

## The Structure of Urban Land Administration during the Bubble Economy : Control Systems and Their Operations

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### 1. Introduction

In this article the author examines Japanese land administration, its structure, operation and the problems it creates during the bubble economy. The author focuses on the issues of land transaction control and systems to manage idle land.

The most recent series of land price rises began in Tokyo's central commercial districts some time in 1985<sup>1)</sup>. But this was not the first time that land process had skyrocketed in Japan; in fact it was the third "bubble" since WWII. The first (Bubble 1) ballooned between 1960 and 1961 when the Income Doubling Plan began. The second (Bubble 2) formed between 1971 to 1974 when prime minister Kakuei Tanaka's plan to remodel the Japanese archipelago touched off frenzied speculation. This third one (Bubble 3), however, far exceeded the others in both scale and consequence. Land prices in Tokyo became the most outrageous in the world<sup>2)</sup>.

Although Bubble 2 spread to the whole country, Bubble 3 mainly affected land prices in the Tokyo Region<sup>3)</sup>. The primary reason for the creation of the bubble was the functional overconcentration of economic, social and political power in Tokyo. Demand for office space sharply increased in central Tokyo in the mid-1980s and was further stimulated by investment in real estate (for the purpose of property ownership) and short-term land speculation backed by low interest rates and a surplus of money. One particular land lot was bought and sold 4 times in 10 months.

The government was also at fault. Through its policies of deregulation and private-sector vitalization, the government sold state-owned land lots (e.g. land owned by the national railway) through auctioning. The unreasonably high prices commanded by these lots had a ripple effect on land prices in neighboring areas. The Tokyo Metropolitan Government (TMG), which felt the effects of Bubble 3 earlier on, was quicker in its response than the national government<sup>4)</sup>. In October 1986 the TMG

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enacted an ordinance on fair land transactions to mandate the notification of transactions of small land lots (less than 2,000 square meters) and implemented it in the 5 central wards in December the same year. The number of wards covered by the ordinance was increased to 14 in January 1987; to all 23 wards plus 2 cities in April; and to 23 wards and 13 cities in July that year.

TMG's ordinance was the first in the country to address the issue of land transaction prices—although it covered only the price and not the purpose of the land transaction. The TMG's notification system was followed by the amendment of the National Land Utilization Planning Law by the National Land Agency in August 1987. At this point, we should briefly review the history of this agency and the National Land Utilization Planning Law.

The National Land Agency was established in 1974, during Bubble 2 and was empowered to formulate basic land use plans. The National Land Utilization Planning Law (‘Land Law’), enacted in conjunction with the establishment of the National Land Agency, aimed to “stipulate matters necessary in formulating the National Land Use Plan, formulate land use basic plans, take measures to control land transactions and to coordinate land use, thereby promoting comprehensive and planned use of the national land (Article 1).” The law includes articles on the National Land Use Plan, land use basic plans, permission and notification of transfer of rights on land and measures for idle land. Article 12 in this law is particularly significant in that it authorizes prefectural governors to slap the definition of “Control District” on any area where land prices have sharply increased due to speculative dealings. In areas other than the Control District, notification of sales (transfer of rights) of land lots was required (Article 23). Within the Control District the governor can reject transactions where the price and use purpose is not fair and can thus stop speculative dealings. As described later, however, this system has never been used.

The Land Law underwent a major amendment in 1987 with the establishment of the Surveillance District System (Article 27). Under this system the prefectural governor can label as a “Surveillance District” any area where land prices have sharply increased (or are likely to increase) and where the fair and rational use of land is likely be hampered. Other amendments included the revision of systems to control speculative short-term transactions and facilitate the use of idle land.

The amendment of the Land Law was followed by the enactment of the Basic Land Act, sometimes referred to as the “Constitution” of land, in December 1989. The Basic Land Act stipulates policy guidelines for the national and local governments and norms for conduct for the citizens and businesses with regard to land. The Act sets four basic principles: a) priority given to public welfare in land use, b) fair and planned use of

land, c) control of speculative dealings, and d) an appropriate bearing of burdens in accordance with benefits gained.

By the time the government had prepared these tools to tackle the land problem, the land price hike in central Tokyo and the commercial districts of the three metropolitan regions had already peaked. These tools to control short-term land resale and these systems to facilitate the use of idle land were considered to be emergency measures only. In later years the introduction of the Control District system was discussed by a study group formed jointly by the National Land Agency and prefectures and municipalities in the Tokyo region<sup>5</sup>. But this too was after the land prices had peaked. The capping of prices of land sold by the government had to wait until the August 1987 decision on the amendment of the Land Law, following repeated requests from the TMG. Even then, implementation did not come until November 1991.

