

Editor: Fred Harrison

Editorial Consultant: Vic Blundell

Editorial Offices:
177 Vauxhall Bridge Road,
London SW1V 1EU
Tel: 01 834 4266

5 East 44th Street,
New York, N.Y. 10017
Tel: 212 697 9880

ISS No. 0023-7574
Vol. XCI
Nos. 1,076 & 1,077

Annual subscription:
U.K. & Sterling area: £5
USA \$10, Canada \$11



JAPAN'S TANAKA

Fred Harrison 3

ZIMBABWE'S LAND

Peter Poole 5

SEX BUSINESS

Ian Barron 6

RENTS & RATES

Paula James 7

SOLUTIONS OR SCAPEGOATS?

Michael Gilbert and
Vic Blundell 8

SLAVERY 1984

Alan Whittaker 10
Paul Knight 11
Bert Brookes 12

LAND MONOPOLY

Anonymous thesis 14

EL SALVADOR

Peter Poole 16

INDIAN RIGHTS

Paul Knight 17

BOOK REVIEW

Ian Barron 18

LETTERS

..... 19

SINN FEIN

Bert Brookes 20

Japan's sunset?

THE JAPANESE economy is at a dangerous turning point.

Prospects look good for a climb out of the recession, but Prime Minister Yasuhiro Nakasone's attempt to fight protectionism in international trade may rebound on him.

The Government has decided to dismantle all controls on foreign investment in Japanese real estate. This is intended to appease the industrial countries that have been flooded with Nikon cameras and Toyota cars.

Officials in Tokyo believe that there is a pent-up demand for Japanese property, but that a significant inflow of foreign money would not harm the domestic economy.

They are wrong!

The property market can inflict extensive damage on the rest of the economy when get-rich-quick operations in the land market get out of hand.

European entrepreneurs and their employees discovered this when British speculators took their cash into Brussels and all points north and east in the early 1970s. They made some quick fortunes before the fever took over and sent continental economies into a tail-spin.

Land speculation sumps activity away from productive sectors and has the ultimate effect of reducing both consumption and investment, evidence for which we need look no further than the testimony of that now-infamous former prime minister, Mr. Kakuei Tanaka (see page 3).

The end result is a cut in employment and living standards.

● This happened in Japan in 1972 and 1973, ordaining the biggest crash in the post-war years irrespective of the OPEC oil producers' decision to force up their prices.

● It happened again in 1978 and 1979, consequently terminating the recovery that was well on the way.

The performance of the housing industry foreshadows

what happens to the rest of the economy.

In 1981, land prices rose by 11.4 per cent over the previous year. Investment and employment in the housing sector came down sharply (see table, page 4).

The rate of increase in land prices slowed up in 1982 (8.3 per cent), and early in 1983, price increases moved towards relative stability (5.1 per cent).

This augurs well for Japan. As the OECD's Paris-based secretariat observed: "... the recent decline in construction material prices, and deceleration in the rise of land prices, should continue to stimulate residential construction in the months ahead."*

An upward trend in the construction sector pulls the vast number of ancillary industries up with it, thereby generating new investment and consumption to the point of heavily determining general prosperity.

So movements in land prices are crucial, a fact which, in the macro-economic context, is ignored by the economic forecasters and the politicians who shape policies.

By itself, the liberalisation of foreign investment in Japanese real estate will not be a significant problem in the next few years: at the present time, European investors are too preoccupied with real estate in the U.S.

But the nationality of the land speculator is irrelevant. Domestically-generated speculation was sufficiently intense to distort the Japanese economy in 1974 and 1979.

Unless Mr. Nakasone moves quickly to limit home-grown speculation, the labour market will continue to weaken, and the fragile three-quarter per cent increase in GNP that is predicted for this year (above last year's 3 per cent) will not materialise.

The sun, as the Japanese have now found to their cost, can set on the miracle economy.

*Japan, Paris: OECD, July 1983, p.33.