

# **Social Capital and Citizen Satisfaction in Associational Perspective: Analyzing Urban Governance in Japan<sup>\*</sup>**

Yutaka Tsujinaka<sup>†</sup> and Hiroomi Abe<sup>‡</sup>

*University of Tsukuba, Japan*

## ABSTRACT

This paper examines the relationship between social capital and citizen satisfaction at the local level in the context of urban network governance. Previous research on citizen satisfaction tends to focus on individual citizens' satisfaction with local public services without taking into account elements of civil society interaction such as social cohesion and governance networks. Using structural equation modeling, the paper analyzes a sixty-one city aggregate dataset generated from a set of civil society organization surveys carried out in Japan. The empirical models suggest that social cohesion is positively related to local network density. If such causality results in enhancing social trust in local government, social satisfaction with local public policy will likely increase.

Keywords: social capital, citizen satisfaction, civil society organizations, urban governance

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<sup>†</sup> Faculty of Humanities and Social Sciences, University of Tsukuba

<sup>‡</sup> Faculty of Humanities and Social Sciences, University of Tsukuba

## **Introduction**

Social governance has emerged in response to market and state failure in the welfare state, giving rise to new social problems that in turn can hardly be solved without civic engagement. Citizen participation and governance networks are considered supplementary to traditional ways of governing. In order to measure and theorize good governance, it may be useful and informative to refer to several objective indicators measuring democratic governance (Norris 2011). However, because citizens' contentment and quality of life are important in terms of outcome-based evaluation as well as objectively measured indices such as institutional, social economic, and demographic variables, measuring governance should be more conducive to analytical justification if some factors are scaled subjectively, like citizen satisfaction and subjective assessment regarding public services despite assessment errors inherent in surveys.<sup>1</sup> Previous studies on citizen satisfaction are mostly dealt with in administration and public management research. They tend to focus on individual citizens' satisfaction with local public services without taking into account elements of civil society interaction such as social cohesion and governance networks. This paper grapples with understanding citizen satisfaction as an indicator of governance quality in civil society and social capital factors indicating regional non-demographic characteristics.

In the context of associational networks linking with local governments, or governance networks, what can be said about the relationship between social capital and satisfaction? Robert Putnam argued that a high degree of trust, networks, and participation indicates the presence of social capital, which, according to his studies, is highly correlated with institutional performance (Putnam 1993, 2000). However, it is not necessarily clear that a high level of social capital accumulation will affect citizen satisfaction with local public policy, particularly when components such as trust in government (rather than trust among citizens), networks, and cohesion as well as other seemingly related factors are considered simultaneously. Whether the components of social capital, among others, are related to citizen satisfaction is the main issue that this paper aims to address.

To formulate governance-related regional causalities, this paper employs quantitative methods.<sup>2</sup> Since individual citizens engage in political activities so as to influence public policy by joining voluntary associations rather than by acting independently, we focus on social associations as survey respondents in measuring how good local governance is. This paper utilizes quantitative data extracted from a set of social surveys whose respondents were selected from multiple organizational actors comprising civil society in Japan, namely, nonprofit organizations (NPOs),

neighborhood associations (NHAs), and municipalities in sixty-one domestic cities.<sup>3</sup> Using these survey-based data and other available information, we investigate the relationship between civil society organizations (CSOs) and local governments.

This paper proceeds as follows. First, we mention the importance of focusing on the relationship between CSOs and local governments in discussing good governance. Second, we hypothesize that social capital factors are related to citizen satisfaction after outlining some other factors that may be related to satisfaction. Third, following this, the paper assumes a conceptual model that interrelates social capital and satisfaction at the aggregate level, and analyzes the survey data using structural equation modeling to confirm that the model fits the empirical data. Fourth, we consider the possibility of adopting the same theoretical framework for both democratic and nondemocratic governance. The final section concludes the paper.

### **Why local government?**

It is acknowledged theoretically and empirically that indirect democracy is imperfect as with other political systems. Electoral processes and political parties are said to have been losing legitimacy and credibility among citizens in recent years (Daemen 2012; Norris 1999; Phillips 1996). Such an argument is closely related to social inclusion and cohesion. People in need cannot necessarily have their voice heard despite seemingly legitimate political representation (e.g., Beall 2001; García 2005; Gerometta et al. 2005). In theories of democratic governance, it is assumed that the state is changing or shifting to another form, and most scholars seem to agree that they observe the “hollowing out of the state”, as first mentioned in Rhodes (1994). Bevir and Rhodes announced the emergence of the “stateless state”, concluding that “the state is the contingent product of diverse actions and political struggles informed by the beliefs of agents rooted in local traditions” (Bevir and Rhodes 2011: 214). Furthermore, Lee et al. (2014) claims that there is little evidence of a consistent relationship between statehood and service delivery, thereby casting doubt on the conventional wisdom that presupposes the centrality of the state. This paper, however, assumes that both national and local governments may well have a critical role without which CSOs would face difficulty inducing cooperation among them in order to attain their shared policy goals.

As indicated in Bell and Hindmoor (2009), Pierre and Peters (2000), and other scholarly works on network governance, we see that in an age of social governance, local governments matter in that their network management, or “metagoverning” is virtually demanded for network facilitation and social coordination. Following decentralization, local governments continue to stay

in policy networks as central/neutral authority at the municipal level. As Sørensen (2007: 91) indicated, there seems to be no effective network governance without metagovernance due to conflicts or lack of trust. Both elected and non-elected public officials can and should operate as metagovernors on occasion to connect the dots between traditional ways of governing (e.g., representative democracy and hierarchical governance) and social networks operating as “producers of social capital” (Kearns and Forrest 2000: 1000). Examining the relationship between municipalities and CSOs is thus important and worth looking at in rethinking good governance that stems from the local level.