All these examples show that the national government was slow in taking measures involving land. And when measures were taken, they tended to be symptomatic and did not lead to any effective solutions. The sectionalism within the national government was partly to blame. The National Land Agency lacked sufficient power to take the initiative and coordinate with the Ministry of Construction, Ministry of Agriculture, Forestry and Fisheries, Ministry of Finance and other related ministries and agencies<sup>6</sup>. Land policies including restrictions on land transactions, financial regulations and land tax systems coexisted without any effective interaction and any effort of coordination.

Land prices themselves are a significant example of the lack of intra-governmental coordination in this country. Japan has, basically, four types of officially evaluated land price besides the market price: a) the posted land price (*koji chika*) announced based on the Land Price Publication Law; b) the land price determined based on the Land Law (*kijun chika*) c) the land price used to determine the amount of inheritance tax (*rosenka*) ; and d) the land price to determine the amount of property tax (*hyokagaku*).

The latter two are determined by the Ministry of Finance (i.e. its tax administration agency). Ministry of Finance policies influence other land policies. Unfortunately however, this ministry made the fatal mistake of lagging behind in financial liberalization and internationalization. Although some have said that the restrictive lending policies imposed during Bubble 3 helped curb bubble growth, these policies set the stage for a disastrous financial failure by opening up funding routes for housing loan companies (Jusen) and financial institutions affiliated to agricultural cooperatives<sup>7</sup>.

People outside Japan may wonder why the Japanese failed again to address the land issues during Bubble 3 despite all the restraints described above. To answer this

question the author shall focus on the Surveillance District System in the following section, its implementation and what problems it faced. The author will analyze the factors which obstructed the implementation of a comprehensive urban policy and land administration.

## 2. Structure and Function of the Surveillance District System

A system to control land transactions was first introduced in 1974, during Bubble 2, by the Land Law<sup>8)</sup>. This was the first attempt by the government to intervene in land transactions. Under this law, land transactions are controlled by three major measures: a) the Control District=Permission System (Article 12-17); b) the Notification System (Article 23-27); and c) Control on Idle Land (Article 28-35). The first two, a) and b), were to allow the government, which traditionally restricted only the act of development (and not the sale of land), to go overstep that boundary and control the land transactions themselves<sup>9)</sup>.

The Control District and Notification System required coordination among the government sectors responsible for land transactions, finance and taxation, and the macroeconomic policy of the central bank. The agency that assumed this role of coordinator was the National Land Agency<sup>10)</sup>.

Let us take a look at these measures, one by one, to see how they worked during Bubble 3. The Notification System under the 1974 Land Law was targeted at the entire country. It required notification to the governor of any transactions of land involving an area of 2,000 square meters or greater<sup>11)</sup>; or more precisely 2,000 square meters or over in the urbanization promotion area, 5,000 square meters or over in other city planning areas and 10,000 square meters or over in rural areas. The Notification System therefore benefited corporations and owners of large land holdings<sup>12)</sup>

Most of the land lots transacted in central Tokyo during Bubble 3 were small, ranging from 100 square meters to 300 square meters<sup>13)</sup>. Thus under the 1974 notification system only a little over 10% of the entire land lots transacted were reported<sup>14)</sup>. This point alone illustrates that during Bubble 3 the Notification System was a totally ineffective administrative tool for controlling speculative land dealings in central Tokyo.

What was the National Land Agency trying to achieve by introducing a more powerful tool, the Control District (=Permission System)? The answer lies in a report on land use compiled by a study group set up by the Agency during Bubble 3 and chaired by Professor Shunsuke Ishihara of the Science University of Tokyo.

The initial purpose of the Control District under the 1974 law was to prohibit all land

transactions in certain designated areas except those for limited purposes (for expropriation projects or to construct housing for people living in the area). Such a "bold" measure might have had great influence on land dealings and economic activities as a whole. However, all the power to set Control Districts was given to the Prime Minister, effectively removing the governors from the loop<sup>15</sup>). These powers to prohibit all land transactions in certain designated areas were seen as something kept aside for emergency use only. The officials of the Land Agency from the outset considered the Control District system to be a last resort and not to be used except under the direst of circumstances<sup>16</sup>). No list of criteria or procedures for the application of this system were ever provided<sup>17</sup>).

The land use study group was rather cautious in the designation of the Control District, saying that the low notification ratio in a given area was not sufficient to justify to assign a Control District. To tackle Bubble 3 the study group then proposed the Surveillance District System as an alternative<sup>18</sup>). "...The establishment of the Control District requires careful consideration because once established, it will have a strong controlling effect. A low notification rate alone to begin with will not fulfill the requirement for designation of an area as a Control District. To address the issue of land price hikes in metropolitan built-up areas we require a new system positioned somewhere between the notification system and the Control District. One such example may be a system to reduce the size of the land lot where notification is mandated within a certain period of time, and to require notification when such land lot is transacted.... (underlined by the author)" The study group went on to propose that a reduction in the land area to be notified should be flexible, to meet local conditions.

