

日本経済

Center on  
Japanese  
Economy and  
Business

ANNUAL REPORT 2010-2011

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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 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 international 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, associate director for research, CJEB supports research projects and library and computer-based resource initiatives. Other core faculty members are Japan specialists drawn from Columbia's Business School, Law School, School of International and Public Affairs, Economics Department, and the Department of Political Science. Funding and resources are provided by corporate sponsors, foundations, individuals, Columbia Business School, and the University. Further information about CJEB can be found on the Center's website: [www.gsb.columbia.edu/cjeb](http://www.gsb.columbia.edu/cjeb).

# Letter from the Directors



*Hugh Patrick, Director*



*David E. Weinstein, Associate  
Director for Research*

Dear Friends,

With its founding in 1986, the mission of the Center on Japanese Economy and Business has been 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-U.S. relationship. Over the course of these last 25 years, 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.

For this special 25th anniversary CJEB annual report letter, it would be tempting to look back nostalgically at some of CJEB's accomplishments over the last quarter century. Instead, however, we focus on the future. Now, perhaps more than ever, especially when Japan seems to be taken for granted, the need to understand and learn from the Japanese economy in all its dimensions is essential to the United States and other major players across the globe. In this spirit, now and over the next 25 years, CJEB will continue to facilitate intellectual exchange, high-quality programming, and cutting-edge research.

Nothing could have driven home the need for focus on the future more than the disasters caused by the earthquake on March 11, 2011. As the world watched in horror, the Tohoku region of Japan was hit by an unprecedented triple disaster: earthquake, tsunami, and nuclear threat. Initial information about what was happening, particularly in reference to the Fukushima Daiichi nuclear facilities, was limited and often misleading.

We had the unique situation of having one of us, Hugh Patrick, in Tokyo during the time of the earthquake and another of us, David Weinstein, in New York on the Columbia campus. Our 25th anniversary conference in Tokyo had been planned for March 16 and, of course, we postponed it once we realized the severity of the disasters and the difficulty many of our speakers and constituents would have coming to the conference. Hugh Patrick continued his stay in Tokyo, visiting with sponsors and colleagues, and learning as best he could of how these disasters were affecting Japan. (Please see <http://www4.gsb.columbia.edu/ideasatwork/feature/7221227> for Professor Patrick's reflections on his time in Japan.)

At Columbia, David Weinstein quickly organized a group of speakers to address the key issues involved in recovery from the triple disaster. The resulting symposium, "The Economic, Health, and Political Consequences of Japan's Earthquake" (see p. 17 for more information), was held on March 22 at Columbia Business School and drew an audience of more than 200, including students, faculty, members of the public, and representatives from more than 20 media outlets. The symposium was streamed live on the CJEB website and the recording was posted for further viewings. In total, the symposium was watched on the website more than a thousand times by people in the United States, Japan, and across the world. CJEB received much positive feedback, particularly in regard to how the speakers gave measured and fact-based analyses that framed the crises within a larger, longer-term perspective. This was particularly welcomed by our audience, as the conference took place a little more than a week after the earthquake at a time when the media (particularly American television) was still presenting alarmist, sensationalist, and sometimes misinformed coverage.

This March 22 symposium was the first of several programs we hosted about Japan's 2011 triple disaster. Other programs throughout spring term included discussions on legal ramifications of the radiation problems (p. 18), on corporate leadership through crisis (p. 23), and on energy and

infrastructure questions for Tokyo (p. 26). Adam Posen of the Peterson Institute also addressed the earthquake in his comprehensive lecture, "The Realities and Relevance of Japan's Great Recession," for our 12th Annual Mitsui USA Symposium (p. 18).

We will continue to address the aftermath of the disaster as well as Japan's recovery in our future programming, but of course that will not be our only focus. We have rescheduled our postponed March 16 Tokyo conference for October 21, 2011, and have arranged a panel on "Responses to the Earthquake," in addition to a number of other significant presentations. More information on this conference can be found on the CJEB website.

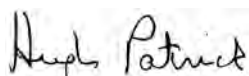
Another major focus of our future programming, both at Columbia and in Tokyo, will be a continued examination of Japan as the global economic and business power it is. As many of our constituents and colleagues have pointed out, there has been a fear that China's rise, among other factors, has led to a recent feeling of a "Japan passing," or a feeling that Japan is being ignored. Whether or not this sentiment persists, it is clear that the mission of the Center—to educate Americans and others about the Japanese economy, its businesses, and its management systems—will be more important than ever. We at the Center will continue to explore and explain Japan's many strengths, as well as its various economic difficulties.

We are also looking forward to continuing CJEB's successful program "The New Financial Architecture: Japan and the United States" (NFA), which started in 2009 and built upon the "Program on Alternative Investments" that ran from 2002 to 2009. The purpose of the NFA Program is to engage in analytical and policy-oriented evaluations of major financial and economic issues through conferences, brainstorming sessions, and research activities. While the focus will be on Japan and the United States, this naturally will be in the broader context of the global financial system and its other major players, including China and Europe. For example, CJEB held a popular symposium in November 2010 on "The New Financial Regulatory Regimes: Japan, U.S., and Europe," featuring, among others, Gillian Tett of the *Financial Times* (p. 17). We will continue to organize such symposia and conferences, both at Columbia and in Tokyo. We are delighted to welcome Aflac Japan as CJEB's first Lead Corporate Sponsor for the NFA Program. (More information on the NFA Program is on p. 16.)

As for the future of CJEB as an organization at Columbia Business School, in the near term, the Center will continue to move forward under the joint leadership of both of us, Hugh Patrick and David Weinstein, with an eventual transition to David Weinstein's sole leadership. Neither of us is hurrying this transition along—we each enjoy what we are doing now far too much to rush toward change. In order to support this gradual transition, CJEB has built a strong administrative leadership team. Last academic year we welcomed Caroline Hasegawa as director for administration, and this year, we are pleased to have hired Ryoko Ogino as associate director for administration. (More about CJEB leadership can be found on pp. 28–29).

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 continue to contribute to the ongoing successes of the Center. We thank them all and invite everyone to join us in looking forward to the next 25 years at CJEB.

With warmest regards,



Hugh Patrick, Director



David E. Weinstein, Associate Director for Research

# Japan's Economy: Earthquake-Induced Delayed Recovery

BY HUGH PATRICK

The big story in 2011 for the Japanese economy was the March 11 disasters of the Great East Japan (Tohoku) earthquake, devastating tsunami, and—qualitatively different and more important—the ongoing crisis of the Tokyo Electric Power Company's Fukushima Daiichi nuclear power plant and continuing small radiation leakage. Consequently, Japan's somewhat erratic but basically good recovery from the global Great Recession of 2008–2009 was temporarily interrupted but now is in a fast, if a bit wobbly, V-shaped recovery.

This is a particularly uncertain world just now, both globally and within Japan. Major countries are facing, or dodging, fundamental economic policy issues. The European Union has great difficulty in coping with a single currency and single monetary policy system but incompatible national fiscal policies, the “Greek crisis” problem. While the United States averted its debt default crisis in August at the last moment, the way it was handled was appalling, and the United States has yet to determine how to resolve its basic fiscal problems. Turbulent stock markets in August, with dramatic swings down and up, were one manifestation of these global anxieties. And the yen has become a safe haven, as recent appreciation has indicated.

Fortunately, the emerging economies, led by China and India, were not so hurt by the Great Recession and continue to grow rapidly. My major concern is that in all the advanced industrial economies, emphasis on fiscal consolidation rather than employment creation is premature. Their now flagging recoveries have yet to reduce sufficiently very high rates of unemployment, especially in the United States. With monetary policies already extraordinarily easy, these countries, including Japan, should pursue a near-term policy of aggressive fiscal stimulus in order to achieve full employment, and once achieved then implement effective expenditure cuts and tax increases.

My perspectives on Japan today are shaped both by its domestic economy, politics, and society and by the world political economy, within which Japan is a major player. In the following sections I address some of these, focusing on the ongoing recovery, the effects of Fukushima Daiichi on electricity supply and energy policy, and on the radioactivity taint on Japan's image. While I remain optimistic about Japan's very long-run economic performance, the next 10 years are fraught with challenges.

## The Triple Disaster

The Tohoku triple disaster created a new set of economic challenges for Japan. The most immediate and urgent were evacuations and provision of disaster relief in Iwate, Miyagi, and Fukushima prefectures. On the whole that was done well. Recovery and reconstruction will take several years, but government planning and implementation of programs have proceeded far too slowly.

The responses to the earthquake and tsunami have demonstrated Japanese great societal and personal strengths. Those in the afflicted area were calm, orderly, stoic, pragmatic, flexible, helpful to others, and determined to prevail. The outpouring of Japanese volunteers in the months following the earthquake to help recovery has been wonderful. Perhaps most impressive has been the extraordinary conservation of electricity during summer 2011 by households as well as companies, often by a wide range of small adjustments with huge cumulative benefits. These contributions to public well-being demonstrate Japanese public spirit at its best.

Another immediate problem was for companies to overcome breakdowns in their production supply chains, since a small but essential number of components were produced in damaged Tohoku factories. Impressively, companies have responded quickly, strongly, and effectively. Production and assembly have been restored in three to six months, several

months sooner than initially projected. This reinforces Japan's reputation as a reliable supplier even under extraordinarily, extremely adverse conditions.

The disasters exposed the risks in supply-chain strategies based on just-in-time inventories and sole-source component suppliers that achieve economies of scale from having a single plant. Fortunately, the cost of a primary remedy—carrying larger inventories—is currently mitigated by low interest rates, at least for firms that have adequate cash or credit.

Other effects are longer-run and more significant. The most important is the challenge to energy policy—both in Japan and elsewhere. The Fukushima Daiichi disaster has re-energized critics of nuclear power globally. In Japan, almost 30 percent of electricity has been generated by nuclear power. Now, as reactors are shut down for routine maintenance, they are not reopening yet. As a result, electricity has been in short supply in much of Japan and may be even tighter in the coming years.

A second, more subtle challenge is the tainting of the “Japan brand” of safety, in addition to quality and reliability.

## The Recovery and the Earthquake

In 2010, the Japanese economy began to recover well from its sharp 6.3 percent GDP decline in 2009, growing at 4.0 percent. Exports, which had dropped precipitously, provided three-fourths of the increase. Unemployment was only 5.2 percent in 2009, despite the deep recession, because companies retained their regular workers. Worker productivity increased with the recovery, so in 2010 unemployment dropped only slightly, to 5.0 percent, still above the 3.5 percent to 4 percent full employment rate.

Although recovery had slowed in the last



quarter of 2010, it had been expected to bounce back in 2011, albeit at a slower pace. However, the March 11 disasters hit production hard, especially for export, as well as consumption. Growth in the first quarter of 2011 dropped sharply from the previous quarter by a 3.6 percent seasonally adjusted annual rate. Demonstrating considerable resilience, the decline in the second quarter was 2.1 percent, according to the government's second preliminary estimate of September 9. This was essentially due to the 18.1 percent drop in exports due to the combination of production constraints and some weakening of foreign demand. Domestic demand actually increased by 0.9 percent, due essentially to government reconstruction expenditures in Tohoku.

In summer 2011, as supply chains were being restored, production resumed and exports picked up and the economy began to rebound rapidly. The Bank of Japan (BOJ) June Tankan survey signaled a shift in business expectations, especially among large firms, from negative current views to positive expectations for a rapid recovery from late summer. The July small business survey was similarly upbeat.

An August consensus estimate is that the economy will contract by 0.7 percent in 2011, but the rebound will generate 3.1 percent growth in 2012, faster than was forecast before the earthquake, and will be slightly below 2 percent in 2013. That may not be sufficient to restore the economy to a stable full employment growth path. Moreover, flagging global economic performance may bring about more cautious forecasts of Japan's outlook in coming months.

Unemployment had declined to 4.6 percent before the earthquake and has stayed at that level despite the postearthquake downturn. However, the data exclude the three afflicted Tohoku prefectures.

The Tohoku disaster has been a huge personal tragedy, with about 20,400 dead or

still missing, and many lives devastated. But, in an economic context, the earthquake and tsunami damage are a regional disaster. The prefectures most seriously hit—Iwate, Miyagi, and Fukushima—have only 4.5 percent of Japan's population and produce about 4 percent of GDP. The damage to buildings, housing, and infrastructure is about 1 percent of Japan's capital stock and 5 percent of GDP. About 7 percent of Japan's fishing vessels were damaged, but only a relatively small amount of farmland was flooded. However, damage to land from radioactive fallout is a more widespread and significant problem.

The current recovery is driven by expenditures on reconstruction in Tohoku. The government has already committed ¥6 trillion (\$75 billion at 80 yen/dollar), 1.3 percent of GDP, funded from existing budget reserves. Further major expenditures are necessary, as both the DPJ and LDP realize. On July 29 Prime Minister Kan proposed a ¥13 trillion third supplementary budget, similar to the LDP's ¥17 trillion proposal in early July. Neither proposal made clear how this would be financed—whether by new JGB issue or some form of tax increase. Despite continued political wrangling, the third supplementary budget on the order of ¥13 trillion will be passed in the fall Diet session, probably financed primarily by JGB issue.

Deflation persists. While it is mild, its longer-run effects, including on expectations are pernicious. The core CPI index was revised to 2010 prices and component weights in August 2011. The new index measures a 0.5 percent price decline for the first six months of 2011; the previous index was a 0.2 percent increase, still below the minimum 0.5 percent increase rate for price stability. Despite a quite aggressive monetary policy, the BOJ has failed to achieve price stability even by its own conservative definition.

The consensus forecast is that core CPI will be slightly negative not only for the rest of 2011, but for 2012 as well. Equally important, the

GDP deflator has declined every year since 1997, and that will continue. While Japan's real GDP has gradually risen, nominal GDP in current prices is no bigger than in 1993.

The major force occasionally raising prices slightly and briefly in Japan has been the sharp rises in global commodity prices, notably oil, other fossil fuels, and iron ore. To me, the implication is that the BOJ should bravely pursue an even more aggressive monetary policy, including even greater purchase of equity and real estate financial instruments.

While Tohoku local financial institutions have been hit hard, the disaster did not create a systemic crisis for Japan's financial system. The BOJ immediately provided further liquidity, and the Financial Services Agency (FSA) moved quickly to maintain financial stability, keeping stock and the other markets open. Together they made it clear that a serious financial crisis would not be allowed to develop.

Over the course of the year, the Japanese government bond (JGB) market has continued to be stable, at very low interest rates, despite one shock after another. While corporate profits have substantially increased, the stock market has wobbled up and down without a sustained breakout. As of September 9, the Nikkei stock index was 8,738; a year earlier it was 9,250.

The yen began to appreciate sharply following the earthquake and, at Japan's request, G7 countries jointly intervened on March 17 to halt the rise at about ¥82/dollar. Then, in July, Japan, despite its economic and budget difficulties, became a safe haven for international asset managers. On August 1, the yen hit ¥76.29/dollar. On August 4, the Japanese government unilaterally intervened to weaken the yen, or at least prevent further short-run strengthening. At the same time, the BOJ cooperatively announced significant further monetary easing. On August 19, the exchange

rate briefly touched ¥75.94/dollar, a new low. On August 25, the government took new measures to prevent further yen strengthening, though not direct intervention. Whether these actions will prove sufficient is unclear.

While exports and the economy are rebounding, the tourist industry continues to suffer. Japan has excellent facilities for tourists. In 2010, Japan had 8.6 million foreign visitors, 26.8 percent more than 2009, mainly from South Korea, Taiwan, and China. But arrivals dropped sharply after March 11. It probably will take some time before foreign tourists think Japan is safe enough to be an attractive destination.

## Recovery and the Threat of Fiscal Crisis

For years the government has not effectively addressed fundamental economic issues. These include the intertwined problems of subpar growth, inadequate domestic aggregate demand, sustained deflation, slowing productivity growth, weak labor markets, and the persistent and large central government budget deficits resulting in an extraordinarily high ratio of government debt to GDP.

Perhaps the greatest challenge Japan faces over the next several years is the increasing probability of a major fiscal crisis in the JGB market. But, like full economic recovery, the crisis always seems just over the horizon.

Still, the current path of high government budget deficits is unsustainable. A crisis has not developed because of Japan's high saving rate and balance of payments current account surplus. Almost all JGBs are held domestically, and very low interest rates keep the cost of servicing the debt relatively small.

A big question is when a fiscal crisis might occur if a credible fiscal policy is not implemented. Some argue that waiting until after the next general (Lower House) election—which means as late as August 2013—is too late. Others argue, with considerable cogency,

that Japan can successfully muddle along for a longer period. I don't know which is more likely, but I have become increasingly concerned.

## Recovery and Political Gridlock

Japan's recovery from the global Great Recession of 2008–2009 has been erratic. Both major political parties—the Democratic Party of Japan (DPJ) and Liberal Democratic Party (LDP)—have had little to offer in the way of constructive, comprehensive policy proposals, nor have they demonstrated a willingness to cooperate rather than to oppose each other. This probably means that government economic policy will continue to muddle along, perhaps even less effectively than in the past.

Current political gridlock exists because the DPJ won control of the Diet Lower House in the 2009 election but does not control the Upper House. Further, the LDP decided to oppose virtually all DPJ policies in order to force Prime Minister Naoto Kan to resign and to try to force a general election before 2013. Japan's dysfunctional policy process continues to be dominated by petty partisan politics. As a consequence, Japan is engaging in brinkmanship as embarrassing as in the United States.

The DPJ is inexperienced in governance, and its policymakers seem to be slow learners. One basic DPJ policy has been to sharply reduce the traditional power of the central government bureaucracy. However, technical expertise on most policy issues resides almost exclusively within the bureaucracy. Unlike the United States, Japan does not have deep pools of policy expertise in think tanks or academic institutions, and Diet staffing is limited. Moreover, the DPJ and LDP each represents fairly wide spectrums of views and ideology, and each lacks strong internal coherence.

I had hoped the Tohoku disasters would generate a sufficient sense of crisis that the major

parties would cooperate to seek constructive solutions to Japan's basic economic challenges. That has not yet been the case.

In early June the threat of a no-confidence vote forced Prime Minister Kan to announce he would resign once the Diet enacted three legislative bills. He had turned out to be somewhat impulsive in policymaking and inept in his communication skills. The ¥2 trillion second supplementary budget bill for Tohoku reconstruction was passed on July 25, financed from various reserve funds. In early August, DPJ and LDP leaders agreed to amend and pass the further two bills and did on August 26, before the Diet session ended on August 31. One authorized issuance of government bonds to finance the current fiscal year budget. The other bill, on energy policy, requires the electric power companies to purchase electricity from outside suppliers at relatively high prices.

Prime Minister Kan then resigned as DPJ party president, and on August 29, the DPJ elected Yoshihiko Noda as party president. On August 30, he was elected prime minister by the Diet, the sixth in the last five years. What the new prime minister will be able to achieve, and whether the two parties will cooperate on major issues, is unclear, and certainly premature to address. It is likely that political gridlock, and Japan's fundamental economic difficulties, will persist.

## Energy Policy

By far the most serious effects of the March earthquake are from the ongoing Fukushima Daiichi nuclear power plant disaster. There are two deeply intertwined issues: energy supply and safety against radiation.

Japan's most direct economic problem now, and perhaps its biggest for the next few years, is how to deal with actual and potential electricity shortages. Japan's impressive conservation efforts this summer are only a temporary solution; they may not be acceptable in future summers. In addition to human



discomfort, electricity shortages reduce production, productivity, and consumption of leisure services. Uncertainties regarding uninterrupted electricity supply are a reason for manufacturers to locate abroad.

