

Last Word

## PRIME MINISTER KAN: A LITTLE-KNOWN EXPERT ON LAND POLICY

■ By Jun Homma

There is much hype in the media over the election of the president of the Democratic Party of Japan (DPJ). While some have voiced concerns about a political vacuum in the midst of appreciation of the yen and falling stock prices, I first of all would honestly like to give the party leaders credit for resisting the temptations of behind-the-scenes politics and instead choosing to provide a forum for open political debate.

Editorials and blogs are filled with disapproving comments on Prime Minister Naoto Kan's lack of plans for the economic and financial fields in the two months since he assumed the reins of government. However, there is even greater criticism of Ichiro Ozawa, who has been leading open pork-barrel politics to win votes from postal and rural project supporters. The two DPJ president candidates share a common aspiration for a big government, but if there is to be the smallest hope of remedying the Ozawa course of politics, then the only one capable of acting out that role would be Kan. Let us place faith in Kan and his hardworking nature, and in the fact that he is just beginning to demonstrate his full potential in politics.

Kan has received wide media coverage of his profile in Japan and overseas to date. The side of him that is well known is that he started out as a civil rights activist, resided in Musashino City on the outskirts of Tokyo, and is very much in touch with the general public. Contrary to his shortness of temper seen at times when responding to questions in the Diet, he worked his way up as a politician from small political parties to the top of the political world through perseverance and diligently making a series of policy proposals. The great applause received from the people for his challenge as the Minister of Health and Welfare against the rigid bureaucratic organization and exposing its negligence in the case of AIDS infections arising from tainted blood products in 1996 is well known.



**"Recognize urban land as being special" – Diet member Kan at age 41**

However, it seems not so well known that Prime Minister Kan is as much an expert on land policy as an academic.

Laid in front of me are three of his publications. One is *Tochi Mondai e no Teigen to Q&A* (Recommendations and Q&A on Land Issues) published in 1987. Kan, aged 41 years and a member in charge of policy of the Socialist Democratic Federation at the time,

co-wrote this book with Diet members of three ally parties. The second is *Shin Toshi Tochi Ron* (On Urban Land Revolution) published at the end of 1988 as a straightforward account of Kan's assertions. And the third is *Kokkai Ronso "Tochi Seisaku"* (The Diet Debates "Land Policy"), a thick publication of 360 pages on questions posed to the Diet.

*Shin Toshi Tochi Ron*, in particular, features coherent arguments backed by numerous statistical data that reflect his educational background in physics, providing a glimpse of his policy specialist side. Kan's approaches—such as taking the initiative to visit Taiwan and conduct research on Taiwan's land system built by Sun Yat-Sen—draw a contrast between his publications and those of politicians today that rely on ghostwriters.

Regulations complexly intertwined with a distorted tax system have left land in urban areas ineffectively utilized by corporations and individuals. At the time, Kan proposed to execute multiple measures—including a revision of the tax system, unification of land pricing standards, and strengthening of zoning—in order to increase housing supply by giving liquidity to such land.

### Pursuing land issues from the 1970s

Although it is disturbing that the overall direction is somewhat headed for tax increases, the policies—such as shifting of land tax revenue sources to local

governments, inheritance tax breaks based on land area, and protection of scarce agricultural land based on city planning instead of the tax system—are each put together through carefully consideration down to the last detail. This is not surprising, given that Kan has been continuously pursuing land issues since the 1970s.

He formed a citizens group for better housing during his days working at a patent law office after graduating from university. He released a paper in 1972 titled “Proposal of a Public Land Trust Corporation” based on the theme of supply of residential land. He organized a rally in the following year appealing for taxation of agricultural land at the same level as residential land, inviting Fusae Ichikawa—a legendary women’s rights activist and a member of the House of Councillors who later became his mentor—as speaker.

Reading Kan’s publications makes you realize that, despite the economic situation being completely different from the bubble era of the 1980s when the publications were written, Japan’s large cities continue to face the same structural issues as those times. While there has been progress in the verticalization of buildings, an overall analysis indicates that the utilization efficiency is still low and the volume of land supply is limited. The price of housing in Tokyo (newly built condominiums) is ten times the annual salary of white-collar employees and is thus still far from cheap.

