



Columbia Business School

AT THE VERY CENTER OF BUSINESS™

| Center on Japanese Economy and Business

日本経済

Center on Japanese Economy and Business

ANNUAL REPORT 2013-2014

Table of Contents

| | | | |
|--|-----------|--|-----------|
| Letter from the Directors | 2 | Workshops | 41 |
| CJEB Team | 4 | Northeast Asia Relations Workshop | 41 |
| Leadership and Staff | 4 | Lunchtime Seminars | 42 |
| Core Faculty | 6 | The Key Challenge for Abenomics: Demographic Tsunamis Hitting Japan and Other East Asian Countries | 42 |
| Research and Faculty Engagement | 9 | Stormy Seas: Japan's Disputes over History and Territory and the U.S.-Japan Alliance | 42 |
| "Japan's Abenomics: So Far So Good, but Will It Prevail?" by Hugh Patrick | 9 | The Un-sweetening of America: ITO EN's Contribution to the Beverage Market | 42 |
| Current Research Highlights | 17 | The Third Arrow of Abenomics: How Far Will It Reach? | 43 |
| Faculty Engagement | 19 | Where Does All the Money Go? How Japanese Retailers Invest and the Effects of Abenomics | 43 |
| Research Paper Series | 20 | Monetary Easing and Communication Policy: A Review Based on Several Surveys | 43 |
| The New Global Financial Architecture | 27 | Abenomics: One Year Later | 43 |
| Events | 28 | The "History Problem" (<i>rekishi mondai</i>), Nationalism, and Foreign Policy Preferences in Japan: Evidence from a Survey Experiment | 44 |
| Conferences | 28 | How a Start-up with Four Employees Grew to Become a Global Corporation | 44 |
| State Intervention and Private Enterprise: Japan, the U.S., and China | 28 | How Sino-Japanese Turbulence Affects Trade Between the Two Countries | 44 |
| Restoring the Japanese Economy | 29 | Do You Washlet? TOTO's Challenge in Breaking into Mainstream America | 44 |
| The Japan Project Meeting with Joint ESRI International Conference | 29 | | |
| The Japan Project Meeting | 30 | Resources | 45 |
| ESRI International Conference | 31 | Faculty Advisory Committee | 45 |
| Special Report | 32 | Visiting Fellows | 46 |
| Symposia | 36 | Research Associates | 48 |
| Decrypting Cybersecurity: Are We Ready to Meet Tomorrow's Emerging Threats? | 36 | Professional Fellows | 49 |
| The Future of Nuclear Power | 36 | International Advisory Board | 50 |
| Fukushima Three Years Later: Staying Behind and Moving Forward | 36 | Promoting Exchange of Ideas | 51 |
| How to Buy Japan: Private Equity in a Global Economy | 37 | CJEB in the News | 51 |
| Hitting the Mark? The Third Arrow in Sharper Focus | 37 | Enhancing the MBA Experience | 52 |
| Lectures | 38 | Enhancing the Columbia Experience | 53 |
| Abe and the LDP Are Back: Now What? | 38 | Visits from Japan to Columbia | 54 |
| Abenomics and the Japanese Market's Potential | 38 | Fellowship and Scholarship Programs | 54 |
| The "Cool Japan" Strategy: Sharing the Unique Culture of Japan with the World | 38 | Library and Data Resources | 55 |
| Nuclear after Fukushima: Policies, Practices, and Problems | 39 | Discussion Groups | 56 |
| Japan and the World | 39 | Japan Economic Seminar | 56 |
| Using Information to Build Transnational Bridges | 39 | Monetary Policy Discussion Group | 56 |
| Post-Fukushima Energy Policy of Japan: The Role of Nuclear Power | 40 | U.S.-Japan Discussion Group | 56 |
| Challenges and Perspectives for Japan: Is Reconciliation Possible among Neighbors? | 40 | Financial Support | 57 |
| Revolutionizing Japan's Information and Communications Security Environment | 40 | Corporate Sponsorship Program | 57 |
| Japan's Fourth Strategic Energy Plan | 40 | Letter from the Directors (in Japanese) | 58 |
| | | "Japan's Abenomics: So Far So Good, but Will It Prevail?" by Hugh Patrick (in Japanese) | 60 |

Center on Japanese Economy and Business

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

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

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

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

Further information about CJEB can be found on the Center's website:

www.gsb.columbia.edu/cjeb.

Letter from the Directors



Hugh Patrick, Director



David E. Weinstein, Director of Research

Dear Friends,

The Center on Japanese Economy and Business (CJEB) was established in 1986 at Columbia Business School (CBS) with the mission to promote knowledge and understanding of the Japanese economy and business systems in domestic, East Asian, and global contexts, with a special focus on the Japan–United States relationship. In essence, CJEB’s core mission is to create a vital platform for an exchange of ideas on Japan’s business systems and economic issues in two important ways. First, CJEB regularly brings Japanese business, government, and academic leaders to Columbia University to share their important perspectives with the Columbia and New York communities. Second, the Center projects American and international perspectives into Japan through conferences, research activities, and other collaborative projects.

As Japan, the United States, and the world have changed over these past 28 years, CJEB has taken on the wonderful challenge to develop, grow, and evolve in ways that enable the Center to continue to carry out its mission. At one time, Columbia was joined by other major institutions such as Harvard, Yale, Michigan, and Stanford in having economists specializing in the Japanese economy. However, as their faculty retired, our competitors did not maintain their interest with new appointments. Columbia is now the only major U.S. research university to have a full-time specialist on the Japanese economy in its economics department or business school. Columbia’s commitment to this field remains strong; Japan, the world’s third largest economy, is fundamentally important for the United States and the world. We take pride in the fact that CJEB continues to vigorously pursue an active and diverse agenda of Japan-focused public programs, research projects, and student and faculty support.

The 2013–2014 academic year featured a range of outstanding lectures, symposia, and conferences. CJEB held its annual conference in Tokyo on May 15, 2014, with keynote presentations by Haruhiko Kuroda, governor of the Bank of Japan, and Adam Posen, president of the Peterson Institute for International Economics. This conference, “Restoring the Japanese Economy,” also featured a number of distinguished panelists and was covered by journalists from leading media outlets. Further information can be found on p. 29.

On July 31 and August 1, 2014, CJEB cosponsored its annual Japan Project Meeting in Tokyo, led by David Weinstein with partners at National Bureau of Economic Research, 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. This research conference was presented jointly with the Cabinet Office’s ESRI International Conference “For Sustainable Growth of Japan’s Economy,” featuring, among other distinguished speakers, CBS’s Dean Glenn Hubbard. Further information on both the Japan Project and ESRI Conference can be found starting on p. 29, along with a summary from the ESRI Conference.

Highlights from the on-campus 2013–2014 program calendar include Professor Gerald Curtis’s ninth annual lecture on Japanese politics, “Abe and the LDP Are Back. Now What?” in September; a conference, “State Intervention and Private Enterprise: Japan, the U.S., and China,” in October; a lecture by Ambassador of Japan to the United States Kenichiro Sasae, “Japan and the World,” in February; and the 15th Annual Mitsui USA Symposium, “How to Buy Japan: Private Equity in a Global Economy,” in April 2014. CJEB’s lunchtime *zadankai* seminar series continued to be very well attended, providing a forum for high-level business, government, and academic speakers to meet informally and openly share their insights with the Columbia community and members of New York City’s professional

community. 2013–2014 *zadankai* speakers included Yosuke Honjo, the president and CEO of ITO EN (North America) Inc.; Professor Takatoshi Ito of the University of Tokyo; Keiko Tashiro, chairwoman and CEO of Daiwa Capital Markets America Holdings Inc.; Sayuri Shirai of the Bank of Japan's Monetary Policy Board; and Daijiro Nogata, president and CEO of TOTO Americas Holdings, Inc. Summaries of these and many more CJEB events can be found in this annual report, starting on p. 28.

As is expected at a world-class research university such as Columbia, one of CJEB's core mandates has always been the engagement in, support of, and dissemination of research. David E. Weinstein, whose own research you can read about on p. 17, organizes and runs CJEB's strong research program on the Japanese economy and its business and management systems through projects, seminars and discussion groups, public programs, and library and computer-based resource initiatives. In addition, the Center hosts a Working Paper and an Occasional Paper series (pp. 20–26). CJEB will continue to provide venues and resources for research to maintain its status as the preeminent academic center in the United States on Japanese business and economics.

As a facet of the CJEB research agenda, we awarded the first annual CJEB Doctoral Fellowships for students starting at Columbia in fall 2013. The fellowships (p. 54) are available to PhD students at CBS and the Columbia Economics Department who will develop Japan expertise, culminating in dissertations focused primarily on Japan. The Center developed this initiative to address the need to find and train the next generation of specialists on the Japanese economy and business and management systems. These fellowships, along with CJEB Graduate Student Research Grants and Summer Stipends, are part of the way in which the Center supports students at Columbia. The Center is actively fundraising in order to facilitate continuance and further development of this initiative.

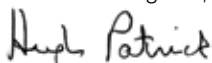
We had another successful year with our Visiting Fellows Program. CJEB annually selects members of the corporate, academic, and government sectors to spend a period of time in residence at CBS to pursue independent research. As in past years, the 2013–2014 fellows (p. 46) participated in CJEB research gatherings, presented at seminars on their research findings, attended lectures and public events, and audited courses. The Visiting Fellows continue to be an important part of the CJEB and CBS dynamic.

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

We happily welcome Ryoko Ogino as CJEB director for administration to succeed Caroline Hasegawa, who is leaving to pursue an entrepreneurial venture after contributing an extraordinarily productive four and a half years at CJEB.

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 success of the Center. We thank them all.

With warm regards,



Hugh Patrick
Director



David E. Weinstein
Director of Research

Leadership and Staff



Hugh Patrick is the founder and director of the Center on Japanese Economy and Business (CJEB) at Columbia Business School, codirector of Columbia's APEC Study Center, and R. D.

Calkins Professor of International Business Emeritus. 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 (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 writings include 18 books and some 60 articles and essays. His most recent books are *How Finance Is Shaping the Economies of China, Japan, and Korea* (Columbia University Press, 2013), coedited with Yung Chul Park, and *Reviving Japan's Economy: Problems and Prescriptions* (MIT Press, 2005), coauthored and coedited with Takatoshi Ito and David E. Weinstein. Professor Patrick served as one of four American members of the binational Japan United States Economic Relations Group appointed by President Carter and Prime Minister Ohira, 1979-1981. He was a member of the Board of Directors of the Japan Society for seven three-year terms. In November 1994 the Japanese Government awarded him the Order of the Sacred Treasure, Gold and Silver Star (Kunritō Zuihōshō). He was awarded an honorary doctorate of Social Sciences by Lingnan University, Hong Kong, in 2000 and the Eagle on the World award by the Japan Chamber of Commerce and Industry of New York in 2010.



From left to right: Andy Wanning, Kahori Takahashi, Emiko Mizumura, Ryoko Ogino, Michelle Tam, Naoko Suga, Sayaka Tsuno, Alfred Tsai



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

at CJEB, 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 a 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 and the Japanese economy. 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, a Bank of International Settlements Fellowship, and a Google Research Award. Professor Weinstein is the author of numerous publications and articles. His recent publications include "Goods Prices and Availability in Cities," *Review of Economics and Statistics* (forthcoming); "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).



Alicia Ogawa is CJEB's senior advisor. Until 2006, she was managing director at Lehman Brothers, where she was responsible for managing the firm's global equity research.

She is also an adjunct associate professor at Columbia University's School of International and Public Affairs.

**Caroline Hasegawa**

joined CJEB in February 2010 and was director for administration until June 2014, when she left to pursue an entrepreneurial venture. 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**

became director for administration at CJEB in July 2014. She officially joined the Center as associate director for administration 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. She obtained her BA magna cum laude from the State University of New York, Buffalo, with a major in human relations in multinational organizational settings.

Officers

Emiko Mizumura

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

Kahori Takahashi

Senior Administrative Manager
BA, Social Sciences, Waseda University
MA, Aaron Copland School of Music,
City University of New York

Michelle Tam

Coordinator
BA, Economics
Minor in Japanese
Binghamton University
State University of New York
(Joined as of October 2014)

Andy Wanning

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

Japan Representative, Tokyo

Terumi Ota

BA, Tsukuba University

Interns

Mariko Fujimura

BS Candidate, Financial Economics,
Columbia University

Kaitlin Louise Harrison

MA, East Asian Languages and Cultures,
Columbia University

Shunsuke (Sean) Hirose

MIA, International Security Policy
BA, Political Science, Columbia University

Mari Ishiguro '14

MBA, Columbia Business School

Amy Kiyota

MA, Economics and Education,
Columbia University

Sonya Kuki

MIA, International Security Policy,
Columbia University

Peng (Victor) Lu

MS, Social Work, Social Enterprise
Administration, Columbia University

Emma Matsubara

BA, Mathematics, Columbia University

Pamela Sanchez

MS/PhD Candidate, Mechanical Engineering,
Columbia University

Anne Smith

MPH, Health Policy Analysis,
Columbia University

Tian (Alicia) Tian

MIA Candidate, International Finance and
Economic Policy, Columbia University

Sayaka Tsuno

BA Candidate, Chemistry, Barnard College

Core Faculty

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



Gerald L. Curtis is Burgess Professor of Political Science at Columbia University and former director of the Weatherhead East Asian Institute. He received his PhD from Columbia

University in 1969 and has been on the Columbia University faculty since 1968. 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 divides his time between Columbia University and Tokyo, where he is active as a columnist, speaker, and writer, and is a distinguished fellow at the Tokyo Foundation.

Professor Curtis has held appointments at the Royal Institute of International Affairs, Chatham House, London; the College de France, Paris; the Lee Kwan Yew School of Public Policy, Singapore; and in Tokyo at Keio, Tokyo, and Waseda Universities, the Research Institute for Economy, Trade and Industry, the Graduate Research Institute for Policy Studies, and the International Institute for Economic Studies.

In addition to his academic work, he has served as director of the U.S.-Japan Parliamentary Exchange Program, special advisor to *Newsweek* for *Newsweek Japan*, columnist for the *Tokyo/Chunichi Shimbun*, and member of the International Advisory

Board of the Asahi Shimbun and the Advisory Council for the Japan Foundation Center for Global Partnership. His articles and commentaries appear frequently in newspapers and magazines in Europe, Japan, and the United States.

Professor Curtis has been or currently is a member of the Board of Directors of the Japan Society, the Japan Center for International Exchange (USA), and the U.S.-Japan Foundation, and serves as councilor to the U.S.-Japan Council. He has served as consultant and advisor to numerous public and private organizations in the United States and Japan.

Professor Curtis is the recipient of numerous prizes and honors, including the Masayoshi Ohira Memorial Prize, the *Chunichi Shimbun* Special Achievement Award, the Japan Foundation Award, the Marshal Green Award of the Japan-America Society of Washington, and the Eagle on the World award from the Japan Chamber of Commerce in New York. He is a recipient of the Order of the Rising Sun, Gold and Silver Star, one of the highest honors awarded by the Japanese government.



Glenn Hubbard is dean and Russell L. Carson Professor of Finance and Economics at Columbia Business School. Dean Hubbard received his BA and BS degrees summa cum laude from the

University of Central Florida and also holds AM and PhD degrees in economics from Harvard University. In addition to writing more than 100 scholarly articles in economics and finance, Dean Hubbard is the author of three popular textbooks, as well as coauthor of *The Aid Trap: Hard Truths about Ending Poverty*, *Balance: The Economics of Great Powers from Ancient Rome to Modern America*, and

Healthy, Wealthy, and Wise: Five Steps to a Better Health Care System. His commentaries appear in *Business Week*, *The Wall Street Journal*, *The New York Times*, the *Financial Times*, the *Washington Post*, *Nikkei*, and the *Daily Yomiuri*, as well as on television and radio. From 2001 until 2003, he was chairman of the U.S. Council of Economic Advisers. In the corporate sector, he is on the boards of ADP, BlackRock, KKR Financial Corporation, and MetLife. Dean Hubbard is cochair of the Committee on Capital Markets Regulation; he is a past chair of the Economic Club of New York and a past cochair of the Study Group on Corporate Boards.



Merit E. Janow is dean of Columbia University's School of International and Public Affairs (SIPA). Dean Janow is an internationally recognized expert in international trade and investment, with extensive experi-

ence in academia, government, international organizations, and business. In addition, she has had a lifelong involvement with Asia and is an expert in that region. Dean Janow has been a professor of practice at Columbia University's SIPA and affiliated faculty at Columbia Law School since 1995. She teaches graduate courses in international trade/WTO law, comparative antitrust law, China in the global economy, and international trade and investment policy, among others. She has held a number of leadership positions at the University. Currently, she is director of the International Finance and Economic Policy concentration at SIPA, codirector of the APEC Study Center, and chair of the Faculty Oversight Committee of Columbia's Global Center East Asia. Previously, she was director of the Master's Program in International Affairs and chair of Columbia University's Advisory Committee on Socially Responsible Investing. Her research

interests focus on international trade and investment, Asia, competition law, and economic globalization. She has written several books and numerous articles and frequently speaks before business, policy, and academic audiences around the world.

While at Columbia University, Dean Janow was elected in December 2003 for a four-year term as one of the seven members of the World Trade Organization's (WTO) Appellate Body, which is the court of final appeal for adjudicating trade disputes between the 153 member nations of the WTO. She was the first woman to serve on the Appellate Body. She was involved with more than 30 appeals. While on the Appellate Body, she organized a series of global conferences with leading experts and senior government officials that focused on the Appellate Body, the international trading system, and economic globalization. From 1997 to 2000, Dean Janow served as the executive director of the first international antitrust advisory committee of the U.S. Department of Justice that reported to the attorney general and the assistant attorney general for antitrust. Her report recommended the creation of a global network of enforcers and experts, which is now the International Competition Network (ICN).