Aside from the Fukushima Daiichi plant, 10 reactors in Tohoku shut down automatically and safely at the time of the earthquake. Initially, their reopening was regarded as a particularly difficult special case. However, throughout Japan reactors are normally shut down every 13 months for routine maintenance lasting 2-3 months. After Fukushima Daiichi the government quickly took measures to revise and upgrade safety standards and put in place a program for power companies to implement them. In mid-June the government said the plants were safe and should be reopened.

Then, reacting to opposition by prefectural governors and others, on July 7 Prime Minister Kan suddenly and startlingly announced that before any nuclear plants could be reopened they had to undergo stress tests. On July 11, the government announced a two-stage process, whereby some reactors could be reopened after a first stage stress test, to be followed later by a more comprehensive stress test. In early September only 11 of Japan's 54 nuclear reactors were in operation. Fortunately, the first stage stress tests were under way for 13 of the 30 or so reactors shut down for routine maintenance. Of these, six are scheduled to be completed by the end of September, and the remaining seven by year-end. However, even after the central government regulators approve their reopening, the governors of those prefectures all have to approve their reopening.

I assume that, in order to avoid future electricity shortages nationwide, a sufficient number of the idled plants will be reopened by spring 2012. If not, by April 2012 all reactors would be shut down. Japan would have gone from generating 30 percent of its supply of electricity from nuclear energy to none in the span of

13 months. The reopening of shut-down fossil fuel capacity would only partially cover this decrease in electricity supply.

The government's initial decision not to reopen nuclear power plants closed for routine maintenance had momentous implications. It turned what was a regional shortage in Tokyo and Tohoku into a national problem in future periods of peak demand. Japan has relied on nuclear power both to increase energy security relative to imported fossil fuels and to reduce the estimated direct costs of electricity generation.

Prior to Fukushima Daiichi, Japan planned to build nine more nuclear plants by 2020 and be at least 50 percent nuclear as part of its international commitments to reduce greenhouse gas emissions. Instead, construction on two plants under way has been halted.

About 60 percent of Japan's electricity has normally been produced by fossil fuels (oil, coal, LNG [liquefied natural gas]) and 10 percent from renewable resources (almost entirely hydro). Solar, wind, and geothermal supplies are very small.

The direct costs of nuclear-generated electricity prior to Fukushima Daiichi were the lowest; electricity from fossil fuels costs a bit more and is completely dependent on imports. Wind and solar power are twice to three times more costly than nuclear, requiring heavy government subsidies or high prices to be commercially feasible. The new law setting higher prices (feed-in tariffs) for electricity from such renewable resources will stimulate their development. While presumably profitable prices will be set by the Diet committee, a number of other obstacles remain. Over the long run appropriate incentives will speed up innovations to reduce costs.

The debate in Japan on what to do about nuclear power in the longer run is important, vigorous, rather emotional, and very political. Information is not very good, though in broad terms the framework for considering the

trade-offs are fairly clear, though not simple. Issues include safety, direct costs of electric power, external costs that fall on society but not the electric power companies or users, Japan's commitment to reduce CO<sub>2</sub> emissions from fossil fuel plants, and stability of an adequate electricity supply.

A range of constituencies and interest groups are involved. The small coastal towns where nuclear plants are located have prospered but are economically dependent on the plants because of property and other local taxes, central government subsidies, and good jobs. Many local residents apparently are not opposed to having the plants reopen. The central government political leaders and bureaucracy want them reopened as well.

However, polls suggest the general public is not positive, and the antinuclear movement has been revived. Governors in the 14 prefectures with actual or planned nuclear plants have vigorously asserted that nuclear plants should not be restarted until they are assuredly safe, apparently after successful stress tests. Given perceptions of government and power company handling of the situation, it is not surprising that many Japanese are deeply concerned.

Currently, DPJ leaders, mirroring opinion polls, want to end reliance on nuclear power, but in a gradual process taking several decades. This issue will be revisited and debated in the next five to ten years as better information becomes available and options and trade-offs evolve.

One big lesson of Fukushima Daiichi is that the ultimate costs of nuclear power, both for society as well as the producers, are significantly higher than previously believed. But fossil fuels are not safe either. The lives lost in the production of oil, coal, and LNG are well documented; less well known are the associated pollution and environmental costs. Safety is not absolute, and it is not a "free good." Further, if Japan replaces nuclear power with LNG and other thermal fuels, it will be impossible to meet its international commitment to reduce greenhouse gas emissions by 25 percent by 2020.

Although the immediate issue is when to restart routinely closed reactors, the future nature of the electric power companies is now also an important policy issue. Electricity supply is dominated by 10 economically and politically powerful, vertically integrated regional monopolies. They provide electricity generation, transmission, and distribution. One question is whether they should be required to transfer transmission and distribution to independent companies in a presumably more competitive environment.

Tokyo Electric Power Company (TEPCO) is by far the largest, with 35 percent of Japan's electric power capacity, and 17 of Japan's 54 nuclear reactors. Chubu Electric Power (Nagoya area) and Kansai Electric Power (Osaka area) are the other major suppliers. Some large companies and organizations produce electricity for their own needs, or as back-up facilities, and with any surplus available to sell to the public utilities.

How to deal with the potential insolvency of TEPCO, given its immense costs in closing Fukushima Daiichi and compensating those affected, has been addressed, at least in a preliminary way. On August 3, the Diet passed legislation creating a special entity to use both government and electric utility company funding to provide capital injections to TEPCO in order to ensure compensation to victims is paid promptly and TEPCO's electricity generation is not interrupted.

It is a credit to households, businesses, and governments that conservation efforts have been sufficiently vigorous to prevent blackouts and maintain industrial production. Astoundingly, on the hottest day in July, demand from TEPCO customers' electricity not only was 23 percent below the peak hour in July 2010, but it was 12 percent below TEPCO's present diminished capacity. On August 19, with the temperature in the mid 90s, use was just over 90 percent of capacity, and the Japan Meteorological Agency issued an advisory calling on people to use

air conditioners to prevent heatstroke. From May 31 to August 14, there were a record 132 heatstroke deaths throughout Japan, significantly above the usual rate.

## Radiation: The Japan Image Tainted

Japan has a well-deserved global reputation as a reliable supplier of high-quality products, as well as a good, industrious, friendly, peaceful country that is safe to live in or visit. It has many problems, but so do all countries. Its politics are a mess, but that is not unique to Japan. The deep outpouring from all over the world of concern, sympathy, and support when the Tohoku triple disaster occurred was real and sincere. It attests to Japan's very positive image, sometimes called the "Japan brand."

The important taint on Japan's image is as a safe place following the Fukushima Daiichi nuclear disaster. Radioactivity is very frightening; it is invisible, and excessive amounts are dangerous. Fukushima Daiichi's initial huge plume of radioactivity in the air, then radioactive water discharges into the ocean, and the ongoing radiation leakage into the air, even though it is very low, have created ongoing anxieties.

Some Fukushima and other Tohoku areas have excessive deposits on land of long-lasting radiation from the air and rainfall. Some agricultural products grown on these lands—vegetables, rice, milk, beef, and rice straw or hay for cattle fodder—are dangerously radioactive. While the government has tried hard, and with some success, to prevent radioactive agricultural products from entering markets, it is likely that screening is limited, and perhaps inadequate. One big present concern is whether the rice crop in autumn 2011 will be safe. I presume the governmental authorities, and farmers themselves, will be testing to assure safety. In order to restore credibility, testing overkill is the right strategy. It will take considerable time for the glow of radiation to fade from Japan's image.

I am convinced by the analyses of American and other experts that for almost all of Japan the air is safe. I will continue to visit Japan regularly. More importantly, I am not worried that one of my California grandsons is spending his high school senior year in Tokyo. I continue to tell students, friends, and others that I think basically it is quite safe to study in, work in, and visit Japan.

Compounding the taint, especially domestically, has been the way information and communication about Fukushima Daiichi have been mishandled. The government initially withheld vital information about the radiation dangers in Tohoku. It is not surprising that many Japanese have come to mistrust both the government and TEPCO.

The government at all levels, TEPCO, and the other power companies were woefully unprepared to deal with a Fukushima Daiichi crisis. Crisis management was chaotic, especially the first few days. Communication was not good. I was in Tokyo on March 11, and during the following week I was unsure whether I should remain there, or even in Japan. The Japanese government and media, while presenting facts carefully and seemingly thoroughly, were unwilling to discuss worst-case scenarios. Thanks to foreign analyses, I decided it was safe to remain in Tokyo.

Outside Japan much of the media coverage was sensationalist and exaggerated, including both in Korea and China, and especially on US television. The implicit message was that all Japan was a disaster zone. After two weeks, most media in America returned to their usual limited coverage of Japan—but only after creating an inaccurate image of Japan as a heavily damaged, dangerous country.

## The U.S.-Japan Relationship

Japan's strong alliance with the United States, founded on the 1952 U.S.-Japan Security Treaty, has come to be based fundamentally on economics, anchored by the bilateral trade relationship. Despite ill-conceived

and ultimately not sustained purchases of Rockefeller Center and other icons, direct investment in the United States by Japanese companies has blossomed as well, exemplified by but not limited to the automobile industry. American business investment in Japan, like that of many other foreign companies, has been much more modest.

By the mid-1980s Japan's dynamic, rapid, catch-up growth had propelled it to being the world's second largest economy and largest creditor. The challenge for the United States and Europe was to accommodate and accept Japan as a major player and responsible partner in the international economic order. That was achieved, albeit with considerable trade tensions from time to time. Today, Japan is deeply integrated into the international economic order, a respected G7 member.

U.S.-Japan economic relationships are deep, strong, and active—but relatively less important for both than in the 1980s. Both Japan and the United States now import more from and export more to China than to each other. The rapidly growing emerging economies, especially in Asia, are seen as the next big opportunity. With Japan no longer viewed as an economic threat to the United States, as it was by many in the 1980s and early 1990s, American interest in, and at times appalling ignorance of, Japan—what the Japanese call “passing Japan”—may not be surprising, but it has potentially adverse consequences. Japan will continue to be one of the world's five largest economies for the next two decades and beyond. This will be true even though Japan's GDP growth will be slow, and the population and labor force will gradually decline.

## Conclusion

My Annual Report essay some years ago on the Japanese economy alluded to William Faulkner's 1950 Nobel Prize speech with his assertion “man will not merely endure, he will prevail.” In that long-run sense, I continue to be optimistic about Japan. Yes, for the two

decades since the bursting of stock market and real estate bubbles in 1990 and 1991, Japan has trod a troubled economic path. But the unsolved and un confronted problems that justifiably dominate attention obscure some significant achievements. Over the 25 years since the Center was established in 1986, Japan ran continuous trade and current account surpluses, it became the largest global net creditor, and its foreign exchange reserves tripled to \$1.1 trillion. Japanese multinationals expanded rapidly overseas; the ratio of their overseas to domestic manufacturing tripled, to about 18 percent today. Between 1986 and 2010 (the latest available data), Japan's GDP rose by 50 percent and its GDP per capita by 43 percent. In per capita terms, this was about the same as the United States (45 percent) and Germany (44 percent), behind the UK (52 percent), but ahead of France, Canada, and Italy.

Japan has succeeded in becoming rich even as it has grown old. The working age population peaked in 1995. In 1986 those over 65 were 10.3 percent of the population but have increased to 23.2 percent today, some 29 million people. The fruits of economic growth have been widely shared, though some elderly Japanese and single working mothers are impoverished. High priority is given to education and achievement. So, while the creative vibrancy of the entrepreneurship so esteemed in the United States is not highly regarded—failure can be severely punished—Japanese firms continue on the cutting edge of defining quality and efficiency in manufacturing. Anime, manga, and video games are global phenomena.

One perspective of the Japanese economy is that it is fundamentally strong, with a skilled, diligent labor force utilizing high levels of technology and providing a high standard of living. Among the major advanced economies, over the last decade, Japan's GDP growth per capita has been mediocre but positive, just below the G7 median, but GDP per worker has been second only to the United States. A very different perspective focuses on Japan's

long subpar economic performance, persistent deflation, weak labor market, a still-obstructive regulatory environment, and an aging, declining population. A third perspective emphasizes current major difficulties and potential future crises, notably the Fukushima Daiichi disaster and a fiscal crisis at some point. All these perspectives are correct, and important.

Despite the good growth Japan will probably achieve over the next 18 months, I am concerned that it will not be sufficient to restore full employment growth and end deflation. Even with the new prime minister, I worry that politics will continue to be in unproductive gridlock for some time. I am not optimistic about Japan's economic performance over the next five to ten years. In the much longer run I am more optimistic, given Japan's modern economic history over the past 150 years.

While Japan and the world have changed significantly over the past quarter century, the Center's mission is unchanged. It is to inform and educate students at Columbia University and elsewhere, policymakers in business and government, and others about Japan's economy and its management and business systems, so as to achieve deeper understanding and better policies. When the Center was founded in 1986, some Americans and Europeans perceived Japan's economic power, dynamism, and behavior as constituting a threat; people were poorly informed.

Today, the danger is that Japan will be taken for granted, forgotten, or ignored, particularly as China continues its dramatic rise. Because of this threat of “Japan passing,” the role of the Center is more important than ever. We will continue to do our best to meet both new and ongoing challenges.

September 9, 2011

## Current Research Highlights



CJEB places 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 from grants, and CJEB contributes 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.

This year, Professor Weinstein began his project "In Search of the Financial Accelerator," which aims to provide the first empirical evaluation of how the health

of banks and other financial institutions impacts the output of firms outside the financial sector. In focusing on the linkages between firms and their sources of finance (i.e., the "credit crunch" or the "financial accelerator"), this project will demonstrate and quantify how deterioration in collateral—either held by financials or borrowers—leads to reductions in real economic activity. Professor Weinstein will exploit the extensive data purchased by CJEB, which enables him to analyze every loan received by every listed firm in Japan from the largest lenders. He will pursue the question of why the deterioration in the health of financial firms affects the performance of the firms that rely on them, and what conditions lead to the greatest impact.

Professor Weinstein has continued his work on "Prices in Space and Time," a research project using 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 foreign 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. His research for this project was featured in a May 26, 2011, *Wall Street Journal* article, "Food Cheaper in City—No Baloney."

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. This past year, he was featured in the *Los Angeles Times* and *Sankei News*, among others, and was interviewed on media outlets including Fuji TV, NHK, American Public Media (*Marketplace*), the *New York Times*, WNYC (*The Leonard Lopate Show* and *Financial 411*), and Bloomberg News (*The Hays Advantage Podcast*).

**Hugh Patrick** continues his work on Japan's economic performance and institutional changes. His most recent paper is his annual essay on the current Japanese economy, included here starting on page 4. This year, Professor Patrick has given policy-oriented talks based on his research at Academyhills in Tokyo, NYU Stern, the "Entrepreneurship and Japan's Transformation" conference at Stanford University, and the Bloomberg Japan Conference at Japan Society in New York. He also was selected to give the 14th Annual Warren S. Hunsberger Lecture at American University's School of International Service in Washington, D.C., and the keynote address at both Harvard's Asia Vision 21 and the 41st Japanese American Association of New York General Scholarship Award dinner.

**Gerald L. Curtis** regularly publishes columns in both Japanese and English 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 U.S. foreign policy. He was a contributing editor for *Getting the Triangle Straight: The Changing China-Japan-U.S. Relationship*, published in 2010 by the Japan Center for International Exchange (JCIE). JCIE also published Professor Curtis's paper "Future Directions in U.S.-Japan Relations," which grew out of his participation in the February 22, 2011, New Shimoda Conference in Tokyo, where top leaders from Japan and the United States gathered to discuss how to strengthen Japan-U.S. relations. Finally, Professor Curtis wrote "Charting a New Course for U.S.-Japan Relations," published by *Asia Pacific Review* in March 2011. Professor Curtis's current ongoing research projects involve analyses of the Japanese government's recovery efforts following the 2011 earthquake. He has been traveling regularly to Tohoku to gather interviews and data and has compiled a video report for TV Asahi, which is currently available on YouTube.

**Merit E. Janow's** research on financial regulatory reform as well as international trade and investment has continued to be in high demand. Over the past year, she has spoken to corporate, academic, and policy audiences in the United States, Japan, Europe, and the People's Republic of China 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 currently has a research project on China under way that focuses on sources of tension and opportunity in China's external economic relations. She has recently published an essay in *The International Competition Network at Ten*.

**Curtis J. Milhaupt** published an article in the *American Journal of Comparative Law* (coauthored with Columbia Law School colleague Ronald Gilson) titled "Economically Benevolent Dictators: Lessons for Developing Democracies." Another article, "The Evolution of Hostile Takeover Regimes in Developed and Emerging Markets," was published in the *Harvard International Law Journal*. His current projects include a working paper titled "We are the (National) Champions: Understanding the Mechanisms of State Capitalism in China" and an early stage empirical project on executive compensation in Japan. In 2010, Professor Milhaupt was named Teacher of the Year at the Duisenberg School of Finance at the University of Amsterdam, where he regularly teaches a course on United States corporate law and governance.

## Japanese Immigration Policy Workshop

## Faculty Engagement



A highlight in the fall 2010 CJEB research agenda was a private brainstorming workshop held on November 5, 2010, to consider the issue of immigration in Japan. This workshop was cohosted with Columbia Law School's Center for Japanese Legal Studies (CJLS), directed by Curtis J. Milhaupt. Professors Milhaupt and Patrick invited an ideologically diverse group of legal, policy, and economic experts from the United States and Japan. At the workshop, participants considered whether a more open attitude on immigration could benefit Japan or whether popular arguments against a major shift in Japan's immigration policy outweighed any potential advantages. Topics discussed in depth included:

- Japan's current policy toward skilled and unskilled foreign workers, including its controversial technical trainee program and special agreements with other countries regarding foreign nurses and caregivers
- Whether Japan needs more immigrants, given its aging and declining population, and if so, what kind of immigrants would be most beneficial for the Japanese economy

- The adequacy of Japan's current legal protections for foreign residents, including permanent residents
- How Japanese cultural identity affects assimilation of foreigners and prospects for multiculturalism
- Local government and grass-roots efforts to provide Japanese language training and other services to non-Japanese citizens in communities with high concentrations of foreign residents
- Lessons that can be learned from Japan's historical experience with the *Zainichi* and *Nikkei* populations

The intention of the brainstorming session was to create a private environment in which scholars, government officials, business leaders, and activists could openly look at immigration in Japan from all perspectives and engage in a free exchange of ideas. The November 2010 workshop yielded a fascinating set of ideas to explore and research further, and Professors Milhaupt and Patrick intend to bring the discussion to Japan in the future.

CJEB endeavors to support Columbia Business School faculty members not 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 who are not necessarily Japan experts can incorporate study of the country'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 Columbia Business School 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. Cosponsors for 2010–2011 include the Jerome A. Chazen Institute of International Business and the Sanford C. Bernstein & Co. Center for Leadership and Ethics. In addition, Columbia Business School faculty members also often participate as speakers or panelists for various CJEB public programs. **Shang-jin Wei**, N. T. Wang Professor of Chinese Business and Economy, served as moderator at "Developments and Transition: Lessons from China," a lecture in September 2010 featuring Justin Lin, World Bank chief economist. **Tim Baldenius**, Roy Bernard Kester and T. W. Byrnes Professor of Accounting and Auditing, and **Wouter Dessein**, Eli Ginzberg Professor of Finance and Economics, gave a lecture in October 2010 on their recent research trip to Japan. **Lawrence Glosten**, S. Sloan Colt Professor of Banking and International Finance, spoke at CJEB's "The New Financial Regulatory Regimes: Japan, U.S., and Europe" symposium in November 2010.