The land use study group's ideas were compiled into a proposal calling for the prefectural governors to be given the power to set the following: 1) the minimum size of land lot where notification to the authorities was compulsory, 2) the area of the lot and 3) the period to which the requirement should be applied<sup>19</sup>). In reply to concerns that this power to control land development would hamper the private sector, the study group replied: "...there would be more merits than demerits if this system is properly operated and is not abused"<sup>20</sup>). The study group gave the following reasons for this stance<sup>21</sup>): "...firstly, this administrative tool is to be used to 'give advice' on notified land transactions that have unreasonably high prices or imprudent goals; not to 'control' the private sector. Secondly, the current trend of land price increase is harming the quality of city planning and urban redevelopment and may spread to the surrounding residential areas. The balanced development of the regional community may be adversely affected if, which is often the case these days, the majority of funds for development is spent on land acquisition rather than more productive purposes."

Based on the proposals of this study group, the National Land Agency amended

the Land Law and established the Surveillance District System in June 1987. This "intermediate" system, or a tool of administrative guidance(not control), now meant that any area to be designated as a Control District first had to be assigned as a Surveillance District<sup>23)</sup>. Again, the motive for this decision was to avoid the use of the Control District.

Let us examine the structure and functions of the Surveillance District System. The need for "comprehensive policy" was first called upon in August 1986 by a TMG committee for the examination of fair land transactions as a premise for introducing a control on small-scale land lot transactions based on the TMG ordinance<sup>24)</sup>. The Surveillance District System however, is not a comprehensive land policy but a symptomatic measure. Under this system the authorities have the power to advise parties not to proceed with transactions considered to involve "unsuitable land prices and purposes" within a monitored district. Why was this system introduced before any other type of specific land policy?

There are several reasons. Firstly, the National Land Agency was mistrustful of the Ministry of Finance's policies, particularly ones restricting loans to real estate companies. While negotiating with the Ministry of Finance, the National Land Agency lost the opportunity to implement more effective measures while land prices were still high<sup>25)</sup>. Secondly, the interim report submitted by the Extraordinary Council on Administrative Reform in 1987<sup>26)</sup> proposed that the government should take direct measures to control speculative land transactions; by strengthening real estate dealer guidance by putting a freeze on sales of national and public land. The Council assumed that short-term effects could only be expected by direct control and administrative guidance by the government. In other words, the council implied that only the government could change its private-sector vitalization policies, promoted by Prime Minister Nakasone, which had gone too far. An example of the kind of land sale the Council wished to prevent is the sale of Japan National Railway land at excessively high prices, which was blamed for pushing up the price of land in central Tokyo<sup>27)</sup>.

Thirdly, based on the report from the Council and the power struggle within the government and in the Diet, more emphasis was placed on land transaction control proposed by the National Land Agency rather than on land tax reform. Land tax reform, which might have offered better solutions to the land problem was postponed. Instead, the Surveillance District System was promoted as the easiest to implement measure to address land problems.

Let us take a look at how the Surveillance District System works. The System is based on notification and recommendation via administrative guidance. Notified land lots are examined in terms of two criteria: purpose of use and price.

A recommendation on purpose of use is made when "the notified land lot is likely to significantly hamper the proper and rational use of land in the surrounding area." To be more specific: "when the use of the notified land lot is not in line with the basic plan or other plans on land use" and "when the use of the notified land lot is not in line with the public facilities to be improved or with the conservation of the surrounding natural environment." But the land use basic plan, to begin with, is vague and lacks specific land use guidelines. As a result, this procedure cannot be expected to produce effective recommendations<sup>28)</sup>.

At last there came a more powerful tool for the control of speculative land transactions: the 1989 amendment of the Land Law, or the second amendment of the law to address Bubble 3. This amendment added a new criteria for the government recommendations to be made for land transaction: screening of short-term resale of land for speculative purposes. But again, there was a limit to its operation<sup>29)</sup>. By the time this system to control short-term land resale was introduced, the land prices in central Tokyo had already peaked.

We should question the basis by which transacted land prices were to be "advised" by the government. In the Surveillance District "significantly inadequate" reported prices of land lots are to receive advice. What this "significantly inadequate" price shall be left to the discretion of the governor.

This "significantly inadequate" price raises several problems. Firstly, the criteria of recommendation is the "posted land price." Secondly, this posted price does not reflect the market price (It is set far lower than the market price). Thirdly, the guidance price upon which the notified price is reviewed is discretely set, based on the posted price. The guidance price is "the upper limit of the price" that the government thinks should be applied in the transaction. Nevertheless, the dealers interpreted this price being a "proper price" endorsed by the government<sup>30)</sup> and not an upper limit.

