

# From Wall Street to City Hall

**Interview with Tetsundo Iwakuni, mayor of Izumo City, by Ritsuko Misu, editorial manager of the Journal of Japanese Trade & Industry**

"So it's good-bye to all of this," said the man sitting in his 36th floor apartment on East 57th Street and looking out at the Manhattan sunset in late September 1988. "Not really," said his wife, knowing that there was no point in arguing with him, "we'll be back."

The man was Tetsundo Iwakuni, senior vice president at Merrill Lynch Capital Markets, and he was home with his childhood-sweetheart wife. Having risen to the No. 2 spot in the world's largest securities firm, and having seen his two daughters graduate from Harvard and Stanford, he was ready to call an end to 30 years in international investment banking and to return to Japan for a run at the mayorship in Izumo, Shimane Prefecture.

On September 30, he made a trans-Pacific telephone call to his supporters in Izumo and officially told them that he was accepting the nomination they were so eager to press on him. Only months later, on March 26, 1989, he was elected with an 80% majority to take office on April 7. Thus emerged one of the most unusual mayors of any conservative Japanese town.

Iwakuni was born in Osaka in 1936, and lost his father to illness only six years later. Fatherless in the middle of a war, the family moved in with his mother's family in Izumo, where he lived helping with the family farm until graduation from high school.

One of his most treasured photographs is a picture taken by his baseball-loving father at the age of four at the famed Koshien Stadium near Osaka. In fact, Iwakuni's passion for baseball is in large part a tribute to his father. Although farm chores prevented him from going out for the high school baseball team, he has remained an avid fan of high school baseball. Every summer, for example, he goes to Koshien for the days of the quarterfinals and semifinals in the all-Japan high school tournament to watch the best eight teams in the nation play.

After graduating from Tokyo University law department, Iwakuni went to work for Nikko Securities. Eighteen years later, he quit his post as manager of its London branch and accepted two

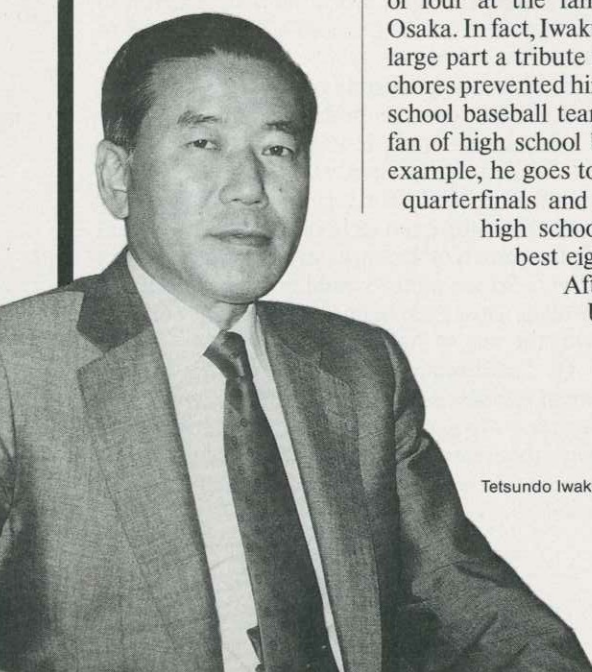
months later a vice presidency at Morgan Stanley, after which he moved to Merrill Lynch. At Merrill Lynch, he served both as chairman of Merrill Lynch Japan and then as senior vice president in New York. According to Iwakuni, the earlier job changes were in large part for his daughters' sake, and the move to politics was the first one that he made solely for his own sake.

Hearing of Iwakuni's desire to return to Izumo, Merrill Lynch Chairman William Schreyer asked him, "Politics? Why?" When Iwakuni explained that he wanted to run for mayor in then-Prime Minister Noboru Takeshita's district, Schreyer saw there was no stopping him and reluctantly agreed to let him go. This might not be such an unusual career move in the United States, but it is a real mind-boggler in Japan. After all, the senior executive spot at Merrill Lynch is a tremendously prestigious international post that most Japanese can only dream of, and it is hard to understand why anyone would give it all up to become mayor of a conservative rural community of only 83,000—a town that is not even the prefectural capital—why anyone would give up a salary of ¥80 million for civil service pay of only ¥10 million a year.