At a lecture CJEB organized in November 2010 in cooperation with the Japan Productivity Center for a group of about



## Working Paper Series

20 Japanese managers, **William Klepper**, professor of management at Columbia Business School, gave a lecture titled "Management Styles: U.S. and Japan," and **Nelson M. Fraiman**, professor of professional practice and director of the W. Edwards Deming Center at Columbia Business School, spoke to the group on "Operations Strategy and Global Competitiveness."

As in years past, CJEB worked with the Business School's Chazen Institute and the MBA student-run Japan Business Association to support the travel of a Business School faculty leader for the spring 2011 Chazen International Study Tour to Japan. In addition, the Center had arranged to send a faculty member to Japan for a program organized by the Keizai Koho Center (KKC), which features a week of meetings with corporate executives, scholars, government officials, and politicians, with the goal of promoting understanding of the Japanese economy, corporations, and management methods. Both the 2011 Chazen Study Tour and the KKC meetings were canceled due to the earthquake. CJEB looks forward to renewing support for these activities in 2012.

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 "Private Money as Public Funds," addresses Japan's political struggles to adjust to a postindustrial economy. Professor Shimizu is also working with CJEB 2010–2011 visiting fellow Kozo Miyagawa, professor at Keio University, on a project examining the structural causes of Japan's political turmoil, taking into consideration changes in Japan's demographic, industrial, and economic make-up.

The Center 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 the Center's Working Paper Series. Papers in this series are available for free download through the Center's website at [www.gsb.columbia.edu/cjeb/research](http://www.gsb.columbia.edu/cjeb/research), which links to the Columbia University Libraries' Academic Commons website.

The following CJEB Working Papers were added to the series during the 2010–2011 academic year:

### 291

#### **The (Japan-Born) "Flying-Geese" Theory of Economic Development Revisited—and Reformulated from a Structuralist Perspective**

Terutomo Ozawa, Professor Emeritus, Department of Economics, Colorado State University

October 2010

The Japan-born "flying-geese" (FG) theory of growth has recently gained recognition in academia and popularity in the media. Since Kaname Akamatsu introduced his ideas in a very broad fashion in the 1930s, opportunities have abounded for further elaboration and application to contemporary development issues. This paper reviews some of his key ideas and presents a reformulation from a new evolutionary structuralist perspective. The oft-used, yet vague, concept of "the ladder of economic development" is defined in terms of a "leading sector" stages model, à la Schumpeter—and what comes next as a new rung is considered. The enabling mechanisms of structural upgrading are explored, and the dynamics and benefits

of an FG formation of aligned countries are stressed. Also, a new stage (FG-theoretic) model of balance of payments is introduced to discuss the financial issues of "borrowed growth" and "global (G2) imbalances." The dynamics of structural upgrading and interactive growth via trade and investment within a *hierarchy* of countries is the essence of these reformulated FG models, which make up what is now increasingly shaped and recognized as "new structural economics."

### 292

#### **What Drives the Profitability of Japanese Multi-Business Corporations? A Variance Components Analysis**

Yoshitaka Fukui, Associate Professor, Graduate School of International Management, Aoyama Gakuin University

Tatsuo Ushijima, Professor, Graduate School of International Management, Aoyama Gakuin University

February 2011

This article decomposes the business-level profit rate of Japanese multi-business corporations by performing a variance components analysis on a large sample of publicly traded nonfinancial firms in 1998–2003. Consistent with US evidence, estimation results demonstrate that profitability is predominantly determined by business-level, not corporate-level, factors, suggesting that a typical multi-business corporation in Japan is a combination of relatively distinct businesses in terms of profit.

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#### **Currency Invoicing Decision: New Evidence from a Questionnaire Survey of Japanese Export Firms**

Takatoshi Ito, Professor, Graduate School of Economics, the University of Tokyo

Satoshi Koibuchi, Associate Professor of Finance, Faculty of Commerce, Chuo University

Kiyotaka Sato, Professor, Faculty of Economics, Yokohama National University  
Junko Shimizu, Associate Professor, School of Commerce, Senshu University  
March 2011

There have been only a few studies that empirically examine firm-level decisions on price setting or currency invoicing in international trade. This paper is the first study to conduct the questionnaire survey with all manufacturing firms listed on the Tokyo Stock Exchange concerning the choice of invoicing currency at a firm level. Questionnaires were sent out to 920 Japanese firms in September 2009, and 227 firms responded. We present new firm-level evidence on the choice of invoicing currency by destination and by type of trading partner and also the share of invoicing currency of Japanese production subsidiaries in Asia. By conducting cross-section analysis, we found the following evidence: (1) highly differentiated goods and/or strong competitiveness of products promote Japanese yen invoicing in exports to all countries; (2) a larger share of intrafirm trade in exports promotes the importer's currency invoicing in exports to advanced countries; and (3) the production-sales networks of Japanese firms whose Asian production subsidiaries export their final products to other countries/regions promote US dollar invoicing in exports to Asian countries.

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#### **The Great Intervention and Massive Money Injection: The Japanese Experience 2003-2004**

Tsutomu Watanabe, Professor of Contemporary Economies, Institute of Economic Research, Hitotsubashi University  
Tomoyoshi Yabu, Faculty of Business and Commerce, Keio University

March 2011

From the beginning of 2003 to the spring of 2004, Japan's monetary authorities



conducted large-scale yen-selling/dollar-buying operations in what John Taylor has labeled the "Great Intervention." This paper examines the relationship between this "Great Intervention" and the quantitative easing policy the Bank of Japan (BOJ) was pursuing at that time. First, we find that about 40 percent of the yen funds supplied to the market by yen-selling interventions were not offset by the BOJ's monetary operations and remained in the market for a while; this is in contrast with the preceding period, when almost 100 percent were immediately offset. Second, comparing interventions and other government payments, the extent to which the funds were offset was much smaller in the case of interventions, suggesting that the BOJ differentiated between and responded differently to interventions and other government payments. These two findings indicate that it is likely that the BOJ intentionally did not sterilize yen-selling interventions to achieve its policy target of maintaining current account balances of commercial banks at the BOJ at a high level. Finally, we find that an unsterilized intervention had a greater impact on the yen-dollar rate than a

sterilized one did, indicating that it matters whether an intervention is sterilized or not even when the economy is in a liquidity trap.

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#### **Fiscal Policy Switching in Japan, the U.S., and the U.K.**

Arata Ito, Graduate Student, Graduate School of Economics, Hitotsubashi University  
Tsutomu Watanabe, Professor of Contemporary Economies, Institute of Economic Research, Hitotsubashi University  
Tomoyoshi Yabu, Faculty of Business and Commerce, Keio University

March 2011

This paper estimates fiscal policy feedback rules in Japan, the United States, and the United Kingdom for more than a century, allowing for stochastic regime changes. Estimating a Markov-switching model by the Bayesian method, we find the following: first, the Japanese data clearly reject the view that the fiscal policy regime is fixed, i.e., that the Japanese government adopted a Ricardian or a non-Ricardian regime throughout the entire period. Instead, our results indicate a stochastic switch of the

debt-GDP ratio between stationary and nonstationary processes, and thus a stochastic switch between Ricardian and non-Ricardian regimes. Second, our simulation exercises using the estimated parameters and transition probabilities do not necessarily reject the possibility that the debt-GDP ratio may be nonstationary even in the long run (i.e., globally nonstationary). Third, the Japanese result is in sharp contrast with the results for the U.S. and the U.K., which indicate that in these countries the government's fiscal behavior is consistently characterized by Ricardian policy.

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### On the Evolution of the House Price Distribution

Takayuki Mizuno, Associate Professor, Department of Computer Science, Graduate School of SIE, University of Tsukuba

Takaaki Ohnishi, Project Researcher, Canon Institute for Global Studies and Graduate School of Economics, the University of Tokyo

Chihiro Shimizu, Professor, International School of Economics and Business, Reitaku University

Tsutomu Watanabe, Professor of Contemporary Economics, Institute of Economic Research, Hitotsubashi University

May 2011

Is the cross-sectional distribution of house prices close to a (log) normal distribution, as is often assumed in empirical studies on house price indexes? How does the distribution evolve over time? To address these questions, we investigate the cross-sectional distribution of house prices in the Greater Tokyo Area for the period 1986 to 2009. We find that size-adjusted house prices follow a lognormal distribution except for the period of the housing bubble and its collapse in Tokyo, for which the price distribution has a substantially heavier right tail than that of a lognormal distribution. In addition, we find that, during

the bubble era, the sharp price movements were concentrated in particular areas, and this spatial heterogeneity is the source of the fat upper tail. These findings suggest that the shape of the size-adjusted price distribution, especially the shape of the tail part, may contain information useful for the detection of housing bubbles. Specifically, the presence of a bubble can be safely ruled out if recent price observations are found to follow a lognormal distribution. On the other hand, if there are many outliers, especially near the upper tail, this may indicate the presence of a bubble, since such price observations are unlikely to occur if they follow a lognormal distribution. This method of identifying bubbles is quite different from conventional ones based on aggregate measures of housing prices and therefore should be a useful tool to supplement existing methods.

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### The Effect of the VAT Rate Change on Aggregate Consumption and Economic Growth

Bumpei Miki, Section Chief, Fiscal Investment and Loan Program Division, Financial Bureau, Ministry of Finance

May 2011

The purpose of this paper is to determine empirically the effect of a change in a country's value added tax (VAT) rate on its aggregate consumption and economic growth. As for the effect on aggregate consumption, this paper removes the income effect and discusses only the substitution effect. Using panel data models on a sample covering up to 14 developed countries, including Japan, and quarter periods from the second quarter in 1980 (1980 Q2) to the third quarter in 2010 (2010 Q3) and picking up 53 cases of the change of the VAT rate, this paper shows empirically that aggregate consumption and economic growth display three kinds of trends when the VAT rate is changed.

The first trend is that aggregate consumption and economic growth increases [or decreases] just before the rise [or reduction] of the VAT rate. The second trend is that they decrease [or increase] relatively dramatically as soon as the rise [or reduction] is implemented. The third trend is that after the dramatic decrease [or increase] they increase [or decrease] gradually.

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### Trade Finance and the Great Trade Collapse

JaeBin Ahn, PhD Candidate, Department of Economics, Columbia University

Mary Amity, Research Officer, International Research Function, Federal Reserve Bank of New York

David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy, Columbia University; Associate Director for Research, Center on Japanese Economy and Business, Columbia Business School

June 2011

This paper reviews evidence that financial factors may have resulted in a greater decline in exports than were predicted in models without financial frictions. We provide two new pieces of evidence that support the trade finance channel. First, we show that export prices rose relative to domestic manufacturing prices across a large number of countries. Second, we find that import and export prices of goods shipped by sea, which are likely to be affected most by trade finance contractions, rose disproportionately more than those shipped by air or land.

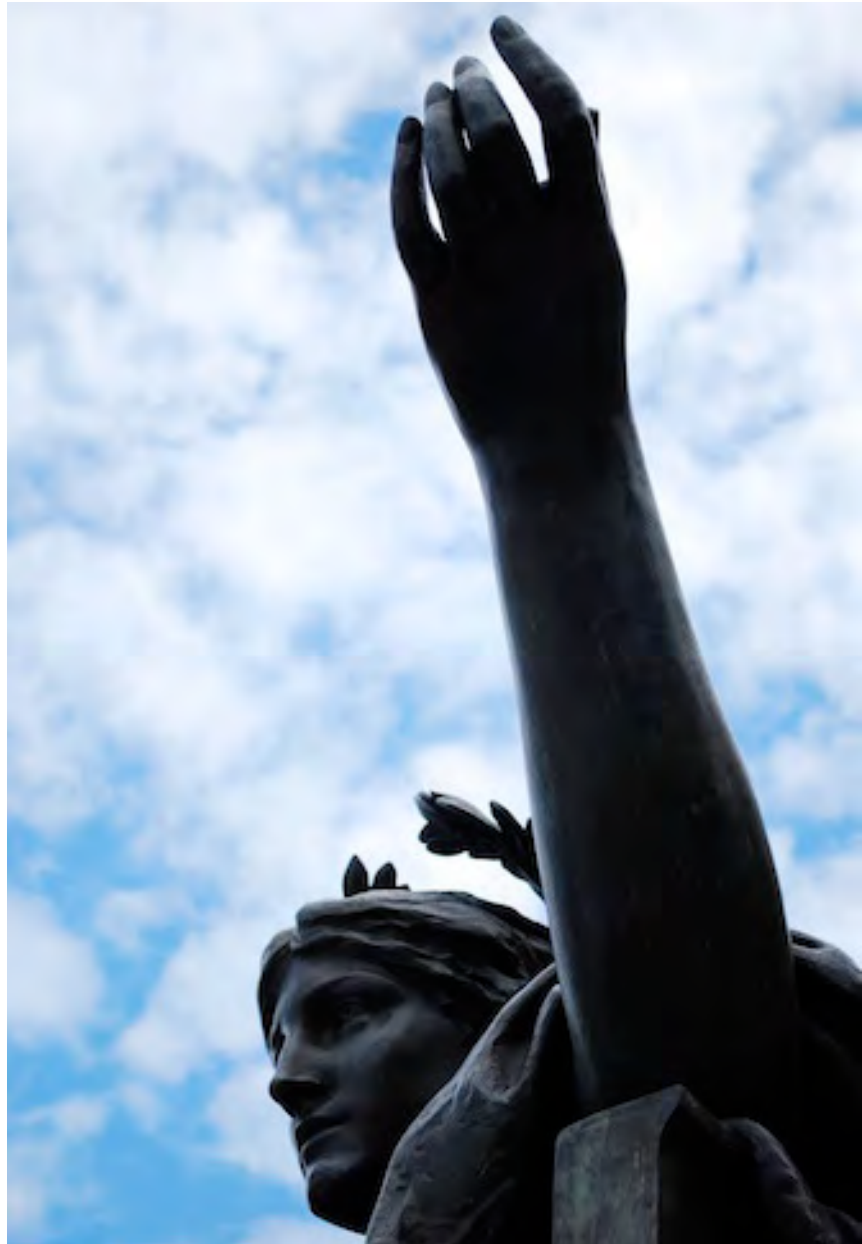
## The New Financial Architecture: Japan and the United States

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 Financial Architecture: Japan and the United States" (NFA). The purpose of the NFA 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.

The program brings together distinguished finance and economics professors at Columbia Business School and other parts of the University with financial market participants in the United States, Japan, Europe, and China. While it focuses on the United States and Japan, the program is designed to explore the broader context of the global financial system and its other major players. Past and future NFA topics for research and presentation include 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 macroeconomic performance; and the nature and role of government and monetary policies.

The NFA program began with CJEB seed funding, and we now welcome Aflac Japan as the first Lead Corporate Sponsor for the NFA program. 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 getting involved in the NFA program to contact us.

CJEB plans to hold two major NFA public programs each year, one at Columbia University and one in Tokyo. Please visit page 17 for highlights from the fall 2010 NFA symposium at Columbia, "The New



Financial Regulatory Regimes: Japan, U.S., and Europe." Our spring 2011 NFA conference in Tokyo, "Japan, U.S., China, and the Future of the World Economy," was planned for March 16 with speakers including Joseph E. Stiglitz, University Professor at Columbia University, and Hiroshi Mikitani, chairman and CEO of Rakuten, Inc. This

conference was postponed due to the March 11 earthquake and rescheduled for October 21, 2011, with a new agenda and updated list of speakers. Please visit our website for further information.



## Symposia

### The New Financial Regulatory Regimes: Japan, U.S., and Europe

November 22, 2010; Columbia University

Gillian Tett, US managing editor at the *Financial Times*; Takatoshi Ito, professor in the Graduate School of Economics at the University of Tokyo; and Lawrence Glosten, S. Sloan Colt Professor of Banking and International Finance at Columbia Business School, spoke at this symposium to address how various financial structures, supervision, and regulations in the United States, Europe, and Japan both led to the recent financial crisis and aided in the recovery. This symposium was part of CJEB's program on "The New Financial Architecture: Japan and the United States" and was moderated by Professor David E. Weinstein and cosponsored by the Sanford C. Bernstein & Co. Center for Leadership and Ethics.



From left to right: Hugh Patrick, David E. Weinstein, Gillian Tett, Takatoshi Ito, and Lawrence Glosten

### What Impact Will Monetary Easing Have on US and Global Economies?

February 3, 2011; Japan Society

Gillian Tett, Alicia Ogawa, and Nomura Securities International Inc. representatives Brian Foran, managing director and head of equity research, and David Resler, managing director and chief US economist, spoke on a panel that addressed the impact of the Federal Reserve's second round of quantitative easing policies (QE2) for the United States and the global economy. Mr. Resler stated that although he believed QE2 was a valid initiative to avoid a double-dip recession, the United States must also look toward new methods of generating revenue apart from spending reduction and/or tax hikes. Professor Ogawa said that the US situation had many parallels with Japan and expressed concern about rampant deflation and fiscal policies that invest in services for the elderly rather than in education for the

young. Mr. Foran remarked that QE2 will be bad for US bank margins, good for housing values, and good for consumer cash flow, but that the policy response in the United States will be more manageable than that in Japan. Ms. Tett asserted her belief that while QE2's success is indeterminable and global uncertainty regarding the US economy will increase, the United States should implement a combination of spending and tax measures. Sara Eisen, anchor and reporter for Bloomberg, moderated the symposium, which was cosponsored by Japan Society, the Women's Bond Club of New York, and Nomura Holding America Inc.

### The Economic, Health, and Political Consequences of Japan's Earthquake

March 22, 2011; Columbia Business School

Following the devastating March 11, 2011, earthquake, CJEB quickly organized a panel of experts to address the health, economic,

and political consequences of the earthquake, the ensuing tsunami, and the disaster at the Fukushima Daiichi nuclear power plant. The speakers were David J. Brenner, Higgins Professor of Radiation Biophysics at the College of Physicians and Surgeons of Columbia University; Gerald L. Curtis; and David E. Weinstein. Professor Brenner clarified many of the concerns surrounding the health impact of nuclear radiation from the Fukushima Daiichi reactor, assuring the audience that there would be minimal radiation-related illness for the average Japanese citizen. For workers at the nuclear reactors, however, he noted that it was quite likely that fatalities will occur. Professor Weinstein discussed the economic consequences of the crisis, using the 1995 Hanshin earthquake in Kobe as a case study. Professor Weinstein predicted that regions affected by the disasters would bounce back much like those in Kobe did in 1995, and a collapse of the Japanese economy would not occur. Assessing the political environment surrounding the



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

crisis, Professor Curtis remained optimistic and noted that the Democratic Party of Japan (DPJ) responded more openly and honestly than earlier. Professor Curtis argued that this crisis has reminded the world of the importance of the Japanese economy and strengthened U.S.-Japan relations. Professor Curtis J. Milhaupt moderated this symposium, which was cosponsored by Columbia Law School's Center for Japanese Legal Studies (CJLS) and Columbia University's Weatherhead East Asian Institute (WEAI) and Program for Economic Research (PER).