Moreover, the process of screening notified land transactions is like a "black box." Citizens do not have access to any information on the screening process. This is because the notification is not to "control" but to "guide" speculative dealings<sup>31)</sup>. Citizens do not have access to the information on the "jiage" (the artificial jacking-up of land prices) land prices. Such information is deemed private and thus is not disclosed. Administration of land price information is commissioned by the national government to prefectures. The prefectures are not given the right to freely disclose such information<sup>32)</sup>.

Indeed, information on land transaction, land price setting is very difficult to obtain in Japan. For one thing, the real estate market in this country consists of numerous

small-scale operators and it is difficult to get an overall picture of the micro-dealings which go on among this mass of small businessmen<sup>33)</sup>.

One useful source of information on land transactions is published by the Tokyo Metropolitan Government under the title "Land in the Tokyo Metropolis." This report is published annually and contains detailed information on land ownership, land use, land transactions and land prices in the Tokyo Metropolis. The author has referred to the 1988 version which features a survey on land transactions in four wards and four cities of Tokyo.

According to the 1988 report, the majority of transactions took place among corporations, real estate dealers in particular. The report classifies land lots transactions by purpose of use: residential, commercial or business. This data does not tell us which type of land lots are targets of short-term speculative dealings. The supplemental data shows us that the resale rate (the ratio of land lots resold within two years of those lots initially sold to the total number of transactions) for Minato Ward peaked in 1986 at a high as 42.7%. The highest rate of 30.5% for the DID district (i.e. downtown) in Machida City in Tokyo's suburb was recorded a year later in 1987. The land lots are typically first sold by individual land owners to companies, then resold to real estate companies. Thirdly, the majority of lots were small in scale; over half were less than 100 square meters and over two-thirds were smaller than 300 square meters.

The next index is the administrative guidance rate. This is calculated by dividing the number of notified land lots, where the government considers the price or purpose inadequate and gives administrative guidance (recommendations, etc.), by the total number of notified land lots. Transactions involving real estate dealers as the buyer and the seller tend to have the highest administrative guidance rate. These are followed by dealings between corporations and financial institutions. The figure for transactions between individual citizens tend to be much lower.

Why was administrative guidance through the notification-recommendation system effective? Professor Yoichi Ohashi points out that the "notice of non-recommendation" described in Article 24-3 of the Land Law functioned as an incentive to notify<sup>34)</sup>. This section stipulates that if the prefectural governor thinks that the notified land lot transaction is "fair and rational" and the recommendation is unnecessary, then he shall issue a notice of non-recommendation to the person who made the notification, without delay. Upon request from the National Land Agency, the Ministry of Finance requests financial institutions to require real estate dealers to show this notice when they request loans for land development to check that the money is not going to "unfair and irrational" speculative dealings<sup>35)</sup>. In other words, fuzzy administrative guidance, instead of strict control, put pressure on real estate companies to notify



voluntarily. In addition, recommendations were made public and companies receiving recommendations may have had trouble continuing in business due to negative publicity. So in a way, this system has worked through the force of social sanctions.

This control on land transactions at least prevented land price rises from getting out of control altogether, although it could not directly control speculative dealing. Through "advice" the prefectures built up experience and established rules of administrative guidance and prices. Dealers were warned to stop asking for "significantly inadequate" prices. Of course this rule had a loophole: dealers could increase the profit a bit by bit within an "adequate" price range. And thus land prices snowballed even though the "price" was controlled<sup>36</sup>). (Another common loophole that dealers used was to notify an "adequate" price to the prefecture and then pay unrecorded extra money to the landowner.)

Secondly, commissions, registration fees and other transaction expenses increased hand in hand with land price rises. This somewhat discouraged real estate companies from becoming overly involved in short-term land transactions.

Thirdly, as transaction control came under the Surveillance District System, inspection of dealers and administrative control over their activities was stepped up. It should be noted, however, that the link between the prefecture authorities in charge of land transactions and the authorities in charge of real estate dealers is still inadequate.

The adverse effects of transaction control were revealed once land prices started to decline<sup>37</sup>). The Surveillance District System has prevented the fall in land prices. Critics claim that the system should be abolished. To this the government argues that the Surveillance District System and other land policies at work are not symptomatic measures to control land price rises: they are, instead, aimed at providing a structural framework for measures to stabilize land price rises and promote the proper use of land. We shall yet leave to see the "fate" of the Surveillance District System; when and how it will be abolished.

