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Center on
Japanese
Economy and
Business

ANNUAL REPORT 2012-2013

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Center on Japanese Economy and Business

The preeminent academic center in the United States on Japanese business and economics

Established at Columbia Business School (CBS) in 1986 under the direction of Professor Hugh Patrick, the Center on Japanese Economy and Business (CJEB) promotes knowledge and understanding of Japanese business and economics in an international context. CJEB is a research organization widely recognized for its symposia, conferences, and lectures held both in New York and Tokyo, which provide prominent speakers from the public and private sectors a forum for collaboration and reflection on Japan, the United States, and the global economy.

With the leadership of Professor David E. Weinstein, director of research, CJEB supports research projects, student and faculty scholarship, and library and computer-based resource initiatives. Other CJEB core faculty members are Japan specialists drawn from Columbia's Business School, Law School, School of International and Public Affairs, Department of Economics, and Department of Political Science. Funding and resources are provided by corporate sponsors, foundations, individuals, CBS, and Columbia University.

Since its founding, CJEB has developed, grown, and evolved in order to carry out its mission effectively in a changing Japan and a changing world. In this way, CJEB has been able to build and maintain its status as the preeminent academic center in the United States on Japanese business and economics.

Further information about CJEB can be found on the Center's website: www.gsb.columbia.edu/cjeb.

Letter from the Directors



Hugh Patrick, Director



David E. Weinstein, Director of Research

Dear Friends,

The Center on Japanese Economy and Business (CJEB) was established in 1986 with the mission to promote knowledge and understanding of the Japanese economy and business systems in domestic, East Asian, and global contexts, with a special focus on the Japan–United States relationship. As Japan, the United States, and the world have changed over these past 27 years, CJEB has taken on the wonderful challenge to develop, grow, and evolve in ways that allow the Center to continue carrying out its mission. The number of academic organizations specialized in Japanese business and economy in the United States has unfortunately dwindled since the Center’s founding, and we take pride in the fact that CJEB continues to vigorously pursue an active and diverse agenda of Japan-focused public programs, research projects, and student and faculty support.

The 2012–2013 academic year featured a range of outstanding lectures, symposia, and conferences. CJEB held its annual conference in Tokyo on March 21, 2013, with keynote speaker Joseph E. Stiglitz, Nobel Laureate and University Professor at Columbia University. This conference, titled “Inequality, Fragmentation, and Integration in the World Economy,” also featured a number of distinguished panelists. A summary with excerpts from the conference presentations and a description of our postconference dinner meeting with Prime Minister Abe starts on p. 28.

Highlights from the on-campus 2012–2013 programming calendar include the 14th Annual Mitsui USA Symposium in April 2013, “Shale Gas Revolution and Energy Security,” which gathered participants from Columbia Business School (CBS) and the professional community for a wide-ranging and thought-provoking panel on energy in both Japanese and global contexts. Professor Gerald Curtis gave his eighth annual lecture on Japanese politics in September 2012, addressing “Another Year, Another Government: Making Sense of Japan’s Political Confusion.” He then gave a briefing following the Lower House election in December 2012 and a talk on Japan’s new political landscape in January 2013. CJEB Research Associate and close advisor, Takatoshi Ito, dean of the Graduate School of Public Policy at the University of Tokyo, gave two on-campus lectures in November 2012 and April 2013, the first on the impact of the European sovereign debt crisis on the Japanese economy, and the second on “Abenomics.” Other CJEB events this year addressed Japan’s fiscal sustainability, interest rate risk in the Japanese Government Bond (JGB) market, and the consumer electronics industry. Several of these talks were part of CJEB’s lunchtime *zadankai* seminar series, which has continued to be well attended, providing a forum for speakers to meet informally and openly share their insights with Columbia students and members of New York City’s professional community. Summaries from all of these events can be found in this Annual Report, starting on p. 26.

As is expected at a world-class research university such as Columbia, one of CJEB’s core mandates has always been the engagement in, support of, and dissemination of research on the Japanese economy and its business and management systems. The Center accomplishes this through projects, seminars and discussion groups, public programs, and library and computer-based resource initiatives. In addition, the Center hosts a Working Paper and an Occasional Paper series. Summary descriptions of the 2012–2013 papers can be found, starting on p. 19.

CJEB is fortunate and unique among American academic organizations, to have such a strong research agenda, which is organized and led by David E. Weinstein, whose own research you can read about on p. 16. Under his guidance, CJEB will continue to provide venues and resources for research to maintain its status as the preeminent academic center in the United States on Japanese business and economics.

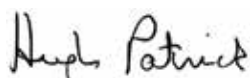
As the newest facet of the CJEB research agenda, we are very pleased to announce the founding of annually awarded CJEB Doctoral Fellowships. The Fellowships (also described on p. 50) are available to PhD students in the Columbia Graduate School of Business or the Columbia Economics Department who will develop Japan expertise, culminating in dissertations focused primarily on Japan. The Center developed this initiative to address the need to find and train the next generation of specialists on the Japanese economy and business and management systems. The first two CJEB Fellowships have been awarded starting in fall 2013—one to a student from the Graduate School of Business and one to a student from the Columbia Economics Department Doctoral Program. The CJEB Fellowship, along with the CJEB doctoral grants and summer stipends, are part of the way in which the Center supports students at Columbia and encourages research on Japan's economy and business systems at the School and University. The Center is actively fundraising in order to facilitate continuance and further development of this initiative.

We had another successful year with our Visiting Fellow Program. CJEB annually selects members of the corporate, academic, and government sectors to spend a period of time in residence at CBS to pursue independent research. As in years past, the 2012–2013 Fellows (p. 44) participated in CJEB research gatherings, presented lectures on their research findings, attended seminars and public events, and audited courses. The Fellows continue to be an important part of the CJEB and CBS dynamic.

CJEB is well established at Columbia, in the United States, and with a global reach. The Center will continue to move forward under the joint leadership of us both, Hugh Patrick and David E. Weinstein, with an eventual transition to the sole leadership of David Weinstein, who is also currently chair of Columbia University's Economics Department.

As always, the dedication, hard work, intelligence, and energy of the Center's core faculty and staff, the resources provided by the Business School and the University, and especially the funding provided by corporate sponsors, foundations, and individuals all contribute to the ongoing successes of the Center. We thank them all.

With warm regards,



Hugh Patrick
Director



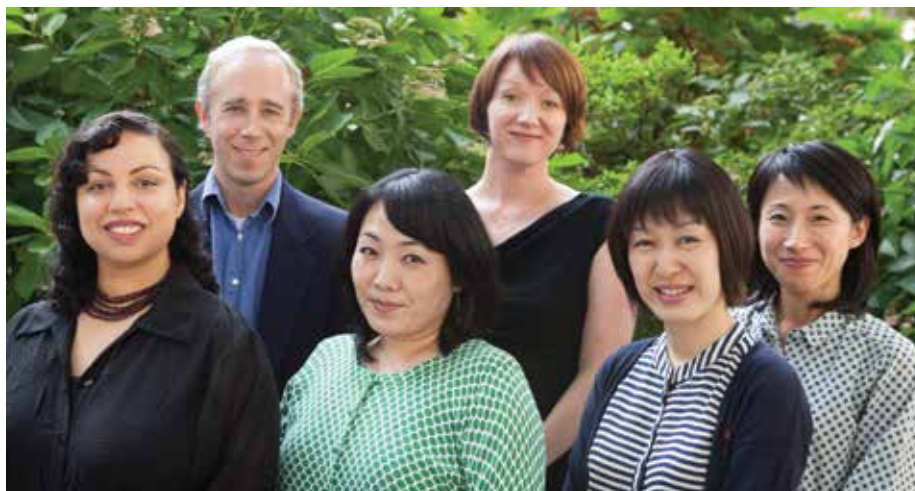
David E. Weinstein
Director of Research

Leadership and Staff



Hugh Patrick is director of CJEB, codirector of Columbia's APEC Study Center, and R. D. Calkins Professor of International Business Emeritus at Columbia Business School. He joined the Columbia

faculty in 1984 after some years as professor of economics and director of the Economic Growth Center at Yale University. He completed his BA at Yale University in 1951, earned MA degrees in Japanese studies (1955) and economics (1957), and a PhD in economics at the University of Michigan (1960). He has been a visiting professor at Hitotsubashi University, the University of Tokyo, and the University of Bombay. Professor Patrick has been awarded Guggenheim and Fulbright fellowships and the Ohira Prize. His professional publications include 16 books and some 60 articles and essays. His major fields of published research on Japan include macroeconomic performance and policy, banking and financial markets, government-business relations, and Japan-United States economic relations. His recent publications include *Reviving Japan's Economy: Problems and Prescriptions* (MIT Press, 2005), coauthored and coedited with Takatoshi Ito and David E. Weinstein; and *How Finance Is Shaping the Economies of China, Japan, and Korea* (Columbia University Press, pending, 2013), coedited with Yung Chul Park. He served as one of the four American members of the binational Japan-United States Economic Relations Group appointed by President Carter and Prime Minister Ohira from 1979 to 1981. He is on the Board of Directors of the United States Asia Pacific Council and has been a member of the Council of Foreign Relations since 1974. He was chairman of the International Steering Committee for the conference series on



From left to right: Tamaris Rivera, Andy Wanning, Ryoko Ogino, Caroline Hasegawa, Kahori Takahashi, Emiko Mizumura

Pacific Trade and Development (PAFTAD) between 1985 and 2005, having served on the committee since PAFTAD's inception in 1968. He was on the board of the Social Science Research Council from 1982 to 1988 and served as its chairman from 1985 to 1988. He was a member of the Board of Directors of the Japan Society for seven three-year terms. He is a Senior Scholar of the Jerome A. Chazen Institute of International Business. In November 1994, the Government of Japan awarded him the Order of the Sacred Treasure, Gold and Silver Star (*Kunitō Zuihōshō*). He was awarded an honorary doctorate of social sciences by Lingnan University, Hong Kong, in 2000. He also received an Eagle on the World award by the Japanese Chamber of Commerce and Industry of New York, Inc., in November 2010.



David E. Weinstein is Carl S. Shoup Professor of the Japanese Economy and chair of the Department of Economics at Columbia University and the director

of research at the Center on Japanese Economy and Business. He is also director of the Japan Project at the National Bureau of Economic Research (NBER) and a member of the Council on Foreign Relations. Previously, Professor Weinstein was senior economist as well as a consultant at the Federal Reserve Bank of New York, the Federal Reserve Bank of San Francisco, and the Federal Reserve Board of Governors. Prior to joining the Columbia faculty, Professor Weinstein held professorships at the University of Michigan and Harvard University. He also served on the Council of Economic Advisors from 1989 to 1990. His teaching and research interests include international economics, macroeconomics, corporate finance, the Japanese economy, and industrial policy. Professor Weinstein earned his PhD and MA in economics from the University of Michigan and his BA at Yale University. He is the recipient of many grants and awards, including five National Science Foundation grants, an Institute for New Economic Thinking grant, and a Google Research Award. Professor Weinstein is the author of numerous publications and articles. His recent publications include "Exports and Financial Shocks," *Quarterly*

Journal of Economics (2011); "Trade Finance and the Great Trade Collapse," *American Economic Review Papers and Proceedings* (2011); "Product Creation and Destruction: Evidence and Price Implications," *American Economic Review* (2010); and "Optimal Tariffs: The Evidence," *American Economic Review* (2008).



Alicia Ogawa is senior advisor at CJEB and led CJEB's Program on Alternative Investments from 2006 to 2009. She is also an adjunct associate professor at the Columbia

University School of International and Public Affairs (SIPA). Until 2006, she was managing director at Lehman Brothers, where she was responsible for managing the firm's global equity research. Prior to joining Lehman Brothers, Professor Ogawa spent 15 years in Tokyo, where she was a top-rated bank analyst and director of research for Nikko Salomon Smith Barney, having managed the original Salomon Brothers Research Department through three mergers. She is a member of the Board of Directors of the Maureen and Mike Mansfield Foundation and is a consultant on Japan markets to a number of global investment funds. She graduated from Barnard College and earned a master's degree in international affairs at SIPA.



Caroline Hasegawa is director for administration at CJEB, having joined the Center in February 2010. Before coming to the Business School, she worked

at Columbia University's Weatherhead East Asian Institute, developing international programs and symposia. Prior to that, she lived in Japan for three years, teaching English to middle school students

and leading community-wide education programs with the Japan Exchange and Teaching (JET) Programme. She earned her BA magna cum laude from Carleton College in art history with a focus on East Asian art and her MFA in creative writing at the University of Arizona. She continues to visit Tokyo regularly.



Ryoko Ogino is associate director for administration at CJEB. She officially joined the Center in September 2010 after successfully managing the Center's

Tokyo Conference in spring 2010. Prior to that, she held positions at Shiseido and Sony Corporation of America and brought with her a wealth of experience in program production, PR, international marketing, and staff management. Her current responsibilities include managing and expanding the Center's public and media relations. She graduated magna cum laude from the State University of New York, Buffalo, with a major in human relations in multinational organizational settings.

Officers

Emiko Mizumura

Assistant Director for Programs
BA, American and English Literature, Otsuma University
MS, Information and Knowledge Strategy, Columbia University

Tamaris Rivera

Senior Administrative Coordinator
BA, English, Wesleyan University
MS, Information and Digital Resource Management, Columbia University

Kahori Takahashi

Senior Program Coordinator
BA, Sociology, Waseda University
MA, Aaron Copland School of Music, City University of New York

Andy Wanning

Senior Program Officer
BA, Anthropology and Sociology, Lafayette College
MS Candidate, Sustainability Management, Columbia University

Japan Representative, Tokyo

Terumi Ota

BA, Tsukuba University

Interns

Po Linn Chia

BA, East Asian Languages and Cultures, Columbia University

Hyun Jee Cho

BA, Political Science and East Asian Languages and Cultures, Columbia University

Shunsuke (Sean) Hirose

MIA Candidate, School of International and Public Affairs, Columbia University

Yu Ishihara

MBA Candidate, Columbia Business School

James Lee

MA, Liberal Studies East Asian Studies, Columbia University

Larry Lom

MIA, International Finance and Economic Policy, Columbia University

Anne Smith

MPH Candidate, Health Policy Analysis, Columbia University

Sayaka Tsuno

BA Candidate, Chemistry, Barnard College

Fangyuan (Laura) Wang

MBA, Columbia Business School

Miguel Yanez

BA, The Fu Foundation School of Engineering and Applied Science, Columbia University

Core Faculty

CJEB's seven core faculty members provide the Center's intellectual foundation and are drawn from Columbia University's Business School, Law School, Department of Economics, Department of Political Science, and School of International and Public Affairs. In addition to **Hugh Patrick** and **David E. Weinstein**, CJEB's core faculty members are as follows:



Gerald L. Curtis is Burgess Professor of Political Science at Columbia University and former director of Columbia University's Weatherhead East Asian Institute. He is the author of

numerous books and articles published in both English and Japanese on Japanese politics, government, foreign policy, and United States-Japan relations. He currently divides his time between Columbia University and Tokyo, where he is active as a columnist, speaker, and writer on Japanese domestic affairs and on East Asian international relations. He is also a senior fellow at the Tokyo Foundation. Professor Curtis has held appointments at the Royal Institute of International Affairs, Chatham House, London; the College de France, Paris; the Lee Kwan Yew School of Public Policy, Singapore; and in Tokyo at Keio University, the University of Tokyo, the Research Institute for Economy, Trade and Industry, the Graduate Research Institute for Policy Studies, and Waseda University. He is the recipient of numerous prizes and honors, including the Chunichi Shimbun Special Achievement Award, the Masayoshi Ohira Memorial Prize, the Marshall Green Award of the Japan-America Society of Washington, D.C., the Eagle on the

World Award of the Japanese Chamber of Commerce and Industry of New York, Inc., the Japan Foundation Award, and the Order of the Rising Sun, Gold and Silver Star conferred by the Emperor of Japan. Professor Curtis serves on the Board of Directors of the Japan Society and of the Japan Center for International Exchange (USA), is councilor of the U.S.-Japan Council, and is a member of the Council on Foreign Relations.



Glenn Hubbard is dean and Russell L. Carson Professor of Finance and Economics at Columbia Business School. Dean Hubbard received his BA and

BS degrees summa cum laude from the University of Central Florida and also holds AM and PhD degrees in economics from Harvard University. In addition to writing more than 100 scholarly articles in economics and finance, Dean Hubbard is the author of three popular textbooks, as well as coauthor of *The Aid Trap: Hard Truths about Ending Poverty*, *Balance: The Economics of Great Powers from Ancient Rome to Modern America*, and *Healthy, Wealthy, and Wise: Five Steps to a Better Health Care System*. His commentaries appear in *Business Week*, the *Wall Street Journal*, *The New York Times*, the *Financial Times*, the *Washington Post*, *Nikkei*, and the *Daily Yomiuri*, as well as on television and radio. From 2001 until 2003, he was chairman of the U.S. Council of Economic Advisors. In the corporate sector, he is on the boards of ADP, BlackRock, KKR Financial Corporation, and MetLife. Dean Hubbard is cochair of the Committee on Capital Markets Regulation; he is a past chair of the Economic Club of New York and a past cochair of the Study Group on Corporate Boards.



Merit E. Janow is dean of Columbia University's School of International and Public Affairs. Dean Janow is an internationally recognized expert in

international trade and investment, with extensive experience in academia, government, international organizations, and business. In addition, she has had a lifelong involvement with Asia and is an expert in that region. For the past 18 years, Dean Janow has been a Professor of Practice at Columbia University's School of International and Public Affairs (SIPA) and affiliated faculty at Columbia Law School. She teaches graduate courses in international trade/WTO law, comparative antitrust law, China in the global economy, and international trade and investment policy, among others. She has held a number of leadership positions at the University. Currently, she is codirector of the APEC Study Center and chair of the Faculty Oversight Committee of Columbia's Global Center East Asia. Previously, she was director of the Master's Program in International Affairs and the International Finance and Economic Policy concentration at SIPA, as well as chair of Columbia University's Advisory Committee on Socially Responsible Investing. Her research interests focus on international trade and investment, Asia, competition law, and economic globalization. She has written several books and numerous articles and frequently speaks before business, policy, and academic audiences around the world. While at Columbia University, Dean Janow was elected in December 2003 for a four-year term as one of the seven members of the World Trade Organization's (WTO) Appellate Body, which is the court of final appeal for adjudicating trade disputes between the 153 member nations of

the WTO. She was the first woman to serve on the Appellate Body. She was involved with more than 30 appeals. While on the Appellate Body, she organized a series of global conferences with leading experts and senior government officials that focused on the Appellate Body, the international trading system, and economic globalization. From 1997 to 2000, Dean Janow served as the executive director of the first international antitrust advisory committee of the U.S. Department of Justice that reported to the attorney general and the assistant attorney general for antitrust. Her report recommended the creation of a global network of enforcers and experts, which is now the ICN. Prior to joining Columbia's faculty, Dean Janow was deputy assistant U.S. trade representative for Japan and China (1989-1993). She was responsible for developing, coordinating, and implementing U.S. trade policies with Japan and China. She negotiated more than a dozen trade agreements with Japan and China during a period of intense economic and political tension between the United States and both Japan and China. Dean Janow is on the Board of Directors of several corporations and not-for-profit organizations. In 2009, she became a charter member of the International Advisory Council of China's sovereign wealth fund, China Investment Corporation or CIC. Early in her career, Dean Janow was a corporate lawyer specializing in cross-border mergers and acquisitions with Skadden, Arps, Slate, Meagher & Flom in New York. Before becoming a lawyer, she worked at a think tank where she focused on U.S.-Japan trade and economic relations. She grew up in Tokyo, Japan, and is fluent in Japanese. She has a JD from Columbia Law School, where she was a Stone Scholar, and a BA in Asian Studies with honors from the University of Michigan. She is a member

of the Council on Foreign Relations and the Trilateral Commission.



Curtis J. Milhaupt is the Fuyo Professor of Japanese Law and Parker Professor of Comparative Corporate Law at Columbia Law School. He also serves as the director of the Center for Japanese Legal Studies and as the director of the Parker School of Foreign and Comparative Law. Professor Milhaupt's research interests include comparative corporate governance; the legal systems of East Asia (particularly Japan); and law and economic development. In addition to numerous academic articles, he is the coauthor or editor of seven books, including, most recently, *U.S. Corporate Law* (Yuhikaku, in Japanese, 2009); *Law and Capitalism: What Corporate Crises Reveal about Legal Systems and Economic Growth around the World* (University of Chicago Press, 2008); and *Transforming Corporate Governance in East Asia* (Routledge, 2008). His research is frequently profiled in *The Economist*, the *Financial Times*, and *The Wall Street Journal* and has been widely translated. Professor Milhaupt lectures and teaches frequently throughout the world. He was appointed by the European Commission as the Erasmus Mundus Fellow in Law and Economics at the University of Bologna (June 2008). He served as the Paul Hastings Visiting Professor in Corporate and Financial Law at Hong Kong University (May 2007) and visiting professor of law at Tsinghua University in Beijing (fall 2006). In 2012 and 2010, he was named Teacher of the Year at the Duisenberg School of Finance, University of Amsterdam, where he teaches regularly. At Columbia Law School, he was appointed the 2008 Albert E. Cinelli Enterprise Professor of Law in recognition

of his innovative teaching in the field of business law. Professor Milhaupt received his BA from Notre Dame in 1984 and his JD in 1989 from Columbia Law School, where he was an editor of the *Columbia Law Review*. He joined the Columbia Law School faculty in 1999, after private law practice in New York and Tokyo, and five years on the Law School faculty at Washington University in St. Louis.



Joseph E. Stiglitz is University Professor at Columbia University in New York and cochair of Columbia University's Committee on Global Thought. He is also the cofounder and copresident of the Initiative for Policy Dialogue at Columbia. A graduate of Amherst College, he received his PhD from MIT in 1967, became a full professor at Yale in 1970, and in 1979 was awarded the John Bates Clark Award, given biennially by the American Economic Association to the economist under 40 who has made the most significant contribution to the field. He has taught at Princeton, Stanford, and MIT and was the Drummond Professor and a fellow of All Souls College, Oxford. In 2001, he was awarded the Nobel Prize in economics for his analyses of markets with asymmetric information, and he was a lead author of the 1995 Report of the Intergovernmental Panel on Climate Change, which shared the 2007 Nobel Peace Prize. In 2011, *Time* named Professor Stiglitz one of the 100 most influential people in the world. Professor Stiglitz was a member of the Council of Economic Advisers from 1993 to 1995 during the Clinton administration and served as CEA chairman from 1995 to 1997. He then became chief economist and senior vice president of the World

Bank from 1997 to 2000. In 2008, he was asked by then French president Nicolas Sarkozy to chair the Commission on the Measurement of Economic Performance and Social Progress, which released its final report in September 2009. In 2009, he was appointed by the president of the United Nations General Assembly as chair of the Commission of Experts on Reform of the International Financial and Monetary System, which also released its report in September 2009. Professor Stiglitz helped create a new branch of economics, "The Economics of Information," exploring the consequences of information asymmetries and pioneering such pivotal concepts as adverse selection and moral hazard, which have now become standard tools not only of theorists, but also of policy analysts. He has made major contributions to macroeconomics and monetary

theory, to development economics and trade theory, to public and corporate finance, to the theories of industrial organization and rural organization, and to the theories of welfare economics and of income and wealth distribution. In the 1980s, he assisted in reviving interest in the economics of R&D. His work has helped explain the circumstances in which markets do not work well, and how selective government intervention can improve their performance. Recognized around the world as a leading economic educator, he has written textbooks that have been translated into more than a dozen languages. He founded one of the leading economics journals, *The Journal of Economic Perspectives*. His book *Globalization and Its Discontents* (W. W. Norton, June 2001) has been translated into 35 languages, besides at least two

pirated editions, and in the nonpirated editions has sold more than one million copies worldwide. Other recent books include *The Roaring Nineties* (W. W. Norton); *Towards a New Paradigm in Monetary Economics* (Cambridge University Press), with Bruce Greenwald; *Fair Trade for All* (Oxford University Press), with Andrew Charlton; *Making Globalization Work* (W. W. Norton and Penguin/Allen Lane, 2006); *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (W. W. Norton and Penguin/Allen Lane, 2008), with Linda Bilmes of Harvard University; and *Freefall: America, Free Markets, and the Sinking of the World Economy* (W. W. Norton and Penguin/Allen Lane, 2010). His most recent book is *The Price of Inequality: How Today's Divided Society Endangers Our Future*, published by W. W. Norton and Penguin/Allen Lane in June 2012.



The 14th Annual Mitsui USA Symposium audience

Japan's Abenomics: Recovery Leading to Good Growth?

By Hugh Patrick

What a dramatic sea change in Japan from late summer 2012 to late summer 2013! More in the politics than in the economy, but even more in the mood, sentiment, expectations, and hopes of consumers and businesses. The selection of Tokyo for the 2020 Olympics is a welcome further boost to Japanese spirits.

With two decades of mediocre economic performance and ineffective government policy, a widespread sense of resignation and malaise had prevailed. After six years of weak governments reflected in annual changes of prime minister and exacerbated by split control of the two houses of the Diet, Japanese were sick and tired of it all. Voters were eager to support a government committed to economic change. Now Shinzo Abe's Liberal Democratic Party (LDP) seems set to govern for at least three more years until the next upper house elections in December 2016, and probably beyond.

For three years and three prime ministers, the Democratic Party of Japan (DPJ) held the government but was struggling and losing support. Rather than hold on, in November 2012 it announced a lower house election for December, sooner than

required. Everyone assumed the DPJ would lose, the LDP would win, and Abe would become prime minister. And that happened, but the DPJ still held the upper house. Now, after comfortably winning the July upper house election in coalition with its small Komeito Party ally, Abe and the LDP fully control the Diet.

