Property finance in Japan: expansion and collapse of the bubble economy

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Abstract. This paper provides an analysis of the recent property boom and collapse in Japan. Central to the analysis is the role of financial institutions in financing the boom. The extraordinary rise in land prices and the land concentration by capital, which were brought about through expansion of property finance, is examined. It is contended that the domination of land markets by finance capital, which was accomplished through urban redevelopment in the 1980s, is not in decline as a result of the collapse of the bubble economy, but is, on the contrary, growing stronger.

1 Introduction
During the 1980s urban redevelopment was promoted by both state and capital in Western countries and Japan. In this process, land and property prices increased remarkably, and property financing greatly expanded. Since then, however, the upward trend of property markets has turned down. Bankruptcies are increasing among property companies, and most financial institutions face serious trouble in getting back their vast property loans.

Such a drastic fluctuation in property markets is common to advanced capitalist countries, but Japan is outstanding among them with regard to the scale of the property boom and its social and economic influences. The expansion of property finance, which is a part of the accumulation of surplus funds and financial innovation, has not only been a driving force for the emergence of the 'bubble economy' but also an important factor in the growth of the Japanese economy as a global financial power.

The redevelopment of big cities in the 1980s was aimed at 'remaking' urban space, to make it adaptable to a new stage of capital accumulation. This proposition holds especially true of Japan, where urban policy is subordinate to economic policy. Through this urban restructuring, therefore, the domination by capital over both ownership of urban land and urban land use has grown drastically.

The main aim in this paper is to examine how the expansion and collapse of property finance have worked in terms of land concentration and domination by capital.

2 The cause of rises in land prices
Since the mid-1980s, Japan's big cities have been subject to an extraordinary rise in land prices, the third in the postwar period (the first phase was seen during the period 1961–62, and the second during the period 1972–73). The characteristics of this third phase are as follows.

First, the rise in land prices began in the business areas of central Tokyo, and spread to business and housing areas at the outskirts. The rise in land prices reached a peak in 1986 in central Tokyo, in 1987 or 1988 at the outskirts. Second, the rise began in the Tokyo metropolitan area, and spread to local big-city areas (see figure 1). Third, throughout Japan, land prices rose in urban areas but...
remained the same or fell in rural areas. These fluctuating and unbalanced aspects suggest that Tokyo and its monocentric expansion have had a crucial influence on the mechanism which causes rises in land prices.

This mechanism comprises four factors: changes in the structure of the Japanese economy since the latter half of the 1970s; the policy of 'utilizing the ability of private enterprises' and 'deregulation' which have been adopted by the government since the early 1980s; remarkably easy access to finance and the expansion of property financing since 1986; and the Japanese urban planning system (this is an institutional condition which has made the land-prices problem very serious). In the next section I shall explain how these factors brought about such fluctuations in urban land prices.

![Figure 1. The spread of the rise in land prices (the increase being expressed as a percentage of the previous year's price) from Tokyo District to Osaka and Nagoya Districts (source: Economic Planning Agency, 1989).](image)

2.1 The changes in the structure of the Japanese economy, and economic concentration in the Tokyo area

The structure of the Japanese economy has changed remarkably since the start of the low-growth phase in the latter half of the 1970s. On the one hand, the steel, oil, and petrochemical industries, which had led the very rapid growth of the Japanese economy since the 1960s, were faced with serious overproduction and compelled to contract plant investment and to reduce domestic production facilities. The electrical, machinery, and automobile industries, on the other hand, expanded their exports, which brought about the current trade friction with European countries and the USA. The big corporations adopted a slim-line management (genryoku keiei) strategy and pursued it to strengthen their competitive power through the rationalization of management and the reduction in employment. This strategy included squeezing and shedding their subcontracting firms, which in turn brought about a crisis among small and medium-sized enterprises. The culmination of these effects was that the regional economies declined more and more throughout the low-growth phase.

Although big enterprises were able to keep their level of profits high through expanded exports, their investment in plant and equipment was restrained, unlike in the former period of rapid growth. They began instead to invest their vast surplus funds—surplus in the sense that they could not be used for plant and equipment investment—through various financial assets. Such behaviour had a big impact on
the financial institutions. In the period of rapid growth, these enterprises were the most significant customers of the banks. In that period, their vigorous investments were supported exclusively by borrowing from banks. However, since the mid-1970s the relation between the big enterprises and banks has changed. The big enterprises found they did not necessarily need to borrow from banks, as they had abundant surplus funds and various ways to raise added funds (for example, through the issues of shares, convertible bonds, and bonds with warrants). They aimed to use these funds for financial investment in a zai-tekku or money game.