Prior to joining Columbia's faculty, Dean Janow was deputy assistant U.S. trade representative for Japan and China (1989–1993). She was responsible for developing, coordinating, and implementing U.S. trade policies with Japan and China. She negotiated more than a dozen trade agreements with Japan and China during a period of intense economic and political tension between the United States and both Japan and China. Dean Janow is on the Board of Directors of several corporations and not-for-profit organizations. In 2009, she became a charter member of the International Advisory Council of China's sovereign wealth fund, China Investment Corporation (CIC). Early in her career, Dean Janow was a

corporate lawyer specializing in cross-border mergers and acquisitions with Skadden, Arps, Slate, Meagher & Flom in New York. Before becoming a lawyer, she worked at a think tank, where she focused on U.S.-Japan trade and economic relations. She grew up in Tokyo, Japan, and is fluent in Japanese. She has a JD from Columbia Law School, where she was a Stone Scholar, and a BA in Asian Studies with honors from the University of Michigan. She is a member of the Council on Foreign Relations and the Trilateral Commission.



Curtis J. Milhaupt is the Parker Professor of Comparative Corporate Law, director of the Parker School of Foreign and Comparative Law, Fuyo Professor of Japanese Law, and director of the Center for Japanese Legal Studies, all at Columbia Law School. He is also a member of Columbia University's Weatherhead East Asian Institute. Professor Milhaupt's research and teaching interests include the legal systems of East Asia (particularly Japan), comparative corporate governance, law and economic development, and state capitalism. In addition to numerous scholarly articles, he has coauthored or edited seven books, including *U.S. Corporate Law* (Yuhikaku, 2009, in Japanese), *Law and Capitalism: What Corporate Crises Reveal about Legal Systems and Economic Development around the World* (University of Chicago Press, 2008), and *Transforming Corporate Governance in East Asia* (Routledge Press, 2008). His research has been profiled in *The Economist*, the *Financial Times*, and *The Wall Street Journal*, and has been widely translated. Professor Milhaupt lectures regularly at universities and think tanks around the world. Representative appointments include visiting professor at Tsinghua University, Paul Hastings Visiting

Professor in Corporate and Financial Law at Hong Kong University, and Erasmus Mundus Fellow in Law and Economics at the University of Bologna. He was named Teacher of the Year in 2012 and 2010 at the Duisenberg School of Finance, University of Amsterdam, where he teaches annually. Professor Milhaupt has been a member of several international project teams focused on policy issues in Asia, including one charged with designing an "institutional blueprint" for a unified Korean peninsula. Prior to entering academia, Professor Milhaupt practiced corporate law in New York and Tokyo with a major law firm. He holds a JD from Columbia Law School and a BA from the University of Notre Dame. He also conducted graduate studies in law and international relations at The University of Tokyo.



Joseph E. Stiglitz was born in Gary, Indiana, in 1943. 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. He is now University Professor at Columbia University, where he is also the founder and copresident of the University's Initiative for Policy Dialogue, and a member and former chair of its Committee on Global Thought. 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. He is now serving as president of the International Economic Association. Professor Stiglitz was a member of the Council of Economic Advisers from 1993 to 1995, during the Clinton administration, and served as CEA chairman from 1995 to 1997. He then became chief economist and senior vice president of the World Bank from 1997 to 2000. In 2008 he was asked by then French President Nicolas Sarkozy to chair the Commission on the Measurement of Economic Performance and Social Progress, which released its final report in September 2009 (published as *Mismeasuring Our Lives*). He now chairs a High Level Expert Group at the OECD attempting to advance these ideas further. 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 (published as *The Stiglitz Report*). Since the crisis, he has played an important role in the creation of the Institute for New Economic Thinking (INET), which seeks to reform the discipline so it is better equipped to find solutions for the great challenges of the 21st century. Professor Stiglitz serves on numerous boards, including the Acumen Fund 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. In the last fifteen years, Professor Stiglitz has written a series of highly popular books that have had an enormous influence in shaping global debates. His book *Globalization and Its Discontents* (2002) has been translated into 35 languages, besides at least two pirated editions, and the nonpirated editions have sold more than one million copies worldwide. In that book he laid bare the way globalization had been managed, especially by the international financial institutions. In two later sequels, he presented alternatives: *Fair Trade for All* (2005, with Andrew Charlton) and *Making Globalization Work* (2006). In *The Roaring Nineties* (2003), he explained how financial market deregulation and other actions of the 1990s sowed the seeds of the next crisis. Concurrently, *Towards a New Paradigm in Monetary Economics* (2003, with Bruce Greenwald) explained the fallacies of current monetary policies, identified the risk

of excessive financial interdependence, and highlighted the central role of credit availability. *Freefall: America, Free Markets, and the Sinking of the World Economy* (2010) traced in more detail the origins of the Great Recession, outlined a set of policies that would lead to robust recovery, and correctly predicted that if these policies were not pursued, it was likely that we would enter an extended period of malaise. *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (2008, with Linda Bilmes of Harvard University) helped reshape the debate on those wars by highlighting the enormous costs of those conflicts. 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 2012. Professor Stiglitz's work has been widely recognized. Among his awards are more than 40 honorary doctorates, including those from Cambridge and Oxford Universities. In 2010 he was awarded the prestigious Loeb Prize for his contributions to journalism. Among the prizes his books have received are the European Literary Prize, the Bruno Kreisky Prize for Political Books, and the Robert F. Kennedy Book Award. He is a fellow of the National Academy of Sciences, the American Academy of Arts and Sciences, the American Philosophical Society, and the Econometric Society, and a corresponding fellow of the Royal Society and the British Academy. He has been decorated by several governments, including Colombia, Ecuador, and Korea and most recently became a member of France's Legion of Honor (rank of Officier).

Japan's Abenomics: So Far So Good, but Will It Prevail?

By Hugh Patrick

Introduction

Three themes have dominated Japan's economic performance over the year to late September 2014. First is the ongoing implementation of Abenomics. Second is the steady if unspectacular recovery from the 2008-9 global recession. Third is the consumption tax increase from 5 percent to 8 percent on April 1, which is the most gripping because of its dramatic short-term impact on GDP growth.

The December 2012 election gave the Liberal Democratic Party control of both houses of the Diet as the electorate sought positive, decisive, energetic leadership out of the malaise of the past two decades. Shinzo Abe offered himself as that leader, with Abenomics as the means. Elections are next scheduled for mid-2016. If things go well for Japan and Abenomics, then Abe likely will continue as prime minister until those elections, and probably until late 2018, when his final LDP presidency term ends. This provides an Abe administration the opportunity not only to address immediate economic policy issues, but also to vigorously pursue solutions to Japan's long-standing, fundamental economic problems.

Coming into the 2012 election and since, the Japanese mind-set has been shifting from resignation to a more positive, if skeptical, mix of attitudes, expectations, and hopes. Abe is building on that by stressing Japan's revitalization. His first Cabinet shuffle, on September 3, reaffirmed his commitment to tackle major structural economic reforms. One major risk is that the political and security policies he has pursued to demonstrate that "Japan is back" will undermine him, especially as they play out with China and Korea.

The vision incorporated in Abenomics is to restore Japanese self-confidence and national pride, and to make Japan an internationally respected country. A range of economic policy objectives have been articulated, and reiterated, in the June 24 Cabinet revitalization and growth policy statements. The aim is to raise Japan's profile in international affairs as a constructive contributor to peace in Asia and in the world. The major demographic goal is to stabilize the population at 100 million within 50 years or so. In other words, end two decades of economic stagnation and resignation, end Japan's inward-looking "passive pacifism," and halt population decline.

This essay is on Japan's economy and Abenomics, not on national security or foreign policy. However, Abe has stated that they are fundamentally intertwined: economic pragmatism and ideological commitment. To generate a sense of Japanese pride, Abe has articulated views of Japanese colonialism, World War II, and "comfort women" that are inconsistent with the evidence. Consequently, many Chinese and Koreans, as well as Japanese, are suspicious of Abe's ultimate intentions and national goals. Abe will have to maintain a careful balancing act to keep broad public support and good relations with its neighbors. So far, he has been somewhat inept.

Abenomics was introduced as a multifaceted approach to a multitude of problems. The three arrows of Abenomics are straightforward: fiscal policy (the government's purview), monetary policy (Bank of Japan), and structural reform (private sector and government).

The objectives are also straightforward: price stability, meaning replacing deflation,

with an indefinitely sustained 2 percent annual increase in the consumer price index (CPI); flexible fiscal stability, implementing a difficult balancing act both to maintain adequate domestic demand and to reduce the high government budget deficit and government debt/GDP ratio; and a comprehensive growth strategy to achieve 2 percent real GDP growth. The government's role in structural reform is to reduce regulations and other obstacles, encourage innovation, provide other incentives to increase private business investment and the supply of labor, and support private consumption.

Abenomics has achieved some success in its early stages. Initial exuberant optimism has waned, but those who say it is a failure are judging prematurely. Abenomics is not a quick fix; implementation will take years. Monetary policy has successfully halted deflation, but achieving and then sustaining an annual 2 percent increase in the CPI will be a major challenge. The major challenge of fiscal policy persists: achieving sufficient private consumption and investment demand growth so that fiscal consolidation can be implemented. Structural reform to achieve growth requires a wide range of policies, so it is a thousand darts, not a single arrow.

A fundamental objective of Abe's growth strategy is to revitalize the Japanese, to awaken their Keynesian animal spirits to move ahead constructively, and take more risks. The government's June 24 revitalization and growth report—representing Abenomics' third arrow—is an important long-run policy statement. The report lays out major economic and social goals in the context of the coming several decades, not just the next few years. It is thus clearer and more credible than the 2013 report.

Abe's immediate challenge is how rapidly and how well the economy rebounds from the consumption tax increase, as he faces major policy decisions by year end or early next year. The April–June contraction was severe. Recent forecasts were for 4.1 percent growth over the summer quarter, but the most recent data suggest the rebound is disappointing. Hope seems to be shifting to good final quarter performance.

Over the next six months, the Abe government faces some major decisions. Perhaps the most important is whether to pursue the 2 percentage point consumption tax increase scheduled for October 2015. Abe has indicated he will make that decision by year end. If third quarter GDP growth data, to be announced November 17, are disappointing, then he may delay his decision until early next year. I think the consumption tax increase will take place. The Trans-Pacific Partnership (TPP) free trade agreement negotiations are important to Japan for both domestic and international-relations reasons. Another major immediate issue is that the planned cut in the corporate income tax rate must be revenue neutral, which means policy changes to increase other tax revenues.

The next section reviews the past year. I then consider the major themes of Abenomics, particularly the growth strategy, and the international context.

The Year in Review

Japan had good economic performance in 2013. GDP grew at 1.5 percent, considered the high end of its potential growth rate range, and the slack in the economy (output gap) was substantially reduced. Core CPI (which excludes fresh food) turned positive in the second quarter, and by year end was increasing at a 1.3 percent annual rate. The unemployment rate continued to improve to 3.7 percent by year end, close to the full

employment rate of about 3.3 to 3.5 percent. However, total cash earnings were flat, and as the CPI increased, wages declined slightly in real terms. Japan's recovery from the 2008–9 collapse was steady, but not very fast.

In contrast, 2014 has been a tumultuous year due to the April 1 increase in the consumption tax from 5 to 8 percent (equivalent to an annual demand reduction of GDP of about 1.5 percent). Not surprisingly, GDP sharply increased at a 6.0 percent annual rate in the first quarter as Japanese accelerated purchases of durable goods and stocked up on everything they could. GDP then plummeted in the second quarter, at a 7.1 percent rate according to the September 8 preliminary estimate.

Accordingly, data for calendar and fiscal years (which end March 31) tell different stories. Calendar GDP growth in 2013 was 1.5 percent and in 2014 will be about 0.8 percent. However, fiscal 2013 growth was 2.3 percent, and fiscal 2014 growth will be close to 0.

Economic output has been basically flat for the past year. Export volumes have been stagnant due to slowing Asian and global demand, despite the sharp decline in the yen/dollar exchange rate from 80 to about 102, and in mid-September to 108. Corporate profits have been very good, especially for export manufacturers, and exporters are not yet reducing dollar prices significantly. On the other hand, yen prices for oil, LNG, food, and other imports have risen.

The labor situation is fundamentally positive but, as always, complex. The unemployment rate is 3.7 percent, but many part-time workers want full-time jobs. Employment increased slightly for regular full-time workers and more for nonregular (part-time and contract) workers who are paid significantly less. Keidanren reported wages increased by 2.24 percent in the 2014 spring offensive, above their

annual estimates of about 1.8 percent for previous years; this was due mainly to regular increases based on length of employment, rather than significant increases in entry-level wage rates. Cash earnings jumped in July with a large 7.1 percent summer bonus. Japan's total wage bill did not increase because of the rising share of part-time and contract workers. Excluding the consumption tax rise, wages increased about as much as the CPI, so real wages would have been flat. However, the consumption tax means that real wages are decreasing at a 1.4 percent annual rate. That decline is transitory as the tax effects are absorbed.

Abenomics: Macroeconomic Management

Ending deflation and maintaining sufficiently strong private aggregate demand to make possible a reduction in the government budget deficit continue to be the two major objectives of macroeconomic policy.

The Bank of Japan (BOJ) has been successful in ending deflation. The inflation rate, measured by core CPI (which excludes fresh food), turned positive in late spring 2013, and improved to a 1.3 percent rate through March 2014. The higher consumption tax has added about 2 percentage points to the CPI; excluding the tax, core CPI increased at a 1.1 percent rate in August. While inflation may subside temporarily, it will pick up again. Private-sector experts forecast the CPI will increase about 1.5 percent over the next year or beyond. The optimistic BOJ forecast is that the 2 percent target will be achieved by the end of 2015. In any case, BOJ governor Haruhiko Kuroda is determined the target eventually will be achieved, even if additional monetary stimulus is required.

The BOJ will continue to maintain extraordinarily low interest rates, probably for at least another two years. I do not expect another

round of major monetary stimulus soon unless inflation trends below 1 percent, third quarter or subsequent GDP results are surprisingly weak, or the yen strengthens significantly. By next spring it will become clearer whether achieving the 2 percent CPI increase target requires a further round of monetary easing.

Revenues for the fiscal 2014 budget cover only 57 percent (¥54.6 trillion) of the government's ¥95.9 trillion general account budget; bond issue funds the rest. Japan's fiscal deficit in 2013 was 8.4 percent of GDP, and it will not be much lower this year. With the February 2014 ¥5.5 trillion supplementary stimulus package, government spending this year will be about ¥101 trillion. The Ministry of Finance (MOF) July request for the fiscal 2015 budget is ¥101.7 trillion.

The immediate fiscal issue is how quickly and how well the economy absorbs the April 1 consumption tax increase from 5 to 8 percent. This will shape Abe's decisions about implementing a 2 percentage point increase in October 2015 and the expansionary or contractionary nature of the fiscal 2015 budget. Gross government debt at the end of fiscal 2014 will be about 230 percent of GDP; net debt, 143 percent. These will continue to rise.

While ensuring that private demand is sufficient for growth, the government's goal is to achieve a budget primary balance (net of interest paid) by 2020 and then to reduce the debt ratios. This will be difficult. It requires both increases in the consumption tax, eventually to more than 20 percent, and some modest reduction of retirement benefits. Both are major political challenges.

The yield on 10-year government bonds (JGBs) remains below 0.75 percent and touched 0.5 percent in late August. With the CPI increase likely to be at least 1 percent, the negative real yield will continue. In the longer run that is unsustainable. Yields will rise, and prices will decline. How to manage this adjustment so

as to prevent a bond market crisis is a major challenge.

Abenomics: Structural Reform and Growth

Abenomics' fundamental objective is to put Japan on a long-run, stable, full employment growth path, which includes raising potential GDP growth from its current rate on the order of 0.5–1 percent. The immediate target of 2 percent annual GDP growth between 2013 and 2022 is extremely optimistic. With the labor force decreasing by about 0.5 percent a year, output per worker will have to increase at a very ambitious 2.5 percent.

The growth strategy is straightforward and standard: to energize and stimulate innovation and technological change, mobilize labor and capital effectively, and maintain strong aggregate demand. Ultimately, growth depends on the private sector—businesses, individuals, and households.

A general concern, which I share, is the degree to which reforms will be implemented. Abe is trying hard to energize everyone. He is establishing many committees to develop bold policy proposals. And, he has made strong public commitments to drill through the obstacles, push through deregulation, and enact and implement the reforms. But each proposed reform has its critics, which has led to often heated debate in the media and in the Diet. Most government incentives are tax based; with the budget deficit overhang, they will be deemed "loopholes" and be difficult to legislate.

Some reforms have already been initiated; others are to start by the end of this year or next year. The initiatives will take years to have a discernible effect on the economy, so it is easy to denigrate Abe's efforts and difficult to show anytime soon that they are having good results.

The growth strategy and the revised revitalization strategy announced June 24 listed 249 policy items of widely varying importance and quality for long-run structural reform in 10 broad areas. These proposals are packaged into three themes.

First, and most comprehensive, is to ensure the earning power (return on investment) of businesses through corporate tax cuts, better corporate governance, restructuring and promotion of innovation, and increasing the return on public pension and other government funds. Second is to expand human resources by increasing women's participation in the labor force, changing company work styles, and increasing the limited number of foreign workers modestly. Third is to reform and restructure major industries, notably agriculture and health care, and help small and medium enterprises and local and regional economies.

With a shrinking labor force, innovation and productivity growth are essential. The government seeks measures to improve the weak institutional linkages between academic scientific research and businesses, but it is not clear that government funding of basic R&D will increase substantially. The government is establishing a council to plan the "robotics revolution," but basically companies will decide the costs and benefits of replacing people by robots—that is, substituting ample capital for relatively expensive labor.

For advanced countries, every 1 percentage point increase in R&D expenditures as a share of GDP can be associated with about a 0.4 percent increase in labor productivity (GDP/worker). If this indeed is a causal relationship, in order to increase labor productivity growth to 2.5 percent, Japan must increase the share of R&D in GDP from 3.3 percent now to about 6.5 percent. Almost all of this will have to be done by the private sector. Current government R&D spending is only about 0.5 percent

of total government spending.

Japan has one of the best educated, most skilled, and highly dedicated labor forces in the world, but its numbers are declining. Japanese unemployment rates have been lower than those in the West, even in recessions. The current rate is close to the optimal full employment rate of 3.3 to 3.5 percent. Demand for workers is strong. The overall ratio of job offers to applicants has been about 1.1, the highest since 1992, but it is only about 0.7 for regular workers. For nonregular workers, the ratio is 1.8. Nonregular (contract, part-time, and day labor) workers receive lower wages, fewer fringe benefits, and lack long-term job security.