## Legal and Policy Perspectives on the Japanese Crisis

*April 6, 2011; Columbia Law School*

A panel consisting of Masayoshi Arai, special advisor to the Ministry of Economy, Trade, and Industry (METI) of Japan and director of the Japan External Trade Organization in New York (JETRO); Michael Gerrard, professor of professional practice in law and director of the Center on Climate Change Law at Columbia Law School; and Curtis J. Milhaupt discussed the global legal and policy implications of the Great East Japan Earthquake. Hajime Matsuura, senior columnist at *Sankei Shimbun*, served as commentator. Mr. Arai discussed recent developments at the Fukushima Daiichi nuclear power station, assuring the audience that the situation at the reactor

was stable. He also noted that more than 130 countries had offered assistance, and, despite recovery difficulties, basic necessities were being provided to victims. Professor Gerrard discussed the domestic and international regulations of the nuclear power industry, stating his belief that nuclear energy-related legislation in the United States Congress will be suspended for the next two years. Professor Milhaupt considered factors involved in being prepared for a disaster like what happened at Fukushima Daiichi, including failures in risk assessment, externalizations of risk, weak corporate leadership, and government bailouts. Mr. Matsuura spoke on the role of the Japanese media during crises and his belief that they will play a larger role in keeping business and government leaders accountable for their behavior and actions during future crises. Professor Milhaupt moderated this symposium, which was cosponsored by CJLS and the Nihon Houritsu Kenkyukai (NHK) student organization at Columbia Law School.

## The Realities and Relevance of Japan's Great Recession

*The 12th Annual Mitsui USA Symposium  
April 13, 2011; Columbia Business School*

Adam S. Posen, senior fellow at the Peter G. Peterson Institute for International Economics and external member at the Monetary Policy Committee of the Bank

of England, provided his assessment of Japan's Great Recession of the 1990s. In particular, Dr. Posen addressed publically held perceptions about Japan's recession, which he believed were not only inaccurate but also continued to negatively impact policy debates. He started by arguing that society must overcome the stereotype that there is a tragic inevitability to Japan's economic situation. Looking at Japan's growth rates since 1992, Dr. Posen observed periods of growth in 1994-95. While rates dipped in 1996-97 due to monetary and fiscal policies, Japan bounced back and averaged a 2 percent growth rate from 2002 to 2008. Dr. Posen stated his belief that after the March 2011 disasters, Japan can and will become a normal economy again. Despite their inherent tragedy, the disasters caused by the earthquake may indeed be the catalyst that drives Japan to undergo necessary structural changes and bring itself into a new stage of growth and development. Professor David E. Weinstein joined as discussant and Professor Hugh Patrick moderated the symposium, which was cosponsored by the Mitsui USA Foundation as the 12th Annual Mitsui USA Symposium.



# Lectures



From left to right: Hugh Patrick and Gerald Curtis

## Political Turmoil in Tokyo

September 20, 2010; Columbia University

Gerald L. Curtis, Burgess Professor of Political Science at Columbia University, gave his sixth annual lecture on Japanese politics as part of CJEB's Distinguished Lecture Series. Professor Curtis acknowledged that when the Democratic Party of Japan (DPJ) first took power, he was hopeful that then Prime Minister Hatoyama would follow through on his reform agenda to change the way politics was played in Japan. However, Prime Minister Hatoyama's inept leadership and his inexperienced administration quickly led to his resignation. Professor Curtis noted that Hatoyama's successor, Prime Minister Naoto Kan, had displayed considerable political skill but faced a gridlock in parliament that paralyzed his ability to change legislation. Professor Curtis ended by explaining that Japanese politics will continue to go through a long process of "creative destruction," but eventually "the dust will settle and a new party system will emerge." This lecture was moderated by Professor Hugh Patrick and cosponsored by WEAI.

## Development and Transition: Lessons from China

September 23, 2010; Columbia University

Justin Lin, chief economist and senior vice president of development economics at the World Bank, delivered the inaugural N. T. Wang Lecture. Focusing on lessons that

China's growth can offer to other nations, including Japan, Dr. Lin emphasized the importance of each country developing its comparative advantage in order to compete in the world economy. He noted that China's comparative advantage is its labor force and that China has learned to focus on this advantage while also utilizing technological advancements from other countries. Dr. Lin also drew attention to China's "dual-track" economy, which joins together a free market system with central planning and noted that China must move away from this inefficient model. Shang-Jin Wei, N. T. Wang Professor of Chinese Business and Economy and director of the Jerome A. Chazen Institute of International Business at Columbia Business School, moderated the lecture, which was cosponsored by the APEC Study Center at Columbia University, the Chazen Institute, and WEAI.

## Book Talk on Edwin O. Reischauer and the American Discovery of Japan

October 19, 2010; Museum of the City of New York

George R. Packard, president of the United States-Japan Foundation and adjunct professor of political science at Columbia University, gave a special lecture on how Edwin O. Reischauer helped change perceptions of Japan in the United States. Professor Packard served as a special assistant to Professor Reischauer while

Professor Reischauer was the United States Ambassador to Tokyo. Professor Packard spoke about how Professor Reischauer was dedicated to communicating to the American people how Japan is peace loving, a robust democracy, a reliable trade partner, and finally, a firm ally of the United States. Professor Packard said that he thought Professor Reischauer would share in the belief that, despite the current economic and political troubles of Japan, Japanese people are simply too talented to not recover. This lecture was moderated by Kay Shimizu, assistant professor at Columbia University, and cosponsored by the Museum of the City of New York and WEAI.



From left to right: The Honorable John V. Roos and Hugh Patrick

## U.S.-Japan Relations

December 14, 2010; Japan Society

The Honorable John V. Roos, Ambassador Extraordinary and Plenipotentiary of the United States of America to Japan, spoke on the current challenges facing Japan and the strategic importance of the U.S.-Japan alliance. Ambassador Roos noted that while Japan has largely been a success story for the last 65 years, the nation was undergoing difficult times, both economically and politically, and had entered its second "Lost Decade." Looking ahead, Ambassador Roos declared that "Japan is as important to the United States as it has ever been," asserting that the U.S.-Japan partnership is comprised of three essential pillars: security, economic relations, and global partnership.



From left to right: George Packard and Kay Shimizu

His Excellency Ichiro Fujisaki, Ambassador Extraordinary and Plenipotentiary of Japan to the United States of America, made brief introductory comments. Professor Hugh Patrick introduced Ambassador Roos and presided over the lecture. This lecture was co-organized by Japan Society.

## How to Improve Japanese Corporate Governance

February 7, 2011; Columbia Law School

Nicholas Benes, representative director of the Board Director Training Institute of Japan and chair of the Growth Strategy Task Force and FDI Committee at the American Chamber of Commerce in Japan, gave a lecture on a Democratic Party of Japan (DPJ) initiative to amend the Company Law in Japan. Mr. Benes noted that the boards of directors of Japanese public companies are overwhelmingly selected from internal management, with many companies not having any outside, independent directors or any requirements that they do so. Independent members may be appointed to special board committees such as audit and compensation committees. Mr. Benes proposed that in cases where boards did not have independent directors, the boards should have special legal responsibility for their business judgments, with careful records and other documentation to justify their decisions when legally challenged, and to assure that their decision making avoids potential managerial conflicts of interest. Such decisions would involve nominations and terminations of board members, determination of board member compensation, and resolutions that could impact control of the company. Mr. Benes explained that he expected that implementation of such measures would require all boards to be more careful about keeping detailed records, conducting necessary analysis, hiring appropriate advisors, and justifying their decisions. This lecture was moderated by Professor Curtis J. Milhaupt and cosponsored by CJLS.

## The Interdependence and Future of the Japanese and Chinese Economies

February 24, 2011; Columbia Law School

Masahiko Aoki, Henri and Tomoye Takahashi Professor Emeritus of Japanese Studies in the Economics Department and senior fellow of the Stanford Institute of Economic Policy Research (SIEPR) at Stanford University, gave a lecture on the historical and contemporary economic, demographic, and institutional interlinkages between China and Japan. Professor Aoki explained the economic backgrounds of China, Japan, and Korea, observing that all three countries have increasingly aged populations, with Japan having already reached its population peak and Korea doing so in the next few years. Drawing from his research, Professor Aoki outlined the phases of economic development: (0) a dominant peasant economy; (1) industrialization; (2) high growth and migration; (3) steady per capita income growth; and (4) a mature population, increased aging, and low fertility rates. Professor Aoki stated that despite similarities between Japan and China in Phase 0, the two countries developed distinctly different institutions regarding taxation enforcement, property rights, and lease contracts. While China is currently transitioning to Phase 3 with business transaction rights, Japan is transitioning into Phase 4 as it deals with social issues that call for substantive reform. Though each country has its differences, Professor Aoki argued that they may all enjoy strategic complementarities in the future based on China's status as a Phase 3 country and Japan's position in Phase 4. Professor Curtis J. Milhaupt moderated this lecture, which was cosponsored by CJLS.



## Black Markets and the Ruins of Empire in Postwar Tokyo

April 14, 2011; Columbia Business School

Seiji M. Lippit, associate professor of Asian languages and cultures at the University of California, Los Angeles, gave a lecture on the literary representation of black markets in postwar Tokyo. Professor Lippit focused on black markets as mediating spaces between the collapsed Japanese empire and an emerging postwar nation-state. The works Professor Lippit analyzed were Taijiro Tamura's *Nikutai no mon* (*Gate of Flesh*), Fumiko Hayashi's *Ukigumo* (*Floating Clouds*), and Yoshie Hotta's *Kimyō na seishun* (*A Strange Youth*). All three works involved facets of the black markets in Tokyo despite heavy occupation censorship. The black markets were situated primarily along Yamanote train line stations such as Shimbashi, Ikebukuro, and Shinjuku and served to unofficially demarcate a central zone of reconstruction. By highlighting these black markets as both concrete and abstract spaces, Professor Lippit demonstrated how they affected the physical reconstruction of Tokyo while also shaping the popular imagination of the city. This lecture was moderated by Tomi Suzuki, professor of Japanese literature in the Department of East Asian Languages and Cultures at Columbia University, and cosponsored by the Donald Keene Center of Japanese Culture (DKC).

# Conferences

## Financial Development and Economic Integration in East Asia

*December 2-3, 2010; Seoul, South Korea*

This conference, organized by Yung Chul Park of Korea University, was devoted to the presentation and discussion of papers for the project on the financial development of China, Japan, and Korea over the past 20-25 years, with papers presented by Yiping Huang and Xun Wang of Peking University (on China), Edward Lincoln of NYU Stern (on Japan), Yung Chul Park of Korea University (on Korea), and Hyun Song Shin of Princeton University (on a global context). Joining CJEB as sponsors for this conference were Korea University and NYU Stern.

## The Japan Project Meeting

*June 24-25, 2011; Tokyo, Japan*

In partnership with the National Bureau of Economic Research (NBER), the Center for Advanced Research in Finance (CARF) at the University of Tokyo, and the Australia-Japan Research Centre (AJRC) at the Crawford School of Economics and Government at the Australian National University, CJEB cosponsored the annual Japan Project Meeting. Professor David E. Weinstein organized the 2011 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 Anil Kashyap of the University of Chicago. 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:

### Dynamics of Trade and Heterogeneity in General Equilibrium

*Authors:* Robert Dekle, University of Southern California; Hyeok Jeong, National Graduate

Institute for Policy Studies; Nobuhiro Kiyotaki, Princeton University and NBER

*Discussant:* Brent Neiman, University of Chicago and NBER

### Debt, Deleveraging, and the Liquidity Trap: A Fisher-Minsky-Koo Approach

*Authors:* Gauti Eggertsson, Federal Reserve Bank of New York; Paul Krugman, Princeton University and NBER

*Discussant:* Tsutomu Watanabe, Hitotsubashi University

### Universal Health Insurance, Utilization, and Health: Evidence from Japan

*Authors:* Ayako Kondo, Osaka University; Hitoshi Shigeoka, Columbia University

*Discussant:* Ilyana Kuziemko, Princeton University and NBER

### Great East Japan Earthquake and Trade Policy in Japan

*Keynote Speaker:* Hideichi Okada, METI Vice Minister for International Affairs

### The Consumption Response to Seasonal Income: Evidence from Japanese Public Pension Benefits

*Authors:* Melvin Stephens, University of Michigan and NBER; Takashi Unayama, Kobe University

*Discussant:* Robert Shimer, University of Chicago and NBER

### Employment Status Persistence in the Japanese Labor Market

*Author:* Jess Diamond, University of California, San Diego

*Discussant:* Fumio Ohtake, Osaka University

### The Future of the Japanese Economy (Panel Discussion)

*The Future Role of Japan in Asia*  
Shinji Takagi, Osaka University

*Japanese Government Debt and Sustainability of Fiscal Policy*

Takero Doi, Keio University; Takeo Hoshi, University of California, San Diego, and NBER;

Tatsuyoshi Okimoto, Hitotsubashi University

*Why Did Japan Stop Growing?*

Takeo Hoshi, University of California, San Diego, and NBER; Anil Kashyap, University of Chicago and NBER

### Investment and Borrowing Constraints: Evidence from Japanese Firms

*Authors:* Hiroyuki Kasahara, University of British Columbia; Yasuyuki Sawada, the University of Tokyo; Michio Suzuki, the University of Tokyo

*Discussant:* Patrick Bolton, Columbia University and NBER

### Cultures, Worldviews, and Intergenerational Altruism

*Authors:* Kohei Kubota, Nihon University; Charles Horioka, Osaka University and NBER; Akiko Kamesaka, Aoyama Gakuin University; Masao Ogaki, Keio University; Fumio Ohtake, Osaka University

*Discussant:* Paola Giuliano, University of California, Los Angeles, and NBER

### Property Rights and Financial Development: The Legacy of Japanese Colonial Institutions

*Authors:* Dongwoo Yoo, Ohio State University; Richard Steckel, Ohio State University and NBER

*Discussant:* Ailsa Roell, Columbia University

### Concluding Remarks

Masahiro Kawai, Dean of the Asian Development Bank Institute

# Lunchtime Seminars—Zadankai

CJEB organizes a lunchtime seminar series for students, faculty, and members of the citywide business community. These *zadankai*, or informal discussions, 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.

## Career Paths: Dreams and Reality

September 30, 2010; Columbia Business School

Shigeru Masuda, Chairman and CEO, ZERON Group, MBA '74

Moderated by Professor Hugh Patrick

Mr. Masuda, a noted venture capitalist and investment fund manager, recounted the nontraditional steps of his career and the role of intuition in his investment decisions. He gave advice on these matters to students and professionals during the Q&A session.

## Japanese Corporate Structures and Strategies: A Recent Examination of Omron, Kirin, and Mitsui & Co., Ltd.

October 7, 2010; Columbia Business School

Tim Baldenius, Roy Bernard Kester and T. W. Byrnes Professor of Accounting and Auditing, Columbia Business School

Wouter Dessein, Eli Ginzberg Professor of Finance and Economics, Columbia Business School

Moderated by Professor Hugh Patrick

Professors Dessein and Baldenius discussed the findings of their summer 2010

research trip to Japan as part of a program organized by the Keizai Koho Center and arranged by CJEB. Their cross-cultural analysis addressed incentive systems, organizational architecture, and interdivisional relationships at Japanese companies Omron, Kirin, and Mitsui & Co., Ltd.

## An Inward Looking Japan or a New Japan Inc.?

November 4, 2010; Columbia Business School

Yotaro Kobayashi, Former Chairman, Fuji Xerox Co., Ltd.

Moderated by Professor Hugh Patrick

Mr. Kobayashi explored the current trends of isolation versus international outreach in Japan. Regarding education, he explained that while firms are not sending as many students abroad for business school degrees as they were in the 1980s and 1990s (due in large part to a lack of funding), such degrees are now generally more accepted and valued in the Japanese business community.

## Currency Wars—Yen, Dollar, Renminbi?

November 16, 2010; Columbia University

Takatoshi Ito, Professor, Graduate School of Economics, the University of Tokyo

Moderated by Professor Hugh Patrick

Professor Ito described four “currency wars”: China renminbi undervaluation versus the US dollar, the cheap US dollar versus flooding the emerging markets, China renminbi undervaluation versus the emerging markets’ currencies, and emerging market capital controls versus advanced countries and the IMF. He also touched on yen appreciation, global imbalances, and the roles of the G-20 and IMF.

## How Long Will the JGB (Japanese Government Bond) Market Defy Gravity?

November 18, 2010; Columbia Business School

Alicia Ogawa, CJEB Senior Advisor; Adjunct Associate Professor, SIPA; former Managing Director, Lehman Brothers

Moderated by Professor Hugh Patrick

Professor Ogawa explored the reasons for the inflated value of the huge Japanese Government Bond (JGB) market, including saving patterns, currency issues, and continued investment by China and other countries. She explained that it is hard to predict a collapse of the JGB market because of the numerous factors involved.

## The USD’s Declining Role: A Market View

April 19, 2011; Columbia Business School

Jeffrey Young, Managing Director and Head of North America Foreign Exchange Research, Barclays Capital

Moderated by Professor Alicia Ogawa

Mr. Young outlined the effect of a transition from a world with two currency blocs (USD and EUR) to one with three blocs (adding China’s CNY) in terms of investment and saving rates, currency values, and regional alliances. He predicted a slow transition away from the USD, with Asia’s real exchange rate increasing, the USD slightly weakening, Asian regional currencies moving toward the CNY, and emerging markets increasing their reserves of other currencies.





Top row, from left to right: Shigeru Masuda, Hugh Patrick and Yotaro Kobayashi, Alicia Ogawa. Bottom row, from left to right: Doug Peterson, Takatoshi Ito, Shiro Armstrong and Hugh Patrick, Jeffrey Young

## The Economics and Politics of the Japan-China Relationship

April 21, 2011; Columbia Business School

Shiro Armstrong, Research Fellow, Crawford School of Economics and Government, the Australian National University; Visiting Fellow, CJEB

Moderated by Professor Hugh Patrick

Dr. Armstrong presented his research on the effect that the political relationship between Japan and China has on their economic relationship, and vice versa. Unlike contentious relationships like Pakistan-India and

North Korea-South Korea, trade is flourishing between Japan and China. He explained that economic factors dominate the political ones, particularly since China acceded to the WTO, which slashed China's tariffs and gave investors a boost in confidence.