The financial institutions, particularly the big commercial banks, were accordingly driven by necessity to open up new business fields, such as overseas investment, securities dealings, retail banking, and property finance. Financial innovation, the main aspects of which were deregulation and internationalization of financial transactions, has developed too. Thus the financial markets began to expand remarkably, with the Tokyo money market growing into one of the largest money markets in the world. This outstanding growth of the financial sector has been promoted through the change in the management behaviour of big corporations and through the competition between financial institutions for the global and diversified accumulation of money capital.

Furthermore, the formation of vast surplus funds stimulated the restructuring of the enterprises themselves. Slim-line management, which helped to foster the formation of surplus funds, was accomplished through the introduction of micro-electronics (ME) technology. ME-technological innovation not only made possible the rationalization of production and the reduction of the labour force, but also allowed the restructuring to open up new business fields. The investment in ME-equipment gave enterprises a technological base for the development of new products and advancement into the business fields of finance, information, distribution, and services. The expansion of new plant and equipment investment for restructuring was a major factor in the prosperity of the latter half of the 1980s.

Because of such trends, it became a matter of 'life or death' for enterprises to be located in central Tokyo where there was an intense concentration of finance, information, distribution, and other service businesses. The restructuring from an economy based on heavy industry to one based on finance and services accompanied the unbalanced growth among the regional economies and the continued concentration of economic activity in the Tokyo area. It was exclusively in central Tokyo therefore that the demands for development and construction were focused in order to create new conditions for capital accumulation and to overcome low growth as highlighted in the following section.

2.2 Expansion of domestic demand through the policy of 'utilizing the ability of private enterprises' and 'deregulation'

Under conditions where the restructuring of industries and enterprises were pursued eagerly, megalopolis Tokyo became the greatest economic frontier for big business. Corresponding to these developments, in the field of government economic policies, a new trend appeared in the early 1980s in the dual policy of 'utilizing the ability of the private enterprises' and 'deregulation'. The government's logic was as follows.

Japan was faced with international trade friction and low domestic growth. Policies for large-scale expansion of domestic demand needed to be introduced in order to overcome both difficulties. The creation of demand for this purpose was to have a significant ripple effect on industry. Therefore, additional demand needed to be stimulated in the big cities where various fields of industry were concentrated
and interrelated. Thus urban development was the most effective way to expand
domestic demand. Yet, although urban development was to be promoted, expansion
of public investment was to be avoided as the government and the municipalities
were faced with a serious fiscal crisis. Private enterprises were therefore to carry
out urban development, and in order to promote the participation of such enter-
prises, regulations on development had to be relaxed.

The concept of 'utilizing the ability of private enterprises'—‘minkan katsuryoku
no katsuyo'—was different in certain respects from that of 'privatization' or 'public–
private partnerships' brought up by Thatcherism in the United Kingdom and
Reaganism in the USA, where the ideas were aimed at making use of the private
sector under the initiative of the public sector to promote urban development. In
Japan, public sector offered only the conditions advantageous to private enterprises
to invest in urban development (through subsidies, tax breaks, finance, and deregu-
lation), and left the initiative in development projects to private enterprises. In
essence, it was an economic policy to promote capital accumulation rather than an
urban policy to overcome urban problems (see Hayakawa and Hirayama, 1991;
Ohno and Evans, 1992).

On this new course, from 1983 the Ministry of Construction brought in a series
of policies to deregulate urban planning and building in order to promote urban
development. An additional policy was to offer public-owned land for urban devel-
opment (for more details, see Hayakawa and Hirayama, 1991). In May 1985 the
National Land Agency decided on a “Reform plan for the Tokyo area” and
proposed a policy to redevelop central Tokyo (the Chuo, Chiyoda, and Minato
Wards) as an “advanced space for international financial business” and to promote
“advanced land-use” for that purpose. This proposal was supported by an over-
estimation of new demand for office space in central Tokyo (see Machimura, 1992).
In addition, when the recession from 1985 to 1986 occurred, the government changed
its former policy of restraining public finance and decided to expand public invest-
ment in order to stimulate the economy. The combination of these policies greatly
encouraged private enterprises to invest in urban development and construction.

2.3 Easy financing and the expansion of property financing

When the yen rapidly appreciated against the US dollar, as immediately after the G5
Plaza accord in September 1985, the Bank of Japan intervened in the foreign
exchange market and increased the domestic money supply. The official discount
rate was lowered five times, from 5.0% in 1985 to 2.5% (an unprecedented low
level) in February 1987. Accordingly, market interest rates, both long-term and
short-term, had reached unprecedented low levels by May 1987. From May 1987
to February 1988, money supply increased by 10% more than it had done in the
same months in the previous year. This remarkably easy access to funds accelerated
the money game played by enterprises and financial institutions. The expanding
surplus funds went into the stock market and on land speculation.