### **Institutional settings and financial health**

To examine social capital factors and satisfaction, we assume several control factors that should also be taken into account in our model. These factors include municipal-level political institutions and financial health. In general terms, municipal institutions may include laws, ordinances, bylaws, and other types of formal rules set by local assembly or executive branch. However, we see institutions and rules more broadly, thus including public service settings such as outsourcing and staffing plans.

Research on citizen satisfaction finds that various administrative or institutional performance indices as well as socio-economic, demographic, and geographic factors may or may not account for satisfaction (DeHoog et al. 1990; James 2009; Kelly and Swindell 2002a, 2002b; Stipak 1979; Van Ryzen 2004; Van Ryzen and Immerwahr 2007). Some studies show that expectancy disconfirmation (more/less than expected) is another good predictor along with municipal performance (James 2009; Van Ryzen 2004, 2006). It is also confirmed that predicted satisfaction becomes larger as the number of improved services increases (Van Ryzen and Immerwahr 2007). All in all, citizens’ recognition of local service improvement and disimprovement may be a key to better understanding satisfaction with public policy. Along with Putnam’s works, studies on social capital and political/economic performance argue that indicators such as the quality of government are positively related to social morality at the national level (Letki 2006), and that social capital leads to a better quality of the government’s financial management at the local level (Coffé and Geys 2005). This paper takes up political institutions as a control variable since most previous research has focused on output-based performance indicators rather than formal municipal institutions and thus has not mentioned the input side (enactment of formal rules). Thus, we examine whether municipal-level bylaws and service-related rules are associated with local citizen satisfaction.

Local government's financial health is also a possible factor that should be controlled for in our model explaining regional satisfaction. This is simply because if a municipal government is financially more autonomous and is able to spend more money arbitrarily, it may be that the government can grant more requests from citizens groups and organized interests through redistribution, thereby raising the probability of policy success. Interview surveys revealed that few people are interested in participating in municipal budget process even though citizen input affects such budgetary decision making (Ebdon 2002). If this were true in general, municipal financial health may be related to CSOs' social activities and status because those organizations try to influence local public policy.

### **Urbanization**

As the paper deals with urban governance using sixty-one city data, we take urbanization into account as well. Urbanization is one of the factors characterizing contemporary local governance (Guarneros-Meza and Geddes 2010). What are some of the elements specific to urban governance, on which we do not tend to focus in, say, rural governance? In Japan, there are a number of various types of NPOs in urban areas, whereas there are fewer types of them in non-urban areas. Particularly, this statement holds true for those groups relating to certain policy areas such as economy, international affairs, and nonprofits assistance (Sakamoto 2012). Social values vary widely in cities with a large population. Large cities have more liberal citizens and face large income inequality, giving rise to a wide range of social problems within the area. As such, different types of organizations may well compete with one another to attain their policy goals that are not always shared among them. This is why urban governance particularly requires network and cooperation building in the society. A different perspective is applied to NHA satisfaction. Generally speaking, people's day-to-day life gets improved and becomes more convenient as urbanization evolves. It may be that local residents feel satisfied with several features of urban environment associated with local politics. For example, one of these may be public transit system, which certainly is well networked in urban areas. Public transport planning is often related to decision making in local government.

### **Civil society organizations in Japan**

In Japan, associational proliferation was observed following the enactment of the Nonprofit Activities Promotion Law in 1998 (Sakamoto 2012). In the following year, the Decentralization

Promotion Law was promulgated as a major reform requesting that each local government instead of the central government play the leading role in local policy-making process by selectively redistributing powers from the central government to individual local governments in accordance with their preferences based on regional characteristics. In line with such institutional changes in the late 1990s, the local governments started to steer the society in a more overt way. It is now more often observable than before that government officials discuss region-specific issues with local citizens, NPOs, and/or NHAs, making it possible to deliver a variety of new services based on local citizen needs. Taking a look at civic engagement from an associational perspective, Japanese civil society organizations can be categorized roughly into two parts. On one hand, there are NPOs including a variety of legal persons and interest groups representing business, labor, education, agriculture, health, religion, or the like, as well as various citizens groups and advocacy groups with or without legal personality.<sup>4</sup> On the other, NHAs are seen everywhere across the country, and municipalities are usually supposed to outsource part of local services to NHAs (Pekkanen, Tsujinaka, and Yamamoto 2014). In what follows, we use the term CSOs to mean both NPOs and NHAs.

What aspect of civil society is likely to be more specific to Japan? Business superiority among organized interests has been observed in Japanese politics at the national and local levels (e.g., Inoguchi 1990; Rosenbluth and Thies 2010). Businesses, whether big or small, have been closely tied to the Liberal Democratic Party-led government. Cross-national research on CSOs finds that “Japan in particular continues to display a numerical superiority in business associations” (Tsujinaka 2003: 114) both in number and income. Provided that “groups are more likely to advocate when they have more financial resources” (Pekkanen and Smith 2014: 63), it is less likely that the assumed superiority of business will change easily in the sense that corporate leaders’ groups are financially advantaged as stated above. In addition, if government had to change its role fundamentally because of unequal representation of interests (Aquino and Bekke 1993), governance would more likely fail in terms of virtual misrepresentation. This particular social aspect may be more frequently and clearly observed in Japan than in the Western countries. The degree of local business superiority is also one of the factors to be controlled for in our model.