These solid electoral victories reflect more a disenchantment with the DPJ than a strong endorsement of the LDP. Still, Japan is entering an era of political stability. Attention can now be focused on the challenge of economic revitalization and the further renewal of confidence that is both a condition and a result of revitalization. The substance of economic policy objectives and proposals has not changed in recent years. But now Abe has the political power. And he has strongly stated his political will to achieve three major economic policy objectives.

The first is to end 15 years of small but pernicious deflation. The specific goal is to achieve what the Bank of Japan (BOJ) appropriately terms price stability, defined as a 2 percent annual increase in the CPI. Small CPI increases in July and August

suggest deflation is being conquered—July's 0.7% annual rate was the highest since November 2008.

The second is to achieve stable long-run GDP growth over the coming decade of 2 percent in real terms, and 3 percent in current prices.

The third is fiscal consolidation—bringing to an end the enormous government budget deficits and ever-rising amount of government debt as a percentage of GDP, and eventually even reducing that ratio.

To achieve these, what has been branded "Abenomics" will use monetary stimulus, near-term fiscal stimulus to be followed by fiscal consolidation, plus deregulation and structural reform to achieve good growth. These are termed the "three arrows of Abenomics," reflecting the proverb that while one arrow can be broken, three arrows together cannot.

Before the Diet session begins on October 15, Abe will have to announce a major decision: whether to allow the consumption tax increase from 5 percent to 8 percent scheduled from April 2014. Actually, Abe has decided to allow this tax increase, according to a well-orchestrated leak to the Japanese press on September 12. Consensus is widespread that such a large increase will reduce growth by 0.7 percent (the government's optimistic estimate) or as much as 1.5 percent (private-sector estimates). A major debate ensued over the summer whether to have the consumption tax increase proceed as scheduled, to delay it, or replace it with annual 1 percent increases for five years. In the same leak, it was indicated that the government will provide a supplementary budget stimulus package of ¥5 trillion (\$50 billion) later this fiscal year to cushion about two-thirds of the impact.

Abe must also deal with two other major



Hugh Patrick and participants at a CJEB reception

economic policy issues. One is to clarify his growth strategy, determine its priorities, and propose legislation to begin implementation. The other is to determine the fiscal 2014 government budget in light of the consumption tax decision, increasing mandated welfare expenditures, and fiscal consolidation objectives.

Vested-interest opposition is pervasive and strong, so Abe really has only a year or so to enact his aggressive but necessary programs and leave time for the political dust to settle before the 2016 upper house elections.

Overview of the Economy

Since the early 1990s, Japan's GDP growth rate has averaged less than 1 percent, below potential; labor markets weakened; and prospects seemed bleak. However, to term these as two "lost decades" is misguided. There has been significant institutional change, with firms, industries, and government in an ongoing process of adjustment. Labor productivity (GDP/hour worked) in the 1990s grew by 2.0 percent annually and in the 2000s by 1.5 percent. These compare well to the United States (1.8 percent and 1.9 percent) and Germany (2.8 percent and 1.1 percent).

Japan's economy was recovering rather well from early 2002, when it was pummeled by the global financial crisis, recession, and Lehman shock. The economy has been sputtering with three quarters of GDP decline until the second half of 2011, and then three quarters of recovery. In the second and third quarters of 2012, the economy relapsed into recession. Recovery resumed in the fourth quarter (1.0 percent quarterly GDP growth, seasonally adjusted annual rate), spurted to a (second revised) 4.1 percent annual rate in 2013 first quarter and (first revised) 3.8 percent in the second quarter, significantly better than the good initial report of 2.6 percent growth. Like others, I assume growth will continue to do well in the fall. GDP is estimated to increase by 2.8 percent in fiscal

2013 (ending March 2014).

Growth is expected to slow significantly in fiscal 2014 and beyond because economic slack will be absorbed, and government expenditures for Tohoku earthquake reconstruction and public works will taper off. Also, with the April 2014 consumption tax increase, households will accelerate purchases before then, and consumption will subsequently slump late next spring.

Uptake of underutilized labor and excess capacity has contributed to 2013's rapid growth. How complete recovery from the 2012 recession is depends on how much slack remains. There may be more than indicated by the standard measures: the output gap between actual and potential GDP, the unemployment rate, and changes in wages. The Cabinet Office estimate of the output gap in summer 2013 is about 2 percent. One problem is that the measure is crude, since not only is it difficult to estimate potential GDP, but also government estimates of actual GDP are revised several times, sometimes substantially.

Japan's unemployment rate improved to 3.8 percent in July, approaching the 3.3 to 3.5 percent considered full employment. However, the share of part-time, contract, temporary, and others who are not regular full-time workers has risen from 20 percent of employees in 1990 to 35 percent today. Many would prefer full-time regular jobs. With poor job prospects, people have left the job market. Prospects for young workers have been particularly weak. The opportunity to obtain regular employment for young males aged 22–30 has dropped more than 10 percentage points over the past 15 years, for females by 5 percentage points (from a lower base).

Despite Abe's admonitions to companies to raise wages, that will not happen until labor markets become tight. While 2013 summer bonuses increased for the first time since 2007, basic wage rates have been declining slightly in current prices.

Abenomics: Macroeconomic Demand Management

The main objectives of Abenomics monetary and fiscal policies are to conquer deflation, overcome inadequate aggregate demand that has plagued Japan for years, and stabilize the government debt/GDP ratio. These macroeconomic policies, the first two Abenomics arrows, are essential, but not sufficient to achieve sustained growth. Monetary and fiscal policy aims to complete Japan's recovery, absorb the remaining slack in the economy, and move Japan onto a path of sustained growth.

Abe clearly indicated, even before being elected prime minister, that he wanted the Bank of Japan (BOJ) to pursue a policy of further monetary easing even though, as in the United States, interest rates were already extraordinarily low. To that end, the Diet appointed Haruhiko Kuroda as governor and Kikuo Iwata and Hiroshi Nakaso as deputy governors. They took office on March 20. On April 4 the BOJ announced a new dramatic easing policy far stronger than I and most others expected.

Moreover, Governor Kuroda stated the BOJ would continue extraordinary monetary easing until deflation is ended. He set an ambitious target of a 2 percent annual increase in the CPI within two years. It is important to understand that this target and some CPI forecasts are net of the effect of the 3 percent increase in the consumption tax, which is projected to add about 1.5 to 2 percent to the CPI in fiscal 2014.

It takes time for monetary policy to affect prices. Achieving the CPI target, excluding the consumption tax increase effect, within two years will be difficult, but that is not as important as conquering Japanese deflationary expectations and sustaining expectations that the CPI will continue to rise modestly over the longer term.

The 0.4 percent CPI increase in June

2013 and 0.7 percent in July suggest that monetary policy is succeeding. However, almost all of those increases were due to cost-push rather than demand-pull factors, notably the rise in prices of electricity and imports. In August the Cabinet Office projected a 0.5 percent CPI rise this fiscal year. Including the expected consumption tax increase, it estimates that in fiscal 2014 the CPI will rise 3.3 percent, but excluding the tax effect the increase will be 1.2 percent. These are optimistic projections, above those of private-sector analysts. It is still too early to believe that deflation has halted.

Asset prices have also responded to Abenomics. Foreign institutional short-term traders are significant players in Japanese stock and foreign exchange markets, so market indicators do not always well reflect Japanese investor expectations. But it is worth noting that after the December 2012 election was announced, traders, particularly foreign hedge funds, decided that the stock market was too low and the yen too strong. The Topix stock index soared more than 75 percent from its November 12, 2012, close to a May 22, 2013, intraday peak of 1,284, and the yen depreciated 30 percent to 103.52 yen/dollar. The Topix then plummeted 19 percent to an intraday low of 1,040 on June 13. It subsequently has rallied modestly. Although below its May peak, on August 30 the Topix stock index was up 55 percent from last November. After depreciating to 103.5 yen/dollar in late May, the rate has bounced between 95 and 100; on August 30 it was 98.2. The Japanese Government Bond (JGB) market has also been volatile, as investors reacted to the effects of BOJ monetary policy on the interest rate structure. Massive BOJ purchases of JGBs have succeeded in keeping the yield in the benchmark 10-year bond below 1 percent. On August 30 it was 0.72 percent.

After having declined since 2008, urban land prices seem to have turned the corner and begun a slight rise. The government's

August quarterly nationwide survey reported that prices had risen in 99 of the 150 survey points. This is good news, since stabilization of land prices is key in overcoming deflationary expectations.

Fiscal stimulus to support demand-based recovery has proceeded in tandem with monetary stimulus. In March, the government passed a major supplementary budget of ¥10.3 trillion (then about \$110 billion). That has sustained increased government public works spending, as have ongoing Tohoku reconstruction expenditures and the fiscal 2013 government budget deficit of 9.3 percent of GDP.

Assuming that offsetting demand stimulus will only partially offset the consumption tax increase, fiscal consolidation will begin next spring with the fiscal 2014 budget. Demand management in both the near term and the longer run will require a careful balancing of fiscal and growth policies. One risk is that fiscal consolidation will proceed prematurely, that is, before deflation has been terminated and a good growth path achieved.

The Abenomics Growth Strategy

Abe announced his economic strategy on June 14, based on the Industrial Competitiveness Council (ICC) report of two weeks earlier. That report is a wide-ranging compilation of good economic ideas from the government bureaucracy, but without clear priorities or concrete implementation proposals. With the upper house election then five weeks away, such vagueness was not surprising, though frustrating. A Ministry of Economy, Trade, and Industry (METI) report in August rearranged the items in the June ICC report as the growth strategy's three pillars: unleashing the private sector potential, maximum utilization of human resources, and development of new markets.

In his election campaign, Abe announced

an ambitious 10-year target of 2 percent annual growth in real GDP and a 1 percent rise in the GDP deflator, for 3 percent GDP growth in current prices. Abe evidently took his targets from the August 2012 growth strategy scenario produced by Cabinet Office officials for the DPJ government. In a slight updating, the Cabinet Office's "Economic and Fiscal Projection for Medium to Longer-Term Analysis" released August 8, 2013, presents both an "economic revitalization" growth strategy scenario and a more prudent "reference" scenario. The growth strategy projection is real GDP growth averaging 2.1 percent for the 2013–2022 decade, and growth in current prices of 3.4 percent. The GDP deflator is expected to be 1.3 percent and the average CPI increase 2.1 percent.

To achieve 2 percent annual growth over the decade to 2023, the growth strategy scenario makes strong, perhaps unrealistic, assumptions. Growth depends on changes in labor inputs and increases in output per worker. Total factor productivity (TFP) is projected to gradually increase to 1.8 percent annually by 2020, significantly above the historical average of about 1 percent. Full employment will be at 3.3 percent. Importantly, the participation rates are projected to rise significantly—by 8 to 9 percentage points for women 30 to 34 and 7 to 8 percentage points for those 65 to 69. Such increases in participation rates would mean that the total number of workers will not decline significantly. If present participation rates continue, decreases in the population and in its working age component would reduce the labor force by about 1 percent annually. The world economy is projected to grow at 5.0 percent, with concomitant increases in Japanese exports.

The Cabinet Office report reference scenario projects about 1.3 percent average real growth for the coming 10 years and a 1.5 percent rise in the CPI. It assumes that TFP will maintain its historical 1 percent growth rate and that the current labor force participation rate by sex and age will not

change. The world economy is projected to grow at 4.0 percent.

Abe's 2 percent growth target will be difficult to achieve. Significantly raising labor productivity (and total factor productivity) and providing an adequate support structure to make higher labor force participation more attractive are huge challenges. Implementation depends on major new measures of deregulation, market liberalization, and structural reforms—all strongly opposed by vested interests. These are the third arrow of Abenomics.

Embedded in the ICC growth strategy report is a significant tension between two fundamentally different policy approaches. One relies on markets: deregulation, increased domestic competition, and corporate reform. The other focuses on government industrial policy: incentives for growth industries, funding new technologies, and lagging-sector consolidation. While both approaches can help, reliance on markets should be key. Only deregulation and structural reforms will generate adequate incentives for firms to invest and people to work. In the longer run, Japan has to switch to a consumption-based growth model to assure adequate domestic demand growth. That will require wages and household incomes to become a higher share of GDP.

Both the government's definition and implementation of its growth strategy are likely to be piecemeal. Two major aspects are underway: the Trans-Pacific Strategic Economic Partnership (TPP) trade negotiation, and reform of the electric power industry. Each is discussed below.

Fiscal Consolidation

Growth and fiscal policies are deeply intertwined. The demand management challenge is how to both sustain good growth and achieve fiscal consolidation. For the foreseeable future fiscal consolidation means achieving a stable, if extraordinarily high, ratio of government debt to GDP.

The Cabinet Office growth strategy scenario states that stability will be achieved within a few years, certainly by 2020. But it is not clear how its projection is derived; it seems too optimistic. The scenario projects that the government, which borrowed 11.2 percent of GDP in 2012, in 2020 will have to borrow 5.6 percent of GDP, and that the primary balance (excluding government interest payments) will decline from a negative 6.4 percent of GDP in 2012 to a negative 2.0 percent. The scenario projects a stable ratio of government debt to GDP of 186 percent, less than the present ratio because the government will receive about ¥6 trillion from the sale of Japan Post. These projections exclude the special Tohoku reconstruction expenditures, taxes, and temporary government debt.

In its 2013 annual spring consultation with the Japanese government, the IMF concluded that, to be able to reduce the government debt/GDP ratio, Japan will have to raise taxes and reduce expenditures by 11 percent of GDP, a huge reduction in domestic demand.

In a cogent analysis of the Cabinet Office August report, Robert Feldman estimates that to stabilize the ratio, even with 2 percent growth, the consumption tax will have to rise substantially beyond 10 percent and per capita expenditures for those over 65 will have to decrease significantly in real terms. His analysis shows that the growth strategy scenario implies that government expenditures per elderly person would decrease by 17 percent in real terms, but because further consumption tax increases are not projected, the government debt/GDP ratio would continue to rise. He calculates five alternative policy choices. At one extreme, a consumption tax of 10 percent, as now legislated, requires reducing per capita support of the elderly by more than 40 percent. At the other extreme, no reduction in real per capita expenditures for the increasing number of elderly requires a consumption tax rate of 31 percent. The middle option, putting the fiscal adjustment burden

half on consumption taxpayers and half on the elderly, implies a consumption tax rate of 16.7 percent and a reduction in elderly support per capita of 26.9 percent.

These stark choices indicate that achieving a stable government debt/GDP ratio by 2020 will be extraordinarily difficult. If growth averages only 1 percent or so in the coming decade, fiscal stability will be even more difficult. However, what probably is more important is that investors and others perceive that the government has developed a credible program for eventual fiscal consolidation, even if the time frame is longer. That perception, and reality, will be essential to prevent an eventual crisis in the JGB market.

The Trans-Pacific Strategic Economic Partnership (TPP) and Agriculture

The TPP, led by the United States, ambitiously aims to create a comprehensive, high-standard, free trade area among its 12 members by eliminating tariffs, major non-tariff barriers, and setting rules for matters such as intellectual property rights, rules of origin, and state-owned enterprises. For Japan the most sensitive, and symbolically and substantively most important issue, is agriculture.

Japan's agricultural sector has been transformed dramatically over the past several decades through a combination of market forces, demographic transition, and the desire of the children of farmers to enter other occupations and live elsewhere. The median age of farmers in 1960 was 42; today it is 68. There were 5.8 million farm households in 1960; today there are 1.5 million. In 1960, Japan had 14.5 million workers in agriculture, forestry, and fishing; in 2012 only 2.53 million (3.9 percent of the labor force), producing 1.2 percent of GDP. The amount of farmed land also is declining. Still, Japan has too many farmers and farms, especially small ones.

The agriculture sector is bifurcated into 423,000 full-time farm households, some relatively efficient; and the myriads of very inefficient part-time, elderly farmers with only 1 or 2 hectares of land, who derive most of their income from nonfarm jobs. Thanks to protection, subsidies, and high output prices, farm household per capita incomes are higher than nonfarm households. Some 87 percent of the farms have rice paddies, but 300,000 fulltime farmers produce more than 90 percent of Japan's rice. Rice is the symbol of agriculture and of Japanese culture, yet in 2010 by value (at high prices) rice comprised only 19 percent of agricultural production, substantially below the 28 percent share of vegetables.

In its TPP negotiations the Japanese government has identified five sensitive, highly protected agricultural categories: rice (778 percent import tariff), wheat (252 percent), sugar (328 percent), dairy products such as butter (360 percent), and beef (38.5 percent). While all the TPP members are committed to comprehensive liberalization, each fights for its own exceptions of particularly sensitive matters, including the United States with trucks and sugar, and Japan with its five items. TPP is an important policy mechanism to help achieve needed reforms while blaming intense foreign pressure (*gai-atsu*).

The first TPP negotiations with full Japanese involvement were held in Brunei in late August. A further session is being held in September, and negotiators are meeting actively between sessions. The United States is pushing vigorously to complete negotiations and reach an agreement by the end of this year. Much of the negotiating is basically bilateral; and the agreements between the United States and Japan are particularly important. It will be difficult both to reach decisions on the full agenda and meet the year-end deadline. One of the most important TPP adjustment measures will be the time allowed for phasing out tariffs and other barriers. A phaseout of 10 years or more will be commensurate with

the retirement of more Japanese farmers; 56 percent of Japan's rice farmers are 70 or older. While Japanese adjustments due to TPP will be substantively less onerous and difficult than its critics assert, nonetheless a successful TPP agreement will support and perhaps galvanize liberalizing reforms in Japanese agriculture and other protected sectors.

The Electric Power Industry

A major Abenomics reform is restructuring the electric power industry. The Cabinet approved a sweeping proposal in April that will be submitted to the Diet in October, where both the LDP and other parties support it. The 10 regional electric power monopolies will be required to set up separate companies for electricity generation, transmission, and distribution. New entrants will compete in power generation and distribution. Since some large manufacturing companies already have their own generating facilities, in principle they will be able to sell to the national grid, as will solar and wind plants. Implementation will take years, and the devil is in the details, but this will be a significant reform.

A related major issue is the fate of the 50 nuclear reactors still idle as a policy consequence of the post-Fukushima decision to close them until more stringent safety standards enforced by the new Nuclear Regulation Authority (NRA) have been met. These plants generate electricity more cheaply than fossil fuel or solar or wind plants and do not emit CO₂. Import costs for electricity have risen as Japan has substituted oil, gas, and coal for nuclear power. Japan is the world's largest importer of liquefied natural gas (LNG), second largest importer of coal, and third largest net importer of crude oil. Its import costs for fossil fuels increased 36 percent in 2011 following the Tōhoku earthquake, and another 10 percent in 2012, comprising 30 percent of total imports. Power companies

have to increase electricity prices to cover these costs.

Once two Kansai Electric reactors at Oi were closed for routine maintenance on September 15, none of Japan's nuclear power plants are in operation. Four power companies have applied to restart 12 reactors at six sites, all relatively new pressurized water reactors, different from the Fukushima boiling water reactors. The NRA is proceeding initially with its safety reviews for six reactors. This will take about six months, so reopenings will not begin before early 2014. Other reviews have been delayed to determine whether the reactors can withstand a major earthquake or tsunami. In the Oi case it was decided on September 2 that the reactors are not on an active fault, so the inspections can proceed.

The LDP and the power companies are pressing for many reopenings, but it is unclear how many eventually will. The clout of the power companies, historically extraordinarily strong, has been diminished by their pre-Fukushima assertions that their nuclear plants were completely safe. Tokyo Electric Power Company (TEPCO) has continued to seriously mishandle the ongoing Fukushima disaster. Many Japanese are now mistrustful of the government, of power companies in general, and especially of TEPCO.

The Corporate Sector

As a market-based, capitalist democracy, Japan's economic performance is driven by its private sector. Japan has 4.2 million enterprises, excluding the primary sector, of which 1.8 million are incorporated companies. Some 87 percent (3.7 million, of which 1.4 million are incorporated) are small, with few employees; 12.7 percent are medium sized; and only 11,925 (0.3 percent) are large. Some 3,400 domestic companies are listed on Japan's stock exchanges.

Over the years since Japan's bubble burst, businesses have paid off debt, trimmed employment through attrition, and upgraded

facilities and equipment. The companies we know most about, the listed companies, overall are doing well with substantial increases in profits. They have strong cash flows from high depreciation allowances and huge cash balances since corporate savings rates are high even after ongoing real investment.

It is difficult to know much about the myriads of small and medium enterprises (SMEs). Quite a few are strong players domestically and even globally, especially in niche markets; they are Japan's hidden champions. But at least 50,000 are estimated as being in dire straits, kept alive only by loan roll-overs by creditors unwilling to record losses by forcing them into bankruptcy. Japan is not very forgiving of recognized failure, so forbearance is an important value. This comes at a significant cost. Forbearance prolonged and exacerbated Japan's 1990s financial-sector problems. Today zombie companies in various sectors weaken healthy firms and contribute to resource misallocation. Government support for bank loans to zombie companies ended in March 2013, and banks are gradually forcing them to close.

Most listed companies are controlled by an entrenched, self-replicating, powerful management cadre. Shareholders are relatively passive. In many instances the major stakeholders, aside from management, are the regular employees, since they have, by law and custom, strong job security. Corporate governance has evolved over the past two decades, and companies have spun off or sold off noncore units, but hostile takeovers are rare. Good corporate governance remains a serious concern, as evidenced by firms continuing to invest in domestic facilities and equipment despite the low returns. But worker and managerial jobs are saved.

Japan's retirement age by custom and law is 60, notably for large companies and government officials. SME retirement is more fluid. At 60, Japanese men can expect to live another 23 years, women another 29.

Most are energetic, have skills, and want to continue working. About 70 percent of new retirees either have their employment extended, are rehired by the same firm, or are introduced to another firm, often a subsidiary. Some 20 percent of Japanese over 65 work, the highest rate in any developed country. Companies are under pressure to extend the retirement age but are doing so slowly. In April 2013, the minimum age at which retirees can collect government pensions rose to 61; this is scheduled to increase by a year every three years to reach 65 by 2025.

Large-firm mergers are difficult because of senior management resistance. The Abenomics growth strategy includes consolidation in industries where scale is important to competitiveness. LCD TVs, railroad cars, medical diagnostic imaging equipment, and water treatment facilities have been targeted. Consolidation is important in petrochemicals and shipbuilding as well.

The business establishment complains that the high corporate tax rate relative to foreign countries puts Japanese firms at a competitive disadvantage. However, if the corporate tax rate is reduced, so too should depreciation rates in order to shift management incentives away from easily spending free cash flow. In the longer run, Japanese companies need to enhance R&D, be prepared to pay higher wages as labor markets tighten, and compete vigorously under the deregulatory and other structural Abenomics third-arrow initiatives. Increasing base wages will be a major issue in labor negotiations next spring.

International Context

Growth of the world economy and trade are vital to Japan's economic performance. World output growth slowed to 3.1 percent in both 2012 and 2013; world trade slowed to a 2.5 percent increase in 2012 but should be 3.1 percent in 2013 and is projected at 5.4 percent in 2014.

Japanese exports of goods and services in fiscal 2012 recovered to 15.6 percent of GDP. At a yen/dollar exchange rate of 80, the yen was too strong; at 95 to 100, a weaker yen is a further incentive (and relief) for Japan exporters, though higher import costs are borne by Japanese consumers and producers.

Japan's political and security alliance with the United States is fundamental. It is in good shape and strong. While the U.S. is no longer Japan's largest trading partner, the bilateral business relationship is well-established, large, stable, productive, and mutually beneficial. It is a major bulwark of the alliance. The U.S. recovery proceeds moderately, but still with high unemployment and ongoing fiscal consolidation challenges.

The sustained slump in the 27 member European Union (EU) and its 17 member eurozone seems to have ended, but with high unemployment rates, unresolved banking system problems, and still serious difficulties in southern tier countries. Japan is the EU's fifth largest trading partner, but taking into account overseas production, Japan is second. Trade is dominated by machinery and transport equipment and chemical products in both directions. The EU also exports agricultural products to Japan, and Japan is a major investor in EU countries. Japan typically has run trade surpluses, though they have not been as large in the last few years as earlier.

Japan's economic relationships with other Asian economies are extensive, deep, and on the whole very good. They are based on the WTO global multilateral trading system and on effective regional supply chain production systems. However, Japanese tariff and other trade barriers persist in agriculture and many services.

With the WTO Doha Round moribund, Japan is rather reluctantly engaging in regional trade liberalization discussions. In addition to entering TPP talks, Japan is participating in ASEAN's blueprint for a Regional

Comprehensive Economic Partnership (RCEP), which includes China, as well as China-Japan-Korea trilateral trade negotiations. On March 25, 2013, the EU and Japan officially launched negotiations for a free trade agreement. The most immediate, and probably the most important, is TPP.

The benefits of economic cooperation have successfully overcome differences in economic and political systems, epitomized by China being Japan's largest trading partner. In 2012, 18.5 percent of Japan's exports went to China and 21.3 percent of its imports came from China. Japanese FDI in China rose by 14.4 percent in the first half of 2013. Nonetheless, it seems to be slowing because of higher Chinese wages, and corporation diversification strategies as well as political relationship issues.

Some 17 percent of the 8.4 million foreign tourists visiting Japan in 2012 were from China, in addition to the 24.4 percent from South Korea and 17.5 percent from Taiwan. It is impressive that while China-Japan diplomatic and political relations are tense, the economic relationship continues to flourish. Since the Chinese economy will continue to grow annually at 7 percent or so for the next decade, its importance for Japan will continue to be significant. China needs Japan's technology and markets, and Japan needs China's markets and FDI opportunities. China's effective integration into the global economic system is a major opportunity and challenge.

Conclusion

Japan may finally be escaping its doldrums of the past two decades. The economic recovery is proceeding, with good growth this year absorbing much of the slack. If Abenomics is successful, Japan will enter a new, better economic era. But that is far from sure. The vested interest obstacles to structural reform are strong. Much depends upon Prime Minister Abe's political will and leadership and sufficient support from his own party, the LDP.

