

日本経済

Center on
Japanese
Economy and
Business

ANNUAL REPORT 2011-2012

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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 City 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.

Under the leadership of Professor David E. Weinstein, CJEB associate director for research, the Center 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 Department of Political Science. Funding and resources are provided by corporate sponsors, foundations, individuals, Columbia Business School, and the University.

Over the course of the 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.

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

Letter from the Directors



Hugh Patrick, Director



*David E. Weinstein, Associate
Director for Research*

Dear Friends,

The celebration of the 25th anniversary of Columbia Business School's Center on Japanese Economy and Business (CJEB) in 2011 provided us not only with the chance to look back at how CJEB has developed, grown, and performed over the past quarter-century but also a stimulus to think about the future. CJEB was founded in 1986 with the mission to promote knowledge and understanding of the Japanese economy and its business systems in domestic, East Asian, and global contexts, with a special focus on the Japan-United States relationship. The Center has continued to pursue this mission vigorously at Columbia Business School and in Japan through a wide range of public symposia and conferences, research projects, papers series, and visitor programs. Going forward, with the number of American academic organizations focused on Japan's economy and business systems dwindling, and with the growing fear that many have of "Japan Passing" in which the world's focus moves away from Japan, it will become even more important for CJEB to facilitate intellectual exchange, high-quality programming, and significant research.

In the 2011-2012 academic year, CJEB hosted two major conferences in Tokyo to help further this mission. Our 25th anniversary Tokyo conference, which had been postponed from the previous spring following Japan's March 11, 2011, earthquake triple disaster, was held in October 2011. Titled "Moving Forward: Japan in the World Economy," the conference featured, among others, United States ambassador to Japan John V. Roos and Rakuten chairman and CEO Hiroshi Mikitani. The conference focused on Japan's role in the global economy and the nation's recovery after the triple disaster. Our May 2012 Tokyo conference, "Tensions in the Global Financial Regulatory Environment," included Toyoo Gyohten, president of the Institute for International Monetary Affairs, and Adam Posen, who was recently named the next president of the Peterson Institute for International Economics. Motohisa Furukawa, minister of state for national policy, gave welcoming remarks at the conference reception. This conference provided a forum for in-depth analysis of major financial institutions in Japan and the United States.

During 2011-2012, CJEB also hosted a particularly successful series of on-campus public events. Highlights included a 25th anniversary symposium, "Global Marketing of National Products: Kikkoman and Coca-Cola," featuring Columbia Business School alumni Yuzaburo Mogi '61, honorary CEO and chairman of Kikkoman Corporation, and Masahiko Uotani '83, chairman of Coca-Cola (Japan) Company, Ltd. Another symposium, "Video Games and the Shaping of Industrial Transformation: Square Enix," featured Yoichi Wada, president and CEO of video game giant SQUARE ENIX HOLDINGS CO., LTD. CJEB was also delighted to host "Japan's Role in Managing the Global Economy," a policy talk delivered by Motohisa Furukawa soon after he joined Prime Minister Noda's cabinet. More information on all of CJEB's 2011-2012 public programs can be found starting on p. 25.

CJEB has continued and further developed its successful program "The New Global Financial Architecture" (NGFA), which started in 2009 and built upon the "Program on Alternative Investments" that ran from 2002 to 2009. The purpose of the NGFA Program is to engage in analytical and policy-oriented evaluations of major financial and economic

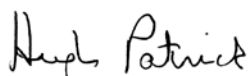
issues through conferences, brainstorming sessions, and research activities. While the focus is on Japan and the United States, this naturally is in the broader context of the global financial system and its other major players, including China and Europe. (More information on the NGFA Program is on p. 24.)

As is expected at such a world-class research university as Columbia, one of CJEB's core mandates has always been the engagement in, support of, and dissemination of research on the Japanese economy and its business and management systems. The Center accomplishes this through projects, seminars and discussion groups, public programs, and library and computer-based resource initiatives. CJEB is fortunate and unique among American universities to have such a research agenda, which is organized and led by David Weinstein, whose own research you can read about on p. 18. With his guidance, CJEB will continue to provide venues and resources for research conducted by its own faculty and beyond to maintain its status as the preeminent academic center in the United States on Japanese business and economics.

As for the future of CJEB 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. We are also pleased to announce that David Weinstein has been named chair of Columbia University's Economics Department starting in the 2012-2013 academic year.

As always, the dedication, hard work, intelligence, and energy of the Center's core faculty and staff, the resources provided by the Business School and the University, and especially the funding provided by corporate sponsors, foundations, and individuals all contribute to the ongoing successes of the Center. We thank them all and invite everyone to join us in looking forward to the next 25 years at CJEB.

With warm regards,



Hugh Patrick
Director



David E. Weinstein
Associate Director for Research

"I want to send my congratulations and best wishes to Hugh Patrick, David Weinstein, and all those who have made the Center on Japanese Economy and Business such an outstanding academic resource on the Columbia campus for the past 25 years. What you have done is no small accomplishment. During the quarter century of the Center's existence, the Japanese economy and its relationship to business practices in the United States have experienced many dramatic and unforeseeable transformations. The turbulence of this period has made the insights provided by the Center's research and scholarship all the more significant."

—Lee C. Bollinger
President, Columbia University
Excerpt from a letter dated
November 2, 2011, on the
occasion of CJEB's 25th
anniversary

Leadership and Staff



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

faculty in 1984 after some years as professor of economics and director of the Economic Growth Center at Yale University. He completed his BA at Yale University in 1951, earned MA degrees in Japanese studies (1955) and economics (1957), and a PhD in economics at the University of Michigan (1960). He has been a visiting professor at Hitotsubashi University, the University of Tokyo, and the University of Bombay. Professor Patrick has been awarded Guggenheim and Fulbright fellowships and the Ohira Prize. His professional publications include 16 books and some 60 articles and essays. His major fields of published research on Japan include macroeconomic performance and policy, banking and financial markets, government-business relations, and Japan-United States economic relations. His 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



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

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



David E. Weinstein is Carl S. Shoup Professor of the Japanese Economy and chair of the Department of Economics at Columbia University. He is also the associate director for research at the Center on Japanese Economy and Business, director of the

Japan Project at the National Bureau of Economic Research (NBER), and a member of the Council on Foreign Relations. Previously, Professor Weinstein was senior economist as well as a consultant at the Federal Reserve Bank of New York, the Federal Reserve Bank of San Francisco, and the Federal Reserve Board of Governors. Prior to joining the Columbia faculty, Professor Weinstein held professorships at the University of Michigan and Harvard University. He also served on the Council of Economic Advisors from 1989 to 1990. His teaching and research interests include international economics, macroeconomics, corporate finance, the Japanese economy, and industrial policy. Professor Weinstein earned his PhD and MA in economics from the University of Michigan and his BA at Yale University. He is the recipient of many grants and awards, including five National Science Foundation grants, an Institute for New Economic Thinking grant, and a Google Research Award. Professor Weinstein is the author of numerous publications and articles. His recent publications include "Exports and Financial Shocks," *Quarterly Journal of Economics* (2011); "Trade Finance

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



Alicia Ogawa is senior advisor at CJEB and led CJEB's Program on Alternative Investments from 2006 to 2009. She is also an adjunct associate professor at the Columbia University School of International and Public Affairs (SIPA). Until 2006, she was managing director at Lehman Brothers, where she was responsible for managing the firm's global equity research. Prior to joining Lehman, Professor Ogawa spent 15 years in Tokyo, where she was a top-rated bank analyst and director of research for Nikko Salomon Smith Barney, having managed the original Salomon Brothers Research Department through three mergers. She is a member of the Board of Directors of the Maureen and Mike Mansfield Foundation and is a consultant on Japan markets to a number of global investment funds. She graduated from Barnard College and earned a master's degree in international affairs at SIPA.



Caroline Hasegawa is director for administration at CJEB, having joined the Center in February 2010. Before coming to the Business School, she worked at Columbia University's Weatherhead East Asian Institute, developing international programs and symposia. Prior to that, she lived in Japan for three years, teaching

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



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

Officers

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

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Larry Lom

MIA Candidate, International Finance and Economic Policy, Columbia University

Miguel Yanez

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

Core Faculty

CJEB's seven core faculty members provide the Center's intellectual foundation and are drawn from Columbia University's Business School, Law School, Department of Economics, Department of Political Science, and School of International and Public Affairs. In addition to **Hugh Patrick** and **David E. Weinstein**, 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 United States-Japan relations. He currently divides his time between Columbia University and Tokyo, where he is active as a columnist, speaker, and writer on Japanese domestic affairs and international relations. He is also a senior fellow at the Tokyo Foundation. Professor Curtis has held appointments at the Royal Institute of International Affairs, Chatham House, London; the Collège de France, Paris; the Lee Kwan Yew School of Public Policy, Singapore; and in Tokyo at Keio University, the University of Tokyo, the Research Institute for Economy, Trade and Industry, the Graduate Research Institute for Policy Studies, and Waseda University. He is the recipient of numerous prizes and honors, including the Chunichi Shimbun Special Achievement Award, the Masayoshi Ohira Memorial Prize, 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 and the Council on Foreign Relations and serves as advisor to the U.S.-Japan Council.



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; he played a major role in economic discussions with the Japanese government. 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 practice in 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, and China in the global economy, 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, in 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 two fund clusters 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; she 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, *U.S. Corporate Law* (Yuhikaku, in Japanese); *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 J.D. 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 Co-Chair of Columbia University's Committee on Global Thought. He is also the co-founder and co-president of the Initiative for Policy Dialogue at Columbia. A graduate of Amherst College, he received his PhD from MIT in 1967, became a full professor at Yale in 1970, and in 1979 was awarded the John Bates Clark Award, given biennially by the American Economic Association to the economist under 40 who has made the most

significant contribution to the field. He has taught at Princeton, Stanford, and MIT and was the Drummond Professor and a fellow of All Souls College, Oxford. In 2001, he was awarded the Nobel Prize in economics for his analyses of markets with asymmetric information, and he was a lead author of the 1995 Report of the Intergovernmental Panel on Climate Change, which shared the 2007 Nobel Peace Prize. In 2011, Time named Professor Stiglitz one of the 100 most influential people in the world. Professor Stiglitz was a member of the Council of Economic Advisers from 1993 to 1995, during the Clinton administration, and served as CEA chairman from 1995 to 1997. He then became chief economist and senior vice president of the World Bank from 1997 to 2000. In 2008 he was asked by 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); *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (W. W. Norton and Penguin/Allen Lane, 2008) with Linda Bilmes of Harvard University; and *Freefall: America, Free Markets, and the Sinking of the World Economy* (W. W. Norton and Penguin/Allen Lane, 2010). His most recent book is *The Price of Inequality: How Today's Divided Society Endangers Our Future*, published by W. W. Norton and Penguin/Allen Lane in June 2012.

Japan's Sputtering Economic Recovery Amid Heightened Political Turmoil

by Hugh Patrick

The March 11, 2011, triple disaster of a major earthquake, tsunami, and Fukushima Daiichi nuclear power plant damage delayed even further what was already a sputtering recovery from Japan's deep 2008–2009 recession. GDP contracted by 0.7 percent in 2011. Growth was negative in the earthquake-hit first half of the year. Then, a strong third quarter (at a 7.7 percent annual rate) was followed by a flat fourth quarter.

Impressively, supply chain ruptures were relatively quickly repaired. Supported by government infrastructure investments in Tohoku, impressive 5.5 percent growth in the first quarter of 2012 accelerated further recovery, but then growth slowed sharply in the second quarter to an initially estimated 1.4 percent rate, substantially below the consensus forecast of 2.3 percent, and on September 10 to a revised even lower 0.7 percent. The government's August 17 mid-year forecasts optimistically indicated that, based on robust private demand, not only would growth in fiscal 2013 be 1.7 percent, but deflation could be coming to an end. The GDP deflator, negative since 1997, would turn from a minus 0.3 percent this fiscal year to a positive 0.2 percent next year. However, summer data indicate a further slackening, with no clear signals that deflation is ending. The September consensus forecast is 2.3 percent growth for 2012, slowing to 1.2 percent in 2013 and 1.1 percent in 2014. Both the output gap and underemployment persist. GDP and GDP per capita are still below their 2007 peak.

These are tumultuous political times in Japan. Complex, petty political gamesmanship has been at an extraordinary height, making political turmoil even more intense. Economic policymaking has been gridlocked because the Democratic Party of Japan (DPJ) controls the Diet Lower House but not the Upper House. Prime Minister Yoshihiko Noda succeeded in obtaining opposition support for consumption tax increase legislation, but at substantial DPJ and personal cost. On August 8 he agreed to a Lower

House election "soon" although elections are not due until August 2013. Otherwise the Liberal Democratic Party (LDP) threatened to join minor opposition parties in an Upper House vote of censure against Noda, a nonbinding but severe blow.

The DPJ will surely lose the election and control of the government after three years in office. In order to force Noda to set an early election date, on August 29 the LDP and the minor opposition parties did vote a motion of censure, and boycotted further consideration of legislation until the Diet session ended on September 8. An integral element of the situation is that the annual elections for the heads of the parties are held in September. Noda was easily reelected president of the DPJ on September 21. LDP incumbent Sadakazu Tanigaki, realizing he had little support, decided not to run. In a vigorous competition, Shinzo Abe won over Shigeru Ishiba on September 26. Abe, prime minister in 2006–2007 for one year, will probably become the prime minister following the Lower House election.

The Fukushima Daiichi power plant disaster has significant national, as well as local, effects. It has forcefully raised issues of safety, energy policy, public utility company behavior, and government regulation and policymaking. The July 2012 independent committee report was scathing, as were earlier reports. Electricity shortages have been a major concern for summer 2012, given the government's decision to delay reopening the other 50 nuclear plants closed for routine maintenance. With impressive conservation efforts, the reopening of old thermal plants, and the restarting of two nuclear plants supplying electricity in Kansai, Japan was able to avoid rolling blackouts.

Japanese structural issues have not been resolved, including inadequate domestic demand, huge government budget deficits, immense government debt as a share of GDP, small but persistent deflation, unemployment

and underemployment of young Japanese, and an uncompetitive agriculture sector.

Two important macroeconomic policy decisions may ultimately break the policy gridlock. First, on February 14, 2012, the Bank of Japan (BOJ) announced it was setting a goal (if not an explicit target) of a 1 percent annual increase in the CPI, which would bring deflation to an end. Second, Prime Minister Noda made fiscal consolidation his top priority. In June, the Diet Lower House passed legislation increasing the consumption tax, currently 5 percent, to 8 percent in October 2014 and to 10 percent in April 2015; on August 10 the Upper House passed the bill. However, it has an escape clause: if economic conditions are adverse, the Cabinet can decide not to implement the consumption tax increase.

The forthcoming election dominates headlines, but financial institution scandals and the strong yen are also major concerns. The unfolding local investigations of insider trading involving corporate new stock issues and the London-centered manipulation of Libor (London interbank offer rate), the key global interest rate benchmark, and possible manipulation in Tokyo (Tibor) are major concerns.

The yen is strong in part because, despite a trade deficit, Japan continues to run a balance of payments current account surplus since net foreign interest earnings, repatriated profits, and management fees have become 3 percent of GDP. The current account surplus will persist. And so long as interest rates are low globally, incentives for Japanese capital outflows are limited. The yen is somewhat overvalued because Japan has become a parking lot, if not a long-term safe haven, for those fleeing the euro.

Global economic growth is slowing because of deficient demand, weak banking systems, and the prospect of fiscal consolidation in the United States and Europe. With monetary policy already easy and interest rates near the zero lower bound,



Hugh Patrick

fiscal policy is particularly important to sustain demand and prevent a looming return to recession. Moreover, dynamic growth in China, Japan's largest trading partner since 2007, has slowed as its economy engages both in cyclical adjustment and domestic restructuring.

Japan faces major foreign economic uncertainties. Who will be elected president of the United States? Who will control Congress? Will the "fiscal cliff"—the automatic termination on December 31, 2012, of Bush-era income tax cuts and mandated cuts in defense and welfare expenditures—be averted? If not, the reduction in government demand would be so large, 4 percent of GDP, that a recession would result. This will not be resolved before the November elections, and perhaps not by year-end. These uncertainties create anxieties worldwide.

I am particularly concerned about the Eurozone crisis. European countries and the European Central Bank have repeatedly and expensively bought time, but without reaching clear-cut solutions. The deep differences

in productivity levels and growth not offset by wage or price increases between the southern and northern European countries are a huge challenge. I doubt the members will agree soon enough on sufficient political union to achieve fiscal as well as monetary policy centralization. The economic policy adjustment demands on Germany at one extreme and Greece at the other are huge. And what about Spain and Italy? Will the Franco-German relationship continue to be strong enough to overcome these challenges? The euro crisis will probably come to a head when Greece or some other country exits, which is likely.

The macroeconomic policy debate in Japan, the United States, and Europe is often framed as austerity versus growth. Austerity: to reduce the government budget deficit, restore fiscal discipline, overcome possible inflationary pressures (non-existent in Japan), and carry out structural reforms. Growth: to reduce unemployment, overcome sluggish recovery, generate government and private-sector revenues, and achieve potential growth.

To view austerity and growth as alternatives is misplaced. It is a matter of the sequencing and timing of macroeconomic policies. Growth should first be pursued until stable full employment is achieved, and then effective fiscal consolidation should be implemented. Tax and other reforms, deregulation, and liberalization should be given high priority under either policy regime as an integral part of any policy package.

The social and personal costs of unemployment and underemployment are substantially greater than those of large budget deficits and high government debt, especially in a noninflationary, much less deflationary, environment. I have proposed for some years that Japan should implement a strong but temporary macroeconomic package of further monetary easing and additional fiscal stimulus and announce that these policies will persist until deflation is ended and good growth achieved. Then, taxes should gradually be increased as a share of GDP and monetary easing brought to an end.

In the following sections I briefly discuss Japan in domestic and global context, recovery and growth, energy policy, the Trans-Pacific Partnership and related international trade institutional arrangements, and the financial scandals.

Japan in Context

Dynamic catch-up growth was completed more than two decades ago, and Japan's political economy has muddled along since. I note a tendency in the West to not pay much attention to Japan—taking it for granted—even while recognizing it as an advanced industrial economy, albeit with many problems. And Japan is not skilled in communicating about itself.

Ignoring Japan is a big mistake. It will continue as one of the world's five largest economies for the foreseeable future, a technological leader, and a major global economic partner and competitor. And we can learn from how Japan deals with

a range of problems common to most advanced economies, including an aging and declining population.

Japan has had difficulty making the transition from a catch-up, investment-led growth model to an advanced, mature-economy consumption-led growth model. Japan's economic performance since 1990 has been erratic, subject to huge shocks, below potential growth, but nonetheless modestly positive. Decline has been relative, not absolute. Over the 20-year period from still-good growth in 1991 to cyclically negative growth in 2011, GDP increased 15.8 percent and GDP per capita rose 10.6 percent. Japan's GDP per capita in purchasing power parity terms relative to the U.S. peaked at 85.6 percent in 1991 but had receded to 71.8 percent by 2011, due to good U.S. economic performance. GDP per capita in most European countries grew a bit faster than Japan's over the past two decades, mainly in the 1990s.

Japan has been engaged in major changes in its markets, in economic, political, and social institutions, and in generational values and behavior. Japan in 2012 is significantly different from and in many respects better than Japan in 1990.

The level and growth of real GDP per capita is the best single measure of a country's economic performance, but it is only a crude indicator of human and societal well-being. In most indicators of well-being, Japan ranks well relative to other OECD members, better on some measures (educational skills, household financial wealth, life expectancy), and worse on others (income distribution, gender equality, air quality, working hours). Nonetheless, Japan's income distribution is less unequal than in the U.S.

Japan differs from the United States and Europe in three major respects. While Japan has not achieved full employment, overt unemployment is far lower than in the U.S. or Europe. Japan's labor problems are weak markets, poor job prospects for those newly

entering the labor force, and a significant increase in the share of part-time employees to a third of its labor force.

Second, Japan is unique among the advanced countries in suffering mild but persistent deflation and this has been so for the past 15 years.

Third, Japan's government gross debt as of March 2012 was 230 percent of GDP; only Italy (at 121 percent) and the United States (at 103 percent) are also in triple digits. Only Japan has a net government debt to GDP ratio in the triple digits, 123 percent; the U.S. ratio is 80 percent. However, unlike the heavily indebted European governments, more than 90 percent of Japanese government bonds (JGBs) are held domestically by banks, insurance companies, the post office system, and other financial institutions that are less likely to dump them.

Relative poverty remains a significant problem in Japan, as in most advanced economies. Some 11 percent of Japanese are in households whose income is less than half of the Japanese median. As of March 2012, 2.1 million Japanese in 1.5 million households received welfare assistance. Some 40 percent of the households were elderly, in another 20 percent the family head was injured or ill, and 7.5 percent were single mothers (typically divorced or deserted) with children.