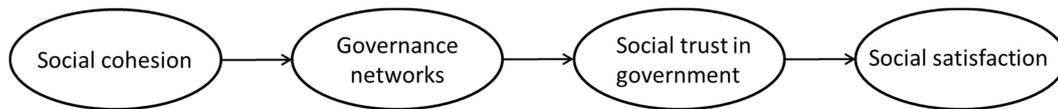
### **Social cohesion, governance networks, and social trust in government**

As Putnam suggested, social capital accumulation is positively related to government performance (Putnam 1993). He also explained how trust, social networks, and citizen engagement translate into

nice neighborhoods (Putnam 2000). In a cohesive society, all the component parts fit in and contribute to well-being, and conflicts between societal goals and groups are largely absent or minimal (Kearns and Forrest 2000). Research shows that social capital accumulation can be accounted for by such factors as age, mobility, occupation, homeownership, and human capital (Glaeser et al. 2002). Another study finds that persons with more extensive access to resources (stemming from social status) are more likely to participate in voluntary associations and hence extend their personal networks (Bekkers et al. 2008).

Given these findings, we assume that CSOs also have organizational tendencies similar to those found in individual citizens' behavior in terms of creating governance networks and reinforcing associational cohesion by such actions as promoting member participation in decision making, enhancing interpersonal relations within the group, and maintaining connections with municipal government officials. This assumption indicates that intra-group cohesion is positively related to building public networks. In other words, internal (private) networks are well linked to external networks. In the context of local governance networks, this implies that social cohesion may contribute to enhancing connections between local organizations and municipal government.

Trust is considered as a (necessary) condition for network performance and cooperation (Klijin and Koppenjan 2016). Why is trust important for successful governance? From an economic perspective, mutual trust matters in that it reduces uncertainty about one another's strategy. Reducing uncertainty means increasing the predictability of other actors' behavior, and it contributes to facilitating strategic coordination among them. Collective action problems can be overcome through mutual cooperation which is often associated with social capital. In a word, trust enhances cooperation needed for good governance. While it has been argued that citizens' satisfaction leads to their trust in government (Bouchaert and Van de Walle 2003; Van Rizen 2007; Welch et al. 2004), its inverse relation is yet to be discussed. If, as Putnam (1993) suggested, social capital accumulation leads to government performance improvement, and if performance improvement affects citizen satisfaction as mentioned earlier, we can hypothesize that given the above argument, intra-group cohesion aggregated at the local level is positively related to the density of associational networks with local government. And this network density involving local government is considered to be positively related to public trust in the government. Finally, if social trust in government facilitates cooperation between government and society, it may well lead to successful governance and hence social satisfaction. In what follows, we examine such relationships using statistical models.



**Figure 1** Causal model of aggregate-level satisfaction

### **The model**

The causal model shown in Figure 1 assumes four differentiable phases starting from social cohesion to explain local satisfaction, while governance networks and trust in local government mediate between them. As stated above, intra-group cohesiveness will likely affect external network building. Because we are interested in governance networks involving municipal government officials, it is assumed that social cohesion measured by associational participation and interpersonal relations in CSOs is positively related to the density of local governance networks, which can be represented by such variables as CSOs' contact frequencies with municipal government officials and connections with other social and political actors. If multiple associational networks with a local municipality can eventually foster the associations' trust in the government, it is probable that trust contributes to social coordination and hence policy success attained through these actors' mutual cooperation. Although we do not think social coordination is always meaningful for policy outcomes unless it succeeds, it is likely that social actors will collaborate with one another so they can obtain their shared interests more successfully with dense networks than without them. If this is the case, then social cohesion, governance networks, and social trust in government may eventually bring the local society a certain amount of satisfaction with public policy.

### **Data and methods**

This paper uses an aggregate dataset generated from the original survey data collected through four surveys carried out simultaneously in Japan by a research project headed by one of the authors.<sup>5</sup> The survey respondents were local government officials, nonprofit organizations (public interest corporations, "NPO" legal persons, and other types of social organizations with or without legal personality), and neighborhood associations. The original data composed of four different datasets were aggregated at the city level in order to combine them into one. After excluding the cities where municipal government officials (as survey respondents) declined to answer certain questions regarding institutional settings that this paper refers to, we eventually obtained the sixty-one city data. By institutional settings, we mean not only ordinances and bylaws passed by local assembly,

but also public service settings including those of contracting-out and staffing plans because all civil services in a constitutional state are supplied in accordance with the relevant laws and other types of formal rules. This indicator was measured based on survey questions asking how many governance-related bylaws and public services have been established by the municipal government (see Appendix A).

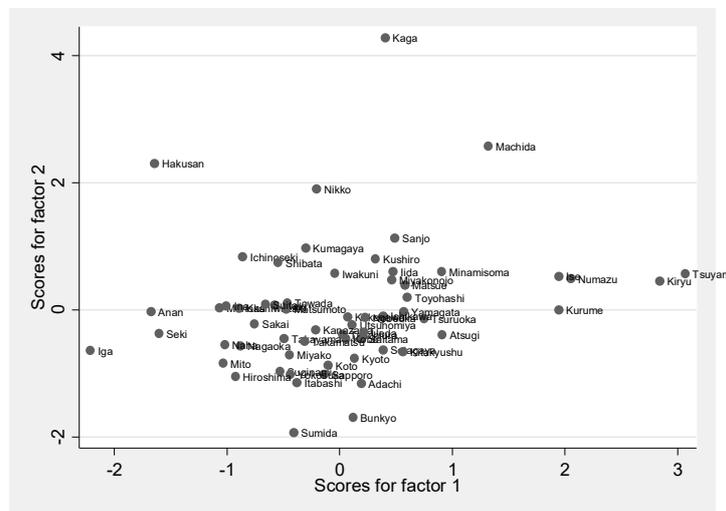
The surveys for NPOs asked the respondents to evaluate their organization's overall satisfaction with local government policies affecting the organization on a five-point scale ranging from 1 "not at all" to 5 "very satisfied". The NHA survey also queried the respondents about satisfaction with overall local services in the area where they live similar to the NPO surveys. To aggregate such categorical information at the city level, we calculated the sum of percentages answering either 4 or 5 for each city, indicating the percentage of those who clearly stated that they were satisfied with local services at the time of the survey. As for other variables denoting regional characteristics of cohesion, governance networks, and trust in government, we picked up all the variables relating to one of these elements from the survey data. These ordinal variables were aggregated in the same manner as the satisfaction variables mentioned above. Count variables as indices of governance network density were recoded as percentages at the individual level and then were averaged at the city level. The paper also utilizes non-survey data to control for local urbanization and municipal financial health. We use the natural logarithm of municipal population density as proxy for local urbanization, and for municipal financial health, the Financial Power Index (FPI) is used.<sup>6</sup> Finally, in order to measure the superiority of businesses as a control factor, we calculated estimated percentages of existing business groups in each city using the survey data.