### 3. The Unplanned and Unused Land System and Urban Land Use Control

Unplanned and Unused Land System is a system to facilitate the use of unplanned and unused land lots<sup>38</sup>). Under this system the owner of a land lot of a certain size (for example, a land lot of 1,000 square meters or larger in the Urbanization Promotion Area) who has owned that land for more than two years and has done nothing with it may be recommended or advised by the prefectural governor (or the governor may recommend or advise) to "utilize" that land lot "respecting the willingness of that owner." This is a kind of "follow-up" method to the land purpose of use examination

which is conducted when the purchase of land is first reported to the government<sup>39)</sup>.

The thinking behind this system is that public intervention at the time land is bought and sold is insufficient to guarantee rational land use; even after the land lot is sold, the government should continue to keep an eye on it to avoid it simply being held in an idle state by the owner. In this context the National Land Agency launched this system to "actively control land use" <sup>40)</sup>. This system, however, can do nothing more than simply "recommend and advise." If the land owner wants to continue holding that land lot while doing nothing with it, the system is powerless to act<sup>41)</sup>. It should be noted that the Japanese land use system has no other direct method to promote the use of unplanned and unused land. Land use can only be promoted by indirect measures such as: a) case-by-case negotiations between the government (or the developer) and the land owner over the purchase of the unplanned and unused land; and b) designation of the land lot as city plan area so that the land price in the designated area increases, making the land owner willing to sell. This is why the system functions only as a "follow-up" to land transactions<sup>42)</sup>.

The system is not attractive for administrators either. Even when a land lot is designated as an "idle" lot, there is no further city planning tool to allow the prefecture to purchase that land, nor there is any financial scheme to allow the prefecture or municipality to buy "idle" land. Without these incentives the local governments tend to be unwilling to even survey and designate land lots as being idle or otherwise in the first place.

In fact, a great gap exists between the land area officially surveyed and designated as being "unplanned and unused" and that which is idle but not recorded as such<sup>43)</sup>. This is due to the notion that "use" is the same as "development" <sup>44)</sup>. Most unused land held by corporations are defined as unplanned and unused during the screening process of designation. Local governments are to be blamed for this shortcoming. The system has great potential for local governments as a mechanism to increase the area of public land and create new patterns of land use. The great task local governments face now is: 1) how to come up with ideas for future land use and city planning, and 2) how they can exert their power vis-a-vis the powerful national government.

How has the Unplanned and Unused Land System been operated? The Management and Coordination Agency conducted an administrative inspection on the system and pointed out that the system "is not sufficiently utilized" <sup>45)</sup> for the following two reasons<sup>46)</sup>: a) some unplanned and unused land lots have been left idle for a long period of time due to insufficient advice and guidance from prefectures; and b) when the prefecture cannot determine whether how land lot should be designated, it is kept pending as "a land lot to continue to be examined" (but there is no unified criteria

among prefectures for such a designation).

In fact, 164 cases involving a total of 193.7 ha of land in 24 prefectures were kept pending as "a land lot to continue to be examined" between 1988 and 1990 whereas only 10 cases (or 7.1 ha) were designated and notified as being "unplanned and unused" <sup>47)</sup>.

The Management and Coordination Agency also noted the lack of comprehensive surveys on state land and land possessed by corporations. Regarding state land, again, due to sectionalism, each government ministry and agency owns land and has separate plans for the land use. No governments (national or local) have conducted a satisfactory survey on the land use plans to serve as a basis for effective master plans and land use plans. Government's "strong commitment" to the promotion of land use is thus not reflected in policies, plans and tools to facilitate the use of idle land or preserve or increase land for residential purposes.

A survey by the National Land Agency's Metropolitan Areas Development Bureau conducted in June 1994 ("An emergency survey on idle land in central Tokyo") <sup>48)</sup>, revealed that the total area of idle land (the total of idle land lots of 300 square meters and over) in the central 11 wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku, Bunkyo, Taito, Sumida, Shinagawa, Shibuya and Toshima) came to 130 hectares. This area increases when we include 310 hectares of under-utilized open-air storage places and open-air parking spaces and 470 hectares of under-utilized plant and warehouse space. Thus we find that there may be as much as 910 hectares of idle land in central Tokyo. Over one-fourth of this area, or 230 hectares consists of land lots with an area of between 300 square meters and 1,000 square meters, for which notification of idleness is not required by Article 28 of the Land Law.

The adverse effect of the land bubble is obvious in these figures. The National Land Agency noted in the survey above that "this significant amount of idle land is a factor of uncertainty in considering the future of central Tokyo and makes it difficult to conduct long-term, planned metropolitan development."

As we have seen, the Unplanned and Unused Land System has no power even as a "follow-up" to land transactions. We can say that the system itself is idle; rather than facilitating the use of land, this system leaves land as it is.