Recovery and Growth

The devastation from the tsunami and Fukushima Daiichi nuclear disaster forced the evacuation of several hundred thousand people along Tohoku's east coast. Recovery has been slow; many evacuees remain in temporary housing and face stark life choices. But this has been a regional, not a national, disaster.

Japan's macroeconomic difficulties persist. The government's operational forecast is that the economy will grow at a 1.1 percent annual rate over the 2010-2019 decade,

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and 0.8 percent in the following decade through 2029. In making its social welfare expenditures forecasts, the Ministry of Health, Labor, and Welfare assumes growth will continue at 1.1 percent until 2030. Given projected declines in population and labor force, even a 1 percent long-run growth forecast implies fairly strong but not unreasonable growth in labor productivity.

While deflation benefits consumers, particularly the elderly on pensions, it has been at the cost of their very low income from savings deposit interest and other assets. Small but persistent deflation has retarded both growth and fiscal stability, costly for young Japanese. The Bank of Japan (BOJ) has yet to take vigorous proactive measures to end deflation.

The BOJ reasonably forecasts 0.2 percent CPI increase in 2012. However, its predicted 0.7 percent rise in fiscal 2013 and achievement of its 1 percent goal in 2014 are widely regarded as too optimistic. The August market consensus forecast is that the CPI increase in 2013 will be 0.1 percent, and in 2014 0.2 percent. The government's August 17, 2012, forecast update also is too optimistic. It expects the CPI to rise by 0.5 percent in 2013 and the GDP deflator, a more comprehensive measure, to become a positive 0.2 percent. However, the GDP deflator has been slightly more negative than the CPI thus far in 2012, as in previous years. The market consensus forecast is that it will be a negative 0.5 percent in 2013. I do not expect price stability, defined as a 1 to 2 percent annual increase in the CPI, to be achieved soon. Deflation will probably continue to be a major macroeconomic policy challenge.

Passage of the landmark consumption tax bill is the first time in years that the government and political parties have addressed the major challenge of ongoing huge government budget deficits, high government debt, and a potential Japanese government bond (JGB) market crisis. The consumption tax legislation reduces the risk of a major

crisis soon but does not end it.

Policymakers face two challenges. One is to ensure that good, stable growth be achieved within the coming 18 months before the consumption tax increase goes into effect, quite aside from temporary spending on big-ticket items. The more enduring challenge is that this is only a modest first step toward achieving fiscal equilibrium. Tax revenues as a share of GDP will have to be increased gradually in the coming decade, given the pension, welfare, and health care needs of an aging population. Increasing the consumption tax is not the optimal tax policy but has been politically feasible.

On July 31, 2012, the DPJ government announced its new growth strategy, updating its June 2010 plan of 21 major programs. While the prime objectives—energy, environment, health care, tourism, and international trade agreements—are laudable, how the government would implement them is unclear. They require a combination of new government funding, deregulation, and liberalization.

In the longer run, to achieve adequate domestic demand, Japan's personal consumption has to rise from its current 59 percent of GDP. That requires household income to increase from its present 64 percent share of GDP. That means wages have to increase, not just absolutely but as a share of GDP. But in an economy growing below its potential and with weak labor markets, that is virtually impossible. Given the constraints on stimulative macroeconomic policy, revitalization and accelerated growth could be achieved by comprehensive liberalization and deregulation, notably in agriculture and many services. This approach offers both an opportunity and a challenge for the new government.

Once Noda agreed to hold the Lower House election, the consumption tax was quickly passed. However, because of the late August vote of censure and Diet boycott, two essential bills were not passed: the

approval of the government bonds to fund the huge 2012–2013 government budget deficit; and legislation providing modest electoral reforms constitutionally required by the Supreme Court. But when the election will be held is really unclear. One possibility is that the bills will be passed in the special Diet session scheduled for early October, before dissolution and the elections. The election might be held November 4 and December 9, Sundays, since they are propitious days or possibly early next year.

The DPJ will suffer substantial losses in the election. The LDP expects to increase its seats but is unlikely to achieve a majority. So, which party or parties will Abe and the LDP work with to form a coalition government? One key question is how Toru Hashimoto's new political party, *Nihon Ishin no Kai* (Japan Restoration Association), established September 9, will do. Hashimoto, the regionally popular, young Osaka mayor (and former Osaka prefecture governor), is rather conservative and nationalistic. He is a proponent of decentralization and deregulation, has assembled a brain trust of well-known, capable reformers, has been developing a policy platform, and reportedly plans to have his party run some 350 candidates for the 480 Lower House positions.

The new government, whenever it takes office, may well face a stagnant economy, as exports are hit by slow foreign demand and with anemic domestic demand. It would be a nice surprise if the election brings about improved expectations about Japan's economic future. While the immediate policy challenge may well be sputtering economic performance, the new government will have to deal with Japan's persistent fundamental economic problems.

Electric Power

The Fukushima Daiichi plant disaster has had significant economic, political, and societal effects. The government and TEPCO (Tokyo Electric Power

Company) nontransparently mishandled information and communications following the disaster, increasing public mistrust of regulators in general and nuclear power in particular. Several commissions have reported on the disaster and its mishandling. The Fukushima Nuclear Accident Independent Commission report in early July 2012 is a scathing indictment of a “profoundly man-made disaster that could and should have been foreseen and prevented.”

The government has had to focus both on near-term electricity shortages and Japan’s long-run energy policy, particularly the role of nuclear power. The government’s immediate decision not to reopen the remaining 50 nuclear power plants as they closed for routine maintenance meant that by May 2012 the share of nuclear power in electricity generation went from 26 percent in 2010 to zero. Japan has had to deal with substantial electricity shortages this summer.

The summer 2012 electricity potential shortfall of 10–15 percent in afternoon peak demand has been managed successfully without rolling blackouts. This was achieved by a range of approaches: reopening inefficient thermal plants; government administrative guidance to curtail demand, especially by large users; and massive voluntary conservation efforts by households and companies alike. The Kansai area was a major challenge, since 28 percent of KEPCO’s (Kansai Electric Power Company) capacity is nuclear. In July, two nuclear plants in Oi were restarted to alleviate Kansai’s projected severe shortages. They managed to get through the summer without blackouts.

Government administrative guidance set targets to decrease electricity consumption by 3 to 10 percent in the region served by each of the 10 public utility companies. Power companies adjusted their contracts with most of their large institutional customers, particularly for peak hour usage. KEPCO scrambled to develop additional

capacity and provided a detailed plan for outages to alert users to which two-hour period on what day they would be subject to a blackout, if necessary.

Japan is the world leader in energy conservation. Households and businesses have reduced electricity consumption with a myriad of small-scale adjustments, adaptations, and small innovations—and a willingness to suffer the discomforts of warm offices and homes. Companies and the central and local governments were asked to set office air conditioning at 28°C (82° F), and some set them even higher. This personal sense of patriotically participating in a national need is an indicator of Japan’s cohesive societal strength.

Japan’s long-run energy strategy will depend on a combination of ongoing technological change and government policy. Technological innovation is a major driver of energy supplies and costs in a world of rising energy demand from rapidly growing emerging economies. Globally, the most important innovation in the last decade has been to obtain huge amounts of natural gas from shale relatively inexpensively. Natural gas prices will be low globally in the foreseeable future, though the cost of liquid natural gas (LNG) for Japan is high because it is linked to the price of oil under long-term contracts. In the long run, solar, wind, and other renewable resources will continue to decrease in price and eventually are expected to be truly competitive with fossil fuel and nuclear power.

The government is aggressively promoting development of renewable resources. Higher costs, initially about \$1.10 a month for the average household, are generally being used rather than direct government subsidies. In order to have adequate electricity supplies in Hokkaido for peak winter demands, without reopening nuclear power plants there, the government will subsidize local companies to install their own power generation facilities. From July 1, 2012, public utilities are required to buy electricity

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produced by renewable resources at very high prices (feed-in tariffs) under long-term contracts. The feed-in tariff for solar power is about triple, and wind power double, the cost of fossil fuel electricity. Because the above-market prices make such investments profitable, Japanese and foreign companies are building major solar and wind projects. They will be able to utilize the large amount (150 million square meters) of still unused land in some 900 industrial parks throughout Japan. The tariffs will be reduced gradually as technology and large-scale operations reduce costs.

Renewable resources are now only 1 percent of total electricity supply, excluding hydro (which is about 9 percent of total electricity capacity). Renewables are projected to increase to more than 20 percent in 2030, regardless of nuclear power policy.

On June 29, 2012, the Cabinet-level Energy and Environment Council issued a comprehensive report as the basis for public policy discussion on the government's new long-run energy policy. The report addresses the future role of nuclear power by providing three scenarios. In all of them, the shares of fossil fuels decline and renewable resources increase. The crucial options are whether nuclear power in 2030 will comprise 20–25 percent (somewhat below its pre-Fukushima level), 15 percent, or 0 percent of total electricity capacity. The economic cost evidence in the report, in terms both of GDP growth and household costs of electricity, are supportive of the middle (15 percent) option. This report was considered at public forums held in late July and early August.

Fukushima has energized an antinuclear movement, and increasingly large demonstrations have been held from early August. On September 14, the government announced a goal to end nuclear power plants by 2040 but did not address potential loopholes. On September

19, it backtracked on setting a terminal date, as the Cabinet issued a vague statement of continuing review. The LDP has supported the electric power companies, all of which have nuclear power plants except in Okinawa. Japan's energy strategy will be determined only after the forthcoming election.

Two interrelated nuclear power issues have to be dealt with soon. First, what additional existing nuclear plants should be reopened to overcome potential power shortfalls and to reduce costs? Second, how far and how quickly should nuclear power downsizing proceed? Will power companies eventually be allowed to reopen and operate most nuclear plants until their normal 40-year lifetime is reached? If so, 18 existing plants would be in operation in 2030. If not, they will have huge balance sheet problems as they write off the value of their nuclear power plant assets. If their nuclear power plants are not reopened, four public utilities in addition to TEPCO will become insolvent. Further, will the three nuclear plants currently under construction be allowed to be completed and opened and run for their 40-year lifetime?

Shifting from nuclear power and engaging in conservation have both benefits and direct and indirect costs—economic, international commitments on CO₂ emissions, and health. Thermal fuels are more costly and renewable sources even more so. Under any option, electricity costs and prices will rise, and Japan already has some of the highest rates globally. Fuel imports will increase; supply security is an ongoing concern. Inadequate or unreliable electricity supplies are incentives for manufacturers to relocate abroad. In some instances, conservation has been seriously overdone. More elderly people die of summer heat or winter cold, and very warm work places reduce productivity. More than 21,000 people were hospitalized for heatstroke in July, a 17 percent increase over disaster-stricken July 2011.

Different methods of producing electricity have different health consequences. The Fukushima Daiichi disaster naturally is a deep emotional and political issue for the Japanese public. Deep fear of radiation as a consequence of the disaster will certainly constrain the use of nuclear power, even though the health consequences of radiation exposure following Fukushima Daiichi are limited, according to radiation specialists. The initial intense radiation plumes from the nuclear accident were followed by low levels of radiation until total cold shutdown of the four reactors was achieved in December 2011. Hiroshima, Nagasaki, and Chernobyl provide data on the effects of high emissions of radioactive materials. But only Chernobyl and Fukushima Daiichi provide data on persistent low levels of radioactive emissions. Thus, estimates of the deaths and illnesses attributable to Fukushima Daiichi have a wide range. A recent study by Professors John E. Ten Hoeve and Mark Z. Jacobson of Stanford University estimates that 125 people globally, 94 in Japan, will eventually die from exposure to the Fukushima radiation.

Replacing nuclear power with fossil fuels will cause many direct deaths in Japan from air pollution, but that has not entered the public policy debate. My colleague David Weinstein, using data based on tables in the reputable medical journal *Lancet*, estimates that ending nuclear power electricity production completely in Japan and replacing it with natural gas will result in 747 Japanese deaths every year from air pollution, replacing with oil 4,891 deaths, and with coal 15,240 deaths. Renewable sources are much safer for people, but they will become significant only in the long run. Reducing coal's present 28 percent share of electric power and replacing it first with natural gas and eventually with renewables would have significant health benefits. The problem is that imported coal is abundant and cheap.

Trans-Pacific Partnership and Trade Liberalization

With the multilateral Doha Round of trade liberalization moribund, Japan has rather slowly pursued bilateral and regional FTAs (free trade agreements) or the weaker EPAs (economic partnership agreements). Japan now confronts two models for Asia-Pacific liberalization: the comprehensive Trans-Pacific Partnership (TPP) of 11 nations, led by the United States; and an "Asian track," exemplified by Japan's trilateral trade negotiations with China and Korea, presumably with eventual inclusion of the 10 ASEAN nations.

The countries engaged in TPP negotiations aim to create an extremely comprehensive, strong FTA. The U.S. proposes a "platinum standard," not just of complete free trade in goods and services including agriculture, but the setting of high standards for intellectual property rights, government procurement, state-owned enterprises, labor and environmental standards, and other measures less directly trade related. The trade components alone would significantly benefit trade and economic growth for all its members.

The U.S. policy position is controversial. TPP members have rebuffed certain U.S. proposals. The negotiations have been more secretive than usual, enhancing anxieties. My colleague Jagdish Bhagwati argues that TPP should be limited to direct trade matters in order to make it possible for China and India to join in due course; intellectual property and other matters should be in a separate agreement. China opposes TPP. One danger is that TPP be perceived as anti-China rather than pro-trade liberalization. Given its size, Japan's participation in TPP would be important for the current members; together they would comprise 40 percent of global GDP.

TPP is a hot topic in Japan, and for good reason, since trade liberalization is supported

by some members of the DPJ and LDP, but opposed by agricultural and other powerful vested interests. Prime Minister Noda indicated earlier that Japan would join the TPP negotiations, but with the election looming, he has not moved forward. If the government decides to join the TPP negotiations, it would be next spring at the earliest. The risk is that if Japan does not join the negotiation process, it will not be able to shape the rules before they become final.

Joining TPP will force Japan to carry out much-needed structural and institutional deregulation and liberalization. Agriculture's political resistance has been the stumbling block for years, preventing Japan from embarking on any significant trade liberalization agreements. Health care, other professions, and those constraining Japan Post's full privatization also oppose joining TPP.

Agricultural reform will directly affect rural villages and towns far beyond the direct effects on the 2.6 million farmers, who comprise only 4 percent of the labor force and produce only 1.5 percent of GDP. The National Federation of Agricultural Co-operatives (the JA group) is politically and economically powerful, and an effective lobbyist. It has 9.5 million members, of whom 4.8 million are associate members. JA is a huge trading and financial services conglomerate serving rural and small-town Japan. It handles almost half of the sales of rice, an important, heavily protected crop that provides a quarter of agriculture output. JA owns a large bank, Norinchukin, and provides a wide range of insurance products.

Agriculture reform is necessary. The average age of Japanese farmers is 65, and there are few new young entrants. Farm households derive most of their income from nonfarm activities; only 15 percent are full-time farmers. Implementation of trade agreements is on gradual schedules that can spread over 10 to 15 years. That is sufficient time for Japanese agriculture,

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which is already adjusting to its demographic realities.

In May 2012, Noda joined the leaders of Korea and China in agreeing to enter trilateral trade talks, which will be less comprehensive than TPP. While Japan brings considerable historical baggage and currently politically explosive territorial disputes to the negotiations, each of the three countries has political, as well as economic, interests in pursuing negotiations, scheduled to start in fall 2012; however they probably will be delayed. In addition, the European Union has decided to begin trade agreement negotiations proposed by Japan.

Japan is in a political bind. It does not want to be left out of trade liberalizations, but it has not yet committed to enter TPP. Because of its political inability to engage in major agricultural reform soon, even though such reform has to be an integral component of its revitalization, Japan may gradually proceed with weaker agreements with China and Korea and with the European Union. It is also in Japan's interests to proceed vigorously on the TPP track.

Financial Scandals

With management in autonomous control of most of the 3,481 Japanese companies listed in the soon-to-be-merged Tokyo and Osaka stock exchanges, corporate governance in Japan is weak. Japan is ranked 96 of 135 countries in a global corporate governance index. With permanent employment persisting, few mid-level hires, and few outside directors, each company has its own deep corporate culture, a source of management strength. Managers typically consider themselves stewards of the company's survival and well-being. In many respects corporate social responsibility is real, if somewhat narrow. Companies look after their employees and their families; they try to keep customers satisfied; they usually have good, if tough, long-term relationships with suppliers and subcontractors; they are

good members of local communities; and they provide stable dividends to their shareholders. However, corporate profitability on average has been very low over the past two decades. Many firms have invested in unneeded new facilities domestically and have yet to figure out how to invest abroad successfully.

The high-profile scandals at Olympus, Daio Paper, TEPCO, and AIJ Investment Advisors have been superseded by insider trading, Libor manipulation, and other financial institution scandals.

Insider trading is evidently widespread in Japan, and some Japanese financial institutions are deeply involved. Leaks apparently have been regarded in many financial institutions simply as a service to major clients in opaquely-defined systems of information flows. Japanese laws regarding insider trading are weak and full of loopholes, and the financial and other penalties are laughably minor. This year, cases have involved short selling of company shares. Short selling as such is legal; it helps make financial markets more efficient. But selling based on advanced knowledge of a company's announcement that it plans to issue new shares is illegal; such news typically results in an immediate drop in the company's share price.

Japanese regulatory authorities have asked five major Japanese banks and seven foreign banks in Japan to submit compliance reports. The investigators thus far have identified three major Japanese brokerage firms and three asset management companies as being involved in insider trading, and several Japanese firms and some foreign firms have already been penalized.

The key global benchmark interest rate is Libor, the London interbank offer rate. There are about 150 Libor rates for 15 maturities, from overnight to 12 months and for 10 currencies, including the dollar, euro, and yen. Libor is essential; it is used in setting interest rates on many loans, mortgages, and derivatives throughout the world.

The various Libor rates are based on reports of some 18 global reference banks, including Japan's three megabanks and Norinchukin. Since these reports represent offers, not actual market transactions, as a benchmark, Libor is inherently flawed; but nothing else has wide general acceptance. Appalling behavior by major U.S. and European banks has once again been exposed; thus far 10 have been implicated in manipulating Libor. In early August one Japanese bank was implicated. The regulatory authorities in the U.S., U.K., and Japan have investigations under way for all global financial institutions. At least half of the banks, though none Japanese, are being sued for manipulating Libor yen, used in the Euroyen market and for yen overseas derivatives.

Supplementing Libor, financial institutions use the Tokyo interbank offer rate (Tibor) in Japan for domestic yen and Euroyen benchmarks. In December 2011 the FSA penalized the Japan units of two foreign banks for an employee working at first one, and then the other, attempting to manipulate Tibor; neither bank is currently a member of the Tibor reference system. Of the 16 banks setting the yen Tibor, 15 are Japanese, as are 12 of the 15 for Euroyen Tibor. Participants are selected by the Japan Bankers Association, which makes the Tibor estimates. This interest rate benchmark scandal is still in its early stages. Thus far it is a global, but not a major Japanese, scandal.

Conclusion

Japan, the United States, and Europe are in the throes of major economic and political uncertainties. Each suffers from a lack of domestic demand, and misaligned exchange rates that reinforce balance of payments imbalances. For Japan deflation is also a problem. Public investment is needed to improve education, R&D, and, in some countries, major infrastructure overhauls. Without renewed fiscal stimulus, developed country return to recession

is a real concern. Japanese consider the revitalization of their economy to be a major challenge.

Summer has been a period of intense and increasing political turmoil, with continued policy gridlock and major uncertainties. When will the Lower House election be held? What will be the role of the New Komeito party? Toru Hashimoto's Japan Restoration Party is attracting great attention and considerable political support. How will it do in the election? What will the policy platforms at all the parties be? It is clear the DPJ will suffer major losses and lose control of the government. The LDP will gain seats and probably will lead the government, but its chances of winning a majority are slim. How well the LDP does in the election will determine which coalition partners it will need in order to control both the Lower and Upper Houses.

The new government will have to address energy policy, the role of nuclear power, and trade liberalization, as well as Japan's still-unresolved long-run structural issues, including growth, fiscal consolidation, deflation, weak labor markets, insider trading, and other financial market reforms.

Japan's recovery, interrupted by the 2011 earthquake triple disaster, proceeded well in the first quarter of 2012 but slowed really significantly in the second quarter. Summer evidence and market forecasts suggest a weak performance for at least the second half of 2012. My concern is that the new government will be confronted with a sputtering economy, with inadequate domestic and foreign demand, and continued political infighting. How revitalization occurs will depend on the policies of the new government, and its ability to carry them out. With a mature economy and a declining population, the key to Japan's economic performance is growth in GDP per capita and per worker, since growth of the economy will be low. Increasing labor productivity is the key to achieving good, sustained growth.

