

JAPAN'S war-torn economy recovered some semblance of normality in 1955. Eighteen years later, at the height of the land boom, Prime Minister Kakuei Tanaka was disgraced when his dirty deals were exposed.

Tanaka made his fortune as a construction contractor. He became Japan's youngest Prime Minister in 1972, at the age of 54. From this position of power he initiated large-scale public works projects under an ambitious programme for remodelling the archipelago. He even wrote a book about his urbanisation plans. Government spending pushed up land prices, and Tanaka pocketed some of the proceeds. His career as Prime Minister came to an end in November 1974.

Two years later he was arrested on charges arising from the Lockheed bribes scandal. He was sentenced to four years in prison (he has appealed against the judgement) but he continued to wield influence as head of one of the most powerful parliamentary factions.

Tanaka, now aged 71, earned his reputation as the "generalissimo in the dark." He says he will not seek re-election this year. His departure, however, does not remove scandal from the highest political circles; scandal which has its roots in the get-rich-quick psychology of land speculation.

WITH THE slump of the mid-seventies, the land market cooled off. People got down to the serious business of making wealth for the benefit of the world's consumers.

But if there is anything in the theory that the land market operates in cycles of 18-year duration,¹ we could expect a land boom in the late 1980s — and heading for a pre-crash peak around 1991. And that is how events are panning out today.

- Urban land values tripled in the 1980s, making it even harder for wage earners to save enough money to buy homes for their families. Japanese workers, the most productive in the world, are among the worst housed in the industrial nations. According to a recent Nomura Research Institute report, the average cost of residential land in the whole of Japan in 1985 was Y69,000 per square meter, compared with Y3,000 in the US and Y4,600 in Britain.

- The Paris-based secretariat of the OECD has revealed that the land of Japan is worth more than the combined value of the US, Canada and France.² This makes it extremely difficult for foreign entrepreneurs to establish bases in Japan, in contrast to the prices that Japanese firms have to pay for industrial sites in the US or the UK.

- The most "over-heated" market is Tokyo's. A factory cleaner recently retired and sold his central city home — and pocketed millions of dollars from the sale! Not surprisingly, even foreign embassies have had to close down because they cannot afford Tokyo rents.

FOR the last two years the financial authorities have urged banks to curb their loans to land speculators — to no avail. Speculation has become a national sport. That sport spilled over into politics when a newspaper revealed that property shares had been generously salted out to influential politicians by Recruit, a company that knew how to make friends of men in power.

Property tax sh cost Japanese

A CRISIS meeting of the Japanese government's cabinet was convened by Prime Minister Toshiki Kaifu just before Christmas. This was the latest official recognition that the land market is having an ominous impact on the Japanese economy. Corruption in the land market is also spilling into the political arena, and could cost the ruling Liberal Democrats dearly in February's elections. Ironically, writes FRED HARRISON, the story is a re-run of events in the early 1970s.



• Disgraced: Kakuei Tanaka



• Prime Minister Toshiki Kaifu

Those politicians — or their cronies — sold the shares and made a handsome profit from the booming property market.

Land scandals, once again, tarnished the reputations of some of Japan's top leaders. Because of the high prices, ordinary punters could not buy land itself, so they turned their attention to the shares of firms that were identified as owning valuable, undeveloped sites. This has been the main drive behind the record rise in the price of equities.

Early last year, however, investors realised that the prices of shares of firms located in Tokyo had reached unsustainable levels. So they switched their attentions to firms with land outside the capital. Result: real estate agents now report that there has been a sharp rise in the price of land in provincial cities.

These prices are catching up with levels in Tokyo. According to the Japan Real Estate Research Institute, prices in Osaka were traditionally 60% of those in Tokyo; they are now closer to parity.

Against this alarming trend, the Japanese authorities now concede that they need to reform the property tax. This new awareness is partly the result of pressure from Washington, which has recognised that the Japanese land market has distorted inter-

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REFERENCES

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