

JAPANESE URBAN REDEVELOPMENT DONE THE HARD WAY

The Japanese mafia, called *yakuza*, have been making big inroads into the real estate industry in that country, finding larger gains obtainable in it than their usual occupations of extortion, gambling, loan sharking and drugs.

In the "bubble years" of the now collapsed Japanese land boom, the *yakusa* worked with the *jiageya*, who wished to assemble tiny adjacent pieces unsuitable for redevelopment or to tear down and rebuild ancient structures.

Land holders who would not sell at the *jiageya's* price would find that adjacent properties would be taken over by mob members, who would drink until late hours, shout and scream, kick the walls, and utter threats.

Often manure would foul properties or dump trucks would "accidentally" crash into buildings. If the police were called, they would discreetly say, it was a mere landlord-tenant problem that should be handled in a civil action.

David Holley, writing in the L.A. Times, noted that some analysts felt that the *yakuza's* services as land consolidators "played a useful if unsavory role in the modernization of Japan."

In America, this modernization is done in a clean, legal manner. Urban redevelopment agencies are formed, under which the government condemns land owned by small holders, it is cleared and graded, and then sold to developers at a bargain price. The urban redevelopment agencies are granted special tax privileges, in that the "increment" in increased land values due to the redevelopment cannot be taxed by the cities, counties, or school districts, but remain with the agencies to provide further services for the developers. The logical alternative to taxing the land and not the buildings, so as to encourage the original owners to rebuild their properties or sell to those who will, is thrust aside as being too radical.

We should not condemn the *yakuza* when our own redevelopers are what Sir Arthur Sullivan called: men who play "a sanctimonious part with a pirate head and a pirate heart." He told them: "off to the cheating world go you, where pirates all are well-to-do."

The *yakuza* were mixed up in the "bubble economy" based on land speculation of the late 1980's, which led to \$800 billion in bad loans made by Japanese banks, some to firms with *yakuza* ties, and some loans pushed by *yakuza* members of the banks' boards of directors. Holley notes that reformers are afraid that if the banks write off their losses and clear their huge bad debts on land speculation, up to 80% of the assets will pass to organizations controlled by *yakuza*. Holley quotes one attorney who represented asserted gangsters as saying that the banks "were like *kashimoto*, the *yakuza* who loaned money to customers at gambling halls. In that kind of situation, the *kashimoto* get more blame than the gambler. It could be said that in the 'bubble era,' 100 million people were gamblers, and in this game, they used land as the tool for gambling, and banks played the role of *kashimoto*. I think they are the ones who should be blamed."

So what did the venal Japanese government do to prevent recurrence of the disastrous boom and bust caused by land speculation? It has substantially increased the national sales tax and decreased the income tax in order to give relief to the speculators injured by the punctured land bubble.

This ghastly land catastrophe is one reason why Japanese investors are desperately trying to sell their land in California and Hawaii, so they can protect their property in Japan, leading investors from Taiwan and Hong Kong to take over their role in the American real estate market.

Aren't we lucky to live in the United States where the criminals mainly stay out of the real estate market? •••••