After two "lost decades," it has become easy to underestimate Japan's strengths and overstate its problems. However, Japan will continue to be not only an Asian but a global technology leader. It has a strong, vigorous private sector. Its standard of living is high and will continue to rise, though probably only slowly. Its people share a strong society, which responds well to sudden, adverse shocks. Japan's economy will continue to be one of the world's five largest for at least the next two decades.

Japan is at the forefront of an ongoing global demographic transition. Its population is rapidly aging and slowly declining; its labor force peaked 17 years ago. This transition is a fundamental reality. To increase fertility to stable population levels requires Scandinavian-type familial, social, and economic adjustments that Japan may accomplish, but only in the very long run. With an abundance of underutilized female and older workers, labor will not be in short supply in the foreseeable future. However, who will do the 3-D jobs (dirty, dangerous, dull) is always an issue in Japan as in other high-income economies. Substantial immigration is unlikely; Japan will adjust in other ways.

Economic revitalization and creation of domestic demand requires comprehensive and deep economic deregulation and liberalization. Japanese policymakers, even in a new government, are unlikely to have the political will to carry out a major fiscal and monetary macroeconomic policy package such as I have long proposed, unless a government bond market crisis occurs. Deregulation will create new business opportunities, stimulate new business investment, help smaller firms, and create jobs. The political dilemma is that vested interests are so strong, not only in agriculture but in some service sectors as well.

Internationally, Japan's staunch alliance with the United States will continue, and bilateral business relationships will be stronger than ever. China, Japan's largest trading partner, provides both ever-increasing

economic opportunities and political challenges. Japan needs to liberalize trade further. It should join TPP and negotiate trilateral agreements with Korea and China, as well as the EU. But policy initiatives continue to be severely constrained by domestic protectionist interests.

I do not see a well-defined vision in Japan of the country's longer-run goals. Many Japanese are inward looking. It is such a comfortable, easy, enjoyable environment, and the domestic market is large. Japanese do not really want isolation, but many see benefits in being an insular nation with a distinctive language and culture. Others are outward looking, as shown by Japan's being a major supporter of, and player in, world economic and financial markets. Fewer young Japanese are studying abroad, but that is because there are fewer young Japanese; the proportion of the cohort going abroad remains stable, slightly above 5 percent. However, those studying in the United States have declined from 3.1 percent in 2000 to 2.1 percent in 2009. Japan's greatest international weakness is the general limited capabilities in English and other foreign languages. Japanese scores on TOEFL (the test of English as a foreign language) are lower not only of those students in Korea and China, but of 24 other Asian countries.

I am not particularly optimistic about the Japanese economy for the next several years; I am concerned about continuing economic policy gridlock and inaction. Despite my best hopes, I anticipate that the new government will only muddle along. The slow recovery in the U.S. and the ongoing difficulties in Europe are dampers.

In the longer run, nonetheless, I continue to be optimistic about Japan. As its history demonstrates, it has a record of being a strong, highly motivated, effective society, demonstrably capable of responding well to and overcoming adversity.

September 28, 2012

Current Research Highlights



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

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 obtain funding from competitive outside 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. In addition to being CJEB's associate director for research, Professor Weinstein is the chair of the Columbia University Economics Department and codirector of the NBER Japan Project.

Professor Weinstein's research utilizes extremely detailed databases on various aspects of the Japanese economy. In 2011-2012, Professor Weinstein continued his research on systemic financial risk in Japan. He has a major project under way that aims to understand whether the recent wave of financial institution mergers is associated with greater systemic risk. In particular, this research will answer the question of how important idiosyncratic firm demand and financial institution loan supply

shocks are for understanding aggregate loan volatility in general and what impact bank loan supply has on firms' investment.

His work on Japanese inflation involves examining how problems in the measurement of inflation should affect monetary policy. In particular, Professor Weinstein examines whether central banks should care less about inflation movements when inflation rates become lower. This research has implications for understanding monetary policy in Japan and much of the developed world.

Professor Weinstein has continued his work on "Prices in Space and Time," a research project using detailed (barcode) data from the ACNielsen HomeScan (for purchases in the United States), Nikkei-POS, and ACNielsen Scantrak (for retail sales in Japan and several other countries), and Google's price and click-through information (for all retail products and real estate reported on the Google Product search and Google Maps for several countries). This project aims to measure inflation at a daily frequency and explore how daily price and consumption data respond to macroeconomic shocks. Professor Weinstein expects that the construction of daily price and consumption indexes for major economies will alter our understanding of how policy and economic shocks are transmitted to economies.

He is also pursuing a related research project, "Internet Prices and Price Indexes," for

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

Professor Weinstein's recent publications include "Exports and Financial Shocks," with Mary Amiti, in *The Quarterly Journal of Economics* (November 2011). He continues to publish in major journals, including *The American Economic Review*.

Professor Weinstein's research is frequently cited and discussed in the media, and he is a frequent commentator on Japan. In 2011-2012, he was featured in news outlets including *The Washington Post*, *The Economist*, *The Wall Street Journal*, *Japan*, and *Diamond Weekly*.

Hugh Patrick, with Yung Chul Park of Korea University, has been leading a major project on the ongoing financial development of Japan, Korea, and China. This project is nearing completion, and he is coediting the book summarizing the results. Professor 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 in this Annual Report, starting on page 9. In 2011–2012, Professor Patrick gave policy-oriented talks based on his research at conferences and private lunches and delivered the keynote lecture at an executive seminar on Japan hosted by the Department of State's Bureau of Intelligence and Research and the National Intelligence Council. He was featured widely in the media, including in such outlets as Reuters Japan, *Diamond Weekly*, *Jiji News Bulletin*, and NHK's "Project Wisdom."

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 United States foreign policy. Professor Curtis is currently pursuing two major research and writing projects. One is a comprehensive overview of Japan's political system. The other involves the response of the U.S.-Japan alliance to China's emergence as a great power and to the dramatic changes taking place in the international order in East Asia.

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 is continuing a research project on China that focuses on sources of tension and opportunity in China's external economic relations.

Curtis J. Milhaupt's article "We are the National Champions: Understanding the Mechanisms of State Capitalism in China" (forthcoming in the *Stanford Law Review*) was profiled in *The Wall Street Journal* and cited in two issues of *The Economist*. He testified before the Congressional U.S.-China Economic and Security Review Commission on the basis of the research for the article. Professor Milhaupt also wrote a working paper entitled "Executive Compensation's Parallel Universe: Evidence from Japan." He presented the paper at Harvard University's Reischauer Institute of Japanese Studies.

Alicia Ogawa continues both her private consulting work on Japan's politics and economy and her teaching at Columbia University's School of International and Public Affairs. This year, she also ran a project for the Maureen and Mike Mansfield Foundation in which she served as the senior advisor to a group of 10 young Japan specialists from different fields tasked with compiling "A Vision for the Future of U.S.-Japan Relations" and identifying the actions necessary to enact this vision. Professor Ogawa's public speaking has continued to be in high demand. In 2011–2012, she gave

presentations at the U.S.-Japan Business Council meeting in New York City, the Daiwa Securities' Investors Conference, the Mitsubishi UFJ General Managers' meeting, and a seminar for ITOCHU USA employees. Her research on Japan's mortgage market (a topic she covered for the May 21, 2012, CJEB conference in Tokyo) will be submitted at upcoming conferences. Professor Ogawa also continues to work closely with CJEB Visiting Fellows by assisting them with their research and seminar presentations, including a recent project involving the money laundering prevention policy in Japan and the United States.



From left to right: David E. Weinstein and Hugh Patrick

Faculty Engagement

CJEB supports Columbia Business School (CBS) faculty members not formally associated with the Center by serving as an entree to Japan's business, professional, academic, and cultural worlds. The Center funds Japan-related research and seeks ways that Business School professors who are not Japan specialists 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 CBS classes. CJEB also has access to various Japan-related databases that faculty use for research and, where appropriate, can fund and arrange faculty research trips to Japan.

CJEB often arranges with CBS faculty to cosponsor programs with other centers at the Business School. In 2011-2012, cosponsors included the Jerome A. Chazen Institute of International Business and the Center on Global Brand Leadership. CBS faculty members often participate as speakers or panelists for various CJEB public programs. At the 25th anniversary symposium, "Moving Forward: Japan in the World Economy," on October 21, 2011, **Bernd Schmitt**, Robert D. Calkins Professor of International Business, engaged Rakuten chairman and CEO Hiroshi Mikitani in a "fire-side chat" on the topic of globalizing brands and business models. **Rita G. McGrath**, associate professor in management at CBS, served as discussant at CJEB's February 21, 2012, symposium, "Video Games and the Shaping of Industrial Transformation: Square Enix." In the 13th annual Mitsui USA Symposium, held on April 4, 2012, titled "The Global Debt Crisis: Will Japan Be Next?," **Robert J. Hodrick**, Nomura Professor of International Finance at CBS, participated in a discussion on the prospect of an imminent debt crisis in Japan with Takeo Hoshi, Pacific Economic Cooperation Professor of International Economic Relations at the



From left to right: Hugh Patrick, Gerald L. Curtis, Alicia Ogawa

School of International Relations and Pacific Studies at the University of California, San Diego. CJEB's May 21, 2012, Tokyo conference, "Tensions in the Global Financial Regulatory Environment," included the participation of **Charles Calomiris**, Henry Kaufman Professor of Financial Institutions at CBS, and **Christopher Mayer**, Paul Milstein Professor of Real Estate at CBS.

As in years past, CJEB worked with CBS's Chazen Institute and the MBA student-run Japan Business Association (JBA) to support the travel of a Business School faculty leader for the spring 2011 student-led Chazen International Study Tour to Japan. This year **Jeremy Kagan**, adjunct associate professor of marketing at CBS, led the Japan Study Tour.

CJEB's support for faculty research is not limited to CBS 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.

Working Paper and Occasional Paper Series

The Center fosters dissemination of research on Japan's economy and business systems 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 (WP) Series. CJEB also accepts interesting, topical papers in its Occasional Paper (OP) Series. Papers in both series are available for free download through the Center's website at www.gsb.columbia.edu/cjeb/research, which links to the Columbia University Libraries' Academic Commons website.

2011-2012 Working Papers

WP 299

Regulation and Supervision

Takeshi Nakajima, Head of Management Strategy, Secretariat of the Policy Board Division, Bank of Japan

December 2011

Why did Lehman Brothers have to go bankrupt? This question has often been asked, since the bankruptcy of Lehman was recognized as having a hugely disruptive effect on the financial system and the economy around the world beyond expectations. For that question, a broad range of materials has provided various answers from each viewpoint. FCIC's report indicates that risky trading activities, enormous leverage, reliance on short-term funding, problems in its corporate governance, including risk management, as well as inadequate regulatory oversight can be seen as significant causes of Lehman's collapse. However, why could such common weaknesses not be easily corrected or improved and instead be overlooked for a long time and lead to such

a huge calamity? A more in-depth investigation or a study from a different viewpoint is required to grasp the essence of this problem and to find the right way and direction of regulatory reforms. This essay, using case studies on Bear Sterns, Lehman Brothers, and AIG, points out some of the essential weaknesses in company risk management and in the Federal Reserve's supervision, especially over their liquidity risk. Then, by comparing with the framework and conduct of the BOJ's monitoring of financial institutions' liquidity, the reasons why the Federal Reserve could not exert its regulatory and supervisory power sufficiently over those financial institutions' liquidity risk management will be examined. Finally, based on the analysis above, some assessment of Dodd-Frank regulatory reforms has been added.

WP 300

External Shocks and Japanese Business Cycles: Impact of the "Great Trade Collapse" on the Automobile Industry

Etsuro Shioji, Professor, Department of Economics, Hitotsubashi University
Taisuke Uchino, Research Institute of Economy, Trade and Industry, Japan

April 2012

Why did the Japanese economy perform worse than other major industrialized nations during the Lehman crisis period? The country's poor performance was surprising because the Japanese financial system remained mostly stable, unlike its counterparts in the United States and Europe. Obviously, Japan was hit during this period by a massive contraction in external demand for its products. However, even if one takes this factor into account, it is not immediately clear why it had to experience an output decline that was disproportionately larger than the extent of the external demand contraction. In this paper, we investigate this puzzle by focusing on the automobile industry, the country's most important exporting sector. A popular explanation for the strong negative response of Japan to the Lehman

crisis is that the country is extremely "export dependent." It is often argued that, during the course of the long boom between 2002 and early 2008, Japan had become so much more dependent on exports that there was no surprise in its poor performance during the crisis period when worldwide demand collapsed. In the first half of this paper, we investigate these claims by a time series estimation technique known as the time-varying parameter VAR method. We find that there was no noticeable structural change in the relationship between external variables and automobile exports during the precrisis boom. We show that, based on the relationship that existed prior to the crisis, one could not have predicted the observed sharp declines in export and output during the crisis period, even if we knew that there was going to be a large negative external shock. There are two possible explanations to the above finding: either that Japan went through a structural change whose timing happened to coincide with the Lehman crisis, or that there is an inherent nonlinearity in the relationship between external shocks and production. That is, output reacts differently to large shocks than to small shocks. The second half of the paper pursues the latter possibility. We utilize detailed data on automobile production, sales, and inventories that are available by company and by types of cars. We use a quantile regression approach to find that auto producers tend to undertake disproportionately more aggressive inventory adjustment against a larger negative shock to sales. At the end of the paper, we offer some insights on why such a nonlinearity is observed.

WP 301

Evaluating the Economic Response to Japan's Earthquake

David E. Weinstein
Molly K. Schnell, Staff Associate, Department of Economics, Columbia University

May 2012

This paper compares the 1995 Kobe earthquake with the more recent one in Tōhoku. The impact of the recent earthquake on industrial production was much larger and long-lasting than that of the 1995 earthquake. We find that very little of this can be explained by differences in government expenditures or private consumption. However, we find very substantial differences in energy production in the wake of the two earthquakes. The substantial and persistent drop in energy output is likely to have exacerbated supply disruptions and may continue to slow the pace of recovery. Moreover, we provide some evidence that Japan's increasing reliance on fossil fuel sources of energy is likely to result in a large number of deaths and increases in morbidity due to increased air pollution. These results highlight the difficulties that Japan is likely to face in its move away from nuclear power.

WP 302

Trends in Long-term Employment and Job Security in Japan and the United States: The Last Twenty-Five Years

Ryo Kambayashi, Associate Professor, Institute of Economic Research, Hitotsubashi University

Takao Kato, W. S. Schupf Professor of Economics and Far Eastern Studies, Colgate University; Research Fellow, IZA Bonn; and Research Associate, CJEB (Columbia Business School), Tokyo Center for Economic Research (the University of Tokyo), and Center for Corporate Performance (Aarhus School of Business)

May 2012

Taking advantage of a recent relaxation in Japanese government's data release policy, we conduct a cross-national analysis of microdata from Japan's Employment Status Survey and its U.S. counterpart, Current Population Survey. Our focus is to document and contrast changes in long-term employment and job security over the last twenty-five years between the two largest advanced economies. We find that in spite

of the prolonged economic stagnation, the ten-year job retention rates of core employees (employees in the prime age range of 30–44 who have already accumulated at least five years of tenure) in Japan were remarkably stable, at around 70 percent over the last twenty-five years, and there is little evidence that Japan's Great Recession of the 1990s had a deleterious effect on job stability of such employees. In contrast, notwithstanding its longest economic expansion in history, the comparable job retention rates for core employees in the United States actually fell from more than 50 percent to below 40 percent over the same time period. The probit estimates of job loss models in the two nations also point to the resilience of job security of core employees in Japan, whereas showing a significant loss of job security for similar employees in the United States. Though core employees in Japan turned out to have weathered their Great Recession well, we find that mid-career hires and young new job market entrants were less fortunate, with their employment stability deteriorating significantly. We interpret the findings, based on the theory of institutional complementarity and derive lessons for policymakers around the world who are currently facing their own Great Recessions and developing effective policy responses.

WP 303

The Effect of Job Training Programs at a Juvenile Correctional Facility in Japan

Kenji Wada, Faculty of Business and Commerce, Keio University, Japan

Akihito Toda, Recruit Works Institute, Japan
Kazuki Tomura, Kawagoe Correctional Facility, Japan

May 2012

We consider the effect of characteristics of prison inmates in general and the job training program participation in particular on the rate of recidivism in Japan. By employing individual level dataset from a Kawagoe Juvenile Correctional Facility, we find that

some of the inmates' characteristics will lower recidivism and the participation in job training is effective in lowering the probability of reentry into prison.

2011–2012 Occasional Papers

OP 57

Experiencing the March 11, 2011, Earthquake

Hugh Patrick

July 2011

This report serves three purposes: to record the author's observations and impressions from being in Tokyo before and after the March 11 earthquake; to summarize his trips to Kobe and across Honshu to the Japan Sea coastal area during that time; and to provide some thoughts as further information became available during April. The March 11 earthquake marked Japan's worst crisis since World War II. The earthquake quickly became a triple disaster. The immense tsunami generated by the earthquake hit the Iwate, Miyagi, and Fukushima prefecture coastlines with great devastation and the loss of more than 22,000 lives. The tsunami also crippled the Fukushima Daiichi nuclear power plant, creating potential radiation threats and global repercussions for energy policy. Many of the effects of the triple disaster are long-lasting, and the flow of new, important information requires a continual revision of our understanding. This is particularly true regarding the Fukushima Daiichi power plant and electricity shortages, as well as development of energy policy.

OP 58

Thoughts on Japanese Economic Performance

Hugh Patrick

December 2011

The purpose of this paper is to provide

a broad overview of the strengths of the Japanese economy and to consider some of its major problems. First, however, the paper begins with two fundamental economic policy proposals. It ends with a discussion of some effects of the March 11 earthquake triple disaster.

First, Japan should implement a major macroeconomic stimulus package of more aggressive monetary policy, taking on a lot more credit risk and further fiscal stimulus, and then implement comprehensive tax increases and reforms. Second, it should institute a major program of comprehensive deregulation of the economy. Predictions about Japan's economic decline are off base. Japan is a major, high income, technologically advanced, sophisticated economy and society and will be among the top five economies for at least the next two to three decades. Some tend to believe that China's rise means Japan's decline, but though this may be true in relative terms, economic power is a positive-sum game; it is better to do business with rich, growing economies than poor, stagnant ones.

The effects of the March 11, 2011, triple disaster in Tōhoku demonstrated three of Japan's important strengths: its people and cohesive society; its high level of technology; and its very large stock of real capital. The disaster showed the impressive response of the Japanese people, as well as the strength of Japanese supply chain systems. The outpouring of support from America and around the world has demonstrated how much goodwill—soft power—Japan has built up over the years. However, it brings into serious question Japan's preearthquake energy policy of heavy reliance on nuclear energy. At this point, it is politically difficult to reopen these plants soon, but if they are not, there will be electricity shortages this winter, and again next summer. So either short or long term, Japan will probably have to either revert to more coal energy,

which will increase greenhouse gas emissions as well as health-related diseases, or more sources of still expensive renewable energy.

OP 59

What Lessons Do the Lost Two Decades of the Japanese Economy Give to the Other Economies?

Shinichi Ichimura, Professor Emeritus, Kyoto University

January 2012

During the recent three decades, 1980–2010, the Japanese economy has experienced a period of rapid growth followed by two stagnant decades with serious financial distress and continuous deflation. In this process, Japan established a strong base for manufacturing industries in the world but could not handle the external shocks—the Plaza Accord, the rise of China, the Asian Financial Crisis, and the 2008 Financial Crisis—and adjust its economy to the dramatic changes in the energy/resources and financial markets. This paper sums up the representative views of Japanese economists on these problems and then presents the author's own opinions. A sharp and continuous decline of economic growth was caused not only by external events but also aggravated by the mismanagement of private and public agencies, particularly in the financial sector.

OP 60

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

Shigeyuki Goto, Associate Director and General Manager, MS & AD Insurance Group Holdings, Inc.

May 2012

Just as any chain is only as strong as its weakest link, any sophisticated, cutting edge assessment is only as good as the robustness of the underlying assumptions.

This is increasingly true for tail-risks, where even the most advanced predictions and modelled outputs are not immune from judgement errors and/or statistical uncertainty. On the part of insurers, this warrants better pooling of risks by way of creating a better diversified portfolio and the building up of capital buffers for unforeseen/unpredicted events. In this paper, I touch on two approaches to achieve the above; the first is to have built-in stabilizers in place in the form of special systems and/or schemes; the second is to raise awareness of and have in place processes that address psychological biases behind the various assumptions and analysis we use in our day-to-day operations.

The New Global Financial Architecture



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

The program brings together distinguished finance and economics professors at Columbia Business School and other parts of the University with scholars and financial market participants in Japan, the United States, Europe, and China. While the focus is on Japan and the United States, this

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

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

becoming involved in the NGFA program to contact us.

This year, CJEB held three major NGFA conferences, one at CBS, "The Global Debt Crisis: Will Japan Be Next?" in April 2012, cosponsored by Mitsui USA Foundation (see p. 30) and two in Tokyo, "Moving Forward: Japan in the World Economy" in October 2011 (see p. 25) and "Tensions in the Global Financial Regulatory Environment" in May 2012 (see pp. 26-27).