The labor markets have significant imperfections, and labor is not allocated efficiently. Almost two-thirds of Japanese employees have regular full-time, secure jobs, but some 36 percent do not, and that ratio has been rising over the years. However, according to Abe's recent statement, 1 million workers moved from irregular to regular employment in the last three years.

The shortage of construction workers is the most serious mismatch; the ratio of vacancies to workers was 3.4 in June 2014. The markets for nonregular, low-wage workers in convenience stores and fast food restaurants are also tight, which desirably puts upward pressure on wages.

Abenomics has made labor markets one of its three priority areas for reform. This includes increasing female participation, encouraging corporate working styles to become more flexible, and a slight increase in the small number of foreign workers. Other than "womenomics," labor market reform so far has been modest, and I am not persuaded that Abe will push through major reforms.

Increasing the participation of women in the labor force is important. Much has already

taken place; since Abe entered office, the number of women working has increased by 820,000. Japan's female labor force participation rate of 62.4 percent is about the OECD average. However, Japanese women age 30 through 44 participate at a significantly lower rate than American women.

Abenomics aims to increase the percentage of married women in the labor force by providing more nursery and child care facilities, shifting to tax neutrality for second wage earners, and various other measures. The goals are to increase the percentage of women returning to work after their first child from 38 percent in 2010 to 73 percent in 2020, and raising female labor force participation rates for those aged 25–44 from 68 percent to 73 percent. However, success would only modestly reduce the demographic decline in the overall size of the labor force.

By policy, not many foreigners work in Japan, and that is not likely to change significantly. Immigration is restrictive. The number of permanent foreign residents in 2012 was 2.0 million. Excluding Korean permanent residents (most born in Japan), some 714,000 foreigners are working in Japan legally, making up 1.1 percent of the labor force. Some 320,000 are permanent residents descended from Japanese emigrants, mostly from Latin America. About 150,000 are relatively unskilled workers in training programs, mostly from China. Another 200,000 are foreign students working part time. There are up to 50,000 illegal workers, mainly students or guest workers who have overstayed their visas. When media report on immigrants, they usually are referring to worker trainees and related programs, not permanent immigrants.

Japan tries to attract highly skilled foreign managers, engineers, and other professionals, as do other countries. The Japanese language is a major barrier. To meet the demand for low wage, relatively unskilled workers, the

government plans to increase trainee and intern programs from three to five years, and to increase somewhat their annual flow from the 85,872 who participated in 2012, but I do not expect it to total more than 200,000. The government also has to improve oversight of these programs significantly; 79 percent of the companies were in violation of the Labor Standards Law ensuring trainees' rights in 2012, with some instances of egregious exploitation. Almost all trainees will return home after their contracts end.

Abe's extremely ambitious, very long-run demographic goal is to stabilize Japan's population at 100 million by 2100 without substantial immigration. This requires profound changes in government family benefit programs, family values and objectives, and a very supportive socioeconomic environment. Family benefit programs in France, Finland, and Sweden have increased fertility rates somewhat, though not to a break-even level. A major fertility rate increase in Japan will be a major challenge.

Assuming Japanese do choose to have more children, timing is key. A Japan Center for Economic Research projection is that, if the fertility rate rises gradually to 2.07 by 2050, then the population would stabilize at 90 million by 2100. Other assumptions about timing stabilize the population at 80 million, close to the population in 1950.

Key Sectors

In June, the government regulatory reform panel proposed 230 deregulation measures. They focused particularly on three key sectors: electric power, health care, and agriculture.

The 10 regional electric power companies will unbundle electricity production, transmission, and distribution beginning in 2016. Already, new entrants are creating more competitive markets. While reducing feed-in tariff rates

somewhat, the government continues to subsidize renewable sources heavily, especially solar and wind, but they will only replace coal and gas modestly. With all nuclear power plants closed, 90 percent of electricity is generated thermally. High-cost LNG imports have soared and will continue as a major energy source.

The Cabinet's April 2014 Basic Energy Plan pledges to "lower dependency on nuclear power as much as possible" while supporting early reopening of existing nuclear plants once the government's now-stringent safety standards are met. The Fukushima incident has made most Japanese anxious about nuclear power plant safety, more so than air pollution deaths or other health risks, without assessment of the economic costs.

The Nuclear Regulation Authority in early September certified the reopening of two reactors in Kyushu, but local government consent has to be obtained. Media reports indicate that Abe will make the final decision by year end, presumably positive since he has strongly promoted reopening safe plants. Companies have applied to reopen 20 plants; that will take several more years. Reopening most of the other 28 operable nuclear plants is not viable for cost or locational reasons.

Even though in macroeconomic terms agriculture is no longer a major sector, producing less than 1.2 percent of GDP and utilizing 3.8 percent of the labor force, agriculture reform is always a major political issue. Agriculture encapsulates in extreme form Japan's major socioeconomic issues: demography (many old farmers, few young farmers); inefficient production; a powerful, monopolistic producers' association in the nationwide Central Union of Agricultural Cooperatives (JA); and decades of rural depopulation.

Abenomics aims to double the income of farm, and farming communities, but without specifying how or when this will occur. The

government has already announced that in 2018 the traditional rice production quota system will be ended, making production more responsive to market forces. The Abe government's deregulatory agricultural policies promote land consolidation, vegetable and fruit production, and a wider range of services to be provided by more decentralized JA and other local cooperatives.

Japan has 1.6 million commercial farm households, with 4.5 million members. The average farm size is 4.8 acres. The average age of farmers is 65. The 886,000 households with farmland less than 12.3 acres earn more from side jobs than from farming. Only farms larger than 35 acres earn farm incomes of more than ¥11 million (\$110,000). Japanese farmers are technologically sophisticated, have ample equipment, and productivity per unit of land is high, but not per farmer. A significant organizational transformation is the increasing number of corporations, with half their shares owned by local farmers who contribute their land and the other half by outside investors. This provides mechanisms to land consolidation.

Transformation of agriculture will continue to be a gradual, long-run process. The government will nudge this along without fundamentally undermining the well-being of existing farm families, for good political and social reasons. The issue ultimately will be resolved through a combination of demographics and market forces. For decades, most children of farmers have migrated to urban areas. In another decade or two, 80 percent of current Japanese farmers will have retired. Japan will then have some 250,000 younger core farmers producing high-valued perishables for domestic markets.

The health care system is in good shape and coverage is universal. Most services are provided privately through hospitals, doctor clinics, long-term care, and other facilities; most

costs are covered by national, corporate, or other insurance. Health care costs are about 8.5 percent of GDP, less than in most other advanced countries. But no system is perfect. Japanese health care experts have proposed many specific improvements in the organization of medical services, the insurance systems, and other measures.

Most health care costs are paid through the public sector. Some Japanese also pay for increased or new services not provided through the national system. Public health spending in 2010 was funded 48 percent by premium contributors, 13 percent by patient copayments, and 39 percent by government transfers to the programs.

Japanese have the longest life expectancy in the world, 82.8 years. Health care spending rises sharply for the elderly. For a Japanese 85 or older, costs are seven times as much as for someone aged 40-44. Long-term health care expenditures are more dramatic; those 85 or older cost 30 times as much as those aged 65-69, due to custodial care.

Health care spending increased from 4.4 percent of GDP in 1990 to 9.8 percent in 2011. Two-thirds of this was due to the increased number of those 65 or over, the remainder to costs of technological advances, the high income elasticity of health care demand, and wage rates. Increased government spending paid for 4.75 percentage points of the increase, contributing significantly to the government budget deficit.

Conservative assumptions generate projections that aging costs will increase health care's share of GDP in 2030 to 12.8 percent of GDP. If costs rise 1 percent more rapidly than GDP/capita growth, then health care's share of GDP in 2030 will be 15.6 percent. Most presumably will be paid for by the government. Government transfers are projected to increase from 3.6 percent of GDP in 2010 to 7.8 percent in 2030. Funding this is

roughly equivalent to raising the consumption tax by 7 percentage points.

The Abenomics program proposes to improve the quality of health care services and incentives for preventive health care measures but does not provide a comprehensive analysis and strategy. Nor does it address how to pay for the increasing costs.

For good political as well as economic reasons, Abenomics stresses the importance of developing local regions, though what is to be done is not clear. The government has designated six regions as National Strategic Special Zones to test bold structural reform proposals. Two are in the primary metropolitan areas. The potentially most important are to make the Tokyo area an international business hub and to make the Kansai (Osaka-Kobe) area a hub for medical and health care innovation. A third is to make Fukuoka City (on Kyushu) a center for start-ups, in effect encouraging younger people to move to this mid-size urban area rather than to already-crowded Tokyo or Kansai. I am not persuaded that this zone approach will become important. The concept of testing new policies in these zones is good, but I will wait to see whether effective reform policies will actually be strongly implemented.

In the long run, Japan's potential growth remains good, since it still has to catch up with the U.S. in per capita terms. Japan has done less well than the U.S. since the mid-1990s. In 1995, Japan's GDP per capita was 80 percent of the U.S.; in 2012, just 69 percent. Labor productivity in Japanese manufacturing is high. Japan's challenge is to increase labor productivity dramatically in services.

Corporate Opportunities and Challenges

Revitalization and growth depend on mobilizing the private sector. The government is promoting a better business environment through

deregulation, regulatory reform, and other business-friendly measures. The June 2014 basic policy statement includes corporate tax reduction, corporate governance measures, participation of women in the labor force, and other measures to increase innovation and total factor productivity.

Business investment is a key driver of growth. The most recent data indicate that, after a long hiatus, businesses are beginning to invest. Large firms plan to increase capital spending by 7.4 percent in fiscal 2014, above economic expert forecasts. Since 2002 companies have saved considerably more than they invested and have replaced households as the major source of net saving. In 45 of the 48 quarters from 2002 to 2013, companies paid down debt and, over time, accumulated now-large cash reserves. In large part this has been a survival-mode response to the severe balance sheet shocks of the bursting of the real estate and stock market bubbles, then the credit crunches in 1997-99 and 2002, and most recently, the 2008-9 recession. In January 2014, the government provided new tax incentives in the form of accelerated depreciation allowances and investment tax credits for new investments.

The government plans to legislate corporate income tax cuts next spring. Passage will have a useful symbolic effect, demonstrating that Abe is pursuing reform. The plan is to reduce the present 35 percent rate to slightly less than 30 percent in annual increments starting in fiscal 2015. Eventually, the rate is to fall to 25 percent. MOF, of course, wants to fully offset the revenue loss, so the government has rather vaguely stated that enough current tax incentives (loopholes) will be ended to make the cuts revenue neutral. This will be a major issue.

As it is, only 28 percent of Japanese companies pay corporate income taxes, less than in most countries. Of Japan's 2.45 million firms,

some 24,000 large firms (with paid-in capital of ¥100 million, about \$1 million) pay two-thirds of corporate income taxes. Small and medium enterprises pay out most profits to their owner-managers as wages and expense accounts. Given the difficulty in identifying personal income and taxing it, the consumption tax is considered more administratively feasible and fairer, even though it is regressive.

The main focus of Abenomics is on the 3,414 companies listed on the stock exchanges, primarily the 1,814 major companies listed on the first section of the Tokyo Stock Exchange (TSE), the predominant market by market value and trading volume. These companies are the locus of a mixture of government guidance, TSE rules, and market and public pressures. Foreign institutions now hold about 31 percent of market capitalization, and some foreign hedge funds are active participants. The Abe administration places considerable emphasis on stock market prices as an indicator of its success. However, prices are influenced by foreign as well as domestic conditions, and by short-term speculative flows.

Most Japanese listed companies are controlled by entrenched management that replicates itself over time through entry-level hiring and cohort-based evaluation and promotion. Management cozily takes care of other stakeholders, particularly regular employees. Firms generally pay stable (though not large) dividends to shareholders, mainly Japanese pension funds, trust banks, life insurance companies, and other institutional investors.

Firms within the same industry vary widely in performance. However, so long as management performs reasonably well, it has great autonomy. There have been egregious cases of companies holding huge amounts of cash and not being very profitable, seemingly ideal targets for restructuring and increase dividends. Foreign hedge funds sensed an

opportunity. Between 2001 and 2008 there were some 47 hostile interventions. However, domestic institutional shareholders, and the courts, generally backed incumbent managements, even at great cost to domestic shareholders.

Japanese companies have low returns on investment and on equity, only about half that of Western firms. To succeed, Abenomics needs firms to invest in good projects rather than holding so much cash. Friendly mergers and acquisitions are increasing as firms consolidate to remain competitive; hostile takeovers remain quite rare. However, with an aging client base, Japanese pension funds, life insurance companies, and others are now more willing to press Japanese companies to be more profitable and pay higher dividends.

The Abe administration has made corporate governance a top priority. The basic objectives are to increase transparency, to assure compliance with regulations, and to enhance corporate performance. The TSE, together with the Financial Service Agency (FSA), is drafting a corporate governance code that will require several outside directors and provide formal protection for whistle-blowers, among other provisions. The code will be presented to shareholders at company annual meetings in 2015. Other government proposals are to reduce the cozy, mutual cross-shareholding arrangements that firms have with each other, and to increase the power of independent shareholders. The FSA has introduced guidelines to provide more information so that shareholders can better monitor companies.

With government backing, in January 2014 the TSE launched the JPX-Nikkei 400 Index, selecting outstanding companies based mainly on their superior operating profits and ROE (return on equity). Inclusion signals a company's quality, which provides an incentive to improve profitability. The index is reconstituted every six months.

More than 85 percent of the boards of directors of listed companies are internal, selected from top managers. The Abe administration has amended corporate law to require companies, beginning in 2015, to explain why they have no outside directors if they choose not to. As of June 2014, 74 percent of the TSE first section companies had at least one outside director, up from 62 percent in August 2013. While there are few cases of outside directors constituting a majority, 622 companies (34 percent) have two or more.

Increasing the role of women in the economy has two major goals: to increase the total labor force and to increase the number of women in managerial and other decision-making positions. In appointing 5 women to the 18 positions in his September 3 Cabinet reshuffle, Abe stated he wanted women to provide a fresh set of perspectives. Abe's very ambitious goal is for large corporations, as well as the public sector, to promote women to 30 percent of management positions by 2030. In 2011, women held 10.6 percent of management positions (*kachō* or higher) and were 1 percent of board members.

The United States over the past 50 years has achieved a major increase in the gender and ethnic diversity of highly skilled occupations. Increasing the talent pool by including women should increase productivity and growth rates, as qualified women are promoted to senior management and other skilled positions previously allotted to less-qualified men. Many companies today are actively hiring female college graduates for their management track, but there are very few females in the career-track cohorts hired a decade or more ago.

Japanese managerial corporate culture is based on spending long hours at work, not necessarily very effectively, leaving the office late at night. This has been taken as a signal of commitment to the company and to one's career. It takes about 13 years of continuous

employment before management-track cohorts are promoted to section-chief level (*kachō*). This conflicts with family life.

The objective is for women to pursue full-time management-track careers and to marry and have several children, but it is not made clear how these competing objectives will be achieved. Will families be prepared to have their children in day care or with grandparents from a few months old in order for the wife to pursue her career? Will the supply of nurseries and other child-care centers be adequate and at a reasonable cost? Are Japanese companies prepared to incorporate a supportive female dimension to their corporate work culture? Will other indicators of commitment, such as good performance, replace long hours? Having a significant proportion of women in senior management positions implies that Japanese managers of both genders will, as in the West, leave the office by 6:00 or 7:00 p.m. and even return home for dinner and time with their families. It is my sense that many young men are not eager to replicate the traditional model. They are more willing to work with women as equals, even as bosses, and enjoy the pleasures of fatherhood.

International Context

The world economy continues to recover from the 2008–9 Great Recession, but at a modest pace. The U.S. and Japanese economies are doing moderately well. Eurozone economic difficulties persist, exacerbated by Germany's relatively good performance in contrast to the southern European economies; austerity has been costly, and deflation and renewed recession are real dangers. Asia continues to be the world's most dynamic region, led particularly by developing China, India, and Indonesia, and developed Japan and Korea. Economic interactions in East Asia are extensive, deep, and mutually beneficial. However, it is not a harmonious political or security region; political

trust among countries is low, and nationalist sentiments are often strongly voiced. Abe's pronouncements and policies have exacerbated political tensions.

Substantively and symbolically, China and the 12-nation Trans-Pacific Partnership (TPP) free trade agreement are especially important for Japan. China became Japan's largest trading partner two years ago; in 2013, 18.1 percent of Japan's exports went to China, and 21.7 percent of its imports came from China. Japanese direct investment in China increased rapidly until 2011, then leveled off, declined slightly in 2013, and dropped precipitously by 49 percent in the first half of 2014. This suggests China's labor costs and geographical diversification for Japanese are less important than concerns about the political relationship. Nonetheless, China's ongoing, relatively rapid development means that China economically will become more and more important to Japan.

Japan's participation in the TPP depends on the success of the intense U.S.-Japanese bilateral negotiations still under way. This is the most contentious issue in the bilateral relationship; moreover, it sets the context for broader Japanese and U.S. trade policy.

Japan's big TPP challenge is to end its high protection of agriculture. That makes TPP an important policy instrument in agricultural reform. But it is not clear that Abe and the LDP are prepared to eliminate or significantly reduce tariffs on enough key items to satisfy the U.S. There are 566 tariff line items in the five "sacred" agricultural categories of rice (778 percent tariff), dairy products such as butter (360 percent), sugar (328 percent), wheat (252 percent), and pork and beef (38.5 percent). Even in the best case scenario, agricultural trade will only gradually be liberalized over at least 10 years.

Whether Congress will pass a TPP agreement also is a major hurdle. Experts suggest that

the U.S. and Japan must agree on TPP within the next six months, or it will go into limbo.

The good news is that the yen is not likely to strengthen significantly. It would be even better if the yen continues to weaken modestly in the coming months.

