

Tanaka: 'Shogun of the Darkness'

THE JUDGES knocked a year off Kakuei Tanaka's gaol sentence as a mark of their esteem for his services to Japan.

So he was given a 4-year term for accepting a 500m yen bribe from the Lockheed aircraft corporation.

Mr. Tanaka is no ordinary politician: he is known as the "shogun of the darkness" in Tokyo's corridors of power.

Prime Minister Yasuhiro Nakasone held his office by courtesy of Tanaka, who controlled the largest faction in the ruling Liberal Democratic Party. Tanaka refused to resign from the Diet (Parliament). The Opposition withdrew cooperation and forced Nakasone to call the election on Dec. 18.

Kakuei Tanaka's major service to his country – and maybe the world – has been a perverse one: he simultaneously exposed – in theory and practice – the corrupting influence of land speculation on the industrial economy.

No man was better qualified to attack the impact of rapidly rising land prices on consumption, investment and people's living standards, than the crook who was himself stripped of the Prime Minister's role because of his shady land deals.

TANAKA was destined for great things in Japan's political system because he knew how to make – and spend – the "big bucks".

The son of a bankrupt horse-dealer, he married a landlord's daughter and headed his first construction company at the age of 28.

He entered politics by standing in his home constituency, Niigata, a poverty-stricken end of the country known as "the backside of the nation." Some of his constituents, however, were to share in the spoils that he was able to direct their way, thanks to his expertise at pulling political strings.

And so began a lifetime's work of dealing in land and power. The one thing that made his reputation, and clinched the Prime Ministerial job, was the publication of a book in 1972. *Building A New Japan* was nothing less than a blueprint for remodelling the archipelago.

Tanaka produced statistics to show

By Fred Harrison

that the conurbations were overcrowded, that land was in short supply, and that it was necessary to establish new urban centres far from the pollution of Tokyo and Hiroshima.

Tanaka's evidence was the product of a theoretical approach that directed blame for urban problems on to the conventional Aunt Sallys like over-population.

This thesis – too many people on too little land – has now been exposed by Professor Yuzuru Hanayama in an unpublished MS.²

TANAKA'S DEALS



KAKUEI Tanaka found that land speculation dove-tailed neatly with his interest in politics, as illustrated by some of his deals.

● As leader of the Liberal Democratic Party, he arranged for the release of public land to his friends at bargain prices.

● A large slice of his fortune was made in selling his land to his government at inflated prices, giving him a 2,000 to 3,000 per cent profit – and then securing the building contract for one of his companies.

● A group of farmers were told by Tanaka – who at the time was Finance Minister – that it was not possible to build an embankment around their land to stop flooding. So the farmers sold their land to one of Tanaka's companies for £160,000. A year later, the government built the embankment and the price of the land rocketed.

● A Tanaka property company bought 40,000 sq. metres of a stony river bed for 15p per square metre. Three months later the government announced plans to build an atomic power reactor on the site, and paid Tanaka £3.90 a sq. metre.

By carefully challenging the assumptions and the statistics, Hanayama demonstrates that Tokyo is *not* short of land – a conclusion, of course, which removes the justification for resettling people on the peripheral edges of Japanese society.

Hanayama's work is a trenchant critique of conventional wisdom as it relates to economics and urban policy. He identifies Tanaka as one of the culprits in the war of misinformation, and adds:

"But people understand now that they do not fabricate a policy to solve the problems but to accumulate their own fortune."

He analyses the official reports on which Tanaka drew for his policy prescriptions, and attacks the use of statistics as "tricks".

Japanese families suffer from the worst housing conditions in the industrial world, cramped into tiny accommodation for want of the ability to buy land. The suffering is unnecessary, however. Hanayama concludes:

"Now, it is clear that what lies behind the housing land difficulty is not a shortage of housing land in terms of absolute space, but the fact that its distribution is not fair."

By reinforcing orthodox views about a shortage of land for development, Tanaka was able to promote his view on what ought to be done about it. In Hanayama's words, this "resulted in limiting the range of policy options".

The citizens of Japan were shocked, in 1974, to learn that much of the land on which their Prime Minister proposed to build their new towns was owned by his own companies.

PERVERSELY, however, Tanaka deployed arguments which destroy both the moral and economic justification for private ownership of the beneficial rights in land.

Noting the accelerating increase in land prices in the 1960s, Tanaka clinically examined the economic consequences: high land prices dislocated the growth of urban centres like Tokyo, priced decent homes out of the reach of wage-

earnings, deterred the creation of new factories, distorted the locational pattern of industries, and inhibited the development of agriculture.

The growth of Japan's cities, wrote Tanaka, "has been without direction or planning. Land prices have been the dominant factor." This forced urban sprawl on to cheaper land in outlying districts.