CJEB plans to continue to hold several major NGFA conferences each year. Please visit our website for information on upcoming programs.

Each year, CJEB organizes and hosts numerous major conferences, symposia, lectures, and seminars featuring outstanding speakers. These programs bring together students, academics, members of the private sector, and policymakers from Japan and the United States. CJEB presented the following events in 2011-2012. All professional titles listed for participants are accurate for the time of the event. In addition to the descriptions below, videos and reports can be found on the Center's website: www.gsb.columbia.edu/cjeb.

Conferences



From left to right: John V. Roos, Alicia Ogawa, Heizo Takenaka, Kazuhiko Toyama, David E. Weinstein, Hiroshi Mikitani

Moving Forward: Japan in the World Economy

CJEB 25th Anniversary Conference
October 21, 2011; Hotel Okura Tokyo, Japan

Part of the Center's NGFA program and a celebration of CJEB's 25th anniversary, this conference addressed the challenges posed by the March 11, 2011, triple disaster, European debt woes, and lingering instability in global markets after the recent financial crisis. The conference was divided into three sessions, with opening remarks by Hugh Patrick and a keynote address by John V. Roos.

Keynote Speech

Speaker: John V. Roos, Ambassador Extraordinary and Plenipotentiary, The Embassy of the United States in Japan

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

Session 1: Responses to the Earthquake

Panelists:

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

David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy, Columbia University

Kazuhiko Toyama, CEO, Industrial Growth Platform, Inc.

Moderator: Alicia Ogawa, Senior Advisor, Center on Japanese Economy and Business, CBS

Session 2: The U.S., Japan, and China in the World Economy

Panelists:

Kazuo Ueda, Professor of Economics, the University of Tokyo

Yiping Huang, Professor of Economics, Peking University

Paul Sheard, Global Chief Economist and Head of Economic Research, Nomura Securities Co., Ltd.

Moderator: David E. Weinstein

Session 3: Discussion with Hiroshi Mikitani

Speaker: Hiroshi Mikitani, Chairman and CEO, Rakuten, Inc.

Discussant: Bernd Schmitt, Robert D. Calkins Professor of International Business, CBS

Moderator: Hugh Patrick, Director, CJEB, CBS

China's Economic and Trade Relations

November 10, 2011; Columbia University

Merit E. Janow, professor of international economic law and international affairs and director of the Program in International Finance and Economic Policy at Columbia's School of International and Public Affairs (SIPA), hosted a private, high-level roundtable conference on a broad range of issues related to China's economic and trade relations.

The purpose of the interdisciplinary conference was to bring together a group of leading academic experts, practitioners, policymakers, and business executives to analyze and discuss certain key areas of both economic tension and potential economic opportunity between China and developed economies, including Japan.

The conference content focused on four areas: trade, investment, capital markets, and technology/innovation. These areas were selected because they are expected to present opportunities for commercial collaboration and economic growth in the years ahead. At the outset of the conference, Professor Janow encouraged participants, who hailed from Japan, America, China, and beyond, to be bold and creative. Each topic began with four presenters making short speeches, then questions and commentary from the group in a roundtable

format, and finally a few minutes for each set of speakers to respond. These objectives were successfully achieved as the experts in the room unearthed a wide array of specific knowledge on United States-China economic relations and provided solution-oriented policy ideas from multiple perspectives. The flow of the discussion across the theoretical and practical divide was a testament to both the diversity and experience of the participants.

This conference was cosponsored by Columbia University's APEC Study Center and the Weatherhead East Asian Institute (WEAI); Columbia Law School and its Center for Chinese Legal Studies; SIPA and its Program on International Finance and Economic Policy; the Center for International Business Education and Research at SIPA and CBS; and the Jerome A. Chazen Institute for International Studies at CBS.

From Sendai to Rio: Cultivating a Disaster- Resilient Society for Sustainable Development

April 11, 2012; Columbia University

Recognizing the challenges posed by disaster risk resulting from increasing exposure to and changes in the climate, this conference sought to bring local government

representatives and experts from various organizations together to discuss the significance of building climate and disaster resilience in coastal cities. Participants also discussed how to influence public understanding and policy on sustainable development, especially in the urban context. Using lessons learned from the March 2011 Japan earthquake and tsunami, as well as climate extremes in Bangladesh and New York City, this discussion explored issues and opportunities for responding to and preventing climate extremes and disasters.

Participants:

Saber H. Chowdhury, Member of Parliament, Government of Bangladesh

Adam Freed, Deputy Director, New York City Office of Long-Term Planning and Sustainability

Fumihiko Imamura, Professor of Tsunami Engineering, Tōhoku University

John Mutter, Director, PhD Program in Sustainable Development

Cynthia Rosenzweig, Head of Climate Impacts Group, NASA Goddard Institute for Space Studies; UCCRN

Jeffrey Sachs, Director, The Earth Institute, Columbia University; Special Advisor to UN Secretary-General Ban Ki-Moon

Henrietta Elisabeth Thompson, Executive Coordinator, United Nations Conference on Sustainable Development—Rio+20

Helena Molin Valdes, Acting Director, UNISDR

Margareta Wahlstrom, Special Representative of the UN Secretary-General for

Disaster Risk Reduction

Jun Yamazaki, Ambassador, Permanent Mission of Japan to the United Nations

This conference was organized by the United Nations International Strategy for Disaster Reduction (UNISDR), the Japanese Mission, and the Urban Climate Change Research Network (UCCRN) in partnership with The Earth Institute and its Center for International Earth Science Information Network and Lamont-Doherty Earth Observatory.

Tensions in the Global Financial Regulatory Environment

May 21, 2012; Roppongi Academyhills, Tokyo, Japan

This conference was part of CJEB's NGFA program and brought together economic specialists in Japan and the United States to discuss current global economic issues. Hugh Patrick gave welcoming remarks. Mori Building Co., Academyhills cosponsored this conference.

Keynote Speech: Global Finance in the 21st Century

Toyoo Gyohten, President, Institute for International Monetary Affairs, Tokyo

Session 1: Mortgage Financing Institutions and Housing: United States and Japan



From left to right: Toyoo Gyohten, Edward Lincoln, Christopher Mayer, Alicia Ogawa, Kay Shimizu, Hiroo Ichikawa, David E. Weinstein, Motohisa Furukawa

Panelists:

Christopher Mayer, Paul Milstein Professor of Real Estate, CBS

Alicia Ogawa

Hiroo Ichikawa, Professor of Urban Policy; Dean, Professional Graduate School of Governance Studies, Meiji University

Moderator: Kay Shimizu, Assistant Professor of Political Science, Columbia University

Session 2: The Global Financial System

Panelists:

Charles Calomiris, Henry Kaufman Professor of Financial Institutions, CBS

Kazumasa Iwata, President, Japan Center for Economic Research

Frank Packer, Head, Financial Stability & Markets, Asia Representative Office, Bank for International Settlements

Adam S. Posen, External Member, the Monetary Policy Committee of the Bank of England

Moderator: David E. Weinstein

Session 3: Japan Post Insurance and Bank Privatization Challenges

Panelists:

Edward Lincoln, Professorial Lecturer, George Washington University

Kay Shimizu

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

Moderator: Alicia Ogawa

Reception

Welcome Toast by Motohisa Furukawa, Minister of State for National Policy, Cabinet Office, Government of Japan

The Japan Project Meeting

June 29–30, 2012; Tokyo, Japan

This annual meeting was held in partnership with the National Bureau of Economic Research (NBER), the Center for Advanced Research in Finance at the University of

Tokyo, and the Australia-Japan Research Centre at the Crawford School of Public Policy of the Australian National University. David E. Weinstein organized this two-day academic conference with Professors Jenny Corbett of the Australian National University, Charles Horioka of Osaka University, Kazuo Ueda of the University of Tokyo, and 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:

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

Authors: Takeo Hoshi, University of California at San Diego and NBER; Takatoshi Ito, the University of Tokyo and NBER

Discussant: Mitsuhiro Fukao, Keio University

Natural Disasters, Bank Lending and Firm Investment

Authors: Iichiro Uesugi, Hitotsubashi University; Kaoru Hosono, Gakushuin University; Daisuke Miyakawa, Development Bank of Japan; Arito Ono, Mizuho Research Institute; Hirofumi Uchida, Kobe University; Masami Hazama, Hitotsubashi University; Taisuke Uchino, Daito Bunka University

Discussant: Peter Schott, Yale University and NBER

Measuring Intertemporal Substitution: Evidence from a Consumption Tax Rate Increase in Japan

Authors: David Cashin, University of Michigan; Takashi Unayama, Kobe University

Discussant: Kosuke Aoki, the University of Tokyo

21st Century International Rules on State-Owned Enterprises: Insurance as a Case Study

Keynote Speaker: Charles Lake, Chairman, Aflac Japan

Nice to Be on the A-List

Authors: Yasushi Hamao, University of Southern California; Kenji Kutsuna, Kobe University; Joe Peek, Federal Reserve Bank of Boston

Discussant: Amit Seru, University of Chicago and NBER

The Ownership of Japanese Corporations in the 20th Century

Authors: Julian Franks, London Business School; Colin Mayer, University of Oxford; Hideaki Miyajima, Waseda University

Discussant: Douglas Diamond, University of Chicago and NBER

The Electric Power Crisis in Japan (Panel Discussion)

Panelists: Makoto Saito, Hitotsubashi University; Tatsuo Hatta, Gakushuin University and Osaka University; Hiroshi Takahashi, Fujitsu Research Institute

Moderator: David E. Weinstein, Columbia University and NBER

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

Authors: Douglas Skinner, University of Chicago; Kazuo Kato, Osaka University of Economics; Meng Li, University of Chicago

Discussant: Julian Franks, London Business School

Brides for Sale: Cross-Border Marriages and Female Immigration

Authors: Daiji Kawaguchi, Hitotsubashi University; Soohyung Lee, University of Maryland

Discussant: Lena Edlund, Columbia University and NBER

Trends in Long-Term Employment and Job Security in Japan and the United States: The Last Twenty-Five Years

Authors: Ryo Kambayashi, Hitotsubashi University; Takao Kato, Colgate University

Discussant: Deborah Cobb-Clark, University of Melbourne

Symposia



Top row, from left to right: Lee C. Bollinger, Yuzaburo Mogi, Masahiko Uotani, Takeo Hoshi. Bottom row, from left to right: Kiichiro Sato, Yoichi Wada, Rita McGrath, Kiichiro Sato, Edward Lincoln, Hugh Patrick, Lex Heslin, Minoru Takada, Robert J. Hodrick

Dealing with Disaster: Caring for Japan Post 3-11

October 5, 2011; Columbia University

This symposium featured discussions on the consequences of the March 2011 triple disaster that struck Japan. Topics included short and long-term consequences of released radioactivity from the Fukushima Daiichi nuclear power plant, unmet challenges in national disasters, public reactions to the government's response, and social welfare programs in the fragile post-3/11 environment.

Panelists included David Brenner, Higgins Professor of Radiation Biophysics at the College of Physicians and Surgeons of Columbia University; Irwin Redlener, director of the National Center for Disaster Preparedness; Gerald L. Curtis, Burgess

Professor of Political Science and director of WEAL's Toyota Research Program; Hugh Patrick; and M. Katherine Shear, Marion E. Kenworthy Professor of Psychiatry at Columbia University School of Social Work and Columbia University College of Physicians and Surgeons. Lee C. Bollinger, President of Columbia University and Ambassador Shigeyuki Hiroki, ambassador at the Consul General of Japan in New York, gave opening remarks.

The symposium was moderated by Jeanette Takamura, dean of the Columbia University School of Social Work, and Shunichi Homma, Margaret Milliken Hatch Professor of Medicine and associate chief of cardiology at Columbia University Medical Center. It was organized by the Consortium for Japan Relief and made possible by the generous response and contributions of a broad coalition of sponsors at Columbia University and beyond.

U.S.-Japan Cooperation after 3-11: Report on the CSIS-Keidanren Partnership for Recovery Task Force

Japan Society Corporate Program
October 26, 2011; Japan Society

This symposium was convened to discuss the recommendations of the CSIS-Keidanren Partnership for Recovery Task Force. Participants included Michael Green, senior advisor and Japan Chair of the Center for Strategic and International Studies (CSIS) and associate professor of international relations at Georgetown University; J. Stephen Morrison, senior vice president and director of the Global Health Policy Center at CSIS; Jane Nakano, fellow at the Energy and National Security Program of CSIS; and Merit E. Janow. Comprising six

working groups, the symposium covered energy, health, disaster relief and prevention, economic recovery, security, and civil society issues with the purpose of supporting coordination and cooperation between the United States and Japan.

Global Marketing of National Products: Kikkoman and Coca-Cola

*CJEB 25th Anniversary Symposium
November 2, 2011; Columbia University*

Yuzaburo Mogi '61, honorary CEO and chairman of the board of directors for Kikkoman Corporation, and Masahiko Uotani '83, chairman of Coca-Cola Japan Co., discussed the marketing of their respective products. Mr. Mogi described how Kikkoman created specialized recipes using soy sauce and local foods to broaden Kikkoman's popularity. Marketing its product as the perfect accompaniment to meat and as only using natural, high-quality ingredients, Kikkoman overtook its United States competitors to become the number one soy sauce brand. Using this strategy of localizing its product to specific markets and advertising a dedication to quality, Kikkoman has expanded globally. Mr. Uotani presented Coca-Cola's reverse challenge: marketing a foreign product to Japanese consumers. He described Coca-Cola's marketing approach of integrating efforts at the global, national, and local levels. David Rogers, executive director of BRITE at CBS, served as discussant, asking each speaker to further examine trends in global marketing. David E. Weinstein closed the symposium by highlighting how globalization has blurred the lines between what makes a company "Japanese" or "American." This symposium was cosponsored by the Center on Global Brand Leadership at CBS; Japan Society was an outreach partner.

Rhetoric and Reality

*The 7th Annual Columbia University Energy Symposium 2011
November 18, 2011; Columbia University*

This symposium presented discussions on the economic and political aftermath of the Fukushima Daiichi nuclear disaster on the nuclear energy industry. Panelists for the portion of the symposium focused on Japan included Chris Gadomski, lead nuclear analyst at Bloomberg New Energy Finance; Patrick Haischer, partner at A. T. Kearney and member of the firm's Global Energy Practice; Carol Kessler, chair of the Nonproliferation and National Security Department at the Department of Energy's Brookhaven National Laboratory; Guy Lembach, partner in Deloitte's Capital Projects Services practice; David Saltiel, advisor to the CEO and director of strategy for North America, AREVA; and Kiichiro Sato, president of the Japan External Trade Organization (JETRO) New York. Brooks J. Klimley, president of Brooks J. Klimley & Associates and adjunct professor at CBS, moderated the discussion.

Topics included the consequences of the disaster, the future trajectory of nuclear energy, and the necessary steps for acceptable nuclear development. Public support for nuclear power fell dramatically in the wake of the disaster, and Japan and other countries reviewed their energy policies and developed regulatory plans with higher safety thresholds. However, Japanese public opinion remains against nuclear power, making it difficult to restart nuclear reactors when they go offline for routine maintenance. Panelists discussed the future viability of alternative energy sources with regard to sustainability, costs, and environmental effects and noted that nuclear energy still has a place as one of the largest, most powerful carbon-free energy sources in the world. This symposium was presented by the Energy Club at CBS and the Energy Association at SIPA.

Video Games and the Shaping of Industrial Transformation: Square Enix

February 21, 2012; CBS

Yoichi Wada, president and CEO of SQUARE ENIX HOLDINGS CO., LTD., spoke about the rapid technological transformation of the global video game industry and the birth of new business models in the industry. Mr. Wada predicted that the industrial transformation of the video gaming industry would come in distinct eras, noting in particular the "Network Era." This upcoming era, Mr. Wada predicted, will have three-fold ramifications. First, the practice of micropayments within video games will end the economic law of a single price, allowing consumers to pay in accordance with their product satisfaction. Second, the transferability of games between multiple devices will complicate the separation of the billing process from that of identification. Lastly, the disappearance of physical media will change the industry's business model from selling finished products to providing a long-term service as well as making pirating more difficult. Mr. Wada emphasized the importance of innovation management during this era of dramatic "ecosystem change." Discussant Rita McGrath, associate professor at CBS, observed that growth opportunities in an adaptive environment often require new business models that more adequately keep up with user needs. Glenn Hubbard, dean and Russell L. Carson Professor of Finance and Economics at CBS, gave the opening remarks, and David E. Weinstein moderated.

One Year Later: Recovery and Resilience in Japan

*Japan Society Corporate Luncheon
March 6, 2012; Japan Society*

This symposium addressed what needs to occur in the Tōhoku region from a business perspective to promote economic growth and recovery, with a particular focus on companies with a direct economic stake in the region. Panel members included Takashi Hatchoji, chairman and group chairman for the Americas of Hitachi America, Ltd.; Yoshimi Inaba, president and chief operating officer of Toyota Motor North America, Inc.; Kiichiro Sato, president of JETRO New York; and Paul Sheard, global chief economist and head of economic research at Nomura. This panel was part of Japan Society's program, *ONE YEAR LATER: Commemorating the One-Year Anniversary of the Great East Japan Earthquake & Tsunami, and the series, Japan: Turning Crisis into Opportunity*, sponsored by Nomura. It was produced in collaboration with the Consortium for Japan Relief.

Japan's Energy Policy for 2012 and Beyond

March 28, 2012; CBS

This interdisciplinary symposium focused on the prospects for the Japanese energy supply in the aftermath of the Fukushima Daiichi nuclear power plant crisis beginning March 11, 2011. Panel members included Kiichiro Sato, president of JETRO New York; Lex Heslin, president and CEO of Beautiful Earth Group; Minoru Takada, senior policy advisor on energy at the strategic planning unit in the Executive Office of the Secretary-General of the United Nations (UN); and Edward Lincoln, professorial

lecturer at George Washington University. Mr. Sato gave an overview of the initiatives that the transitioning Japanese government had undertaken to review current strategic energy plans in the aftermath of the crisis, pointing out an increased reliance on oil and natural gas resources after the shutdown of its nuclear power plants. Mr. Heslin commented on the global increase in renewable energy resources as countries seek to gain energy independence. He identified several potential areas of expansion for Japan and argued that investment in renewable energy would create jobs and spur industrial growth. Mr. Takada, reflecting on the UN's focus on energy, argued that a wider systemic process is required to manage local structural problems as Japan's economy evolves. He called for a greater alignment between citizens' voices and the government's decision-making process. Professor Lincoln argued that the aftershocks of the Tōhoku disaster have not entirely adhered to the "standard procession of consequences" expected after a natural disaster. He also argued that complete nonreliance on nuclear energy is unsustainable for Japan and suggested that Japan will witness a radical overhaul of its power supply, with a bigger focus on renewable energy. Hugh Patrick moderated the symposium and gave closing remarks.

The Global Debt Crisis: Will Japan Be Next?

*The 13th Annual Mitsui USA Symposium
April 4, 2012; CBS*

Takeo Hoshi, Pacific Economic Cooperation Professor of International Economic Relations at the School of International Relations and Pacific Studies at the University of California, San Diego, spoke on the increased scrutiny being given to

sovereign debt sustainability after the European debt crisis. He discussed whether Japan—which has the highest debt burden in the world—would be the next victim of the bond market. Professor Hoshi's presentation was based on a paper he coauthored with Takatoshi Ito, professor at the University of Tokyo, entitled "Defying Gravity: How Long Will Japanese Government Bond Prices Remain High?" He examined why there has not yet been a crisis in Japan despite its huge debt burden, presented potential triggers for a crisis, and finally looked at the fiscal impact of Japan's posttsunami reconstruction efforts. Robert J. Hodrick, Nomura Professor of International Finance at CBS, evaluated and discussed Professor Hoshi's claims. He concluded that while Professor Hoshi's recommended fiscal reforms are imperative, Japan is unlikely to fall victim to a debt crisis situation. David E. Weinstein acted as moderator. This symposium was cosponsored by Mitsui USA Foundation.

Lectures



From left to right: Gerald L. Curtis and audience, Hugh Patrick, Gerald L. Curtis, Motohisa Furukawa, audience

Crisis and Response: The Tōhoku Disaster and What It Means for Japan's Future

September 20, 2011; Columbia University

In his seventh annual lecture on Japanese Politics, Gerald L. Curtis, Burgess Professor of Political Science at Columbia University, spoke on the complexity of the Tōhoku disaster and its implications for the political and social fabric of Japan. Outlining the key challenges facing the Japanese political leadership, Professor Curtis recommended that Prime Minister Yoshihiko Noda urgently execute a credible media strategy to restore the recent loss in the government's credibility, particularly as he faced a risk-averse public with unrealistic economic expectations. In policy coordination, Professor Curtis argued that PM Noda should look into reducing his team's overdependence on a segmented and divided bureaucracy via strategic decentralization that would offer greater autonomy and flexibility for local authorities to execute nuanced policy solutions effectively. The crisis in the Tōhoku region offered an opportunity for politicians to build on the unprecedented level of private sector involvement and community togetherness seen in subsequent rescue efforts, and Professor Curtis argued that appropriate incentives for entrepreneurship should head the government's list of

priorities going forward. He noted that current proposals to restore the region lacked the broad-based institutional reforms needed and encouraged a renewed agenda from the consensus-oriented prime minister, including in the area of developing renewable energy sources. Hugh Patrick acted as moderator. This lecture was cosponsored by WEAI.