## Leading Through a Crisis in Japan

April 28, 2011; Columbia Business School

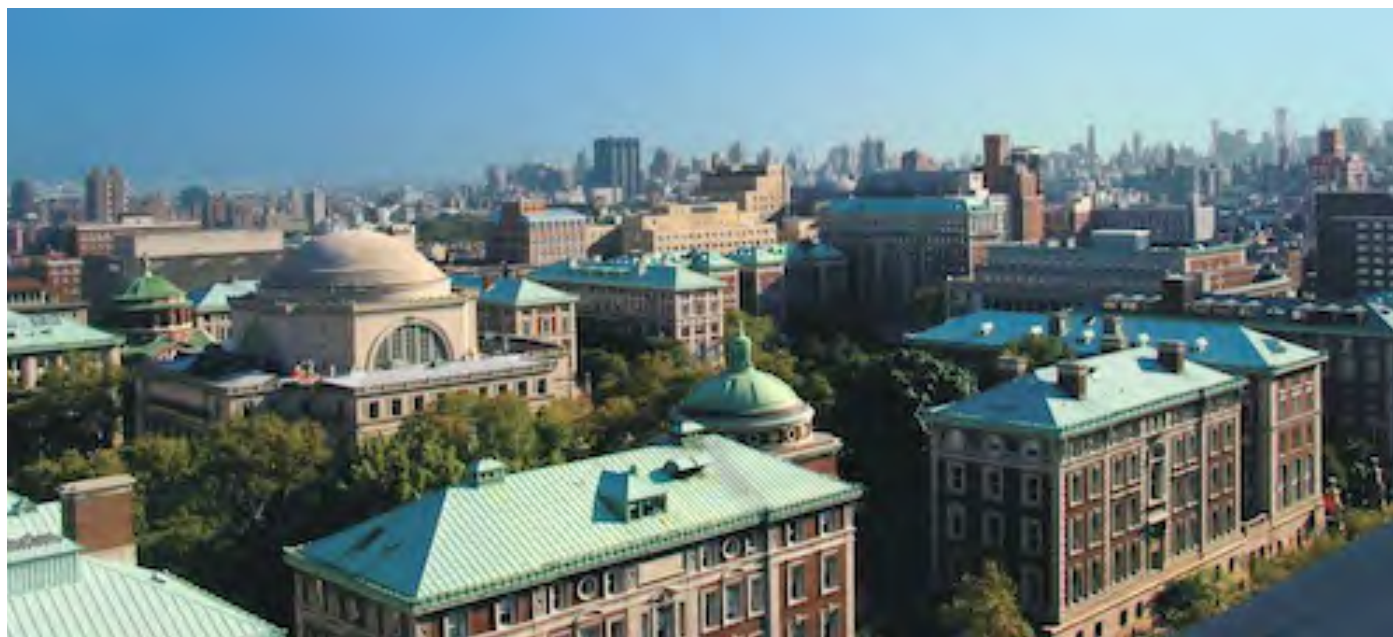
Douglas Peterson, Chief Operating Officer, Citibank, N.A.

Moderated by Professor Hugh Patrick

Mr. Peterson discussed the importance of leadership in dealing with crises, drawing

from his experience leading Citibank Japan from 2004 to 2010. He led the audience through what he believes are the three phases of conflict resolution: problem recognition, problem resolution, and full resolution.

# Lunchtime Seminars—Brown Bag Lectures



Throughout the year, the Center collaborates with other organizations on campus to sponsor lunchtime lectures featuring a diverse range of topics related to Japan. Lectures held during 2010–2011 included:

## The 2009 and 2010 Elections in Japan: What's Going On (?!) in Japanese Politics and Why?

October 28, 2010; Columbia University

Ellis Krauss, Professor, Graduate School of International Relations and Pacific Studies, University of California, San Diego

Moderated by Professor Kay Shimizu

Professor Krauss discussed the electoral changes that Japan has experienced since the early 1990s, when the Liberal Democratic Party (LDP) dominated. He explained that the Democratic Party of Japan (DPJ) came into power after the LDP shifted pork-barrel spending away from

urban areas, which alienated large portions of the population and allowed for local opposition parties to merge and for swing voters to emerge. This lecture was cosponsored by WEAI.

## Making “1968” in Japan: The Political Alchemy of Violence

WEAI Brown Bag Series: *New Angles on Japanese Society in the 20th Century*

November 16, 2010; Columbia University

William Marotti, Associate Professor, Department of History, University of California, Los Angeles

Moderated by Kim Brandt, Associate Professor of East Asian Languages and Cultures, Columbia University

Professor Marotti described events leading up to the 1968 unrest in Japan to answer two questions: (1) how does political subjectification happen—what brings people into the streets—and (2) what engenders the distinct form of

activism that we see in this period. By examining the actions of student activists, Professor Marotti described how the backlash against state violence led to a popularization of nonviolent protests and created new political possibilities. This lecture was cosponsored by WEAI and DKC.

## Japan circa 1959: The High-Growth Economy and the Social Effects of Television

WEAI Brown Bag Series: *New Angles on Japanese Society in the 20th Century*

November 30, 2010; Columbia University

Yoshikuni Igarashi, Associate Professor of History, Vanderbilt University

Moderated by Professor Kim Brandt

Professor Igarashi gave an overview of the postwar economic factors that enabled a large increase in personal and family consumption and the



corresponding wide dissemination of televisions into Japanese households. He discussed the role television played in the creation of a new sense of self-awareness and subjectivity for individuals and families, particularly in rural areas, and how this influenced the individual's relationship to and connection with Japanese society. This lecture was cosponsored by WEAI.

## Japanese Youth in Transition: Work, Marriage, and Inequality in Contemporary Japan

February 1, 2011; Columbia University

Hiroshi Ishida, Professor of Comparative Social Stratification, Senior Associate Director of the Institute of Social Science, the University of Tokyo; Visiting Fellow, Center for Research on Inequalities and the Life Course, Yale University

Moderated by Professor Hugh Patrick

Professor Ishida reviewed the findings from his research on the two major life transitions for youth: job and partner searches. Regarding jobs, he concluded that class mobility was difficult due to the major role schools have in the search process.

Regarding partner searches, he came to the related conclusion that chances of marriage are much higher for people with jobs versus the unemployed. This lecture was cosponsored by WEAI.

## Telling War Stories: Manufacturing Corporate History on the Yokohama Waterfront

WEAI Brown Bag Series: New Angles on Japanese Society in the 20th Century

February 15, 2011; Columbia University

Christopher Gerteis, Lecturer in the History of Contemporary Japan, School of Oriental and African Studies, University of London

Moderated by Professor Kim Brandt

Professor Gerteis spoke about the Nippon Yusen Kaisha Maritime Museum in Yokohama, which has an exhibit on the history of this major Japanese marine transport company. He focused on the presentation, particularly its "selective history" of controversial events, such as minimizing the role of their ships in supporting military activities during World War II. This lecture was cosponsored by WEAI.

## Civic Engagement in Postwar Japan: The Revival of a Defeated Society

WEAI Brown Bag Series: New Angles on Japanese Society in the 20th Century

February 17, 2011; Columbia University

Rieko Kage, Associate Professor of Political Science, Department of Advanced Social and International Studies, the University of Tokyo; Toyota Visiting Professor, University of Michigan

Moderated by Professor Kay Shimizu

Professor Kage spoke on the democratization and reconstruction of civic engagement in postwar Japan from the perspectives of income, education, and social psychology. This lecture was cosponsored by WEAI.

## Design's Objects: Furniture, Technical Drawing, and Education in Japan c. 1890-1910

WEAI Brown Bag Series: Material Objects and Bodies in Industrializing East Asia

March 29, 2011; Columbia University



From left to right: Ellis Krauss, William Marotti, Hiroshi Ishida, Christopher Gerteis



From left to right: Rieko Kage, Andrew Gordon, Yoshitsugu Kanemoto and David E. Weinstein

*Sarah Teasley, Tutor, School of the Humanities, Departments of History of Design and Critical & Historical Studies, Royal College of Art in London*

*Moderated by Professor Kim Brandt*

Dr. Teasley discussed the evolution of design in Meiji Japan through imported linguistic concepts and educational curricula. The designs served a technical as well as artistic function and contributed to the modernization of the nation as a whole. This lecture was cosponsored by WEAI, DKC, and Columbia University's Department of East Asian Languages and Cultures (EALAC).

## Fabricating Consumers: The Sewing Machine in Modern Japan

*WEAI Brown Bag Series: Material Objects and Bodies in Industrializing East Asia*

*April 18, 2011; Columbia University*

*Andrew Gordon, Lee and Juliet Folger Fund Professor of History, Harvard University*

*Moderated by Professor Kim Brandt*

Professor Gordon's lecture traced the role of the sewing machine in modern Japan,

where it not only transformed manners of dress, but also reshaped patterns of daily life, class structure, and the role of women. This lecture was cosponsored by WEAI, DKC, and EALAC.

## Japan's Energy and Infrastructure Policy: Lessons from Tokyo after the Crisis

*May 2, 2011; Columbia University*

*Yoshitsugu Kanemoto, Professor and Executive Advisor to the President, National Graduate Institute of Policy Studies; former Dean, Tokyo School of Public Policy, the University of Tokyo*

*Moderated by Professor David E. Weinstein*

Professor Kanemoto gave a comprehensive overview of the infrastructure damage caused by the March 11, 2011, earthquake, tsunami, and nuclear disaster. He examined the generally inadequate planning for this disaster and how this would affect policy and planning in the future. This lecture was cosponsored by WEAI and the Urban and Social Policy Speaker Series.

## Asia-Pacific Economic Outlook: Short- and Medium-Term Policy Challenges

*May 26, 2011; Columbia University*

*Vivek Arora, Assistant Director, Asia and Pacific Department, International Monetary Fund*

*Comments by Professor David E. Weinstein*

*Moderated by Professor Shang-Jin Wei*

Dr. Arora outlined the global economic recovery, the growth outlook in Asia, the risks of overheating, and policy challenges. He stated his belief that the growth outlook for Asia was strong, though there are new risks from exuberant credit and property markets, higher commodity prices, and the effects of Japan's earthquake. This lecture was cosponsored by the Jerome A. Chazen Institute of International Business.

## Special Events



From left to right: awardee, Hugh Patrick; JCCI president, Michihisa Shinagawa; Dinner co-chairman, Richard M. Smith; awardee, Ken Watanabe; Dinner chairman, Yoroku Adachi; Dinner co-chairman, Tim Andree; JCCI executive director and secretary, Tsutomu Karino

### Japanese Chamber of Commerce and Industry of New York

*2010 Eagle on the World Award Ceremony  
November 15, 2010; Hilton New York*

Professor Hugh Patrick was selected by the Japanese Chamber of Commerce and Industry of New York (JCCI) to receive the 2010 Eagle on the World Award. Professor Patrick's lifetime contributions to promote knowledge and understanding of Japanese business and economy were commemorated on November 15 at the 26th JCCI Annual Dinner at the Hilton New York.

The Eagle on the World Award was created in 1985 to recognize those who

have dedicated their lives to fostering and improving relations between the United States, Japan, and the world. Past recipients include recognized leaders in government, business, academics, science, the arts, media, and sports. Joining Professor Patrick in receiving an Eagle on the World Award in 2010 was Academy Award-nominated actor Ken Watanabe.

### Screening and Discussion of *ANPO: Art X War*

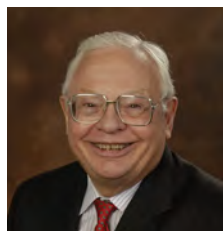
*May 4, 2011; Columbia Business School*

The documentary *ANPO: Art X War* depicts Japanese local resistance to American military bases in the 1960s while drawing a parallel to current-day

tensions. Linda Hoaglund, the film's producer and director, attended the event. After the screening, she engaged in a discussion with Carol Gluck, George Sansom Professor of History at Columbia University. Ms. Hoaglund led a vibrant Q&A session with the audience of well over 100, demonstrating that the issues represented in her film are indeed provocative and as of yet unresolved. WEAI, DKC, and the Columbia Japan Society student group cosponsored this special event.



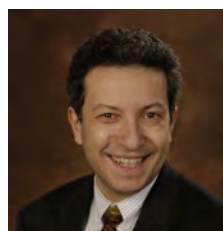
## Leadership and Staff



**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 in 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 most recent book, coauthored and coedited with Takatoshi Ito and David E. Weinstein, is *Reviving Japan's Economy: Problems and Prescriptions* (MIT Press, 2005). 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 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 Japan Society for seven three-year terms. In November 1994, the Government of Japan awarded him the Order of the Sacred Treasure, Gold and Silver Star. 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.

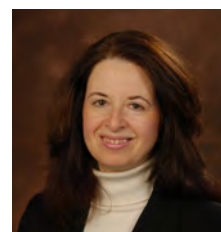


**David E. Weinstein**

is Carl S. Shoup Professor of the Japanese Economy, associate director for research at CJEB, and executive director of the Program

for Economic Research at Columbia University. He is also research associate and director of the Japan Project at the National Bureau of Economic Research 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 and at 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* (forthcoming); "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); "Optimal Tariffs: The Evidence," *American Economic Review* (2008); and "Globalization and the Gains from Variety," *Quarterly Journal of Economics* (2006).



**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.



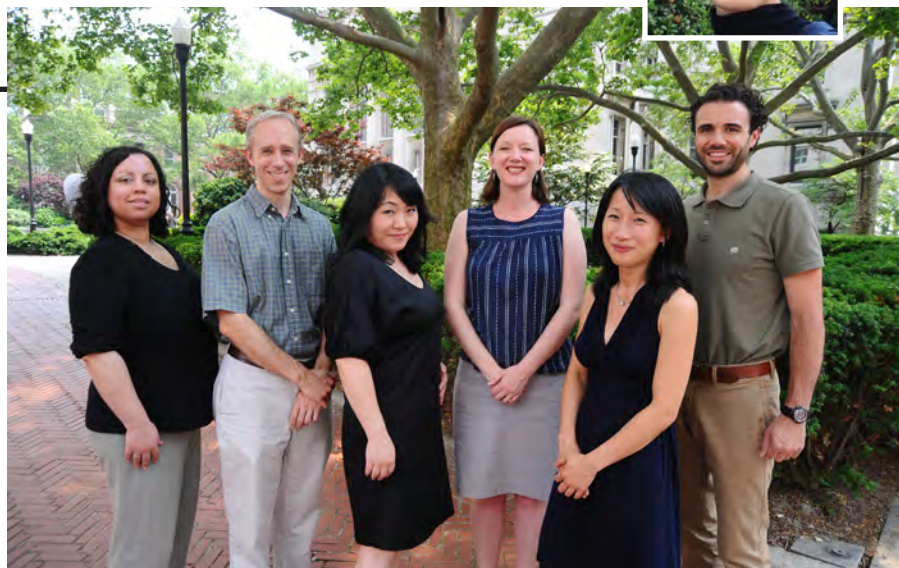
**Caroline Hasegawa** is director for administration at CJEB, having joined the Center in February 2010. Before coming to the Business School, she worked

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 man-

aging the Center's Tokyo Conference in spring 2010. Prior to that, she held positions at Sony Corporation of America and Shiseido Co., Ltd. and brought with her a wealth of experience in event 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 State University of New York at Buffalo with a major in human relations in multinational organizational settings.



From left to right: Tam Rivera, Andy Wanning, Ryoko Ogino, Caroline Hasegawa, Emiko Mizumura, and Jeff Lagomarsino. Inset at top: Kahori Takahashi



## Officers

### Jeffrey Lagomarsino

*Interim Senior Program Coordinator*  
BA, International Affairs, the George Washington University  
MA, Human Rights Studies, Columbia University

### Emiko Mizumura

*Assistant Director for Programs*  
BA, American and English Literature, Otsuma University

### Tamaris Rivera

*Senior Administrative Coordinator*  
BA, English, Wesleyan University  
MS Candidate, 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 Ohta

BA, Tsukuba University

## Interns

### Chao-yo Cheng

MA, Political Science  
Columbia University

### Po Linn Chia

BA Candidate, East Asian Languages and Cultures,  
Columbia University

### Hyun Jee Cho

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

### Mary Ghadimi

BA, East Asian Languages and Cultures,  
Columbia University

### Shunsuke (Sean) Hirose

BA Candidate, Political Science  
Columbia University

## Core Faculty

CJEB's core faculty members provide its foundation; these eight scholars are the Center's intellectual core. All are members of the faculty of Columbia University's Business School, Law School, Department of Economics, Department of Political Science, or School of International and Public Affairs. In addition to **Hugh Patrick** and **David E. Weinstein**, the following are the members of CJEB's core faculty.



**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 U.S.-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 international relations. He is also a senior fellow at the Tokyo Foundation and the International Institute for Economic Studies. 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 and the University of Tokyo, the Research Institute for Economy, Trade and Industry, and the Graduate Research Institute for Policy Studies. He is the recipient of numerous prizes and honors, including the Chunichi Shimbun Special Achievement Award, the Masayoshi Ohira Memorial Prize, and the Japan Foundation Award. In 2004 Professor Curtis was awarded the Order of the Rising Sun, Gold and Silver Star, by the Emperor of Japan. Professor Curtis is a member of

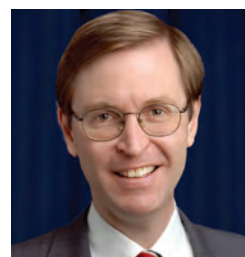
the Trilateral Commission, the Council on Foreign Relations, and the Board of Directors of the U.S.-Japan Foundation.



**Robert E. Fallon** came to Columbia Business School as an adjunct professor after completing his term as chairman of Korea Exchange Bank, a publicly listed

\$80 billion institution that is Korea's leading international bank. After taking over as president and CEO, he successfully led a wholesale reorganization and restructuring that restored the bank's capital strength and profitability, achieving record net income in 2004. He is also the first foreigner to chair a public company in Korea. Previously, Professor Fallon was an international banker with JPMorgan Chase, where he was head of global financial services. Prior to this appointment, he was resident in Tokyo as Asia-Pacific division head, where he was responsible for Chase's activities in 13 different countries across the region. Professor Fallon's research interests include international banking and Asian financial and economic affairs. He 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 regional 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 regional responsibility for Asia with Drexel Burnham Lambert and Bankers Trust Company before joining Chase in 1992. Professor Fallon holds a BA from Ohio University and an MBA from Harvard Business School. Following his undergraduate studies, he served in the United States Peace Corps, including three years as a volunteer mathematics teacher at Chanel

College in Western Samoa. Professor Fallon is currently a director of Japan Society, director of the Korea Society, trustee of the Ohio University Foundation, and chairman of CIEE, Inc. Recently, he helped found and became CEO of Phosplatin Therapeutics, LLC, a small pharmaceutical company that is developing a novel anticancer drug. He is also a member of the Asia Society and the Council on Foreign Relations and serves on the Advisory Board of the Korea Economic Institute and the Asian Advisory Boards of Deutsche Bank AG and Euromoney PLC.



**Glenn Hubbard** was named dean of Columbia Business School on July 1, 2004. A faculty member since 1988, he is the Russell L. Carson Professor

of Finance and Economics. Dean Hubbard earned his BA and BS degrees summa cum laude from the University of Central Florida, where he received the National Society of Professional Engineers Award. He also holds AM and PhD degrees in economics from Harvard University. After graduating from Harvard, Dean Hubbard began his teaching career at Northwestern University, moving to Columbia Business School in 1988. He has been a visiting professor at Harvard's Kennedy School of Government and Harvard Business School as well as the University of Chicago. Dean Hubbard also held the John M. Olin Fellowship at the National Bureau of Economic Research. In addition to writing more than 100 scholarly articles in economics and finance, Dean Hubbard is the author of two leading textbooks on money and financial markets as well as coauthor of *Seeds of Destruction*; *The Mutual Fund Industry*; *Healthy, Wealthy & Wise: Five Steps to a Better Health Care System*, and *The Aid Trap: Hard Truths about Ending Poverty*. His commentaries have appeared in *BusinessWeek*, the *Wall Street*



*Journal*, the *New York Times*, the *Financial Times*, the *Washington Post*, *Nikkei*, and the *Daily Yomiuri*, as well as on television (on PBS's *Nightly Business Report*) and radio (on NPR's *Marketplace*). In government, Professor Hubbard served as deputy assistant secretary of the United States Treasury Department for tax policy from 1991 to 1993. From February 2001 until March 2003, he was chairman of the United States Council of Economic Advisers under President George W. Bush. While serving as CEA chairman, he also chaired the economic policy committee of the Organisation for Economic Co-operation and Development. In the corporate sector, he is a director of ADP, BlackRock Closed-End Funds, KKR Financial Corporation, and Met Life, Inc.



