"*Zai-tech*" Craze Seizes The Nation

By Hiroyuki Yamamuro

In the last three months of 1986, a "money game" cyclone swept Japan. There were the long, early morning queues for ¥100,000 gold coins struck to commemorate the 60th year of Emperor Hirohito's reign. There was a similar clamor for shares in the Nippon Telegraph and Telephone Corp. slated to be released by the government. And all the while, newspapers carried almost daily reports of crackdowns on fraudulent dealers of mortgage-backed securities.

The abnormal frenzy over assets management, known in Japan as "*zai-tech*," symbolizes the Japanese people's apprehensions about life in a graying society.

October 16, 1986. As dawn broke, long queues formed in front of banks and post offices throughout Japan. People were rushing get the free tickets that would give them a chance to draw for the ¥100,000 gold and ¥10,000 silver commemorative coins. Fifty million tickets were to be given away, making it a one-in-five chance to get one of the 10 million coins minted. All 50 million tickets were gone by noon.

The craze for NTT stock among big-lot investors was no less spectacular. When the results of the bidding were announced on December 24, the bids ranged from ¥1,017,000 to ¥2,400,000 per share for stock with a par value of only ¥50,000. There had been speculation the previous spring that the NTT stock to be sold by the government would fetch about ¥400,000 per share. However, rumor ran wild as the press began to carry stories that the price would be ¥600,000, or even ¥800,000. When public bids were finally invited from big-lot investors, the bids so exceeded even the rumored amounts that the public subscription price for the stock of the former government monopoly was set at an absurd ¥1,197,000 per share, undreamed of when the privatization schedule was first announced.

But the gold coin craze and the NTT stock fever died out just as quickly as they flared up. Most of the winning tickets were exchanged for ¥100,000 commemorative gold coins but many coins went unclaimed. Finally the Finance Ministry early this year instructed the Bank of Japan to recover the unclaimed coins, some 900,000 in all, and melt them down into gold bullion.

NTT stock proved no less meteoric. Some 1.65 million shares were released for public subscription, and securities companies expected nearly 20 million people to fight for the chance to buy them. In fact, only 8 million people applied, just 40% of original forecasts.

Mortgage-backed securities are certificates backed by land, and this collateral gives them a safe image. With dealers advertising them as a "high-yield, safe, tax-saving product," sales boomed in the latter half of 1985. But most dealers proved to be fly-by-night operators who preyed on the unknowing and sold securities that either had no land backing at all, or were based on astronomically overpriced land. When investors began inquiring about their investments, the unscrupulous methods employed by the operators were exposed to the light of day. Police cracked down on vicious mortgage-backed securities dealers, while panic-stricken investors mobbed offices, demanding their cash back to no avail. The number of known victims alone reached 3,600, with their losses totaling ¥16 billion.

What motivated ordinary people to scramble so madly for gold coins, NTT stock and mortgage-backed securities? Behind the boom was fear of a bust—the insecurity many Japanese now feel about life in the "super-aged" society said to be just around the corner. The Ministry of Health and Welfare's white paper on welfare, issued on January 9, was subtitled "The Challenge of the Unknown—Toward a Bright Aged Society." The paper loftily described 21st century Japan as "an unprecedented society of very high-aged people."

According to the white paper, senior citizens above the age of 65 will constitute 23.6% of Japan's total population in the year 2021, while children under the age of 14 will account for 16.4%. In other words, the productive population between the ages of 15 and 64, some 60% of the total population, will have to support the other 40%.

Naturally, the burden of supporting the elderly will overwhelm Japan's present social security system. As the white paper clearly states, "Current social security schemes which depend solely on services provided by the public sector will soon reach their limits institutionally and financially." Instead, the report preaches the doctrine of self-help. The amount of governmental pension benefits and the duration of their payment could become smaller and shorter, but never bigger and longer. If that is the future, then people will have to start managing their assets, no matter how small they may be, more efficiently in order to safeguard their post-retirement lives, and they will have to start doing so now.

Loaded with surplus cash, business corporations are even more enthusiastic about *zai-tech*. Of the 964 firms listed on the first section of the Tokyo Stock Exchange, 470 firms say they aggressively manage their assets, investing in stocks in order to record larger profits on their balance sheets. That is fair enough. But it is believed that in order to tide over the recession caused by the yen's recent appreciation, many companies have chosen to operate in *zai-tech* the funds they otherwise would have devoted to productive plant and equipment investment.

Mitsubishi Bank last September warned that "the current situation, in which investment in financial instruments is advantageous and and profitable, is changing gradually. Not only corporations, but also consumers will have to be very careful about the *zai-tech* management of their assets." It is solid advice. But so long as the social pressures for *zai-tech* exist, it seems inevitable that individuals as well as corporate investors will continue to rush to play the "money game." ●

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