Deflation probably will be brought to an end over the coming year. Achieving the 2 percent CPI growth target within two years will be difficult, but that is less important than creating public and market expectations that deflation has been conquered and that appropriately small increases in the CPI will be sustained. This will be a major monetary policy achievement.

Japan's population will decline about 0.3 percent annually the rest of this decade, and at about 0.6 percent in the next decade. With a declining population, to measure performance and well-being we need to focus even more on the growth of GDP per capita rather than GDP growth. In the long run, assuming adequate aggregate demand is sustained, growth per capita will depend mainly on measures to increase labor productivity: innovation, R&D, education, job training, and reduced obstacles to participating in the labor force as fully and effectively as Japanese would like (particularly for young adults, married women, and those over 65).

Achieving Abe's GDP growth target of 2 percent requires major structural changes in the Japanese economy, including further major deregulation and incentives for growth industries, consolidation in uncompetitive industries, and closing distressed SMEs. The challenge for the Abe government is to implement these policies wisely, strongly, and well.

I am not persuaded that 2 percent growth will be achieved. Japan's 1.2 percent "prudent GDP growth" scenario also is above earlier estimates of potential growth rates of 0.5 to 1.0 percent but is more readily achievable. Under that scenario, GDP per capita would grow at 1.5 percent, similar to the EU and the United States.

Japan's most challenging longer-run economic problem is to resolve constructively the deep tension between sustaining full employment growth and engaging in fiscal consolidation. The U.S. and the EU face

the same problem. The evidence from the 2007–2008 global financial crisis and Great Recession is that an austerity policy is very costly and not very successful, despite the needs for structural reform and improved incentives. Simply stabilizing Japan's government debt-to-GDP ratio at a high level will require major reductions in the budget deficit, with some combination of significantly reduced benefits for the elderly and further consumption tax increases. Fiscal consolidation will take many years. There is no quick fix.

Abenomics policy proposals are not new. What is new is Abe's political will. Public support and expectations are strong, the rhetoric is good, Abe and the LDP government have a strong mandate and the legislative power to develop and carry out Abenomics—but the realities are somber. Inevitably, it will take time for Abenomics to be implemented, and then to see the results.

While Abenomics has been proceeding well so far, it is too early to determine its eventual success. My view is a mixture of concern, caution, and—optimist that I am—hope.

September 26, 2013

Current Research Highlights



From left to right: David E. Weinstein, Gerald L. Curtis, Curtis J. Milhaupt, Alicia Ogawa

CJEB places a high priority on promoting research related to the Japanese economy and its businesses, management systems, and financial markets. Typically, faculty members associated with the Center individually obtain funding through competitive outside grants, and CJEB provides additional financial and administrative support.

David E. Weinstein leads the Center's research activities and has several individual projects under way funded in part by the National Science Foundation (NSF), the Institute for New Economic Thinking (INET), and a Google Research Grant. Professor Weinstein's research and teaching focus on international economics, macroeconomics, corporate finance, the Japanese economy, and industrial policy. In addition to being CJEB's director of research, Professor Weinstein is the chair of the Columbia University Economics Department and codirector of the NBER Japan Project, cosponsored by CJEB.

In 2012–2013, Professor Weinstein continued his research on systemic financial risk in Japan. He has a major project under way that aims to understand how banking crises affect aggregate investment. In particular, this research will answer the question of how important problems in individual large financial institutions are for understanding aggregate loan volatility in general and what impact bank loan supply has on firms' investments.

He also has been working on a project aimed at understanding the mismeasurement of inflation in Japan. This research demonstrates that there are significant upward biases in the Japanese CPI on the order of two percentage points per year. His work on Japanese inflation involves examining how problems in the measurement of inflation should affect monetary policy. In a paper summarizing this research, Professor Weinstein shows that when the Japanese CPI measures inflation as low (below 2.4 percent in our baseline estimates), there is little relation between measured inflation and actual inflation. However, outside this range, measured inflation understates actual inflation changes. In other words, one can accurately infer inflation changes when the CPI is high, but not when measured inflation is close to zero. If Japan were to shift to a methodology akin to the U.S. PCE deflator, the problem would be reduced but not eliminated. This nonlinear relationship between measured and actual inflation has important implications for the conduct of monetary policy in low inflation regimes.

Professor Weinstein has continued his work on "Prices in Space and Time," a research project using detailed (barcode) data from the ACNielsen HomeScan (for purchases in the United States), Nikkei-POS, and ACNielsen Scantrak (for retail sales in Japan and several other countries), and Google's price and click-through information (for all retail products and real estate reported on the Google Product

search and Google Maps for several countries). This project aims to measure inflation at a daily frequency and explore how daily price and consumption data respond to macroeconomic shocks. Professor Weinstein expects that the construction of daily price and consumption indexes for major economies will alter our understanding of how policy and economic shocks are transmitted to economies.

He is also pursuing a related research project, "Internet Prices and Price Indexes," for which he will study the vast amount of daily price and click-through data available on Google Product Search. This project aims to provide new ways to measure the quality of goods online as well as improve our understanding of aggregate pricing. Furthermore, by merging data available on Google Product Search with data available from ACNielsen, both in the United States and internationally, he will be able to better examine the integration between online and brick-and-mortar markets, as well as understand the specifics of trade costs that exist between countries.

Professor Weinstein's research is frequently cited and discussed in the media, and he is a frequent commentator on Japan. In 2012–2013, he was featured in news outlets including NHK.

Gerald L. Curtis, in addition to his academic writings, regularly publishes columns in both Japanese and English language

newspapers, is a frequent guest commentator on Sunday morning news programs on Japanese television, and is widely quoted by international media outlets on issues relating to Japanese politics and society and United States foreign policy. Professor Curtis's article on "Japan's Cautious Hawks" in the March/April 2013 issue of *Foreign Affairs* is part of a larger research project on U.S.-Japan relations and the international relations of East Asia.

Merit E. Janow, recently appointed dean of Columbia University's School of International and Public Affairs, researches financial regulatory reform as well as international trade and investment. Over the past year, she has spoken to international corporate, academic, and policy audiences on topics including financial regulatory reform in the United States, developments in international trade and investment, comparing Chinese and Japanese industrial policies, and corporate governance issues. She is continuing a research project on China that focuses on sources of tension and opportunity in China's external economic relations.

Curtis J. Milhaupt continued his research on comparative corporate governance; the legal systems of East Asia, particularly Japan; and law and economics. Professor Milhaupt will serve as the editor of *The Research Handbook of Asian Corporate Governance*, to be published by Edward Elgar in 2015.

Alicia Ogawa continues her private consulting work on Japan's politics and economy, her teaching at Columbia University's School of International and Public Affairs, and her work at the Maureen and Mike Mansfield Foundation. Professor Ogawa has continued to be in high demand as a public speaker. She also continues to work closely with CJEB Visiting Fellows by assisting them with their research and seminar presentations.

Hugh Patrick, together with Professor Yung Chul Park of Korea University, has been leading a major project on the ongoing financial development of China, Japan, and Korea. During the year they completed editing a book based on this project, *How Finance Is Shaping the Economies of China, Japan, and Korea*, which is scheduled to be published by Columbia University Press in late 2013. Professor Patrick has also continued his work on Japan's current economic performance and institutional changes. His most recent paper is his annual essay on the current Japanese economy, included in this Annual Report, starting on p. 9. In 2012-2013,

Professor Patrick gave policy-oriented talks based on his research at conferences and private lunches. As recent examples, he addressed Abenomics both in his keynote address at the Stanford Project on Japanese Entrepreneurship Conference in June and in a lecture at the Seoul Forum for International Affairs in May. He also made a presentation on the Trans-Pacific Partnership (TPP) at Japan Society's *Keizai Doyukai* (Japan Association of Corporate Executives) Roundtable in May. He was featured widely in the media, including in such outlets as *Nikkei*, *Jiji News Bulletin*, and NHK's "Global Debate WISDOM."



David E. Weinstein

Faculty Engagement

CJEB endeavors to support Columbia Business School (CBS) faculty members not formally associated with the Center by serving as an entree to Japan's business, professional, academic, and cultural worlds. The Center funds Japan-related research and seeks ways that Business School professors can incorporate study of Japan's economy and business systems into their research and teaching. The Center uses its extensive network of Japanese corporate contacts to arrange for speakers from the private sector to talk in CBS classes. CJEB also has access to various Japan-related databases that faculty use for research and, where appropriate, can fund and arrange faculty research trips to Japan.

CJEB often arranges to cosponsor programs with other centers at the Business School. In addition, CBS faculty members often participate as speakers or panelists for various CJEB public programs. **Patrick Bolton**, David Zalaznick Professor of Business at CBS, served as a discussant at CJEB's November 29, 2012, symposium, "The Role of Credit Rating Agencies in Japan and the United States." **Sheena S. Iyengar**, S. T. Lee Professor of Business at CBS, gave a luncheon *zadankai* seminar, "Global Leadership Challenges for Japanese Companies." **Joseph E. Stiglitz**, CBS faculty member and University Professor at Columbia University, served as the keynote speaker at CJEB's March 21, 2013, conference in Tokyo titled "Inequality, Fragmentation, and Integration in the World Economy." The 14th Annual Mitsui USA Symposium on April 17, 2013, "Shale Gas Revolution and Energy Security," brought together, among other speakers, **Geoffrey M. Heal**, Donald C. Waite III Professor of Social Enterprise at CBS, and **Travis Bradford**, CBS faculty member and associate professor of professional practice in international and public affairs at Columbia University, to discuss Japan's energy future.



Hugh Patrick and Sheena Iyengar

CJEB also arranged for **Gur Huberman**, Robert G. Kirby Professor of Behavioral Finance, to go to Japan on a one-week program organized by the Keizai Koho Center (KKC), an arm of Nippon Keidanren. KKC arranges a week of meetings in Japan with corporate executives, scholars, government officials, and politicians, with the goal of promoting understanding of the Japanese economy, corporations, and management methods. CJEB's Hugh Patrick and Charles Wolf Jr., senior economic advisor and corporate fellow in international economics of the RAND Corporation, are responsible for selecting faculty from Columbia and four other top-tier academic institutions to participate in this excellent, well-received program.

As in years past, CJEB worked with the Business School's Jerome A. Chazen Institute of International Business and the MBA student-run Japan Business

Association (JBA) to support the travel of a CBS faculty leader for the spring 2013 Chazen International Study Tour to Japan. This year, **Nicolás E. Stier-Moses**, associate professor in Decision, Risk, and Operations at CBS, led the study tour.

CJEB's support for faculty research is not limited to Business School faculty. The Center also supports the research of **Kay Shimizu**, assistant professor of political science at Columbia University, who has been conducting studies on Japan's regional finance and central-local fiscal relations. Her current book manuscript, titled "Politics of Fiscal Austerity: Moving Private Money as Public Funds," addresses Japan's political struggles to adjust to a postindustrial economy.

Research Paper Series

CJEB fosters dissemination of research on Japan's economy and business within Columbia and in the broader academic, business, professional, and public policy communities. While much of the research produced by scholars affiliated with the Center ultimately appears in scholarly books and professional journals, early drafts of the work and research results can be found in CJEB's Working Paper (WP) Series. We also accept interesting, topical papers not slated for eventual publication in our Occasional Paper (OP) Series. Papers in both series are available for free download through our website at www.gsb.columbia.edu/cjeb/research, which links to the Columbia University Libraries' Academic Commons website.

2012-2013 Working Papers

WP 304

Nice to Be on the A-List

Yasushi Hamao, Associate Professor of Finance and Business Economics, Marshall School of Business, University of Southern California

Kenji Kutsuna, Professor of Entrepreneurial Finance, Kobe University

Joe Peek, Gatton Endowed Chair in International Banking and Financial Economics, Gatton College of Business and Economics, University of Kentucky; former Visiting Economist, Federal Reserve Bank of Boston

August 2012

This study addresses an important shortcoming of most of the existing literature on credit availability by including a set of unlisted firms (which are the firms most likely to be bank dependent) in the analysis, and by investigating differences between the treatment of listed and unlisted firms by their lenders. We find evidence

consistent with evergreening behavior by banks toward listed firms, consistent with prior studies. However, the more striking result is that banks appear to treat the smaller, unlisted firms differently, being much less willing to engage in evergreening behavior for these borrowers. The difference in treatment of unlisted firms relative to listed firms does not appear to be related to systematic differences in size between the two groups of firms. Thus, it appears that the distinguishing characteristic that determines whether a bank might evergreen loans to a firm is whether or not the firm is listed. Furthermore, this effect appears to be stronger for those firms listed on the more prestigious Tokyo Stock Exchange, compared to firms listed on other exchanges; being listed matters, and being on the A-list matters even more. Moreover, among listed firms, for which data on ownership by banks are available, a higher concentration of ownership of the firm by either the main bank or the firm's top three lenders increases the likelihood of the firm obtaining increased loans, suggesting that bank ownership of the firm stimulates evergreening behavior to a greater degree.

WP 305

Uninsurable Risk and the Determination of Real Interest Rates: An Investigation Using UK Indexed Bonds

David Barr, Professor of Economics, Durham University

Parantap Basu, Professor of Macroeconomics, Durham University

Kenji Wada, Professor of Business and Commerce, Keio University

August 2012

This paper investigates the empirical performance of a new class of uninsurable risk models in the context of the UK indexed bond market. Using closed form

expressions for pricing kernels, we test the ability of three consumption-based models to price indexed bonds in the UK and find that the standard general equilibrium, complete markets model is soundly rejected in favor of two uninsurable-risk models. Using the estimated bond price equation, impulse response analysis is undertaken to understand the effects of three macroeconomic fundamental shocks on real interest rates. In contrast to the estimates that typically arise in equity markets, the estimated coefficient of relative risk aversion is found to be small in this class of models with uninsurable risk.

WP 306

Is Japan Really a "Buy"? The Corporate Governance, Cash Holdings, and Economic Performance of Japanese Companies

Kazuo Kato, Associate Professor of Information Management, Osaka University of Economics

Meng Li, Assistant Professor of Accounting, The University of Texas at Dallas

Douglas J. Skinner, John P. and Lillian A. Gould Professor of Accounting, Booth School of Business, The University of Chicago

September 2012

Over the past ten years there has been much discussion about whether corporate governance in Japan has improved and, if so, whether this results in improved corporate performance. We investigate whether observed changes in Japanese firms' cash holdings and payout policy are consistent with improved governance. To do this, we benchmark Japanese firms against U.S. firms. We find mixed evidence on whether Japanese governance has improved overall, in that, conditional on firm characteristics, the cash holdings of Japanese firms are still systematically higher than those of U.S. firms. There is evidence, however, of a

strong increase in total payouts (dividends and repurchases) for Japanese firms, especially those that make repurchases. We also find that there is an inverse relation between changes in (excess) cash holdings and changes in performance for Japanese firms, consistent with improvements in governance being associated with improved performance. Further, we find that the market valuation of cash holdings was lower for Japanese firms than U.S. firms in the 1990s, which is indicative of poorer governance, but that this difference largely reverses in the 2000s. Overall, the evidence suggests that governance practices in Japan have improved for some firms, and that when governance does improve, it is associated with improvements in performance and valuation.

WP 307

Defying Gravity: How Long Will Japanese Government Bond Prices Remain High?

Takeo Hoshi, Pacific Economic Cooperation Chair, Professor in International Economic Relations, School of International Relations and Pacific Studies, University of California, San Diego

Takatoshi Ito, Dean, Graduate School of Public Policy; Professor, Graduate School of Economics, The University of Tokyo

September 2012

Recent academic papers have shown that the Japanese sovereign debt situation is not sustainable. The puzzle is that the bond rate has remained low and stable. Some suggest that the low yield can be explained by domestic residents' willingness to hold Japanese government bonds (JGBs) despite their low return, and that as long as domestic residents remain home biased, the JGBs are sustainable. About 95 percent of JGBs are currently owned by domestic residents. This paper argues that even with such dominance of domestic investors, if the amount of government debt

breaches the ceiling imposed by the domestic private sector financial assets, the JGB rates can rapidly rise and the Japanese government can face difficulty rolling over the existing debt. A simulation is conducted on future paths of household saving and fiscal situations to show that the ceiling would be breached in the next 10 years or so without a drastic fiscal consolidation. This paper also shows that the government debt can be kept under the ceiling with sufficiently large tax increases. The JGB yields can rise even before the ceiling is hit, if the expectation of such drastic fiscal consolidation disappears. This paper points out several possible triggers for such a change in expectation. However, downgrading of JGBs by credit rating agencies is not likely to be a trigger, since past downgrades have not produced any change in the JGB yield. If and when the JGB rates rapidly rise, the Japanese financial institutions that hold a large amount of JGBs will sustain losses and the economy will suffer from fiscal austerity, financial instability, and inflation.

WP 308

Policy Options for Japan's Revival

Takeo Hoshi, Pacific Economic Cooperation Professor in International Economic Relations, School of International Relations and Pacific Studies, University of California, San Diego

Anil Kashyap, Edward Eagle Brown Professor of Economics and Finance, Booth School of Business, The University of Chicago; Consultant, Federal Reserve Bank of Chicago

December 2012

In this report, we identify some specific concrete steps Japan can take to jump start growth. Our recommendations are organized around three broad themes: regulatory reform, opening up the Japanese economy, and improving macroeconomic policies. Section 2 identifies four types of

regulatory relief that would improve growth in Japan. One set of changes show how to reduce the cost of conducting business in Japan. Each of these is achievable, and together they would modestly improve business conditions and the efficiency of doing business in Japan. We also explain how to stop the protection of zombie firms and identify several other government regulations that also discourage productivity growth, especially in the nonmanufacturing parts of the economy. Regarding deregulation, an approach that the Koizumi government tried was the creation of structural reform special zones. As our earlier report found, these special zones had mixed results, so we also explain the conditions that a special zone should satisfy in order to be growth enhancing. Section 3 examines the gains that can be achieved by opening up the Japanese economy. One avenue for doing this is via the Trans-Pacific Partnership (TPP), for which Japan has finally decided to join the negotiations. We explain why participating in this deal is desirable. A perpetual roadblock to trade negotiations in Japan has been the pressure from agricultural interests to protect that sector from competition. Productivity gains in the Japanese agricultural sector have been dismal, and we also discuss policies that could help improve that situation. A third path to openness is through increased immigration. We sketch immigration reforms that would be growth enhancing. Section 4 explores the growth impediments resulting from poor macroeconomic policies. The threat of a debt crisis that could cripple Japanese growth is real. We explain why a credible plan for fiscal consolidation is necessary and propose some principles that should be part of such a plan. Monetary policy has also been bad because of the Bank of Japan's legal independence. We identify the type of monetary policy framework that is necessary to end more than a decade-long deflationary period. Section 5 offers some brief conclusions.

WP 309

Turning Japanese? Lessons from Japan's Lost Decade to the Current Crisis

Masazumi Wakatabe, Faculty of Political Science and Economics, Waseda University

December 2012

As the world economic crisis continues, people are turning to the Japanese example. Japan has experienced the burst of a bubble economy, a financial crisis, and more than a decade-long deflation and stagnation known as the "Lost Decade." Some commentators are even suggesting the Japanization of the Western countries. The paper focuses mainly on the economic controversies and debates during the Great Stagnation from the mid-1980s to the early 2000s, along with a brief description of the Japanese economy characterized by a series of macroeconomic policy mistakes. It is true that there are some distinct differences between Japan's response to the financial crisis and that of the other countries, including its academic, economic, cultural, and initial policy responses. However, there are certain similarities: the discussions became more and more divisive and heated as the crisis continued; economists turned to more "structural causes" of the stagnation as the crisis prolonged; the effectiveness of macroeconomic policy became increasingly questioned; and the old ideas such as liquidationist thinking returned. It is from this confusion and mistakes that one can derive lessons to be learned from Japan's Lost Decade.

WP 310

How Much Do Bank Shocks Affect Investment? Evidence from Matched Bank-Firm Loan Data

Mary Amiti, Assistant Vice President, International Research Function, Federal Reserve Bank of New York

David E. Weinstein, Carl S. Shoup
Professor of the Japanese Economy, Chair of the Department of Economics, Columbia University; Director of Research, CJEB

December 2012

We show that supply side financial shocks have a large impact on firms' investment. We do this by developing a methodology to separate firm credit shocks from loan supply shocks using a vast sample of matched bank-firm lending data. We decompose loan movements in Japan for the period 1990 to 2010 into bank, firm, industry, and common shocks. The high degree of financial institution concentration means that individual banks are large relative to the size of the economy as in Gabaix (2011). As a result, idiosyncratic bank shocks—i.e., movements in bank loan supply net of borrower characteristics and general credit conditions—can have large impacts on aggregate loan supply and investment. We show that these idiosyncratic bank shocks explain 40 percent of aggregate loan and investment fluctuations.

WP 311

Brides for Sale: Cross-Border Marriages and Female Immigration

Daiji Kawaguchi, Associate Professor, Faculty of Economics, Hitotsubashi University

Soohyung Lee, Department of Economics, University of Maryland

December 2012

Developed East Asian countries import a large number of women from abroad as brides every year, although such cross-border marriages virtually did not exist 20 years ago. With a theoretical framework and empirical evidence, we argue that developed Asian countries' demand for foreign brides is the result of rapid improvement in women's economic status

and persistency in household arrangements that insufficiently incorporate women's improved status in marriage. Our analyses show how a country's marriage market imbalance has been transmitted globally, which may be useful to understand the global implications of an increasing sex-ratio imbalance in China.

WP 312

Japan Post Bank: Problematic Issues

Edward Lincoln, Professorial Lecturer, The George Washington University; Research Associate, CJEB

March 2013

Japan, like many countries, has long offered savings deposits through the postal system. That system has undergone some reform over the past dozen years, and beginning in 2007, the system was to undergo privatization, with Japan Post Bank eventually becoming an independent entity. A new law passed in 2012 has stalled the privatization process. Regardless of how the issue of privatization plays out, the existence of a savings bank embedded within the postal system raises a number of troubling issues. This essay addresses five of those problems: a level playing field, market power, cross subsidization, social policy, and risk of inefficiency. These issues concern the fairness of competition within the banking industry, future financial stability of the Japan Post Bank, and broader economic inefficiency within the Japanese economy. This paper argues that government ownership of the Japan Post Bank is unjustified on economic or social grounds. Complete privatization should resolve some of the problems, especially that of a level playing field. But issues of economic inefficiency and future financial stability could remain even after privatization.

WP 313

Syncretism: The Politics of Japan's Financial Reforms

Kenji Kushida, Takahashi Research Associate in Japanese Studies, Walter H. Shorenstein Asia-Pacific Research Center, Stanford University

Kay Shimizu, Assistant Professor, Department of Political Science, Columbia University

March 2013

This paper examines how diversely organized capitalist societies evolve by analyzing the transformation of Japan's financial system since the 1990s. The banking, securities, and insurance, as well as the postal financial institutions changed significantly but are hardly converging to Anglo-American or "liberal market" models. We contend that Japan's new financial system is best characterized as syncretic, with new, traditional, and hybrid forms of practices, organizations, and norms coexisting. Syncretism in industry was driven by a distinctive pattern of interest group politics we call syncretization. Strong political leadership, facing serious electoral threats, shifted the policy logic from gradual, incremental reforms following traditional interest group dynamics, to rapid reforms that excluded the traditionally powerful interest groups most affected by these reforms. We support the notion that diverse industry outcomes can be complementary to broader political economy reforms that take Japan away from its traditional model, part of a broader "convergence towards diversity."

WP 314

Monetary Policy and Transmission of Bubbles

Masaya Sakuragawa, Professor, Department of Economics, Keio University

Naoki Shinada, Associate Senior Economist, Development Bank of Japan

March 2013

The aim of this paper is to investigate the optimal monetary policy when bubbles boost and burst. The monetary policy in the form of open market operation has real effects: that is, it influences the growth in investment and the size of bubbles. The central bank faces a trade-off between stimulating investment and appreciating bubbles. The optimal policy is contingent on the state of the bubbles. When bubbles arise, the central bank may maintain or give up easing, depending on how it puts weight on the state of the bursting of bubbles; while when bubbles burst, the central bank adopts an easing policy. The optimal policy is the same, irrespective of whether foreign capital inflows are allowed for, unless capital markets are severely restricted.

WP 315

Killing Two Birds with One Stone: Board Reforms in the Japanese Electronics Industry

Christina Ahmadjian, Professor, Graduate School of Commerce and Management, Hitotsubashi University

Toru Yoshikawa, Associate Professor of Strategic Management, Lee Kong Chian School of Business, Singapore Management University

March 2013

This paper combines insights from A Behavioral Theory of the Firm (BTF) and Neo-Institutional Theory (NIT) to provide a more comprehensive understanding of how new practices are adopted and transformed. The setting is the spread of the Executive Officer System (EOS) in the Japanese electronics industry. While this system, based on the Anglo-American

system of governance, was designed to separate the executives from the process of monitoring, in reality, firms simply reduced the size of the board, leaving membership heavily weighted toward executive officers. Based on a combination of qualitative and quantitative studies, we argue that this is not merely decoupling or symbolic management; rather, the legitimacy of the EOS system made it readily accessible and salient to firms searching for a solution to problems in decision-making. The legitimacy of EOS as the "global standard" of corporate governance enabled top executives to frame difficult board reforms to internal actors. Through adoption of EOS, firms were able to "kill two birds with one stone" by appealing to investors as well as solving internal problems. This research contributes to our understanding of diffusion and variation, the nature of decoupling, global spread of Anglo-American corporate governance, and NIT and BTF accounts of diffusion of new practices.