In the land markets, expansion began first, exclusively, in Tokyo. An example of
the speculative fervour at this time is the disposal of a public-owned office site
located in Chiyoda ward, in August 1985. The 0.7 ha site was sold to a major
developer, Daikyo Kanko Company, for ¥57.5 billion, an amount roughly three
times greater than the market price of land in central Tokyo at that time. Driven by
such rapidly rising land prices, many property companies set about speculative
buying of land in the central areas. The most outstanding instance was seen in
the behaviour of Sumitomo Realty and Development Company. Sumitomo was
far behind its greatest rivals, Mitsubishi Estate Company and Mitsui Real Estate
Development Company, in the Tokyo property markets at the time. To catch up with them, it set about acquiring sites in central Tokyo, sometimes forcibly evicting tenants, a practice that became known as *jiage*. Land dealings in Tokyo became most active during the period 1986–87, and land prices rose dramatically there and in the neighbouring prefectures. With full economic recovery, from the latter half of 1987 this spread to other big cities.

Supported by financial institutions, many enterprises and individuals expanded their land acquisitions and sales. From 1986 through to the end of 1989 financial institutions and so-called ‘nonbanks’ (leasing companies, housing finance companies, and consumer and business finance companies) radically expanded their property financing. Most of the land dealings and financing at this time were made by those who intended to get capital gains through such speculation.

Additionally, the rise in land prices led these enterprises and financial institutions to be more active in their treatment of land as a financial asset. For enterprises owning a huge area of land, the rise in land prices meant a rise in the value of their land assets. It was easier to use land assets as security when borrowing than other assets, and enterprises further reinvested that money in stocks and more land. Moreover, as the expansion of the stock market and the rise in stock prices made it possible to borrow at low cost through equity financing, abundant surplus funds could be raised. Thus ‘asset inflation’ by means of investment in stocks and land led to an upward spiral of land and stock prices.

In the latter half of the 1980s, the capital accumulation of enterprises depended greatly on holding and dealing in land and financial assets, and this thereby furthered the rapid growth of financial institutions. The term ‘bubble economy’ is use to describe such a situation.

The myth that property prices only go up drove enterprises and financial institutions to foreign property markets. Data compiled by Kenneth Leventhal and Company (1991) show that Japanese investment in the US property markets rose from US$1.9 billion in 1985, to US$7.5 billion in 1986, and US$16.5 billion in 1988. Data from the Bank of England (various years) indicate that loans from Japanese banks to UK property companies rose from £241 million in February 1987 to £4376 million in February 1991.

These factors supported the growth of the Japanese economy in the 1980s. There was an expansion of the export of commodities and capital, with a hand-in-hand growth in investment in domestic plant, an increase in personal-sector consumption, and growth in the financial and services sector. But, connected with these factors, the increased demand for urban land, including an enormous amount of speculative demand, pushed up land prices to an extraordinary degree.

### 2.4 Land-use control and rises in land prices

In addition to the above factors, there was, I should point out, an institutional condition which made the land problems more serious: the rise in land prices affected the urban planning system.

To control land use, Japan has a system of urban planning legislation based on the City Planning Act of 1968. The territorial unit for urban planning is called a ‘city planning area’. Under the City Planning Act, these areas are subdivided into urbanization promotion areas (UPAs) and urbanization control areas (UCAs). UPAs consist of existing urban areas and areas planned to be built up within approximately ten years, and development is allowed on condition that it meets the requirement set by the building regulations. The Act provides for eight principal categories of land use in UPAs. These are: housing (three categories), commerce
Within these distinctions, there are regulations governing land use in terms of coverage and building volume ratios. UCAs, however, consist of areas where urbanization and development are to be restrained. Thus, the system of UPAs and UCAs were established "in order to prevent disorderly development and realize development according to a plan" (see OECD, 1986). Nevertheless, in practice, the system neither controls urban development nor realizes orderly land use.

In UCAs, although development should be restrained as a general rule, many 'exceptional' developments have been allowed. Also, UPAs have been designated largely without regard to the ability of the municipalities to construct and improve infrastructure. Therefore, both in UPAs and in UCAs, the result has been sprawling development.