As a first step towards building a comprehensive CSO model for good governance at the local level, this paper employs structural equation modeling (SEM). SEM comprises two parts, that is, structural model and measurement model. A structural model makes it possible to execute two or more multiple regressions using observed and/or latent exogenous and endogenous variables. In a measurement model, a confirmatory factor analysis (CFA) is conducted to estimate standardized factor loadings related to a latent variable. We test our theoretical framework using two separate structural equation models for NPOs and NHAs in the following section. As referred to previously, this paper takes up institutional settings, financial health, urbanization, and business superiority at the municipal level in accounting for satisfaction. However, this only applies to the model for NPOs, and we do not presume that municipal financial health and business superiority directly affect NHA satisfaction.

Variable	Factor 1	Factor 2	Uniqueness
Participation in decision making	0.611	0.149	0.565
Interaction between directors and general members	0.914	-0.111	0.195
Interaction among general members	0.913	0.045	0.147
Social connections	0.096	0.680	0.500
Contact with executive officials in local government	0.072	0.879	0.195
Contact with senior officials in local government	-0.104	0.890	0.237
Variance	2.192	2.186	
Proportion	0.365	0.364	

Rotation: oblique promax

**Table 1** Rotated factor loadings and unique variances for NPO variables



**Figure 2** Scatterplot of factor scores for NPO variables

## Results

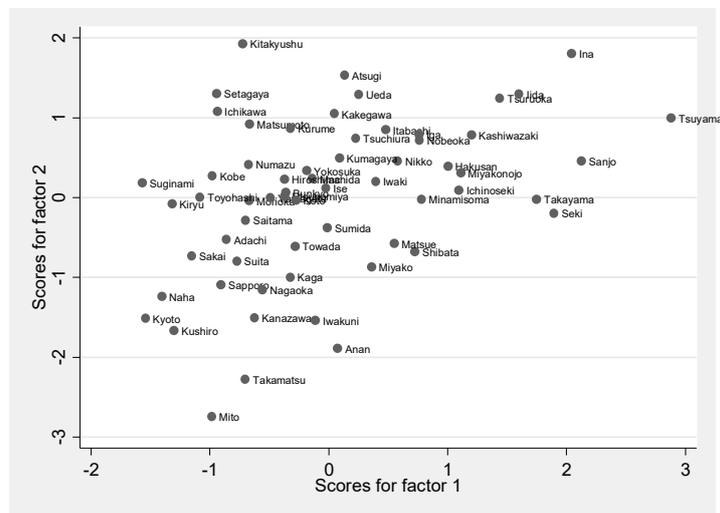
This section analyzes the survey data to examine the relationships between social capital and satisfaction as already shown in Figure 1. In order to select appropriate explanatory variables from among all related variables in the dataset, we first conducted a principal component factor analysis (PCFA) and extracted six social capital variables for each of the two structural equation models.

Table 1 shows the six NPO variables and their factor loadings for two factors extracted by PCFA using only these variables. It is clear that the six variables can be classified into two groups. In Table 1, Factor 1 indicates intra-group cohesiveness because such variables as “participation in decision making”, “interaction between directors and general members”, and “interaction among

Variable	Factor 1	Factor 2	Uniqueness
Interaction between old and newly arrived residents	0.844	0.002	0.286
Interaction between generations	0.892	0.053	0.163
Residents' daily cooperation	0.916	-0.034	0.186
Collaborating with other groups	-0.161	0.965	0.171
NHA president's social connections	0.085	0.819	0.266
Contact with corresponding section in local government	0.301	0.652	0.323
Variance	2.919	2.553	
Proportion	0.486	0.426	