WP 316

Legal Background to the Low Profitability of Japanese Enterprises

Nobuyuki Kinoshita, Executive Director, Bank of Japan

April 2013

Japanese enterprises have shown low profitability for quite some time now. This paper presents several hypotheses regarding the influence of Japan's legal systems on this phenomenon. The laws discussed in this paper cover not only corporate law but also "enterprise law" as a whole, including bankruptcy law, capital markets law, and civil litigation law. Besides this, I examine not only the "laws on the book" but also "legal systems in practice." As for the research design of this paper, I identify major differences

in the enterprise laws among Japan, the United States, and Germany. On the other hand, I assume incentive structures for the parties concerned, such as management, shareholders, creditors, investors, and regulators—that they play their roles on the basis of economic rationality. Then I combine both examinations so as to consider the possible effects caused by the differences in legal systems. Under this approach, this paper discusses the individual law system that may influence the behavior of the enterprises. First, I discuss the business reorganization system. Here I point out Japanese enterprises might retain significant cash reserves to avoid the danger of being compelled to file for bankruptcy protection. Next, I examine the takeover systems and argue that a potential bidder might regard the takeover of a Japanese enterprise as irrationally difficult. This system might bring about an insufficient industry reorganization and weak market pressure on individual enterprises. As for the shareholders' activities, I suggest that the corporate governance disclosure system in Japan might provide negligible pressure on enterprises and investors because of the separation of corporate law and market law. Concerning the enforcement of enterprise law such as lawsuits by shareholders or actions by regulators, I show that the characteristics of the enforcement system in Japan might contribute to weak market discipline and risk aversion in the business decisions of directors. I hope this paper stimulates further research and widespread constructive discussion on this issue.

WP 317

Information and Export Decisions: The Bank's Role as a Conduit of Information

Tomohiko Inui, Professor, College of Economics, Nihon University

Keiko Ito, Professor, School of Economics, Senshu University

Daisuke Miyakawa, Associate Senior Economist, Research Institute of Capital Formation, Development Bank of Japan

Keishi Shoji, Researcher, House of Representatives of Japan

April 2013

This paper examines how firms' decisions to start exporting are affected by the availability of information on export markets. Unlike existing studies, which focus on information sharing among firms, we are interested in the information provided by the firms' main banks. Specifically, using a unique dataset containing information on both Japanese firms' export activities and their main banks' experience transacting with other exporting firms, we examine whether main banks act as a conduit of information on export markets. We find that information spillovers through main banks positively affect client firms' decisions to start exporting (extensive margin), implying that information on foreign markets provided by banks substantially reduces the fixed entry cost of exporting. On the other hand, we do not find any evidence that information provided by banks has an effect on the export volume or on the growth rate of exports (intensive margin). Our results highlight that the channel of information spillovers other than those examined in the literature so far may be of considerable importance.

WP 318

Samsung and LG: From Also-Rans to Dominance in Consumer Electronics

Robert Myers, Senior Vice President, Fairfield Resources International, Inc., Darien, CT; Adjunct Professor, Columbia Business School

April 2013

Today, Samsung is the world leader in flat screen TV and cell phone sales. LG

is second in TV sales, fifth in cellphones. Samsung fabricated its first LCD screen in 1995, well after such screens already dominated laptop computers, and shipped its first cell phone only in 1988. LG wasn't even founded until 1958, when it started its development of the first Korean-made radios. By 1982 it shipped its first color TV—made in the U.S. In this time frame, not even 20 years ago, TV shipments were dominated by Japanese consumer manufacturers and cell phones were led by Motorola and Nokia. This paper explores possible sources of the secret to the Koreans' success and finds that the usual metrics—in particular patents, R and D investment, and low cost labor—don't explain it. We speculate that “industrial policy” measures of the South Korean government may have been decisive.

WP 319

The Dynamics of Multinational Corporation-Impacted Comparative Advantage: Relevancy to Ricardo's View on Cross-border Investment and Samuelson's Skepticism about Globalization

Terutomo Ozawa, Professor Emeritus of Economics, Colorado State University

April 2013

The notion of “pro-trade” vs. “anti-trade” foreign direct investment (FDI) was conceptualized by Professor Kiyoshi Kojima (1921-2010) of Hitotsubashi University and theoretically formalized in an article in *The Hitotsubashi Journal of Economics* (Kojima and Ozawa, 1984; reproduced in the United Nations Library on Transnational Corporations, vol. 8). The core idea is that multinational corporations' (MNCs') overseas investments in emerging markets have two opposing

effects on the basis for trade; one is to expand comparative advantage (i.e., a pro-trade effect), and the other is to reduce comparative advantage (i.e., an anti-trade effect). This paper shows how the theoretical distinction above helps clarify both David Ricardo's pessimism about the welfare effect of cross-border investment on the home country and Paul Samuelson's skepticism of the long-term benefit of free trade to the United States in an age of globalization.

WP 320

The Classical Origins of Akamatsu's "Flying-Geese" Theory: A Note on a Missing Link to David Hume

Terutomo Ozawa, Professor Emeritus of Economics, Colorado State University

April 2013

The "flying-geese" theory of economic development introduced by Kaname Akamatsu (1897-1974) of Hitotsubashi University in the mid-1930s is the *only* "Japan-born" theory that has so far attracted wide attention and some acceptability in academia worldwide. Studying in Germany for two years in 1924-26, Akamatsu was strongly influenced by a number of development-stages theories expounded by the German historical school, notably Friedrich List (1789-1846), Bruno Hildebrand (1812-1878), Karl Marx (1818-1883), and Gustav von Schmoller (1838-1917). Akamatsu also drew on the ideas of Alexander Hamilton (1757-1804) and Henry Carey (1793-1879), both Americans, who, along with List, advocated infant-industry protection in order to build national industrial development. It is surprising, however, that there is no mention of David Hume (1711-1776) in Akamatsu's works, despite the fact that Hume was a noted thinker on economic development and a major philosopher, who impacted both Immanuel Kant (1724-1804) and Georg

Wilhelm Friedrich Hegel (1770-1831). Akamatsu was very much engrossed in Hegelian dialectic. His analysis was, in fact, couched in dialectical perspectives. What is most fascinating was that Hume (1754) observed how a rich country is destined to lose its competitiveness in manufacturing and compels its producers to "gradually shift their places, leaving those countries and provinces which they have already enriched, and *flying to others*, whither they are allured by the *cheapness* of provisions and labour" (emphasis added). Hume thus zeroed in on the core mechanism of cross-border industrial transmigration and a sequential spread of economic growth and prosperity from one emerging economy to another. His insightful observation amply adumbrated Akamatsu's flying-geese theory, though the latter apparently didn't notice this.

2012-2013 Occasional Papers

OP 60

Built-in Stabilizers and Risk Literacy: Protecting the Sustainability of the Insurance Industry

Shigeyuki Goto, General Manager, Corporate Risk Management Department, MS&AD Insurance Group Holdings, Inc.

May 2012

Just as any chain is only as strong as its weakest link, any sophisticated, cutting edge assessment is only as good as the robustness of the underlying assumptions. This is increasingly true for tail-risks, where even the most advanced predictions and modeled outputs are not immune from judgment errors and/or statistical uncertainty. On the part of insurers, this warrants better pooling of risks by way of creating a better diversified portfolio and the building up of capital buffers for unforeseen/unpredicted events. In this paper, I touch

on two approaches to achieve the above; the first is to have built-in stabilizers in place in the form of special systems and/or schemes; the second is to raise awareness of and have in place processes that address psychological biases behind the various assumptions and analysis we use in our day-to-day operations.

OP 61

Japan's Sputtering Economic Recovery Amid Heightened Political Turmoil

Hugh Patrick

*R. D. Calkins Professor of International Business Emeritus
Director, CJEB*

December 2012

The purpose of this paper is to provide an overview of the current state of the Japanese economy and to consider some of the major challenges it faces during these tumultuous political times. It begins with an economic policy proposal focused on Japan's muddling recovery amidst the difficult political climate presently inhibiting growth. I then discuss several domestic and global issues likely to impact recovery of the Japanese economy.

The New Global Financial Architecture



Building upon CJEB's "Program on Alternative Investments," which ran successfully from 2002 to 2009, the Center established a program in July 2009 titled "The New Global Financial Architecture" (NGFA). The purpose of the NGFA program is to engage in analytical and policy-oriented evaluations of major global financial and economic issues and regulatory changes through conferences, brainstorming sessions, and research activities, with, of course, a major emphasis on Japan.

The program brings together distinguished finance and economics professors at Columbia Business School and other parts of the University with scholars

and financial market participants in the United States, Japan, Europe, and China. While emphasis is placed on Japan and the United States, this necessarily is in the broader context of the global financial system and all of its major players. Potential topics include, but are not limited to, financial system restructuring; development of national and international regulatory systems; effective governance, supervision, and monitoring; the operations of and interactions among specific financial markets; the relationships between finance and the performance of the economy; and the nature and role of government and monetary policies.

The NGFA program began with CJEB seed funding, and in 2011, Aflac Japan became the first sponsor. The Center continues to seek a small number of appropriate sponsors prepared to make significant annual commitments for three years. We encourage anyone interested in becoming involved in the NGFA program to contact us.

This year, CJEB held two major NGFA conferences, one at CBS, "The Role of Credit Rating Agencies in Japan and the United States," in November 2012 (see p. 36) and one in Tokyo, "Inequality, Fragmentation, and Integration in the World Economy," in March 2013 (see p. 26 and p. 28).

Each year, CJEB organizes and hosts numerous major conferences, symposia, lectures, and seminars featuring outstanding speakers. These programs bring together students, academics, members of the private sector, and policymakers from Japan and the United States. The 2012-2013 events are listed below, split into the following sections: Conferences, Symposia, Lectures, and Lunchtime Seminars. All professional titles listed for participants are accurate for the time of the event. In addition to the descriptions below, videos and reports can be found on CJEB's website: www.gsb.columbia.edu/cjeb.

Conferences



From left to right: Joseph E. Stiglitz; Alicia Ogawa, Anya Schiffrin, Hugh Patrick, John Lipsky, Joseph E. Stiglitz, Peter A. Petri, Yang Yao; David E. Weinstein

Inequality, Fragmentation, and Integration in the World Economy

CJEB Tokyo Conference

March 21, 2013; Roppongi Academyhills, Tokyo, Japan

This conference was part of CJEB's program "The New Global Financial Architecture" and was cosponsored by Mori Building Co., Academyhills. A description with transcripts of select presentations can be found starting on p. 28.

Opening Remarks: Hugh Patrick, Director, CJEB

Keynote Speech: Increasing Inequality within Countries: The Cost for the World's Economies

Speaker: Joseph E. Stiglitz, University Professor, Columbia University

Moderator: Hugh Patrick

Panel I: Fault Lines in the World Economy

Panelists:

Takehiko Nakao, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan

John Lipsky, Distinguished Visiting Scholar, Johns Hopkins University

David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy, Columbia University; Director of Research, CJEB

Heizo Takenaka, Professor and Director, Global Security Research Institute, Keio University

Moderator: Alicia Ogawa, Senior Advisor, CJEB

Panel II: Japan and New Trade Agreements

Panelists:

Peter A. Petri, Carl J. Shapiro Professor of International Finance, Brandeis University

Motoshige Itoh, Professor, Faculty of Economics, The University of Tokyo

Yang Yao, Professor and Director, China Center for Economic Research, Peking University

Moderator: David E. Weinstein

Closing Remarks: David E. Weinstein

The Japan Project Meeting

July 26-27, 2013; Asian Development Bank Institute, Tokyo, Japan

This annual meeting was held in partnership with the National Bureau of Economic Research (NBER), the Center for Advanced Research in Finance at the University of Tokyo, and the Australia-Japan Research Centre at the Crawford School of Public Policy of the Australian National University. Professor Weinstein organized this two-day academic conference with Professors Jenny Corbett of the Australian National University, Charles Horioka of Osaka University, Kazuo Ueda of the University of Tokyo, and Takeo Hoshi of Stanford University. The organizers are grateful to the Asian Development Bank Institute and to Miki Futagawa of the European Institute of Japanese Studies for their generous assistance and support. The following papers and topics were presented and discussed:

Welcome Remarks: Masahiro Kawai, Dean, Asian Development Bank Institute



From left to right: Heizo Takenaka; David E. Weinstein, Koichi Hamada, Hugh Patrick, Joseph E. Stiglitz; Motoshige Itoh

Dynamics of the Gender Gap in the Workplace: An Econometric Case Study of a Large Japanese Firm

Authors: Takao Kato, Colgate University; Daiji Kawaguchi, Hitotsubashi University; Hideo Owan, The University of Tokyo
Discussant: Yukiko Abe, Hokkaido University

By a Silken Thread: Regional Banking Integration and Pathways to Financial Development in Japan's Great Recession

Authors: Mathias Hoffmann, University of Zurich; Toshihiro Okubo, Keio University
Discussant: Tarek Hassan, The University of Chicago and NBER

How Fast Are Prices in Japan Falling?

Authors: Tsutomu Watanabe, The University of Tokyo; Satoshi Imai, Statistic Bureau of Japan; Chihiro Shimizu, Reitaku University
Discussant: David E. Weinstein, Columbia University and NBER

Lunch Speaker: Hiroshi Nakaso, Deputy Governor, Bank of Japan (introduced by Alicia Ogawa, Columbia University)

Railroad Expansion and Entrepreneurship: Evidence from Meiji Japan

Author: John Tang, Australian National University
Discussant: Tetsuji Okazaki, The University of Tokyo

How Much Do Bank Shocks Affect Investment? Evidence from Matched Bank-Firm Loan Data

Authors: Mary Amiti, Federal Reserve Bank of New York; David E. Weinstein, Columbia University and NBER
Discussant: Anil Kashyap, The University of Chicago and NBER

Panel Discussion:

Panelists: Robert Feldman, Morgan Stanley Japan Ltd.; Takatoshi Ito, The University of Tokyo and NBER; Ryuzo Miyako, Bank of Japan
Moderator: Kazuo Ueda, The University of Tokyo

The Impact of Interstate Tensions on Economic Exchange: Evidence from Shocks to Sino-Japanese Relations

Authors: Raymond Fisman, Columbia Business School and NBER; Yasushi Hamao, University of Southern California; Yongxiang Wang, University of Southern California
Discussant: Shiro Armstrong, Australian National University

The Effectiveness of Government Intervention to Promote Elderly Employment: Evidence from Elderly Employment Stabilization Law

Authors: Ayako Kondo, Yokohama National University; Hitoshi Shigeoka, Simon Fraser University
Discussant: Hidehiko Ichimura, The University of Tokyo

Multidimensional Green Values: A Case of Green Condominiums with Longer Life Spans

Authors: Jiro Yoshida, Pennsylvania State University; Ayako Sugiura, Tokyo Association of Real Estate Appraisers
Discussant: Joshua Graff Zivin, University of California at San Diego, and NBER

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CJEB held its annual Tokyo Conference on March 21, 2013. This year it was titled “Inequality, Fragmentation, and Integration in the World Economy” and explored the changing economic atmosphere in Japan: from one of resignation in the face of continued downturn to one of hope and expectation for an improved future. A full summary of the conference can be found on the CJEB website.

Joseph E. Stiglitz, Nobel Laureate and University Professor at Columbia University, gave the keynote address on “Increasing Inequality within Countries: The Cost for the World’s Economies,” the transcript of which can be found starting on p. 29. Following his participation in the CJEB conference, Professor Stiglitz also wrote an opinion piece in *The New York Times* titled “Japan Is a Model, Not a Cautionary Tale” (June 9, 2013).

David E. Weinstein’s presentation, “How Worried Should We Be about Megabanks?” was one of several perspectives provided in the two panels featured at the conference, “Fault Lines in the World Economy” and “Japan and New Trade Agreements.” A transcript of Professor Weinstein’s talk can be found starting on p. 33, and a full list of the distinguished panelists can be found on p. 26. The panels explored various aspects of both Japan’s ongoing challenges, including its aging population and the need for economic structural reforms, as well as its recently enacted policy measures, including entrance into the Trans-Pacific Partnership (TPP) negotiations and the implementation of other aspects of “Abenomics.”

The conference was extremely well attended, drawing a crowd from the business, government, and academic communities, as well as a large media representation. Media coverage of the conference included articles in the *Associate Press*, *Nikkei Business*, *Jiji Press*, and *Nikkei Shimbun*.

CJEB also arranged for several meetings between Professor Stiglitz and the Center’s corporate sponsors. At a late private dinner hosted by a corporate sponsor following the conference, Professors Patrick, Weinstein, and Stiglitz, along with several other Columbia faculty members, were delighted to have the opportunity to meet with Prime Minister Shinzo Abe. PM Abe attended for one and one-half hours, and engaged in an informal lively discussion.

“Increasing Inequality within Countries: The Cost for The World’s Economies”

Presentation by Joseph E. Stiglitz

I’m going to begin by setting out some of the challenges facing Japan today, because in many ways the problems facing Japan are very similar to those faced by all of the advanced industrial countries, particularly the United States and Europe. Each of us has those problems in different ways. Some of these problems have occurred earlier in Japan, and some have not yet arrived quite as forcefully. There are four I want to talk about very briefly.

The first is global warming, and more broadly, the problems of the environment. All of us are going to have to adapt and find alternatives to fossil fuels as energy sources and become more energy efficient.

The second is the problems posed by the aging of the population. This has hit Japan earlier than other countries, but it is also hitting Europe very strongly, and if it weren’t for the large amount of immigration into the United States, it would become a more important problem in the United States, too. There are a large number of consequences to the decrease in the labor supply. One is a false perception of how well you’re doing, or how badly you’re doing: If you’re growing at 2 percent and your labor force is stagnant, that means output per unit of labor is growing at 2 percent. If the United States is growing at 2 percent and our labor force is growing at 1 percent, that means our output per unit of labor is growing at just 1 percent. When the aging of the population is taken into account, it becomes clear that the Japanese economy’s productivity—in terms of output per worker—is doing better than that of either Europe or the United States. This is an important point, because for the last 20 years there’s been a lack of confidence

in Japan, but as Hugh Patrick forcefully pointed out, this confidence is finally coming back. And in light of Japanese productivity, as well as several other factors, I think there’s good reason for that.

The third point, on which I’ll spend a great deal more time, is the growing inequality in most countries around the world. I’ll also talk about the diminution of opportunity, mostly in the context of the United States. But the problems in the United States are just an exaggerated form of the problems that are evident in many other countries, including, to some extent, in Japan.

The fourth issue is that of structural reform. We’ve talked about structural reform in the case of Japan, but every advanced industrial country needs to restructure its economy. In fact, I’ll argue a little bit later that one of the reasons that the United States and Europe have not been doing very well is that they too have been failing in the structural reforms of their economies.

I’ll first talk about the last two issues, starting with growing inequality. These problems are most manifest in the United States, where one statistic that’s gotten a lot of attention is the discussion of the “one percent.” Some of you may know about *Occupy Wall Street*, whose slogan was “We Are the 99 Percent.” The reason that had such salience was that the upper 1 percent has been receiving about 20 percent of the total national income—and that ratio is twice as large as it was just 30 years ago. In fact, the share received by the upper one-tenth of 1 percent is three times what it was 30 years ago, so inequality has been getting even more extreme.

Now, it would be one thing if increases of income at the top led to an increase in the well-being of everybody in society. That’s an old notion called “trickle-down economics.” It never had a theoretical or empirical basis to it, but the more recent evidence

shows how wrong that idea is. In the United States, while the top has been doing extraordinarily well, the middle has seen its income stagnate or decline. The median family income in the United States is the same today as it was more than a decade and a half ago, 15 years ago. So while you’ve been talking about stagnation, we’ve been living it. It’s actually even worse if you look at other measures of well-being.

The median wealth in the United States is at the same level that it was two decades ago. Furthermore, if you look at particular demographic groups in the United States—take a group that’s particularly well represented here, males—the median income of a full-time male working in the United States is lower than it was 40 years ago. So if you wonder why you see some bitterness and anger among certain groups in the United States, it’s because the economy has not been delivering for a majority of the American population.

Lack of opportunity is equally troubling. America has long been thought of as the Land of Opportunity; the American Dream is one in which everybody can make it from the bottom or middle to the top. And you do see stories of people who’ve made it from the bottom to the middle and to the top, and those stories have a lot of human resonance. But the reason that the newspapers write about them is because they are so unusual. Newspapers don’t write about dogs that bite people; they write about people who bite dogs.

In fact, if you look at the evidence, what matters are not the stories, but the statistics: the probability and likelihood of somebody from the bottom making it to the middle or the top in the United States is worse than in other advanced industrial countries. It is worse even than in old Europe, which we think of as being ossified. Or, to put it another way, the life chances of a typical American are more dependent on the income and wealth of his parents than in

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any of the other advanced industrial countries. And that is a result, in part, of deficiencies in our public education system.

There are a whole set of explanations for this, but the fact is that the idea that America is a land of opportunity is now a myth. And that, of course, will also have profound effects on our economy and our society. These changes that I've described have become much worse in the Great Recession. For instance, the median wealth in the United States fell by 40 percent over the period of the Great Recession. Also, from 2009 to 2011, in the recovery from the Great Recession, 121 percent of the increase in income in the United States went to the top 1 percent, which means that all the recovery you've seen was not a recovery for most Americans; it was for the top one percent. A couple of weeks ago, America celebrated the stock market reaching a new peak—not adjusted for inflation, but still a new peak. But in terms of the typical American, there is no new peak. Their wealth is still considerably below what it was before the crisis.

As we look around the world, we see many different outcomes. America has so much more inequality and less equality of opportunity than other countries. There are even a few countries where inequality has come down—Brazil and a couple of the other Latin American countries. The fact that there are such differences suggests that they aren't just because of market forces; the same forces operate on both sides of the Pacific and the Atlantic. Laws of demand and supply and the laws of globalization affect all the countries around the world. So this leads to the question: Why is America so different? Why are the countries changing in their level of equality, inequality, and the level of opportunity?

The answer I suggest in my book is that it has to do with politics. It has to do with the way our political processes shape market

forces, in ways that help the top 1 percent but often disadvantage the rest. There are many examples of how this happens, and the reason that I'm talking about it here, in the context of Japan, is that as your government formulates a growth strategy, it ought to think about some of these details.

One aspect is obviously education. If those in the middle or the bottom don't have good educational opportunities, they are not going to have the ability to rise to the top. For instance, in the United States, we have what's called "needs-blind" admission at our best universities, in which the university pays your tuition on the basis of what your need is; so anybody who has the quality can be sure to attend regardless of the income of his or her parents, which is a very important provision. But a striking statistic is that, in spite of this, only about 8 or 9 percent of those in these better universities come from the bottom 50 percent of our population. This is because they don't get an adequate high school or primary education. In fact, the problems start much further back, even before kids enter school. President Obama has recognized this, and the need to have more preschool programs. But the fact is that, so far, we haven't done anything about it—the wealthiest, and thus most politically powerful, have had little incentive to push for change.

Another example is bankruptcy law. In the United States, bankers will determine who gets paid first if somebody can't pay their debts. We gave precedence to the derivatives—those risky products that led to AIG's collapse and required a U.S. bailout of \$180 billion. Meanwhile, according to U.S. bankruptcy law, students cannot discharge their debt, even in bankruptcy, almost no matter what happens, and the parents cosign the student's loan. If the student dies through an accident or illness, the parent cannot discharge that debt. That discourages investments in human capital, and discourages opportunity. So in our legal framework we

have built in a system that leads to more inequality, discourages equality of opportunity, and privileges the interests of banks over education.

The final point I want to make has to do with the title of my book in English, which is *The Price of Inequality*. What I try to argue is that we are paying a very high price—not just a moral one, but in real economic terms—for the inequality that we have. It used to be said that there's a trade-off: you can only have more growth if you give up on equality; and if you want more equality, you have to give up on growth. What I argue in the book is that we can have both more growth *and* more equality; that much of the inequality in the United States is a result of rent-seeking, which is just a term meaning that certain groups are able to seize a larger piece of the pie rather than increasing the size of the pie.

The result of that rent-seeking activity is that the economy gets less efficient. We're all used to thinking that countries like oil-rich ones are full of rent-seeking, and that's why they don't do very well. We talk about the "resource curse." But in fact, America and many other advanced industrial countries have become, to a large extent, rent-seeking countries, in a variety of forms. For instance, when you find a financial sector that is engaged in manipulating Libor, that's a kind of rent-seeking, which undermines the efficiency of the economy.

When you have monopolies, how do they make profits? Monopolies restrict production, so rather than making the economy grow, they are engaged in rent-seeking. When you have a pharmaceutical industry that succeeds in getting a provision in a bill that says the U.S. government, the largest purchaser of drugs, can't negotiate with the drug companies, that's rent-seeking. That's a single provision that costs something like a half a trillion dollars over ten years. This is

nice for those who are receiving it, but a very high price for the rest of our society.

So when you don't have equality of opportunity, this means that you are not using your most valuable asset, your human resources. Those at the bottom are not living up to their opportunity. So the general point I want to leave you with is this notion that all of our societies are paying a high economic price for this inequality. We're also paying a high political price because it's leading to a divided politics and a divided society. So that's one set of global problems I want to call attention to.

The second set of problems is structural reform. We are, in a sense, the victim of our own success. This phenomenon is similar to the years before the Great Depression. In the 19th century, 70 percent of the labor sector was agricultural; they had to do that work to grow the food that we all needed to live. But then, as a result of government investments in research and development, and some private sector involvement, we had enormous increases in agricultural productivity. The result of that has been a boom, but it has also meant that we had to restructure our economy. Today, in Japan and the United States, about 1 or 2 percent of the labor force produces more food than our populations can consume.

That's a boon to the economy, but it's also a problem. All those agricultural workers had to move elsewhere; in the middle of the 19th century and the beginning of the 20th century, they moved to manufacturing. But markets can't easily make that transition on their own. People in agriculture, as their incomes collapsed, couldn't move into the other sector—they didn't have the training, the housing, or the resources to move. Between 1929 and 1932, agricultural income in the United States fell by more than 50 percent, but 25–30 percent of the population remained in that sector.