"Consequently, homes get farther and farther away from places of work, business efficiency is reduced, and the socio-economic costs of the cities go up."³

Tanaka drew on experience in New York, where the Housing Authority bought and cleared slums and sold the land to developers. The developers, he noted "build high-rise apartments to rent at very low rates. This is possible because the Authority sells the land to private developers at a low enough price, calculated on future rents, that they will find it still a paying proposition.

"The New York experiment also suggests bold new approaches applicable in Japan where rising land prices have forced even public housing projects to charge such high rents that some have been left unoccupied."⁴

If Tanaka's view on the shortage of land can be challenged, his account of land prices is correct. Over the last 20 years, they have risen on the average by 15 per cent per annum.

Two Japanese authors have recently corroborated Tanaka's account of the economic impact of

JAPANESE CONSTRUCTION INDUSTRY							
Private residential investment (1975 prices)							
% share in GNP: 1981	Average annual			% change from previous year			
	1967-73	1973-78	1978-82	1979	1980	1981	1982
5.9	14.7	1.1	-3.6	-1.0	-9.4	-2.6	-1.0
Construction: employment trends (% change, annual rates)							
% share in total employment: 1982	1960-73		1973-82				
	1960-73	1973-82					
9.6	4.8	1.6		3.1	2.2	-0.7	-0.6

SOURCE: Japan, Paris: OECD, July 1983.

rising land prices. Masahiko Honjo of the International Development Center and Tokunosuke Hasegawa of the Japan Sewerage Projects Agency wrote:

"... as long as the rate of increase in land prices is high and it is more profitable to keep land than to invest money in something else, there will be no incentive to sell land. Thus the supply of developed land lags behind demand and further increases land prices."⁵

It is this vicious circle that the policy-makers of Japan – and the rest of the Western world – have failed to break, not least because politicians like Tanaka would have too much to lose.

OTHERS have benefitted from the Tanaka style of politics, of course – mainly those in his constituency.



● Ken Hanayama

land, which was their life, they would take away my life by stopping my brain."

The death threats continued for a month, and were made to both his home and office. The experience shook the youthful professor, and he is now cautious about openly challenging the vested interests.

Prof. Hanayama stumbled on to the solution to imperfections in the land market when he came across a copy of a book by Yoshisaburo Yamazaki called *Henry George no Tachi Seido Kaikaku* (Henry George and Land Reform), published by Izumiya Book Store in 1961.

● A "bullet train" track was laid from Tokyo to Niigata City, which loses millions of pounds a day because nobody wants to ride on it. Why did Tanaka have it built? Farmers in his constituency made fortunes out of selling land to the National Railways.

● Every year, Tanaka sent his head butler round the constituency with officials from the Construction Ministry (since 1972, Construction Ministers have been members of the Tanaka faction). The butler asked the constituents what they wanted, and the ministry provided the new roads, bridges and pavements.

By judiciously bank-rolling the politicians, Tanaka built himself into the most powerful kingmaker in Japan since the Meiji Restoration in the 1870s.

But even by the standards of Japanese democratic politics, the conviction for bribery was too much for the Diet (Parliament). Business was frozen as the opposition parties demanded his resignation, leaving Prime Minister Nakasone in a cleft stick.

He had to either defend a convicted bribe-taker, or offend his patron.

Tanaka refused to go quietly, and he has now appealed against his conviction. But whatever happens to the errant *shogun*, economists undoubtedly owe him a debt of gratitude.

He proved to the world, by deed and word, that land speculation can stop progress and prosperity in its tracks.

REFERENCES

1. Kakuei Tanaka, *Building A New Japan*, Tokyo: The Simul Press, 1973.
2. Yuzuru Hanayama, "Land Policy in Urban Region – A Case Study on Tokyo", Unpublished MS.
3. *Op. cit.*, p. 195.
4. *Ibid.*, p. 205. For a full account of the last 100 years of Japanese economic history, and Tanaka's role in formulating economic policies, see Fred Harrison, *The Power in the Land*, London: Shepherd Walwyn, 1983, Chs. 11 and 12.
5. Masahiko Honjo and Tokunosuke Hasegawa, "The Nature and Background of Land Problems in Japan", paper delivered to the Second World Congress on Land Policy, Cambridge, Mass., June 1983, p. 16.

Death threats to professor

DEATH THREATS flew thick and fast when Yuzuru ("Call me Ken") Hanayama went on TV to propose that land values ought to be taxed.

The drama began after he appeared on a talk-show with farm representatives.

The 39-year-old professor of economics at Tokyo's Institute of Technology had made a careful study of the land market.

And he concluded that Japan needed a 2.4 per cent tax on the capital value of land, which is equivalent to 40 per cent of the annual income from land (assuming a 6 per cent rate of return).

"Immediately after the TV show, my wife and I started receiving death threats," Prof. Hanayama told *Land & Liberty*.

Pointing to his head, he recalled: "They said that if I took away their