Japan's Role in Managing the Global Economy

October 7, 2011; Columbia University

Amid a potential "double dip" global recession, with particular troubles in the European Union, Motohisa Furukawa, Japan's minister of state for economic and fiscal policy, delivered a lecture on Japan's leadership role in the global economy. Turning to the current state of the global economy, Mr. Furukawa argued that Japan and the United States can maintain global confidence by exhibiting fiscal prudence and acting as anchors for the global economy. Using as an example the Japanese principle of *sampo-yoshi*, which advocates for the mutual benefit of buyer, seller, and society in a transaction, Mr. Furukawa argued that ethics should regain a central role in a capitalist system. He asserted that Japan has an opportunity to be a leader in dealing with developed economy issues, including energy efficiency

and "graying" societies. To that effect, Mr. Furukawa pointed to Japan's reevaluation of its energy policy after the March 2011 earthquake disaster and its focus on developing a modern social system to cater to its rapidly aging population. Gerald L. Curtis served as moderator for the lecture, which was cohosted with WEAI and cosponsored by the Japan Study Student Association at SIPA and the Japan Business Association at CBS.

Innovation in an Open Network

Japan Society Corporate Luncheon
November 10, 2011; Japan Society

This lecture featured Joichi Ito, director of the Media Lab at the Massachusetts Institute of Technology. Mr. Ito examined the benefits networks can provide to society and spoke about the power of open networks to encourage innovation. Using his personal experience with networking to produce Geiger counters for citizens to measure radiation in the wake of the Tōhoku disaster as an example, Mr. Ito explained how the lowered cost of creating and distributing information is changing the nature of innovation and collaboration. The lecture was moderated by Michael Zielenziger, senior editor at McKinsey Global Institute.

Lunchtime Seminars

Great Japan Earthquake: One Year Later

March 13, 2012; Asia Society

James P. Zumwalt, deputy assistant secretary for East Asian and Pacific Affairs at the United States Department of State, discussed the rebuilding and recovery efforts in Japan, including "Operation Tomodachi," a U.S. Armed Forces operation directed toward providing humanitarian assistance and disaster relief efforts in and around Japan. This one-year anniversary lecture in remembrance of the 3/11 Japan disaster was presented with Asia Society and the collaboration of the United States Embassy in Japan and the U.S.-Japan Council in Washington.

Trans-Pacific Partnership: Pros & Cons

*Japan Society Evening Lecture, TPP Series
May 17, 2012; Japan Society*

Jagdish Bhagwati, University Professor at Columbia University and senior fellow for international economics at the Council on Foreign Relations, discussed the United States initiative for the TPP. Professor Bhagwati explained that the U.S. initiative reflects political and strategic considerations rather than purely economic motivations and, as a result, is likely to carry substantial downsides. For instance, side conditions unrelated to trade, pushed by lobbying and interest groups, prevent the formation of effective open regional trade agreements. Professor Bhagwati opined that governments should agree to necessary trade conditions without being impeded by politics. This lecture was moderated by Japan Society president Motoatsu Sakurai.

Monetary Policy and Japan's Economic Recovery

*Japan Society Evening Lecture
June 13, 2012; Japan Society*

The yen and the Japanese stock market reacted sharply in February 2012 after the Bank of Japan (BOJ) announced another monetary easing and set a new inflation target, but the question remained whether Japan could pull itself out of the twin malaises of deflation and a strong yen, especially when faced with uncertainty over its energy policy, a shrinking population, and a growing fiscal deficit. Koichi Hamada, Tuntex Professor of Economics at Yale University, shared his views on the BOJ and the monetary policy steps it should take to help Japan's economy find a firmer footing. Paul Sheard, global chief economist and head of economic research at Nomura, moderated the lecture.

A Roadmap for Japan's Steady, Sustainable Pathway Forward

*Japan Society Evening Lecture
June 18, 2012; Japan Society*

Despite making a quick recovery from the devastating triple disaster of March 2011 in the Tōhoku region, Japan is facing more challenges with political instability, appreciation of the yen, and energy security. Daniel Okimoto, senior fellow at the Freeman Spogli Institute and professor of political science emeritus at Stanford University, discussed where the United States and Japan stand in the global economy and offered a roadmap for Japan's steady, sustainable pathway forward. This lecture was moderated by Hugh Patrick.

CJEB organizes lunchtime seminars for students, faculty, and members of the citywide business community. *Zadankai*, or informal discussions, involve lengthy question-and-answer periods with the audience and are geared toward presenting new and interesting perspectives for understanding Japanese business and economic issues. Brown bags are talks that the Center hosts with other organizations on campus featuring a diverse range of topics related to Japan. Lunchtime seminars held during 2011-2012:

Prospects for the Japanese Economy in the New Global Environment

*Zadankai
September 26, 2011; CBS*

*Takehiko Nakao, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan
Moderated by Hugh Patrick*

Mr. Nakao held a wide-ranging discussion about the state of the Japanese economy, the progress of reforms, and the relative positions of the United States and China. He argued that the United States is in a similar situation to Japan, engaging in quantitative and fiscal easing, but will continue to be the most reliable and powerful nation; China will continue growing and presents both an opportunity and a risk for Japan. While Japan has postponed needed reforms because of its budget situation, its outlook is still good due to the strength of Asia and the relative weakness of the United States and Europe, allowing Japan to play a bigger role in the world economy.



Top row, from left to right: Audience, Masaaki Goto, Visiting Fellows. Bottom row, from left to right: Richard Folsom, Claude Meyer, Takayuki Kamikura, Nobuchika Mori, Hugh Patrick, Takehiko Nakao

The Labor of Cute: Net Idols, Cute Culture, and the Social Factory in Contemporary Japan

Brown Bag
October 3, 2011; Columbia University

Gabriella Lukacs, Assistant Professor, Department of Anthropology, University of Pittsburgh

Moderated by Marilyn Ivy, Associate Professor, Department of Anthropology, Columbia University

Professor Lukacs explored the phenomenon of “net idols” in Japan—women who use online social media to advance in what she terms the “social factory” by making themselves as cute as possible onscreen and then engaging in aggressive promotion. She explored the implications of this practice in terms of gender roles, labor

(mostly provided for free), and the effect on society, as the idealization of “cute” temporarily conquered the global media market in the early 2000s. This lecture was cosponsored by WEAI, the Donald Keene Center of Japanese Culture, and the Department of Anthropology at Columbia University.

An Update on Japan

Zadankai
November 4, 2011; CBS

Nobuchika Mori, Deputy Commissioner, Financial Services Agency, Japan
Takayuki Kamikura, Chairman, CEO, and Representative Director, Imagineer Co., Ltd.
Moderated by Gerald L. Curtis

Mr. Mori and Mr. Kamikura discussed the current state of affairs in Japan, focusing on the connection between politics and economics. Topics of discussion included

the role that informal networks play among Japanese politicians, businessmen, and government officials in policymaking and implementation.

The Challenges of Corporate Takeovers in Japan

Zadankai
November 21, 2011; CBS

Richard Folsom, Representative Partner, Advantage Partners, LLP
Moderated by David E. Weinstein

Mr. Folsom discussed challenges to enacting corporate takeovers in Japan, pointing out that most of the unique difficulties experienced by foreign investors seeking a presence in the Japanese market relate to prevailing practices in the business

environment rather than government regulations. These challenges include a highly insular and consensual business culture, exclusive supplier networks, and alliances between business groups that can restrict competition from foreign firms and domestic newcomers. However, fundamental and irreversible changes in market development are currently leading to cultural and perception shifts. Mr. Folsom explained that with increasing importance placed on capital efficiency, mergers and acquisitions are beginning to be perceived as positive economic activities.

Daiwa Capital Markets America: Opportunities and Challenges Operating in the United States

Zadankai

February 9, 2012; CBS

Masaaki Goto, Chairman and CEO, Daiwa Capital Markets America Holdings, Inc.

Moderated by Hugh Patrick

Mr. Goto traced the history of Daiwa America from its origins in the 1960s to the present day and reflected on the challenges and opportunities that the current economic climate presents. After recounting changes in Daiwa's business strategy in light of the boom and bust of the Japanese and global economies, Mr. Goto explained that success in today's highly competitive security industries environment will emerge from a focus on customer-oriented business and organic expansion.

The Rivalry Between China and Japan for Economic and Strategic Leadership in Asia

Brown Bag

February 29, 2012; Columbia University

Claude Meyer, Associate Professor of International Economics, Sciences Po, Paris
Moderated by Hugh Patrick

Professor Meyer highlighted the themes of his newly-published book by Columbia University Press, *China or Japan: Which Will Lead Asia?* He assessed the strengths and weaknesses of China and Japan, noting the major challenges they will face in the contest to become Asia's leading economy. Although he acknowledged China's strategic advantages, Professor Meyer argued that Japan nevertheless holds a favorable position due to its established history as a productive, competitive, and technologically innovative country. This brown bag lecture was cosponsored by the Alliance Program, the APEC Study Center, and WEAL.

The Political Economy of the Consumption Tax Hike: How Long Will JGBs Defy Gravity?

Zadankai

March 29, 2012; CBS

Takatoshi Ito, Professor, Graduate School of Economics, Graduate School of Public Policy, the University of Tokyo
Moderated by Hugh Patrick

Professor Ito discussed the history, economics, and politics of Prime Minister Yoshihiko Noda's planned consumption tax hike. Topics included the issues of debt sustainability, comparisons to Greece's financial crisis, and various future scenarios

and their ramifications. He argued that a consumption tax rate increase is needed to avoid a sovereign debt crisis but will require a political realignment in government in order to succeed.

Japan: How Is It Confronting the Challenges of Being an Aged Population?

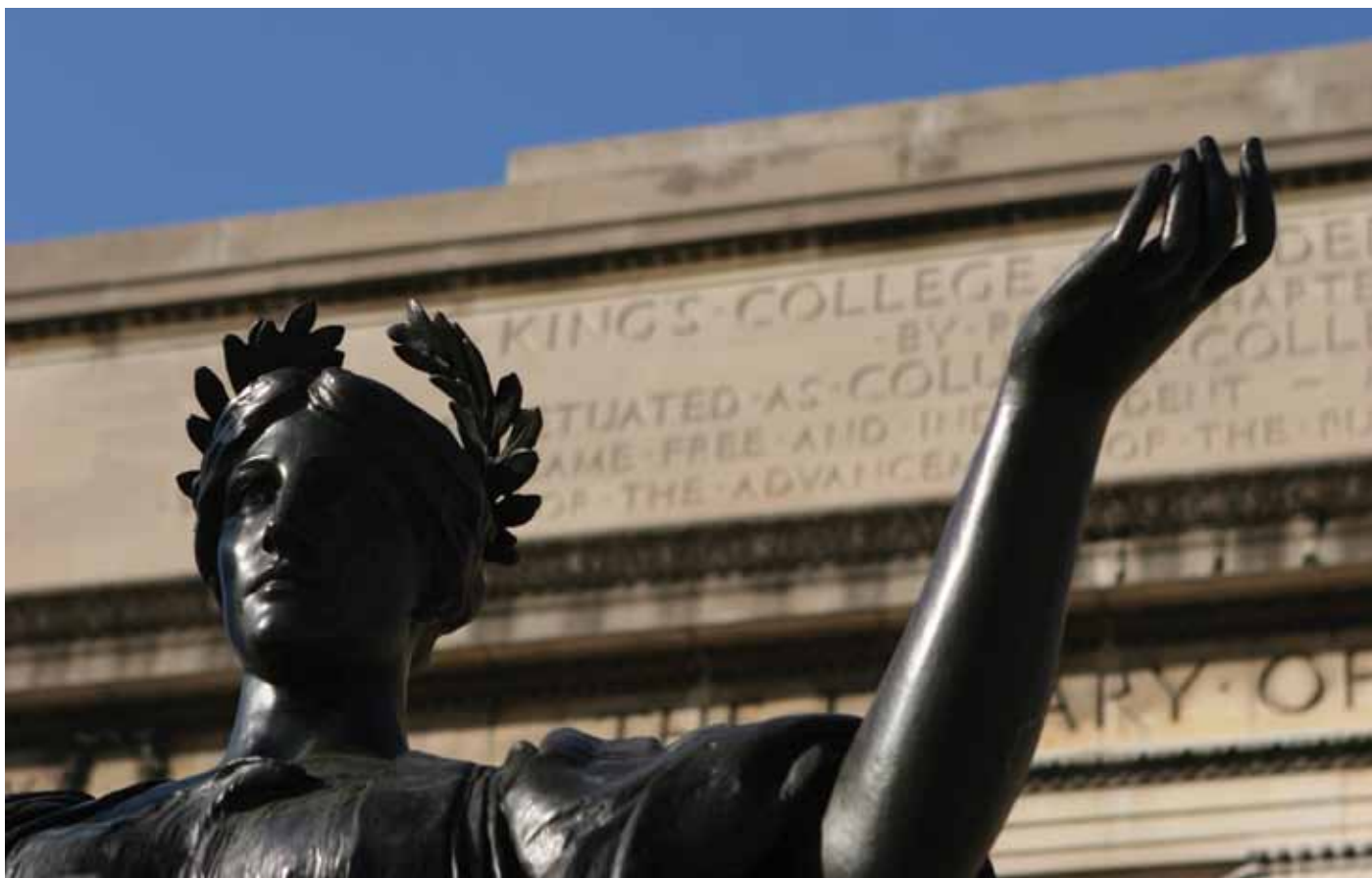
Zadankai

April 17, 2012; CBS

Peter Heller, Visiting Scholar, Institute of Economic Research, Hitotsubashi University; Senior Adjunct Professor of International Economics, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University
Moderated by Hugh Patrick

Dr. Heller explored the ramifications of Japan's aging, shrinking population in light of an impending fiscal crisis, deflation, and a welfare structure unequipped to ensure sustainable growth. He discussed micro- and macrolevel challenges, such as the sustainability of intergenerational support, productivity growth, and living standards in relation to a shrinking labor force, the efficiency of the individual social insurance systems, and the adaptability of the market to demographic change. The next ten to fifteen years, Dr. Heller noted, will be a crucial window for taking important policy actions to deal with public debt while baby boomers are still among the "young old." Of key importance will be incentivizing baby boomers' continued work while lightening the burden on younger workers.

Faculty Advisory Committee



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

Sheena Iyengar

S. T. Lee Professor of Business
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, professional and academic fellows are selected to spend a period of time in residence at Columbia Business School. CJEB Visiting Fellows in 2011-2012:



Tetsuro Asakawa
Kyushu Sangyo University
August 2011-
November 2011



Chiko Goriki
Fukuoka University
September 2011-
August 2012



Hiroshi Hoshino
Kyushu University
August 2011-
March 2012



Atsushi Imuta
Imuta and Associates
January 2012-
December 2012



Misuzu Imuta
Imuta and Associates
January 2012-
December 2012



Nobuyuki Kamikojo
Kinki University
September 2011-
August 2012



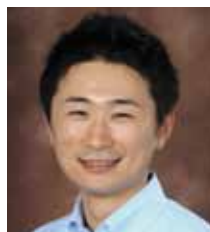
Yong Jin Kim
Hosei University
September 2010-
August 2012



Tatsuya Kimura
Waseda University
March 2012-
February 2013



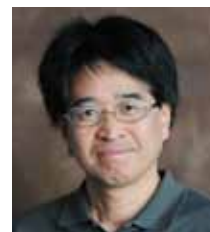
Nobutoshi Kitaura
Ministry of Finance
July 2010-May
2012



Manabu Nakatani
Mitsui Sumitomo Insurance Co., Ltd.
July 2011-June
2012



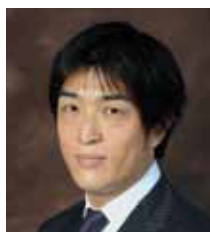
Rie Nishihara
Bank of Japan (former)
September 2010-
December 2011



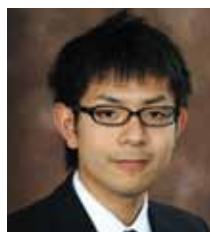
Masaya Sakuragawa
Keio University
April 2012-March
2013



Yukie Sakuragawa
Atomi University
April 2012-March
2013



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



Tsuyoshi Tomita
Toho Technology Corporation
June 2011-March
2012



Kenji Wada
Keio University
September 2011-
July 2012



Tomoya Asano
Ministry of Finance
July 2010-June
2012
Joint Fellow with the Weatherhead East Asian Institute of Columbia University



Satoshi Takarabe
National Police Agency
July 2011-July 2012
Joint Fellow with the Weatherhead East Asian Institute of Columbia University



Etsuro Shioji
Hitotsubashi University
September 2011-September 2012
Joint Fellow with the Program for Economic Research at Columbia University

Research Associates

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

Professor, Graduate School of Commerce and Management
Hitotsubashi University

Masahiko Aoki

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

Schon L. Beechler

Senior Affiliate Professor of Leadership
INSEAD

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 of Public Policy
The Australian National University
Reader in the Economy of Japan
Nissan Institute of 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 Public Policy
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
Honors Director
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

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

Anil Kashyap

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

Takao Kato

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

Kenneth N. Kuttner

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

Patricia H. Kuwayama

Economist
Professional Fellow
CJEB
Former Vice President
JPMorgan Chase Bank, N.A.

Edward Lincoln

Professorial Lecturer
George Washington University

Robert A. Myers

Senior Vice President
Fairfield Resources International, Inc.

Terutomo Ozawa

Professor of Economics Emeritus
Department of Economics
Colorado State University

Joe Peek

Senior Economist and Policy Advisor
Research Department
Federal Reserve Bank of Boston

Adam S. Posen

Senior Fellow and President-elect
Peterson Institute for International Economics

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
Yale University

Ulrike Schaeede

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

Michael J. Smitka

Professor of Economics
Williams School of Commerce
Washington and Lee University

Tsutomu Watanabe

Professor
Graduate School of Economics
The University of Tokyo

Eleanor Westney

Scotiabank Professor of International Business
Schulich School of Business
York University

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



Robert E. Fallon

is president and CEO of Phosplatin Therapeutics LLC, a company he helped found that is developing a novel class of anticancer chemotherapy drugs.

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

joining Chase in 1992. Mr. Fallon holds a BA from Ohio University and an MBA from Harvard Business School. Following his undergraduate studies, he served in the U.S. Peace Corps, including three years as a volunteer mathematics teacher at Chanel College in Western Samoa. Mr. Fallon is currently a director of the Japan Society, former director of the Korea Society, trustee emeritus of the Ohio University Foundation, and chairman of the Council on International Educational Exchange, Inc. He is also a member of Asia Society and the Council on Foreign Relations and serves on the Asian Advisory Boards of Deutsche Bank AG and Euromoney PLC.



Patricia Hagan Kuwayama

has been studying the Japanese economy since she was a graduate student in the 1960s, completing a doctoral dis-

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

International Advisory Board

CJEB in the News

of a Trustbuster: A Lifelong Adventure with Japan, with Eleanor M. Hadley. She earned her AB and PhD degrees in economics at Harvard University and the City University of New York, respectively, and did her Japanese language studies at Columbia University. She actively participates in the CJEB Visiting Fellow seminars.



Shijuro Ogata is the former deputy governor of the Japan Development Bank and the former deputy governor for international relations of the

Bank of Japan. He has an ongoing appointment as a professional fellow of CJEB. 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.

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

Shinji Fukukawa

Senior Advisor, TEPIA (Association for Technological Excellence Promoting Innovative Advances)

Former Vice Minister, Japanese Ministry of International Trade and Industry

Susumu Kato

Chairman of the Board of Directors, Sumitomo Corporation

Yotaro Kobayashi

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

Charles D. Lake II

Chairman and Representative, Aflac Japan

Yuzaburo Mogi '61

Honorary CEO and Chairman of the Board, Kikkoman Corporation

Joseph G. Tompkins '67

President, Saga Investment Co., Inc.

Noboru Yamaguchi

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

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

Hugh Patrick

New and Old Challenges Facing Japan One Year after the Disaster

Reuters Japan, March 7, 2012

Summer Energy Shortage Fears: Implementing Tax Increase after the End of Deflation

Jiji News Bulletin, March 6, 2012

Understanding Japan and Implications for the United States

JETRO Focus Newsletter, February 2012

On Long-Term Prospects for the Japanese Economy

Diamond Weekly, December 24, 2011

Road to Recovery: The Japanese Economy after March 11

Project Wisdom, NHK BS1, July 30, 2011

The Yen and the Economy

Bloomberg Japan Conference, June 7, 2011

David E. Weinstein

Before Halting Nuclear Power, Japan Should Examine Health Hazards Caused by Fossil Fuels

Reuters Japan, April 10, 2012

Obama's Support for Export Industry Leads to Clash of U.S. Interests

The Washington Post, February 17, 2012

On the Trans-Pacific Partnership

Diamond Weekly, December 24, 2011

Japan's Economy—Whose Lost Decade?