Speaking from the perspective of a writer on the real estate market, I see Kan’s proposals on the transparency of the market as being his most significant.

**Eagerness to increase the transparency of land prices**

Bureaucrats can probably raise countless pretentious reasons, but I agree that having as many as four types of official land price surveys – *Koji Chika* (published land prices), *Todofuken Chika* (land price surveys by prefectural governments), *Souzoku Zei Rosenka* (roadside land prices for inheritance tax appraisals), and *Koteishisan Zei Rosenka* (roadside land prices for fixed asset tax appraisals) – side-by-side has none other than a negative effect of the government’s vertically-divided administrative structure. Moreover, the fact is that these land prices also deviate largely from market prices and serve no more than to analogize trends in a time series in actual transactions.

Even the Ministry of Land, Infrastructure, Transport and Tourism has recently been making an effort in its own way by gathering and releasing market prices via the Land General Information System. However, there is the frustrating fact that it is based on a questionnaire survey lacking detailed point information on land. The ideal is centralized management of market prices via a registration system—as was proposed by Kan in the past—which is like that implemented in the UK, France, Australia, and many U.S. states.

The posting of market prices on the real property registration under the jurisdiction of the Ministry of Justice has been put on and off the table for discussion at government study panels a number of times. This is due to the issue of the government’s vertically-divided



Recommendations and Q&A on Land Issues, IPC, 1987



On Urban Land Revolution, Asukashinsha Publishing, 1988



The Diet Debates “Land Policy”, Shinhyoron, 1992

administrative structure, as well as opposition against such posting with protection of privacy being cited as the ostensible reason by some real estate firms that have made a business out of arbitrage by capitalizing on the asymmetry of information with buyers.

However, considering that the real estate market accounts for 70% of personal assets and is also a promising investment destination for pension funds and life insurance, maintaining the transparency of such a market should be an issue that ought to be taken beyond the interests of the industry and placed in the hands of policy makers. Price transparency is the first and foremost fundamental element of a fair market for all players, whether individual or corporate. One study found Japan's real estate market ranks 26th in the world for transparency. This is of course the lowest level among developed countries. Whether limiting disclosure to corporate transactions or some other way, there is more than one way that this matter can be approached.

In addition, before stating the above points, Kan asserts, "We should recognize urban land as being special." Though a roundabout expression, it is basically an assertion that land in city centers should be put into intensive use by clearly setting it apart from that of the suburbs and rural areas. Japan does have zoning regulations to a certain degree, but Kan also points out that private rights restrictions are considerably relaxed compared to Europe and such, and thus impair land utilization efficiency.

A factory situated next to a high-rise tower condominium is a sight characteristic of Japan. My interpretation of Kan's points is that, rather than the filing of building permits that allow almost anything to be built as long as set conditions are met, transition to a system of approval involving a preliminary review of building plans should be considered.

While the 2010 DPJ manifesto contains no statement directly associated with land or housing, it does mention the words "enactment of the Basic Act for Major Metropolitan Areas Strategy." The specific content of the new law is yet to come into view, but hopes are that Kan will renew his determinations from his younger days to address structural reforms of real estate policies. Needed from a long-term perspective are not ostentatious public projects, but rather a

secure market environment for corporations and individuals.

Prime Minister Kan has not been looking himself ever since the DPJ's defeat in the House of Councillors election, but hopes are that he will turn even the slightest bit of the passion he used to have for land policy in the event that he is reappointed prime minister. 🏠

Note: In this issue, the values in the brackets are rough figures based on the exchange rate at the beginning of September 2010, except for cases where the date of occurrence of acquisitions or other events is specifically mentioned, in which case the exchange rate at the beginning of the month during which the event occurred is used.

**NIKKEI REAL ESTATE MARKET REPORT**

– Monthly Edition

Nikkei Business Publications, Inc.  
1-17-3 Shirokane, Minato-ku, Tokyo 108-8646 Japan  
<http://realestate.nikkeibp.co.jp/>

Publisher	Kiyoshi Miyazaki
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Subscription Inquiries	facsimile: +81-3-5696-1123

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