably, the postmasters opposed these proposals on the grounds that they would effectively eliminate most of the features that distinguish commissioned from ordinary post offices. Then, after Nihon Yūsei assumed the ultimate responsibility for reforming the commissioned postal system, a compromise was struck between the corporation’s president, Nishikawa Yoshifumi, and Zentoku: while the first two of Ikuta’s reforms would still stand, Tokusuiren’s successor was to consist of local as well as regional administrative units that would be controlled by the postmasters. Although the name will change, Tokusuiren has for all intents and purposes been preserved and will operate under the semi-governmental postal network corporation. When Nishikawa replaced Ikuta as Japan Post president in April 2007 after the latter’s abrupt resignation, he publicly praised this compromise for maximizing the usefulness of the human resources connected to the old state-run system.

There are several reasons for this retreat from the spirit—if not the letter—of the law. First, since no mention was made of the future of the commissioned postmasters in Koizumi’s lengthy (500-plus pages) postal privatization legislation, aside from the

55 Nihon Yūsei was established in late 2006 to help prepare for privatization. In October 2007, it will become a kabushiki gaisha.
56 “Yūsei min’eika “honenuki” ga hajimatta kaikaku no hōpu.”
57 Nishikawa will retain his post as president of Nihon Yūsei while serving as Japan Post President.
stipulation that they would lose their status as public servants, there was ample opportunity following passage for the postmasters to leverage some concessions. And leverage they did. Immediately after the 2005 election, a wounded Zentoku regrouped to put pressure on the powers-that-be in order to preserve the institutions of the commissioned postal system. Second, Ikuta’s sudden departure as Japan Post president, just six months before the privatization process was to begin, and his replacement by the more pro-postmaster Nishikawa, suggest that the Abe government is looking for ways to appease the postmasters in the months leading up to the summer 2007 election.

What did all this portend for the future? First, the lessons of postal privatization suggest that top-down, executive leadership in the legislative sphere is unlikely to succeed within existing institutional structures unless there are innovative leaders in place willing to aggressively defend against unwanted but inevitable intrusions by vested interests. Second, and related to the first point, the nature of party participation in the policy process has changed in some respects but remained the same in others. LDP policy tribes now have fewer institutional opportunities to sway the policy process within the new Cabinet-led system; at the same time, however, we can expect the LDP to aggressively defend the customs of prior party approval for—and hence influence over—policies before the Cabinet adopts them. Again, the balance of power between the new top-down policymaking structure and the LDP depends on the presence of strong, risk-taking leadership. Meanwhile, for as long as the LDP’s fate at the polls remains uncertain, we can expect the party to continue to court the organized vote, including the postmasters. As for the DPJ, the history of postal privatization indicates that the country’s largest opposition party is too internally divided to significantly influence the direction of grand policy debates.

Third, the postal divisions of the MIC are a shadow of their former legislative and administrative selves and are likely to remain that way. Fourth, while the MIC’s role in the Postal Family has been diminished, the relationship between the postmasters and their LDP sympathizers are experiencing a partial resurgence as their interests once again converge on the policymaking and electoral fronts. It is likely, moreover, that this resurgence will gather steam in the years ahead. The July 2007 election will, after all, be the last time that the postmasters’ electoral activities will be deemed illegal; from October 1, 2007, when the postal system enters the privatization process and the postmasters lose their status as public servants, they will be free to engage in political activities to their hearts’ content. We must therefore conclude that while Koizumi did much to weaken the power of vested interests in the legislative and electoral spheres, he by no means obliterated it.

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58 Interview, four commissioned postmasters, Kitakyūshū City, July 10, 2006.