Economist, November 18, 2011

Enhancing the MBA Experience

On the TPP and Its Merits and Demerits: Impact on Agriculture Industry Will Be Severe, but Benefits for Manufacturing Will Be Vast

Wall Street Journal Japan, November 18, 2011

When Banks Fail, the Case of Japan

30 Ways to Be an Economist, Institute for New Economic Thinking, July 25, 2011

Economic Recovery Coming along Nicely for Japan

American Public Media Marketplace, June 10, 2011

David E. Weinstein Discusses the Outlook for the Japanese Economy

Hays Advantage Program, Bloomberg, May 26, 2011



Yuzaburo Mogi '61, honorary CEO and chairman of the Board of Directors, Kikkoman Corporation (third from left), and Masahiko Uotani '83, chairman, Coca-Cola (Japan) Company, Ltd. (third from right), meet with members of Columbia Business School's Japan Business Association.

CJEB contributes to providing an international dimension to the Columbia Business School MBA student experience. One of its main collaborative partners is the student-led Japan Business Association (JBA). 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 week-long trip through Japan, including cultural

excursions and visits to Japanese corporations. Since the Tour's inauguration in 1989, CJEB has helped fund the program and provide input on the agenda. In addition, Professor Patrick has provided an overview of the Japanese economy at each group's predeparture meeting.

The 2012 Chazen International Study Tour to Japan took place from March 10 to March 18, with about 40 MBA student participants visiting locations in Tokyo, Kyoto, Nagoya, and Osaka. Joined by CBS professor Jeremy



Chazen International Study Tour to Japan

Enhancing the Columbia Experience

Kagan, the students met with representatives from Japanese corporations and immersed themselves in various Japanese cultural sights and experiences. The students toured a Toyota manufacturing plant, visited the Ghibli Museum, and listened to presentations at DeNA, McKinsey & Co. and Sony Corporation. In Kyoto, they took part in a tea ceremony and visited historical sites including the Temple of the Golden Pavilion, Kiyomizu Temple, and Nijo Castle. The tour group's visit to Osaka included a viewing of a sumo match. They enjoyed a night in a traditional inn with hot springs near Nagoya. In Tokyo, the CBS group visited the Tsukiji fish market and met with fellow MBA students from GLOBIS, Keio University, and New York University as well as CBS alumni.

CJEB often arranges CBS student meetings with high level visiting speakers. For example, at CJEB's November 2, 2011, symposium, "Global Marketing of National Products: Kikkoman and Coca-Cola," the Center facilitated a meeting between JBA members and the two alumni speakers, Yuzaburo Mogi '61, honorary CEO and chairman of the Board of Directors for Kikkoman; and Masahiko Uotani '83, chairman of Coca-Cola Japan. At CJEB's February 21, 2012, lecture, "Video Games and the Shaping of Industrial Transformation: Square Enix," CJEB introduced CBS students to SQUARE ENIX representatives for career development opportunities. CJEB also supports student-led events, including the 7th Annual Columbia University Energy Symposium, "Rhetoric vs. Reality," on November 18, 2011, organized by the Energy Club at CBS.

In 2011-2012, CJEB provided consultation and funding for two CBS students, Shinichi Kato '12 and Andy Shin '12 to do research and then write a CaseWorks case study focusing on Lawson Inc. and its crisis management after the March 11, 2011, Tōhoku earthquake in Japan. The faculty advisor for this case study was E. Ralph Biggadike, professor of professional practice at Columbia Business School.



JASSA Japan tour

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

This year CJEB supported the East Asian Languages and Cultures Department's 21st Annual Graduate Student Conference on East Asia, held on February 10-11, 2012. 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 from a diverse range of categories such as security issues in East/Southeast Asia; memory in postwar East Asia; media and production of identity; labor, economic, and security leadership in Japan; contemporary Japanese social issues; and contestations of self and nation in translation. Please visit www.columbia.edu/cu/ealac/gradconf/ for more information.

CJEB hosts many events in association with WEAI. Highlights include the September

20, 2011, event, "Crisis and Response: The Tōhoku Disaster and What It Means for Japan's Future," and the October 7, 2011, event, "Japan's Role in Managing the Global Economy." CJEB also supports CJR-related initiatives and activities, such as the "One Year Later" program series, which explores and assesses ongoing issues and consequences of the March 11, 2011, triple disaster.

CJEB also supports a number of Columbia University's Japan Study Student Association (JASSA) initiatives. Several JASSA activities funded by CJEB include "The Latest Situation Concerning Japanese Trade Structure and Foreign Direct Investment," a lecture featuring Dai Higashino, executive director, Japan External Trade Organization New York; and "The Future of Japan's Economy, Japan: Possible to Re-emerge?" a presentation featuring Philip Tuson, EMPA second-year student at Columbia's School of International and Public Affairs.

Like the Chazen International Study Tour to Japan (see pp. 40-41), JASSA organizes an annual student-led trip to Japan that is partially supported by CJEB funds. This year 20 students from various countries, including China, Brazil, Mexico, Turkey, the United States, the United Kingdom, and Uruguay, participated in the trip. The students visited various locations in Kyoto, Hiroshima,

Visits from Japan to Columbia

Tokyo, and Osaka, including the Bank of Japan and Panasonic Corporation. On the trip, participants listened to lectures and discussed various issues with key officials in government and economics, including Hiroshi Nakasao, the assistant governor at the Bank of Japan; Minister for National Policy and Minister of State for Economic and Fiscal Policy Motohisa Furukawa; former prime minister Naoto Kan; Deputy Cabinet Secretary for Public Relations and Director of Global Communications Noriyuki Shikata; and Jesper Koll, the head of Japanese equity research at JPMorgan Securities Japan Co., Ltd. The participants also met with fellow students from the University of Tokyo's Graduate School of Public Policy (GraSPP) and discussed key issues in security, economic development, energy, and environmental and social policy. In addition, the JASSA group took part in various activities to deepen their understanding of Japanese culture and history. In Hiroshima, they learned more about the political and historical background surrounding ongoing nuclear issues. In Kyoto, they took part in a traditional tea ceremony, Zen meditation, and calligraphy lessons.

Groups of Japanese undergraduate and graduate students often include visits to CJEB in their tours of the East Coast. These trips are frequently initiated at the suggestion of former CJEB visiting fellows. Three such groups came to Columbia University during fall 2011, from Meiji University, Nihon University, and Wako University. The students in each group met with Professor Hugh Patrick, who made a brief presentation and fielded questions. Discussion topics covered the rise of China, continuities and changes in Japanese business and culture, the effects of the March 11 disaster, U.S. foreign policy, and attitudes toward foreign study and employment.

Fellowship and Scholarship Programs

CJEB provides select fellowships to Columbia University students who demonstrate outstanding academic ability and a specific interest in Japan and the Asia-Pacific economies. The fellowships support research and participation in academic programs related to Japanese economic and business fields.

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 United States-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 **Mitsubishi UFJ Trust Scholarship Foundation** provides one Columbia University student each year with tuition and living expenses for a program of either undergraduate or graduate study in Japan. The Center conducts a University-wide competition on behalf of the Foundation and nominates one Columbia University student when the previous recipient graduates from a university in Japan. CJEB is pleased to announce that the scholarship recipient for 2012-2013 is Eric Minwei Liu, a graduate of Biomedical Informatics at Columbia University's Graduate School of Arts and Sciences.



JASSA Japan Study tour participants meet with Motohisa Furukawa, Minister of State for National Policy, Cabinet Office, Government of Japan (front row, seventh from right)

Library and Data Resources

Discussion Groups

The Center continues to provide an extensive databank on the Japanese economy, with an emphasis on financial markets. It includes time-series and cross-section data on financial markets, institutions, and the macroeconomy from sources including Nikkei NEEDS (Nikkei Economic Electronic Databank System), an online news and data retrieval system that provides essential corporate and economic data, as well as leading newspaper and journal articles on Japan and other Asia-Pacific economies. Other databases CJEB makes available to Columbia students, faculty, and other University affiliates include Nikkei NEEDS Financial Quest (in English and Japanese), which provides data including companies' financial results, stock price data, bond price data, macroeconomic data, and industrial statistic data and Nikkei Telecom 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.

Japan Economic Seminar

The Japan Economic Seminar (JES) was founded in 1966 by Professors James Nakamura (then at 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 the leadership of Takatoshi Ito, professor at the Graduate School of Economics and Graduate School of Public Policy at the University of Tokyo. Special arrangements have been made to include economists from Japan as paper writers and discussants.

The JES was held on February 24, 2012, and was moderated by Takatoshi Ito. The following papers were discussed:

"External Shocks and Japanese Business Cycles: Impact of the 'Great Trade Collapse' on the Japanese Automobile Industry"

Authors: Etsuro Shioji, Hitotsubashi University; Taisuke Uchino, Research Institute of Economy, Trade, and Industry

Discussants: David E. Weinstein; Tokuo Iwaisako, Institute of Economic Research, Hitotsubashi University

"The Effect of Job Training Programs at a Correctional Facility in Japan"

Authors: Kenji Wada, Keio University; Akihito Toda, Recruit Works Institute, Japan; Kazuki Tomura, Kawagoe Correctional Facility

Discussants: Ryo Kambayashi, Institute of Economic Research, Hitotsubashi University; Rajeev Dehejia, Robert F. Wagner Graduate School of Public Service, New York University

Monetary Policy Discussion Group

This discussion group brings together specialists on the Japanese financial system several times a year. The participants are Hugh Patrick, David E. Weinstein, and Alicia Ogawa (CJEB); Michinobu Kishi and Haruyuki Toyama (Bank of Japan); Kim Schoenholtz (NYU Stern); Jennifer Dwyer (Hunter College, CUNY); Michael 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 26 years ago, the then-CEO of Sumitomo Corporation of America and Professor Hugh Patrick took the initiative in organizing, on a private, individual basis, an evening discussion group of senior Japanese and American businessmen and professionals living in the New York area. The group convenes to discuss frankly and informally—and off the record—issues and prospects in U.S.-Japan business, economic, and political relations. Takashi Kano, the current CEO

Financial Support

of Sumitomo Corporation of America, and Hugh Patrick coorganized this group for 2011–2012. Members include leaders from the business and financial communities and several specialists on Japan from the Columbia University faculty. The group avoids identification with any particular company or group and meets twice in the fall and spring for dinner and discussion. Topics of discussion for this year included economic policy under Prime Minister Noda, the prospects of Japan's impending energy crisis, the impact of the European financial crisis on United States and Japanese companies, the state of the U.S. recovery, potential economic and foreign policy changes resulting from national elections, and financial institutional reform in both countries.

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 during the first years of the Center's establishment at Columbia Business School by Fuji Xerox Co., Ltd., Sanken Industrial Policy Research Institute, the Marine and Fire Insurance Association, the Federation of Bankers Association, the Security Dealers Association, the Life Insurance Association, and Mitsubishi UFJ Trust and Banking Corporation.

Corporate Sponsorship Program

Sponsors for the year 2011–2012 are as follows:

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Lead Corporate Sponsor

(\$100,000+ annually)

Aflac Japan

CJEB Corporate Sponsorship Program

Lead Corporate Sponsor

(\$100,000+ annually)

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(\$50,000+ annually)

Advantage Partners, LLP

Mitsubishi UFJ Trust and Banking Corporation

Toho Technology Corporation

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(\$25,000+ annually)

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Kikkoman Corporation

Saga Investment Co., Inc.

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(\$10,000+ annually)

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Robert Alan Feldman

Shigeru Masuda '74, CEO, ZERON Group

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J.C.C. Fund of the Japanese Chamber of Commerce and Industry of New York, Inc.

Hiroko and Satoru Murase

Tsunao Nakamura

Hugh Patrick

Sumitomo Chemical Company, Ltd.

Sadao Taura

Yaskawa Electric Corporation

The Center would like to give a special thanks to the following for their additional contributions in support of all of the CJEB 25th anniversary activities in 2011:

Advantage Partners, LLP

Kikkoman Corporation

Shigeru Masuda '74, CEO, ZERON Group

所長及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)が設立 25 周年を迎えた 2011 年は、過去四半世紀にわたり、当研究所がいかんして発達、成長し、そしてその役割を果たしてきたかを振り返る良い機会であっただけではなく、当研究所の将来について考える契機になりました。CJEB は、日米関係に重点を置きながら、日本国内、東アジア、及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という使命の下、1986 年に設立されました。コロンビア大学ビジネス・スクール及び日本における幅広い内容の公開シンポジウムやカンファレンス、研究プロジェクト、ワーキングペーパー・シリーズ、そして客員研究員制度を通じて、当研究所はこの使命を精力的に追求してまいりました。今後、日本経済とビジネス構造に力点を置いた在米国研究機関の数が減り、また世界の関心が日本から離れていくという「ジャパン・パッシング(日本外し)」への募りゆく懸念を踏まえれば、当研究所が知的交流や質の高いプログラムを立案し、また価値ある研究を進展させることは、なお一層重要になっていくと確信しております。

CJEB はその使命を遂行するために、2011～2012 年度は大規模なカンファレンスを 2 度東京にて開催しました。2011 年 3 月 11 日の 3 重の災害を受けて、開催が昨春から延期されていた当研究所 25 周年記念カンファレンスは、2011 年の 10 月に開催されました。「日本の将来と世界経済」と題された同カンファレンスでは、駐日米国大使のジョン・V・ルース氏や、楽天株式会社 代表取締役会長兼社長の三木谷浩史氏らをお迎えし、グローバル経済で日本の果たすべき役割及び 3 重の災害からの復興に焦点が当てられました。2012 年 5 月の東京カンファレンス「緊迫化する国際金融規制」では、公益財団法人国際通貨研究所理事長の行天豊雄氏、ピーターソン国際経済研究所の新所長に指名されたアダム・ポーゼン氏に登壇いただき、レセプションでは国家戦略担当大臣である古川元久氏より歓迎の辞を賜りました。このカンファレンスでは日米の主要な金融機関についての詳細な分析と討議が行なわれました。

2011～2012 年度、CJEB では、多くの公開イベントを大学構内で行い、大きな成功を収めました。特筆すべきは、当研究所 25 周年記念シンポジウム「国を代表する商品のグローバルマーケティング: キッコーマンとコカコーラ」であり、キッコーマン株式会社取締役名誉会長の茂木友三郎氏(コロンビア大学ビジネス・スクール 1961 年卒)と日本コカコーラ社取締役会長の魚谷雅彦氏(コロンビア大学ビジネス・スクール 1983 年卒)をお招きしました。「ビデオゲームと産業構造変革の様相: スクウェア・エニックスの事例から」では、大手ビデオゲーム企業の株式会社スクウェア・エニックス・ホールディングス代表取締役社長の和田洋一氏に講演を行っていただきました。また、喜ばしいことに、国家戦略担当大臣の古川元久氏には、氏が野田政権に加わった直後に「グローバル経済下での日本の役割」と題した講演を行っていただきました。(2011～2012 年度の CJEB のイベントに関する詳細な情報は 25 ページ以降をご参照ください。)

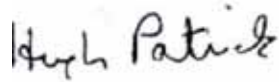
CJEB では「オルタナティブ投資プログラム」(2002 年～2009 年)を基に構築され、2009 年開始以来成功を収めている、「新たな国際金融規制の枠組みに関する研究プログラム(NGFA)」

と題されたプログラムを継続・発展させてきました。NGFA 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及び、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。（NGFA プログラムの詳細については 24 ページをご覧ください。）

世界レベルの研究機関であるコロンビア大学に期待されるとおり、CJEB の主要な使命の一つは、日本の経済、ビジネス、経営システムの研究活動に従事し、支援を行い、普及・啓蒙することにあります。プロジェクトやセミナー、ディスカッション・グループ、公開プログラム、そして図書館やオンラインを通じての資料提供活動を通じて、当研究所はこの使命を果たしていきます。アメリカの大学群の中でも、ワインスタインが指揮するこのような研究課題を擁する CJEB は稀有な存在であり、今後もワインスタインの指導の下、所属教授陣による研究活動の場とリソースを提供し続け、さらには日本経済とビジネスの分野における米国有数の研究所としての地位を保ち続けます。（ワインスタイン自身の研究活動については、18 ページをご参照ください。）

CJEB の今後に関しましては、しばらくの間、我々ヒュー・パトリックとデイビッド・ワインスタインの共同リーダーシップの下に活動し、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。また 2012～2013 年度からデイビッド・ワインスタインがコロンビア大学経済学部で学部長に任命されたことも、ここにご報告致します。

CJEB の成功は、ひとえに研究所の教授陣やスタッフの献身、精励、知性と行動力、コロンビア大学ビジネス・スクール及びコロンビア大学から提供されるリソース、そして企業、財団、個人の皆様からの資金提供の賜物です。当研究所をご支援くださる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 と共に歩んでいただけますよう、心よりお願い申し上げます。



ヒュー・パトリック
所長



デイビッド・ワインスタイン
研究副所長

（上記のご講演者の皆様のご所属・お役職等は、ご講演当時のものです。）

深まる政治的混迷の中で失速する日本経済の回復

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

2008 年から 2009 年にかけての深刻な不況からの日本経済の回復は既に減速しつつあったが、2011 年 3 月 11 日に起こった大地震、津波、福島第一原子力発電所の事故による 3 重の災害によって、なお一層鈍化させられることとなった。GDP は 2011 年に 0.7% 縮小し、同年上半期の GDP 成長率はマイナスであった。年率換算で 7.7% という力強い第 3 四半期の経済成長の後、日本経済は第 4 四半期には横ばいであった。

寸断されたサプライチェーンは比較的短期間で見事に回復した。政府の東北への被災地復興支援であるインフラ投資に支えられ、2012 年第 1 四半期の 5.5% という目覚ましい経済成長は景気回復を加速させたが、第 2 四半期の経済成長率は速報値で 1.4% へと急激に減速し、コンセンサス予測の 2.3% を大きく下回り、そして 9 月 10 日の改訂値ではさらに低い 0.7% 成長となった。8 月 17 日に公表された内閣府年央試算では、民間需要が底堅く推移し、2013 会計年度の GDP 成長率が 1.7% となるだけでなく、デフレ脱却の可能性もあるとの楽観的な見方が示された。1997 年以来マイナスで推移してきた GDP デフレーターが、今会計年度のマイナス 0.3% から来会計年度にはプラス 0.2% に転じるだろうと見込まれている。しかし、夏の経済指標は一層の減速を示唆しており、デフレ脱却の兆候を見て取ることはできない。9 月の日本の経済成長率に関するコンセンサス予測は 2012 年に 2.3% の成長となったのち、2013 年には 1.2% へ減速し、2014 年は 1.1% の成長率になるとしている。GDP ギャップと不完全就業は継続しており、GDP と一人当たり GDP は依然として 2007 年のピーク時を下回っている。

日本政治は混迷の時代にある。複雑かつ矮小な政治的駆け引きが異常なまでに激化し、政治の混乱にさらなる拍車をかけている。民主党が衆議院の過半数を得ているが、参議院では過半数を得ていないために、経済政策立案は手詰まりの状況にある。消費税増税関連法案では野田佳彦首相は野党の支持を得ることに成功したが、引き換えに民主党および首相個人は多大な犠牲を払うこととなった。首相は 8 月 8 日、衆議院解散・総選挙の「近いうち」の実施に合意することになったのだ。衆議院解散・総選挙の実施期限は 2013 年 8 月であるにもかかわらず、である。さもないと、自民党は少数野党とともに参議院で野田首相に対する問責決議案を提出すると脅しをかけてきたからだ。問責決議案に法的拘束力はないものの、野田政権にとって深刻な打撃となる。

3 年間の政権運営ののちに、民主党が総選挙で敗退し政権を失うのは確実だろう。野田氏を早期の解散・総選挙に追い込むために、8 月 29 日、自民党と少数野党は問責決議案を可

決し、それ以降、今国会会期末の9月8日まで法案審議に応じなかった。事態を構成する不可欠な要素の一つは、毎年の民主党代表選および自民党総裁選が9月に行われたということだ。野田氏は9月21日に民主党代表に大差で再選された。自民党の現総裁である谷垣禎一氏は再選に向けた支持が集まらないと見て、総裁選出馬を断念した。熾烈な競争の後に、安倍晋三氏が石破茂氏を下して9月26日に自民党総裁に選出された。2006年から2007年に1年間首相を務めた安倍氏は、恐らく次の衆議院選挙後に首相となるだろう。