**Merit E. Janow** is professor of international economic law and international affairs at Columbia University's School of International and Public Affairs

(SIPA). She is director of the International Finance and Economic Policy program at SIPA and codirector of Columbia's APEC Study Center. Professor Janow teaches graduate courses in international economic and trade policy at SIPA and international trade law and comparative and international antitrust at Columbia Law School. She serves on the faculty of Columbia University's Weatherhead East Asian Institute. In December 2007, Professor Janow finished up a four-year term as the North American member of the Appellate Body of the World Trade Organization (WTO). The Appellate Body hears final appeals on issues of law and legal interpretation in international trade disputes between countries that are members of the WTO. For two years, ending in March 2000, Professor Janow served as executive director of a new International Competition

Policy Advisory Committee to the attorney general and assistant attorney general for antitrust at the Department of Justice, Washington, D.C. This was the first such committee established by the Department of Justice to consider international antitrust matters. Before joining Columbia University, from 1989 to 1993, Professor Janow served as the deputy assistant United States trade representative for Japan and China at the Office of the United States Trade Representative, Executive Office of the President in Washington, D.C. She was responsible for developing, coordinating, and implementing United States trade policies and negotiating strategies toward Japan and China. Prior to her tenure in government, she was an associate at Skadden, Arps, Slate, Meagher & Flom, specializing in corporate mergers and acquisitions. She is a member of the Board of Directors of Japan Society, chairman of the Nasdaq Exchange LLC, and a board member of the fund in the American Funds family and Trimble Navigation. She is also a member of the International Advisory Council of the China Investment Corporation, China's sovereign wealth fund. Professor Janow received a BA in Asian studies from the University of Michigan and a JD from Columbia Law School. She is the author of three books and numerous articles and is fluent in Japanese.



**Curtis J. Milhaupt** is the Fuyo Professor of Japanese Law and Parker Professor of Comparative Corporate Law at Columbia Law School, where he

also previously served as vice dean. He is director of the Center for Japanese Legal Studies at the Law School. Professor Milhaupt's research interests include comparative corporate governance; the legal systems of East Asia (particularly Japan); and law and economic development. He has

published widely in the fields of comparative corporate governance and Japanese law, as well as aspects of the Chinese and Korean legal systems. In addition to numerous academic articles, he is the coauthor or editor of seven books, including, most recently, *US Corporate Law* (Japanese title: *Yuhikaku*); *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* and the *Financial Times* 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 2010, he was named Teacher of the Year at the Duisenberg School of Finance in 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 and chair of Columbia University's Committee on Global Thought. He is also the cofounder and executive director 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. 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. 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 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 holds a part-time appointment at the University of Manchester as chair of the Management Board and director of Graduate Summer Programs at the Brooks World Poverty Institute. He serves on numerous other boards, including Amherst College's Board of Trustees and Resources for the Future. 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 helped revive 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); and *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. His newest book, *Freefall: America, Free Markets, and the Sinking of the World Economy*, was published in January 2010 by W. W. Norton and Penguin/Allen Lane.



# Faculty Advisory Committee

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The 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 Calomiris**

*Henry Kaufman Professor of Financial Institutions*  
Columbia Business School

**Fangruo Chen**

*MUTB Professor of International Business*  
Columbia Business School

**Wouter Dessein**

*Eli Ginzberg Professor of Finance and Economics*  
Columbia Business School

**Robert Hodrick**

*Nomura Professor of International Finance*  
Columbia Business School

**Merit E. Janow**

*Professor, International Economic Law and International Affairs*  
*Director, Program in International Finance and Economic Policy*  
School of International and Public Affairs,  
Columbia University

**Bruce Kogut**

*Sanford C. Bernstein & Co. Professor of Leadership and Ethics*  
*Director, Sanford C. Bernstein & Co. Center for 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.



**Yuichi Ando**  
Magnolia Partners  
LLC  
September 2010-  
August 2011



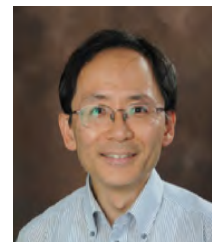
**Nobutoshi Kitaura**  
Ministry of Finance  
July 2010-June  
2012



**Bumpei Miki**  
Ministry of Finance  
September 2010-  
June 2011



**Rie Nishihara**  
Bank of Japan  
(Former)  
September 2010-  
December 2011



**Tomoya Asano**  
Ministry of Finance  
July 2010-July  
2012



**Shiro Armstrong**  
The Australian  
National University  
January 2011-May  
2011



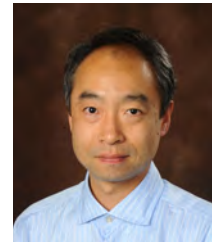
**Naomi Koshi**  
Debevoise &  
Plimpton LLP  
September 2010-  
June 2011



**Kozo Miyagawa**  
Keio University  
September 2010-  
August 2011



**Yasukazu Sato**  
Mitsui Sumitomo  
Insurance Co., Ltd.  
July 2010-June  
2011



**Takeshi Nakajima**  
Bank of Japan  
June 2010-May  
2011



**Yong Jin Kim**  
Hosei University  
September 2010-  
August 2012



**Hajime Matsuura**  
Sankei Shimbun  
September 2010-  
December 2010



**Mikiharu Noma**  
Hitotsubashi  
University  
September 2010-  
February 2011



**Keita Shiotsu**  
Risa Partners  
June 2010-  
December 2010

*Joint Fellows with the Weatherhead  
East Asian Institute of Columbia  
University*



# Research Associates

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The Center 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.

**Christina Ahmadjian**

Dean, Graduate School of International  
Corporate Strategy  
Hitotsubashi University

**Masahiko Aoki**

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

**Schon Beechler**

Academic Director  
Duke Corporate Education

**Lee Branstetter**

Associate Professor of Economics and  
Public Policy  
Heinz School of Public Policy and  
Management  
Department of Social and Decision  
Sciences  
Carnegie Mellon University

**Jenny Corbett**

Professor of Economics and Executive  
Director, Australia-Japan Research  
Centre, Crawford School  
The Australian National University  
Reader in the Economy of Japan  
Nissan Institute for Japanese Studies,  
University of Oxford

**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 Economics and  
Government  
The Australian National University

**David Flath**

Adjunct Professor of Economics  
Institute of Social and Economic Research  
Osaka University  
Emeritus Professor of Economics  
Poole College of Management  
North Carolina State University

**Koichi Hamada**

Tuntex Professor of Economics  
Economic Growth Center, Department  
of Economics  
Yale University

**Yasushi Hamao**

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

**Masanori Hashimoto**

Professor of Economics  
Department of Economics  
The Ohio State University

**Takeo Hoshi**

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

**Takatoshi Ito**

Professor, Faculty of Economics and  
Graduate School of Public Policy  
The University of Tokyo

**Anil Kashyap**

Edward Eagle Brown Professor of  
Economics and Finance  
Booth School of Business  
University of Chicago

**Takao Kato**

W. S. Schupf Professor of Economics and  
Far Eastern Studies  
Department of Economics  
Colgate University

**Kenneth Kuttner**

Professor of Economics  
Department of Economics  
Williams College

**Patricia Kuwayama**

Economist  
Professional Fellow  
Center on Japanese Economy and Business  
Columbia Business School

**Edward Lincoln**

Director  
Center for Japan-U.S. Business and  
Economic Studies  
Clinical Professor of Economics  
Leonard N. Stern School of Business  
New York University

**Robert Myers**

Senior Vice President  
Fairfield Resources International, Inc.

**Terutomo Ozawa**

Professor of Economics Emeritus  
Department of Economics  
Colorado State University

**Joe Peek**

Gatton Endowed Chair in International  
Banking and Financial Economics  
Gatton College of Business and  
Economics, University of Kentucky

**Adam S. Posen**

Senior Fellow  
Peterson Institute for International  
Economics  
External Member of Monetary Policy  
Committee  
Bank of England

## Professional Fellows

### **William V. Rapp**

Henry J. Leir Professor of International Trade and Business  
School of Management  
New Jersey Institute of Technology

### **Frances McCall Rosenbluth**

Deputy Provost for the Social Sciences and for Faculty Development and Diversity  
Damon Wells Professor of International Politics  
Department of Political Science  
Yale University

### **Ulrike Schaede**

Professor of Japanese Business  
School of International Relations and Pacific Studies  
University of California, San Diego

### **Michael Smitka**

Professor of Economics  
Williams School of Commerce  
Washington and Lee University

### **Tsutomu Watanabe**

Professor  
Institute of Economic Research  
Hitotsubashi University

### **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.



**Patricia Hagan Kuwayama** has been studying the Japanese economy since she was a graduate student in the 1960s, com-

pleting a doctoral dissertation on effective tariff protection of Japanese industry in 1970. She became a professional fellow of the Center on Japanese Economy and Business 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 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 macroeconomic 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 Development Bank of Japan and the former deputy governor for

international relations of the Bank of Japan. He has an ongoing appointment as a professional fellow of the Center on Japanese Economy and Business. He has served as the nonexecutive 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.

# International Advisory Board

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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.

**Shinji Fukukawa**

Chairman, TEPIA Foundation  
Former Vice-Minister, Japanese  
Ministry of International Trade and  
Industry

**Susumu Kato**

President and CEO, Sumitomo  
Corporation

**Yotaro Kobayashi**

Former Chairman and CEO, Fuji Xerox  
Co., Ltd.

**Yuzaburo Mogi**

Chairman and CEO, Kikkoman  
Corporation  
MBA '61

**Joseph G. Tompkins**

President, Saga Investment Co., Inc.  
MBA '67

**Noboru Yamaguchi**

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

## Enhancing the MBA Experience



*Origami cranes made by CBS students during the fundraising drive*

CJEB helps provide 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). 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 businesses. Since the Tour's inauguration in 1989, CJEB has helped fund the program and provide input on

the agenda. In addition, Professor Hugh Patrick has provided an overview of the Japanese economy at each group's predeparture meeting.

The 2011 Chazen International Study Tour to Japan was scheduled to take place from March 12 to March 20. About 40 MBA students were scheduled to travel to Japan for a week to visit a cross section of Japanese corporations making stops in Kyoto, Toyota City, and Tokyo, and to meet representatives from Toyota Motor Corporation and Hoshino Resorts, among others. Unfortunately, the trip

was canceled at the last minute due to the March 11 earthquake.

Following the earthquake, JBA organized an earthquake and tsunami emergency relief fundraising initiative at Columbia Business School. CJEB helped advertise this initiative and arranged for JBA to host a booth at CJEB's March 22 Japan Earthquake symposium (p. 17). JBA's one-week fundraising drive raised a total of \$7,485. The profits were donated directly to the Japanese Red Cross Society.

CJEB and JBA worked together on several other programs and activities throughout 2010–2011, including cohosting a welcome reception and social networking event in the fall for students and CJEB's visiting fellows. This gathering was also sponsored by Columbia Business School's Asian Business Association (ABA).



# Enhancing the Columbia Experience



JASSA Japan tour at the University of Tokyo, March 14

The Columbia University community has many resources for students, faculty, and alumni interested in learning more about Japan. CJEB is committed to providing support to several organizations across campus engaged in Japan-related activities. For example, CJEB supports initiatives led by Columbia University's Department of East Asian Languages and Cultures, including the 20th Annual Graduate Student Conference on East Asia, held February 4-5, 2011. This conference provided a forum for graduate students from institutions around the world to meet and present their research for discussion with other students and Columbia faculty. Nearly a

hundred students presented papers, including "Economy and Politics in Contemporary East Asia," "Science and Knowledge in Early Modern Japan," "Ideologies of Japanese Empire," and "Transnational Japan." Please visit [www.columbia.edu/cu/ealac/gradconf](http://www.columbia.edu/cu/ealac/gradconf) for more information.

In addition, CJEB provided funds for the Japanese Language Program's seventh annual *Haru Matsuri* (Spring Festival) held on Friday, April 29, 2011. This gathering was open and free of charge to all members of the Columbia East Asian Studies community. The organizers collected donations for earthquake and tsunami relief efforts at the venue.

CJEB also supports Columbia University's Japan Study Student Association (JASSA) by cosponsoring a number of initiatives. The JASSA Language Tables, held on February 28, March 30, and April 20, provided opportunities for beginner, intermediate, and advanced level Japanese speakers to converse with Japanese citizens. A movie screening on March 24 featured Hayao Miyazaki's *Princess Mononoke* (1997), a popular Japanese animated film that addresses ecology and sustainable development. Another movie screening on April 19 featured Yojiro Takita's *Departures* (2008), winner of the Best Foreign Language Film at the 2009 Academy Awards. JASSA also organized a special lecture on "Trans-Pacific Partnership Negotiations—Japanese Trade Policy Perspective" on April 18 with guest speaker Mr. Masayoshi Arai, special advisor to the Ministry of Economy, Trade and Industry of Japan.

Like the Chazen International Study Tour to Japan (p. 38), JASSA plans an annual student-led trip to Japan that is supported by CJEB funds. This year's trip was unfortunately curtailed by the earthquake. Back on campus, JASSA organized a fundraising initiative for the earthquake relief from March 29 to March 31, at which they sold home-cooked Japanese dishes and featured a calligraphy demonstration. CJEB was delighted to be able to provide financial support for these efforts.

## Visits from Japan to Columbia

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In cooperation with the Japan Productivity Center, CJEB arranges private lectures by Columbia Business School professors for groups of 20 to 30 Japanese managers. The purpose is to give these managers exposure to the study of business in the United States. This year, William Klepper, professor of management at Columbia Business School, gave a lecture titled "Management Styles: U.S. and Japan," and Nelson M. Fraiman, professor of professional practice and director of the W. Edwards Deming Center at the Business School, spoke to the group on "Operations Strategy and Global Competitiveness." These lectures were cosponsored by the Japan Productivity Center, a nonprofit and nongovernmental organization in Japan that aims to build a more stable and prosperous society.

In addition, groups of Japanese undergraduate and graduate students often include visits to CJEB in their tours of the East Coast. Four such groups arranged trips to Columbia University with CJEB during fall 2010, including students from the University of Tokyo, Meiji University, Nihon University, and Wako University. The students in each group met with Professor Patrick, who made a brief presentation and fielded questions, and some groups took a tour of the Columbia campus.

## Fellowship and Scholarship Programs

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CJEB provides selected fellowships supporting outstanding student research and participation in academic programs related to Japanese economy and business.

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 Center programs.

The Center annually conducts a University-wide competition on behalf of the *Mitsubishi UFJ Trust Scholarship Foundation* and nominates one Columbia University student to receive tuition and living expenses for a program of either undergraduate or graduate study in Japan. The scholarship recipient for 2009-2011 was Ben Shum, MBA '09. He studied the Japanese film industry at the Graduate School of Media Design, Keio University.

## Library and Data Resources

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The Center continues to develop its database 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 more than 40 years of corporate financial, equity, fixed income, and macroeconomic data; and Nikkei Telecom 21, 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.





# Discussion Groups



From left to right: Hugh Patrick, David E. Weinstein, Tsutomu Watanabe

## 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 has been an interuniversity forum for faculty, other professionals, and advanced graduate students to discuss ongoing research in preliminary form by specialists on the Japanese economy. The Center has administered the seminar, and Professor Patrick has served as secretary/treasurer. In recent years, there has been dwindling attendance and greater difficulty in identifying papers worthy of discussion. This is likely due to the mainstreaming of the Japanese economy in the economics profession, with Japan-relevant papers presented in a variety of conferences, as well as the ease of communication brought about by the Internet. In light of this situation, the JES executive committee decided to reduce the meeting frequency from four times to once a year, sponsored by CJEB and held at Columbia in the early/mid-spring semester, with Japanese economists as the main paper presenters.

The JES was held on March 3, 2011, with the following papers discussed:

### **"Currency Invoicing Decision: New Evidence from a Questionnaire Survey of Japanese Export Firms"**

*Authors:* Takatoshi Ito, Professor, the University of Tokyo; Satoshi Koibuchi, Associate Professor, Chuo University; Junko Shimizu, Associate Professor, Senshu University; Kiyotaka Sato, Professor, Yokohama National University

*Discussant:* Etsuro Shioji, Professor, Hitotsubashi University

### **"Closely Competing Firms and Price Adjustment: Some Findings from an Online Marketplace"**

*Authors:* Tsutomu Watanabe, Professor of Contemporary Economies, Hitotsubashi University; Takayuki Mizuno, Assistant Professor, Hitotsubashi University; Makoto Nirei, Associate Professor, Hitotsubashi University

*Discussant:* Professor David E. Weinstein

## 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); Shuhei Aoki, Michinobu

Kishi, and Takeshi Nakajima (Bank of Japan); Edward Lincoln (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

About 25 years ago, Professor Hugh Patrick and the then-current CEO of Sumitomo Corporation of America took the initiative to organize—on a private, individual basis—an evening discussion group for senior Japanese and American businessmen and professionals living in the New York area as well as several specialists on Japan from the Columbia University faculty. The group convenes to discuss frankly and informally—and off the record—issues and prospects in U.S.-Japan business, economic, and political relations. Michihisa Shinagawa, the former CEO of Sumitomo Corporation of America, and Takashi Kano, his successor as of spring 2011, worked with Professor Patrick in co-organizing the 2010-2011 U.S.-Japan Discussion Group meetings.

## 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 below

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 & Banking Corporation during the first years of the Center's establishment at Columbia Business School.