Moreover, regulations on land-use and building in UPAs are very loose. For example, houses can be built anywhere except in very limited parts of the UPA which are to be used for manufacturing; shops and offices can be built anywhere except in limited parts where there is to be housing and manufacturing only. Recent data about the state of UPAs in Japan show that, among the shops located in UPAs, only 56% of them are located in the areas for commerce, and 38.7% of them are located in the areas for housing.

Therefore, in effect, the Japanese urban planning system allows freedom to build in urban areas. This has a great effect on land use and land prices. If zoning or regulations on land use and building were strict, the price of each piece of land theoretically would be based on, and fluctuate separately according to the profitability of, each land-use type. Yet, because Japanese urban areas are a conflicting mixture of various land-use types, such as housing, commerce, manufacturing, and agriculture, and because the regulations on land use and building are very loose, free competition over ownership and use of land has brought about a predominance of commercial land use to the exclusion of other land-use types. Expansion of demand for land and a rise in land prices are the driving forces behind these processes.

In reality, active land acquisition by a large number of property companies, construction companies, and other companies has brought about the recent rise of land prices in the big cities. They acquired land in order to meet an enormous amount of demand for office space. Hence, their behaviour was not influenced by official designation of land use. They acquired land in the areas which allowed for a larger building volume ratio, regardless of land-use designation (see Nomura Sogo Kenkyusho, 1991). Land acquisition by enterprises therefore spread from business areas to housing areas as well as onto farm land, and land prices rose generally independently of land-use.

3 Expansion of property finance and urban land problems

The supply of finance for property acquisition by financial institutions played a crucial role in rising land prices. In short, property finance was a major promoter of the emergence of a substantial amount of land dealings and of the drastic changes in land-use form.

Property finance can be classified into three main parts (see Oizumi, 1991a). First, there are commercial property mortgage loans in which commercial and factory properties are used as security. Although this type of loan developed as a form of long-term finance for industrial equipment funds, in the property boom they worked as financing for further land acquisition by enterprises. Second, there are loans to real property business. In the 1980s the growth in the number of loans provided for industrial equipment investment was considerable in tertiary industry,
such as commerce, services, and real property. In particular, as already stated in section 2.3, property companies largely depended on borrowing from financial institutions and nonbanks for land acquisition, and hence loans to real property business increased at an extraordinary pace during the period of the property boom. Third, there are housing loans, that is, residential mortgage loans, a category which is an important area for financial institutions (this issue will be dealt with in section 3.2).

Through these routes, in which every financial institution has been engaged, vast amounts of money flowed into the land markets. In figure 2 I present a summary of the relation between land dealings and property loans for 1989, when the property boom reached its peak. Loans for land purchase amounted to ¥24.3 trillion (about £93 billion) in only one year. If own funds are included, the sum increases to ¥47.9 trillion, equivalent to 11.8% of the GNP. Furthermore, at the end of 1989, loans to the real-property industry by all banks (city banks, regional banks, trust banks, and long-term credit banks) amounted to ¥40.9 trillion. These loans accounted for 11.5% of the total loans to all industries. According to a survey carried out by the Ministry of Finance, at the end of September 1990 the 200 largest nonbank companies had loans to the real-property industry to the collective value of ¥20.2 trillion, which accounted for 35.7% in value of their total loans.

Such immoderate expansion of property finance reflected rapid change and distortion in the flow of funds in the bubble economy. As mentioned above, big corporations altered the main way in which they raised funds to equity finance through the capital markets. Consequently, city banks (big commercial banks), trust banks, and long-term credit banks lost their major customers and were forced by necessity to find new borrowers. Property finance, therefore, became a battlefield for these banks as well as for insurance companies and other small and medium-sized financial institutions. This keen competition between financial institutions lay

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**Figure 2.** An estimate of the money flow (in ¥ trillion) in land dealings in Japan in 1989 (source: National Land Agency, 1991).

* Includes ¥4.1 trillion of public funds
in the background of the growth of nonbank finance companies. Most nonbanks were affiliated firms or subsidiaries of financial institutions and industrial enterprises, and provided a detour through which vast amounts of money flowed into land speculation.

Land dealings and property financing reached an astonishing level, but of main interest are the economic and social outcomes. I discuss these problems in the next section.

3.1 Land concentration by capital

One result of the property boom was a drastic concentration of landownership and land use by capital (see Tokyo Metropolitan Government, 1989; 1991). Within the total area of privately owned land in all wards of Tokyo, the share owned by corporations increased from 24.9% in 1985 to 28.7% in 1989, and the share owned by individuals decreased from 75.1% to 71.3% during the same period. Particularly in central Tokyo (Chuo, Chiyoda, and Minato Wards; see figure 3), the share owned by corporations increased from 58.6% to 69.1%, and the share owned by individuals decreased from 41.4% to 30.9% during the same period.

