

had killed the sales tax proposed by the Nakasone Cabinet, the Takeshita government submitted a package of tax reform bills introducing the consumption tax, which “could be rammed” through the Diet this time.

The greatest difference between the sales tax and the consumption tax is that invoices are issued at each step in the former while entries are made in the account books in the latter. Small- and medium-sized businesses strongly opposed the invoice method which makes at least a part of transactions open.

Learning a lesson from this failure, the LDP’s tax study panel withdrew the invoice requirement and switched to the account entry method, which demands a report, enabling embellishment of the value added. This is the main compromise which made possible the “passage” of the consumption tax bills.

Although the consumption tax started on April 1, 1989, strong criticism persisted and popular opposition to the new tax was the principal reason for the historic defeat of the Liberal Democratic Party in July 1989’s Upper House election. The consumption tax is now under reconsideration in the Diet.

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## **2. Law of Property and Obligations**

### **An Act Concerning the Promotion of Multipolar Dispersion through the Country.**

Promulgated on June 14, 1988. Ch. 83. Effective as of June 14, 1988.

#### ***[Background of the Legislation]***

Since early 1986 land prices in Tokyo have risen considerably.

Because of Japan's rapid economic development, Tokyo has become one of the most important world financial market and information centers. This has stimulated the concentration of the business and administrative functions of the big corporations in Tokyo, and caused the demand for building construction in the center of Tokyo to increase. At the same time, speculative land development investment by private sector urban redevelopment occurred. Therefore, the cost of land for commercial development in the center of Tokyo skyrocketed as much as to triple the cost from 1986 to 1987. In addition, many of the former landowners who sold their lands in the center of Tokyo subsequently bought land in neighboring suburban areas. This has led to land speculation in many residential areas of suburban Tokyo. Through this process, land prices in the overall metropolitan areas have increased around 200% between 1986 and 1988. Many people have noticed a split appear in the so-called middle class dividing those who own land and those who do not. Because of this situation the Japanese government set up a special committee for reconsidering land and housing policies (*Tochi Rincho*). This committee issued an interim report in October 1987 and a final report in June 1988. Based on this final report the Basic Land Law Act (*Tochi Kihon Ho*) was established in 1989.

On the other hand, many rural areas have suffered population decrease and economic decline because of changes in the economic structure, the highly valued Japanese yen and an unstable local economic future. In this sense, Japan has splitted into prosperous urban and depressed rural areas. In order to change this situation, Japan needed a strong policy to correct the concentration of population and economic power in urban areas, and to disperse many of the administrative functions of government from Tokyo to rural areas. The fourth comprehensive national development plan of 1987 proposed such a policy of dispersion and the setting-up of nucleus rural areas for development. In the parliamentary session of 1988, the government proposed an Act Concerning the Promotion of Multi-polar Dispersion through the Country based on the need for a fundamental land policy of dispersing economic and population concentrations to realize a balanced development of the whole na-

tion. In addition, many Acts concerning land policy have been revised, such as the Urban Redevelopment Act and the Act for Regulating Estate Agency. New Acts have also been established, such as the Act for Emergency Measures to Promote the Development of Superior Residential Land.

*[Outline of the Act]*

The main purposes of this Act are to correct the overconcentration of population, administrative functions of government, economy and culture in particular urban areas of Japan and to encourage the multipolar dispersal through the country. The Act provides for the following six major points:

First, concerning the dispersal of governmental functions to rural areas, the government will endeavor to move from the 23-ward area in central Tokyo in accordance with a basic plan for the movement of administrative and special-purpose semigovernmental corporations and several other concrete measures. Each ministry of government has an obligation to report to the Prime Minister all plans for new construction and other works on governmental administrative buildings.

Secondly, concerning the encouragement of rural development, the Act establishes as the goal of all government and local public bodies the promotion of rural cities as centers of local communities. In order to encourage the development of strategic districts in rural areas, the Act also includes necessary provisions for the preparation of a basic development plan, the organization of development promotion conferences, and a favorable taxation rate for local taxes.

Thirdly, the Act provides for the orderly improvement of big cities. The Act specifies particular objectives for the government and local public bodies to improve functioning of big cities. The Act also lays down necessary provisions for the preparation of basic programs and the issues of loan bonds by local public bodies to improve business centers in the Tokyo area.

Fourthly, the Act establishes as objectives for the government and local public bodies the encouragement of the development of superior residential land and the increase in the supply of houses.

Fifthly, in order to encourage better communications between different areas, the Act provides necessary measures for developing a comprehensive system of high-speed traffic and the establishment and accomplishment of smooth communication of information.

Finally, the Act provides other necessary objectives for the government to promote the multipolar dispersal through the country.

*[Comment]*

After the passage of this Act, the government proposed the movement of some government administrative bodies and special-purpose semigovernmental corporations to outside of Tokyo. Although most people realized the importance and necessity of a dispersal policy, employees and labor unions of those listed organizations opposed the plan for their relocation. They argued the difficulties of moving, finding good quality schools for those employees' children, and jobs for their spouses. Currently, negotiations between the government and the organizations concerned are progressing.

Because of expensive land prices and severe housing problems, the land and housing policy became one of the most important political debates for the first time in Japanese history. During 1988 and 1989 many land Acts were established. The parliamentary session during this period was called "the Land Diet."

Details of these Acts will be discussed in the next issue of this journal. The Act Concerning the Promotion of Multipolar Dispersion through the Country marked the beginning of the age of land law. We will learn the actual result and effect of these Acts in the very near future.

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