Tourism has become an important industry. Some 4.4 million tourists visited Japan in 2005, 8.0 million in 2013, and probably more than 10 million this year. Japan has significantly eased visa requirements and made it easy for Chinese budget airlines to fly to a number of Japanese cities. The weaker yen has contributed. Most tourists come from Taiwan (26.0 percent in 2013), Korea (24.8 percent), and China (8.9 percent). A positive indicator is that in the first seven months of 2014 some 1,290,300 tourists from China visited Japan, a 91 percent increase from the comparable period in 2013.

The Abe Cabinet significantly revised the government's interpretation of the Constitution by deciding on July 1 to exercise the right to collective self-defense. This has generated strong critical reactions, especially in China and Korea. It is seen as the first step onto a path to a much more nationalistic and militaristic Japan. Collective self-defense is a major political issue in Japan, and Abe has decided to delay presenting enabling legislation to the Diet until next year.

Conclusion

Japan will be doing quite well if, in the coming decade, it achieves GDP growth of 1 percent and GDP per capita growth of about 1.5 percent. However, that requires labor productivity to increase at slightly more than 1.5 percent, which in historical and comparative terms would be impressive.

It is always important to keep Japan in perspective. It is a highly successful, high-tech, high-income, globally competitive,

democratic, peace-loving, comfortable, safe country, based on a strong, homogeneous, cohesive society and its own, distinctive language. As one of the world's five largest economies, Japan will continue to be a major player. It will continue to be transformed by economic success and the demographics of population and labor force decreases. Urbanization will continue; rural areas will continue to lose population despite government efforts. Japan is a forerunner in many of these trends, but it is not unique.

Abe and Abenomics have benefited from and contributed to the more positive mind-set in Japan. Japan may not "be back," but it is basically on its way. If not immediately, Japan will move onto a path of good economic growth, price stability, and better use of labor and other resources. At worst, Japan will continue to muddle through. More likely, given Japan's fundamental strengths as an economy and as a society, as in the past, Japan will prevail.

October 19, 2014

Current Research Highlights



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

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

David E. Weinstein leads the Center's research activities and has several individual projects under way, supported 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, cosponsored by CJEB.

Professor Weinstein's research utilizes extremely detailed databases on various aspects of the Japanese economy. In 2013–2014, Professor Weinstein continued his research on systemic financial risk in Japan. He has a major project under way that aims to understand how banking crises affect aggregate investment. In particular, this research will answer the question of how important

problems in individual large financial institutions are for understanding aggregate loan volatility in general and what impact bank loan supply has on the investment of firms. He also is working on a project with the Bank of International Settlements on the global demand and supply of bank assets.

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 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 also has been using these data to understand the sources of firm success.

He is, in addition, pursuing a project with the Rakuten Institute of Technology focusing on the gains to Japanese consumers from Internet purchases.

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

Professor Weinstein's research is often cited and discussed in the media, and he is a frequent commentator on Japan.

Gerald L. Curtis was engaged this past year in a major research project on the evolution of and future prospects for Japan's political system and foreign policy. In this regard, he traveled widely in Asia, to Japan, China, Korea, Singapore, Indonesia, and Vietnam. He was the featured speaker at the Foreign Correspondents Club of Japan, the International House of Japan, the Japan Forum on International Relations, the Tokyo Foundation, the American Chamber

of Commerce in Japan, Meiji and Tokyo Universities, and Academy Hills. He was the featured speaker with Prime Minister Abe at a Japan symposium sponsored by the *Economist* magazine. In the United States, he spoke at the Council on Foreign Relations, the National Committee on American Foreign Policy, the Japan-America Society of Washington DC, the Jiji Top Seminar in New York, Stanford University, and elsewhere. He traveled to Britain, where he was the featured speaker at a Ditchley Foundation conference on Japan. In addition to his academic writings, he regularly publishes columns in both Japanese and English language newspapers, is a frequent guest commentator on Sunday morning news programs on Japanese television, and is widely quoted by international media outlets on issues relating to Japanese politics and society and United States foreign policy. Professor Curtis's article "Japan's Cautious Hawks" in the March/April 2013 issue of *Foreign Affairs* was part of a larger research project on U.S.-Japan relations and the international relations of East Asia.

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

Curtis J. Milhaupt continues his research on comparative corporate governance; the legal systems of East Asia, particularly Japan; and law and economics. Professor Milhaupt published "Executive Compensation

and Corporate Governance in Japan" in the *Columbia Business Law Review* and "Beyond Ownership: State Capitalism and the Chinese Firm" in the *Georgetown Law Journal*.

Alicia Ogawa continues her private consulting work on Japan's politics and economy, her teaching at SIPA, and her work at the Maureen and Mike Mansfield Foundation. Professor Ogawa's public speaking has continued to be in high demand. This year, she conducted a seminar at SIPA focusing on macroeconomic impacts of new bank regulations such as the Dodd-Frank Act and Basel III. Furthermore, she continues to examine Japanese government bond and real estate markets closely. Professor Ogawa is also a consultant on Japanese financial markets to two of the largest U.S.-based macro funds. She continues to work closely with CJEB Visiting Fellows by assisting them with their research and seminar presentations.

Hugh Patrick continues his work on Japan's current economic performance and institutional changes. His most recent paper is his annual essay on the current Japanese economy, included in this annual report, starting on p. 9. Professor Patrick gave policy-oriented talks based on his research at conferences and private meetings. He is an active participant in a range of conferences about Japan and Asia. His fall conference participation took him to Beijing, Tokyo, and Hong Kong, and in the spring he attended conferences in Hong Kong, Tokyo, and Seoul. He addressed Abenomics both in his opening comments at the Stanford Project on Japanese Entrepreneurship Conference in June and at a lecture at Seoul National University in May. He introduced Governor Kuroda of the Bank of Japan at the CJEB Conference in Tokyo earlier in May. He was featured widely in the media, including in such outlets as *Nikkei*, *Jiji News Bulletin*, and *NHK's NHK Special*.

Faculty Engagement

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

CJEB often cosponsors programs with other centers at CBS. In addition, CBS faculty members often participate as speakers or panelists for various CJEB public programs. **Christopher J. Mayer**, Paul Milstein Professor of Real Estate, served as a panelist at CJEB's October 2, 2013, conference, "State Intervention and Private Enterprise: Japan, the U.S., and China." **Raymond Fisman**, Lambert Family Professor of Social Enterprise and codirector of the Social Enterprise Program at CBS, was the featured speaker at the lunchtime seminar, "How Sino-Japanese Turbulence Affects Trade between the Two Countries," on April 15, 2014. The 15th Annual Mitsui USA Symposium on April 23, 2014, "How to Buy Japan: Private Equity in a Global Economy," featured **Bruce C. Greenwald**, Robert Heilbrunn Professor of Finance and Asset Management and director of the Heilbrunn Center for Graham and Dodd Investing at CBS, as a commentator discussing private equity in the Japanese market as well as Abenomics.

As in years past, CJEB worked with the Jerome A. Chazen Institute of International Business and the MBA student-run Japan Business Association (JBA) of CBS to support the travel of a CBS faculty leader for



From left to right: Richard Folsom, Bruce G. Greenwald

the spring 2014 Chazen International Study Tour to Japan. This year, **Yashodhan Kanoria**, assistant professor at CBS, led the 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 economies and central-local relations. Her current book manuscript, titled "Politics of Fiscal Austerity: Moving Private Money as Public Funds," addresses Japan's political struggles to adjust to a postindustrial economy. She has also spent this past semester in Japan researching reforms in Japan's agricultural sector. Through the lens of agriculture, this new project addresses many aspects of Japan's society, economy, and politics, including demographic shift, rural depopulation, trade liberalization, and interest group politics.

Research Paper Series

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

2013-2014 Working Papers

WP 321

Real Exchange Rates in a Model of Structural Change: Applications to the Real Yen-Dollar and Chinese RMB-Dollar Exchange Rates

Robert Dekle, Professor of Economics, Dornsife College of Letters, Arts and Sciences, University of Southern California

July 2013

This paper tackles the important issue of what are appropriate trends in the real yen-dollar and RMB-dollar over time. Over the long run, the real yen was appreciating against the U.S. dollar, while the real RMB-dollar rate was depreciating (until 1999). We build a macro-economic-trade model of Japan-U.S. trade on the one hand, and China-U.S. trade on the other. Our model is essentially a general equilibrium extension of the Balassa-Samuelson effect. We show that these long-run trends in the real yen-dollar and RMB-dollar rates in the data can be justified by our model.

WP 322

How Making It Easier to Succeed Reduces Success: IPO Reform and New Firm Performance

Robert Eberhart, Researcher, Graduate School of Business, Stanford University

Kathleen Eisenhardt, Stanford W. Ascherman MD Professor, Department of Management Science and Engineering, Stanford University

Charles Eesley, Assistant Professor, Department of Management Science and Engineering, Stanford University

July 2013

This paper examines how institutional changes that lower the barriers to successful exit influence the rate of IPOs, the initial capitalization, and the performance of subsequent ventures. Such IPO market reforms are widespread, but their effectiveness is unclear. We take advantage of a quasi-natural experiment in which the IPO listing requirements in Japan were dramatically reduced. Using a unique database of more than 19,000 new firms incorporated after 1982, we find that IPO market reform is a powerful institutional lever that increases the rate of IPOs. But it is also a narrow instrument that influences only a few industries and triggers poor average performance in those industries. Overall, we find that IPO market reform is a complex institutional change. We conclude with contributions at the nexus institutional theory and entrepreneurship that indicate where and for whom institutional change will be effective.

WP 323

Saving-Investment Balance and Fiscal Sustainability of Japan: A View from the JGB Market

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

July 2013

This paper provides an overview of the sustainability of Japan's government debt, emphasizing the viewpoint of market participants in the Japanese government bonds (JGB) market. The Japanese government will be able to finance its debt as long as current surpluses continue, meaning there is sufficient domestic demand for JGB. Looking at domestic investors' portfolio choices, both life insurance companies and pension funds are increasing their holdings of long-term government bonds to match the maturities of their assets and their payments to households. Japanese banks, on the other hand, are increasing their holdings of short-term government debt, almost proportionally to the increase in their deposits. However, there is substantial heterogeneity in portfolio choice. Three mega-bank groups (Mitsubishi-Tokyo-UFJ, Mizuho, Sumitomo-Mitsui) and large regional banks have decreased their portfolio weights of JGB recently. Smaller banks specializing in small-firm lending and agricultural lending as well as Japan Post Bank (Yu-cho) have increased the proportion of government debt in their portfolios. Hence, potential losses in their portfolios, once the JGB yield starts to increase, are much higher with the latter group of financial institutions.

WP 324

Academic Entrepreneurship: A Comparison of U.S. and Japanese Promotion of Information Technology and Computer Science

Robert Cole, Joint Researcher, ITEC, Doshisha University; Emeritus Professor, Haas School of Business, University of California at Berkeley

July 2013

Manufacturing hardware is increasingly a commodity product with low margins. The reason for the diminished value of hardware is that more and more of the value in high-tech products is contributed by software meeting user needs, through enabling new functionalities and services. Those firms better able to create and use software advances improve their competitive outcomes. Japanese high-tech firms have been slow to recognize and act on the growing importance of software and have suffered competitively. The reasons are many. It is widely recognized that human capital is a critical component of software innovation and thus would be central to any explanation of Japanese firms' weakness in software. For this reason, I focus on the role of university engineering education in IT, comparing the U.S. and Japan. My analysis documents the leadership role played by U.S. universities and, in particular, the academic entrepreneurship demonstrated by leading computer science departments. The contrasts with leading Japanese universities, the University of Tokyo in particular, are striking. On the Japanese side, they include a slowness in recognizing the importance of software and in adopting state-of-the-art curriculums; a failure of MEXT to regulate the way in which universities implemented their mandate to develop information technology; an egregious sabotaging of the new information technology departments by university administrators; and a reluctance of leading firms to hire computer science graduates. Finally, centralized faculty decision making allowed engineering faculty

in other departments to resist changing student quotas (*teiin*) in favor of the new discipline. Taken together, these factors inhibited the development of computer science as a distinctive discipline and disrupted efforts by faculty entrepreneurs seeking to promote the new discipline. By contrast, I will show how institutional practices in the U.S. acted to promote academic entrepreneurship, enhancing the growth of the new discipline.

WP 325

The Market for Corporate Subsidiaries in Japan: An Empirical Study of Trades among Listed Firms

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

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

July 2013

We investigate trades of wholly or partially owned subsidiaries between firms listed on the Tokyo Stock Exchange (TSE) for the years 1996 to 2010, to explore the economic impact in terms of strategic refocusing, stock market valuation, and performance effects. By pairing both sides to each deal, we show differences in firm characteristics, returns, and subsequent performance of buying and selling firms. Unlike mergers between whole firms, most subsidiary deals straddled different industries. Most sellers were larger, more diversified, and less profitable than buyers. Our event study reveals that abnormal returns were positive for buyers yet insignificantly different from zero for sellers. However, subsidiary sales in the core business earned negative returns, the more so the larger the deal. An analysis of ex-post operating results shows that the performance of sellers often

declined after the trade, in particular for firms that divested a core-related subsidiary. We conclude that subsidiary trades in Japan in this period contributed importantly to strategic repositioning and a more efficient use of corporate assets.

WP 326

Good Jobs, Bad Jobs, and the Great Recession: Lessons from Japan's Lost Decade

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, Institute for the Study of Labor (IZA), Bonn, Germany

July 2013

This paper provides novel evidence on the long-term effect of the Great Recession on the quality of jobs, in particular whether the Great Recession resulted in the replacement of "good jobs" (characterized by high wage/benefit, job security, and opportunity for training and development) with "bad jobs" (characterized by the lack of such attributes). Unfortunately, there is not yet sufficiently long data from the recent Great Recession that enable researchers to study fully its long-term consequences for the labor market structure. To this end, we examine Japan's Lost Decade, the original Great Recession that occurred two decades ago. First, we find no evidence for a shift of male employment toward "bad jobs" during the Lost Decade. Second, for women we find a compositional change from self-employment to nonstandard employment, which is, however, found to be a shift from "bad jobs" to "bad jobs" rather than "good jobs" to "bad jobs." As such, our findings cast doubt on the popular narrative of the long-term negative effect on job quality of the Great Recession. However, for one particular group of Japanese

workers—youth—we find compelling evidence in support of the popular narrative. All progress that young women made in enhancing their share of standard employment during Japan's high growth decade in the 1980s is found to be entirely undone during the Lost Decade. The Great Recession affected the quantity of jobs, and policymakers ought to pay immediate attention to such quantity effects. However, the Great Recession may also have more long-term structural effects on the quality of jobs, and such long-term effects may be heterogeneous, concentrating on a specific group of workers such as youth.

WP 327

Acquisitions, Productivity, and Profitability: Evidence from the Japanese Cotton Spinning Industry

Serguey Braguinsky, Associate Professor, Department of Social and Decision Sciences, Carnegie Mellon University

Atsushi Ohyama, Associate Professor, Graduate School of Economics and Business Administration, Hokkaido University

Tetsuji Okazaki, Professor, Graduate School of Economics, University of Tokyo

Chad Syverson, J. Baum Harris Professor of Economics, The University of Chicago Booth School of Business; Researcher, National Bureau of Economic Research

August 2013

We explore how changes in ownership and managerial control affect the productivity and profitability of producers. Using detailed operational, financial, management, and ownership data from the Japanese cotton spinning industry at the turn of the last century, we find a more nuanced picture than the straightforward “higher productivity buys lower productivity” story commonly appealed to in the

literature. Acquired firms' production facilities were not on average any less physically productive than the plants of the acquiring firms before acquisition, conditional on operating. They were much less profitable, however, due to consistently higher inventory levels and lower capacity utilization—differences that reflected problems in managing the inherent uncertainties of demand in the industry. When these less profitable plants were purchased by more profitable establishments, the acquired plants saw drops in inventories and gains in capacity utilization that raised both their productivity and profitability levels, consistent with acquiring owner/managers spreading their better demand management abilities across the acquired capital.

WP 328

Does Embeddedness Reduce Innovation and Differentiation? Evidence from the Japanese Microbrewery Industry

Christina Ahmadjian, Professor, Graduate School of Commerce and Management, Hitotsubashi University; National Center of Sciences

Jesper Edman, Assistant Professor, International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University; National Center of Sciences

September 2013

While strategic management scholars and institutional theorists regularly debate the merits of organizational differentiation and innovation vs. conformity and embeddedness, few studies have sought to empirically investigate how these seemingly opposing forces impact each other. Drawing on both qualitative and quantitative data, we contribute to closing this research gap by exploring how postentry embeddedness impacted innovation and survival among de novo and de alio entrants

into the Japanese microbrewery industry. Our findings indicate that postentry embeddedness has contrasting effects, reducing overly nonconformist strategies among de novo entrants, but enhancing nonconformity among de alio entrants. These results indicate how institutions can serve as enablers of innovation, rather than constraints, through their dissemination of standards, norms, and industry practices.

WP 329

Framing from Afar: External Agents and the Construction of the Japanese JiBiru Industry

Christina Ahmadjian, Professor, Graduate School of Commerce and Management, Hitotsubashi University; National Center of Sciences

Jesper Edman, Assistant Professor, International Business Strategy, Graduate School of International Corporate Strategy, Hitotsubashi University; National Center of Sciences

September 2013

This paper explores how “framing from afar,” in other words, the construction of categories by external agents—policymakers, regulators, local governments, consulting firms, and other actors—influences the establishment and subsequent evolution of a new industry. We use the case of the Japanese microbrewery industry to demonstrate how initial external category-setters shape the evolution of the industry by influencing the type of producers that enter and what they produce. We show that external agents used the preexisting term JiBiru—meaning regional or local beer—to define the new industry in terms of regional economic growth. This broad category framing served to legitimate entry by producers from a diverse range of backgrounds, and invited extreme experimentation

around local and regional ingredients; it also made it difficult for the industry to reach a shared consensus on the taste and characteristics of the products. Our findings contribute to the literature on industry emergence by demonstrating how early category framing by external actors—whose interests may diverge from those of consumers and producers—may impact the nature of entrants, their product development choices, as well as the long-run legitimacy of the industry itself.

WP 330

How Much Do Official Price Indexes Tell Us about Inflation?