The Unplanned and Unused Land System itself is not to blame. The real culprits are a lack of principle, image and philosophy of land use plans, both on the part of the national and local governments. This fact relates to the issues of administrative reform and in turn the issue of the restructuring of the national government to allow more comprehensive and effective land administration and more power to local governments.

#### 4. Land Use Plans

Japanese city plans and land use plans have never been based on some desirable image of a city or some ideal living environment. Land use patterns have never been created based on a plan. Land prices have never been shaped in accordance with the uses set in the plan<sup>49</sup>). The Land Law of 1974 did not serve to guide such land plans, use patterns and land prices. The Basic Land Act has not yet changed this situation<sup>50</sup>). In fact, some critics claim that the Basic Land Act is only a first step to create a truly comprehensive land use plan<sup>51</sup>). Land and houses are not supplied on a stable basis according to a plan formulated in response to urban growth and development. In the long run, the balanced development of Japanese cities has been hampered.

Plans have been unable to catch up with land use patterns. Land use is guided by the market price of the land. If a certain land lot becomes too expensive and people living on that land lot can no longer hold it, it is sold to a developer who then erects an office building. Such market-driven development has made good city planning impossible<sup>52</sup>).

The urban "land price revolution" is the real culprit; it created a situation where the market price of land far exceeded the base price above which profit could be made<sup>53</sup>).

"Land in the Tokyo Metropolis 1988" noted that the market price as of 1988, at the peak of the land bubble, had far exceeded the profit-making land price in the central commercial districts and the difference between the market price and profit-making land price was still expanding<sup>54</sup>). The report further stated that the gap was even greater for residential land than commercial land. Based on the report the Tokyo Metropolitan Government actually requested the government to do something to stop further increases.

The national government's land price announcement system and land tax system did not address this problem. The national government did not survey this trend. There is yet no official information on the gap between the market land price and the profit-making land price<sup>55</sup>). The administrative inspection by the Management and Coordination Agency pointed out this issue and sent a warning signal (although it was rather late)<sup>56</sup>). Indeed the land problem is a "disease" caused by bureaucracy and sectionalism (as shown in the case of putting four prices on the same land lot) that hamper "comprehensive" land policies in addition to inadequate macroeconomic management by the banking authorities<sup>57</sup>). It should be noted that the conventional financial system of this country, taking land as collateral, has long supported land speculation and has hampered rational land use<sup>58</sup>).

Another issue that requires further discussion is the nature and the system of land use

planning. Friction and competition between land use for commercial purposes and for residential purposes cannot be avoided under the market mechanism. Thus plans are required to control this mechanism. Plans should be formulated from the grass-roots level (bottom-up) to make them truly “public”<sup>59</sup>). “Top-down” plans formulated by the national government, lack of district-level master plan and sectionalized administration have made it difficult for citizens to take the initiative in improving the area in which they live<sup>60</sup>). Due to the failure of systems to produce city plans, attempts to tighten control usually ends up easing restrictions, even after the Basic Land Act was enacted<sup>61</sup>).

Again, the Basic Land Act is only “the first step” for a truly effective land reform<sup>62</sup>).

Is there no hope then ?

We should encourage efforts to increase financial control, to unify and coordinate information on land, and to gather and analyze more detailed land price data. Through these efforts, issues to be addressed by land tax system reform are clarified.

What should be pointed out, at the end of this article, is that the National Land Agency, for the first time since it was established some 29 years ago, is showing willingness and commitment to break the ministerial sectionalism and come up with innovations and tools to implement more comprehensive land policies<sup>63</sup>). There is finally a sign, after trials and errors in land policies, of uniting efforts to establish land price monitoring system and to guide land prices to more adequate levels. Steps taken by the Agency however, are still far from successful.

## Notes

- 1) Shigeto Tsuru, “*Chika wo kangaeru (A Study on Land Price)*”, Iwanami Shoten, 1990, pp. 35-6 and pp.39-40. Refer to Tsuru’s “*Nihon no Shinon Shugi-Sozoteki Haiboku to sonogo (Japan’s Capitalism : creative defeat and beyond, Cambridge University Press, 1993)*” translated by Satoshi Watanabe et. al; Iwanami Shoten, 1995, pp.252-81 for socie-eonomic effects of the land price revolution.
- 2) Ibid., p. 25. The comment that Japan’s land price is the “world record”, “without any doubt” is stated in Vincent Renard et.al, “*France no Tochi Seisaku 1945-1990 (Land Policies in France; 1945-1990)*” translated by Naohiko Uezumi; Jutaku Shinposha, 1992, p. 1.
- 3) Ibid., p.36. Research Institute of Construction and Economy, “*Toshin no Chika Mondai Kento Iinkai Hokokusho (Report from the Central Tokyo Land Issue Committee)*”, 1986, pp.5-7.
- 4) The Japanese Journal of Real Estate Sciences, “*Nihon Fudosan Gakkai Shi (Quarterly Review)*”, Vo.3, No.3 pp.29-30.
- 5) Control District Examination Committee’s final report, September 16, 1988, Bureau of Land, National Land Agency
- 6) Tsuru, “A Study on Land Price”, pp.39-40. Yukio Noguchi, “*Bubble no Keizaigaku (Economics of Bubble)*”, Nihon Keizai Shinbunsha, 1992, p.147. Also refer to Shozo Kono, “*Jissenteki Tochi Seisaku (Practical Land Policies)*”, Jutaku Shinposha, 1992, p.21; he concludes that the land transaction control is a “temporary and symptomatic measure” and not the one to “seek