Rotation: oblique promax

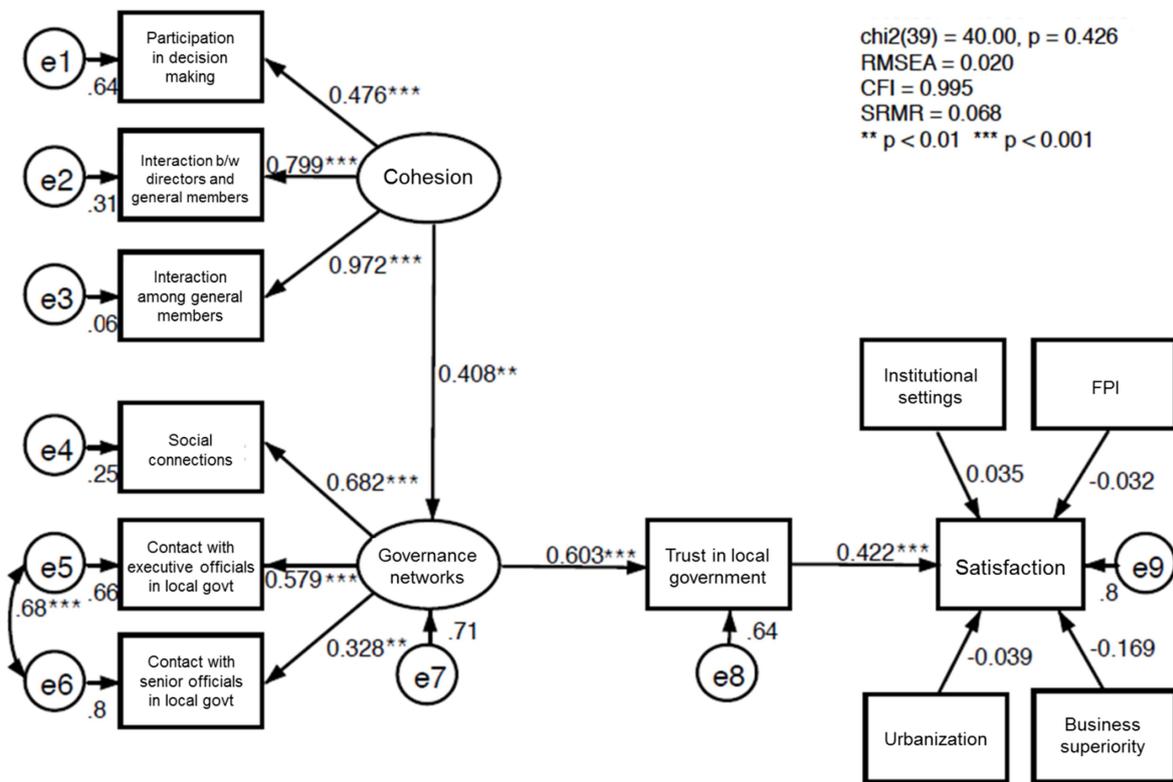
**Table 2** Rotated factor loadings and unique variances for NHA variables



**Figure 3** Scatterplot of factor scores for NHA variables

general members” are closely related to the factor according to these rotated factor loadings (Chronbach’s  $\alpha = 0.76$ ). It can be said that Factor 2 represents the rest of the variables related to governance networks, namely, “social connections”, “contact with executive officials in local government”, and “contact with senior officials in local government” ( $\alpha = 0.75$ ). All the cities from the sample are plotted using the factor scores in Figure 2. The scatter graph is useful to understand each city’s characteristics of social cohesion and governance networks.

In a similar vein, we ran a PCFA for the six NHA variables and obtained the results as shown in Table 2 and Figure 3. Taking a look at the results in Table 2, we can see that Factor 1 mostly explains the variances of such variables as “interaction between old and newly arrived

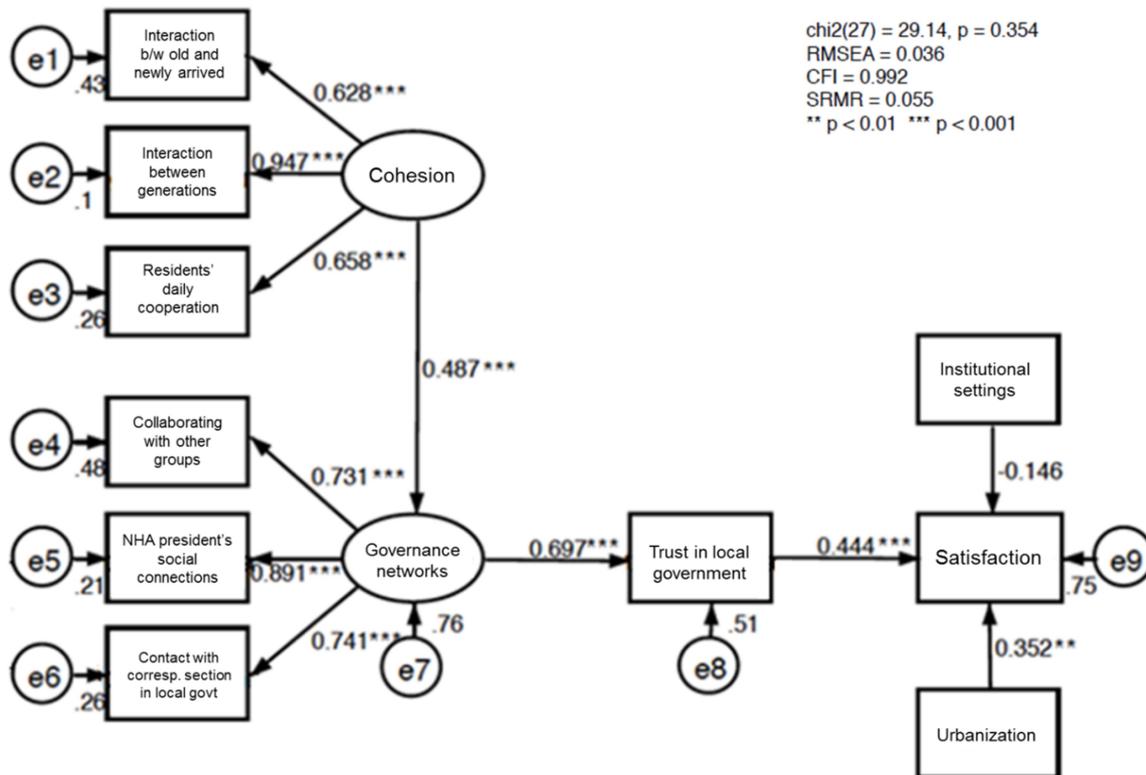


**Figure 4** Structural equation model predicting regional characteristics of NPO cohesion, networks, trust in government, and satisfaction

Note: Several paths are omitted in the diagram to avoid complexity. See Appendix B for the unreported estimates.

residents”, “interaction between generations”, and “residents’ daily cooperation” ( $\alpha = 0.86$ ). The latent factor for these variables can be interpreted as neighborhood-level cohesiveness. Factor 2 in Table 2 indicates NHA external networks by which the following variables are accounted for: “collaborating with other groups”, “NHA president’s social connections”, and “contact with corresponding section in local government” ( $\alpha = 0.72$ ). Comparing the data points in Figures 2 and 3, it is possible to suppose that NPOs and NHAs located in the same city may not share similar characteristics of cohesion and external networks. In the following, we use these groups of variables to extract latent variables based on CFA, which represent social cohesion and governance networks.