Jessie Handbury, Assistant Professor of Real Estate, The University of Pennsylvania

Tsutomu Watanabe, Professor, Graduate School of Economics, Faculty of Economics, University of Tokyo

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

October 2013

Official price indexes, such as the CPI, are imperfect indicators of inflation calculated using ad hoc price formulae different from the theoretically well-founded inflation indexes favored by economists. This paper provides the first estimate of how accurately the CPI informs us about “true” inflation. We use the largest price and quantity dataset ever employed in economics to build a Törnqvist inflation index for Japan between 1989 and 2010. Our comparison of this true inflation index with the CPI indicates that the CPI bias is not constant but depends on the level of inflation. We show the informativeness of the CPI rises with inflation. When measured inflation is low (less than 2.4% per year), the CPI is a

poor predictor of true inflation even over 12-month periods. Outside this range, the CPI is a much better measure of inflation. We find that the U.S. PCE Deflator methodology is superior to the Japanese CPI methodology but still exhibits substantial measurement error and biases, rendering it a problematic predictor of inflation in low inflation regimes as well.

WP 331

Five Years Later: Lessons from the Financial Crisis

Jeffrey R. Shafer, Founder, JR Shafer Insight

October 2013

The deepest economic collapse in 75 years occurred because of a widespread failure across the financial system rather than a single cause. In order to safeguard the economy in the future, I propose in this paper that strong regulation, implementation, and enforcement of systemic protections and emergency lending capabilities are needed. I examine the problems that converged to create the financial crisis and provide 10 insights from that period. Among the causes of the crisis I examine: global imbalances, a housing bubble, loose monetary policy, a very large increase in short-term market financing of broker dealers and portfolios, excessive leverage, and shadow banking. The paper provides new insight into how the crisis is connected to the fall of residential mortgage-backed securities prices and their drop in value as collateral. It also discusses the connection to incentive compensation and to opacity driven by complex financial instruments such as collateralized debt obligations (CDOs), derivatives, and exotic mortgages, which may not have been fully understood by many who dealt with them, including those who designed them.

WP 332

Japan Post Insurance: Unjustified Favoritism

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

November 2013

Japan Post Insurance is the largest insurance company in Japan—indeed, in the world when measured by assets (\$1.1 trillion in March 2013). Beyond the market power of sheer size, government ownership results in undue benefits because it enables inappropriate cross-subsidization, results in inefficiency and heightened risk, and violates international principles of national treatment for foreign firms participating in the domestic market. In short, government ownership raises issues of a tilted playing field. Further, economic theory provides no justification for the existence of Japan Post Insurance (JPI) as a government-owned institution. The obvious conclusion is that JPI needs to be completely privatized in both form and substance. That is, not only should the government-owned Japan Post Holdings sell all shares of JPI to the public, but also the rules and regulations pertaining to the privatized firm should be identical to those for the rest of the insurance industry. If JPI is not privatized, then the government should regulate it in a manner that avoids the distortions analyzed in this paper.

WP 333

Nonlinear Pricing of Japanese Newspapers

David Flath, Professor, Department of Economics, Ritsumeikan University

December 2013

In Japan, the newspapers with the greatest daily circulation offer both morning and evening editions in most of their distribution areas. Their prices per page of actual content

for morning-and-evening subscribers are different from that for morning-only subscribers, so the subscription price schedules could be described as sliding scales. These are tariff schedules that are step functions, and thus nonlinear. My focus is on two aspects of nonlinear pricing by Japanese newspapers. The first is that pricing and circulation of the differing editions reveal parameters of the demand for newspaper content. I estimate these parameters using nonlinear least squares and find that price elasticity of demand is around 1.2, while elasticity of demand with respect to pages of content is around 0.5. Estimates from microdata have price elasticity around 1.3 and elasticity with respect to pages of content around 0.4. The second aspect of nonlinear pricing on which I focus is the distorting effect of demanders' incentive compatibility constraints on the newspaper publishers' choice of newspaper content. The newspaper publishers wastefully reduce the number of pages of content of their morning editions to deter morning-and-evening subscribers from canceling their evening subscriptions. It is wasteful in the sense that the marginal value to subscribers of an additional page of content in the morning edition is less than the marginal cost. But the waste is small. It is here estimated to be around 4 yen per morning-only subscriber per month.

WP 334

Japanese Newspapers

David Flath, Professor, Department of Economics, Ritsumeikan University

December 2013

In Japan, newspapers enjoy a special exemption from antimonopoly prohibitions against resale price maintenance (suppliers' stipulations that bar downstream firms from price discounting), but are each required to set uniform prices throughout Japan. In fact, the

newspapers have rarely changed their subscription prices in recent years, and the three leading national dailies, together accounting for about half the total industry circulation, and 13 other papers accounting for another one-eighth of industry circulation, all have set exactly the same price (3,925 yen per month for combined morning-and-evening editions, and 3,007 yen per month for morning-only). The remaining local papers have all set lower prices. Econometric analysis here shows that Japanese newspaper subscription prices are far below the levels that would maximize joint profit, given the newspaper content. The authorized resale price maintenance, and prohibition against prices that vary geographically, seems to have allowed only modest collusive price increases.

WP 335

The Structure and Evolution of Buyer-Supplier Networks

Takayuki Mizuno, Associate Professor, Information and Society Research Division, National Institute of Informatics

Wataru Souma, Associate Professor, College of Science and Technology, Nihon University

Tsutomu Watanabe, Graduate School of Economics, Faculty of Economics, University of Tokyo

February 2014

In this paper, we investigate the structure and evolution of customer-supplier networks in Japan using a unique dataset that contains information on customer and supplier linkages for more than 500,000 incorporated non-financial firms for the five years from 2008 to 2012. We find, first, that the number of customer links is unequal across firms; the customer link distribution has a power-law tail with an exponent of unity (i.e., it follows Zipf's law). We interpret this as implying that

competition among firms to acquire new customers yields winners with a large number of customers, as well as losers with fewer customers. We also show that the shortest path length for any pair of firms is, on average, 4.3 links. Second, we find that link switching is relatively rare. Our estimates indicate that the survival rate per year for customer links is 92 percent and for supplier links 93 percent. Third and finally, we find that firm growth rates tend to be more highly correlated the closer two firms are to each other in a customer-supplier network (i.e., the smaller is the shortest path length for the two firms). This suggests that a nonnegligible portion of fluctuations in firm growth stems from the propagation of microeconomic shocks—shocks affecting only a particular firm—through customer-supplier chains.

WP 336

Spinning Tales about Japanese Cotton Spinning: Saxonhouse (1974) Then and Now

Serguey Braguinsky, Associate Professor, Department of Social and Decision Sciences, Carnegie Mellon University

David A. Hounshell, David M. Roderick, Professor of Technology and Social Change, Department of Social and Decision Sciences, Carnegie Mellon University

February 2014

This paper revisits the story of technology adoption and diffusion in the Meiji-era cotton spinning industry in Japan, the study of which was pioneered by Gary Saxonhouse in an article published in *JEH* exactly 40 years ago. Using a novel data set and modern methodology, we argue that both the ease with which the best technology was diffused and the role of "slavish imitation" in this process may have been overstated. We find an important role

played by market competition, including asset reallocation. Our analyses provide researchers with even richer insights into general questions of innovation, technology diffusion, and economic growth.

WP 337

Explaining the Rise of East Asian Multinationals: State-Industry Links, a Stages Model of Structural Change, and Japan as a Precedent Setter

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

March 2014

This paper examines state and industry linkages in the course of the rise of multinationals in emerging markets by drawing on East Asian experiences. Multinationals are both a creature and an instrument of industrial structural change that characterizes the process of economic development. In order for emerging markets to initiate and sustain catch-up industrialization, they need government involvement to spark a takeoff and nurture their own multinationals so that they can exploit overseas business opportunities at each stage of structural change. Hence, a stages model of growth with five tiers of industry is adopted as an overall analytic. In this regard, Japan set two precedents in (i) transplanting low-wage production abroad via outward FDI as a catalyst for industrial upgrading at home (i.e., what may be called “comparative advantage recycling in low-wage production”), and (ii) combining its resource-seeking FDI with economic cooperation in emerging host economies (i.e., development-oriented resources diplomacy). The precedent of low-wage production transplantation was followed by the NIEs and has just begun to be replicated by China. The precedent of FDI-cum-economic cooperation was

likewise followed by South Korea and Taiwan and is currently most actively repeated by China in its efforts to secure overseas minerals and fuels.

2013-2014 Occasional Papers

OP 62

Abenomics: Japan's New Economic Policy Package

Hugh Patrick, R. D. Calkins Professor of International Business Emeritus; Director, CJEB

July 2013

This paper addresses Japan's economy, its new economic policy package, and the new term—Abenomics—that is used to describe the three pillars, or “arrows,” of the Abe government's focus on the Japanese economy and on economic policy. The term Abenomics is an example of brilliant branding. At the same time it is risky, since it implies Prime Minister Abe's success or failure will depend on the success or failure of Abenomics. This paper makes three major points. First, it is far too early to tell whether Abenomics will be successful—in ending deflation, bringing about price stability, and getting the economy onto a stable, full employment growth path. Second, perhaps the most important change is the shift in people's feelings about Japan's future, from resignation to optimistic hope. However it is not at all clear that this new mindset will become deeply ingrained and sustained. Third, we should distinguish between Abe as prime minister and Abenomics.

OP 63

Hagihara Industries Inc.

Hugh Patrick, R. D. Calkins Professor of International Business Emeritus; Director, CJEB

August 2013

I visited Hagihara Industries in Kurashiki City, Okayama Prefecture, in April 2013, finding a fascinating, highly specialized textile company. The company was founded in 1892, when Fuichi Hagihara entered the tatami (Japanese floor mat) business. In 1946, his son Fuichi Hagihara II entered the company, and in the 1950s invented a very thin polyester monofilament called “flat yarn” to replace the cotton thread holding the mat reeds together. In 1962, the son established Hagihara Industries to produce flat yarn based on equipment he developed and built. Today, the company—still managed by the Hagihara family—produces a wide range of products for industrial uses based on flat yarn. It has two divisions: the synthetic resin-processed product division makes and sells processed synthetic resin-related products based on flat yarn, and comprises about three-quarters of sales; and the machinery product division designs, manufactures, and sells automation equipment such as slit and winder machinery, a quarter of sales. Its two main strengths are its commitment to innovation and maintenance of a strong corporate culture, emphasizing quality, close working relationships, and interdependence; and a widespread feeling of ownership by the workers. Hagihara Industries is an example of a Japanese small listed enterprise that manufactures niche products for broad markets, as distinguished from small- and medium-sized enterprises that sell most of their output to a dominant customer. From tatami to high-tech synthetic-fiber products, the company has woven a history of innovation.

OP 64**Ryobi Holdings Company and Ryobi Group**

Hugh Patrick, R. D. Calkins Professor of International Business Emeritus; Director, CJEB

August 2013

I visited Ryobi Holdings Company in April 2013 and found one of the most interesting and impressive companies I have ever seen. Owned by the Matsuda family, it was founded in 1910 as the Saidaiji Railroad Company. It is extraordinary in its articulation of its basic philosophy, its vision, its organizational structure and managerial style, its innovative search for new products and markets, and its outstanding and profitable growth performance. Its employment system combines merit and seniority. In this paper, I describe the organizational structure of this multifaceted company. With about 8,400 employees, Ryobi Holdings is the lead company of a group of small and medium enterprises in three broad categories: local transportation, consumer goods and services, and information technology. In total, there are 52 relatively autonomous small companies under the central leadership and decision making of the Matsudas. All of these companies operate under a philosophical spirit of “wholehearted sincerity,” with three guiding principles: adherence to high ethical and moral standards to achieve justice in solving problems through consideration and sincerity; customer first; and happiness of the employees. One of Ryobi’s greatest strengths is its very active search for new market opportunities, in terms both of goods and services and at new locations; another is applying new technologies. Ryobi is an example of the continued importance of the Japanese entrepreneurial spirit.

OP 65**Insurance Enterprise Risk Management: Toward the Next Generation**

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

November 2013

The practice of enterprise risk management (ERM) in the insurance industry has improved in recent years. This is partly because insurers have strived to reinforce risk-based management, and partly due to regulatory pressure triggered by the financial crisis as well as increasingly large natural catastrophes. Insurers’ activities have expanded across many countries and markets. They must work within an increasingly difficult and complicated environment due to rapid globalization, technological development, and changes in nature (particularly in terms of climate change and earth movement). In order to overcome such increasing uncertainty around the Internationally Active Insurance Groups (IAIGs), they should improve their ERM, and regulators and insurers should cooperate with each other in order to create a market-based solution for these extreme events. This paper aims to review the current actions of regulators and insurers, and then summarize how we improve insurance ERM toward the next generation. The main components to consider are complementary mechanisms for the bounds of internal model and rational decision making, and the reinforcement of a market-based solution mechanism.

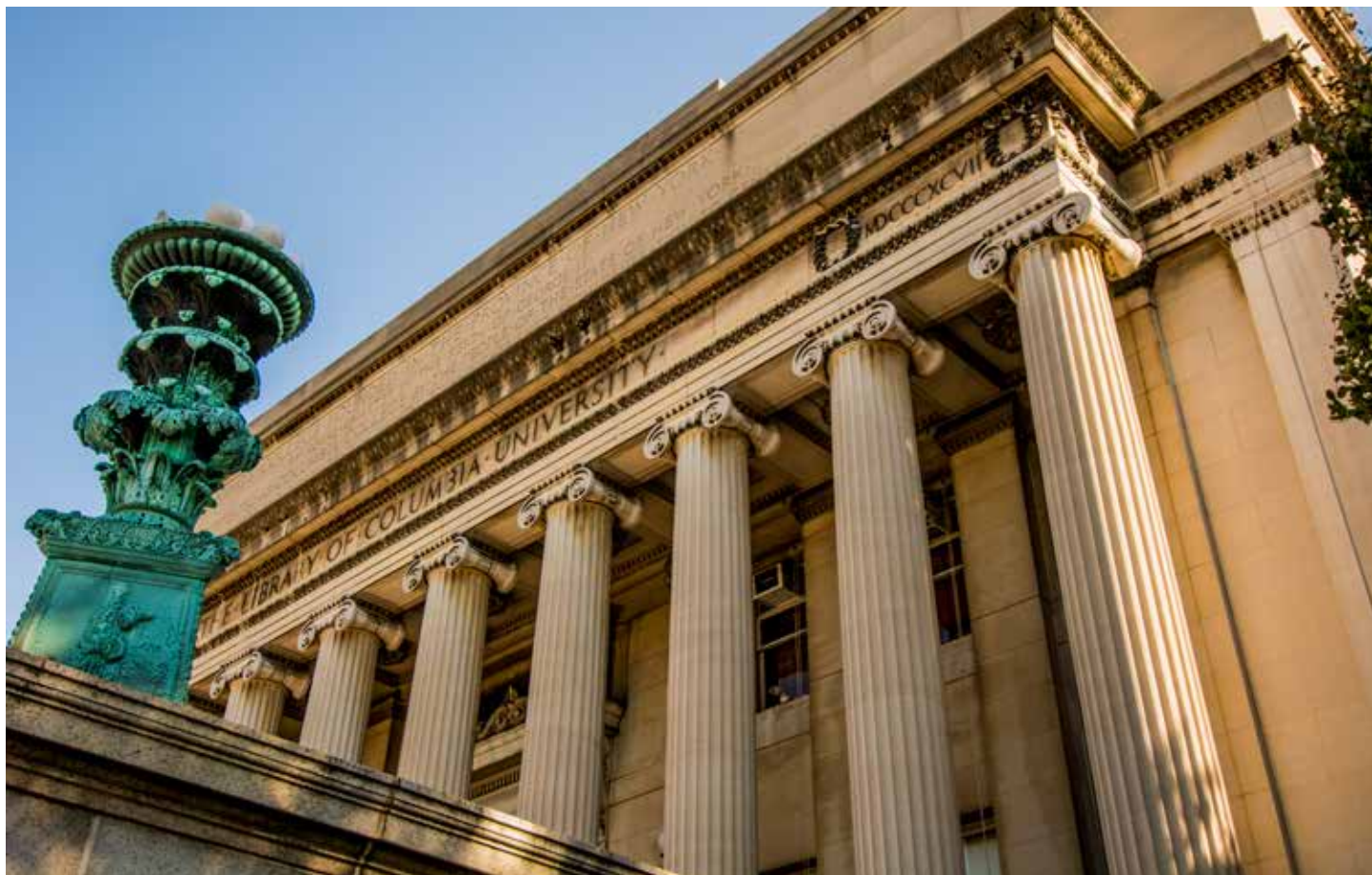
OP 66**Japan’s Abenomics: Recovery Leading to Good Growth?**

Hugh Patrick, R. D. Calkins Professor of International Business Emeritus; Director, CJEB

December 2013

As Japan enters an era of political stability under Prime Minister Shinzo Abe, Japan is poised to recover from the past two decades of mediocre performance toward good, sustained economic growth. Abe, a strong leader who will not be replaced until at least 2016, is giving priority to a much-touted economic program termed Abenomics, comprising three “arrows”: ending deflation and achieving price stability, defined as a 2 percent annual increase in the CPI; achieving stable, long-run, full employment GDP growth over the next decade; and fiscal consolidation bringing an end to enormous government budget deficits and debt. This paper explores these programs, focusing on macroeconomic demand management and the growth strategy. I briefly consider the Trans-Pacific Partnership and changes in the agricultural, electric power, corporate, and international trade sectors, and identify the key challenges to implementing good economic growth. Despite these challenges, Abe’s strong political statements, public support, and the power of the LDP leadership provide hope for long-awaited change in Japan.

The New Global Financial Architecture



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

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

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

The NGFA program began with CJEB seed funding, and in 2011 Aflac Japan became the first sponsor. The Center continues to seek a small number of appropriate sponsors prepared to make significant annual

commitments for three years. We encourage anyone interested in becoming involved in the NGFA program to contact us.

This year, CJEB held a number of NGFA events, including two major NGFA conferences, one at Columbia University, "State Intervention and Private Enterprise: Japan, the U.S., and China" in October 2013 (see p. 28) and one in Tokyo, "Restoring the Japanese Economy" in May 2014 (see p. 29).

