

The Georgist Journal

Number 57

Autumn 1987

Comment

LAND PRICES THREATEN JAPANESE ECONOMY

Japan is now reckoned to be the leading industrial power in the world, ahead even of the U.S. Their products and presence are everywhere and their financial clout is world-wide.

However, a cautionary word is in order when we speak in the abstract of a nation of many millions. Remember how "foreign aid" was defined: "Contributions taken from poor people in rich countries to give to rich people in poor countries." We have to make some distinctions about "Japan" too.

An article in Forbes magazine of July 27, "Land of the Rising Billionaires" by Andrew Tanzer, said there are now more billionaires in Japan than in the U.S. But, says the article, the average Japanese urban wage earner has not gained much from the surging economy. He pays exorbitant food costs because "a byzantine distribution system" keeps prices artificially high. And "a primitive tax system has jacked housing costs to incredible heights, making overnight multimillionaires out of anyone lucky enough to have bought a tiny piece of land in Tokyo a few years back."

"It is no accident," the article continues, "that 14 of the 22 billionaires we have identified owe the bulk of their fortunes to real estate. The real estate inflation has been unreal." These imbalances are of course creating problems and there is foreseeable trouble ahead. We need to keep such things in mind when we speak of "Japan."

The current Japanese Renaissance dates from the years after World War II. General Douglas MacArthur, as the occupying chief, instituted reforms that gave Japan a new start. Democracy was instituted, the feudal system was abolished and land was redistributed. The country was also relieved of the burden of maintaining a huge military force. It was not long before enterprising Japanese surged forward and built up their impressive economy.

Unfortunately, when land was redistributed, scant attention was paid to the method of land value taxation as a way of coping with rising land values. A land distribution may do some temporary good. In the case of Japan, 40 years later the benefits have been wiped out by land speculation and soaring land values. Land value taxation is a sustainable way of fostering growth without these crippling results.

Will other countries learn? The Philippines are now in the throes of their land question. Will they go down the same paths that have already led to failure in so many countries where "land distribution" has been tried (in many cases with much bloodshed)? The right path of land reform via land value taxation still has to be learned.

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