What is more, the concentration of large-scale landownership has been remarkable. In 1989, among the total area of privately owned land in all wards and cities of Tokyo, the share owned by large-scale landowners (corporations and individuals having more than 2000 m²)—a group which makes up only 3.2% of the total number of landowners—was 60%. And the share owned by corporations having more than 2000 m² (only 9.2% of the total number of corporations having land there) was 82.8% of the total area of land owned by corporations. Particularly in central Tokyo, among the total area of land owned by corporations, the share owned by

Figure 3. The Tokyo wards. Note: Greater Tokyo comprises 23 wards, 26 cities, 5 towns, and 1 village.
corporations having more than 10,000 m² (only 1.3% of the total number of which have land there) was 36.9%. On the other hand, for individual landownership in these areas, small-plot landowners having less than 100 m² were 57% of the total number of individual landowners there.

Such drastic changes in landownership have been accompanied by those in land use. In all wards of Tokyo, the total floor area of buildings for office use increased by a factor of 2.5 from 1972 to 1990. Among the total floor area of buildings for all uses in these areas, the share of offices increased from 10.9% in 1972 to 15.6% in 1990. In central Tokyo (Chuo, Chiyoda and Minato Wards), the total floor area of buildings for office use increased by 74.3% and the share of office usage as a proportion of all uses increased from 44% to 55.8% during the same period.

Moreover, it should be noted that the expansion of land use for commerce and finance was especially intensive in the 1980s. In all wards, the total floor area of buildings for offices and shops increased by 27.1% from 1983 to 1988. In the enlarged central areas (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya Wards), this share increased by 25.1% during the same period. The Tokyo area provides the most typical example, but the same situation can be seen in other big cities, such as Osaka and Nagoya.

Thus, capital accumulation in big cities has been accompanied by an extreme concentration of landownership and land use by enterprises. The expansion of property finance was the medium through which this concentration advanced, and was reflected by the fantastic rise in land prices.

3.2 Rising land prices and housing problems
Owing to the rise in land prices, the government's housing policy was faced with serious problems. The core of housing policy in postwar Japan concerned assistance for owner-occupation. Such a characteristic is obvious when we compare the United Kingdom with Japan. According to some official statistics, in 1988 owner-occupation formed 65% of total tenure types in the United Kingdom, public rental housing formed 25%, and private rental housing formed 7%. In Japan the figures were 61% for owner-occupation, 26% for private rental housing, and 8% for public rental housing. There is also a striking contrast between the share of public rental housing in the United Kingdom and that of private rental housing in Japan. In Japan, because housing policy has neglected the private rental housing sector, a great many private rental houses are small and worn out, or, if not, have a high rent. However public housing is in short supply. Such circumstances make urban residents' demands for owner-occupation even greater.

In the 1960s, in Japan, public assistance for owner-occupation grew largely by means of district housing corporations, the Housing and Urban Development Corporation, and the Housing Loan Corporation. Also, since the latter half of the 1960s, the housing industry, which has grown through assistance from the government's economic and housing policy, actively began to supply built-for-sale dwellings. Private financial institutions also began to make housing loans.

Since the low-growth phase of the latter half of the 1970s, the construction and provision of public housing have increased even more slowly because of the financial crisis in the government and the municipalities and also because of the general climate of rising prices for land. At the same time the government has continued to promote private homeownership by increasing its financing of the Housing Loan Corporation, as this was seen as the most inexpensive way to encourage housing investment.
As the housing industry grew even more, financial institutions greatly expanded their financing of real property companies and housing loans. Although enterprises were able to gain large profits through land dealings and housing construction, for urban residents this meant a kind of vicious circle of rising housing prices and greater debt to finance home purchase.

In this connection, I should point out some of the social implications of homeownership. For owner-occupiers, a rise in land prices means an increase in the value of their real property. This makes the above-mentioned vicious circle endurable, to some extent. Since the postwar period, land prices have consistently tended to rise faster than the rate of general price inflation. Under these conditions, the real value of a homeowner’s mortgage debt gradually eroded away, and the owner was able to realise capital gains from rising land prices which could be used to finance home improvements. Thus the expectation of a rise in land prices encouraged residents to aim for homeownership.