Each year, CJEB organizes and hosts numerous major conferences, symposia, lectures, workshops, and seminars featuring outstanding speakers. These programs bring together students, academics, members of the private sector, and policymakers from Japan and the United States. The 2013–2014 events are listed below, split into the following sections: Conferences, Symposia, Lectures, Workshops, and Lunchtime Seminars. All professional titles listed for participants are accurate at the time of the event. In addition to the descriptions below, videos and reports can be found on CJEB's website: www.gsb.columbia.edu/cjeb.

Conferences



From left to right: Gary Clyde Hufbauer, Christopher J. Mayer, Yasheng Huang, Long Ke, Kazuhiko Toyama, Kazumasa Kusaka, Hugh Patrick

State Intervention and Private Enterprise: Japan, the U.S., and China

October 2, 2013; Columbia University

The purpose of this conference was to examine government buyouts of distressed private enterprises and government ownership of companies. Speakers gave presentations focused on the general policy and rationale for government intervention in firms in the United States, Japan, and China. Topics included deregulation, privatization, and how the Trans-Pacific Partnership (TPP) will define the rules for trade and other international operations. This conference was cosponsored by the Japan Economic Foundation (JEF) in Tokyo and the Center for Japanese Legal Studies (CJLS) at Columbia Law School.

Welcome Remarks:

Hugh Patrick, Director, CJEB
Kazumasa Kusaka, Chairman and CEO, JEF

Panel I: United States

Speaker: Gary Clyde Hufbauer, Reginald Jones Senior Fellow, Peterson Institute for International Economics

Discussants: Christopher J. Mayer, Paul Milstein Professor of Real Estate, Columbia Business School

Roger Kubarych, Vice Chairman, Craig Drill Capital; Former National Intelligence Manager, National Intelligence Council

Moderator: Merit E. Janow, Dean; Professor of Professional Practice, International Economic Law and International Affairs, School of International and Public Affairs (SIPA), Columbia University

Panel II: China

Speaker: Yasheng Huang, International Program Professor in Chinese Economy and Business; Professor of Global Economics and Management, MIT Sloan School of Management

Discussant: Long Ke, Senior Fellow, Economic Research Center, Fujitsu Research Institute

Moderator: Curtis J. Milhaupt, Parker Professor of Comparative Corporate Law; Director, Parker School of Foreign and Comparative Law; Fuyo Professor of Japanese Law; Director, CJLS, Columbia Law School

Panel III: Japan

Speaker: Kazuhiko Toyama, Representative Director and CEO, Industrial Growth Platform, Inc.

Discussants: Sota Kato, Professor, International University of Japan; Senior Fellow, Tokyo Foundation

Edward Lincoln, Professorial Lecturer, George Washington University; Adjunct Professor of Economics, Department of Economics, Columbia University

Moderator: Alicia Ogawa, Senior Advisor, CJEB

Roundtable:

U.S.

Gary Clyde Hufbauer
Christopher J. Mayer

China

Yasheng Huang
Long Ke

Japan

Kazuhiko Toyama
Kazumasa Kusaka

Moderator: Hugh Patrick

Closing Remarks: Curtis J. Milhaupt



From left to right: Haruhiko Kuroda, Tokyo Conference Panelists and Speakers, Adam S. Posen

Restoring the Japanese Economy

CJEB Tokyo Conference

May 15, 2014; Otemachi Financial City Conference Center, Tokyo, Japan

This conference brought together economic specialists in Japan and the United States to discuss current global economic issues.

Welcome Remarks:

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

Keynote: Toward Overcoming Deflation

Speaker: Haruhiko Kuroda, Governor, Bank of Japan

Moderator: Hugh Patrick, Director, CJEB

Panel I: Monetary Policy in International Comparative Perspective

Moderator: David E. Weinstein

Panelists:

Richard H. Clarida, C. Lowell Harriss

Professor of Economics and International Affairs, Columbia University

Takatoshi Ito, Professor, National Graduate Institute for Public Studies, Project Professor, Graduate School of Public Policy, The University of Tokyo

Paul Sheard, Executive Managing Director, Chief Global Economist and Head of Global Economics and Research, Standard & Poor's Ratings Services LLC

Keynote: What the U.S. Can Learn from Abenomics

Speaker: Adam S. Posen, President, Peterson Institute for International Economics

Moderator: David E. Weinstein

Panel II: Where is the Risk Capital in Japan?

Moderator: Alicia Ogawa, Senior Advisor, CJEB

Panelists:

Takumi Shibata, President and CEO, Nikko Asset Management Co., Ltd.

Yasuhiro Shiozaki, Member, House of Representatives of Japan

Nobusuke Tamaki, former Councilor, Government Pension Investment Fund; Professor, Otsuma Women's University

Osamu Yamamoto, Partner, Unison Capital, Inc.

Closing Remarks: Hugh Patrick

The Japan Project Meeting with Joint ESRI International Conference

July 31-August 1, 2014; Asian Development Bank Institute, Tokyo, Japan

The Japan Project Meeting is held annually by CJEB in partnership with the National Bureau of Economic Research (NBER), the Center for Advanced Research in Finance (CARF) at The University of Tokyo, and the Australia-Japan Research Centre (AJRC) at the Crawford School of Public Policy of The Australian National University (ANU). Professor Weinstein organized this two-day academic conference with Professors Shiro Armstrong of ANU, Charles Horioka of the University of the Philippines, Takeo Hoshi of Stanford University, and Tsutomu Watanabe of The University of Tokyo. The organizers



From left to right: David E. Weinstein, Haruhiko Kuroda, Hugh Patrick, Yasuhisa Shiozaki

are grateful to the Asian Development Bank Institute, the Shorenstein Asia-Pacific Research Center at Stanford University, and Miki Futagawa of the European Institute of Japanese Studies for their generous assistance and support.

The ESRI International Conference, sponsored by the Economic and Social Research Institute (ESRI) of the Cabinet office of the Government of Japan, is held jointly with the Japan Project meeting every year. This year's ESRI Conference was titled "For Sustainable Growth of Japan's Economy," featuring, among other high-level speakers, CBS's Dean Glenn Hubbard.

Please see below the agendas for both the Japan Project and the ESRI Conference. A summary of the ESRI International Conference can be found on pp. 32-35.

The Japan Project Meeting

Welcome Remarks:

Naoyuki Yoshimo, Dean, Asian Development Bank Institute

Fiscal Reform and Government Debt in Japan: A Neoclassical Perspective

Authors: Gary Hansen, University of California, Los Angeles and NBER; Selo Imrohoroglu, University of Southern California

Discussant: Fumio Hayashi, Hitotsubashi University and NBER

How Much Do Official Price Indexes Tell Us about Inflation?

Authors: Jessie Handbury, University of Pennsylvania and NBER; Tsutomu Watanabe, The University of Tokyo; David E. Weinstein, Columbia University and NBER

Discussant: Masahiro Higo, Bank of Japan

Time Consistency and the Duration of Government Debt: A Signalling Theory of Quantitative Easing

Authors: Saroj Bhattacharai, Pennsylvania State University; Gauti Eggertsson, Brown University and NBER; Bulat Gafarov, Pennsylvania State University

Discussant: Emi Nakamura, Columbia University and NBER

Lunch speaker: Yasuchika Hasegawa, Chairman of the Board and CEO, Takeda Pharmaceutical Company Limited

(chaired by Takeo Hoshi, Stanford University and NBER)

Lending to Unhealthy Firms in Japan during the Lost Decade: WTF?

Authors: Joe Peek, Federal Reserve Bank of Boston; Suparna Chakraborty, University of San Francisco

Discussant: Daisuke Miyakawa, Nihon University

Aging and Deflation: Japanese Experience

Authors: Shigeru Fujita, Federal Reserve Bank of Philadelphia; Ippei Fujiwara, ANU

Discussant: Jon Steinsson, Columbia University and NBER

Panel Discussion:

Panelists: Anil Kashyap, The University of Chicago and NBER; Ryutaro Kono, BNP Paribas; Sayuri Shirai, Bank of Japan

Moderator: Takeo Hoshi, Stanford University and NBER

Production Networks, Geography, and Firm Performance



From left to right: Glenn Hubbard, Adam S. Posen, Glenn Hubbard, Anil Kashyap, David E. Weinstein

Authors: Andrew Bernard, Dartmouth College and NBER; Andreas Moxnes, Dartmouth College and NBER; Yukiko Saito, RIETI

Discussant: Makoto Nirei, Hitotsubashi University

Acquisitions, Productivity, and Profitability: Evidence from the Japanese Cotton Spinning Industry

Authors: Serguey Braguinsky, Carnegie Mellon University; Atsushi Ohyama, Hokkaido University; Tetsuji Okazaki, The University of Tokyo; Chad Syverson, The University of Chicago and NBER

Discussant: Tatsuo Ushijima, Aoyama Gakuin University

The Unfairness Trap: A Key Missing Factor in the Economic Theory of Discrimination

Authors: Jordan Siegel, Harvard University; Naomi Kodama, Hitotsubashi University; Hanna Halaburda, Harvard University

Discussant: Miki Kohara, Osaka University

ESRI International Conference: "For Sustainable Growth of Japan's Economy"

Session I: Growth Agenda for Japan

"Making Real a Growth Agenda for Japan"

Chair: Masao Nishikawa, President, ESRI

Presenter: Adam Posen, President, Peterson Institute for International Economics

Discussant: Shin-ichi Fukuda, The University of Tokyo

Session II: Household Consumption Behavior in Japan

"Do the Rich Save More? Evidence from Japanese Micro Data in the 2000s"

Chair: David E. Weinstein, Columbia University

Presenter: Masahiro Hori, Senior Research Fellow, ESRI

Discussant: Gary Hansen, University of California, Los Angeles

Panel Session: For Sustainable Growth of Japan's Economy

Coordinator: Anil Kashyap, The University of Chicago

Panelists from U.S.: Glenn Hubbard, Dean, CBS; Adam Posen

Panelists from Japan: Kazumasa Iwata, President, Japan Center for Economic Research; Takatoshi Ito, Professor, National Graduate Institute for Policy Studies and The University of Tokyo

Special Report

August 1, 2014

The Economic and Social Research Institute (ESRI) held this international conference at the Asian Development Bank Institute in Tokyo. It consisted of three sessions, each designed to offer a different yet related perspective on Japan's prospects for growth.

Dr. Masao Nishikawa, president of ESRI, gave the opening remarks, noting that a year and a half after the inception of Abenomics, the Japanese economy shows signs of a steady and prolonged recovery. However, many challenges remain. This conference, he said, was designed to help identify important issues as well as offer insight on potential solutions to these challenges to sustainable economic growth in Japan.

Session I: Growth Agenda for Japan

The first session was chaired by Dr. Nishikawa. Dr. Adam Posen, president of the Peterson Institute for International Economics, presented his views on "Making Real a Growth Agenda for Japan," while Dr. Shin-ichi Fukuda, professor at The University of Tokyo, served as the discussant.

Dr. Posen began by drawing connections between conventional understandings of economic theory and potential policy implementation strategies for "making real a growth agenda for Japan." He urged policymakers to focus on the structural and supply side of the economy, as well as certain practical steps for realizing success in this agenda. Most importantly, they should limit the number of policy objectives and winnow down the long list of issues facing the nation to a workable, manageable few. While Dr. Posen believes that the Abe administration has thus far done a commendable job in this respect, it has recently shown signs of slipping back into a policy approach that has plagued Japan for two decades—one in which a priority of direction and reform is not clearly defined or understood. The issues of health care,

agriculture, female workforce participation, tax code, and government pension investment fund (GPIF) reform, along with cooperation between monetary and fiscal policy, are what Japan should concentrate on. Marked success in GPIF reform as well as the positive cooperation between the Bank of Japan and Government of Japan since spring 2013 is praiseworthy, as is progress on women in the workforce. These should not be replaced by new reform objectives, however, until more is accomplished. Doing so, Dr. Posen warned, would be detrimental to making real a growth agenda for Japan, risking a loss of focus, momentum, and credibility.

Dr. Posen remarked that two regional policy issues—special economic zones and agriculture—have emerged as particularly worrisome in that they both cater to certain constituencies, to the detriment of national welfare. The initiative to create special economic zones in order to increase competition in the small business and health care sectors, while worthwhile, has fallen victim to regional politics governed by pernicious electoral pandering. Broadly speaking, it is favorable to increase rather than decrease labor mobility and to tie policy benefits to citizens, not regions. The glacial pace of agricultural reform is also of concern. For Japan to enter important trade networks like the Trans-Pacific Partnership (TPP), it must overcome the hurdles posed by the small yet entrenched special interest groups in the agriculture arena; foreign governments, including the United States, have made clear that exceptions will not be made. There has to be a clear path to zero tariffs for essentially everything but rice in order for Japan to join the TPP, Dr. Posen said. If this is not accomplished, efforts to open markets in less developed members of TPP will not have credibility. At present, both special economic zones and agricultural reform favor regional electoral logistics at the expense of citizen interests and should thus be treated with caution.

A success story still under way is the rise of female participation in Japan's workforce, with more than 500,000 women entering the labor market in the past twelve months. This is a good beginning, but more needs to be done, especially on the supply side. This could be achieved by providing more available public child care, changing the law on joint taxes to better incentivize entering the workforce, and offering write-offs for private child care or parental child care. We know these types of policies work after witnessing success in Sweden, Germany, and elsewhere, yet the bill going to the Diet is focused on affirmative action and monitoring of the percentage of women in management position in the private sector. These are important, but not sufficient.

Dr. Posen identified the issue of fiscal sustainability as looming in the background. Some argue for broadening the base and introducing an identification system to increase tax revenue from small and medium-sized businesses. Others favor major cuts to social entitlements and public spending. In certain respects, there is progress to be made on both of these fronts, but neither of these approaches offers the credibility, transparent implementation, or symbolic value of further consumption tax increases that would bring Japan to a comparable level with other advanced democracies. In terms of immediate effect on long-term sustainability, Dr. Posen said that there is little that can substitute for a value-added tax increase.

In conclusion, Dr. Posen noted that political capital is not finite as is often believed; pushing through decisive victories multiplies political capital. Similarly, shock therapy, otherwise known as the "Nixon-goes-to-China" effect, can result in real political benefits for a strong, forward-looking leader. The Abe administration would do well to remember these political lessons when going up against opponents of Japan's growth agenda.

Dr. Fukuda touched on Dr. Posen's topics and added insight on other issues he believes are also vitally important to long-term Japanese growth. He began by noting that forces traditionally in support of Japan's domestic agriculture industry have become much less influential in recent years and hold substantially less power than many Japan observers might think. The difficulty in moving forward with liberalization of the agricultural sector is due in large part to the rather widespread belief in Japan that the gains from doing so will be very marginal. In order to move past this, the benefits to be realized from making concessions in agriculture should be made clearer to the Japanese public. Dr. Fukuda agreed that a further increase in the consumption tax is needed to ensure fiscal sustainability, as is a recalibration of the social security expenditure rationale. The government must recognize the severity of the situation in order to make impactful policy reform, especially in terms of creating a sustainable pension system. While Dr. Fukuda agreed with Dr. Posen that monetary policy has been successful in changing inflation expectations, he pointed out that this has been driven largely by foreign investors and that the optimistic expectations have primarily been a market and consumers-based phenomenon, with producers still very hesitant to increase prices. Similarly, while Dr. Fukuda agreed that increasing female labor participation is very important, so too is addressing challenges to low fertility rates throughout Japan. One challenge that Dr. Fukuda said is worthy of policy attention that Dr. Posen did not discuss is the issue of productivity slowdown in Japan. Although Japanese companies' return on investment is generally positive, it lags far behind that of their international counterparts. Therefore, increasing the profitability and productivity of Japanese firms is vitally important. In closing, he agreed with Dr. Posen's call for dramatic reform and benefits available in a "Nixon goes to China" approach.

Session II: Household Consumption Behavior in Japan

The second session was chaired by David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy at Columbia University and director of research at the Center on Japanese Economy and Business at Columbia Business School. Masahiro Hori, senior research fellow at ESRI, presented a paper entitled, "Do the Rich Save More: Evidence from Japanese Micro Data in the 2000s." Gary Hansen, professor of economics at the University of California, Los Angeles, served as the discussant.

The primary research question Dr. Hori examined was, "Do households with higher lifetime income save more than households with lower lifetime income?" This long-standing empirical question in economics has important implications for tax and macroeconomic policies, and a better understanding of the dynamic between wealth, savings, and consumption will be important in revitalizing Japan's economy. Recent studies have found that in both the United States and Canada, a positive relationship exists between savings rates and various proxies for lifetime income. However, researchers have not yet reached a consensus on how to interpret these findings, and studies are sparse on Japan, which has a rapidly aging population that has traditionally held the bulk of household savings.

Dr. Hori's study utilized two micro datasets on Japanese households: the Family and Lifestyle Survey (FLS) and the Family Income and Expenditure Survey (FIES). Despite differences in the survey design and sample size, the basic statistics of each dataset were similar. The empirical methodology utilized to estimate the relationship between savings rate and lifetime income was based on Dynan, Skinner, and Zeldes's 2004 study "Do the Rich Save More" in the *Journal of Political Economy*, where:

$$s_{i,t} \equiv \frac{Y_{i,t} - C_{i,t}}{Y_{i,t}} = f(Y_{i,t}^*) + X_{i,t}\beta + \varepsilon_{i,t}$$

with Y^* standing for permanent income and X representing a set of other determinants of savings behavior. To allow for nonlinearities in the relationship, Dr. Hori parameterized $f()$ using a set of five dummies capturing the quintiles of lifetime income to which each household belonged. A primary challenge here was that it is impossible to observe true lifetime income (Y^*). If current income is used as a proxy, there is an upward bias, since either measurement errors or the smoothing of temporary income fluctuations will generate a positive relationship between saving and current income. In order to address this estimation problem, Dr. Hori followed a similar approach utilized by previous studies in this subject field and employed a two-stage estimation procedure using instruments correlated with lifetime income but not with measurement errors and/or temporary income shocks.