Figure 4 shows the final empirical model for NPOs. The goodness-of-fit indices shown in the figure indicate a good fit to the data given some additional causal directions, which we actually added but excluded from the path diagram since they are of little importance for the paper (See



**Figure 5** Structural equation model predicting regional characteristics of NHA cohesion, networks, trust in government, and satisfaction

Note: Several paths are omitted in the diagram to avoid complexity. See Appendix B for the unreported estimates.

Appendix B for full results). The three key variables, that is, cohesion, governance networks, and trust in government, are all statistically significant as exogenous variables accounting for each endogenous variable. Therefore, this empirical model does not contradict with our theoretical framework discussed earlier. With reference to the four control variables, none of them is statistically significant as factors explaining satisfaction. However, it may be worth noting that business superiority has a negative coefficient for satisfaction ( $\beta = -0.169, p = 0.167$ ). This implies there is still a possibility that other things being equal, local NPOs on average become more dissatisfied with municipal public policy as the number of business groups increases in the area.

Figure 5 illustrates the final empirical model for NHAs. As with the path diagram in Figure 4, the goodness-of-fit indices shown in Figure 5 indicate a good fit to the data given additional paths omitted from the final path diagram (See Appendix B for full results). The three key variables are all

statistically significant in the model. Thus, the NHA model is consistent with our theory as with the NPO model. As for the control variables for this model, urbanization is statistically significant, indicating that unobserved factors associated with urbanization are related to local citizen satisfaction. The two SEM results cannot reject the null hypothesis that formal municipal institutions are not directly related to satisfaction.

Conceptually, NPOs engage in social and political activities so as to advocate on their behalf and influence public policy, whereas individual NHAs are generally much more interested in improving their own neighborhood environment than in changing the whole civil society, as is often the case with NPOs. Despite this dissimilarity, the two estimated models have similar results. Therefore, our conceptual model (in Figure 1) fits the survey data for both NPOs and NHAs.

### **Toward an analysis of nondemocratic governance**

Governance matters because it could improve social well-being through associational networks and deliberation following the alleged decline of the state and representative democracy, if not limited progress in democratization. Not only in democracies, improving social well-being is a major task in any nondemocracy as well along with the need for prompt democratization. As mentioned in Introduction to the paper, measuring good governance should be more conducive to analytical justification when several factors are measured subjectively. To build a theory applicable to both democratic and nondemocratic countries, such indicators become more important. Democratization is certainly a major political challenge and thus is hard to accomplish. Taking this into account, improving community-level self-governance under less democratic conditions is a possible way of securing citizen well-being. Therefore, we need to consider the applicability of the above argument to local governance in nondemocratic countries.

In undertaking social research to pursue causal inference and generalization, quantitative analysis may well be methodologically tempting at times, and needed for further investigation following a number of qualitative case studies on governance whose current methodological perspective “certainly has explanatory ambitions, although not in the strict sense of seeking to identify causal mechanisms with a law-like status” (Torfing 2007: 32-33). As Pierre (2005) suggested regarding urban governance research, cross-national comparative research on social governance is rare compared to single-case studies. This is why governance-related causal mechanisms are stated somewhat blurringly, and mostly cannot be said to have been verified scientifically due to a small number of observations that are not sufficient to justify the propositions.

For those pursuing scientific research, such status may appear problematic. Therefore, confirmatory analysis, whether quantitative or qualitative, is required since exploratory case studies alone would not guarantee knowledge accumulation in a less biased way.

Speaking of bias, it is noteworthy that most studies concerning social governance deal with cases observed in the Western countries, making it inevitable to face the Western bias in building theoretical frameworks related to governance. With that trend in mind, delving into Japanese cases is meaningful if we can expect to obtain implications that do not necessarily contradict with Western patterns and also could be applicable to nondemocracies in Asia. In terms of providing more general insight as to governance research, Japan as the non-Western advanced industrialized democracy could be a bridge between the West and other Asian countries.

Due to virtual non-existence of representative democracy, free elections, and political freedom in the first place, nondemocratic governance clearly has its limits. As long as the state controls the whole society, citizens and local associations are not able to voice their needs explicitly in large part because these groups are not allowed to criticize the government. Notwithstanding, if the state leaves some leeway for social activities at the local or grassroots level, local associations may try to pursue their shared interests in cooperation with other horizontal groups and municipal governments (Libman and Obydenkova 2014; Simon 2013; Tsujinaka 2014). These observations emphasize the importance of maintaining relations with local governments for better governance, while such self-enforcing cooperation is only conditionally possible. Just as elected officials in democracies, nondemocratic leaders also have incentives to improve social well-being, but only occasionally so that they can maximize the probability of maintaining political power by means of fulfilling citizen satisfaction to the extent that the citizenry will not have an overt incentive to overthrow the regime (Acemoglu and Robinson 2005; Behrendt 2011; Boix 1998). As can be seen in Asia and Africa, local governance through decentralization may emerge resting upon political leaders' motivation (Saito 2008). That said, citizens are better off with such social innovation, but not necessarily in the long run due to the longevity of nondemocratic rule. This could be a major social dilemma, thereby requiring another social innovation conducive to democratic transition.