Having answered this "why?" time and time again, Iwakuni says he suspects that, "The mere fact that the question comes up so often is itself indicative of how fervently Japanese worship the idols of money and power. The question's persistence is a reflection on the sad state of modern Japan."

"Ever since I was a kid, there are three things I've wanted to be: a teacher, a reporter and a politician. All of these are jobs where someone with foresight can help to make the world a little better. Two of these wishes have been granted. Starting in September 1988, I have been a visiting professor at Darden School of the University of Virginia. And as an international businessman, I have contributed my views to numerous publications. Only the politician was left, and when the incumbent mayor of Izumo announced that he was retiring after four terms in office, local friends asked me if I wouldn't like a shot at the job."

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Tetsundo Iwakuni



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the annual *bon* festival every summer for the last 15 years. Part of this has been to see my mother and to pay my respects at the family grave, part of it to renew personal ties with old classmates. You might say that my ties to Izumo have sustained me all the time I've been away. I went to college on prefectural and city scholarships, and I was ready to repay my debt when the hometown called."

Having been elected on a promise to do a decade's worth of work in one four-year term, Iwakuni says he wants to retire from politics in 1993 and go live in the United States where his daughters live—and that he is not interested in national politics. Maybe he doesn't have any national ambitions, but it would be a shame to have his political career end in Izumo. It is this kind of person—someone with a sure international sense, a clear vision for the future, the practical ability to get things done, and a determination to create a better life for all people—that Japan needs in Nagata-cho.

Speaking quickly because there was so much to say and so little time to say it, Iwakuni spoke to the *Journal* in his Izumo office. He is a very different sort of politician, but the kind who may well have a major impact on changing the Japanese political scene.

**Question:** *Why did you decide to go into politics at the local level rather than the national level as, say, a member of the Diet?*

**Answer:** There are lots of Diet members, and they are all running around trying to do things with just a few aides and very little power. Here I am the only mayor, and I have a staff of nearly 700 experienced people working for me. There is a world of difference, and there are also some other reasons.

To start with, I dispute the assumption that the national level is necessarily superior and the local level inferior. This year, the city has a budget of over ¥30 billion to implement my policies. This is only about as much as we handled in three-and-a-half minutes at Merrill Lynch, but the money we spend here on nursery care, reforestation and other projects helps to create a better life for the people of Izumo. We are close to the people, and this is what makes local government so important.

In the second place, I have spent about a decade each in Tokyo, London and Paris, and New York: three very different spheres, culturally, economically and politically. Having this experience enables me to look at Japan from a Euro-

American perspective and to look at the United States from a Euro-Japanese perspective. This has been an invaluable experience—one open to very few Japanese.

I have had a close-up look at the corridors of power in Japan and elsewhere in the world. But I didn't have any experience with Japanese local government. Now I am hoping that the opportunity to see things from the local-government perspective will enable me to become the kind of person that Japan needs—the kind of leader who is familiar with both Japan and the outside world and who can communicate effectively in the international society.

**Q:** *What are some of the policy innovations you are making in Izumo?*

**A:** One of the first things is to establish a women's college here. Most of the movement today is toward Tokyo as Tokyo bleeds the outlying regions of people, money, and other resources. The big life insurance companies are a prime example. Even though they collect premiums from all over the country, 80% of their money is invested in Tokyo or overseas. Only 20% comes back to the local communities.

Likewise in the educational opportunities available. Tokyo has 185 spots for every 100 young women who want to go to college. In Shimane it is 21. On a per-capita basis, the ratio is even worse at 135:1. As a result, educational spending, working talent and purchasing power are all drained out of the community and siphoned off to Tokyo. Nor is Shimane the only prefecture subject to this kind of brain drain. It is a nationwide problem.

The swarm of students flocking to Tokyo further aggravates Tokyo's outrageous land prices and other structural problems that threaten to undermine Japan's prosperity. The first step to correcting this is to rectify the educational imbalance. Education doesn't need to be in a big city, and it might even be better if it isn't.