The key to this empirical strategy is the choice of instruments for lifetime income; instruments must be correlated with true lifetime income but not with temporary components or measurement error of current income. Considering the two datasets, five instruments were identified as proxies to lifetime income. These were educational background and the longest job held (FLS) or current occupation (FIES); lagged income (FLS and FIES); nondurable consumption (FLS); lagged consumption (FLS); and information on the prices households paid when purchasing certain goods as well as on asset holdings of individual households (FIES). For the first instrument, regression results found a positive and significant correlation between households with higher lifetime income and household savings rates, although the slope was flatter than regression results, without incorporating

educational background and longest job held as proxies. Similarly, lagged income also resulted in a positive correlation between saving rates and income quintiles. A negative correlation was found when using nondurable consumption. To examine this more closely, lagged consumption was also used as an instrument to address temporal issues with consumption. When a one-year lag in consumption was used, the correlation between income and savings again turned significantly positive. Results for both current income and subjective lifetime income as explanatory variables were similar across instruments.

In conclusion, Dr. Hori said, it appears that wealthy working-age Japanese do indeed save more. However, it remains difficult to prove that they save more simply because they are wealthy; households that have certain characteristics that lead them to become rich may also tend to favor saving. While a clear-cut causal structure underlying the relationship between wealth and savings has yet to be identified, the very fact that the rich save more has important implications for tax and macroeconomic policies in both Japan and abroad.

Dr. Hansen urged the further development of a structural lifecycle model that delivers behavior consistent with empirical findings. To this end, he suggested several influences worthy of closer examination, including wealthy people may be more patient (lower discount rate) than the poor; the poor may engage in strategic dissaving in order to qualify for public welfare programs; the wealthy are more likely to leave large bequests to children; and perhaps the most promising line of inquiry, precautionary savings motives of the wealthy resulting from expected long-term health care costs may come to bear on saving behavior. We need to know why the wealthy save more, said Dr. Hansen.

Session III: For Sustainable Growth of Japan's Economy

The third session was coordinated by Anil Kashyap, professor at The University of Chicago. The panel speakers were Glenn Hubbard, dean and professor at Columbia Business School; Kazumasa Iwata, president of the Japan Center for Economic Research; Takatoshi Ito, professor at The University of Tokyo and National Graduate Institute for Policy Studies; and Adam Posen.

Dean Hubbard focused his remarks on long-term growth and fiscal sustainability. He noted that both the United States and Japan have performed well of late, with both the U.S. Federal Reserve doing a commendable job in righting the U.S. economy post-Lehman shock and Abenomics having a clearly positive effect on Japan's economy. However, thus far gains have largely been due to well-conceived monetary policy, which, looking to the future, cannot alone eliminate the output gap in either country, nor can it restore fiscal sustainability. The slowdown in productivity in Japan, an important factor in long-term growth, has been due in large part to secular stagnation and, to some degree, to underinvestment. To increase productivity growth, structural reforms should be a priority. Similarly, trade policy, in particular TPP, remains important and holds valuable potential for enhancing productivity and consumer gains, making the economy more efficient amid a rising Chinese economy. In terms of fiscal policy, there is huge potential in Japan for tax reform, Dean Hubbard said, particularly by reducing corporate income taxes. Broadly speaking, the method by which fiscal consolidation is achieved will affect the prospects for economic growth directly and thus should be treated with due urgency if Japan's rather optimistic ten-year target of 2 percent growth per year is to be achieved. Dean Hubbard ended his remarks by saying that the fact that reforms are difficult does

not make them impossible, as a look back over the past decade in both the United States and Japan attests.

Dr. Iwata presented his views on the two macroeconomic targets set forth in Abenomics: the targets of a 2 percent inflation rate within two years and a 2 percent growth rate per year until 2020. When looking at the issue of inflation, Dr. Iwata said he favors the "speed limit hypothesis," a theorem he developed along with Laurence Meyer, which is represented as follows:

Phillips Curve in an Open Economy

$$\pi_t = a(\Delta \text{GAP}_t) + b(\pi_t^M) + c(\pi_t^e)$$

 Adaptive Expectation

$$\Delta \pi_t^e = d(\pi_t - \pi_t^e); d < 1$$

 First difference

$$\Delta \pi_t = a(\Delta \Delta \text{GAP}_t) + b(\Delta \pi_t^M) + c(\Delta \pi_t^e)$$

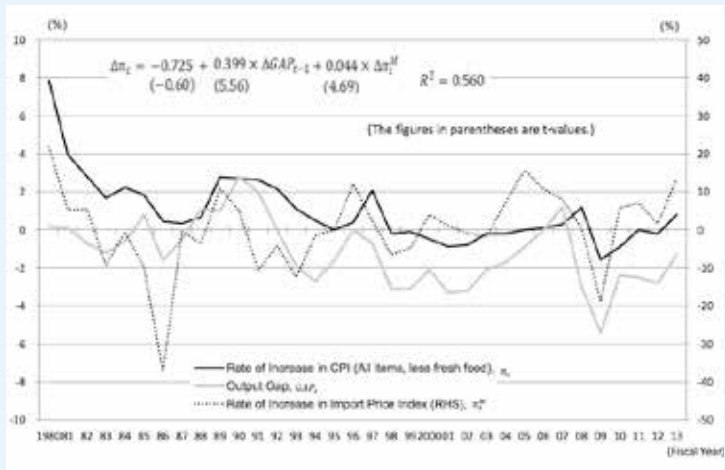
 Then,

$$\Delta \pi_t = a(\Delta \Delta \text{GAP}_t) + b(\Delta \pi_t^M) + acd(\Delta \text{GAP}_t) + bcd(\pi_t^M) - cd(1-c)\pi_t^e$$

Professor Iwata then showed the graphic output (below). He said that, in order to achieve the 2 percent target within two years, the Abe administration and Bank of Japan (BoJ) will need to consider the appropriate course to take if the core CPI falls below 1 percent, as the prediction based on the speed limit model suggested.

As part of the recently released growth agenda, the Abe administration includes maintaining a population of 100 million into the future. Dr. Iwata suggested taking lessons from French policy geared at increasing birth-rates and said that Japan should aim for a long-term rate of 1.8. This will influence fiscal policy; childrearing payments may need to double from current levels.

Professor Ito said that the first arrow of Abenomics, monetary policy, has been a "great success," and that the second arrow, fiscal stimulus, has been a "good success." The third arrow, structural reforms to boost Japan's competitiveness, has shown progress



toward becoming a success, with a consolidation of policy objectives from the 2013 revitalization strategy to a manageable, prioritized few, under which 10 key reforms are to be taken. The 2014 strategy also makes clearer how this third arrow of Abenomics fits into known economic growth theory. More specifically, Professor Ito argued that the three priority areas of the third arrow can be seen as addressing fundamental supply sides issues. For instance, if we make the standard assumption that output is determined by labor usage (L), capital usage (K), and productivity (A), then we can think of the third arrow as seeking to raise each of these components. The first, “Regaining Japan’s earning power,” seeks to increase and raise returns to K via enhanced corporate governance, promotion of venture business, corporate tax reform, and so on. The second policy direction of the revitalization strategy calls for “reinforcing the workforce.” Professor Ito interprets this as an increase in L, with enhancing women’s participation in the workforce and attracting foreign talent as primary examples of labor-directed policy programs. Finally, “Nourishing new drivers of growth” seeks to raise A in heavily regulated industries, primarily via aggressive agriculture and health care industry policies.

Dr. Posen said that, in the long term, Japan should be concerned with how it can play a sufficiently influential role in the world to ensure its own safety while its relative size is shrinking. The way to do this, Dr. Posen said, is to take calculated risks with the economy and reach out to a broader global audience. This is fundamentally what the TPP is all about, in terms of political, security, and economic influence regionally as well as globally. Dr. Posen closed by saying that Japan should conceive its policy agendas with a view toward becoming the financial, educational, and cultural hub for Asia that it was poised to become in the late 1980s.

Symposia



From left to right: Panel from April 30 “Hitting the Mark? The Third Arrow in Sharper Focus” event, Nobuo Tanaka

Decrypting Cybersecurity: Are We Ready to Meet Tomorrow’s Emerging Threats?

Japan Society Corporate Program

October 30, 2013; Japan Society

Several prominent cybersecurity experts shared insight as to what the latest trends and threats are in the cybersphere of both the United States and Japan, the best practices for businesses to protect their digital information, and how the public and private sector can work together to counter current and emerging threats. With the increasing frequency and complexity of cyber attacks that have targeted both the public and private sector, the issue of how to enhance cybersecurity has become an increasingly important one. The panelists were Austin P. Berglas, assistant special agent in charge, Cyber Branch, New York Office, Federal Bureau of Investigation (FBI); Jeffrey Greene, senior policy counsel for cybersecurity and identity, Symantec Corporation; Thomas Harrington, managing director and chief information security officer, Citi; and William Saito, founder and CEO, InTecur, K.K. Ken Zimmerman, principal of Chateaux Software, moderated the discussion. CJEB was an outreach partner for this event.

The Future of Nuclear Power

Center on Global Energy Policy (CGEP) Symposium

November 8, 2013; Columbia University

Nobuo Tanaka, a CGEP fellow and former executive director of the International Energy Agency, spoke extensively on Japan’s energy industry and energy security in the Pacific Rim. Mr. Tanaka addressed an important question Japan now faces: How will it reestablish a diverse supply of energy resources that protects the environment and provides electricity prices consistent with desired levels of economic growth and job creation? He asserted that Japan must share the lessons it has learned for safer nuclear power generation across Asia and around the world; furthermore, it should adopt a next generation reactor—the Integral Fast Reactor—as a source of power. Mr. Tanaka warned that without the restart of the nuclear industry, Japan risks becoming a second-tier developed nation as high power prices may drive manufacturing jobs and investment to other parts of the world, harming economic growth. He also elaborated on the need to expand on the current framework of energy security—reduced consumption combined with diversification of supply—in order to account for the

rapid evolution of the global energy trade, supply-chain vulnerabilities, and the integration of major new economies into the world market. The rapid growth in Asian energy demand, coupled with the dramatic transformations due to the global shale revolution, have had significant implications for Asian energy security, especially as countries seek to diversify supply by both geographical source and fuel type. For Japan, energy security can be partly achieved by offsetting its domestic resource scarcity through source diversification, trade, and investment. CJEB was an outreach partner for this event.

Fukushima Three Years Later: Staying Behind and Moving Forward

Consortium for Japan Relief Symposium

March 9, 2014; Columbia University

Three years after the devastating Tohoku earthquake, tsunami, and Fukushima nuclear disaster, this symposium focused on two themes: first, the current state of Fukushima and the ordinary, everyday lives of those who live there; and second, why people, whether from Fukushima, Japan, or the United States, choose to live in Fukushima amid concerns



From left to right: Richard Folsom, Neal Doying

about the economy, infrastructure, and radiation contamination. Fukushima residents who have stayed or returned have an incredibly personal connection that motivates them to do so, whether uplifting or somber. This symposium sought to demonstrate this implicit complexity but also to highlight ongoing initiatives designed to improve conditions in Fukushima. The goal was to demonstrate why Fukushima is still relevant, and that the choice by many to remain in Fukushima reflects the fact that hope in the city still remains, and therefore, that the rest of the world should remain committed to it as well. The participants included Kenichi Bamba, Bridge for Fukushima; Jake Price, photographer and producer; Yuhei Suzuki, community organizer, MPH candidate, Mailman School of Public Health, Columbia University; Emily Taguchi, filmmaker and producer; Helen Verdeli, associate professor of clinical psychology, Teachers College; and Serena Winchell, an alumna of the Japan Exchange and Teaching Programme.

How to Buy Japan: Private Equity in a Global Economy

The 15th Annual Mitsui USA Symposium
April 23, 2014; Columbia University

Richard Folsom, representative partner and cofounder of Advantage Partners, LLP, commenced the 15th Annual Mitsui Symposium by providing his perspective as a private equity (PE) investor in today's Japanese market and giving a detailed overview of recent trends in the industry—particularly considering recent macroeconomic policy changes. He discussed positive developments stemming from Abenomics. Because of the Bank of Japan's easing policies, equity markets have appreciated, and the yen has already reached 1 percent of the 2 percent inflation target. Regarding PE opportunities, Japan is a very attractive exit environment. When looking at overall control acquisitions, only 4 percent are by PE, demonstrating an underpenetrated market; considering Japan's large size, Mr. Folsom sees a long-term market growth opportunity in the country. Bruce C. Greenwald, Robert Heilbrunn Professor of Finance and Asset Management at CBS, was also optimistic about Japan's PE market. He proposed that the source of Japanese stagnation is not just demographics, but also productivity growth; Japan should redeploy capital, labor, and management talent to its dynamic service sector. Imported institutions that are willing to intervene are going to be critical to make this happen. Finally, Neal Doying, senior vice president at Lazard Asset Management, LLC, talked about the public-private space of

publicly traded companies. Japan is unique in that subsidiaries of listed parent companies are traded; as a result, Japan has the most subsidiaries of any other market. There is a growing market in taking public companies private, especially with subsidiaries. Following the discussion, Professor Weinstein moderated a question-and-answer session, and Professor Patrick closed out the program. The session was hosted by CJEB and cosponsored by the Mitsui USA Foundation.

Hitting the Mark? The Third Arrow in Sharper Focus

Japan Society Corporate Program
April 30, 2014; Japan Society

Recent progress in Japan's efforts to stem its persistent deflation has been attributed to the three arrows of Abenomics; however, recent skepticism about the scale of structural reforms, and the ability of the Abe administration to follow through, has led to renewed calls for measures to ensure that the Japanese economy will be put on a self-sustaining growth cycle. Yasutoshi Nishimura, senior vice minister of the Cabinet Office of Japan responsible for the three arrows of Abenomics, discussed the progress and time frame of structural reforms. Professor Heizo Takenaka of Keio University, a leading expert on structural reforms, shared his insight on the subject and sought to determine the current and future role of Japan within the global economy. Other participants included Paul Sheard, executive managing director, chief global economist and head of Global Economics and Research, Standard & Poor's Ratings Services, and Koichi Hamada, adviser to Prime Minister Shinzo Abe and Tuntex Professor Emeritus of Economics, Yale University. David E. Weinstein moderated the panel. CJEB was an outreach partner for this event.

Lectures



From left to right: Gerald L. Curtis, Hugh Patrick, Nobuyuki Saji, Tomomi Inada

Abe and the LDP Are Back: Now What?

September 25, 2013; Columbia University

Gerald L. Curtis, Burgess Professor of Political Science at Columbia University, gave his ninth annual lecture on Japanese politics as part of CJEB's Distinguished Lecture Series. Professor Curtis noted that the reelection of Prime Minister (PM) Shinzo Abe, and the success of his policies thus far, has put him in a stronger position than any other Liberal Democratic Party leader in recent years; he is thus likely to serve several more years. However, PM Abe will face obstacles, such as economic structural reform, in his pursuit of the necessary dramatic changes in the Japanese economy. Professor Curtis criticized the prime minister for an unrealistic advocacy of "wom-enomics" and argued that this type of policy would be insufficient to address the under-utilization and discrimination against women in the workplace. Regarding foreign policy, he stated that he did not feel that Abe's actions so far justified his image as a right-wing ideologue and "hawk." Regarding the Senkaku/Diaoyu Islands dispute, he said that a solution was not possible at the time, and the issue should be shelved while both countries focus on "win-win" concerns. This lecture was moderated by Hugh Patrick and cosponsored

by Columbia University's Weatherhead East Asian Institute (WEAI).

Abenomics and the Japanese Market's Potential

Japan Study Student Association (JASSA)'s Lecture Series on Japanese Economics and Politics

October 30, 2013; Columbia University

Nobuyuki Saji, the chief economist of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., gave a lecture on the Japanese economy as part of CJEB and JASSA's Lecture Series. In the beginning, Mr. Saji mentioned that he was skeptical about the effect of Abenomics. For example, he said that the yen's depreciation caused by Abenomics benefited only large companies, but not SMEs. He pointed out that Japan's large government deficit would prevent the fiscal stimulus from functioning. He pointed out that Japan is facing two problems: an aging society and an expanding current deficit. In order to tackle this situation, he argued that Japan should undergo a drastic overhaul of Japan's tax systems, especially corporate tax; furthermore, it should join the TPP in order to achieve GNP growth. He then mentioned that the economic

growth pattern has been swapped between Japan and the United States in the past 30 years; the driver of global economic growth has shifted back to the United States and Europe again. Given these circumstances, he believes that Japan will seek GNP growth by keeping up good relations with other countries and joining the TPP. He argued that the major failure of Japanese enterprises has been holding on to their past successful experiences and clinging to government bailouts. Finally, he concluded that it is important to incorporate both the American way of originality and the Japanese way of harmony in order to be successful. CJEB was an outreach partner for this event.

The "Cool Japan" Strategy: Sharing the Unique Culture of Japan with the World

Japan Society Corporate Program

January 13, 2014; Japan Society

In 2012, Her Excellency (HE) Tomomi Inada was appointed by the newly elected Abe administration as the first minister in charge of the "Cool Japan" Strategy—a plan to share Japan's unique food, fashion, and traditional culture with the rest of the world, while also highlighting the country's hospitality culture and sightseeing



From left to right: Lady Barbara Judge, Kenichiro Sasae, Richard Saul Wurman

attractions. At this lecture, HE Inada introduced the government's plan, saying that its success will help revitalize its economy, encourage tourism, and strengthen Japan's cultural and diplomatic ties abroad. Fred Katayama, anchor and producer of Thomson Reuters, and a member of the Board of Directors of Japan Society, moderated this event, for which CJEB was an outreach partner.

Nuclear after Fukushima: Policies, Practices, and Problems

Center on Global Energy Policy Public Lecture

January 30, 2014; Columbia University

The event featured Lady Barbara Judge CBE, former chairman of the UK Atomic Energy Authority and currently deputy chairman of TEPCO's Nuclear Reform Monitoring Committee and head of its task force on nuclear safety. Lady Judge talked about the state of nuclear policy following the Fukushima accident, how Fukushima has affected global nuclear policy, and whether nuclear power will remain an important and viable part of the global energy mix. Merit E. Janow, dean of SIPA, introduced Lady Judge and provided opening remarks. CGEP director

Jason Bordoff moderated a discussion following the presentation. CJEB was an outreach partner for this event.