Summing up, whether the state *per se* is democratic or not, it is important for the researcher to delve into the relationships between municipalities and CSOs in rethinking good governance that stems from the local level in the sense of government-managed democratic networks or of grassroots-level social problem solving given state control over society. It is possible to say that the conceptual framework this paper has shown and statistically confirmed can be applied to cases in

which grassroots-level social governance is observable under limited political conditions.

## **Conclusion**

This paper has examined the relationships between social capital and citizen satisfaction at the local level using survey data. As our statistical results show, it is possible to conclude that social cohesion is positively related to local network density, and that this results in enhancing social trust in local government, thus bringing satisfaction with local public policy. Because research on social capital and network governance confirms that social trust enhances cooperation among citizens as referred to earlier in this paper, we assumed that the same is true for the relationship between CSOs and local government. However, this remains an issue to be empirically examined.

The indicators of institutional settings, municipal financial health, and the superiority of local business groups used in the analysis showed no significant direct effect on social satisfaction. Municipal urbanization, however, turned out to be a positive predictor in the NHA model, indicating some advantage in urban areas in terms of better policy output evaluated from the standpoint of local residents.

## Appendix A

### Survey questions for key variables

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#### **Satisfaction (NPO/NHA surveys)**

(NPO) How satisfied is your organization with local government policies affecting the organization?

(NHA) Tell us about your views on overall satisfaction with local government policies affecting your neighborhood.

1. Not at all
2. Not so satisfied
3. Average
4. Satisfied
5. Very satisfied

#### **Trust in local government (NPO/NHA surveys)**

(NPO) When announcing your organization's requests and opinions, how much can you trust local government?

(NHA) When announcing the NHA's requests and opinions, how much can you trust local government?

1. Not at all
2. Not very trustworthy
3. Average
4. Trustworthy
5. Very trustworthy

#### **Participation in decision making (NPO surveys)**

In your organization, how often do general members participate in actual activities such as management and decision making?

1. Never
2. Seldom
3. Sometimes
4. Regularly
5. Often

#### **Interaction between directors and general members (NPO surveys)**

In your organization, how often do directors and general members see each other in person?

1. Never
2. Seldom
3. Sometimes
4. Regularly
5. Often

#### **Interaction among general members (NPO surveys)**

In your organization, how often do general members see each other in person?

1. Never
2. Seldom
3. Sometimes
4. Regularly
5. Often

#### **Social connections (NPO surveys)**

What types of individuals can your organization contact? Please check all applicable members.

1. National Diet members
2. Senior officials in national government (higher than section chief)
3. Local legislators
4. Executive officials in local government
5. Senior officials in local government (higher than section chief)
6. Newspaper journalists
7. Television journalists

#### **Contact with executive officials in local government (NPO surveys)**

How often does your organization contact executive officials in local government as a means of direct lobbying?

1. Never
2. Seldom
3. Sometimes
4. Regularly
5. Often

#### **Contact with senior officials in local government (NPO surveys)**

How often does your organization contact senior officials (higher than section chief) in local government as a means of direct lobbying?

1. Never
2. Seldom
3. Sometimes
4. Regularly
5. Often

#### **Contact with corresponding section in local government (NHA survey)**

(NHA) How often does your NHA consult the corresponding section in local government to reflect the NHA's interests and opinions in policies?

1. Never
2. Seldom
3. Sometimes
4. Regularly
5. Often

#### **Interaction between old and newly arrived residents (NHA survey)**

In your NHA, how smoothly is interaction between old and newly arrived residents carried out?

1. Not at all
2. Not very smooth
3. Average
4. Smooth
5. Very smooth

#### **Interactions between generations (NHA survey)**

In your NHA, how smoothly is interaction between generations carried out?

1. Not at all
2. Not very smooth
3. Average
4. Smooth
5. Very smooth

## Appendix A (cont.)

### Residents' daily cooperation (NHA survey)

Generally speaking, how do residents interact with each other?

1. *Cooperate with each other with regard to daily necessities*
2. Regularly converse with each other
3. Greet each other politely
4. Have no interaction at all

### Collaborating with other groups (NHA survey)

Does your NHA collaborate with other groups and organizations? Please check all that apply from the following list.

1. Children's associations
2. Youth organizations
3. Senior citizens' clubs  
(Items 4-26 are omitted)
27. Police
28. Fire departments
29. Other organizations

### NHA president's social connections (NHA survey)

With what types of individuals do you usually interact privately and publicly? Please check all applicable members.

1. Local welfare commissioners and child services commissioners
2. Directors of youth associations and fire brigades
3. PTA directors  
(Items 4-7 are omitted)
8. Senior officials in the local government (higher than section chief)
9. Local and national politicians
10. Others

### Institutional settings (Local government survey)

Were the following items regarding civic activities enacted by the local government? Please check all that apply.

1. Regulations on information disclosure
2. Self-government basics bylaw
3. Referendum bylaw  
(Items 4-39 are omitted)
40. Position classification review procedures
41. One stop services
42. Urban planning bylaw

Are the following items regarding public services implemented by the local government? Please check all that apply.

1. Hire additional staff in community safety department
2. Operate community safety patrols
3. Support resident-led crime prevention activities  
(Items 4-33 are omitted)
34. Provide support for entrepreneurs
35. Collaborate with youth associations and the like
36. Other plans regarding local industry promotion

Are the following items regarding public services implemented through outsourcing? If so, please check all applicable service providers.

