

# Publisher's Note

## Faith, Hope and Value

By Naohiro Amaya

Specific commodities have specific applications, and hence specific utility worth. The hungry man values food more than he who is full, the deprived man his cup of coffee more than he who has plenty. The human appetite for these specific commodities is finite and satiable, and their prices thus fluctuate in obedience to the law of supply and demand.

Yet money and other securities, having no specific applications of their own but being the universal substitutes for all commodities, seem impervious to this satiation effect. It has never happened that securities prices have fallen because people were already rich. Rather, securities values fluctuate in accordance with people's expectations of them.

This abstract principle was vividly illustrated by the South Sea stocks of the early 18th century. In 1711, the South Sea Company was established in Great Britain to trade with Spanish

America. Investors pinned their hopes on this company's performance, and South Sea stock soared to phenomenal heights. However, the company did not do at all as well as expected, and people found their hopes dashed and their confidence betrayed. As a result, they realized that their expectations were unreasonable and that the paper they held did not represent equivalent real wealth, and the bubble burst.

So long as a security is convertible into specific commodities, it will never be worth less than the commodity or commodities it is based upon. So long as, for example, the dollar was freely convertible into gold at \$35 to the ounce, one dollar could never be worth less than 1/35 ounce of gold. Yet when a security is buoyed only by expectations, it can easily burst like the South Sea bubble.

The ultimate security today is the U.S. dollar. Until 1971, dollars held by foreign central banks could be exchanged for gold at any time. Today, however, the dollar's value, its exchange rate, fluctuates according to people's expectations. Because people still have confidence in the dollar, Japanese consider this a sound investment and are willing to purchase

tens of billions of dollars every year. Yet the United States is running deficits in its fiscal and trade accounts, its foreign debt has been growing annually and it is now the largest debtor nation in the world, owing some \$200 billion. Over the next decade, this debt could well soar to \$1 trillion. Who would continue to have confidence in the dollar under these conditions? Who is to say the dollar bubble will not burst?

Should the dollar bubble burst, the chaos and devastation in the world economy would make the depression of 1929 look like an upbeat television sitcom. Just as Soviet ICBMs represent an external threat to the free world, the fall of the dollar represents an equal threat from within. The only effective way to deter this dire threat is to improve the United States' economic performance and significantly reduce the mammoth twin fiscal and trade deficits.

Unless the Reagan administration buckles down and devotes the same energy to its economic defenses as it is spending on its military defenses, it may well wake up some morning to find that the world has lost confidence in the dollar and that all of its other efforts are irrelevant.

## Letters

### Expanding on a Theme

As a Christian pastor who has been serving in Japan for the past 36 years and has long been seeking to understand Japanese thinking—particularly as it relates to religion—I appreciated Shozaburo Kimura's "Christianity's Failure in Japan" in the January/February 1987 *Journal*. I think his "three possible reasons for the Japanese indifference to, if not distaste for, Christianity" are "on the mark." At the same time, I would like to add a few complementary remarks to this complimentary remark.

First, I would object to the title, for the article does not indicate that Christianity has failed in Japan. It does indicate that few Japanese have formally entered the institutionalized church, but that is not to say that Christianity has failed. Obviously, the influence of Christian teaching has reached far beyond the confines of the institutional church. It would be presumptuous to speak of Confucianism's failure in Japan based on the lack of an institutional relationship of many Japanese. It must also be taken into consideration that only a little over a century has passed since this religion was able to be freely propagated after almost three centuries of government-sponsored execration and persecution and that it took centuries for the foreign religion of Buddhism to gain popular acceptance.

Second, I think the writer's three points are accurate, but I would add the following. (1) In place of the Christian absolute (God), Japanese recognize society/tradition as their absolute. To be sure, this is a "relative absolute," which is a contradiction in terms, but that is the Japanese "way" as I see it. (2) The traditional Japanese respect for nature—adjusting human life to it rather than trying to adjust it to a more comfortable human life—is obviously changing. A visit to any number of formerly beautiful natural sites will make this clear as one views the pollution and the continuing encroachment of industrial and residential complexes on the environs of the *kami*. (3) The translation of religious concepts from one culture to another is always difficult and takes time for the new concept to be understood. Obviously, the Christian concept of God was not accurately communicated by the word *kami*, but the Christian content of that term is now more widely understood. Likewise, the term *tsumi* is not an accurate translation of "sin" and continues to provoke misunderstanding.

However, I think an underlying reason for Japanese reluctance to formally accept institutionalized Christianity, despite recognition of the validity of many of its teachings, is the unfortunate implication communicated by some missionaries that becoming a Christian requires a wrenching break with one's society and tradition, seeming to make it impossible to be both a good Japanese and a good Chris-

tian. It is my conviction that it is possible to be both, and that a healthy acceptance of Christian truth and spirit will result in the believer becoming not only a better person but a better Japanese as well.