The second thing is to put a new emphasis on Asian contacts. Back when Tokyo was just a grassy plain, the Izumo region was a key gateway for Asian culture and technology. It is no accident that so much of Japanese mythology is sited in Izumo. So we want to build on this history and develop closer exchanges and other contacts with the rest of Asia.

**Q:** *Could you say a few words on the international business scene? Why is it, for example, that Japanese companies encounter so much friction when they invest overseas, whether it is blue-sky investing, M&A or even passive investing?*



A: There are two reasons. One is the perception that the money Japanese companies are using to buy into other countries is windfall profits from unfair trading—unfair in the sense that Japan was exporting heavily to other countries when its own markets were closed to imports.

The second reason is the perception that Japan operates by different rules. This is manifested in the exclusionism, the religious and ethnic differences, the uniform groupism, and in many other ways. The fact that there seems to be a government-industrial-academia complex in which everybody covers for everybody else, and the fact that the strong herd instinct means that when one company does something all the others quickly emulate it in a lemming-like wave, comes across to other people as somewhat awesome and rather frightening.

There is nothing we can do about the religious and ethnic differences, but it seems to me that the government should be able to check Japanese companies' follow-the-leader mindset with some kind of code of international corporate behavior. I would rather not have the government involved, but, unfortunately, I do not see much hope for corporate self-restraint.

In the past, I have suggested the selective imposition of an export tax on certain industries or products to help deter this corporate herd instinct in overseas markets, and I think this would also be a very helpful means of changing Japan's economic structure.

**Q:** *Having been through your own campaign and having seen this summer's House of Councilors' election, what do you think of Japanese politics?*

A: Japanese politics is very difficult to understand from outside. Although factions exist everywhere, they seem to be especially virulent in Japan—especially in the Liberal Democratic Party. Faction decisions are very binding on the members, and the groups are extremely viscous.

One of the things that is wrong with Japanese politics is that access is so limited and there are such tight ties to the bureaucrats. There are really only two winning numbers on the roulette wheel of Japanese politics: 0 and 18. The "0" is for the sons of famous politicians. These people inherit a famous name and a political machine, and they are almost sure to be elected. The "18" is for people who manage to get into Tokyo University at the age of 18. If they get in, they have a shot at politics, since they can go from there to a prestigious government post and then into politics. Right now, 40% of Diet members are "0" people and 30% are "18" entrants. And

the other 30% had to buy their way in. This is a recipe for stagnation.

As far as I'm concerned, the biggest impact of the Recruit scandal was that it prompted the Japanese people to think about democracy for the first time since the end of the war and made people acutely aware of the importance of how political power is exercised. I went to Tokyo University with (Recruit President Hiromasa) Ezoe and was sorry to see him get mixed up in something like this, but I also think he deserves some kind of a medal as an educator for the way he focused attention on the political process and made even apathetic Japanese take another look at it.

**Q:** *There have been a number of boats arriving in Japan with political and economic refugees from Vietnam and China, and the government seems somewhat at a loss about what to do about this—as well as about the larger question of integrating non-Japanese into Japanese society.*

A: As an island country, Japan is not used to accepting groups of other people as immigrants. Not having a melting-pot history, we find it hard to accept other peoples with different backgrounds. So this refugee problem is a very difficult issue for Japanese society. It will take a while for us to build up the experience and legal framework needed to deal with this, and the first step would probably be to establish some kind of center where these people could live until they get accustomed to Japan. Just throwing them into Japanese society is bound to be very stressful—counterproductively so—for everybody.

But we have to find ways to integrate long-term non-Japanese. For example, I have proposed that long-term residents who meet certain criteria be allowed to vote in local elections and take part in the political process. In time, Japanese society may learn to deal with non-Japanese as local residents like everybody else, but it will be a long process and will probably not happen in this generation.

**Q:** *Finally, I wonder if you, as mayor of Izumo, have any message for our overseas readers.*

A: Mt. Fuji's peak is beautiful above the clouds, but you would never have the peak unless you also had the foothills. It is the same with a society. It is all very well for foreigners who come to Japan to be impressed with the peaks of Tokyo, Osaka and Kyoto, but I hope they will also get out into the foothills where the historical, cultural and social traditions are nurtured. It is in the foothills of society—the out-of-the-way rural towns and villages—that the real Japan lives. ■

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