(Some items chosen arbitrarily)

1. Trash collection (private sector)
  10. Public libraries (NPOs)
  11. Parks (NHAs)
  19. Community centers (NHAs)
-

## Appendix B

Structural equation model for NPOs			
	Coef.*	Std. Err.	P>z
Participation in decision making <-			
Business superiority	0.368	0.094	0.000
Cohesion	0.476	0.098	0.000
Intercept	2.812	0.446	0.000
Interaction between directors and general members <-			
Urbanization	0.217	0.076	0.004
Cohesion	0.799	0.069	0.000
Intercept	2.696	0.427	0.000
Interaction among general members <-			
Cohesion	0.972	0.066	0.000
Intercept	4.217	0.403	0.000
Social connections <-			
Governance networks	0.682	0.118	0.000
Urbanization	-0.260	0.145	0.074
Institutional settings	-0.136	0.141	0.334
Intercept	9.478	0.603	0.000
Contact with executive officials in local government <-			
Social connections	0.579	0.126	0.000
Intercept	2.383	0.505	0.000
Contact with senior officials in local government <-			
Social connections	0.328	0.140	0.020
Urbanization	-0.210	0.091	0.021
Intercept	3.907	0.469	0.000
Governance networks <-			
Urbanization	-0.345	0.195	0.077
Institutional settings	-0.018	0.217	0.935
Cohesion	0.408	0.130	0.002
Trust in local government <-			
Governance networks	0.603	0.114	0.000
Intercept	3.165	0.473	0.000
Satisfaction <-			
Trust in local government	0.422	0.108	0.000
Business superiority	-0.169	0.122	0.167
Urbanization	-0.039	0.151	0.799
FPI	-0.032	0.128	0.801
Institutional settings	0.035	0.142	0.805
Intercept	1.018	0.836	0.223
var(e.1)	0.638	0.100	
var(e.2)	0.314	0.108	
var(e.3)	0.056	0.128	
var(e.4)	0.246	0.094	
var(e.5)	0.664	0.123	
var(e.6)	0.799	0.145	
var(e.7)	0.708	0.106	
var(e.8)	0.636	0.137	
var(e.9)	0.798	0.136	
cov(e.5, e.6)	0.678	0.076	0.000
Estimation method: maximum likelihood estimation			
Log likelihood: -2114.308			
* Standardized			

## Appendix B (cont.)

Structural equation model for NHAs			
	Coef.*	Std. Err.	P>z
Interaction between old and newly arrived residents <-			
Urbanization	-0.246	0.096	0.011
Cohesion	0.628	0.086	0.000
Intercept	4.359	0.496	0.000
Interaction between generations <-			
Cohesion	0.947	0.045	0.000
Intercept	3.068	0.297	0.000
Residents' daily cooperation <-			
Urbanization	-0.356	0.079	0.000
Cohesion	0.658	0.073	0.000
Intercept	3.248	0.375	0.000
Collaborating with other groups <-			
Governance networks	0.731	0.077	0.000
Urbanization	0.194	0.094	0.039
Intercept	5.827	0.688	0.000
NHA president's social connections <-			
Governance networks	0.891	0.066	0.000
Intercept	5.458	0.509	0.000
Contact with corresponding section in local government <-			
Residents' daily cooperation	0.238	0.104	0.022
Governance networks	0.741	0.097	0.000
Intercept	1.848	0.296	0.000
Governance networks <-			
Cohesion	0.487	0.116	0.000
Trust in local government <-			
Governance networks	0.697	0.075	0.000
Intercept	5.577	0.520	0.000
Satisfaction <-			
Trust in local government	0.444	0.103	0.000
Urbanization	0.352	0.128	0.006
Institutional settings	-0.146	0.133	0.275
Intercept	-0.958	0.753	0.203
var(e.1)	0.430	0.089	
var(e.2)	0.104	0.085	
var(e.3)	0.264	0.067	
var(e.4)	0.480	0.104	
var(e.5)	0.207	0.105	
var(e.6)	0.258	0.117	
var(e.7)	0.755	0.104	
var(e.8)	0.515	0.090	
var(e.9)	0.755	0.113	
cov(e.5, e.6)	-0.874	0.585	0.135
cov(Cohesion, Urbanization)	-0.374	0.087	0.000

Estimation method: maximum likelihood estimation

Log likelihood: -2015.708

\* Standardized

## Notes

1. See, for example, Swindell and Kelly (2000) for assessment errors in citizen surveys.
2. The authors understand that analyzing aggregate data will likely cause an ecological fallacy in inferring a causal relationship between two or more variables. Due to this reason, we only consider city-level causal propensities and avoid talking of individual-based causal effects in referring to the models this paper employs.
3. Throughout the paper, we use municipalities and local/municipal governments interchangeably.
4. See Pekkanen, Smith, and Tsujinaka (2014) for this paper's basic viewpoint towards NPOs.
5. The four surveys (for social organizations, NPO legal persons, neighborhood associations, and local governments) were conducted nationwide circa 2007 by a research project named Japan Interest Group Survey at the University of Tsukuba, which was sponsored by Japan Society for the Promotion of Science (MEXT/JSPS Grant-in-Aid for Specially Promoted Research Grant Number 17002001, "A Comprehensive Empirical Study on the Three-Level Civil Society Structure and Governance in Japan, South Korea, the United States, Germany, and China in Comparative Perspective"). The survey sample sizes are as follows:
  - Social organization survey: N = 15,791
  - NPO legal person survey: N = 5,127
  - NHA survey: N = 18,404
  - Local government survey: N = 1,179.
6. The data including these variables were retrieved from Japan Statistics Bureau's website.

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