And with their income going down, there was no demand for goods in the urban sector, and they didn't have the resources to get the training and to move. So the economy got trapped in a depression equilibrium for a very long time. It was only with World War II that we emerged from the Great Depression. We did grow a little bit under the New Deal, but then the ideology of austerity spread, the New Deal was cut back, and the economy went into the recession of 1937. But there was something else about what happened during the New Deal, as well as before and during World War II that was really important: we restructured the economy. After World War II, the GI Bill provided education for all Americans to give them the skills they needed in order to be productive in a manufacturing economy. The necessities of the war meant people moved from the rural sector to the urban sector. We created housing in the urban areas too.

So our industrial policy, in effect, was World War II and its aftermath. In the years following 1945, this policy succeeded in creating a strong set of regulations on the financial sector, strong will for the government, strong investments in infrastructure, strong investments in technology, and strong investments in research. As a result, we had a long boom period with shared prosperity. Our growth rate in those periods was far faster than it was in the period after 1980, when we started deregulating. It was a period in which every group in population did better, but the bottom grew at a higher rate than the top. In contrast, since 1980, all the gains or most of the gains have gone to the top. We had a period of stability, but we've not had shared prosperity. Yes, we had small fluctuations, but afterwards we had the Great Recession. Deregulation set the stage for this kind of lower growth and more instability.

I'm not very optimistic about the United States in terms of the one variable that I particularly care about, which is unemployment. Most forecasters do not see the United States

returning to full employment any time soon. One way of seeing this is that the growth rate is at about 2 percent. With the labor force growing at 1 percent and the normal productivity growth of around 2 percent, if we don't grow at 3 percent, we're not growing fast enough to create the new jobs for the new entrants in the labor force. We are not making a significant dent in unemployment, and so most forecasters do not see the United States returning to full employment within this decade. That's a pretty dismal picture. Moreover, it will contribute to the growing inequality in our country, because as the economy is weak, unemployment will be high, and real wages will stagnate. And with the raising of the payroll tax that happened on January 1, take-home pay is going down.

There is some good news in the United States, however. One is obviously the discovery of gas, with attendant gas prices coming down. High-tech industries are doing well; but to put that in perspective, while Apple has a capitalization greater than GM at its peak, it only employs about 49,000 people in the United States—with most of them in low-paid retail jobs. There are some high-paid engineers and designers, but it's not going to be the salvation of America's labor force. The real question is whether it is likely that those strengths will be able to pull us out of our current malaise. I think the answer is no. The only thing that makes America feel good is that things could be worse, as they are in Europe.

The interpretation of what's wrong with the European countries, though, is not anything fundamental. They have a good educational system, higher equality than the United States, and a good welfare system. The European model of social welfare is basically strong. But they made one mistake, and it shows you how costly a single mistake can be: they decided to implement the euro. What is needed is not so much structural reform within countries, though there are

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some needed structural reforms. Rather, what is needed is structural reform and policy reform of the euro itself.

And Europe needs to move away from austerity.

No large country has succeeded with austerity, especially in an environment with trading partners who are underperforming. The European countries need to create a real banking union, which has not only common supervision but common deposit insurance and common resolution. They also have to create a real fiscal union in which they have a euro bond or some kind of shared fiscal authority. I don't have time to talk about it now, but there are fundamental problems in the creation of the euro. It was not an optimal currency area. They knew that, but they didn't respond in a way that could have made it work. They are now paying an enormously high price for those mistakes.

The good news is in emerging markets and in Asia. Emerging markets have shown that they can grow even when the rest of the world is not growing very well. There's been a kind of decoupling. Many of us were a little surprised when this happened in the aftermath of the 2008 crisis, because many of these countries were export dependent, and we worried that if their export markets weren't doing very well, they wouldn't do very well. But they have shown a resilience that has been very impressive, partly because they filled in with strong Keynesian policies to substitute for weaknesses in exports. So the new scope is demonstrating that these policies can work. But, unfortunately, the strength in these countries won't be able to bring Europe and America back to economic health.

These countries will manage to grow, though perhaps somewhat slower than before. For instance, China may only grow about 7.5 percent. But you have to put that in historical perspective. No country even aspired to 7.5 percent when we were

beginning our careers in economics. It is still an amazing feat.

In Japan, I think the overall structure of what is being talked about now—a more aggressive monetary policy, fiscal expansion, and a growth strategy—are all important, and I think they all have to work together. Instituting a separate monetary policy apart from the fiscal policy or the growth strategy won't work. You really need all three pillars, or, in this case, “arrows,” if it's going to work. The hardest part is going to be using the fiscal resources in a way that will be most productive to promote economic growth.

So one should focus on the long-run, underlying problems that I listed in the beginning: global warming, the environment, inequality, restructuring, and demographics. Thinking about these issues will give you an agenda of how you ought to be spending money in ways that can promote sustainable growth. For instance, one of the things that one needs to do is use some resources to help retrain individuals as the manufacturing sector almost inevitably declines. This is part of the global phenomenon in which the increase in productivity in manufacturing exceeds the rate of increase in demand; assuming this occurs, global employment in manufacturing will decline, the share of global employment in the advanced industrial countries will decline, and Japan and Germany may be able to do better than the United States. But the advanced industrial countries as a whole have to face this reality of changing and restructuring, and that means investing in retraining is crucial.

People—or the market—won't be able to do it on their own. The government needs to play a leading role. A more fundamental aspect of this is the need for investment in education and research. As I mentioned before, globalization is going to be an important aspect of the modern economy, which means there has to be a labor force that is

trained to be fluent in English. For better or for worse, English has become the language people have to learn in order to participate in the global economy. So, education is far more important than trade agreements.

I mentioned the demographic problem before. One of the important ways of addressing this problem is with policies that support greater labor force participation, particularly by women. Child care, preschool, family policies, and other programs are needed to enable educated people to engage in the labor force. The Scandinavian countries invest about 1 percent of GDP in these policies, and they can have a very large role in terms of long-term economic growth.

Finally, let me say just a few words about two issues that have become more controversial: liberalization and trade policy. In the area of liberalization, one has to remember that the issue isn't regulation or deregulation; it's about having the right regulations. No society can function without regulations. If we didn't have stoplights in New York at every corner, we would have crashes or we would have gridlock. If you don't have regulations, you can't trust the food that you eat. The question, then, is how to get the *right* regulations. The United States made a very fundamental mistake when it deregulated the financial sector, and the whole world has suffered as a result. It's important not to come under the influence of those from Wall Street and the U.S. Treasury who say you ought to follow the American lead—unless, that is, you like to have crises! One ought to think very carefully about the design of the liberalization-deregulation agenda.

Of course, special interests will work hard to prevent some of the changes that are needed. And in fact, the liberalization agenda is also a special interest agenda, based in the United States. Recall that I talked about the bankruptcy law, which was not a good law. It was captured, and I could go through all the legislation and show you how it was

captured. The same thing is true about the Trans-Pacific Partnership (TPP).

I sometimes jokingly say that, when I'm often asked about trade agreements and whether, for example, a particular country should sign a trade agreement—and these are all usually called free trade agreements—I say, respond to the United States. We're willing to sign a free trade agreement. A free trade agreement would be about three pages long. We abolish our tariffs and nontariff barriers; we abolish our subsidies and you do the same. Have any of you seen what a trade agreement looks like? It's hundreds and hundreds of pages. It's not about free trade; it's about managed trade.

From that perspective, the best regime is the global regime, and these bilateral and regional trade agreements have been undermining the global regime. There has been legislation intended to get benefits for particular interests—in some cases, at very great cost for developing countries, which is where I've been most involved in these issues.

There's a story that illustrates these issues. The president of one Latin American country asked me whether he should sign a free trade agreement. I looked him in the eye and said, "You can't." He asked why. I said that since he was a physician, and had thus signed something called the Hippocratic Oath, which says, "Do no harm," that signing the agreement would be a violation of this oath. One particular result would be that generic drug prices in his country would rise. People would die, and access to health, intellectual property, investment agreements, the environment, and capital flows would fall—it would have all kinds of adverse consequences. So my message is that it's fine to join the negotiations, but you have to negotiate hard. The U.S. trade representative is a very tough bargainer who typically represents the special interests, not the national interests, so you really have to bargain hard.

"How Worried Should We Be about Megabanks?"

Presentation by David E. Weinstein

My talk may resemble a roller coaster ride—you may at times feel bad, then good, then bad again. Perhaps that's a little bit like the Japanese economy.

I want to begin by giving a pessimistic view of what has happened in Japan over the last two decades. Pessimists point to a picture that shows Japanese real GDP growth over the last two decades. In Table 1, I've normalized the GDP levels of the five largest economies in the OECD, plus Australia and Canada, with Japan represented by the red line. You can see that real GDP in Japan stagnated relative to these other economies, giving rise to this idea of the "Lost Two Decades." Indeed, if you look at the last ten years, Japan also tends to look bad. The reason given for this low growth has typically been productivity growth—that there are structural impediments or problems in Japanese corporations.

However, I would like to introduce another factor. As a result of the aging of the Japanese population, there are fewer workers entering the Japanese labor force, so Japan will inevitably produce less output than a country in which more workers are entering the labor force. This is highly relevant for understanding Japan's economic performance.

This plot (Table 2) shows the Japanese population pyramid. The horizontal axis shows the number of people and the vertical axis shows their age. As you can see, there are many fewer people entering than are exiting the Japanese labor force. Japan looks very different from other countries. For instance, if we compare Japan's labor force growth to U.S. labor force growth, we see there's about a one percentage point difference in

the labor force growth rates in Japan and in the U.S. (Table 3). So, the U.S. has to grow 1 percentage point per year faster than Japan just to have the same per worker income growth. I believe that the right way to think about international comparisons is not to compare real GDP growth in different countries but to compare real growth per worker. If we do this, Japan still is at the bottom (Table 4).

However, we must compare two distinct periods. There are the 1990s, known as the "Lost Decade," when there was a major financial crisis. Then there was a period in which there were an enormous amount of economic reforms such as the "Takenaka reforms" or the "Koizumi reforms," in which things, especially in finance, were changed quite dramatically. What is quite striking is that in this second period, from 2000 to 2010, Japan is not at the bottom; it's actually at the top. It has some big fluctuations in output right around the time of the Great Recession (Table 5).

This comparison suggests that the aging of Japan's population is a major factor behind the perception of Japan's lack of growth. However, there are reasons why things are not quite as positive as this picture suggests. In particular, it turns out that Japan has the most volatile economic growth of all of these countries, significantly more so than the U.S. or France.

A lot of this volatility has to do with big fluctuations in investment and lending. For instance, this plot (Table 6) shows loan growth rates in blue over the time period and investment to capital ratios in red. You can see that there've been big spikes and troughs. There were the bubble years, in which there were booms in lending and investment. Then, both fell as the financial crisis deepened. There was another boom in the 2000s, followed by

TABLE 1

Japan's Real GDP Growth over the Last Two Decades Was Low

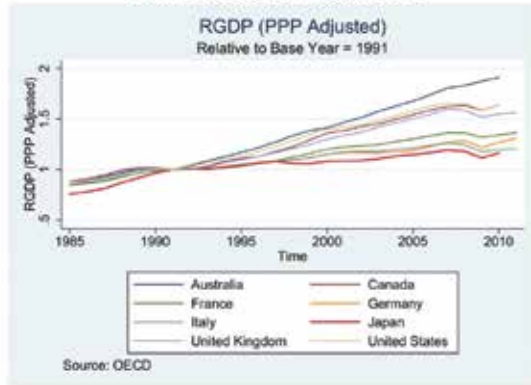


TABLE 2

Japan's Labor Force Is Shrinking Because More People Retire than Enter the Labor Force

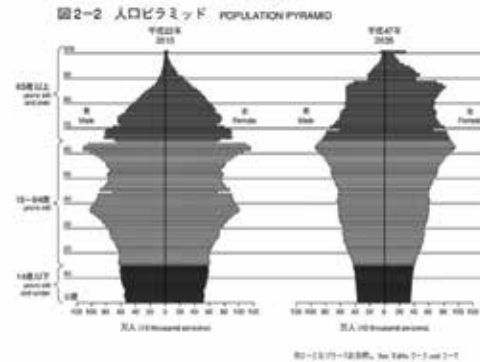


TABLE 3

Average Annual Growth Rates Population

	Population		Labor Force	
	1990-2000	2000-2010	1990-2000	2000-2010
Australia	1.15	1.53	1.33	2.15
Canada	1.01	1.07	1.10	1.49
France	0.40	0.64	0.76	0.61
Germany	0.30	-0.05	-0.01	0.53
Italy	0.08	0.49	-0.40	0.52
Japan	0.26	0.01	0.44	-0.26
United Kingdom	0.28	0.41	0.08	0.87
United States	1.22	0.92	1.31	0.77

TABLE 4

Japan Still Looks Bad over Last 20 Years...



TABLE 5

But Japan Was Number 1 in Last 10!



Lesson: Japan's bad performance was largely due to the banking crisis in the 1990s

TABLE 6

Part of the Volatility Is Due to Japan's Investment Rate Plummeting



Collapse in Japanese lending was closely associated with a collapse in investment

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a crash, along with the recent financial crisis. One wonders what is driving all of this volatility in Japan.

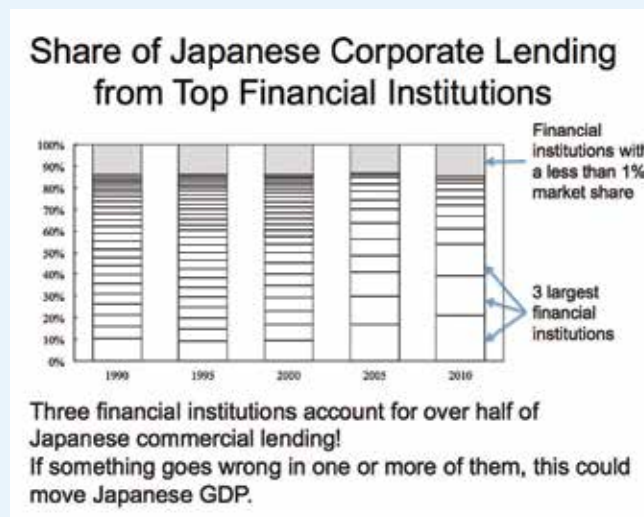
Surely a major part of it has to do with aggregate forces: poor investment opportunities, timidity of firms, and declining productivity. Industry factors such as the difficulty of competing with China, Korea, and other countries in some sectors also played a role. Moreover, exchange rates may have affected performance.

However, there have also been some really big financial crises in Japan, and some major financial institutions have failed. Up until this point, we've had a hard time understanding, for example, the impact of events like Lehman's failing on the U.S. economy or the Long-Term Credit Bank of Japan's failing on the Japanese economy. Could these things actually be contributing to the fluctuations we observe in Japanese investment behavior?

Here is a plot (Table 7) that shows what has happened to the share of corporate lending from the top financial institutions. In the shaded region at the top, I've aggregated together the financial institutions with less than a 1 percent market share of corporate lending. What you see is that, due to a series of changes in regulation, Japanese finances have become increasingly concentrated, to the point where the three largest financial institutions account for about half of all Japanese lending. If you think about this in terms of Japanese history, that's about double what it was at the height of *Zaibatsu*, and much more concentrated than it ever was during the time that Japan's economy was dominated by *Kigyo Keiretsu*. Japanese finance in particular has become very concentrated.

Interestingly, this phenomenon is true in every major economy. The merger

TABLE 7



wave that occurred in Japan was shared by a merger wave in Europe and in the United States. In fact, if you compare Japanese banking to that of Western Europe in general, Japan looks a little less concentrated than a lot of European countries, and about the same level as in the UK, Italy, and Germany. By contrast, if you look at the United States, the three largest institutions— Bank of America, J.P.Morgan, and Citigroup— hold about 49 percent of all banking assets. This is an unusual situation, and it has many implications.

Mary Amity, of the Federal Reserve Bank of New York, and I have done research in which we've estimated to what extent aggregate fluctuations are due to the fact that much of lending is channeled through very few institutions. These institutions have idiosyncratic movements in their lending, due either to mismanagement or good management, and that drives aggregate investment. We concluded that about

40 percent of the movements in aggregate investment are being driven by idiosyncratic movements or idiosyncratic decisions in megabanks.

Part of this is simply due to the fact that when banking is this concentrated, the well-being or lack thereof of the largest institutions really matters for the economy. In other words, countries are small and banks are big. Potentially, as we move forward, this will be a cause for concern about the stability of the financial system.

Symposia



From left to right: Paul J. Scalise, Nobuo Tanaka, Hugh Patrick, Geoffrey M. Heal, David E. Weinstein, Travis Bradford; Hidetaka Tanaka, Douglas L. Peterson

The Role of Credit Rating Agencies in Japan and the United States

November 29, 2012; Columbia University

This symposium, sponsored by CJEB's NGFA program, featured a panel discussion about credit rating agencies (CRAs) with high-level representatives from the United States and Japan. Topics included regulation of CRAs, CRAs' role in the recent financial crisis, and potential conflicts of interest. Douglas L. Peterson, president of Standard & Poor's Rating Services (S&P), discussed the history, priorities, and advantages of S&P and its role in the U.S. financial crisis. Hidetaka Tanaka, senior executive managing director of Rating and Information Inc. (R&I), discussed CRAs in Japan with a focus on R&I's strategies. Patrick Bolton, David Zalaznick Professor of Business at CBS, provided an academic perspective on credit agencies, shared his research and suggested reforms for CRAs under the Dodd-Frank Act, and gave his perspective that credit agencies lie in the middle ground between reputational intermediaries and sellers of regulatory licenses. Professor Patrick served as the moderator for the discussion. This symposium was cosponsored by the Center for Japanese Legal Studies at Columbia Law School.

Shale Gas Revolution and Energy Security

The 14th Annual Mitsui USA Symposium

April 17, 2013; Columbia University

This symposium addressed the topic of shale gas, the newfound availability of which has become important for Japan following the lack of nuclear energy available after the Great East Japan Earthquake and subsequent tsunami nuclear disaster in Fukushima. Nobuo Tanaka, former executive director of the International Energy Agency (IEA) and global associate for Energy Security and Sustainability of the Institute of Energy Economics in Japan, spoke on the consequences of shale gas for the geopolitical future of the world given the steadily increasing consumption of energy by emerging markets. He focused on the changing role of the United States in relation to the Middle East as the United States becomes the largest producer of gas. Mr. Tanaka discussed the need for Japan to consider building an interconnected electricity market with neighboring countries, the unconventional sources of energy taking hold in the Japanese market, and the importance of continued production of nuclear energy in Japan.

Discussant Geoffrey M. Heal, Donald C. Waite III Professor of Social Enterprise at CBS, made the distinction between the United States and Japan in terms of their energy positions in the world. Discussant Travis Bradford, president of the Prometheus Institute for Sustainable Development and associate professor at Columbia University, expressed caution over the extent of economic and trade impacts that the discovery of shale gas will have, given its unknown risks. Finally, discussant Paul J. Scalise, JSPS Research Fellow at the University of Tokyo and fellow at the Institute of Contemporary Asian Studies at Temple University, explored the potential for the NIMBY (Not In My Back Yard) phenomenon to lead to energy deficiencies in most parts of the world, including Japan. The panel discussion concluded with a question-and-answer session with the audience. Hugh Patrick moderated this symposium, which was cosponsored by the Mitsui USA Foundation.

Lectures



From left to right: Naoki Inose; Hugh Patrick, Gerald L. Curtis; His Excellency Kenichiro Sasae, Hugh Patrick

Another Year, Another Government: Making Sense of Japan's Political Confusion

September 19, 2012; Columbia University

Gerald L. Curtis, Burgess Professor of Political Science at Columbia University, gave his eighth annual lecture on Japanese politics as part of CJEB's Distinguished Lecture Series. Professor Curtis started his lecture by stating that Japanese politics will "become more confused, not less" in the short-term, because neither party is likely to gain a majority in the upcoming elections for the Lower House. He noted that the critical election issue will be the Senkaku Islands because the Liberal Democratic Party has proposed building port facilities on the islands. He voiced his opinion that the only solution to the many territorial disputes in Asia is to "shelve" them for future generations. With regards to Japan's current political confusion, Professor Curtis primarily faulted Japan's political leaders, many of whom are only serving because of generational obligations. He concluded with an analysis of Japan's foreign policy, noting that Japan focuses on how it can survive in a

political system where it is not the strongest power, whereas the United States and China focus on their respective positions in the world order. This lecture was moderated by Professor Patrick and cosponsored by Columbia University's Weatherhead East Asian Institute.

NAIIC Report on Fukushima: Lessons Learned and Next Steps Forward

Japan Society Evening Lecture

October 17, 2012; Japan Society

The National Diet of Japan Fukushima Nuclear Accident Independent Investigation Commission (NAIIC) was established to investigate the causes of the Fukushima nuclear disaster on behalf of the Japanese people and to make proposals on how to prevent nuclear accidents in the future. Dr. Kiyoshi Kurokawa, former chairman of the NAIIC, academic fellow at the National Graduate Institute for Policy Studies (GRIPS), and chairman of the Health and Global Policy Institute, discussed findings from the Commission's six-month investigation, including proposals on how to avoid future nuclear catastrophes. The commission

was formed in part due to the realization that the Japanese government, TEPCO, other business leaders, and its media were losing the world's trust, and a commission would be necessary to regain it. The 10-member commission was formed on December 8, 2011, with a six-month deadline to investigate the causes of the accident. Dr. Kurokawa was especially concerned with transparency, and almost all meetings were open to the public, with simultaneous English translation. When the investigation was over, he felt that the Commission had documented "a real man-made disaster," with "regulatory capture" being the main institutional culprit. The NAIIC made several recommendations for structural reforms, including transferring the job of monitoring the nuclear regulatory body to the Diet; reforming Japan's crisis management system; and revising Japan's nuclear energy laws, including the establishment of a system of independent investigation commissions. Dr. Kurokawa concluded that "we have to create a better, more functional democracy, watching and suppressing each other's power among the three branches of the democracy." Daniel Bases, correspondent for Thomson Reuters, presided over the event.

Banker to the World— Lessons from the Front Lines of Global Finance

Japan Society Evening Lecture

January 15, 2013; Japan Society

Bill Rhodes, president and chief executive officer of William R. Rhodes Global Advisors, LLC, senior advisor at Citi, and professor-at-large at Brown University, spoke about the economic and financial challenges facing Europe and the East Asia region, notably the looming threats to both the global economic outlook and the stability of financial market economies. An international financial diplomat and author of the book *Banker to the World*, Mr. Rhodes was involved in every major sovereign debt crisis around the world until 2005 and played a key role in negotiating a resolution to the sovereign debt crises in Latin America, Central and Eastern Europe, Turkey, and Asia in the 1980s and 1990s. This talk was moderated by Harold McGraw III, chairman, president, and CEO of the McGraw-Hill Companies, and cosponsored by the APEC Study Center, Columbia University.

3.11: Disaster and Change in Japan

Japan Society Evening Lecture

March 12, 2013; Japan Society

The most powerful earthquake in Japan's recorded history produced a devastating tsunami and caused an unprecedented meltdown at the Fukushima Daiichi Nuclear Power Plant. This triple catastrophe claimed almost 20,000 lives, destroyed whole towns, and will ultimately cost hundreds of billions of dollars. Drawing on his new book, *3.11: Disaster and Change in Japan*, Richard J. Samuels, the Ford International Professor of Political Science and director

of the Center for International Studies at the Massachusetts Institute of Technology, offered a broad assessment of the March 11 triple disaster's impact on Japan's government and society—and on its alliance with the United States. He argued that the rhetoric of crisis in national security, energy, and local government now defines post-3/11 politics and public policy. This lecture was part of a series of events marking the second anniversary of the March 11, 2011, earthquake and tsunamis, supported by ITOCHU International Inc., Marubeni America Corporation, Mitsubishi Corporation (Americas), Mitsui & Co. (U.S.A.), Inc., and Sumitomo Corporation of America.

Tokyo's Place in the World: Through the Eyes of Tokyo Governor Naoki Inose

Japan Society Evening Lecture

April 15, 2013; Japan Society

Two years after the Great East Japan earthquake, and with new hope for Japan's economy under Prime Minister Abe's policies known as "Abenomics," the Honorable Naoki Inose, the governor of Tokyo, discussed Japan's future and his efforts to

increase business and economic development. He also spoke about Tokyo's preparations in conjunction with the city's bid for the 2020 Summer Olympic Games, including extended hours for buses and subway systems and an English language ambulance system. He highlighted the Special Zone for Asian Headquarters, where overseas companies can qualify for discounted tax rates upon establishing their offices. He also spoke about the leadership ability of Tokyo, which he calls the "heart of Japan." Professor Curtis presided over this event.

Japan's Sustainable Growth Strategy

Japan Society Evening Lecture

May 22, 2013; Japan Society

The Abe government has drawn attention for its decision to join TPP negotiations and for its economic policies, which have helped boost the stock market. In this lecture, His Excellency Kenichiro Sasae, Ambassador of Japan to the United States, spoke about Japan's strategy for sustainable growth and Japan's decision to join the TPP negotiations. Professor Patrick presided over this event.



Hugh Patrick and Kenichiro Sasae

Lunchtime Seminars



From left to right: Kay Shimizu, Makoto Sunagawa, Amy Catalinac, Paul Scalise

CJEB organizes a lunchtime seminar series on campus for students, faculty, and members of the citywide business community. These include *zadankai*, or informal discussions, which involve lengthy question-and-answer periods with the audience and are geared toward presenting new and interesting angles for understanding Japanese business and economic issues; and brown bags, in which CJEB collaborates with other organizations on campus to sponsor talks featuring a diverse range of topics related to Japan. Seminars held during 2012–2013 included:

Building an International Fashion Brand: From Japan by Way of China

Zadankai

September 18, 2012; CBS

Jun Kokui, President,
Laugoa Co., Ltd.