Moreover, as a result of conditions where the government neglected to improve the public and private rental housing sectors, many workers had to depend on their employers for their houses. The enterprises provided company housing and lent housing funds at low interest rates as fringe benefits. This is a practice limited to big enterprises which meet the conditions necessary for this fringe-benefits system. Employees of such enterprises can live in a company dormitory when they are young, purchase a house with the assistance of their company, and continue to repay their debt to their employer. In fact, the employees are bound by their companies in this way. Thus, not only do the enterprises manage their employees at the workplace, but also they manage the total life of their employees. Encouragement of homeownership acts, therefore, as a means for Japanese big enterprises to achieve greater control over workers.

Nevertheless, the government’s housing policy to encourage homeownership faced serious difficulties because of the extraordinary rise of land prices in the latter half of the 1980s. On the one hand, a few fortunate owner-occupiers were able to realise substantial capital gains through the sale of their houses and move to high-grade residential areas. On the other hand, for the majority of people seeking owner-occupation, the rise in land and housing prices was enough to shatter their dream completely. In 1991 the average prices of new flats provided in the Tokyo areas were more than ten times as much as the average annual income of workers. Dissatisfaction with the expansion of disparity in assets-holding spread among urban residents.

The financing of employee housing loans by enterprises also faced difficulties, because the rise in land and housing prices took the ability to give more loans far beyond their limit. Although a boom of company-housing construction was seen, it was insufficient to meet the needs of all employees.

3.3 Land domination by finance capital

The driving force behind the recent property boom was intensive land acquisition and development by enterprises. As stated above, such action was related to the change in patterns of capital accumulation since the latter half of the 1970s. These changes were the formation and expansion of surplus funds on the one hand, and the restructuring of industries and enterprises on the other.

Japanese big corporations are components of the business groups organized through the network of cross-shareholdings and financing. The business groups (Kigyo Shudan) embody a concept of finance capital—the industrial-financial complex, or the coalescence of big banks with monopolistic enterprises, in a form
peculiar to Japan. The big six business groups (Mitsubishi, Mitsui, Sumitomo, Fuji-Yasuda, Daiichi Kangin, and Sanwa), whose nucleuses are big commercial banks, are large corporations in heavy industries, light industries, and tertiary industry.

These business groups had grown through the rapid rise of the Japanese economy since the 1960s, they were driven by necessity to restructure in response to the above-mentioned changeover in the structure of the Japanese economy since the mid-1970s. This was most urgent for big enterprises in heavy industries. In 1979, the Japan Project Industry Council (JAPIC) was organized by the major companies in the steel and construction industries, and in 1983 the major companies in the property, finance, automobile, and electric power industries joined them. JAPIC had a great effect on central and local governments’ land planning and urban planning, including several big projects such as the development of Tokyo Bay area and the construction of Kansai International Airport. In such a way, the business groups have carried out their restructuring through expanding their business in urban development. This process was backed by the government which regarded urban development as one of the main ways to expand domestic demand.

Therefore, in Japan, urban development was aimed exclusively at making a vast container for capital accumulation and economic concentration. This characteristic determined the content of development.

In Japan, urban development has been promoted with the slogan ‘effective and advanced land use’. The term ‘advanced land use’ is used with a nuance peculiar to Japan. Its core image is of an area bristling with multistorey buildings and surrounded by broadened roads, improved public facilities and utilities, with the whole supported by high-level land prices. Other types of land use are considered to be ‘ineffective land use’, meaning they do not correspond to a high level of urban land price (see Kawakami and Mizuguchi, 1983). That is, the establishment of a land-use system corresponding to a high level in urban land prices is the essential principle which is pursued in urban development. It is the realization of a form of land use which makes as much profit as possible.

This process is advanced by the continuing concentration of capital accumulation by large enterprises and financial institutions in the major cities. The result has been a concentration of land ownership and land use and its integration into the industrial-financial complex. Supported by the concentration of economic resources and the establishment of infrastructure in big cities, capital accumulation of the industrial-financial complex advanced. The high level of land prices, which were brought about through the restructuring of urban land use and the expansion of land speculation, allowed big enterprises to achieve vast income and capital gains from their landholdings. Big banks advanced directly and indirectly (through non-banks) to property markets, and shared the leading role in the property boom with property companies. This land domination is the greatest factor in the land problems being experienced now in the Japanese big cities.

4 Bubble burst and recent land policy
The trend of property markets and land prices began to change at the beginning of the 1990s. The initial indication of this was that at the end of 1989 the Bank of Japan adopted a tight monetary policy and started to raise the official discount rate in order to restrain ‘asset inflation’. (After five upward revisions, the rate was 6.0% in August 1990.) In 1990, Tokyo financial markets were subjected to ‘triple falls’ of the yen, stocks, and bonds. Stock prices continued to fall sharply and stock speculation collapsed. As land speculation had been supported by the spiralling prices for land and stock, the collapse of stock speculation directly brought about the
collapse of land speculation. Also, when in April 1990 the Ministry of Finance started to regulate financial institutions' loans to property companies, the rate of collapse was accelerated.