fundamental solutions by constructing a structural framework.”

- 7) Asahi Shimbun, October 15, 1995 and December 20, 1995; articles written by its editor Atsushi Yamada.
- 8) Yozo Watanabe, “Tochi Zaisanken (Land Property Rights)”, Iwanami Shoten, 1977, p. 53. National Land Agency, “Kokudocho 10-nenshi (Ten-year History of the National Land Agency)”, Gyosei, 1984, p.41 and p.148.
- 9) and 10) Ikuo Yamami, et. al., “Wakaru Tochi Mondai - Haikei kara Genjo, Mondaiten made (Understanding Land Issues - Its Background, Present Condition and Problems)”, Gyosei, 1991, p.55 and p.95. Refer to “Kokudocho 20-nenshi (Twenty-year History of the National Land Agency)”, Gyosei, 1994, pp.33-8, p.65-81 for how the Agency was established. Also refer to Ryoji Shimizu, “Kokudocho no Setchi ni tsuite (Establishment of the National Land Agency)” in “Chiiki Kaihatu (Regional Development)”, August 1974, p.46 for a view that comprehensive land administration “will truly be achieved by overcoming sectionalism among ministries and agencies and by establishing cooperative relations among them.” Shimizu was then a member of the National Land Comprehensive Development Policy Office of the Prime Minister’s Office.
- 11) and 12) Watanabe, “Land Property Rights”, p.290.
- 13) and 14) Study Group on established by the Land Law, “Interim Report - Land Transaction Control System Based the Land Law”, Printing Bureau, Ministry of Finance, May 23, 1986.
- 15) Yamami, et. al., “Understanding Land Issues”, p.55.
- 16) and 17) “Twenty-year History of the National Land Agency”, p.27.
- 18) - 22) “Interim Report-Land Transaction Control System based the Land Law”, pp.6-7.
- 23) Control District Examination Committee’s final report
- 24) Tokyo Metropolitan Government Committee on Fair Land Transaction’s report, August 11, 1986, pp.6-8.
- 25) Yukio Noguchi, “Economics of Bubble”, pp.146-150. Refer to Tamisuke Watanuki and Tokunosuke Hasegawa “Tochi wa dare no mono ka? (To Whom Land Belongs to?)”, Shueisha, 1993, p.18 and 34 for a delay in implementing financial controls. Refer to “Twenty-year History of the National Land Agency”, p.26 for how the Banking Bureau of the Ministry of Finance and the Land Bureau of the National Land Agency responded and negotiated over financial regulations.
- 26) Tsuru “A Study on Land Price”, p.39, and Noguchi, “Economics of Bubble”, pp.146-7. Also refer to Taichi Ito, “Seifu Kainyu ni okeru Keitai no Bunka to Kosaku (Study on Government Intervention)” in the annual journal by the Japan Society for the Studies of Public Administration, 1994, pp.46-61.
- 27) Watanabe, “Land Property Rights”, p.253 (and also Kono “Practical Land Policies”, pp.171-4.)
- 28) Ibid., p.283.
- 29) Kono, “Practical Land Policies”, p.20.
- 30) “Twenty-year History of the National Land Agency”, p.27.
- 31) Management and Coordination Agency’s Administrative Inspection Bureau, “Tochi Taisaku ni kansuru Genjo to Mondaiten (Present Status and Problems of Land Policies)”, Printing Bureau, Ministry of Finance, 1992, pp.20-22.
- 32) Notice by the National Land Agency (Announcement of notifications based on the Land Law), April 28, 1989.
- 33) Kiyohiko Nishimura et.al., “Nihon no Kabuka, Chika (Japan’s Stock Price and Land Price)”, University of Tokyo Press, 1990, Note 20 in p.132. Also refer to comments by Shibata and Takeuchi in “Nihon no Tochi Mondai (Japan’s Land Problems)”, University of Tokyo Press, 1972, pp220-228.
- 34) and 35) Yoichi Ohashi, “Kokudoho ni okeru Gyosei Shido (Administrative Guidance based on the Land Law)” in “Gyogyoken, Gyosei Shido, Seisan Ryokuchiho (Fishing Rights, Administrative Guidance and Agricultural Land Law)” compiled by the Society for the Study of Land Laws, Yuhikaku, 1994, p.127.
- 36) Ibid., p.164.