Clark B. Offner  
Nagoya

Mr. Kimura's essay was entitled by the *Journal*, and we regret any misunderstanding it may have caused.—Editor

### Applause

I find the *Journal* very interesting and have circulated it to my colleagues. The July/August 1986 feature on "Japan in the Global Community" was of particular interest to us in light of the programs that we have presented for the business community, scholars, the media and government officials examining Japan's role in Asia.

Susan Heinz  
The Asia Society  
New York

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# TOPICS

## Fiscal 1987 Budget Adopted

The government has completed an austere fiscal 1987 budget calling for the slowest spending increase in 32 years but solid rises in overseas aid and defense expenditure. The budget for the new fiscal year, beginning April 1, was adopted at an extra Cabinet meeting December 30. It envisages total expenditure of ¥54,101.0 billion in the general account, up 0.02% from the original budget for fiscal 1986. But general expenditure—the total minus debt-servicing costs and tax refunding to local governments—is put at ¥32,583.3 billion, down a negligible 0.002% for the fifth straight annual cut.

Official development assistance (ODA) is to increase 5.8% to ¥658.0 billion, with economic development aid going up 8.1% in favor of greater bilateral grants. The ODA budget also features an 11.7% rise to ¥165.7 billion in bilateral technological cooperation expenses and cuts averaging some 0.6 percentage points in interest rates on yen credits.

Defense spending, up 5.2% at ¥3,517.4 billion, is equivalent to 1.004% of Japan's gross national product (GNP) estimated for fiscal 1987, breaking through the ceiling of 1% adopted in 1976 by the Cabinet of Prime Minister Takeo Miki. However, as a new limit on defense spending, the government decided to set the defense spending for each of the 1986–1990 fiscal years within the framework of the ¥18.4 trillion Mid-Term Defense Program and not to review the program. The Cabinet has also decided to respect the "spirit" of the 1976 Miki Cabinet decision. U.S. Defense Secretary Caspar Weinberger gave high marks to the increased defense spending, but at home the opposition camp is expected to orchestrate stiff objections to the rise above the 1% limit.

Public works spending, on which economic growth depends to a sizable extent, is to be cut by 2.3% to ¥6,082.4 billion. To cover the reduction, the fiscal investment and loan program—a companion budget financed by government-controlled funds such as postal savings—is allowed a 22.2% surge. Coupled with the general-account expenditure, the program brings the value of total public works projects to about ¥14,250 billion, up 5.2%.

On the revenue side, the general-ac-

count budget depends on government borrowing through bond offerings for 19.4% of its total fund needs. It is the first drop below 20% in a dozen years in the ratio of government borrowing. But flotation of new government bonds is to be slashed by only ¥445 billion in fiscal 1987, far less than the targeted cut of ¥1 trillion and making it practically impossible to attain the goal of terminating issuance of deficit-covering bonds in fiscal 1990.

## Fourth Land Development Plan

Tokyo must be fully developed to function as one of the world's great cities, according to a report by an advisory board to the prime minister on national land development. The interim report published in December 1986 calls for national decentralization in which various regions would perform functions befitting their distinctive characteristics in order to reorient a national land structure presently concentrated excessively on Tokyo.

The report outlines what has been discussed to date on a fourth comprehensive development plan. When completed, the fourth plan will replace the third plan, which was launched in 1977 but was subsequently dropped in 1985 because of demographic shifts and changes in Japan's industrial structure.

The fourth plan, running from 1986 to 2000, will be formalized by the National Land Agency this spring, based on the findings of the interim report and the views of local governments. The 15-year plan is expected to require private and public investments on the order of ¥1,000 trillion (about \$6.5 trillion at the rate of ¥155/\$).

The report positions Tokyo as one of the world's financial and information centers. For Tokyo to carry out these roles, it says, it is necessary to improve the city's business and residential environments. As presently envisaged, the fourth plan will differ sharply from the third in that it sees Tokyo as the core for national development, whereas its predecessor was based on so-called "domiciliation"—the process of improving conditions for permanent residence in local cities.

Yet the interim report warns against excessive concentration on Tokyo, which it says would destroy the balance between limited national land resources and human activities. In order to achieve balanced land development it recommends that:

- 1) the Kansai bloc centered on Osaka, Kyoto and Kobe be made an international center of culture, science and research;
- 2) the Nagoya bloc function as an industrial and technological hub; and
- 3) other key local cities and prefectural capitals such as Sapporo, Sendai, Hiroshima and Fukuoka perform sophisticated urban functions for research and development and international exchange.

In order to achieve such multipolar development, the report proposes an "exchange network plan" stressing:

- 1) regional development based on the local specialties and characteristics;
- 2) creating diversified opportunities for cultural, sports, industrial and economic exchange; and
- 3) building up transportation, information and communications systems.