Moderated by Hugh Patrick

Mr. Kokui began by describing his youthful experiences, from joining motorcycle gangs to leading a rock band, all of which influenced his goal of finding a creative way to make his mark on the world. Through part-time jobs at flea markets, he discovered his interest in fashion

and developed an eye for spotting trends and innovative styles. During a subsequent job at a Japan-China trading company specializing in handbag production in Hong Kong, he picked up the business skills necessary to start a company as well as the expertise needed to work with Chinese manufacturers. In 2002, he founded a fashion bag company, Laugoa Co., Ltd. Laugoa bags, known for their unique handcrafted style and multifunctional designs, are now sold widely in Japan and the United States, with another market emerging in China.

Japan's Powers That Be: Ideals, Reality, and Rhetoric in Comparative Energy Policy

Brown Bag

October 2, 2012; Columbia University

Paul Scalise, JSPS Research Fellow,
Institute of Social Science, The
University of Tokyo

Moderated by Kay Shimizu, Assistant
Professor, Department of Political
Science, Columbia University

With most of Japan's nuclear reactors having gone offline after Japan's 2011 earthquake, tsunami, and subsequent

nuclear reactor partial meltdown, Dr. Scalise evaluated the issue of alternative energy sources. Up until this point, Japan mostly relied on liquefied natural gas, but this was very expensive to import. Renewable energy sources, despite becoming more efficient and less expensive, would require much more unused land than Japan has—156 square miles of solar panels for every 1-gigawatt nuclear plant, and 289 square miles for an equivalent wind farm. Given this reality, Dr. Scalise decried Japan's political environment as driven by "fear and mistrust." He encouraged a public discussion, led by the media, on the value of energy security, environmentalism, and the importance of maintaining current Japanese lifestyles. This event was cosponsored by WEAI.

Understanding Japan's ODA Policy

Brown Bag

October 3, 2012; Columbia University

Makoto Sunagawa, Senior Advisor, KRI
International Corporation; Visiting
Lecturer, Akita International University

Moderated by Gerald L. Curtis

Professor Sunagawa reviewed the history of Japan's involvement with economic assistance by investigating four



From left to right: Ellis Krauss, T. J. Pempel, Takehiko Nakao, Takatoshi Ito

specific periods of assistance from the end of World War II to the present day: the postwar period from 1945 to the 1960s; its era of growth from the 1960s to 1990s; the bubble economy from the 1990s to 2001; and the lost decade from 2001 to the present. He also discussed what makes official development assistance (ODA) to Japan unique, and the various potential uses for Japan's ODA assistance. He stated a belief that Japan's assistance should primarily be used to promote development and maintain the world economic order, as well as to emphasize cooperation. This event was cosponsored by WEAI.

Lessons from Financial Crises: Japan's Perspective Based on Its Experiences of the Bubble, Bust, and "Lost Two Decades"

Zadankai
November 7, 2012; CBS

Takehiko Nakao, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan

Moderated by Alicia Ogawa

Mr. Nakao spoke on a variety of issues surrounding Japan's economy since

the bubble burst in the 1990s, such as public debt, foreign assets, population decline, and underutilized labor forces. Japan's gross debt has ballooned since the 1990s, resulting from declining tax revenues and an increase in expenditure, notably social security, which accounts for 75 percent of this amount. Japan must contend with a rapidly aging population in order to address its debt issues. Despite these circumstances, Japan has been the world's largest creditor for 21 consecutive years. Mr. Nakao argued that the labor force participation rate among women and the elderly still remains low in Japan and that raising this ratio will be a key goal in the future.

The Rise of Foreign Policy as an Electorally Salient Issue in Japan

Brown Bag
November 13, 2012; Columbia University

Amy Catalinac, Assistant Professor, Department of International Relations, College of the Asia-Pacific, Australian National University

Moderated by Kay Shimizu

Professor Catalinac described her hypothesis that the politicians' shift from local "pork-barrel politics" to national messages

of national security primarily results from a 1996 change in the electoral system. This rhetoric is an essential element in the new, more "muscular" Japanese security policy, leading Professor Catalinac to conclude that "the rules of the game matter in unexpected ways." This event was cosponsored by WEAI.

"Haven" Can Be Hell: Impact of the European Sovereign Debt Crisis on the Japanese Economy

Zadankai
November 15, 2012; CBS

Takatoshi Ito, Dean, Graduate School of Public Policy; Professor, Graduate School of Economics, The University of Tokyo

Moderated by Hugh Patrick

Dean Ito discussed the effects of the European sovereign debt crisis on the Japanese economy, notably how the yen appreciated in value due to being perceived as a "safe haven" and contributed to stagnation of the Japanese economy. The export industries that served as Japan's economic growth engine lost competitiveness, among many factors, as a result of the appreciating yen. Dean Ito provided further interpretations and reasons for the cause of Japan's economic stagnation.



From left to right: Edward J. Lincoln, Sheena Iyengar, Tokuo Iwaisako, Gerald L. Curtis

Should We Be Worried about Japan?

Zadankai

November 29, 2012; CBS

Edward J. Lincoln, Professorial Lecturer, George Washington University; Visiting Professor, Department of Economics, Columbia University

Moderated by Hugh Patrick

Professor Lincoln gave a generally optimistic outlook on Japan's future based on its legacy of successful industrialization and economic development, stable social and political institutions, and wealth of human capital. Japan's potential, however, is tempered by demographic challenges of an aging population and Japan's lack of initiative to fully embrace globalization, seen recently in its ambiguous interest in joining the TPP.

Global Leadership Challenges for Japanese Companies

Zadankai

December 10, 2012; CBS

Sheena S. Iyengar, S. T. Lee Professor of Business, CBS

Moderated by Hugh Patrick

Professor Iyengar discussed her views on how Japanese culture creates a social construct that can hinder motivation for leadership and innovation within Japanese corporations, particularly among Japanese youth. She expressed a belief that cultivating global awareness and intelligence—which goes beyond solely learning the English language—and encouraging ideas and decisions from nonsenior management are necessary to reframe the ideas of leadership within Japan and help corporations better compete in a globalized environment.

Postelection Briefing with Professor Gerald Curtis

Zadankai

December 19, 2012; Columbia University

Gerald L. Curtis, Burgess Professor of Political Science, Columbia University

Moderated by Hugh Patrick

Following the historic December 16 Japanese elections in which the Liberal Democratic Party (LDP) regained power in the Lower House, Professor Curtis offered a postmortem analysis for CJEB core faculty, Visiting Fellows, and staff, as well as selected Japan specialists. He started by noting the remarkable comeback by the LDP, led by then former prime minister Shinzo Abe. As LDP leaders acknowledged, this did not represent

a mandate; it was a rejection of the Democratic Party of Japan (DPJ), which had failed to deliver its manifesto and proved itself largely inept at the task of governance. More broadly, Professor Curtis argued that the election result is largely due to the single-member district system in which, unlike in the United States, there is much less voter identification with a particular party, so politicians pander to the same audience.

What's Wrong with Japan? . . . It's the Politics!

Brown Bag

January 23, 2013; Columbia University

Ellis Krauss, Professor of Japanese Politics and Policymaking, University of California, San Diego

Moderated by Kay Shimizu

Professor Krauss described the structural, institutional, and political obstacles contributing to dysfunctional party politics within the Japanese government, and the problems these politics pose in solving many of Japan's significant challenges. He presented both positive and negative short- and long-term scenarios, showing that there is hope for Shinzo Abe to be a transformative prime minister and tackle these issues, but it will be very difficult. This event was cosponsored by WEAI.

Japan's New Political Landscape

Zadankai

January 31, 2013; CBS

Gerald L. Curtis, Burgess Professor of Political Science, Columbia University

Moderated by Hugh Patrick

Professor Curtis assessed the recent election in the Japanese Lower House and subsequent political developments. He credited Prime Minister Abe's \$116B fiscal stimulus and 2 percent inflation target for the Bank of Japan as pragmatic and necessary for Japan's economic growth but doubted its long-term sustainability without structural reforms including immigration and women's rights. Professor Curtis explained that Prime Minister Abe was strategically achieving short-term political goals to win the Upper House elections in July, after which his honeymoon period would end. On Japan's security and foreign policy front, Professor Curtis was optimistic that no major escalation would arise in the Pacific over the Senkaku Islands as long as U.S. relations remain strong and China does not antagonize Japan to force its hand. Professor Curtis stated a belief that there was presently no solution to this dispute and recommended that Japan acknowledge China's claim of an official dispute and shelve the issue indefinitely.

Japan's Fiscal Sustainability and Interest Rate Risk in the JGB Market

Zadankai

February 14, 2013; CBS

Tokuo Iwaisako, Professor, Institute of Economic Research, Hitotsubashi University

Moderated by Hugh Patrick

Professor Iwaisako noted concern over the lack of fiscal discipline contained in "Abenomics." However, he does not believe Japan will face a

short-term sovereign debt crisis prompted by a surge in the JGB interest rate, since Japanese institutions will have continual demand for JGBs for asset-liability management (duration and interest rate risk). He believes JGB funding is unsustainable, and called for structural reforms such as higher wages to youth and wealth redistribution through tax reforms.

The Economic-Security Nexus in Northeast Asia

Brown Bag

March 7, 2013; Columbia University

T. J. Pempel, Jack M. Forcey Professor of Political Science, Department of Political Science, University of California, Berkeley

Moderated by Charles Armstrong, Director, Center for Korean Research

Professor Pempel gave a wide-ranging talk on the economic and security dynamics in East Asia, laying out the historical and contemporary tensions that exist in East Asia; its increasing economic interdependency, which tends to reduce tensions; the absence of war since the Korean Armistice of 1953 and that of Cambodia-China-Vietnam in 1979; and the many effects of China's rise to its present status as the number two economic superpower on the planet. Regarding the latter, he outlined the bilateral security tensions with China, particularly with Japan and the United States, concluding that China's rise will be accompanied by an inevitable change to the status quo, which should not necessarily be seen as a threat. This event was cosponsored by WEAI.

Samsung and LG: From Also-Rans to Dominance in the Consumer Electronics Industry

Zadankai

April 25, 2013; Columbia University

Robert A. Myers, Senior Vice President, Fairfield Resources International, Inc.; Adjunct Professor, Entrepreneurship Program, Columbia Business School

Discussant: K.C. Park, former Chief Executive Officer, eMagin Corp.; former Executive Vice President, LG Electronics

Moderated by Hugh Patrick

The global consumer electronics market, which was once dominated by Japanese companies, has recently been overtaken by Korean competitors. Dr. Myers explored possible secrets to Korean success since the usual metrics—in particular patents, R&D investment, and low cost labor—do not explain it. He also speculated that "industrial policy" measures of the South Korean government may have been decisive. His presentation was followed by commentary from Dr. Park.

Abenomics: A New Economic Policy Is Turning Japan Around

Zadankai

April 30, 2013; Columbia University

Takatashi Ito, Dean, Graduate School of Public Policy; Professor, Graduate School of Economics, The University of Tokyo

Moderated by David E. Weinstein

Dean Ito provided a detailed overview of Prime Minister Shinzo Abe's package of economic policies known as "Abenomics." He discussed the implications and challenges that might arise as a result of this strategy, which consists of "three arrows": quantitative easing, fiscal stimulus, and structural reform. Dean Ito also highlighted Prime Minister Abe's growth strategy as key to ensuring that the Japanese economy makes the jump from deflationary equilibrium to good, normal equilibrium.

Faculty Advisory Committee



CJEB's Faculty Advisory Committee was formed to provide insight and guidance to CJEB governance, research, teaching, and outreach activities. The diversity of intellectual focus among the committee members is central to furthering CJEB's mission to serve as a comprehensive forum for collaboration and reflection on Japan, the United States, and the global economy. In addition to **Hugh Patrick** and **David E. Weinstein**, the members of the committee are:

Charles W. Calomiris

Henry Kaufman Professor of Financial Institutions
Columbia Business School

Fangruo Chen

MUTB Professor of International Business
Columbia Business School

Wouter H. Dessein

Eli Ginzberg Professor of Finance and Economics
Columbia Business School

Robert J. Hodrick

Nomura Professor of International Finance
Columbia Business School

Sheena S. Iyengar

S. T. Lee Professor of Business
Columbia Business School

Merit E. Janow

Dean
Professor of Professional Practice, International Economic Law and International Affairs
School of International and Public Affairs, Columbia University

Bruce Kogut

Sanford C. Bernstein & Co. Professor of Leadership and Ethics
Columbia Business School

Visiting Fellows

Each year, a small number of professional and academic fellows are selected to spend a period of time in residence at Columbia Business School. CJEB Visiting Fellows receive a unique research and networking experience at one of the world's most prestigious business schools in a top ranking university within dynamic New York City.



Yoshihiro Fujii
Sophia University
October 2012–
February 2013



Akira Goto
GRIPS (National
Graduate Institute
for Policy Studies)
March 2013–
April 2013



Yoko Gotoh
Kanagawa
University
September 2012–
February 2013



Atsushi Imuta
Imuta and
Associates
January 2012–
December 2012



Misuzu Imuta
Imuta and
Associates
January 2012–
December 2012



Yoko Kagami
Komazawa
University
April 2013–
March 2014



Tatsuya Kimura
Waseda University
March 2012–
February 2013



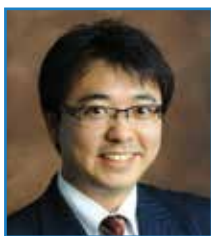
Kumiko Nakashima
January 2013–
May 2013



**Masaya
Sakuragawa**
Keio University
April 2012–
March 2013



Yukie Sakuragawa
Atomi University
April 2012–
March 2013



Takaaki Sato
Mitsui Sumitomo
Insurance Co., Ltd.
August 2012–
June 2013



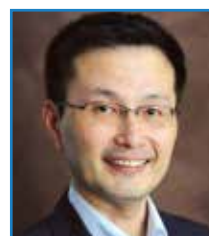
Haruhiko Takahashi
Tokyo Metropolitan
University
April 2013–
March 2014



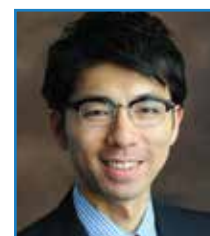
Hitoshi Takamoto
National Police
Agency
July 2012–
June 2013



Shotaro Tanaka
Kiana Capital
Partners Ltd.
September 2011–
August 2013



**Masazumi
Wakatabe**
Waseda University
July 2012–
September 2012



Taiyo Yoshimi
Nanzan University
September 2012–
February 2014



Keisuke Shimizu
Development Bank of Japan
June 2012–March 2013
*Joint Fellow with the Weatherhead East Asian
Institute of Columbia University*

Research Associates

CJEB benefits from ongoing collaboration with Japan specialists from institutions other than Columbia, principally within the United States. Research associates are invited to communicate their research through participation in Center projects and public programs and by contributing to the Center's Working Paper Series.

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Hitotsubashi University

Masahiko Aoki

Henri and Tomoye Takahashi Professor Emeritus of Japanese Studies
Department of Economics
Stanford University

Shiro Armstrong

Research Fellow
Crawford School of Public Policy
Australian National University Editor
East Asia Forum

Schon L. Beechler

Senior Affiliate Professor of Organisational Behaviour
INSEAD

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Associate Professor of Economics and Public Policy
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Carnegie Mellon University

Jenny Corbett

Pro Vice-Chancellor (Research and Research Training)
Professor of Economics
Executive Director of the Australia-Japan Research Centre, Crawford School of Public Policy
The Australian National University

Robert Dekle

Professor of Economics
Department of Economics
University of Southern California

Peter Drysdale

Emeritus Professor of Economics
Head, East Asia Bureau of Economic

Research and East Asia Forum
Crawford School of Public Policy
The Australian National University

Robert Eberhart

Researcher
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North Carolina State University

Koichi Hamada

Tuntex Professor Emeritus of Economics
Department of Economics
Yale University
Special Advisor to the Cabinet
The Cabinet of Japan

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University of Southern California

Masanori Hashimoto

Professor of Economics
Honors Director
Department of Economics
The Ohio State University

Takeo Hoshi

Henri and Tomoye Takahashi Senior Fellow and Director
Shorenstein Asia-Pacific Research Center
Professor of Finance (by courtesy)
Stanford Graduate School of Business
Stanford University

Takatoshi Ito

Dean
Graduate School of Public Policy
Professor, Graduate School of Economics
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Takao Kato

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Kenneth N. Kuttner

Robert F. White Class of 1952 Professor of Economics
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Williams College

Patricia H. Kuwayama

Economist
Professional Fellow
Center on Japanese Economy and Business
Columbia Business School
Former Vice President
JPMorgan Chase Bank, N.A.

Edward J. Lincoln

Adjunct Professor of Economics
Department of Economics
Columbia University
Professorial Lecturer
George Washington University

Robert A. Myers

Senior Vice President
Fairfield Resources International, Inc.
Former Director of Technology, IBM Japan

Terutomo Ozawa

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Washington and Lee University

Tsutomu Watanabe

Professor
Graduate School of Economics
The University of Tokyo

Eleanor Westney

Scotiabank Professor of International Business
Schulich School of Business
York University

A professional fellow appointment at the Center recognizes former government officials and business leaders who have had distinguished careers in economics-related fields. This position facilitates his or her ongoing involvement with CJEB and its activities.



Robert E. Fallon

is president and CEO of Phosplatin Therapeutics LLC, a company he helped found that is developing a novel class of anticancer chemotherapy drugs. From 2008–2011, Mr. Fallon was adjunct professor at Columbia Business School, where he taught international banking. Prior to his Columbia appointment, Mr. Fallon was chairman of Korea Exchange Bank, a publicly listed \$80 billion institution that is Korea's leading international bank. After taking over as chairman and CEO in January 2004, he led a successful reorganization and restructuring that restored the bank's capital strength and achieved record profitability. He is also the first non-Korean to chair a public company in Korea. Previously, Mr. Fallon was an international banker based in Tokyo with JP Morgan Chase, where he was Asia-Pacific division head for the Chase Manhattan Bank and a member of the Chase Manhattan Corporation Management Committee. He was responsible, as senior executive in Asia, for Chase's activities in the Pacific Rim located across 13 different countries. Mr. Fallon has lived in Asia for 31 years and enjoys myriad contacts across a wide spectrum of government, corporate and financial institutions in the region. He travels widely and speaks often on Asian economic and business affairs. He started his banking career with Citibank in Hong Kong in 1975 and later worked

in investment banking and management positions in Tokyo. Subsequently he assumed Asia regional responsibility with Drexel Burnham Lambert and Bankers Trust Company before joining Chase in 1992. Mr. Fallon holds a BA from Ohio University and an MBA from Harvard Business School. Following his undergraduate studies, he served in the U.S. Peace Corps, including three years as a volunteer mathematics teacher at Chanel College in Western Samoa. Mr. Fallon is currently a director of the Japan Society, former director of the Korea Society, trustee emeritus of the Ohio University Foundation, and chairman of the Council on International Educational Exchange, Inc., as well as a professional fellow of CJEB. He is also a member of the Asia Society, the Council on Foreign Relations, and serves on the Asian Advisory Boards of Deutsche Bank AG and Euromoney PLC.



Patricia Hagan Kuwayama

has been studying the Japanese economy since she was a graduate student in the 1960s, completing a doctoral dissertation on effective tariff protection of Japanese industry in 1970. She became a professional fellow of CJEB in 2009, after retiring as a vice president and international economist at JPMorgan Chase in New York. Previously, she was JPMorgan's chief economist in Tokyo and earlier with Chemical Bank in Tokyo. From 1970 to 1986, Dr. Kuwayama was with the Federal Reserve Bank of New York, serving in various research and management posts in the International Research, Statistics, and Foreign Exchange Departments. She has been a visiting scholar at the Bank of Japan

International Advisory Board

Institute for Monetary and Economic Research and visiting consultant at the Bank for International Settlements in Basel and taught as a visiting professor at Keio University in Tokyo and at Kobe Gakuin University. Dr. Kuwayama has written widely about Japanese macro-economic policy, balance of payments issues, and financial institutions, including the postal savings system. She has coauthored the book titled *Memoir of a Trustbuster: A Lifelong Adventure with Japan*, with Eleanor M. Hadley. She earned her AB and PhD degrees in economics at Harvard University and the City University of New York, respectively, and did her Japanese language studies at Columbia University. She actively participates in the CJEB Visiting Fellow Seminars.



Shijuro Ogata

is the former deputy governor of the Japan Development Bank and the former deputy governor for

international relations of the Bank of Japan. He has served as the non-executive director of Barclays Bank, Fuji Xerox Co., Ltd., and Horiba Ltd.; member of the International Advisory Council of JPMorgan Chase; advisor to the Imperial Hotel, Tokyo; member of the Advisory Board of the New Perspective Fund; vice president of the America-Japan Society, Inc.; and member of the Asia-Pacific Advisory Committee of the New York Stock Exchange, Inc. Mr. Ogata received his BA from the University of Tokyo and his MA from the Fletcher School of Law and Diplomacy at Tufts University.



Zadankai audience

The International Advisory Board provides overall guidance for the Center. Members are distinguished leaders in the fields of Japan-U.S. economic, business, and political relations.

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Former Vice Minister, Japanese Ministry of International Trade and Industry

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Noboru Yamaguchi

Senior Executive Advisor, Fiduciary Service Research Center, Nomura Securities Co., Ltd.
Advisor, Corporate Pension Council

CJEB in the News

CJEB's academic directors are regularly featured in the media, providing their insights and expertise in Japan-related matters. Highlights for this year include:

Hugh Patrick

Absence of Strategy and System Reform

The Wall Street Journal Japan, October 3, 2012

Japan's Central Bank Chief Vows to End Deflation

Associated Press, March 21, 2013

How Will "Abenomics" Affect the World?

Global Debate WISDOM, NHK BS1, April 27, 2013

TPP as Leverage for Opening the Market

Nikkei, July 3, 2013

David E. Weinstein

How Will "Abenomics" Affect the World?

Global Debate WISDOM, NHK BS1, April 27, 2013

CJEB contributes to providing an international dimension to the Columbia Business School MBA student experience. One of its main collaborative partners is the student-led Japan Business Association (JBA). CJEB meets with JBA officers regularly to exchange ideas on ways to showcase Japanese economic and business related issues within CBS.

As an annual initiative, CJEB and JBA work together to organize the Chazen International Study Tour to Japan. Led by the Jerome A. Chazen Institute of International Business, the Japan Study Tour sends a group of students for a weeklong trip through Japan, including cultural excursions and visits to Japanese corporations. Since the tour's inauguration in 1989, CJEB has helped fund the program and provide input on the agenda.

The 2013 Chazen International Study Tour to Japan took place from March 16 to 24, with about 40 MBA student participants visiting Tokyo, Kyoto, and Aichi. Joined by CBS associate professor Nicolás E.

Stier-Moses, the students met with representatives from Japanese corporations and immersed themselves in various Japanese cultural sights and experiences. The students toured a Toyota manufacturing plant, visited the Mori Art Museum, and listened to presentations at Fast Retailing (UNIQLO), Citigroup Global Markets Japan, and DeNA. In Kyoto, they took part in a tea ceremony and visited historical sites including the Golden Pavilion, Kiyomizu Temple, and Sanju Sangendo. They enjoyed a night in a traditional Japanese inn with hot springs in Aichi. In Tokyo, the CBS group attended the alumni reception in which they listened to a presentation about the Japanese economy given by Professor David Weinstein. While in Tokyo, the participants also visited the Tsukiji fish market and Akihabara.

The CJEB Welcome Reception was held on October 9, 2012, to welcome Columbia Business School communities and give CJEB Visiting Fellows, faculty, and staff an opportunity to network with students, faculty, and staff from other departments.



Chazen International Study Tour at DeNA

Enhancing the Columbia Experience



JASSA Japan Study Tour participants in Hiroshima

The Columbia University community provides many resources for students, faculty, and alumni interested in learning more about Japan. CJEB is committed to supporting organizations across campus engaged in Japan-related activities, such as the Weatherhead East Asian Institute (WEAI), the Donald Keene Center, the APEC Study Center, the Consortium for Japan Relief (CJR), the East Asian Languages and Cultures (EALAC) Department, and the School of International and Public Affairs, among others.

This year CJEB supported the EALAC's new language course, "Business Japanese," led by lecturer in Japanese, Kyoko Loetscher. Ms. Loetscher developed the course for intermediate level students to acquire advanced Japanese proficiency with a focus on using Japanese in business settings. Taught entirely in Japanese, the course emphasized effective communication in a globalized society, Japanese business culture, and communication skills necessary to work for Japanese companies. Through use of newspaper articles, TV footage from NHK, and business texts, students were taught to read reports, write a business letter, and give presentations on business-related topics. The course culminated in the students creating a project based on a societal and political issues related to Japan. The recognized top project, "Japan's Declining Birthrate," was then presented

at the EALAC Department's Harumatsuri. Ryoko Ogino, CJEB's associate director for administration, joined the Harumatsuri as a judge for the Japanese speech contest.

CJEB also provided support for the Consortium for Japan Relief's initiatives and activities, such as this year's March 10, 2013, symposium titled, "The Great East Japan Earthquake: Creative Responses and Social Imagination," which highlighted the creative responses and the social dialogue that arose as a result of the recent triple disaster. This event's presenters included Dr. Shunichi Homma, Margaret Milliken Hatch Professor of Medicine and associate chief of the Cardiology Division at Columbia University, and various artistic performers, artists, and professors—all dedicated to addressing multifaceted aspects of relief and community rebuilding.

CJEB supports Columbia University's Japan Study Student Association (JASSA) initiatives throughout the year. CJEB-funded



Kyoko Loetscher and Ryoko Ogino with students of Business Japanese course

JASSA activities included "Recent Political Situation in Japan," a lecture featuring Yasuo Hasebe, professor at Tokyo University's School of Law and vice president of the executive committee of the International Association of Constitutional Law.