### Corporate Sponsorship Program

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**The Center would like to give a special thanks to the following for their additional contributions in support of all the CJEB 25th Anniversary activities**

Advantage Partners, LLP  
Kikkoman Corporation  
Shigeru Masuda, CEO, ZERON Group, MBA '74



## 所長および研究副所長からのご挨拶

親愛なる友人と同僚の皆様へ

日本経済経営研究所(CJEB—Center on Japanese Economy and Business)では1986年の設立以来、日米関係に重点を置きながら、日本国内、東アジア、および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ことを使命として活動を進めてきました。過去25年間、変化し続ける日本と世界の中で、この使命を効果的に遂行するために、CJEBは日々発展、成長、進化し続け、日本経済とビジネスの分野で、在米研究機関の中では最も信頼のおける研究所として認識されてきました。

この度、この特別な25周年年次報告書のご挨拶に際し、過去四半世紀にわたるCJEBの功績を振り返りたいという気持ちもあります。しかしながら、我々は今こそ将来に目を向けるべきだと考えます。世界の中で日本が注目に値しない、当たり前前の存在になってしまった感さえある今こそ、米国のみならず、世界中の主要国が、日本経済のあらゆる側面を理解し、それから教訓を得ることが、過去にも増してより重要となってきているのです。この様な考えの基、CJEBは今後25年間においても、知的交流の促進、優れた講演企画、そして最先端研究などの活動を続けていく所存です。

今年3月11日の大地震(東日本大震災)が引き起こした大災害を通じ、我々は将来に目を向ける必要性を痛感しました。全世界が恐怖の目で見守るなか、日本の東北地方は、地震、津波、原発の脅威という前代未聞の三つ巴の災害を被りました。地震当初、福島第一原子力発電所の状況など、情報は限られており、時に誤解を招く内容のものでした。

地震の発生当時、所長のパトリックは東京に滞在中で、ワINSTAインはニューヨークのコロンビア大学におりました。同月16日に東京で開催を予定していた当研究所25周年記念カンファレンスは、災害の甚大さや多くの講演者と関係者の皆様のご出席が困難であることを鑑み、延期とさせて頂きました。パトリックは東京に留まりスポンサー企業や知人らを訪問し、震災が日本に与える影響を可能な限り把握することに努めました。(パトリック教授の日本滞在の述懐については[www.gsb.columbia.edu/ideasatwork/feature/7221227](http://www.gsb.columbia.edu/ideasatwork/feature/7221227)をご参照ください。)

一方、コロンビア大学では、ワINSTAインが三重災害からの復興に向けた主要課題をテーマにしたシンポジウムを早急に企画しました。「東日本大震災による経済・健康衛生・政治的影響」と題したこのシンポジウム(詳細は小誌17ページ(以下全て英語のみ))は、3月22日にコロンビア大学ビジネス・スクールにて開催され、学生、教授陣、一般参加者の他、20社を超える報道機関者を含む200名以上の方々にご出席頂きました。シンポジウムは、CJEBのウェブサイトよりライブ配信されたほか、その後、録画映像も掲載され、米国と日本を始めとする世界中の人々によって千回以上も視聴されました。後日CJEBには、多数の支援メッセージが寄せられ、今回の危機をより包括的で長期的な視点から捉え、事実に基づく分析をした講演者を高く評価して頂きました。今回のシンポジウムは震災からわずか約10日後に開催され、当時はまだマスコミ(特に米国のテレビ局)による恐怖を煽り、扇情的で時に誤った報道が繰り返されていたことから、それらから一線を画したCJEB主催のシンポジウムは、特に出席者やマスコミ関係者から大きな反響を頂きました。

CJEBでは今回の震災を受け、前述のシンポジウムに続き、震災関連講演を多数企画しました。春期では他に、「放射能問題の法的影響」(18ページ)、「危機下における企業のリーダーシップ」(23ページ)、「首都東京のエネルギーおよびインフラに関する課題」(26ページ)などをテーマとして取り上げました。さらに、ピーターソン国際経済研究所のアダム・ポーゼン氏も、第12回米国三井物産財団シンポジウム「低迷する日本経済:その現状と影響」の中で震災について言及しました(18ページ)。重要な主題は他にも数多くありますが、CJEBでは今後も災害の影響や日本の復興についての講演を開催していく予定です。3月に延期された東京カンファレンスは2011年10月21日に日程を組み直し、4つの重要なセッ

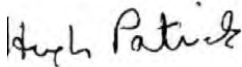
ションに加え、「東日本大震災後の日本」と題したセッションを新たに追加しました。(本カンファレンスの詳細は CJEB のウェブサイトをご覧ください。)

コロンビア大学と東京での今後の講演会では、今後も経済とビジネスのグローバル・パワーとしての日本のあり方を引き続き考察していきます。CJEB の研究者や関係者の多くが指摘している通り、数ある要因のなかでもとりわけ中国の台頭が、最近の「ジャパン・パッシング(日本外し)」感、すなわち日本軽視の所感をもたらしていると言う懸念があります。この所感が続くか否かに関わらず、CJEB の使命、すなわち日本の経済、ビジネス、経営システムについての理解を、米国やその他の国々で促進していくという使命が、これまで以上に重要となることは明かです。CJEB では今後も、日本が直面している様々な経済的課題や、その一方で日本が誇る数多の強みについても研究を続け、啓蒙活動に努めていきます。

「オルタナティブ投資プログラム」(2002 年～2009 年)を基に構築され、2009 年開始以来成功を収めている、「日米新金融構造(NFA)」プログラムの継続にも期待が寄せられています。NFA プログラムの目的は、カンファレンス、ブレインストーミング・セッション、研究活動などを通じて、金融や経済の分析的で政策重視の評価に取り組むことにあります。これは、日本と米国に重点が置かれるものの、自ずと中国とヨーロッパを含むその他の主要国と、より広範な国際金融制度の視点から捉えるものとなります。例えば、2010 年 11 月に「新金融規制体制: 日本、米国、ヨーロッパ」というシンポジウムを開催し、著名な講演者であるフィナンシャル・タイムズ紙のジリアン・テット女史をお招きして好評を得ました(17 ページ)。CJEB は今後もこのようなシンポジウムやカンファレンスをコロンビア大学と東京の両拠点で開催する予定です。また、Aflac Japan(アメリカンファミリー生命保険会社)を NFA プログラムの初代のリード・コーポレート・スポンサーとしてお迎えいたしました。(NFA プログラムの詳細については 16 ページをご参照ください。)

コロンビア大学ビジネス・スクールの一属機関である CJEB の今後に関しましては、しばらくの間、従来通りパトリックとワインスタインの共同リーダーシップの下に活動し、最終的にワインスタインの単独リーダーシップに移行する予定です。ただ、現時点ではそれぞれが現在取り組んでいるプロジェクトに大変熱中している為、両名ともこの工程を急がせる計画はありません。尚、今後この世代交代の工程を支えるために、CJEB では強力な運営陣を結成しました。昨年はアドミニストレーション所長として長谷川キャロラインを迎えましたが、今年はアドミニストレーション副所長として新たに荻野僚子がチームに加わりました。(CJEB のリーダーシップの詳細については 28～29 ページをご参照ください。)

CJEB の成功は、偏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すべての皆様に心より感謝申し上げますとともに、来るべき次の 25 年間も、CJEB と共に歩んで頂けますよう、心よりお願い申し上げます。



ヒュー・パトリック  
所長



デイビット・ワインスタイン  
研究副所長

## 日本経済：東日本大震災に伴う景気回復の遅れ

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

2011年の日本経済に関する重大な出来事としては、3月11日に発生した東北地方の大規模地震、直後の壊滅的な津波、さらに質的には異なるが、より重要なものとして、東京電力福島第一原子力発電所の危機的な事故とわずかながらも現在も続いている放射能漏れがあげられる。日本経済は、2008年から2009年にかけての世界的な大不況から、いくぶん不安定ではあったものの、基本的に良好な回復を遂げつつあったが、震災によって一時的に景気回復は中断させられた。しかしながら、現在は、若干ふらつきながらも、急速にV字型の景気回復を示している。

現在、世界も、日本も、とりわけ不確実な状況にある。主要国は、経済政策上の基本的な課題に直面し、それから逃れようとしている。欧州連合は、統合された通貨・金融政策システムと、それと両立し得ない国家の財政政策上の問題である「ギリシア危機」問題をどのように取り扱うかという難問を抱えている。米国は、8月に瀬戸際のタイミングで国債のデフォルト（債務不履行）の危機を回避したが、その手法是最悪であった。米国は基本的な財政問題を解決する手法をまだ確立できていないのである。株価の劇的な乱高下がみられた8月の大荒れの株式市場は、こうした世界の不安要因を反映したものであった。そして、最近の円高にみられるように、円は国際的な投資マネーの避難先となっている。

幸運なことに、中国やインドに主導される形で、新興経済は大不況によりあまり傷ついておらず、急速な成長を続けている。私の重大な懸念は、全ての先進国において、時期尚早なことに、雇用創出から財政再建に軸足を移していることである。景気回復の減速により、先進国の非常に高い失業率はまだ十分に下がっていない。これは特に米国において顕著である。金融政策はすでに驚くほど緩和されており、先進国（日本を含む）は、完全雇用を達成するために、当面は積極的な財政刺激を実施し、完全雇用が達成された後に効果的な歳出削減と増税を採用すべきである。

現在の日本に関する私の見解は、日本の国内経済・政治・社会とともに、日本が主要なプレイヤーである国際政治・国際経済を分析することにより形成されている。以下の各節では、これらのうちいくつかについて述べていくが、主要なテーマは、現在の景気回復の状況、電力供給とエネルギー政策に対する福島第一発電所の事故の影響、放射能汚染の日本のイメージへの影響である。私は日本の長期的な経済見通しには楽観的であるが、今後の10年間の日本経済は課題が山積しているとみている。

### 3重の災害

3重の災害が重なった東日本大震災は、一連の新たな経済上の課題を作り出した。最も急を要したのは、岩手県、宮城県、福島県の被災地住民の避難と災害救助活動であった。全体

日本経済：東日本大震災に伴う回復の遅れ

してみると、これらはうまく行われた。一方で、災害復旧・復興は数年間を要すると考えられるが、政府の計画策定と執行は遅々として進んでいない。

地震と津波への対応は、日本社会及び日本人の偉大な強さを反映していた。被災地の人々は、穏やかで、秩序だっており、禁欲的で、現実的で、柔軟で、他人の役に立とうとし、また、困難を乗り越えられると決然としていた。すばらしいことに、大勢のボランティアが、復興を支援しようと地震に続く数か月間にわたり被災地に駆け付けた。また、おそらくもっとも感銘を受けたのは、2011 年夏に企業とともに家庭において実施された桁外れの節電であった。広範囲の微調整が繰り返され、膨大な節電を達成した。公共の福祉に対するこれらの貢献は、日本人の持つ公共心の高さを最もよくあらわしている。

もうひとつの喫緊の課題は、企業が震災で寸断されたサプライチェーンを回復することであった。これは、種類は少ないが、重要な部品が被災した東北地方の工場で製造されていたためである。早期に、力強くかつ効果的に企業が対応したことに感心させられた。生産・組立工程は、当初想定された期間よりも数か月早く、3 か月から 6 か月で回復した。これにより、日本企業が、途方もなく、極端に不利な状況においてさえも、信頼性の高いサプライヤーであるという評価がさらに高まった。

今回の災害は、サプライチェーン戦略のリスクージャストインタイムによる在庫管理と、規模の経済を可能とする単一工場による部品供給に基づいた戦略のリスクを顕在化させた。幸運なことに、低金利により、より大きな在庫を保有するという第一義的な対応のコストは、少なくとも十分な現金又は信用のある企業にとっては、これまでのところ軽減されている。

さらに長期的かつ深刻な影響を受けた課題がある。まず最も深刻な課題としては、日本及びその他諸国のエネルギー政策に疑問が投げかけられたことである。福島第一発電所の惨事により、原子力発電に対する批判が国際的に再燃している。日本では電力のほぼ 30%が原子力発電により供給されている。現在日本の原子力発電所は定期的に検査のために停止することとされているが、震災後停止された発電所の運転はまだ再開されていない。その結果、電力は日本の多くの地域で不足しており、今後数年にわたりさらに逼迫することになるかもしれない。

次に、より致命的なこととして「ジャパン・ブランド」が持つ安全性が品質・信頼性とともに傷ついたことがあげられる。

## 景気回復と東日本大震災

日本経済は、2009 年に急降下し、成長率がマイナス 6.3%となった後、2010 年にはプラス 4%と、景気は回復しはじめていた。輸出は 2009 年に急速に減少した後、2010 年は成長率の 4 分の 3(すなわち 3%分)の貢献を果たした。2009 年の失業率は、企業が正規社員を雇用しつづけたことから、深い景気後退にも関わらず、5.2%までの上昇にとどまった。2010 年の労働生産性は景気回復に伴い上昇し、失業率は 5.0%まで若干低下したが、3.5%から 4%の完全雇用失業率を依然として上回っている。

景気は 2010 年の第 4 四半期に減速したが、2011 年には緩やかながらも回復することが期待されていた。しかしながら、3 月 11 日の災害は、生産(特に輸出関連の生産)と消費に大きな打撃を与えた。2011 年の第 1 四半期の成長率は、前期比年率マイナス 3.6%と大きく低下した。第 2 四半期は、9 月 9 月の 2 次速報によると、かなりの回復を示し、マイナス 2.1%の低下となった。これは、基本的に生産が震災による制約を受けるとともに、海外需要が幾分弱ま

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ったことに伴い、輸出が 18.1%減少したことが原因である。国内需要は、政府の東北地方への復興支出によるものではあるが、実際に 0.9%増加していた。

2011 年の夏には、サプライチェーンが回復するにつれて、生産が再開され、輸出が持ち直し、経済は急速に回復しはじめた。日本銀行の 6 月の短観では、先行きの業況判断 DI が、特に大企業において、夏の終わり以降の急速な回復への期待を反映して、足元のマイナス超からプラス超に転じるなど、業況判断に改善の動きがみられた。7 月の中小企業景況調査も同様の改善を示した。

8 月の日本の経済成長率に関するコンセンサス予測は、2011 年に 0.7%のマイナス成長となるが、2012 年には回復し、震災前の予測よりも高い 3.1%のプラス成長となり、2013 年には 2%をわずかに下回る成長率となるとしている。しかし、それは安定的な完全雇用の成長軌道に日本経済を戻すには十分ではないかもしれない。さらに世界経済は減速しており、数か月のうちにはより慎重な日本経済に関する見通しが示されることになるかもしれない。

失業は震災前には 4.6%にまで低下していたが、その後も震災後の景気後退にかかわらず、同程度の水準にとどまっている。しかしながら、このデータでは被災した東北 3 県が除かれている。

東日本大震災は、20,400 人の死者・行方不明者と多数の被災者を出し、甚大な人的被害をもたらした。しかしながら、経済的にみれば、地震や津波の被害は地域的な災害といえる。最も深刻な被害を受けた 3 県(岩手県、宮城県、福島県)は日本の人口の 4.5%で、その GDP は全体の約 4%を生産である。建物、家屋、インフラへの被害は日本の資本ストックの約 1%で、GDP の 5%である。漁船の約 7%が被害を受けたが、農地は比較的狭い範囲の浸水にとどまった。しかしながら、放射性降下物による土地の汚染は、より広範囲にわたり、深刻な問題となっている。

現在の景気回復は、東北地方の復興支援により後押しされている。政府はこれまでに、既存の政府資金から GDP の 1.3%にあたる 6 兆円(1ドル 80 円で 750 億ドル相当)の支出を、予算上手当てしている。民主党と自民党の双方が認めているように、さらに大きな財政支出が必要である。7 月 29 日に菅総理大臣は 13 兆円の第 3 次補正予算を提案した。これは 7 月初めに自民党が提案した 17 兆円と同様のものである。どちらの提案も、国債発行か、または何らかの形で増税かについて、財源を明らかにしていない。政治論争が続くであろうが、13 兆円規模の第 3 次補正予算が秋の国会で承認されるとみられる。その財源は、おそらく主として国債発行により調達されるであろう。

デフレは続いている。緩やかではあるが、その長期的な影響は、期待への影響を含めて有害である。コアの消費者物価指数は 8 月に 2010 年の価格基準及び構成ウェイトに改定された。この新しい指数は、2011 年の最初の 6 か月間の価格指数の上昇率を 0.5%引き下げた。旧基準の指数では 0.2%の上昇とされていたが、日本銀行の定義による物価の安定である 0%以上を満たす最低の 0.5%の上昇には足りておらず、改定後はマイナスの上昇率となった。日本銀行は、かなり積極的な金融政策を採用しているが、自ら定めた最も保守的な定義による物価の安定すら達成することに失敗している。

コアの消費者物価上昇率に関するコンセンサス予測は、2011 年の残りの期間だけでなく 2012 年についてもマイナスである。同様に重要なことは、GDP デフレーターは 1997 年から毎年下落しており、今後も下落が続くと見込まれていることである。日本の実質 GDP は緩やかに上昇しているが、現在の名目 GDP は 1993 年と同水準にとどまっている。

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日本において物価をわずかにかつ短期的に上昇させる要因は、国際的な商品価格（特に、原油、他の化石燃料、鉄鉱石などの価格）の急激な上昇である。日本銀行は、勇気をだして、株式や不動産といった金融資産の大規模な購入を含む、より積極的な金融政策を実施すべきであるように私には思われる。

東北地方の地域金融機関は大きな打撃を受けたが、震災は日本の金融システムにシステムック・リスクを生じさせなかった。日本銀行は直ちに更なる流動性を供給し、金融庁はすばやく金融の安定性を確保すべく行動し、株式市場や他の市場を開きつづけた。両機関は共に、深刻な金融危機を発生させないとの意思を明確に示した。

この1年間にわたって、日本国債（JGB）の市場は、次から次へとショックに見舞われたものの、非常に低い利回りで安定している。企業収益は相当程度増加したが、株価は持続的に上昇せず、上下にふれている。9月9日時点で日経株価指数は8,738円であった（1年前は9,250円）。

円相場は震災ののち急速に上昇（増価）しはじめたが、日本政府の要請によりG7諸国が3月17日に協調介入を行ったため、1ドル82円辺りで円の上昇は一旦止まった。その後7月には、日本経済及び財政上の諸問題にもかかわらず、円は国際的なアセット・マネージャーの避難先となった。8月1日には円は1ドル76円29銭をつけた。8月4日に日本政府は、円相場を減価させるよう、もしくは少なくとも更なる短期的な上昇を回避すべく単独で介入を実施した。同時に日本銀行は協力して更なる相当規模の金融緩和策を発表した。8月19日に為替相場は一時的に1ドル75円94銭をつけ、新高値を更新した。8月25日に政府は、直接的な介入ではない新たな円高防止策を発表した。これらの対応が十分であるかどうかは定かではない。

輸出と経済は回復しつつあるが、旅行業界は苦戦を続けている。日本は旅行者のための優れた施設を保有している。2010年には、主に韓国、台湾、中国から860万人の外国人旅行者（2009年から26.8%増）が日本を訪れた。しかしながら、3月11日以降、旅行者数は急速に減少した。外国人旅行者が日本を魅力的な訪問先として十分に安全だと考えるようになるにはしばらく時間がかかるものとみられる。

## 回復と財政危機の脅威

何年もの間、政府は基本的な経済問題に効果的に対応してこなかった。これらは複雑に絡みあった諸問題—潜在力以下の成長（subpar growth）、不十分な国内需要、デフレーションの継続、生産性上昇率の低下、弱い労働市場、巨額の中央政府の財政赤字（公的債務の対GDP比率の桁外れに高い水準への上昇の原因となった）—を含んでいる。

今後数年間における日本の最も重要な課題は、深刻な財政危機が国債市場で発生する可能性が高まっていることであろう。しかしながら、完全な経済回復と同様に、危機はいつもはるか彼方のもののように思われる。

それでも現在の高水準の財政赤字は持続不可能である。危機は日本の高い貯蓄率と経常収支黒字のために顕在化していない。国債はほとんど全て国内で保有されており、超低金利により利払い負担は比較的安く済んでいる。

仮に信用するに足る財政政策が採用されないとすると、いつ財政危機が発生するかが大きな問題である。次の総選挙（2013年8月までに行われる総選挙）の後まで待つのでは遅す

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ぎるという人もいる。またある人は、かなりの説得力を持って、より長期間にわたり日本はうまくやり過ごせると言う。どちらが正しいかは私には分からないが、段々と懸念を強めている。

## 景気回復と政治の手詰まり

2008 年から 2009 年の世界的な大不況からの日本の回復は不安定であった。主要な政党である日本民主党と自由民主党はともに、建設的で包括的な政策提言をすることはほとんどなく、また、互いに協力する意思を示すこともなく、批判しあっていた。こうした状況をみると、政府は今後も経済政策を何とか進めていくであろうが、おそらくこれまで以上に成果は期待できないであろう。

現在の政治的手詰まりは、民主党が 2009 年の総選挙で衆議院の過半数（コントロール）を得たが、参議院では過半数を得ていないことによる。さらに自民党は、事実上全ての民主党の政策に反対することを決定して、菅総理大臣の辞任を要求し、2013 年より早く総選挙に追い込むこととした。狭量な党利党略に満ちた政治が、日本の機能不全に陥った政治過程を特徴づけている。その結果、日本では、アメリカと同様に、国民を当惑させる瀬戸際政策が続いている。