The number of 'bubble bankruptcies' began to increase among property companies, and financial institutions and nonbanks faced serious difficulty in getting back their vast property loans. At the end of 1990 the property markets were plunged into depression, and land prices in the big cities began to fall. At the same time, investment and consumption in general began to decrease owing to the collapse of the bubble economy. The depression appeared not only in property markets and financial markets but also in the national economy. The burst bubble brought to light a train of scandals: capital loss compensation, forged certificates of deposit, lax financing, and a case involving bribery by the Tokyo Sagawa Express Delivery Company. Thus, Japan's establishment, the tight nexus of big business, bureaucrats, and politicians, suffered their biggest shock since the end of World War 2 (Wood, 1992).

Have the burst bubble and the following depression led to a decline in the domination of land markets by finance capital? How have the state and finance capital dealt with the crisis? In order to gain a perspective on these issues, I examine recent land policy.

4.1 The Basic Land Act of 1989

The emergence of the 'bubble economy' made it clear that the policy to deregulate urban development had failed. In particular, serious housing problems aroused among the people strong criticism against land policy. The government enacted the Basic Land Act in 1989 in order to answer that criticism. The act was to ensure that the government, municipalities, enterprises, and the general public should obey 'the basic ideas about land' which consisted of the following four principles. First, public welfare should be given priority over private profit in the ownership and use of land. Second, land should be used in a proper and orderly fashion. Third, land should not be an object of speculation. Fourth, landowners should return part of their profits to the public through imposition.

Although some commentators suggest that the Basic Land Act is aimed at changing land policy, the above principles are very vague and it is difficult to interpret in specific instances whether or not they are being met. In practice, the Act works as a means to assist policy aimed at promoting 'effective and advanced land use' (see Honma et al, 1990).

For example, according to the above idea of 'land use in accordance with a plan', the Ministry of Construction is planning to carry out deregulation of land use in three big cities (Tokyo, Osaka, and Nagoya), by expanding the UPAs, changing the distinctions of land-use types in those areas, and raising the building volume ratio. In the redevelopment areas, under the name of 'detailed planning', special concessions for projects of private developers are allowed, and enterprises are given a free hand to build. At the same time, the Ministry of Construction is promoting 'effective and advanced land use' for farm land within the UPAs of these cities. In developing this farm land, the same type of special concessions as noted above are allowed and the regulations about the building volume ratio are relaxed accordingly.

Therefore, the promotion of development through deregulation has been at the core of urban policies, and this situation will continue, although a few municipalities are trying to introduce the idea of 'growth management' in their urban policy.

Apart from urban planning, recent land policy can be characterized by two aspects: the tax system concerning land, and the new financial schemes of urban development business (Oizumi, 1991b). I will discuss these points in the next section.
4.2 Recent trends in land-taxation policies
In January 1992 the government introduced a new type of landholding tax ('land-value tax') and at the same time decided to raise the assessed value of land subject to property and inheritance tax and abolish the exemptions of farm land in UPAs of Tokyo, Nagoya, and Osaka Districts from property tax as well as inheritance tax.

Although the introduction of the land-value tax should raise the taxation on those enterprises and individuals which own large areas of land, the tax was watered down because of the strong opposition from big business. In addition to a basic deduction, advantageous to landowning large corporations, the tax rate was set at only 0.3%. Therefore, the taxation policies have very contrasting effects on large-scale and small-plot landownership. Although the assessed value of land for property and inheritance tax has been kept lower than the market price to encourage homeownership, the tax burden they involve for homeowners in big cities is nevertheless increasing because of the rise in land prices. Hence, the rise in the assessment value means that the tax burden has become unbearable for many. The same consequence is to be expected for farm land in UPAs.

Thus this new taxation policy will have the function of compelling many small landowners, and, in particular, farmers, to sell their land or to change the use of their land. Although the land supply in urban land markets will be increased, this will only bring about a concentration of landownership and land use into business hands and continue to accelerate sprawling development because municipalities have no adequate system giving them priority to purchase land in order to construct infrastructure and provide land for orderly development.

