

“Measuring the Productive Efficiency of the Designated Manager System for the Japanese Public Halls”*

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ABSTRACT

This paper attempts to measure how the productive efficiency of Japanese public halls has changed following the introduction of the Designated Manager System (DMS). The DMS is a Japanese system which was introduced for public halls around 2006. As a result of the DMS, local governments can introduce market mechanisms into the public sector. It is predicted that the DMS has forced the managers of public halls to be more cost conscious, leading to an improvement of the soft budget problem. That is, the frontier production function for public halls would be shifted outwards and inefficiencies would be smaller as a result of the introduction of the system. An original unbalanced panel data set from 2004 to 2009 on 200 randomly chosen public halls was used to estimate a stochastic production frontier. The sample of 200 is roughly 10 % of the total number of public halls. The results of this analysis suggest that the introduction of the DMS did lead to an upward shift of the production frontier, but it did not lead to any changes in the efficiency of production. To be precise, as a result of the introduction of the DMS, Technical Efficiency decreased, Allocative Efficiency increased, and Productive Efficiency decreased a little. As a result, it appears that the DMS has contributed to some facilities cutting costs.

Keywords: designated manager system, public hall, technical efficiency, allocative efficiency, productive efficiency, stochastic frontier analysis, data envelopment analysis.

JEL Classification Codes: H76, H32, D24

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