Like the Chazen International Study Tour to Japan (see p. 48), JASSA organizes an annual student-led trip to Japan that is partially supported by CJEB funds. This year, 20 students from countries such as the United States, France, Mexico, Chile, India, Kazakhstan, and Belarus participated in the trip and went to Tokyo, Kyoto, Hiroshima, and Osaka. During the one-week trip, students visited the Bank of Japan, where Haruyuki Toyama, director-general of the International Department, gave a lecture on the Japanese economy and monetary policy. In Tokyo, the students also met with Masahiko Komura, the vice president of the Liberal Democratic Party (LDP), and discussed issues such as Japan's foreign and defense policies, immigration, and the participation of women in business and politics. In a discussion session with other lawmakers in the LDP, they talked about Japan's relations with China, Japan's defense policy, and the constitution. Students also visited the Japan Railway Shinkansen Control Center, where they learned about the operations behind the famous high-speed trains. After visiting cultural sites in Kyoto and taking part in a traditional tea ceremony, students returned to Tokyo, where they met with students from Tokyo University's Graduate School of Public Policy, one of the partner schools of Columbia University's School of International and Public Affairs. Students discussed various issues such as Japan's role in the international community.

Following their return from Japan, participating students had an opportunity to share what they learned from their journey with other students and faculty at the CJEB cosponsored "Japan Trip Presentation Party."

Visits from Japan to Columbia



JASSA Japan Study Tour

Groups of Japanese undergraduate and graduate students often visit CJEB during their tours of the east coast. These trips are frequently initiated at the suggestion of former CJEB visiting fellows. In 2012-2013, groups from Chuo University, Bunkyo University, Meiji University, Nihon University, and Wako University came to Columbia University. Each group met with Professor Patrick, who made a brief introduction and fielded questions. Discussion topics included Japan's territorial disputes, continuities and changes in Japanese politics, TPP negotiations, social security, immigration, women's workplace challenges, U.S. foreign policy and economic recovery, challenges presented by Japan's aging population, and attitudes toward foreign study and employment.

Fellowship and Scholarship Programs

CJEB provides select fellowships for Columbia University students who demonstrate outstanding academic ability and a specific interest in Japan and the Asia-Pacific economies. The fellowships support research and participation in academic programs related to Japanese economic and business fields. Further information about all of these opportunities is available at www.gsb.columbia.edu/cjeb/about/fellowships.

The **CJEB Doctoral Fellowship** was established in 2013 to support PhD students in the Columbia Graduate School of Business and/or the Columbia Department of Economics who will develop Japan expertise, culminating in dissertations focused primarily on Japan. The Center is pleased to award two CJEB Doctoral Fellowships in fall 2013, one to Guannan (Jackson) Lu in the Management Division of the Graduate School of Business; and one to Misaki Matsumura in the Economics Department. **CJEB Doctoral Research**

Grants and Summer Stipends are also available to PhD students in the Graduate School of Business or the Department of Economics who wish to pursue Japan-related research project or language training programs.

The **Sumitomo Fellowship Program** was established by the Center as part of an initial operating grant from Sumitomo Corporation of America. The program provides support to recent PhDs and PhD candidates specializing in some aspect of U.S.-Japan economic and business relations. Fellowship recipients typically spend a period in residence at the Center to engage in their own research and participate in CJEB programs.

The **Mitsubishi UFJ Trust Scholarship Foundation** provides one Columbia University student each year with tuition and living expenses for a program of either undergraduate or graduate study in Japan. CJEB conducts a University-wide competition on behalf of the Foundation to nominate this student.



Hugh Patrick with students from Meiji University

Library and Data Resources

Discussion Groups

The Center continues to give the Columbia University community access to CJEB's databank on the Japanese economy, with an emphasis on financial markets. It includes time-series and cross-section data on financial markets, institutions, and the macroeconomy from sources, including Nikkei NEEDS (Nikkei Economic Electronic Databank System), an online news and data retrieval system that provides essential corporate and economic data, and leading newspaper and journal articles on Japan and other Asia-Pacific economies. CJEB makes available to Columbia students, faculty, and other University affiliates Nikkei NEEDS Financial Quest in English and Japanese, which provides data including companies' financial results, stock price data, bond price data, macroeconomic data, and industrial statistic data; and Nikkei Telecom, which provides convenient access to most services, from around-the-clock news to corporate data on all Japanese-listed and OTC companies. The Center also maintains a small working collection of hard-copy materials on the Japanese and Asia-Pacific economies, including statistical resources, academic journals, and periodicals.

Japan Economic Seminar

The Japan Economic Seminar (JES) was founded in 1966 by Professors James Nakamura of Columbia, Hugh Patrick (then at Yale), and Henry Rosovsky of Harvard. With a membership of up to one hundred, it originally was an interuniversity forum for faculty, other professionals, and advanced graduate students to discuss ongoing research in preliminary form by specialists on the Japanese economy. JES now meets once a year and is sponsored by CJEB and held at Columbia in the early/mid-spring semester, with the leadership of Takatoshi Ito, dean of the Graduate School of Public Policy at the University of Tokyo. Special arrangements have been made to include economists from Japan as paper writers and discussants.

This year, the JES was held on February 15, 2013, and was moderated by Dean Ito and Professor Weinstein. The following papers were discussed:

"How Much Do Bank Shocks Affect Investment? Evidence from Matched Bank-Firm Loan Data"

Authors: Mary Amiti, Federal Reserve Bank of New York; David E. Weinstein, Columbia University and NBER
Discussants: Takatoshi Ito, The University of Tokyo; Satoshi Koibuchi, Chuo University

Monetary Policy and the Transmission of Bubbles

Authors: Masaya Sakuragawa, Professor, Department of Economics, Keio University; Naoki Shinada, Development Bank of Japan
Discussants: Kosuke Aoki, The University of Tokyo; Tokuo Iwaisako, Hitotsubashi University

Monetary Policy Discussion Group

This discussion group includes specialists on the Japanese financial system and meets several times a year. The participants are Hugh Patrick, David E. Weinstein, and Alicia Ogawa (CJEB); Michinobu Kishi and Takeshi Kato (Bank of Japan); Kim Schoenholtz (NYU Stern); Jennifer Dwyer (Hunter College, CUNY); Mike Woodford (Columbia University); Patricia Kuwayama (CJEB professional fellow); Richard Katz (*The Oriental Economist Report*); and Frances Rosenbluth (Yale University).

U.S.-Japan Discussion Group

Shortly before CJEB was founded, the then CEO of Sumitomo Corporation of America and Professor Patrick took the initiative in organizing, on a private, individual basis, an evening discussion group of senior Japanese and American businessmen and professionals living in the New York area. The group continues to convene to discuss frankly and informally—and off the record—issues and prospects in U.S.-Japan business, economic, and political relations. Kazuhiro Takeuchi, the current CEO of Sumitomo Corporation of America, and Hugh Patrick are the co-organizers of this group. The members come from the business and financial communities, together with several specialists on Japan from the Columbia University faculty. The group avoids identification with particular companies or groups and meets twice in the fall and spring for dinner and discussion. Topics of discussion for 2012–2013 included the development of Abenomics, Japan/U.S./China relations, U.S. debt ceiling and budget cut issues, and financial institutional reform in both countries (U.S. banks, Japan Post).

Financial Support

Columbia University and Columbia Business School give basic support for the Center by providing faculty salaries and office space, library and administrative support, and other essential services. However, the Center relies on external sources of financial support from foundations, corporations, and individuals for its programs and research activities. Income is derived from the Center's endowment, operating and project grants, and, especially, from the Corporate Sponsorship Program, which was established in 1995. Academic independence has not been an issue, as there are no special restrictions attached to any of these gifts.

The Sponsorship Program has been instrumental in expanding the Center's activities and guaranteeing their long-term financial support. The companies listed here give to the Center on an annual basis. Sumitomo Corporation of America made an initial significant contribution that enabled the Center to be established in 1986 and has continued to be a major Center donor. The Center also greatly appreciates and benefits from the income derived from the generous endowments funded by Fuji Xerox Co., Ltd., Sanken Industrial Policy Research Institute, the Marine and Fire Insurance Association, the Federation of Bankers Association, the Security Dealers Association, the Life Insurance Association, and Mitsubishi UFJ Trust and Banking Corporation during the first years of the Center's establishment at Columbia Business School.

The Center was delighted to have the Tokyo Conference keynote speaker, Professor Joseph Stiglitz, join us to thank our sponsors for their continued support at the Special Luncheon with Professor Joseph Stiglitz for the Center's corporate sponsors held on Friday, March 22, 2013, at the Hotel New Otani Tokyo.

Corporate Sponsorship Program

Sponsors for the year 2012-2013 are as follows:

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Mitsubishi UFJ Trust and Banking Corporation

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Anya Schiffrin and Joseph E. Stiglitz with CJEB Corporate Sponsors at the Special Luncheon

親愛なる皆様へ

日本経済経営研究所(CJEB—Center on Japanese Economy and Business)は、日米関係に重点を置きながら、日本国内や東アジア、そして国際的視点から日本経済とそのビジネス構造への理解を深める使命の下、1986年に設立されました。過去27年間に、日本や米国を含む世界中が変化し続ける中、当研究所はその使命を遂行するために発展し、成長し、進化し続けられるような、興味深い課題に取り組んでいます。当研究所の設立以来、米国において日本経済や日本のビジネスを専門とする研究機関の数が徐々に減少している中、私達は、日本に焦点を絞った公開プログラム、研究活動、そして学生や学部の支援といった前向きで多様な活動を精力的に進めていることを誇りに思います。

2012～2013年度において特筆すべきことは、シンポジウムやカンファレンスを含む優れた講演会を幅広く実施したことです。2013年3月21日には恒例の東京カンファレンスを開催し、ノーベル経済学賞受賞者でコロンビア大学教授のジョセフ・スティグリッツ氏に基調講演者としてご登壇いただきました。「世界経済における格差、分裂、そして統合」(原題: Inequality, Fragmentation, and Integration in the World Economy)と題した当カンファレンスには、その他にも多数の著名なパネリストにご参加いただきました。カンファレンスの要約と、カンファレンス直後に行われた安倍総理との夕食会の模様は28ページをご参照ください。

大学構内における2012～2013年度のプログラムの1つとして、米国三井物産財団にご支援いただいている「第14回三井シンポジウム:シェールガス革命とエネルギー安全保障」(原題: Shale Gas Revolution and Energy Security)を開催しました。当シンポジウムでは、コロンビア大学ビジネススクールの教授を含むエネルギー関連の専門家を招聘し、日本とグローバル双方の視点から、エネルギーについて多岐にわたる議論が行われました。2012年9月には、ジェラルド・カーティス教授による日本政治に関する第8回目の講演会「またも新政権:日本の政治的混乱をどう理解するか?」(原題: Another Year, Another Government: Making Sense of Japan's Political Confusion)を実施しました。カーティス教授には、2012年12月の衆議院選挙の直後にその概要について、また2013年1月には日本の新たな政治的背景についてもご講演いただきました。CJEBのリサーチ・アソシエイトであると同時にCJEBと親しいアドバイザーでもある、東京大学公共政策大学院院長の伊藤隆敏教授をお招きし、2012年11月と2013年4月に学内で2回座談会を開催しました。初回は、欧州債務危機が日本経済に与える影響について、2度目はアベノミクスについての講演でした。その他のイベントでは、日本財政の持続可能性、日本国債(JGB)市場における金利リスク、家電業界などが取り上げられました。CJEBが主催するこれらのイベントには、昼食時に開催する「座談会セミナー」が含まれ、常に多くの方にご出席いただいております。当セミナーシリーズは、講演者がコロンビア大学の学生やニューヨークにおける専門家の方々と非公式に会し、知見を共有する場となっております。全てのイベントの要約は、当年次報告書の26ページ以降をご参照ください。

コロンビア大学のような世界レベルの研究機関に期待される通り、CJEBの主要な使命の1つは、日本の経済、ビジネス、経営システムの研究活動に従事し、支援を行い、普及・啓蒙することにあります。プロジェクトやセミナー、ディスカッション・グループ、公開イベント、そして図書館やウェブサイト上での資料提供活動によって、当研究所はこの使命を果たしています。また、当研究所はワーキングペーパー及びオケージョナルペーパー・シリーズを発行しています。2012～2013年度に発行されたペーパーの要約は、19ページ以降をご参照ください。

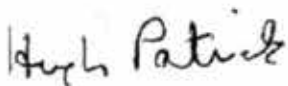
CJEB は、デイビッド・ワインスタインが指揮している非常に重要な研究課題を擁しており、米国の大学の中でも稀有な存在です。ワインスタイン自身の研究については 16 ページをご参照ください。彼の指導の下、CJEB は日本のビジネスと日本経済における米国有数の研究所としての地位を維持し、今後も研究活動の場とリソースを提供し続けます。

最も新しい CJEB の研究活動の一環として、CJEB 博士課程給付奨学金制度 (CJEB Doctoral Fellowship) の設立をご報告できることをうれしく思います。本奨学金制度 (50 ページ参照) では、コロンビア大学ビジネススクールまたは経済学部において、日本を専門とし、主に日本に関する論文を執筆する博士課程の学生を対象に、毎年奨学生が選出される予定です。日本経済、ビジネス、経営システムを研究する次世代の専門家を発掘し、育成することの必要性に基づき、当研究所はこの構想に取り組んできました。第 1 回目の CJEB 奨学金は、2013 年秋学期に 2 名 (コロンビア大学ビジネススクールとコロンビア大学経済学部から博士課程の学生各 1 名) に授与されます。この CJEB 奨学金は、CJEB の博士課程研究助成金 (グラント) や夏の給付金 (スタイペンド) と併せ、当研究所がコロンビア大学の学生を支援する手段の一部であり、ビジネススクールやコロンビア大学における日本経済とビジネス構造の研究を推し進めるものです。当研究所ではこの奨学金制度の継続・発展のため、積極的に資金調達活動を行っています。

本年度の客員研究員プログラムも成功のもとに終了しました。本プログラムでは、産学官各界から選出された研究員が、毎年コロンビア大学ビジネススクールに一定の期間在籍し、それぞれ独自の研究を行います。従来どおり 2012~2013 年度の客員研究員 (44 ページ参照) は CJEB の研究会合に出席し、研究成果を発表し、セミナーや公開イベントに参加し、講義を聴講しました。客員研究員は、CJEB とコロンビア大学ビジネススクールにとって重要な役割を引き続き担っていきます。

CJEB は米国のコロンビア大学で設立された、世界的に影響のある組織です。当研究所は、引き続き我々ヒュー・パトリックとデイビッド・ワインスタインの共同リーダーシップの下に活動し、いずれは現在コロンビア大学経済学部の学部長でもあるデイビッド・ワインスタイン単独のリーダーシップに移行する予定です。

当研究所がその使命をこれまで達成してこられたのも、ひとえに研究所の教授陣やスタッフの献身、精励、知性と行動力、コロンビア大学ビジネススクール及びコロンビア大学から提供されるリソース、そして企業、財団、個人の皆様からの資金提供の賜物です。当研究所をご支援くださる全ての皆様に、心より感謝申し上げます。



ヒュー・パトリック
所長



デイビッド・ワインスタイン
研究所長

(上記のご講演者の皆様のご所属・お役職等は、ご講演当時のものです。)

日本のアベノミクス:回復は望ましい成長を導くか

ヒュー・パトリック著

コロンビア大学ビジネススクール 日本経済経営研究所 所長

コロンビア大学 R.D.カルキンス国際ビジネス名誉教授

2012年夏後半から2013年夏後半にかけての1年は、非常に劇的な変化が見られた1年であった。経済面以上に政治面での変化がみられた1年だったが、それ以上に消費者や企業のムード、心理、期待、そして希望における変化が特に劇的であった。東京が2020年オリンピックの開催地に選ばれたことも、日本人を元気づけるものとして歓迎されている。

20年間にも及んだ凡庸な経済動向や効果的とはいえない政府の政策により、日本にはあきらめや停滞感が広く蔓延していた。弱い政府による6年間の影響は、毎年総理大臣が交代した事実でも見て取られ、ねじれ国会により更に状況は悪化した。日本人はこういった全てに嫌気がさし、疲弊していた。有権者は、経済的な変化をもたらす政府を熱望していた。現時点では、安倍晋三の自由民主党(自民党)は少なくとも次回2016年の参議院選挙までの今後3年間と、恐らくその後も政権を握るものと見られている。

3年間で総理が3人も交代し、民主党はその間政権を維持していたものの、政権運営は困難を極め、国民の支持を失いつつあった。民主党は2012年11月に、政権を維持するのではなく、規定よりも早い12月に衆議院選挙を行うことを公表した。誰もが民主党の敗北、自民党の勝利、そして安倍氏の総理大臣就任を予想した。そしてそれが全て現実になった後も、民主党は引き続き参議院で過半数を維持しており、いわばねじれ状態が続いた。公明党との連立で、7月の参議院選挙で大勝した現在、安倍総理と自民党は国会を完全に支配している。

選挙での圧勝は、自民党への強い支持というよりは、民主党に対する失望を反映したものである。それでもやはり、日本は政治的な安定期に入ろうとしている。現在の関心は、経済再生に向けた課題と更なる日本国の自信回復に向けられており、それは再生の条件にして結果でもある。経済政策の目的や提案の内容には、近年大きな変化は見られない。しかしこれまでと異なるのは、安倍総理は両院での過半数獲得により安定的な政治的基盤を保持しているということである。そして、3つの主要な経済政策を達成する政治的意志を強く公言している。

第1は、15年間にも及ぶ長期にわたる緩やかなデフレを収束させることである。具体的な目標は、日本銀行(日銀)が物価安定の目標として掲げている消費者物価指数(CPI)の前年比上昇率で2%とされている。今年の7月~8月のわずかなCPIの上昇は、デフレが克服されつつあることを示唆している。7月の前年比0.7%上昇は、2008年11月以来最も高い上昇率だったのである。

第2は、今後10年間(2013年度から2022年度)の平均で、名目GDP成長率3%程度、実質GDP成長率2%程度の長期安定的な成長を実現することである。

第3は、財政再建、つまり国・地方をあわせた基礎的財政収支について赤字の対GDP比の半減、その後の債務残高対GDP比の安定的な引き下げを目指すことである。

これらを達成するための、いわゆる「アベノミクス」と呼ばれている経済政策では、大胆な金融刺激策、短期の財政刺激策とその後の財政健全化政策、そして持続的成長を達成するための規制緩和と構造改革に取り組む事になる。これらはアベノミクスの「三本の矢」と呼ばれており、1本の矢は折れやすくても、3本そろえば折ることはできないという日本のことわざに由来している。

10月15日に国会が開かれる前に、安倍総理は重大な決断を示さねばならない。それは、予定されている通り、2014年4月から消費税率を5%から8%に引き上げることを認めるかどうかということである。実際、9月12日に一部の日本のメディアに意図的に漏らされたとされる情報によれば、安倍総理は増税を認める方向にあるといわれている。大幅な増税が、経済成長を0.7%（政府の楽観的な試算）または1.5%程度（民間セクターの試算）減少させるというのが、大方の見方である。消費税の引き上げを予定通り進めるか、先送りするか、5年かけて毎年1%ずつ引き上げるかどうか、といった重要な議論が、夏の間に行われていた。前述のリーク情報によると、税率引き上げによる影響の3分の2を緩和するため、今年度後半に、補正予算により5兆円（500億ドル）もの財政刺激を政府が行うことが示唆されている。

安倍総理は、その他2つの重要な経済政策に関する議題にも取り組まねばならない。一つは成長戦略を明確化することであり、具体的には成長戦略の中で優先順位を決め、法案化し、施行できるよう法案を策定することである。もう一つは消費税の決定、義務的社会保障費の増加、財政再建の目的に沿った2014年度の政府予算を決定することである。既得権益層からの反対は強く、その影響は徐々に広がっている。よって、2016年の参議院選挙までの間に、前向きで必要不可欠な政策を実施し、政治上の安定を実現するまでには、実際には約1年程しか残されていない。

日本経済の概況

1990年代初頭から、日本のGDP成長率は潜在成長を下回る平均1%未満である。労働市場は弱体化し、見通しは暗いようであった。しかし、この期間を「失われた20年」と呼ぶのはいささか誤解がある。なぜなら、この間には数多くの重要な制度変更があり、企業、産業、政府は継続的にその調整過程にある。労働生産性（GDP／労働時間）は1990年代には年率で2.0%伸び、2000年代には1.5%伸びた。これらは米国（1.8%と1.9%）とドイツ（2.8%と1.1%）に匹敵するものである。

日本経済は2002年初頭からうまく回復基調に乗っていたところ、世界的な金融危機、景気後退、そしてリーマンショックにより再び低迷した。2011年後半まで3四半期連続でGDPが低下し、経済は停滞していた。その後、第3四半期で回復した。2012年の第2、第3四半期に経済は再び景気後退に戻った。第4四半期には再び回復し（1.0%の四半期ベースのGDP上昇、年率季節調整済）、2013年第1四半期には年率4.1%（2次改訂値）、第2四半期には予想を上回る値であった速報値の2.6%をはるかに上回る3.8%（1次改訂値）と勢いよく上昇した。大方の見方と同様に、私は秋になっても成長がうまく継続すると考えている。2014年3月末までの2013年度GDPは、2.8%上昇すると予測される。

2014年度以降は、経済における過剰能力が吸収され、東日本大震災の復興のための公共事業に係る政府支出が漸減するため、経済成長はかなり減速すると予想される。更に、2014年4月に消費税を引き上げた場合、家計はその前に消費を加速させ、その結果来春の終わりには消費は急激に落ち込むだろう。

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活用されていなかった労働力と企業の余剰設備の有効活用が、2013年の急成長に貢献した。2012年の大不況からどの程度の回復を達成したかは、どの程度前述余剰が残っているかにかかっている。実質GDPと潜在的GDPの間のGDPギャップ、失業率や賃金の変化といった一般的指標が示す要因以上の何かが、2013年の急成長に貢献しているかもしれない。内閣府による2013年夏のGDPギャップは2%である。一つの問題として、潜在GDP成長率の測定が難しいことのみならず、政府の実際のGDPの見通しが数回しかも時折大幅に改訂される上、その測り方がぞんざいであることが挙げられる。

日本の失業率は7月に3.8%に改善し、ほぼ完全雇用状態と考えられる3.3~3.5%に近づいている。しかし、パートタイム社員、契約社員、及び臨時社員などの非正規労働者の割合が、1990年時の20%から、今日では35%に増えている。国民の多くは正規雇用を望んでいる。雇用の見通しが悪いため、労働市場参加率は低下している。若年労働者の見通しはとりわけ厳しい。22~30才の若い男性が正規雇用を得る機会は過去15年間で10%以上低下し、女性の場合は(より低い水準から)5%低下している。

安倍総理は企業に対して賃金を上げるよう勧告しているが、それは労働市場がひっ迫するまでは実現しないであろう。2013年夏のボーナスは2007年以来初めて増加に転じたが、基本給は現在の名目でやや減少している。

アベノミクス: マクロ経済有効需要管理政策

アベノミクスの金融・財政政策の主な目的は、デフレと長年日本を苦しめた総需要不足を克服し、政府債務の対GDP比率を安定させることである。これらのマクロ経済政策、いわゆるアベノミクスの第一、第二の矢は重要であるが、持続的な成長を成し遂げるためには十分ではない。財政金融政策は、日本の経済回復を完全なものにし、経済における余剰を吸収し、日本を持続的な成長へと導くことを目指している。

安倍総理は就任前から、米国と同様に金利が既に極端な低水準にあるにもかかわらず、日銀に対しては更なる金融緩和策を実行してほしいと明確に表明していた。その結果、国会は総裁に黒田東彦氏、副総裁に岩田規久男氏、中曽宏氏を任命し、彼らは3月20日に就任した。そして4月4日に、日銀は私や他の多くの人々が予想していた以上に強力な金融緩和策を表明した。

黒田総裁は更に、デフレが終焉するまで、特例ともいえる量的金融緩和策を日銀が継続すると表明した。黒田総裁は、2年以内にCPI前年比上昇率を2%にするという野心的な目標を設定した。この目標及びいくつかのCPI見通しは、消費税率3%増による総体的な効果、つまり2014年度にCPIが1.5~2.0%上乘せされることが予想されている、と認識しておくことが重要である。

金融政策が物価に影響を与えるには時間がかかる。消費税率引き上げ効果を除き、2年以内にCPI目標を達成するのは困難であろう。しかし、ここで重要なのは、日本がデフレ期待を克服し、CPIが長期的に緩やかに上昇する期待を持続させることである。

2013年6月にCPIが0.4%、7月に0.7%上昇したことは、金融政策が成功していることを示唆している。しかし、これらの上昇のほとんどは需要増加による(デマンド・プル)というよりも、特に電力や輸入価格の上昇による費用増加(コスト・プッシュ)によるものであった。8月に内閣府は、今年度CPIは0.5%上昇するとの見通しを公表した。予想される消費増税を含めると、2014年度にCPIは3.3%上昇すると予想しているが、増税の効果を除くと1.2%の上昇になる。これらは民間アナリストよりも高い、楽観的な見通しである。デフレを食い止めたと判断するには、時期尚早である。

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資産価格もまた、アベノミクスに反応している。海外の金融機関の短期トレーダーが日本の株式及び外国為替市場の主要プレイヤーであるため、市場の指数は必ずしも日本の国内投資家の期待をうまく反映しない。しかし、2012年12月の選挙が発表された際、トレーダー、特に外資系ヘッジファンドが、株価が低すぎて円が強すぎると判断したのは特筆すべきことだ。TOPIXは、2012年11月12日の終値から2013年5月22日の日中高値の1,284まで75%以上も急騰し、円は103.52円/ドルまで30%下落した。その後TOPIXは6月13日の日中安値の1,040まで19%下落した。その後は控えめに反発している。5月のピークよりは下回るが、8月30日にTOPIXは昨年の11月と比べて55%上昇している。5月終わりに103.5円/ドルまで円安となった後、レートは95~100円/ドルの間で推移している。8月30日には98.2円/ドルであった。日本国債(JGB)市場も、投資家が日銀による金融政策の金利構造への影響に対して反応し、不安定になっている。日銀の巨額な国債購入によって、10年国債のベンチマーク金利を1%未満に抑えることに成功している。8月30日には0.72%であった。