It especially emphasizes the formation of high-speed traffic systems allowing day-trips to be made to major cities across the country. It recommends the construction of new Shinkansen (bullet train) lines, Honshu-Shikoku bridges and airports for small local commuter aircraft.

## JNR Going Private In April

The Japanese National Railways (JNR), the biggest carrier of passengers and cargo in Japan, goes private in April. It will be divided and privatized in accordance with the JNR reorganization law passed by the Diet in late November last year. In the opinion of experts, however, the breakup and privatization of the JNR, the largest enterprise in Japan, will be no easy task. They foresee a number of difficulties in the years ahead.

The biggest reason for the shift from a state-run railway to a score of private firms is to extricate the JNR from colossal long-term debts totaling ¥25 trillion (about \$161 billion at the rate of ¥155/\$). The Diet, and through it the people, judged that the JNR should no longer be allowed to build new lines or operate existing lines with no clear accounting of its income and expenditures. They decided that the JNR's management structure must be revamped in one fell swoop if it is to be saved from foundering.

The bulk of the railway system's long-term debts will be taken over by a liquidating organization. Thus cleared of its debts, the JNR will then be split into six separate passenger railways and one freight railway. In addition, a company will be formed to exercise ownership over Shinkansen (bullet train) facilities and lease them to passenger railway firms.

Another company will own and run a computer system for ticket bookings.

The aim of dividing the nationally integrated JNR into regional companies is to help them profit by operating closely with local interests and tailoring the transportation services they provide to the needs of the regions they serve. A sweeping revision of JNR timetables, carried out last fall, was a prelude to privatization.

The most serious problem the JNR's successors face is employment. As of December last year, the JNR had a total work force of 270,000, far more than the 183,000 employees the new companies consider appropriate. No less than 87,000 will be redundant, and though the new companies will be taking in more employees than they think necessary, many will still be forced to seek new jobs.

Whether the new railway companies will be able to profit as planned is also hard to predict. Except for the Tokaido (Tokyo-Osaka) Shinkansen and commuter service in some cities, they will have difficulty competing with automotive transportation, in both passenger and cargo services. It is especially doubtful whether the new passenger companies serving the sparsely populated regions of Hokkaido, Shikoku and Kyushu will be able to operate as expected.

The JNR's division and privatization will also send ripples throughout Japan's economy. Even the planned sale of JNR-owned land to help repay debts could send land prices skyrocketing.

## American Universities To Open Branches

Plans are afoot to establish branches of American universities in Japan. As many as 60 American universities have indicated their desire to open Japanese branches, and 20 cities and towns in 12



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prefectures have offered to serve as hosts. If all goes well, formal decisions will be reached this year. Classes could begin as early as September 1988. All classes will be in English in keeping with the American educational system.

The plan was first proposed in October 1985 by a delegation of Liberal-Democratic Party politicians, headed by then party Vice President Susumu Nikaido, which visited the United States to try to defuse U.S.-Japan trade friction. The proposal was motivated by a feeling among LDP parliamentarians that lack of understanding between the two countries was to be blamed for the worsening trade dispute. The politicians felt that establishing branches of American universities in Japan would help educate more cosmopolitan young people competent in understanding various cultures. By contributing to deepening mutual understanding between Japan and foreign countries, the plan would help smooth Japan's relations with its trading partners. Nikaido himself, for instance, studied at the University of Southern California in 1931-1941.

In May 1986, Japanese and American legislators established a 30-member joint committee to promote the idea. Nikaido

is honorary chairman, and Representative Yoshiro Hayashi chairman, of the Japan committee. The bipartisan U.S. committee is headed by Democratic Representative Dick Gephardt.

According to International Lobby, which serves as the secretariat of the Japan committee, Stanford University, Yale University and the University of California, Berkeley are among the 60 universities hoping to open branches in Japan. Boston University, Tufts University and the University of Ohio are among those most interested in the Japan program. Boston University has even sent Vice President Louis Padulo to Japan a number of times to survey prospective campus sites.

Of the 12 Japanese prefectures interested in the program, Nagasaki, Chiba and Niigata have sent their governors to the U.S. to distribute promotional video cassettes and brochures to universities interested in the program.

"The program looks to the 21st century," says Koichi Fujita of the Japan committee secretariat. "It may not bear immediate fruit. But from a long-range viewpoint it will be the most effective approach to improving the international awareness of the Japanese people and Japanese society."

The committees have already agreed that public land should be made available either free of charge or at reduced prices or under a special lease program. The Japanese side would build the campuses and related facilities and lease them out to American colleges and universities under long-term contracts. The endowment of chairs would be underwritten by Japanese business groups, and other financial assistance such as scholarships may be arranged as well.

At present, it is envisaged that half the students would be Japanese, 30% Americans and 20% from other Asian countries. The multinational student bodies would also help promote Japan's international awareness, the secretariat said.



Some 60 U.S. universities are interested in opening branches in Japan.