- 37) Noguchi, "Economics of Bubble", pp.237-8 and p.146.
- 38) "Interim Report - Land Transaction Control System based the National Land Utilization Planning Law", p.10.
- 39) Study Group on Land and Housing Administration, "Tochi Taisaku to Jutaku Seisaku (Land Measures and Housing Policies)", Printing Bureau, Ministry of Finance, 1982, p.48.
- 40) Yozo Watanabe et.al., "Gendai Tochiho no Kenkyu - Jo (Study on Modern Land Laws Vo.1)", Iwanami Shoten, 1982, p.169.
- 41) Ibid., p.253 and 264.
- 42) Ibid., p.305 and "Interim Report - Land Transaction Control System based the Land Law", p.10.
- 43) and 44) Ibid., pp.308-310. Also refer to Eiji Shimoyama, "Tochi Shoyuken no Genkai to Tochi Riyo (The Limit to the Land Ownership and Land Use)" in "Horitsu Jiho (Journal of Law)", vol. 47, no. 7, pp.25-26 for how the land use can affect people's life.
- 45) - 47) Management and Coordination Agency's Administrative Inspection Bureau, "Present Status and Problems of Land Policies", p.30 and pp.44-48.
- 48) Metropolitan Areas Development Bureau, National Land Agency, "An Outline of an Emergency Survey on Idle Land in Central Tokyo", June 1994 referred to in the Bureau of Housing, Tokyo Metropolitan Government, "TMG's White Paper on Housing FY1994", p.92.
- 49) Yozo Watanabe, et.al., "Study on Modern Land Laws Vol.1", p.265.
- 50) Yoshito Honma, et.al., "Tochi Kihon Ho wo Yomu - Toshi, Tochi, Jutaku Mondai no Yukue (Study on the Basic Land Act - the Future of Urban, Land and Housing Issues)", Toyo Keizai Shinposha, 1990, p.131 and p. 135.
- 51) Tsuru, "A Study on Land Price", p.281.
- 52) Yoshito Honma, et.al., "Study on the Basic Land Act - the Future of Urban, Land and Housing Issues", p.126. Also refer to Tokunosuke Hasegawa, "Danmatsuma no Chika (Land Price in its Last Moment)", Nisshin Hodo, 1991, pp.172-175.
- 53) Takamitsu Sawa, "Korekara no Keizaigaku (The Future of Economics)", Iwanami Shoten, p.178. He mentioned in this book that the rate of the land area affected by the 'bubble' was between 40% to 70% both in downtown office districts and in residential districts in the suburb. Also refer to Hasegawa, "Land Price in its Last Moment", pp.172-175.
- 54) Research Division, Office of Planning and Coordination, Tokyo Metropolitan Government, "Tokyo no Tochi 1988 (Land in the Tokyo Metropolis 1988)", 1989, pp.130-133.
- 55) and 56) Management and Coordination Agency's Administrative Inspection Bureau, "Present Status and Problems of Land Policies", pp. 55-56, p.73.
- 57) Ikuo Yamami et.al., "Understanding Land Issues - Its Background, Present Condition and Problems", p.96. Also refer to Tsuru, "A Study on Land Price", pp.281-286 for how the macroeconomic policies failed.
- 58) Nishimura et.al., "Japan's Stock Price and Land Price", pp.131-133 and pp.279-281.
- 59) Honma et.al., "Study on the Basic Land Act - the Future of Urban, Land and Housing Issues", p. 128 and pp.71-96.
- 60) Suruki Akagi, "Tokyo Tosei no Kenkyu (A Study of Administration by the Tokyo Metropolitan Government)", Miraisha, pp.38-40.
- 61) Honma et.al., "Study on the Basic Land Act - the Future of Urban, Land and Housing Issues", p. 131.
- 62) Tsuru, "A Study on Land Price", p.281.
- 63) "Twenty-year History of the National Land Agency", p.34. The expectation for this agency to act as a coordinator is stated by its former vice-minister Tokiya Yoshii. Former head of the agency's Land Bureau Tadao Chinzei also pointed out the need for the agency to develop administrative tools to be a "player" in macroeconomic policies, financial policies and industrial policies. He stated that only the National Land Agency can coordinate policies related to land, economy and finance (p. 34, pp.37-38).