2008年以降下落していた都市における土地の価格は反転し、若干ではあるが上昇し始めた。8月に公表された政府による地価動向報告では、全国150ある調査地点のうち、99地点で地価が上昇したと報告された。地価の安定化はデフレ期待を克服する上で鍵となるため、これは良いニュースである。

需要主導の回復を支えるための財政刺激策は、金融刺激策と同時に進められている。3月に政府は10.3兆円(当時約1,100億ドル)の巨額な補正予算を通した。それは、東日本大震災復興関連支出や2013年度におけるGDP比9.3%の財政赤字分と併せ、政府の公共事業支出の増加を持続させている。

需要刺激策による財政支出の増加は消費税増税の一部でしか補うことができないとすれば、財政再建は来春2014年度予算とともに始まるであろう。短期的、そしてより長期的な有効需要管理政策は、財政健全化と持続的経済成長を注意深く両立させる必要がある。考えられるリスクの一つとしては、財政健全化が早すぎる段階で、すなわちデフレが克服され安定的成長への道が達成される前に進行してしまうことが挙げられる。

アベノミクスの成長戦略

安倍総理は6月14日、その2週間前に公表された産業競争力会議による報告書に基づいた、経済成長戦略を発表した。当該成長戦略は官僚達が出し合った良い経済政策案を全て盛り込んではいないが、明確なプライオリティや具体的な実施までの提案に欠けていた。当時、参議院選挙が5週間後に迫っていた関係上、その曖昧さに驚きはなかったが、歯がゆいものがあつた。経済産業省は8月に、先の報告書の項目を成長戦略の3本の柱として整理した。その3本とは、民間部門の潜在力を引き出し、人的資源の最大限の活用を推し進め、新市場を開拓することである。

選挙活動中、安倍総理は10年間で実質GDPの年率2%上昇とGDPデフレーター1%上昇を合わせて名目GDPの成長率を3%にするという、野心的な目標を掲げた。安倍総理はこの目標を、2012年に内閣府高官が民主党政権のために作成した成長戦略シナリオから取り入れたようである。内閣府が2013年8月8日に発表した「中長期の経済財政に関する試算」は、上記を若干更新した内容になっているが、「経済再生ケース」という「今後10年間(2013年度から2022年度)の平均で、名目GDP成長率3%程度、実質GDP成長率2%程度の成長を実現する」ことを前提とした試算結果と、上記目標が達成できなかった場合のより慎重な「参考ケース」という試算結果の両方が提示されている。「経済再生ケース」

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の試算は、2013年から2022年の10年間の実質GDP成長を平均2.1%に、名目ベースでは3.4%にしている。GDPデフレーターは10年後には1.3%、CPIの平均上昇率は2.1%になると推定されている。

2023年までの10年間に年率2%の成長を達成させるため、成長戦略シナリオは強気で、ややもすれば非現実的な仮定を設けている。一国の成長は、労働力の投入量の変化と労働者一人当たりの生産力の増加によって決まる。先の「経済再生ケース」では全要素生産性は、2020年代初頭にかけて、これまでの平均である1%と比較すると明らかに高い1.8%程度まで緩やかに上昇すると推定されている。その結果、完全失業率は3.3%になると推定されている。何よりも重要なことは、労働参加率は著しく上昇することが予想されている点である。つまり、30～34歳の女性の労働参加率は8～9%程度徐々に上昇、65～69歳の女性の労働参加率は7～8%程度徐々に上昇すると推定されているのである。これらの参加率の上昇は、労働人口の総数は著しく減少する事はないことを意味している。もし現在のままであるとすれば、人口とそのうちの労働年齢人口の減少により、労働人口は年率約1%減少するであろう。世界経済は5%程度成長し、同程度に日本の輸出も伸びると予測されている。

内閣府が同時に提示している「参考ケース」の試算においては、今後10年間の実質成長率が平均1.3%であり、CPIの上昇率が平均1.5%であると予測している。全要素生産性が過去の平均の1%程度にまで上昇し、各性別年齢階層別労働参加率が足元の水準で横ばいすることを前提としている。また世界経済の成長率は4%程度で横ばいと予測している。

安倍総理が目標として掲げている2%成長の達成は、非常に厳しい目標である。労働生産性及び全要素生産性を著しく引き上げること、そしてより高い労働参加率を実現するために必要十分な支援体制の枠組みを提供することは、非常に困難な課題である。実現の鍵を握っているのは規制緩和、市場開放、及び構造改革であり、これらの主要な新政策はアベノミクスの第三の矢として提唱されているが、いずれも既得権益者からの強い反対を受けている。

政府の成長戦略は、基本的に相反する二つの政策思想を反映し、それらの間に緊張感が存在するような政策内容となっている。一つは市場の力を信頼する政策、つまり規制緩和、国内間企業の競争力強化、及び事業再編等の企業改革である。もう一つは産業主義的思想の成長産業育成策、これは成長産業へのインセンティブ付与スキームの構築、新技術への資金提供、そして低迷企業・産業の統廃合である。それぞれの政策を進めることは日本国の再生にとって役立つが、市場を信頼することが重要な鍵になるであろう。規制緩和と構造改革のみにより、企業の投資意欲や人々の労働意欲を促すインセンティブを十分引き出すことができる。日本は内需の潜在需要を顕在化させるために、長期的には内需主導型経済へ移行する必要がある、そうなるには、賃金と家計所得の対GDP比率増加が求められる。

政府の成長戦略の具体化とその実施は、いずれも小出しのものになるであろう。とりあえず、目前には環太平洋戦略的経済連携協定(TPP)交渉と電力業界の改革という、二つの主要な施策に関する決定が迫っている。それぞれについては、後ほど詳細に述べることにする。

財政再建

経済成長と財政政策は密接に関係している。需要管理の課題は、経済を持続的な成長の軌道に乗せながら財政再建をどのように達成するかということである。直近の財政再建課題は、政府債務の対GDP比を、それが非常に高水準であったとしても、まずは安定化させることである。

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内閣府の「経済再生ケース」では、その安定はおそらく数年以内、確実には 2020 年までには達成できるとしている。しかし、この予測がどう導き出されたのか明らかではなく、楽観的すぎるように見える。そのシナリオによると、2012 年に GDP の 11.2%分を借りた政府は、2020 年には GDP の 5.6%を借りることが展望され、政府の利払いを除いたプライマリーバランスは 2012 年の対 GDP 比マイナス 6.4%からマイナス 2.0%に改善されると見込まれている。このシナリオは対 GDP での政府債務が 186%で安定していると推定されており、現在の比率より低い。これは、政府が日本郵政の売却で 6 兆円を受け取る予定だからである。これらの推定は、東北の復旧・復興対策の経費及び財源の金額を除いたものになっている。

2013 年春、恒例の対日 4 条協議後の声明の中で、IMF は、債務残高対 GDP 比を確実に引き下げるためには、増税と GDP 比 11 パーセントの歳出の削減が必要であり、それは国内需要の大幅な減少をもたらすであろうと結論づけた。

内閣府の 8 月の報告書に関して、モルガン・スタンレー MUFG 証券のマネージング・ディレクター、チーフエコノミスト兼債券調査本部長であるロバート・フェルドマン氏は、実に説得力のある推計を出している。債務残高対 GDP 比率を安定化させるためには、仮に 2%成長が実現したとしても、消費税が 10%を大幅に上回り、65 才以上の人々への支出を実質ベースで大幅に減少させる必要があるという。彼の分析によると、「経済再生ケース」は、高齢者一人当たりの政府支出は実質 17%低下するが、更なる消費増税が展望されていないため、政府債務の対 GDP 比は上昇し続けると想定している。彼は五つの代替政策案を提案し、それらを選択した場合の影響について分析している。極端な例として、現在法制化されている通り 10%の消費税率を維持した場合は、高齢者一人当たりの支出を 40%以上削減することを必要とする。逆に、増加する高齢者数に対し、一人当たりの支出を削減しない場合には、消費税率を 31%にする必要があるとしている。中間に位置する政策案としては、財政調整負担を消費税納税者に半分、高齢者に半分割り当てることにより、消費税率を 16.7%に引き上げる一方で高齢者一人当たりの支援を 26.9%削減するということが想定される。

これらの厳しい選択肢は、2020 年までに安定した対 GDP 政府債務を達成するのは非常に困難であることを示している。もし今後 10 年間で、成長率が平均して 1%程度にとどまれば、財政の安定化は更に困難になるであろう。しかし、それよりも重要と思われることは、仮にその期間がより長くなったとしても、政府が最終的な財政再建のために信頼できる道筋を作ったと投資家等が見なすかどうかであろう。そのような認識の浸透及びそれを裏付ける政策を実現することが、将来的な日本国債の危機を避けるために必要不可欠となるだろう。

環太平洋戦略的経済連携協定 (TPP) と農業

米国が主導する環太平洋戦略的経済連携協定 (TPP) は、関税と主要な非関税障壁を撤廃し、知的財産権、原産地規則、国有企業等の項目に関してルールを設定することによって、12 の参加国の間で包括的かつ高水準な自由貿易圏を形成することを目指す、野心的な国際連携協定である。日本にとって最も触れにくく、象徴的にも本質的にも最も重要な項目は、農業である。

日本の農業セクターは過去数 10 年間で、市場動向や人口構造の変化、そして農家の子供が異なる職業に就いて別の場所への居住を希望する状況という三つの要素の組み合わせにより、劇的に変化していった。1960 年の農家の年齢の中央値は 42 歳だったが、今は 68 歳である。1960 年には農業世帯は 580

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万世帯であったが、今は 150 万世帯である。1960 年に農林水産業労働者は 1,450 万人いたが、2012 年には 253 万人のみ(労働人口の 3.9%)になり、GDP の 1.2%を生産している。農地の面積も減っている。それでも日本において農家や農地は過剰に存在し、特に小規模農家・農地が多い。

農業セクターは、42.3 万世帯ある比較的効率的な専業農家と、無数の極めて非効率的な兼業かつ高齢の、1~2 ヘクタールしか所有しない、ほとんど農業以外から収入を得ている農家に別れている。保護や補助金、高い産出価格のお陰で、農家一世帯当たりの収入は農家ではない世帯よりも高い。農家のおよそ 87%は稻田を所有しているが、30 万の専業農家が日本の米の 90%以上を生産している。米は農業と日本文化の象徴であるが、それでも 2010 年において、価格ベース(高い値段)で米は農業生産の 19%しか占めておらず、その割合は野菜の 28%よりもはるかに低い。

TPP 交渉の中で、日本政府はデリケートな問題で、これまでも手厚く保護されている五つの農業品目を識別している。それは、米(輸入関税 778%)、小麦(252%)、砂糖(328%)、バター等の乳製品(360%)、牛肉(38.5%)である。全ての TPP 参加国は包括的な自由化に尽力しているが、米国のトラック・砂糖や日本の 5 品目を含め、それぞれの国は特に慎重に扱うべき項目における例外措置のために戦っている。TPP は、強い「外圧」と戦いながらも、必要な構造改革を成し遂げるための一助となる重要政策である。

日本が初めてフル参加した TPP 交渉は、8 月下旬にブルネイで開催されたものであった。9 月にも引き続き会合が開催され、交渉担当者達は会合の合間にも積極的に交渉にあたっていた。米国は、年末までに交渉を終わらせ合意を結ぶために、精力的に働きかけている。交渉のほとんどは基本的に二国間で行われており、日米間の合意は特に重要である。年末の期限までに、交渉事項全ての決断をするのは困難だろう。TPP 交渉のうち、最重要事項の一つは、関税やその他障壁を段階的に取り除く期間の長さである。10 年以上かけて段階的に撤廃すれば、多くの日本の農家の定年時期と重なるであろう。日本の米農家の 56%は 70 歳以上である。TPP に係る国内の利害関係の調整は、TPP 反対者が主張するほど困難なものにはならず、TPP の合意が達成できれば、日本の農業やその他保護産業を自由化する改革を後押し、ひいてはそれを勢いづけるものになるであろう。

電力業界

アベノミクスの主な改革は、電力産業界の改革である。内閣は、4 月に全面的改革法案を承認した。10 月に国会に提出されるが、自民党や他の党も賛成している。法案では、地方の独占的な電力会社 10 社は、発電、送電、配電のためにそれぞれの別会社を設置することが義務づけられる。新規参入者は、発電と配電で競争する。大手の生産会社はすでに発電施設を所有しているため、太陽光や風力発電所と同様に、基本的に全国網へ販売することができる。実施は長期に及び、細部に難題も多いが、これは重要な改革になるであろう。

関連する大きな課題は、福島事故後、原子力規制委員会が求めるより厳しい安全基準が満たされない限り閉鎖するという政策により、いまだに停止している原子炉 50 基の先行きである。これらの発電所は化石燃料や太陽光、風力発電所よりも安く電力を発電し、二酸化炭素を排出しない。電力の輸入価格は、日本が原子力を石油、ガス、石炭で代替しているため、上昇している。日本は世界最大の液化天然ガス(LNG)の輸入国であり、世界第 2 の石炭輸入国であり、世界第 3 の原油の純輸入国である。東日本大

震災後の 2011 年に、化石燃料の輸入価格は 36%上昇し、2012 年には更に 10%上昇し、総輸入の 30% を占めている。電力会社はこのコストを賄うため、電気代を上げなければならない。

9 月 15 日に、関西電力が保有する大飯発電所の 2 基の原子炉が定期的なメンテナンスにより停止したため、国内で稼働する原発は存在しなくなった。電力会社 4 社が 6 原発 12 基の再稼働を申請しているが、これら全ては福島の高圧水型原子炉とは違い、比較的新しい加圧水型原子炉である。原子力規制委員会は、まず 6 基の安全点検を進めている。これには約 6 ヶ月かかるため、再稼働は 2014 年初頭まではないであろう。その他の点検は、原発が大規模な地震や津波に耐えることができるかを判断するために遅れている。大飯の場合、原発が活断層の上にないと 9 月 2 日に判断されたので、点検は進められるだろう。

自民党と電力会社は多くの再稼働を求めているが、最終的に何基が再稼働するかは不透明である。歴史的に見ても、電力会社は大きな権力を持っていたが、福島の事故以前に原発が全く安全であると主張していたこともあり、その権力は弱くなっている。東京電力は福島の災害への対応をひどく誤り続けている。現在多くの日本人は、政府も電力会社も、特に東京電力を信用していない。

民間企業

市場をベースにした資本主義かつ民主主義である日本の経済的成果は、民間セクターにより推進されている。日本には第一次産業を除いて 420 万もの企業があり、うち 180 万は法人企業である。約 87% (370 万、うち 140 万が法人企業) は小規模で、従業員も少ない。12.7% が中堅企業であり、11,925 社 (0.3%) のみが大企業である。約 3,400 の国内企業が、日本の証券取引所に上場している。

日本のバブル崩壊以降、企業は負債を返済し、退職や採用抑制による人員の自然減をもって雇用を削減し、設備や器材の性能を高めてきた。知名度の高い企業、つまり上場企業は全般的に好調であり、利益は大幅に増加している。これらの企業は、高い減価償却費による多くのキャッシュフローや巨額の現金を抱えており、実物投資が継続した後でさえ企業の貯蓄率は高い。

無数にある中小企業について、詳細を知ることは難しい。相当数の中小企業は、特にニッチな市場において、国内更には世界的にも強力なプレイヤーである。これらの企業は日本の隠れた勝者といえる。しかし、少なくとも 5 万社は酷い苦境にあると推測されており、これらの企業は、彼らを破綻に追い込むことにより損失が生じることを望まない債権者によるローンの借り換えのみにより生き延びている。日本は明らかな失敗に対してあまり寛容ではないため、自制という価値を重んじる。これは非常に大きなコストを招く。自制が日本の 1990 年代における金融セクター問題を長引かせ、悪化させた。今日、様々なセクターに存在する死に体企業が健全な企業を弱体化させ、リソースの分配を誤らせてしまっている。死に体企業の銀行ローンへの政府支援は 2013 年 3 月に終了し、銀行は徐々にそれらを強制閉鎖させている。

大半の上場企業は、凝り固まり前例に倣うことを繰り返し、甚大な権力を持つ幹部陣により経営されている。株主は比較的受け身である。多くのケースでは、経営陣は別にして、主要株主は通常の従業員であるが、これは法律や慣習により強力な雇用保障を有しているからである。過去 20 年間、日本のコーポレートガバナンスは進化してきており、企業はノンコア事業をスピンオフまたは売却しているが、敵対的買収が行われることは珍しい。優良なコーポレートガバナンスの実現は、利益が低いにもかかわらず企業が

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国内の設備に投資し続けていることから示されているように、深刻な懸念事項となったままである。しかし、従業員も管理職も守られている。

日本の退職年齢は、慣習や法律により 60 才となっており、特に大企業や行政機関ではその傾向にある。中小企業の退職は比較的流動的である。60 才の時点で、日本の男性は更に 23 年、女性は 29 年生きていくと見込むことができる。大半が活動的で、十分なスキルを有し、引き続き働くことを望んでいる。約 70% の新規退職者はそのまま雇用を延長するか、同じ会社に再雇用してもらうか、他の会社、しばしば子会社に斡旋される。65 才以上の日本人のおよそ 20% は就労しており、これは先進国の中では最も高い割合である。企業は退職年齢を引き上げるようプレッシャーを受けているが、この引き上げは非常に遅いスピードで進められている。2013 年 4 月、退職者が政府支給の年金を受け取ることができる最低年齢が 61 才に上がったが、これは 3 年ごとに 1 才ずつ引き上げられ、2025 年までに 65 才となる予定である。

経営幹部層の抵抗により、大企業の合併は困難である。アベノミクスの成長戦略には、競争力の観点からみて、規模の経済が重要な意味をもつ産業の合併が含まれている。液晶テレビ、鉄道車両、医療の画像診断設備、水処理施設が対象とされている。石油化学製品と造船業界における合併も重要である。

産業界からは、海外に比べて高い法人税が日本企業の競争力を不利にさせているという不満の声があがっている。しかし、もし法人税が引き下げられるなら、経営者が純現金収支を安易に使う方向に誘導しないよう、減価償却率も同様に引き下げられるべきである。日本企業は、長期的には研究開発を強化し、労働市場がひっ迫する中でより高い賃金を支払う準備をし、規制緩和及びアベノミクス第三の矢が掲げる構造改革等の戦略の下、活発に競争する必要がある。来春の春闘では、基本給を上げることが大きな論点になるであろう。

国際状況

世界の経済と貿易の成長は、日本の経済動向にとって不可欠である。世界経済の成長は 2012 年、2013 年とも 3.1% と鈍化した。貿易の増加も 2012 年には 2.5% に鈍化したが、2013 年には 3.1%、そして 2014 年には 5.4% になると予測されている。

2012 年度における日本の財・サービスの輸出は、GDP の 15.6% まで回復した。ドル／円レートは 80 円であり、円が非常に高すぎる水準にあった。95～100 円といった円安は輸入コストを高め、日本の消費者や生産者にとって負担となるが、日本の輸出業者にとっては一層の追い風及び安心材料となる。

日本にとって、米国との政治上・安全保障上の同盟は不可欠なものである。日米同盟は現在良い状態であり、また強固である。米国はもはや日本の最大の貿易パートナーではないが、二国間のビジネス関係は揺るぎないものであり、両国にとってその意義は大きく、安定的かつ生産的で、相互利益の高いものだ。それが同盟を維持するための大きなとりでとなっている。米国の経済回復は緩やかに進んでいるが、依然として失業率は高く、引き続き財政再建に向けた課題が残っている。

EU 加盟国 27 カ国と、そのうちの 17 カ国のユーロ圏において続いていた景気停滞は終焉したかのように見えるが、失業率は高く、銀行問題は解決しておらず、南欧諸国は依然として深刻な困難に晒されている。日本は EU にとって 5 番目に大きな貿易パートナーであるが、国外生産も考慮した場合日本は 2 番目である。貿易は、輸出入ともに、機械、輸送設備、化学製品が大半を占めている。EU は日本に農産物も

輸出しており、日本は EU 諸国にとって主要な投資家である。日本は基本的に貿易黒字国であるが、ここ数年は貿易黒字の値はかつてほど大きくはない。

日本経済と他のアジア経済との関係は広範かつ深く、全体的にみて非常に良好である。それらは WTO の世界規模多国間貿易システム及び効果的な地域間サプライチェーン生産システムに基づくものである。しかし、農業や多くのサービスにおいて、日本の関税や他の貿易障壁が存在する。

WTOドーハ・ラウンドが停滞している中、日本はやや消極的な態度で地域の貿易自由化の議論に参画している。TPP 交渉への参加に加え、日本は ASEAN の青写真的要素のある東アジア地域包括的経済連携 (RCEP) 交渉に参加しており、それには、日中韓 3 か国における貿易交渉同様、中国が含まれている。2013 年 3 月 25 日、EU と日本は自由貿易協定 (FTA) に向けた交渉を公式に開始した。近年の各種貿易交渉のうち、最も差し迫っており、かつ恐らく最も重要なのは、TPP であろう。

中国が日本にとって最大の貿易パートナーになったことで示されたように、経済協力による利益は、経済・政治体制の違いをも克服できた。2012 年においては、日本の輸出のうち 18.5% は中国向けであり、日本の輸入の 21.3% は中国からであった。中国における日本の FDI (海外直接投資) は、2013 年上半期において 14.4% 上昇した。こうした状況にもかかわらず、中国における賃金上昇や企業の多様化戦略、または政治的な問題により、対中投資は減速しているように見える。

2012 年において日本を訪問した 840 万人の外国人旅行者のうち、およそ 17% が中国からの旅行者であり、24.4% が韓国から、17.5% が台湾からである。中国と日本の外交・政治関係は緊張したものである一方、経済関係が継続して繁栄したものであることは素晴らしいことである。中国経済は今後の 10 年においても年率 7% ほど成長するだろうから、日本にとって中国の重要性は引き続き大きい。中国は日本の技術や市場を必要としており、日本は中国の市場や FDI の機会を必要としている。中国が効果的にグローバル経済システムに統合していくことは、重要な機会であり課題である。

結びに

日本はようやく過去 20 年間の停滞から脱しようとしているのかもしれない。経済の回復は進んでおり、今年の良い成長が今まで悪かった景気の埋め合わせをしている。もしアベノミクスが成功すれば、日本は新たな、より良い経済の時代に突入する。しかし、それはまだ確実ではない。構造改革に対する既得権益の抵抗は強い。大方は安倍総理の政治的意志、リーダーシップ、そして自身が率いる自民党からの十分な支持にかかっている。

デフレは恐らく今後 1 年で終わりを迎えるであろう。CPI 上昇率 2% という成長目標を 2 年以内に達成するのは難しいが、国民や市場がデフレは克服されたと考え、それらが適度に小幅な CPI の上昇が持続するという期待を形成するようになることのほうがより重要である。これが実現できれば、金融政策の上で大きな成果があったと言えるであろう。

日本の人口は、2020 年までは毎年約 0.3%、その後の 10 年においては約 0.6% まで減少するであろう。人口が減少する中、国の経済パフォーマンスと国民の満足度を測るためには、今まで以上に GDP 成長率よりも、一人当たり GDP 成長率に注目するべきである。長期的には、十分な総需要が持続することを前提にすれば、一人当たりの GDP 成長率は、主にどのように労働生産性を高めるかにかかっている。具

日本のアベノミクス: 回復は望ましい成長を導くか

体的には技術革新、研究開発、教育、職業訓練、そして日本人（特に若年層、既婚女性、65歳超の高齢者）が望むだけの十分かつ効果的な就業への障害を撤廃することである。

安倍総理の GDP 成長率 2%の目標を達成するには、更なる大規模な規制緩和と成長産業へのインセンティブ付与、競争力の低下した産業の整理統合、困窮している中小企業の閉鎖といった、日本経済の大きな構造的変化が不可欠である。安倍政権の課題は、これらの政策を賢く、力強く、上手に実行することである。

私は 2%成長が達成されるとは確信していない。「参考ケース」で示された GDP の 1.2%成長も以前の 0.5~1.0%の潜在成長率を上回るが、これはまだ達成可能である。そのシナリオでは、一人当たり GDP は、EU と米国と同様に 1.5%成長するだろう。

日本にとって最も困難な長期的経済問題は、持続的な完全雇用成長と財政再建への取り組みの間にある深い溝を建設的に解決することである。米国と EU も同じ問題に直面している。2007 年から 2008 年の世界金融危機と「大不況」から分かることは、構造改革や、より良いインセンティブの必要性があるにもかかわらず、緊縮財政政策は非常にコストがかかり、あまり成功しないということである。日本の政府債務の対 GDP 比を高水準で容易に安定化するには、財政赤字の大幅な削減と同時に、高齢者への福祉手当を大幅に減らし、更なる消費増税を行うといった組み合わせが必要とされる。財政再建には多くの年月が必要とされるであろう。その場しのぎの解決法はない。

アベノミクスの政策提言は、決して目新しいものではない。新しいのは、安倍総理の政治的意志である。国民の支持と期待は強く、弁論に長け、安倍氏と自民党政権はアベノミクスを進展・実行する強い権限と立法能力を持っている。しかし現実には厳しい。当然のことながら、アベノミクスが実行されその効果を検証するには、時間がかかるだろう。

アベノミクスは現時点までは順調に進んでいるが、最終的に成功するかどうかを判断するには時期尚早である。私の見解は、懸念、警戒心、そして元来の楽観主義者故に希望が入り交じっている。

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