福島第一原発事故は重大な国家的・地域的影響を及ぼし、安全性、エネルギー政策、公益事業会社の行動様式、そして政府の規制と政策立案に関する問題を強く提起した。2012年7月に公表された独立の事故調査委員会による報告書は手厳しい内容であり、先んじて公表された別の報告書も同様であった。定期検査のために停止中の50の原子力発電所の運転再開を遅らせるという政府の決定を踏まえ、電力不足問題は2012年夏も主要な懸念事項である。目覚ましい節電努力や古い火力発電所の運転再開、そして関西地区に電力を供給する2つの原子力発電所の再稼働により、日本は輪番の計画停電を行わずに済んだ。

日本の構造的問題である不十分な国内需要、巨額の財政赤字、莫大な対GDP比公的債務比率、小幅だがいつまでも続くデフレ、若年の失業と不完全就業、そして競争力のない農業セクターなどは、依然として解決されていない。

マクロ経済政策上の重要な二つの決定が、究極的には政策の行き詰まりを打ち破ることになるかもしれない。第一に、2012年2月14日、日本銀行は「中長期的な物価安定の目途」を、明示的なターゲットではないかもしれないが消費者物価の前年比上昇率1%に設定すると発表した。このことが、日本経済をデフレから脱却させるかもしれない。第二に、野田首相は財政再建を最重要課題に掲げている。消費税を現在の5%から、2014年10月に8%へ、2015年4月に10%へと増税するための法案が6月に衆議院を通過し、8月10日には参議院も通過した。しかし、この法案には免責条項が附帯されている。つまり、もし経済状況が好転しなければ、内閣は消費税増税法案を施行しないこともできるのだ。

間近に迫った総選挙はニュースの見出しを独占するだろうが、金融機関のスキャンダルや円高もまた大きな懸念事項である。企業の新株発行に関するインサイダー取引問題、ロンドンを中心とした世界的な利子率の重要な指標であるLIBOR(ロンドン銀行間取引金利)の不正操作、そして東京のTIBOR(東京銀行間取引金利)への不正操作の可能性に対して実施されている調査も重大な関心事である。

円高の原因の一つは、貿易収支の赤字にもかかわらず、海外利子収入や日本へ還流する海外子会社からの利益金、そしてマネジメント費用がGDP比3%に達しており、日本は国際収支上、経常収支黒字を維持しているためである。そして世界的な低金利が続く限り、日本の資本が海外に流出する誘因は限定的である。円はいくらか過大評価されている。なぜなら、ユーロから逃避してきた者たちにとって、日本が長期的に安全な避難先でない場合、一時的な駐車場になっているからだ。

深まる政治的混迷の中で失速する日本経済の回復

世界経済の成長は、需要不足、脆弱なバンキングシステム、そして欧米の財政再建の可能性のために、鈍化している。金融緩和政策は以前からとられ、金利は下限であるゼロ近傍にある。需要を維持し、迫りくる不況への逆戻りを阻止するためには、財政政策がとりわけ重要である。さらに、2007年以來日本の最大の貿易相手国となっている中国の目覚ましい経済成長は、中国経済が循環的な調整と国内の構造改革に注力するにつれ、減速しつつある。

日本は、海外経済の大きな不確実性に直面している。誰が米国大統領に選出されるのか？誰がアメリカ連邦議会をコントロールすることになるのか？「財政の崖」—ブッシュ政権時代の所得減税措置が2012年12月31日に自動的に失効し、防衛費と社会保障費が強制的に削減されること—は避け得るのだろうか？もし避け得ないのであれば、政府需要の減少幅はGDP比で4%と莫大になり、不況に見舞われるだろう。これは11月の選挙の前には解決され得ず、そしておそらく年末まで解決されないだろう。これらの不確実性が世界に不安をもたらしている。

私がとりわけ心配しているのがユーロ危機である。欧州各国と欧州中銀は繰り返し高い代償を払って時間稼ぎをしてきたが、明確な解決策に至ることはなかった。欧州南北諸国間の生産性水準と経済成長の格差が、賃金や物価の上昇で埋め合わせることができないほど大きいことは、深刻な問題だ。加盟国が近いうちに政治的合意に達し、金融政策と同様に財政政策の一元化を果たせるかという、私は疑わしいと思う。

経済政策の協力は一方の極にあるドイツと他方の極にあるギリシャの間の経済政策協調に向けた需要は大きい。スペインとイタリアはどうだろうか？独仏関係はこれらの難題を乗り越えるほどに強固であり続けるだろうか？ユーロ危機はおそらく、十分に起こり得るギリシャもしくは他国のユーロ圏離脱の時点で、山場を迎えるだろう。

日米欧におけるマクロ経済政策はしばしば、緊縮財政か成長か、という枠組みで議論されてきた。緊縮財政とは、政府の財政赤字を減らし、財政規律を回復し、インフレ圧力を克服しそして構造改革を実行することである。ちなみに、日本にはインフレ圧力は存在しない。成長とは、失業を減らし、緩慢な景気回復から抜け出し、政府と民間セクターに収益をもたらし、そして潜在成長を達成することである。

緊縮財政と成長を二者択一の選択肢として見るのは見当違いである。それはマクロ経済政策上の順序とタイミングの問題である。国が完全雇用を達成するまでは、成長がまず追求されるべきであり、その後に財政再建のための効果的な策が実行されるべきである。税制その他の改革や規制緩和、そして自由化にはどちらの政策レジームの下においても、統合的な政策パッケージの一部として、高い優先順位が与えられるべきである。

とりわけインフレが無く、またデフレの度合いがかなり小さいような環境においては、失業と不完全就業による社会および個人のコストは、膨大な財政赤字と多額の政府債務のコストに比べ、非常に大きい。更なる金融緩和と追加的な財政刺激策、そして「これらの政策はデフレが終わり、かつ健全な成長が達成されるまで継続する」と宣言することからなる強力かつ暫定

的なマクロ経済政策のパッケージを実行すべきだと、私は数年にわたって提案し続けてきた。そしてその後で、GDP 比で徐々に増税し、金融緩和も終了されるべきである、と。

本エッセイでは、国内とグローバルな文脈から見た日本、景気回復と成長、エネルギー政策、TPP と関連する国際貿易制度設計、そして金融的スキャンダルについて簡潔に論じる。

日本を取り巻く状況

キャッチアップ型の急成長が 20 年以上前に終わり、それ以外、日本の政治経済はあてもなく日々を過ごしている。日本は多くの問題を抱えてはいるものの先進工業国の一員である、と認識されている一方で、日本に対して大きな関心が向けられていないという傾向が西側諸国にあり、そしてそのことは当然のようになっているが、そのことに私は注目している。その上、日本は自分自身のことを表現するのが苦手なのだ。

日本に目を向けないのは大きな間違いだ。日本は予見しうる将来において世界の 5 大経済国の一員であり続け、技術の面では先駆者であり、また主要な経済的パートナーであり、かつ競争相手であり続けるからだ。そして、高齢化や人口減少といった多くの先進国が共有する幅広い問題に日本がどのように対処するか、そのことから我々は教訓を得ることができる。

日本は、キャッチアップ型の投資主導の経済成長モデルから、先進国型の消費主導の成熟経済へ移行するのに苦労している。1990 年以来、日本の経済パフォーマンスは不安定で、大きなショックの影響にさらされ、成長率は潜在成長率を下回りながらも、ささやかながらプラス成長で推移してきた。衰退は相対的なものであり、絶対的なものではない。依然健全な成長をしていた 1991 年から循環的なマイナス成長となった 2011 年までの過去 20 年間、GDP は 15.8% 成長し、一人当たり GDP は 10.6% 上昇した。PPP(購買力平価)基準で見た日本の一人当たり GDP は、1991 年にはアメリカの一人当たり GDP の 85.6% と最高値に達した後、米国経済が好調であったために、2011 年までには同 71.8% まで遠ざかった。過去 20 年間、主に 1990 年代には、多くの欧州諸国の一人当たり GDP は日本のそれよりも少しだけ早く成長した。

日本は、その市場や経済・政治・社会的制度、そして世代間の価値観と行動様式の大きな変化に対処してきた。1990 年の日本に比べると、2012 年の日本は多くの点で大きく異なり、より良くなってきている。

一人当たり実質 GDP の水準と成長率は、国の経済パフォーマンスを測る単独の方法の中で最善のものだが、それは単に人間と社会の幸福の大まかな指標でしかない。幸福度に関するあらゆる指標において、日本は他の OECD 諸国に比べて十分な順位にランクされており、ある指標(教育スキル、家庭の金融資産、平均寿命)では他国より優れ、そして別の指標(所得分布、男女平等、大気の質、労働時間)では他国に劣っている。それでもなお、日本の所得格差は米国よりも小さい。

深まる政治的混迷の中で失速する日本経済の回復

日本は主に3つの面で欧米と異なっている。日本は完全雇用を達成していないが、失業率は米国や欧州よりも相当低い。日本の労働問題は、労働市場の脆弱さと、労働市場に新たに参入した者が仕事をもらえる見込みが少ないこと、そしてパートタイム労働者の割合が労働力の1/3を占めるまでに大きく増加していることである。

第二に、日本は緩やかだが長期的に続くデフレに過去15年間悩まされ続けている点で、先進諸国の中でも特殊である。

第三に、2012年3月時点での日本政府の債務総額はGDP比で230%であり、他にはイタリア(121%)と米国(103%)だけが3桁代である。政府債務から政府資産を引いた債務額のGDP比でも、日本だけが3桁代の123%となっており、アメリカの同指標は80%である。しかし、深刻な負債を抱える欧州政府と異なり、日本国債の90%以上は、日本国債を放棄する可能性の低い国内銀行、保険会社、ゆうちょ銀行・かんぽ生命その他の金融機関が保有しているのだ。

相対的貧困は、他の多くの先進国経済同様、日本の中でも依然として重大な問題である。所得の中央値の半分より低い所得しか得られない貧困家庭に属する日本人は、全人口の11%にも上っている。2012年3月時点で、150万世帯、210万人の日本人が生活保護を受給している。うち、約40%が高齢者世帯であり、このほかに20%が傷病・障がい者世帯、そして7.5%が母子家庭(典型的には離婚もしくは寡婦)であった。

景気回復と成長

津波と福島第一原発事故による国土の荒廃により、数十万人の国民が東北地方の東側沿岸からの避難を余儀なくされた。復旧は遅々としている。多くの避難民は仮設住宅にとどまり、生活の上で過酷な選択に直面している。しかしこれは局地的な災害であり、全国的なものではなかった。

日本のマクロ経済上の困難は長期に及んでいる。政府の運用上の見通しでは、日本経済は2010年から2019年の間に年率1.1%で成長し、そして2029年までの次の10年間は年率0.8%で成長するとされている。社会保障給付見通しにて、厚生労働省は2030年まで年率1.1%の経済成長が続くと仮定している。予想される人口と労働力の減少を前提とすると、長期にわたる年率1%の経済成長の予測でさえ、かなり力強く、しかし不合理ではない程度の労働生産性の上昇を意味することになる。

消費者、特に年金収入に頼る高齢者はデフレによって恩恵を得る一方、彼らの貯蓄預金やその他の資産からの収益が非常に低くなってしまうという代償も払っている。小幅だがいつまでも続くデフレは成長と財政の持続可能性の両方を阻害し、日本の若い世代にとって負担になっている。日本銀行はデフレ脱却に向けて、活発で先を見据えた政策手段をいまだに講じていない。

深まる政治的混迷の中で失速する日本経済の回復

日本銀行は2012年の消費者物価上昇率を合理的に0.2%の上昇と見込んだ。しかし、日銀が予測した2013年の0.7%上昇、そして2014年の1%上昇達成のゴールは楽観的すぎるというのが大方の見方だ。8月の市場コンセンサス予想は2013年の消費者物価指数上昇は0.1%であり、2014年には0.2%となるだろうというものだ。政府の2012年8月17日の予測の改訂版もまた楽天的である。政府は2013年の消費者物価指数上昇は0.5%であり、より総合的な尺度であるGDPデフレーターは同年にプラス2%になるだろうと予測している。しかし、2012年の現在までのところでは、これまで同様、GDPデフレーターは消費者物価指数よりも若干大きなマイナス幅を記録している。市場のコンセンサス予想では2013年にGDPデフレーターはマイナス0.5%になると予測している。私は消費者物価上昇率年1~2%と定義される物価安定が近いうちに達成されるとは考えていない。デフレはおそらく、マクロ経済政策上の主要課題であり続けるだろう。

画期的な消費税法案の成立は、継続する財政赤字、巨額の政府債務、そして将来起こり得る日本国債市場の危機といった主要課題に対し、政府および政党がここ数年で初めて取り組んだ例だ。消費税法案の成立は大きな危機が近いうちに起こるリスクを低減させるものだが、しかし危機に終止符を打つものではない。

政策責任者は二つの課題に直面することになる。一つは、消費税法案が発効するまでの今後18か月の間に、健全で安定的な経済成長を、一時的な巨額の支出無しで達成できるかどうかである。もう一つのより長期的な難題は、消費税法案の成立が財政健全化の達成に向けた小さな一歩に過ぎないということである。年金、社会保障、医療に対する高齢者のニーズを踏まえれば、次の10年には、GDP比で見た税収を徐々に引き上げざるを得ない。消費税率の引き上げは最善の租税政策ではないものの、政治的に実現可能な政策ではあった。

2012年7月31日、民主党政権は21の主要プログラムからなる2010年6月のプランを改訂し、新たな成長戦略を公表した。エネルギー、環境、医療、観光、そして国際貿易協定といった主要な目標は称賛に値するものだが、政府がこれらをどう実行に移すのかは不明確である。これらの目標の達成には政府による新たな予算措置、規制緩和、そして自由化の組み合わせが必要だ。

より長期では、十分な国内需要を実現するために、日本の個人消費は現在のGDP比59%よりも大きくならざるを得ない。そのためには家計収入が現在のGDP比64%からさらに増えねばならない。このことは、賃金が絶対額だけでなくGDP比で増えねばならないことを意味している。しかし、潜在成長率を下回る成長にとどまる経済においては、労働市場の脆弱性も災いして、そのことはほとんど不可能と言ってよい。景気刺激的なマクロ経済政策に関する制約を考慮すると、日本経済の再生と加速度的成長は、特に農業と多くのサービス分野における包括的な自由化および規制緩和によって成し遂げられ得るものである。このようなアプローチは、新政府に好機と同時に難題をもたらすだろう。

衆議院解散・総選挙実施に野田氏がいったん合意すると、消費税法案は直ちに国会で成立した。しかし、8月下旬の問責決議案可決と野党による国会の審議拒否によって、二つのきわ

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めて重要な法案である、2012～2013 年度の巨額の財政赤字を埋めるための政府国債発行のための法案、そして最高裁から憲法上求められているささやかな選挙制度改革を行うための法案が成立しなかった。しかし、いつ選挙が行われるかは全くはっきりしていない。10 月初旬に予定されている特別国会で、衆議院解散・総選挙の前にこれらの法案が成立する可能性がある。総選挙は、縁起の良い大安である 11 月 4 日か 12 月 9 日の日曜日に行われるかもしれない。あるいは、来年早期に行われるかもしれない。

民主党は次の選挙で大敗を喫するだろう。自民党は衆議院での議席数増加を見込むが、しかし過半数確保はできそうにない。では安倍氏および自民党は連立政権を樹立するためにどの党と連携することになるのか？ 重要な問題の一つは、橋下徹氏が 9 月 28 日に設立した新政党「日本維新の会」がどう動くかだ。橋下氏は、若く、地域的に人気のある大阪市長（前大阪府知事）で、相当の保守主義者・国粋主義者である。橋下氏は地方分権・規制緩和の唱道者で、著名で有能な改革者たちから成るブレーン集団を組織し、政権公約をつくり上げ、報道によれば、日本維新の会は衆議院の全 480 議席に対して 350 人もの候補者を擁立しようとしているという。

新政権は、それがいつ発足するにしろ、海外需要の停滞の煽りを受けた輸出の減速や弱々しい国内需要による経済の低迷に直面することになるだろう。もし総選挙によって日本の経済見通しが好転するならば、嬉しいサプライズになるだろう。政策の即時的な変更は経済のパフォーマンスを鈍化させるかもしれないが、しぶとく続く根本的な経済的問題に、新政権は取り組まねばならない。

電力

福島第一原子力発電所の事故は重大な経済、政治、そして社会的影響を及ぼした。震災後、政府と東京電力は情報の取り扱いやコミュニケーションに不透明な形で失敗し、規制当局一般、特に原子力関連の規制当局への国民一般の不信感は増大した。いくつかの委員会が震災に関する報告書を公表し、規制官庁による不手際を指摘した。国会 東京電力福島原子力発電所事故調査委員会の 2012 年 7 月上旬の最終報告書は「何度も事前に対策を立てるチャンスがあったことに鑑みれば、今回の事故はあきらかに人災」と厳しく批判した。

政府は目先の電力不足問題と長期の日本のエネルギー政策、特に原子力の役割の双方に主眼を置かざるを得なかった。残る 50 基の原子力発電所が定期検査のために運転停止した際に、政府が直ちにそれらを再稼働しないと決めたことは、原子力発電の電力シェアが 2010 年の 26%から 2012 年 5 月までにゼロになることを意味する。日本は今夏、相当の電力不足に対処せねばならなかった。

2012 年夏、午後の電力需要ピーク時に 10～15%の電力が不足する可能性があったが、これを輪番の計画停電なしで成功裏に乗り切ることができた。これは、非効率な火力発電の運転再開や、特に大口需要家の節電を促すための政府の行政指導、そして家計や企業による

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大規模な自発的な節電努力など、様々なアプローチによって成し遂げられたことだ。関西地区への対応は深刻な難題であった。なぜなら関西電力の電力供給施設のうち、28%が原子力による発電施設だったからだ。7月には、関西地区での予期された深刻な電力不足を緩和するため、大飯原発のプラント2基が再稼働された。彼らは停電を起こすことなく、この夏をうまく乗り切った。

政府による節電要請では10の公益事業会社によって供給されている電力の消費を3~10%減らすことを目標に定めた。電力会社はほとんどの大口契約者との契約を、特にピーク時の電力使用に関する契約を調整した。関西電力はあわせて追加的な電力供給能力を構築するとともに、計画停電が必要となった場合に、一日のうちのどの2時間が彼らの停電時間帯になるかについての詳細な計画を顧客に提供し、警鐘を鳴らした。

日本は省エネの分野で世界のリーダーである。家計と企業は、無数の小さな調整、適応と小さな工夫、そして仕事場や自宅での暑さによる不快感も進んで受け入れることによって電力消費を減少させた。企業と中央および地方政府は仕事場の空調を摂氏28度(華氏84度)に設定するように要請され、なかにはより厳しく設定した人たちもいた。国家の有事に際し、愛国的に協力をしようというこの個人的な感覚は、結束力ある日本社会の強みの表れである。

日本の長期的なエネルギー戦略は、現在も進む技術進歩と政府の政策の組み合わせに依存するだろう。新興国の急激な成長によりエネルギー需要が高まる世界では、技術革新がエネルギーの供給とコストに関する重要な要因となる。世界的には、これまでの10年間で最も重要なイノベーションは、シェール層から天然ガスを比較的安価に採掘できるようになったことだろう。液化天然ガスの輸入価格が石油価格と連動する長期契約を結んでいるため、日本にとって液化天然ガスの費用は割高だが、世界的に見れば天然ガスは予見可能な将来において安価であろう。長期的には、太陽光や風力、その他の再生可能エネルギーの価格が下がり、最終的に再生可能エネルギーが化石燃料や原子力に対する真の競争力を持つようになると予測されている。

政府は再生可能エネルギーを積極的に推進している。政府による直接の補助金よりもむしろ、平均的な家庭で当初ひと月あたり1ドル10セントといった割高なコストが一般的に用いられている。北海道の原発を再稼働せずに、北海道の冬のピーク需要を賄うだけの電力供給を得られるようにするため、政府は道内の企業が自家発電設備を導入する場合に補助金を支給することにしている。2012年7月1日以降、電力会社は長期的契約に基づき、再生可能エネルギーから作られた電力を非常に割高な価格で購入することが義務付けられた(固定価格買取制度)。同制度の電力買取価格は、太陽光発電の場合、化石燃料による発電費用の約3倍、風力発電の場合には約2倍となっている。市場価格を上回る価格によってそうした再生可能エネルギーによる発電への投資がもうかるようになったので、日本企業および外国企業は太陽光や風力発電の主要なプロジェクトを立ち上げている。それらのプロジェクトは、日本全国900もの工業団地内にある1万5千ヘクタールの広大な未利用地を活用することができる。

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産業技術の進歩および大規模操業によって発電費用が低減するにしたい、買取価格は徐々に引き下げられていくことになっている。

再生可能エネルギーは、水力発電(電力供給全体の約9%)を除けば、電力供給に占める割合は1%に過ぎない。再生可能エネルギーの割合は、原子力発電政策の如何にかかわらず、2030年に20%を超えると予想されている。