4.3 New financial schemes for urban development
As for the new financial schemes for the urban development business, it is notable that in addition to promoting private-public partnerships, and the 'mixed enterprises' of public bodies and private enterprises (the so-called 'third sector'), government, financial institutions, and enterprises are trying to introduce a land-trust system and the 'securitization' of property financing. The mixed enterprises and the land-trust system have grown remarkably in the 1980s, but a securitization of property financing has begun to take shape only recently.

The mixed enterprises, along with the privatization of public enterprises, play the most important role in the policy of 'utilizing the ability of private enterprises'. Although they play roles in various fields, in urban development they mobilize public-owned land for development by private enterprises. In fact, in the case of the mixed enterprises established for development projects, management initiative is taken by the participating private enterprises, whereas the public bodies provide only funds and land.

The National Railway Settlement Corporation (NRSC) was established when the Japanese National Railway was privatized. The NRSC took over a huge area of land from the former National Railway and started to dispose of it by sale. Also, the land-trust system (that is, development business through transfer of landownership to trust banks) has been adopted in redevelopment business, and many municipalities have been active in placing public-owned land in trust banks; the NRSC is very eager to develop its land through the trust banks system, as it is through this system that public-owned land is offered to private enterprises. This means that the use and development of public-owned land, along with farm land—the most precious space for urban planning and improvement of the infrastructure—are left to private enterprises. It is contended that this will be counter-productive in overcoming urban problems.
It is very symbolic that the NRSC is keen to introduce securitization to finance development projects. The 'securitization' of property financing is a way to raise a substantial amount of funds from the capital market for development business. Although the attempt to introduce this new system is faced with obstacles due to the collapse of the bubble economy, 'securitization' is considered to be indispensable for large-scale development and will materialize sooner or later. But, whether this scheme is successful or not depends entirely on the profitability of development projects, because it is difficult to appeal to investors without the attraction of high profitability.

The policy of 'utilizing the ability of private enterprises' has greatly promoted the advance of enterprises into the urban development business. This has brought about a shift in the principle of urban development and land use, that is, from public benefit to private profit. In spite of the collapse of the property boom, and despite the criticism made against the land policy, such a trend is likely to continue in the 1990s. This trend has determined perspectives on land problems since the collapse of the 'bubble economy'. I shall now discuss this point.

5 A perspective on land problems since the collapse of the bubble economy

The collapse of the bubble economy meant a collapse of a form of capital accumulation which was greatly dependent upon holdings and dealings in financial assets. The enterprises and financial institutions which had been enjoying the expansion in capital gains were struck a great blow. Falling stock and property prices meant a reduction in the unrealized capital gains from their assets, and, particularly in the case of financial institutions, large losses on their property loans. Because of a rise in the cost of funds on the one hand and the bad-debt problem in lending to property companies on the other, financial institutions are now faced with a fall in their profitability (see Financial Times 1992a).

Although it is certain that the collapse of the bubble economy and the following depression are shaking the finance capital, this does not mean that land domination by finance capital is in decline. On the contrary, land domination will grow stronger for the following reasons.

First, the depression presses financial institutions and enterprises to merge. The crisis in profitability is still more serious in small and medium-sized financial institutions and property companies. It is inevitable that a concentration among large institutions and companies will occur in the financial and property markets.

Second, the depression presses the government to pursue policies to expand domestic demand. Urban development is the most effective means for this; the government puts public investment into this field and holds fast to the policy of 'utilizing the ability of private enterprises' and 'deregulation'. Propping up property markets, in which various enterprises and financial institutions have interests, will be pursued by state and finance capital.

Third, increased selectivity and risk avoidance in property investment and financing has become a crucial issue because there is already no condition under which any investment in land can be used to make an easy gain. The need for profitability in property investment and financing is increasingly important. Avoidance and transfer of risk mean that the cost burden and risk in development business are transferred to the public sector. Thus, urban development will all the more be influenced by capitalistic interests.

At the end of August 1992 the government decided on a package of measures to counter the depression (see Financial Times 1992b). The package was the largest in Japanese history, amounting to ¥10.7 trillion (£43 billion). As well as increasing its
spending on public works to stimulate the economy, the government has set out to rescue financial institutions from crisis. Land purchases by public funds are advanced in order to activate property markets. The ulterior motive is to purchase land held by financial institutions as collateral for bad loans. Furthermore, big banks are themselves working on a plan to establish a corporation which purchases land held by banks as collateral, and the government has announced it will support this plan.

The government’s package confirms the above-mentioned perspective. The package lacks a firm stance for the solution of land problems. The more the government gives priority to stimulating the economy and rescuing financial institutions, the less possibility there is for a change in land policy. Finance capital will with state support be able to maintain its domination in urban land markets, and urban land problems will become more and more serious.

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