民主党はガバナンス（統治）の経験が浅く、政治家たちは学習速度が遅いように見える。民主党の基本政策のひとつは、中央政府の官僚の伝統的な権限を大幅に削減することにある。しかしながら、ほとんどの政治課題に関する技術的専門知識はほぼ排他的に官僚の中に存在する。米国と異なり、日本はシンクタンクや学術機関に政策立案の専門家をそれほど有しておらず、国会のスタッフ数も限定されている。さらに、民主党も自民党もかなり広い範囲の意見やイデオロギーを代表しており、それぞれ党としての内的一体性に欠けている。私は東日本大震災が十分な危機感を醸成し、主要な政党が日本の基本的な経済問題に関する建設的な解決策を協力して模索することを望んでいた。しかしながら今のところ、そうはなっていない。

6 月の上旬には内閣不信任案が可決されるおそれから、菅総理は国会で 3 つの法案が成立すれば辞任するとの発表を強いられた。総理は、政策立案に当たりいくぶん衝動的で、またコミュニケーション技術に欠けていることが明らかになった。被災地復興のための 2 兆円の第 2 次補正予算（さまざまな予備的資金で調達されたもの）は 7 月 25 日に可決された。8 月初めには、民主党と自民党の幹事長が、国会の会期終了前（8 月 31 日）までに、さらに 2 つの法案を修正の上、可決することに合意し、2 法案は 8 月 26 日までに成立した。ひとつは今年度予算をまかなうための特例公債の発行を認めるものである。もうひとつはエネルギー政策に関するもので、比較的高い価格で電力生産者から電力を買取ることを電力会社に義務付けるものである。

菅総理はその後民主党党首を辞任し、民主党は 8 月 29 日に野田佳彦氏を党首に選出した。国会は 8 月 30 日に野田氏を過去 5 年間で 6 人目の総理大臣に指名した。新しい総理大臣が何を成し遂げられるか、また、二つの政党が主要な課題に関して協力するかは定かではなく、言及するには明らかに時期尚早である。とはいえ、政治的な手詰まりと日本の基礎的な経済問題は継続するように見える。

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## エネルギー政策

これまでのところ、3月の震災の最も深刻な影響は、福島第一原子力発電所の惨事に起因するものである。エネルギー政策と放射能に対する安全性という、2つの深く絡み合った課題が存在している。

現在の及び次の数年間の最大の経済課題は、いかに現在の電力不足及び将来の潜在的な電力不足に対処するかである。今年の夏の賞賛されるべき節電努力は一時的な解決策にすぎない。節電は来年以降は受け入れられないかもしれない。人々が感じる不快感に加えて、電力不足は生産、生産性、レジャー産業の消費を低迷させる。電力供給が途切れるかもしれないという不確実性があると、製造業が海外移転することになりかねない。

震災が発生した際、福島第一発電所を除く東北地方の10の原子炉が自動的にかつ安全に停止した。これらの原子炉の運転再開はとりわけ難しい特殊なケースと、当初は考えられていた。日本の原子炉は、通常13か月毎に定期点検のために2か月から3か月間停止することとされている。福島第一発電所の事故の後、政府は早急に安全基準を改定し、内容を向上させる措置を講じ、電力会社がそれらを実施する計画を導入した。6月半ばに政府は、原子力発電所は安全であり、運転を再開すべきと発表した。

その後、知事その他の反対に反応して、7月7日に菅総理大臣が突然かつ驚くべき発表—全ての原子力発電所は運転を再開する前にストレステストを受けなければならないという発表—を行った。7月11日には、政府はストレステストを2段階で実施すると発表し、第1段階目のテストに合格すれば原子炉は運転を再開できるが、その後、より包括的なストレステストを受けなければならないとした。9月の初めには日本の54の原子炉のうち11が稼動していた。幸運なことに、第1段階目のストレステストは、定期検査のために停止中の30ほどの原子炉のうち13について実施中である。これらのうち、6の原子炉については9月末までに、残りの7つは年内までに、それぞれストレステストを終了する予定になっている。しかしながら、国の監督機関が再開を認めても、再開には原子炉が立地する道県の知事の許可が必要である。私は、全国的な電力不足を回避するために、稼動していない原子炉の相当数が2012年春までに再開されるとみている。一方で、もし再開ができなければ、2012年4月には全ての原子炉が停止することになる。日本は13か月の間に電力供給のうち原子力発電による30%の電力供給を失うことになってしまう。停止中の化石燃料発電施設の運転再開はこの電力供給の低下を部分的に補うにすぎないであろう。

定期点検のために停止された原子力発電所の運転を再開しないという政府の最初の決定は、極めて重大な含意を持っていた。それは、東京と東北地方の地域的な電力不足を、将来のピーク時における国家的な問題に変えてしまった。日本は輸入化石燃料に対するエネルギー安全保障を高めるとともに、電力発電のコスト(直接経費)を低下させるために、原子力発電への依存を高めてきた。

福島第一発電所の事故の前には、日本政府は、温室効果ガス排出量を削減する国際公約の一部として、2020年までにさらに9つの原子力発電所を建設し、電力供給の少なくとも50%を原子力発電にすることを計画していた。その代わりに、建設中の2つの発電所の建設は中断された。

日本の電力の通常約60%は化石燃料(原油、石炭、天然ガス)により供給され、10%が再生可能資源(殆どすべて水力発電)によっている。太陽光、風力、地熱による発電量は非常に小さい。

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福島第一発電所の事故以前の段階では、原子力発電のコスト(直接経費)が最も低かった。化石燃料による発電のコストはそれより若干高くなるが、それは完全に輸入の情勢次第である。風力発電や太陽光発電は原子力発電の2倍から3倍のコストとなり、商業ベースに乗せるには、政府から膨大な補助金をもらうか、または利用者に高い価格を受け入れてもらう必要がある。こうした再生可能資源による電力に高い価格を設定する固定価格買取制度に関する新規立法は再生可能エネルギーの発展を促進するとみられる。おそらく採算の取れる価格が国会の委員会で決定されるとみられるが、多くの障害も残されている。長期的にみれば、適切なインセンティブはコストを削減するための技術革新を加速させるであろう。

原子力発電について長期的に何をなすべきかという日本における議論は、重要でかつ活発であるが、やや感情的で、非常に政治的である。原子力発電の得失を考える枠組みは、大まかに言えば、単純ではないが、相当明らかであるにもかかわらず、国民に与えられている情報は良質とはいえない。問題は、安全性、電力コスト、電力会社や利用者以外の社会が負担する外部費用、化石燃料による発電から排出される二酸化炭素を減少させるとする日本の国際公約、十分な電力供給の安定的な確保などである。

広範囲の選挙民と利益団体が原子力発電に関わっている。原子力発電所が設置されている沿岸の小さな町は潤ってはいるが、町は原子力発電所に経済的に一固定資産税その他の地方税、国からの補助金、良質の雇用などの形で一依存している。地域住民の多くが発電所の運転再開に反対していないという。国の政治的指導者や官僚は運転再開を求めている。しかしながら、世論調査では一般国民は支持していないとされ、反原発運動が再燃している。原子力発電所の立地と立地予定の14道県の知事は、適切なストレステストの後で、明確に安全性が保証されるまで、原子力発電所の運転は再開されるべきではないと積極的に主張している。事態に対処している政府と電力会社に対する国民の認識を前提にすると、多くの日本人が深い懸念を有していることは驚くべきことではない。

現在のところ、民主党の指導者たちは、世論調査を反映して、ゆっくりと数十年かけてではあるが、原子力発電への依存を終わらせたいとしている。この問題は、より良質の情報が入手可能となり、選択肢や得失が整理される中で、次の5年から10年のうちに改めて検討され、議論されることとなろう。

福島第一発電所の大きな教訓は、生産者及び社会の双方にとって、原子力発電の究極的なコストが、これまで信じられていた以上に相当高いものであることが明らかになったことである。しかしながら、化石燃料もまた安全ではない。原油、石炭、天然ガスの生産工程で失われる人命はすでに広く知られている。一方で、汚染や環境コストはあまり知られていない。安全は絶対ではないし、無料(ただ)でもない。また、原子力発電を天然ガスや他の加熱燃料によるものに代替した場合、2020年までに温室効果ガスを25%削減するという日本の国際公約を守ることは不可能となろう。

喫緊の課題は定期的に停止された原子炉をいつ再開するかであるが、電力会社の今後のあり方も現在の重要な政策課題となっている。経済的にも政治的にも強力で、垂直に統合された10の地域独占企業によって電力供給は独占されている。電力会社は発電、送電、配電を行っている。問題は、電力会社がより競争的な環境下においてであろうが一他の独立した会社へ送電と配電を実施させることを義務付けられるべきか否かである。

東京電力株式会社(以下、TEPCO)は、日本の電力供給の35%を占め、また54の原子炉のうち17を保有する、断トツで最大の電力会社である。中部電力(名古屋)と関西電力(大阪)

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は他の主要な電力会社である。大規模企業・団体の中には、自らの電力ニーズやバックアップ設備として電力を生産するものがあり、余った電力は電力会社に売却することが可能である。

福島第一発電所の閉鎖と原子力災害被災者への補償に係る巨額の費用を前提にした、TEPCO の潜在的な債務超過への対応は、少なくとも準備的な形で、取組みがなされている。8 月 3 日に国会は、被害者への補償が即時に支払われ、また、TEPCO の電力供給が中断することがないように新たな法案を成立させ、TEPCO に資本を注入するための特別法人（政府と電力会社が拠出した資金を運営する法人）を設立することとした。

節電努力が十分に精力的になされたことにより、大規模停電（ブラックアウト）が回避され、かつ生産活動が維持されたことは、家計、産業界、政府の功績である。驚くべきことに、7 月の最も暑い日の TEPCO への電力需要は、2010 年 7 月のピーク時を 23% 下回っただけでなく、低下した現在の TEPCO の供給力を 12% 下回るものであった。8 月 19 日には、35 度前後の気温にもかかわらず、供給力の 90% をわずかに上回る程度の使用量にとどまり、気象庁は熱中症による死亡を避けるために冷房を使用するよう助言的な呼びかけを行った。5 月 31 日から 8 月 14 日までの間に通常の発生率をはるかに上回る 132 件の熱中症による死亡が日本全国で報告されていた。

### 放射能：日本の汚染されたイメージ

日本は国際的にふさわしい評価—高い品質の商品を提供する信頼性の高いサプライヤーとしての評価とともに、居住地として又は訪問するに当たり安全で、善良で、勤勉で、友好的で、平和な国としての評価—を得ている。日本には問題が多いが、それは全ての国で同じである。政治はゴタゴタしているが、それは日本に固有のものではない。東北地方に3重の災害が発生したときに、世界中からあふれ出た気遣い、弔意、支援はまぎれのないものであり、真摯なものであった。それは日本に対するおおいにポジティブな評価—しばしばジャパン・ブランドと呼ばれる評価—を裏付けるものであった。

日本のイメージにおける重要な汚点は、福島第一発電所の災害の関連地域の安全性に関するものである。放射能は非常に恐ろしい。目に見えず、過度の被ばくは危険である。福島第一発電所における初期の膨大な大気中への放射能の流出、その後の汚染水の海への放出、わずかながらも継続する放射能漏れは、現在も不安感を高めている。

福島県及びその他の東北地方では、大気・降雨からの汚染の長期化により放射能が過度に蓄積された地域がみられる。こうした土地で育てられた農産物—野菜、牛乳、牛肉、蓄牛用飼料としての麦わらや干草—の中には放射能汚染で危険と確認されたものもある。政府は放射能汚染された農産物が市場に出回らないように全力を挙げており、成功しているものもあるが、検査は限定的とみられ、たぶん十分ではない。現在、2011 年秋に収穫される米の安全性について強い懸念が示されている。私は、政府の責任者と農業者みずからが安全性を保証するために検査を実施すべきと思っている。信頼性を回復するためには、過剰な検査こそが正しい戦略である。放射能の光が日本のイメージから消えてなくなるには大変な時間がかかるであろう。

日本のほぼ全ての空気は安全であるとするアメリカ人その他の専門家の分析に私は納得している。また、私は定期的に日本を訪問しつづける。さらに付け加えたいことは、カリフォルニア在住の私の孫の一人が東京で高校の最終学年を過ごしていることに不安を感じていないこ

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とである。私は、生徒、友人、その他の人々に、日本で学び、働き、また日本を訪問することは基本的に全く安全であると考えていることを伝えつづける。

福島第一発電所に関する情報提供とコミュニケーションの方法が、とりわけ国内において疑念を増幅させた。政府は当初、東北地方の放射能汚染の危険性に関する致命的な情報の提供を差し控えた。多くの日本人が政府と TEPCO の双方を信用しなくなったのは驚くべきことではない。

政府は全てのレベルで、また TEPCO や他の電力会社も、痛ましいほどに福島第一発電所の危機に対処する準備ができていなかった。危機管理は、特に最初の数日間、大混乱となった。コミュニケーションもうまくなかった。私は 3 月 11 日に東京にいたが、次の一週間にわたり、私は、東京はおろか、日本にさえ滞在すべきかどうか確信が持てなかった。日本政府とメディアは、事実を注意深くかつ一見したところ徹底的に提供していたが、最悪のシナリオを議論したがってはいなかった。日本国外の分析のおかげで、私は東京にいたことが安全であると結論を下すことができた。

日本の外部(韓国や中国を含め、特にアメリカ)では、ほとんどの報道は、扇情的でかつ大げさなものであった。言外のメッセージは、日本中が大惨事にみまわれたというものであった。2 週間後にはアメリカ・メディアのほとんどは日本に関する通常の限定的な報道に戻ったが、アメリカ・メディアの報道は、日本はひどく傷つき、危険な国であるという不正確なイメージを作りだしただけであった。

## 日米関係

日本とアメリカの強い同盟関係は、1952 年の日米安全保障条約で構築されたものであるが、基本的に二国間の貿易関係に支えられた経済関係に裏付けられている。日本企業による米国への直接投資は、自動車産業に限定されるわけではないが、自動車に代表されるように、貿易とともに活発化した(ただし、直接投資の中には、誤解され、結果的に長続きしなかったロックフェラー・センターその他の象徴的な偶像の購入もあった)。一方で、アメリカ企業の日本への投資は、他の多くの外国企業と同様に、はるかに緩やかなものにとどまっている。

1980 年代半ばまでの劇的で急速なキャッチアップ型の日本の経済成長は、日本を世界第二の経済大国、世界最大の信用供与国に押し上げた。当時のアメリカやヨーロッパの課題は、日本を国際経済秩序の中での主要なプレーヤー、責任あるパートナーとして認め、受け入れることであった。それは、次々に発生した相当な貿易摩擦を伴いながらも、達成された。現在の日本は、国際経済秩序の中に根深く統合された、敬意を表すべき G 7 の一員である。

日米経済関係は深く、強かつ活発であるが、1980 年代に比べて双方ともに重要性を低下させている。日米はともに、お互いに対するものよりも、より多くの輸出と輸入を中国との間で取り引きしている。急速に成長する新興経済は、特にアジアにおいて、次の大きな好機ととらえられている。日本は、もはやアメリカへの脅威(1980 年代や 1990 年代初期に多くのアメリカ人に認識されていた脅威)であるとはみなされておらず、アメリカ人の日本に対する認識やしばしば驚愕させられる無知一時に日本人が「ジャパン・パッシング」と表現するもの一は驚くべきことではないかもしれないが、潜在的に悪い結果を生みかねない。日本は今後 20 年間以上にわたり世界の五大経済の一つでありつづける。このことは、日本の GDP 成長率が低かろうが、日本の人口と労働力が徐々に減少しようが、事実である。

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## 結論

私は、数年前の年次レポートの日本経済に関するエッセイにおいて、ウィリアム・フォークナーの1950年のノーベル賞授賞式のスピーチの「人は単に耐えるだけではない。最終的な勝者となる」という発言に触れた。長期的にみて、私は日本について引き続き楽観的である。1990年の株式市場バブルの崩壊と1991年の不動産バブルの崩壊から20年間にわたり、日本が困難に満ちた経済経路をたどってきたことは事実である。しかしながら、未解決でかつ未だ日本人が正面から向き合っていない諸問題（人々の関心を当然のように独占する諸問題）が、いくつかの顕著な成果を覆い隠してしまっている。当研究所が1986年に設立されてから25年間において、日本は貿易収支・経常収支の黒字を維持しており、世界最大のネットの信用供与国となり、外貨準備額は3倍増の1.1兆ドルになっている。日本の多国籍企業は急速に海外に進出し、海外生産の国内生産に対する比率は3倍増の18パーセントとなっている。1986年から2010年（最新の統計データ）の間に、日本のGDPは約50%増加し、一人当たりGDPは43%上昇した。一人当たりGDPの伸び率では米国（45%）、ドイツ（44%）とほぼ同水準であり、英国（52%）には及ばないものの、フランス、カナダ、イタリアを上回っている。

日本は、高齢化してもなお、豊かになることに成功してきた。生産年齢人口は1995年にピークを迎えた。65歳以上人口は、1986年に総人口の10.3%であったが、今日23.2%、2900万人にまで上昇した。高齢層や母子家庭では困窮している人々もいくらかみられるが、経済成長の果実は広く分かち合われている。優先されるのは教育とアチーブメント（能力と努力により達成される社会的地位）である。アメリカで高く評価される創造的な活気に満ちた企業家主義はそれほど尊敬されない一方で、失敗は厳しく罰せられ、日本企業は、製造業において高品質と効率性の最先端を走りつづける。アニメ、マンガ、ビデオゲームは世界的な現象である。

日本経済のひとつの見方は、基本的に強靱であり、熟練のかつ勤勉な労働者が高い水準の技術を駆使して、高い生活水準を実現しているというものである。過去10年間の日本の一人当たりGDP成長率は、主要先進国の中では、可もなく不可もなく、プラスで、G7の中位のやや下にあるが、労働者一人当たりGDPは米国に次いで2番目である。ふたつ目の非常に対照的な見方は、日本の長期にわたるサブパー（潜在力以下）の経済パフォーマンス、デフレーションの継続、弱い労働市場、依然として閉鎖的な規制・制度環境、高齢化・減少が進む人口に焦点を当てるものである。第三の視点は、現在の主要な苦難及び潜在的な将来の危機、特に福島第一原子力発電所の災害と将来のある時点における財政危機を強調するものである。これらの見方はすべて正しく、そして重要である。

日本が今後1年半にわたり達成すると見込まれる良好な成長にもかかわらず、私はそれが完全雇用を達成し、デフレを終わらせるには十分ではないと懸念している。新総理大臣をもってすら、非生産的な政治の手詰まりはしばらく継続すると私は憂いている。私は次の5年から10年間の日本の経済パフォーマンスには楽観的ではない。しかしながら、過去150年間にわたる日本の現代史を前提にすれば、より長期的には私は楽観的である。

日本と世界は過去四半世紀の間に著しく変貌をとげたが、当研究所の使命は変わらない。コロンビア大学その他の学生、民間・政府の政策立案に関与する人々、日本経済やその運営、ビジネス・システムに関わる人々に、情報を提供し、また、教育を施すことを通じて、より深みのある実態把握とより良い政策を導くことである。1986年に当研究所が設立されたとき、日本の経済力、活力、行動が脅威になるとみなす欧米諸国の人々がいた。こうした人々の情報は不十分であった。

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今日危険なことは、特に中国が飛躍的な成長を続けていることもあり、日本が当たり前の存在と受け止められ、忘れ去られ、無視されてしまうことである。この「ジャパン・パッシング」の脅威ゆえに、当研究所はこれまで以上に重要となっている。我々は新しい課題と継続する課題の双方を満たすよう最善の努力を続けてまいりたい。

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(翻訳:北浦修敏 コロンビア大学日本経済経営研究所客員研究員)

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