2012年6月29日に、関係大臣等で構成されるエネルギー・環境会議が、政府の新たな長期的エネルギー戦略に関する公共政策的な議論のたたき台として、包括的な報告書を取りまとめた。報告書は三つのシナリオを示しながら、原子力発電の将来的な役割について言及した。三つのシナリオすべてにおいて、化石燃料による発電の比率が下降する一方で、再生可能エネルギーの割合は上昇する。きわめて重大な選択肢は、2030年において、電力供給全体に占める原子力発電の比率を20~25%(福島第一原発事故以前の水準よりもいくばくか低い)、15%、もしくは0%のどれにするのかということだ。報告書に示された、GDP成長と一般家庭電力コストの両面から見た経済的費用に関する論拠は、中間(15%)の選択を支持するものであった。この報告書は7月下旬と8月上旬に催されたエネルギー・環境の選択肢に関する意見聴取会でも参照された。

福島第一原子力発電所の事故は反原発運動を活性化させ、8月上旬以降、デモはますます大きくなっている。9月14日に、政府は2040年までに原発稼働をゼロにするという目標を発表したが、潜在的な抜け穴には言及しなかった。9月19日には、不断の検証と見直しを行うというあいまいな文書が閣議決定され、原発稼働ゼロの時限を定めたところから後退した。自民党はこれまで電力会社を支援してきており、沖縄を除くすべての電力会社は原子力発電所を有している。日本のエネルギー戦略が決定されるのは、来るべき総選挙の後になってからであろう。

相互に関連する二つの原子力発電に関する問題は早期に対処されねばならない。第一に、起こり得る電力不足を避け、また電力コストを低減するために、既存の原子力発電所のうちどれを追加的に再稼働するのか？ 第二に、原子力発電の縮小はどの程度まで、どのくらいの速度で進められるべきなのか？ 電力会社は最終的にはほとんどの原発を再稼働し、通常の耐用年数である40年までは運転することを許されるのだろうか？ もしそうならば、18基の既存の原発が2030年においても運転されているであろうことになる。もしそうでなければ、原子力発電所を減損処理する時に、電力会社はバランスシートに大きな問題を抱えることになるだろう。もし彼らの原子力発電所が再稼働されなければ、東京電力に加えて4つの電力会社が債務超過に陥ることになるだろう。さらに言うと、現在建設中の3基の原子力発電所は工事を完了して稼働し、耐用年数の40年間は運転することを許されるのだろうか？

原子力発電からシフトし、節電に努めることは、経済、CO₂排出量に関する国際的な約束、健康の面で、恩恵と同時に直接・間接のコストをもたらす。火力発電は、原子力発電よりもさらに多くのコストがかかり、再生可能エネルギーはなお一層費用がかさむ。どの選択肢を選んだ場合でも発電費用と電力価格は上昇することになるが、日本は現時点ですでに電力価格が世

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界で最も高い国の一つなのだ。燃料の輸入が増えるので、安定供給が引き続き懸念事項となる。十分な電力が安定的に供給されないと、製造事業者が拠点を海外に移す誘因となってしまう。いくつかの例では、節電は深刻なほどに行き過ぎていた。高齢者は夏の熱波や冬の風邪で亡くなり、非常に暑い仕事場によって生産性が下がっている。2012年7月には、2万1,000人を超える人々が熱中症で病院に搬送された。これは災害に見舞われた2011年の7月よりも17%の増加である。

異なった電力供給の方法は健康について異なった結果をもたらす。福島第一原子力発電所の事故が日本国民にとって深刻な感情的・政治的問題であることは言うまでもない。たとえ、放射線の専門家いわく、福島第一原発事故後の放射線被ばくによる健康に関する影響は限定的であるとしても、震災被害の結果として日本人は放射能をひどく恐れるようになり、そのことは原子力発電の活用を確実に制約するだろう。福島第一原子力発電所の事故によって発生した当初の猛烈な放射能雲の後、2011年12月に4つの原子炉が完全に冷温停止するまでの間は、低水準の放射線が続いた。広島や長崎、そしてチェルノブイリは多量の放射性物質排出による影響についてのデータを提供している。だが、長期にわたる低レベルの放射性排出物に関するデータが存在するのは、チェルノブイリと福島第一原子力発電所の事故だけである。ゆえに、福島原子力発電所の事故を原因とする死者や病人の推定値には幅がある。スタンフォード大学のジョン・テン・ホーヴ教授とマーク・ジェイコブソン教授による最近の研究では、最終的に世界全体で125名、日本で94名が、福島第一原発の放射線被ばくによって亡くなるだろうと推定している。

原子力発電を火力発電で代替した場合、大気汚染によってたくさんの人の死が直接的に引き起こされるだろうが、このことは日本の政策論議には織り込まれていない。私の同僚であるデイビッド・ワインスタインは、著名な医療学術誌である「Lancet」に掲載されたデータを用い、日本で原子力による発電を完全に停止し、それを天然ガスによる発電で代替した場合には、毎年747人の日本人が、石油で代替した場合には毎年4,891人の日本人が、石炭で代替した場合には毎年1万5,240人の日本人が、大気汚染により亡くなるだろうと推計した。再生可能エネルギーは人々にとってはるかに安全であるものの、再生可能エネルギーが意味を持つようになるのは、長期的に見た場合だけだ。電力のうち28%という石炭の占める割合を減らし、最初はそれを天然ガスで代替し、最終的には再生可能エネルギーで代替すれば、かなり大きな健康上の利益を得ることができるだろう。問題は、輸入されている石炭が有り余っていて安価であることだ。

環太平洋戦略的経済連携協定(TPP)と貿易自由化

多国間の貿易自由化交渉であるドーハラウンドが死に体であるために、日本はかなりゆっくりと二国間と地域的なFTA(自由貿易協定)またはより弱いEPA(経済連携協定)を追求してきた。現在、日本は2つのアジア太平洋の自由化のモデルに直面している。米国主導の、11か

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国による包括的な環太平洋戦略的経済連携協定(TPP)と、そして恐らく究極的には ASEAN10 か国を包摂することになるであろう、日中韓三国間の貿易自由化交渉に例示されるような「アジア路線」である。

TPP 交渉に参加している国々は、きわめて包括的で強力な FTA の締結を目指している。米国は、農業を含む物品やサービス貿易の完全な自由化だけでなく、知的財産権や政府調達、国有企業、労働・環境基準、その他貿易にあまり直接関係しない措置に関しても高度な基準を設定する「プラチナ基準」を提案している。TPP の貿易に関連する部分だけでも、全参加国の貿易・経済成長にとって著しい利益となるだろう。

米国の政治的な立場は賛否両論を呼んでいる。TPP 交渉参加国は、米国による提案のうちいくつかを拒絶した。交渉は通常よりも秘密裏に行われ、不安を増幅させている。私の同僚であるジャグディッシュ・バグワッティは、TPP は直接貿易に関する事項に交渉を限定すべきだと論じている。その方が中国やインドがいずれ参加することもできる。知的財産権やその他の事項は別の協定に盛り込まれるべきだ、と。中国は TPP に反対している。一つの危険性は、TPP が貿易自由化促進というよりも、反中国の動きだと受け止められることだ。日本の経済規模を考慮すると、日本の TPP 参加は現在の交渉参加国にとっても重要であろう。というのは、日本を含めた場合の交渉参加各国 GDP を合計すると、世界の GDP の 40%を占めることになるからだ。

TPP は日本で注目の話題となっている。それは当然のことだ。なぜなら貿易自由化は民主党、自民党の一部議員から支持を得ている一方で、農業やその他の強力な既得権益集団から反対を受けているからだ。野田首相は以前、日本の TPP 交渉への参加を示唆していたが、総選挙が迫っているので、彼は今までのところ行動を起こしてはいない。もし日本政府が TPP 交渉に参加することを決めるとしても、早くても来春になるだろう。もし日本が TPP 交渉のプロセスに加わらない場合、TPP のルール策定に日本が関与することができなくなる点がリスクだ。

TPP へ参加すれば、非常に必要とされてきた構造的・組織的な規制緩和と自由化を、日本は実行せざるを得なくなるだろう。農業界からの政治的反発は、長年にわたる障害物で、日本が重要な貿易自由化協定に踏み出すのを妨げてきた。医療などの他業界や、日本郵政公社の完全自由化を制限している集団も、TPP への参加に反対である。

農業改革は、労働力のたった 4%、GDP のわずか 1.5%を構成する 260 万人の農業従事者への影響以上に、田舎の町村に直接影響をもたらす。農協グループは政治的にも経済的にも勢いがあり、有能なロビイストだ。JA は 950 万人の組合員から成り、うち 480 万人は準組合員である。JA は日本の田舎の小さな町に共同購入・販売・金融サービスを提供する複合事業体である。JA は、農業生産の 25%を占め、強力に保護されている穀物であるコメの販売のほぼ半分を扱っている。JA は巨大な銀行である農林中央金庫を擁し、多様な保険商品を提供している。

農業改革は避けて通れない課題だ。日本の農業従事者の平均年齢は 65 歳であり、若い参入者はほとんどいない。農家は収入のほとんどを農業以外の仕事から得ており、全体のうち

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たった 15%がフルタイムの専業農家である。貿易協定の実行は 10～15 年に渡って段階的に実行される。人口動態上の現実への適応をすでに始めている日本農業にとって、10～15 年は十分な時間だ。

2012 年 5 月には、野田氏は中国、韓国の指導者たちとともに、TPP に比べ取り扱う分野が限定されるであろう三国間での貿易交渉の開始に合意した。日本は、看過しがたい歴史的な重荷と、現在政治的に爆発寸前の領土紛争を交渉の場に持ち込む一方で、2012 年秋以降予定されている交渉においては、日中韓三国は追求すべき政治的・経済的利益をそれぞれ有している。けれども、たぶん交渉は延期されることになるだろう。加えて、EU も日本から提案された貿易協定交渉を開始することを決めた。

日本政治の先行きは不透明だ。貿易自由化から取り残されたくないのだが、TPP 交渉への参加表明はいまだ果たしていない。肝心の農業改革に直ちにとりかかるための力が政治になり故に、そのような農業改革が日本復活のために欠かせない要素であるにもかかわらず、日本は中韓や EU との弱めの協定の方に徐々に進んでいくことになるかもしれない。TPP 路線を精力的に追求することもまた、日本の国益に適うことだ。

金融スキャンダル

近く合併が予定されている東京証券取引所と大阪証券取引所に上場している 3,481 の日本企業は、ほとんどが自治的に管理されているので、日本のコーポレートガバナンスは脆弱だ。日本はグローバル・コーポレート・ガバナンス・インデックスで、135 か国中、96 位にランクされている。終身雇用制が続いており、中途採用や社外取締役がほとんどいないため、各企業は独自の複雑な企業文化を有し、経営上の強みの源泉となっている。一般的に、経営者たちは、自身を企業の生存・繁栄のためのまとめ役だと自任している。企業の社会的責任については、幾分狭い見方をしているかもしれないが、多くの場合にはきちんとしている。企業は従業員とその家族の面倒を見、顧客を満足させようと努める。一筋縄ではいかないかもしれないが、概して健全な長期的関係をサプライヤーや下請け企業と結ぶ。地域社会のよき一員であり、安定的に株主に配当を行う。しかし、企業の収益性は過去 20 年間、概して非常に低かった。多くの企業は不必要な新たな設備投資を国内で行っており、海外でいかにうまく投資するかをまだ理解していないのだ。

世間の耳目を集めたオリンパスや大王製紙、東電、AIJ 投資顧問のスキャンダルは、インサイダー取引や LIBOR の不正操作、そしてその他の金融機関のスキャンダルなどの問題に話題を奪われた。

インサイダー取引はどうやら日本中に蔓延し、いくつかの日本の金融機関は深く関わっているらしい。情報の漏えいは、多くの金融機関では、不透明に定義された情報フローシステムの中で、主要な顧客に対するサービスの一つにすぎないとみなされてきたようだ。インサイダー取引に関する日本の法規制は脆弱で抜け穴だらけであり、罰金や刑罰は笑ってしまうくらいに

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小さなものだ。今年、事件は企業株式の短期売買に及んだ。短期売買はそれ自体は合法であり、金融市場の効率化に資するものだ。しかし、ある企業による新株発行に関する公表前の情報に基づく取引は違法である。一般的に、企業が増資を発表すると株価は直ちに下がるものだ。

日本の規制当局は日本の5大銀行と国内の7つの外資系銀行に対し、コンプライアンスに関する報告書を提出するよう命じた。捜査当局は今のところ、3つの大きな日本のブローカー企業と3つの資産運用会社がインサイダー取引に関与していたことを特定し、いくつかの日本企業および外資企業がすでに罰せられている。

世界金利の重要な指標となっているのはLIBORである。オーバーナイトから12か月ものまで15種類の支払期限に対して、ドル・ユーロ・円を含む10の通貨による、約150種のLIBORが存在する。LIBORは極めて重要だ。LIBORは世界中の貸出金利、住宅ローン金利、そして金融派生商品に適用される金利を設定する際に用いられるからだ。

これらの様々なLIBORは、日本の3大メガバンクと農林中金を含む世界18のリファレンス・バンクからの報告書に基づいている。これらの報告は付け値であり実際の市場取引を表すものではないため、指標としてLIBORは本来的に欠陥を抱えているのだが、世間から広く承認されている指標がほかになかったのだ。主だった欧米の銀行による衝撃的な行動が再び暴露された。これまでのところ10の銀行がLIBORの不正操作に関与したとされているのだ。8月初旬には日本の銀行の関与も取り沙汰された。日米英の規制当局は、グローバル金融機関に対する調査を現在実施中だ。少なくとも半分の銀行(日系銀行ではない)が、ユーロ円市場や海外の円建て金融派生商品に用いられる円建てLIBORを不正操作したとして告訴されている。

LIBORを補足するために、金融機関は日本のTIBORを日本円とユーロ円市場の指標として用いている。TIBORを不正操作しようとしたトレーダーが勤務していた外資系銀行の日本支社2社(元社員は初め一方の銀行で働き、その後他方に転職した)に対し、2011年12月、金融庁は行政処分を行った。なお、この2社はいずれも現在TIBORのリファレンス・システムの構成員ではない。日本円TIBORを定める16の銀行のうち、15行が日系であり、ユーロ円TIBORを定める15の銀行のうち12行が日系である。リファレンス・バンクは全国銀行協会により選定され、TIBOR推計値を構成している。この金利指標スキャンダルはいまだその初期の段階にある。今のところは、この問題は世界的なスキャンダルだが、日本の重大なスキャンダルとはなっていない。

結論

日本、米国、欧州は政治・経済の深刻な不確実性に苦しめられている。各国とも国内需要不足や調整不良の為替レートがもたらす国際収支不均衡に苦しめられている。日本にとってはデフレも問題だ。教育、研究開発の改善、そしていくつかの国では主要インフラの総点検のた

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めの公共投資が求められている。もし新たな財政刺激策が講じられない場合には、先進国は不況に逆戻りすることになり、そのことは深刻な懸念事項となっている。日本人にとっては日本経済の活性化が大きな難問となっている。

相変わらずの政策の行き詰まりと大きな不確実性のせいで、この夏は深刻な政治的混迷がさらに度合いを深めた時期であった。衆議院選挙はいつ行われるのか？ 公明党はどういう役割は果たすことになるのだろうか？ 橋下徹氏の日本維新の会は大きな注目とかなりの政治的支持を集めているが、選挙ではどう動くのか？ 各党の政権公約はどういったものになるのか？ 民主党が次期総選挙で大敗を喫し、政権を失うであろうことは明白だ。自民党が議席を伸ばし、そしておそらく新政権をリードすることになるだろうが、自民党が衆参両院で過半数を得る可能性は低い。どの党が連立相手として必要となるかは、自民党が次の総選挙でどのくらいの議席を取るかにかかっている。

新政権は、エネルギー政策や原子力の果たす役割、貿易自由化、そして成長・財政再建・デフレ・脆弱な労働市場・インサイダー取引やその他の金融機関の改革など、長期的かつ未解決の構造問題に取り組まねばならないだろう。

日本の景気回復は、2011年の震災による3重の災害で遮られたものの、2012年第1四半期は順調に進み、第2四半期には大変著しく鈍化し、夏季に公表されたデータや市場の予測は少なくとも2012年後半の経済のパフォーマンスは弱いものになるだろうと示唆している。私が懸念しているのは、新政権が、内外の需要不足や相変わらずの政治の内輪もめによる経済の失速に行く手を阻まれるだろうということだ。経済が再生するかどうかは、新政権の政策および実行力にかかっている。経済が成熟し人口が減少する中で、日本経済全体としての成長は低いだろうから、日本の経済パフォーマンスにとって一番大事なものは、国民一人当たりGDPの成長と労働者一人当たりGDPの成長である。労働生産性の上昇が、健全で持続可能な成長のためのカギである。

「失われた20年」の後、日本の強みを過小評価し、問題を過大視するのは簡単なこととなった。しかし、日本はアジアだけでなく世界的に見ても技術的先導者であり続けるだろうし、力強く活気に満ちた民間セクターを日本は有している。生活水準は高く、わずかずつではあろうが今後も上昇を続けていくだろう。日本国民は突発的で不運なショックにもうまく対応できる強靱な社会を分かち合っている。日本経済は、少なくとも今後20年間は、世界の五大経済国の一つであり続けるだろう。

日本は、世界で進行する人口構造変化の最前線にいる。日本の人口は急激に高齢化し、ゆっくりと減少している。日本の労働力人口のピークは17年前であった。この変化は本質的な現実である。人口を安定的な水準に維持するために子供を増やすには、スカンジナビア諸国型の家族と社会と経済の調整が必要である。それを日本は成し遂げられるかもしれないが、非常に長い時間がかかるだろう。労働力として十分活用されていない女性や高齢者がたくさんいるので、予見可能な将来において労働力が不足することはないだろう。しかし、誰が3D（汚くて<Dirty>、危険で<Dangerous>、つまらない<Dull>）の仕事を担当のかということは、他

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の高所得経済国同様、日本が常に抱えている問題だ。大量の移民流入は考えにくい。日本は他の方法で調整を行うだろう。

日本経済の活性化と内需創出のためには、包括的かつ徹底的な経済の規制緩和と自由化が必要だ。日本政府の国債市場が危機に陥らない限り、日本の政策責任者たちは、たとえ新政権になっても、私が長年提案し続けてきたような重要なマクロ経済の財政・金融政策パッケージを実行する政治的意思を持つとは考えにくい。規制緩和は新たな事業機会を生み出し、企業による新規投資を促進し、小規模企業を助け、そして雇用を創出する。農業のみならずいくつかのサービス産業における既得権益者があまりに強力な点に、政治的なジレンマがある。

国際的には、米国との間に結んだ日本の頼もしい同盟関係は今後も続くだろうし、二国間のビジネス関係はいまだかつてなく強まるだろう。日本の最大の貿易相手国である中国は、かつてなく大きな経済的な好機と政治的な難題の両方をもたらすだろう。日本は貿易をさらに自由化する必要がある。日本は TPP に参加し、中韓との三国間協定や EU との協定の交渉を行うべきだ。しかし政治的主導権は、今後も国内の保護主義勢力によって強く制約されるだろう。

私には、日本の長期的なゴールを明確に示した青写真が見えない。多くの日本人は内向き志向である。それは非常に快適で気楽かつ楽しい環境であるし、日本の国内市場は大きい。日本人は孤立を望んでいるわけではないのだが、多くの日本人は独特の言語と文化のある島国に暮らすことに魅力を感じている。他方で、日本が世界の経済金融市場の支持者でありまた主要プレイヤーであることから分かるように、世界に目を向けている日本人もいる。留学する若き日本人は少ししかないが、その理由は若い日本人が少ししかないからだ。外国へと出ていく集団の割合は、5%を少し上回る程度で安定的に推移しているのである。しかし、米国で学ぶ者の割合は 2001 年の 3.1% から 2009 年には 2.1% にまで減っている。国際的に見て、日本の一番の弱みは、一般的に日本人の英語その他の外国語能力が限定的であることだろう。日本人の TOEFL の点数は、韓国や中国だけでなく、その他アジアの 24 か国よりも低いのだ。

日本経済の前途について、とりわけ今後数年間について私は楽観的に見ていない。依然として続く経済政策の行き詰まりと無為無策を、私は心配している。私のこの上ない期待にもかかわらず、新政権はぐずぐずと統制をとれないまま過すだけになるだろうと私は予測する。米国のゆっくりとした景気回復と欧州の現在進行中の難局も阻害要因となろう。

長期的に見た時には、それでもなお、私は日本に対して引き続き楽観的である。日本が強靱かつ非常に意欲的・効率的な社会であり、逆境にうまく対応してそれを克服する力を確実に持っていることを、日本の歴史が証明しているからだ。

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(翻訳: 長谷川洋 コロンビア大学国際関係・公共政策大学院行政学修士課程在籍)

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