Japan and the World

Dean's Lecture Series, School of International and Public Affairs

February 18, 2014; Columbia University

Kenichiro Sasae, ambassador of Japan to the United States, began this lecture by reflecting on the historical backdrop of trade relations between the United States and Japan following the Cold War in the 1990s. He recalled that U.S. pressure on Japan to open up its markets, particularly in the areas of trade and automobiles, created tensions that still persist today, as seen in the context of ongoing negotiations for the proposed TPP. The ambassador remarked that, on the whole, trade and economic relations between the United States and Japan have matured and stabilized. Regarding Abenomics, Ambassador Sasae noted that he sees this as a move toward a more flexible market and that this is what the economy needs. Commenting further on the TPP, he stated that the prime minister heralds the proposed pact as an important strategic tool to galvanize growth and a more robust foreign policy, reinforcing Japan's

recent engagement in negotiations after years of reluctance. The TPP is strategically important as a means to ensure an American presence in the Asia-Pacific, according to Ambassador Sasae, who added that including China in the TPP would encourage its leadership to be more transparent. He concluded by saying that this kind of economic partnership will lead to mutual trust and that it would aid in security and political partnerships.

Using Information to Build Transnational Bridges

March 6, 2014; Columbia University

Richard Saul Wurman, founder of TED, shared his thoughts on innovation and technology and how he envisions the future of communication and information-sharing to be in an increasingly global environment. He encouraged the audience to take part in this informal talk by engaging in open discussion about how information is shared, both within communities and transnationally, through avenues like social media, corporate gatherings, and educational and research groups. Hugh Patrick moderated the dialogue.

Post-Fukushima Energy Policy of Japan: The Role of Nuclear Power

Center on Global Energy Policy Public Lecture

April 2, 2014; Columbia University

The CGEP hosted a discussion with Nobuo Tanaka, CGEP fellow and former executive director of the International Energy Agency, on the future of Japanese energy policy three years after the accident at the Fukushima nuclear plant. Mr. Tanaka focused on the role that nuclear power can play in supporting Japan's economic growth and energy security and discussed how and what safeguards can be put in place to protect Japan from future disasters like Fukushima. CJEB was an outreach partner for this event.

Challenges and Perspectives for Japan: Is Reconciliation Possible among Neighbors?

Japan Study Student Association Lecture

April 11, 2014; Columbia University

As Japan faces shifting power dynamics in the region, many ask if its role will be relegated to that of a middle power in Asia, and if its wartime history, now seven decades in the past, will continue to haunt its present and future. Yukio Okamoto, former special advisor to several prime ministers of Japan and 2012-2013 Robert E. Wilhelm Fellow at MIT, reflected on the state of relations between Japan and its neighbors, and the possibility of reconciliation from Japan's perspective. Okamoto also spoke to the stability and continuity of Japan's alliance with the United States. In this context, Mr. Okamoto elaborated on the challenges that Japan now faces. However, in spite of

such challenges, new hopes have emerged about Japan's political and economic situation. CJEB was an outreach partner for this event.

Revolutionizing Japan's Information and Communications Security Environment

Japan Society Corporate Program

May 2, 2014; Citigroup's Auditorium

Following a series of high-profile cyber attacks on government institutions and corporations worldwide, the Japanese government, like many others, has begun to take major steps in reforming its information technology (IT) security standards in order to secure its communication networks. In March 2014, the National Information Security Center called for greater cooperation between firms and more resources

devoted to research and development, in addition to long-term cultivation of IT talent to combat growing threats to Japan's critical IT infrastructure. His Excellency Ichita Yamamoto, minister in charge of Information Technology Policy, discussed the Japanese government's plans to achieve these goals and turn Japan into a global leader in IT security innovation. Introductory remarks were offered by Thomas Harrington, managing director and chief information security officer at Citi. This lecture was moderated by William Saito, special advisor in the Cabinet Office of the Government of Japan and chief executive officer of InTecur, K.K. CJEB was an outreach partner for this event.

Japan's Fourth Strategic Energy Plan

Center on Global Energy Policy Public Lecture

June 9, 2014; Columbia Club

CGEP and the Japan External Trade Organization (JETRO) New York hosted a presentation of Japan's fourth strategic energy plan by Toshikazu Okuya, director of the Energy Supply and Demand Policy Office, Agency for Natural Resources and Energy, Japan's Ministry of Economy, Trade and Industry. This was the first such plan since the Fukushima Daiichi nuclear disaster. The strategic energy plan addresses a variety of key energy issues, including: (1) the role of nuclear power in Japan's supply mix; (2) supporting the deployment of renewable energy; (3) options to manage the pressure of rising energy costs for end-users; and (4) continued U.S.-Japan energy cooperation. David Sandalow, CGEP inaugural fellow, moderated the presentation. CJEB was an outreach partner for this event.



Yukio Okamoto

Workshops

Northeast Asia Relations Workshop

June 27, 2014; Columbia University

This private academic workshop was held in partnership with Columbia University's APEC Study Center (ASC), WEAI, and SIPA. The first part of the workshop focused on China-Japan relations and discussions regarding how to ameliorate territorial, historical, and other tensions, and ways that the United States can play a role in fostering a closer relationship between the two as well as trilaterally. In the second part of the workshop, participants discussed the Korean peninsula and Japan-Korea relations, including historical points of contention between South Korea and Japan, multilateral approaches to North Korea policy, and U.S. policy toward North Korea. The final part of the workshop focused on the state of the U.S. rebalance or "pivot" to Asia, possible adjustments to U.S. alliance policies, and U.S. economic involvement in East Asia. The workshop concluded with overall reflections on how the group can make a positive contribution to efforts to maintain peace, stability, and economic growth in the region. Evan Medeiros, senior director of Asian Affairs at the National Security Council, gave a special talk at the dinner following the workshop.

Participants included:

Samuel R. Berger, Chair, Albright Stonebridge Group

Dennis C. Blair, Chairman, Sasakawa Peace Foundation USA

Richard K. Betts, Director, Saltzman Institute of War and Peace Studies, Columbia University

Stephen W. Bosworth, Senior Fellow, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University

Anla Cheng, Senior Partner, Sino-Century China Private Equity Partner, LLC

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

Karl W. Eikenberry, William J. Perry Fellow in International Security, Center for International Security and Cooperation

Takeo Hoshi, Henri and Tomoye Takahashi Senior Fellow, Walter H. Shorenstein Asia-Pacific Research Center, Stanford University

Merit E. Janow, Dean, SIPA, Columbia University

Robert Jervis, Adlai E. Stevenson Professor of International Politics, Columbia University

Charles D. Lake II, Chairman, Aflac Japan

Winston Lord, Former U.S. Ambassador to China

Xiaobo Lü, Professor of Political Science, Barnard College

Andrew J. Nathan, Class of 1919 Professor of Political Science, Columbia University

Marcus Noland, Vice President and Director of Studies, Peterson Institute for International Economics

Hugh Patrick, R. D. Calkins Professor of International Business Emeritus; Director, CJEB, Columbia Business School

Ezra F. Vogel, Henry Ford II Professor of the Social Sciences Emeritus, Harvard University

Donald S. Zagoria, Senior Vice President, National Committee on American Foreign Policy

For the official report for this workshop, please visit http://issuu.com/columbiauniversitiesipa/docs/sipa_weai_workshop/1



Northeast Asia Relations Workshop

Lunchtime Seminars



From left to right: Kosuke Motani, Yosuke Honjo, Keiko Tashiro, Takatoshi Ito

CJEB organizes a lunchtime seminar series on campus for students, faculty, and members of the citywide business community. These include *zadankai*, or informal discussions, which involve lengthy question-and-answer periods with the audience and are geared toward presenting new and interesting angles for understanding Japanese business and economic issues; and brown bags, in which CJEB collaborates with other organizations on campus to sponsor talks featuring a diverse range of topics related to Japan. Seminars held during 2013–2014 included:

The Key Challenge for Abenomics: Demographic Tsunamis Hitting Japan and Other East Asian Countries

Zadankai

September 19, 2013; Columbia University

Kosuke Motani '94, Chief Senior Economist, Economics Department, Japan Research Institute, Ltd.

Moderated by Hugh Patrick

Mr. Motani discussed the “demographic tsunami” occurring in Japan, which has hindered high growth opportunities in spite of low unemployment, high productivity, and high liquidity. Citing startling statistics concerning

a rapidly declining working-age population, he demonstrated the impact of this phenomenon on the economic outlook of Japan and what lessons might be learned from this situation. This effect threatens many other Asian economies as well, including China, South Korea, Taiwan, and Singapore.

Stormy Seas: Japan's Disputes over History and Territory and the U.S.-Japan Alliance

Brown Bag

October 1, 2013; Columbia University

Thomas Berger, Associate Professor of International Relations, Boston University

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

Professor Berger, author of *War, Guilt, and World Politics after World War II*, analyzed the ongoing territorial disputes in East Asia via geostrategic, geoeconomic, and geocultural perspectives. According to Professor Berger, geostrategically, the U.S. “pivot,” or rebalancing of strategic efforts, toward Asia has made China feel it is being encircled, so China is looking for a way to challenge the United States and its allies. Furthermore, he added, the rise

of China, decline of Japan, and U.S. preoccupation with internal affairs have created natural incentives for a competitive relationship. He asserted that, geoeconomically, while fisheries and natural resources in disputed areas provide an incentive for conflict, the incentive for cooperation remains strong as conflict would inflict economic loss on both sides and that, geoculturally, there is much focus on the issue of historical memory, including World War II and its aftermath, Japan's handling of its wartime behavior, and differences in historical memory according to the other East Asian countries. In conclusion, Professor Berger spoke about the need for reconciliation, pointing out that the onus remains not only on Japan, but also on its neighbors. This event was cosponsored by WEAL.

The Un-sweetening of America: ITO EN's Contribution to the Beverage Market

Zadankai

October 8, 2013; Columbia University

Yosuke Honjo, President and Chief Executive Officer, ITO EN (North America) Inc.

Moderated by Hugh Patrick

Mr. Honjo discussed the challenges of his



From left to right: Sayuri Shirai, Yutaka Harada, Takashi Oyagi, Raymond Fisman, Daijiro Nogata

initial efforts to introduce the Japanese beverage company ITO EN's line of unsweetened teas to the United States, where sweetened teas dominate the market. In 2002, he opened a flagship shop, ITO EN New York, and continues to develop ITO EN (North America) Inc. through a dynamic marketing strategy. The company has now successfully penetrated the U.S. market and will continue to develop through new restaurants and acquisitions.

The Third Arrow of Abenomics: How Far Will It Reach?

Zadankai

October 24, 2013; Columbia University

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

Moderated by Hugh Patrick

Dean Ito discussed the current status of the "three arrows" of Abenomics: monetary policy, fiscal policy, and structural reform. The first area, monetary policy through inflation targeting and yen deflation, was performing on target. The second arrow, fiscal stimulus through government debt financing, had been effective in the short run. The third arrow was still in progress and relied on a growth strategy achieved through removing regulations,

promoting freer trade through mechanisms such as the Trans-Pacific Partnership, and challenging vested interests; ideally, this would stimulate investment and raise growth potential, erase fiscal debt concern, and complete the jump from a deflationary equilibrium to a normal equilibrium.

Where Does All the Money Go? How Japanese Retailers Invest and the Effects of Abenomics

Zadankai

January 30, 2014; Columbia University

Keiko Tashiro, Chairwoman, Daiwa Capital Markets America Holdings Inc.

Moderated by Hugh Patrick

Ms. Tashiro provided a comprehensive overview of the Japanese individual investment market and the impact of Abenomics on this market. She also explained some of the Japanese government's recent efforts to encourage investment in equities and shift some of the traditional investing strategies toward more market-facing ones. Finally, she shared her experience as a female leader in a male-dominated field and, more generally, the shifts in gender roles and participation in the Japanese labor market.

Monetary Easing and Communication Policy: A Review Based on Several Surveys

Zadankai

February 27, 2014; Columbia University

Sayuri Shirai, Policy Board Member, Bank of Japan

Moderated by Hugh Patrick

Dr. Shirai shared the Bank of Japan's (BOJ) Quantitative and Qualitative Monetary Easing (QQE) policy strategy to reach a 2 percent inflation rate. The focus of her presentation was on the BOJ's communication strategy, the public's perception of inflation, and how the BOJ's non-traditional methods could contribute to the success of this policy.

Abenomics: One Year Later

Zadankai

March 6, 2014; Columbia University

Yutaka Harada, Professor, School of Political Science and Economics, Waseda University

Moderated by David E. Weinstein

Professor Harada analyzed the effectiveness of various "arrows" of Abenomics. First, he extolled the effectiveness of the first

arrow—bold monetary easing—but noted that Japan's policy was timid, resulting in a slow recovery after the Lehman shock. Second, he showed that the flexible application of fiscal stimulus, the second arrow, was not effective. Finally, he talked about establishing a sound growth strategy for stimulating private investment, focusing particularly on the virtues of the proposed TPP currently under debate.

The “History Problem” (*rekishi mondai*), Nationalism, and Foreign Policy Preferences in Japan: Evidence from a Survey Experiment

Brown Bag

April 8, 2014; Columbia University

Yongwook Ryu, Research Fellow, Department of International Relations, School of Political and International Studies, The Australian National University

Dr. Ryu explored the persistence of the historical animosity between Japan, China, and South Korea almost 70 years after both the end of the second Sino-Japanese War and the establishment of Korean independence. He believes that the primary reason is that, for politicians in all of these countries, it is advantageous to bring up these issues because it stirs up the nationalists in each country, while the general population itself does not care very much. Additionally, for China and South Korea (as well as Taiwan), Japan's wartime behavior is one of the few issues that unite them. Dr. Ryu also described the make-up of nationalist beliefs by gender, age, and political party. This event was organized by WEAI and cosponsored by the ASC.

How a Start-up with Four Employees Grew to Become a Global Corporation

Zadankai

April 10, 2014; Columbia University

Takashi Oyagi, Chief Strategic Officer and a Founder, Monex Group

Moderated by Hugh Patrick

Mr. Oyagi described the growth strategy of his start-up online brokerage company in Japan, Monex Group, that focuses on providing innovative products, customer trust, and a democratization of capital markets. He identified many of the challenges that were confronted, such as a deflationary economy, market saturation, rapid technological change, and fierce price competition and the decisions made in the face of these challenges. Monex Group is now in 12 countries with almost 1,000 employees and has diversified to include financial software development as well as brokerage services.

How Sino-Japanese Turbulence Affects Trade Between the Two Countries

Zadankai

April 15, 2014; Columbia University

Raymond Fisman, Lambert Family Professor of Social Enterprise; Codirector, Social Enterprise Program, CBS

Moderated by David E. Weinstein

In light of rising tensions between Japan and China, Professor Fisman presented his findings from two studies, conducted in 2005 and 2010, about the extent to which these conflicts spill over from politics to economics. By measuring stock valuations, he found that there were significant effects in both trade

directions, particularly for Japanese companies operating in China, though the effect was tempered if they employed Chinese workers.

Do You Washlet? TOTO's Challenge in Breaking into Mainstream America

Zadankai

April 17, 2014; Columbia University

Daijiro Nogata, President and CEO, TOTO Americas Holdings, Inc.

Moderated by Hugh Patrick

Mr. Nogata is on a mission to bring TOTO's Washlets—a word combining “wash” and “toilet”—to the mainstream U.S. market. While TOTO holds a 60 percent market share in Japan, its sales in the United States have been lagging. As a result, TOTO has developed a multifaceted U.S. marketing campaign, which includes aggressive advertising, celebrity endorsements, architect collaborations, and targeting of the health care industry. TOTO's new marketing campaign will also target large metropolitan markets in the United States, especially in high-density Asian populations familiar with bidet seats. Mr. Nogata pointed out that one of the biggest hurdles to U.S. market penetration is culture; Americans tend to be squeamish about discussing bathroom activities. TOTO faces stiff competition, but it possesses several advantages, including a strong intellectual property portfolio and an extensive global team. This event was cosponsored by the Japan Business Association at CBS.

Faculty Advisory Committee



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

Charles W. Calomiris

Henry Kaufman Professor of Financial Institutions
Columbia Business School

Fangruo Chen

MUTB Professor of International Business
Columbia Business School

Wouter H. Dessein

Eli Ginzberg Professor of Finance and Economics
Columbia Business School

Robert J. Hodrick

Nomura Professor of International Finance
Columbia Business School

Sheena S. Iyengar

S. T. Lee Professor of Business
Columbia Business School

Merit E. Janow

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

Bruce Kogut

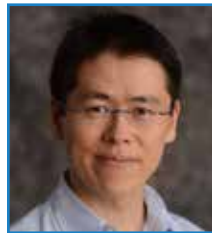
Sanford C. Bernstein & Co. Professor of Leadership and Ethics
Columbia Business School

Visiting Fellows

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



Tomohiro Hirano
The University
of Tokyo
August 2013–
September 2013



Michito Hirota
Yokohama National
University
September 2013–
September 2014



Hiroshi Ishijima
Chuo University
September 2013–
August 2014



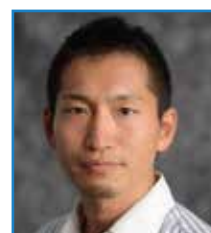
Toshie Ishizu
Meiji University
June 2013–
September 2013



Yoko Kagami
Komazawa
University
April 2013–March
2014



Masahiro Kan
Ministry of Finance
July 2013–June
2014



Naoki Katayama
September 2013–
November 2013



Rima Kikuchi
Minebea Co., Ltd.
August 2013–May
2014



Tomokazu Kubo
Chuo University
September 2013–
August 2015



Steven Nam
February 2014–
April 2014



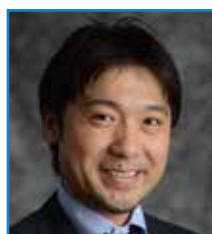
Futoshi Oguri
Nikkei Inc.
September 2013–
August 2014



Ryo Saiki
Tokai Tokyo
Securities Co., Ltd.
September 2013–
August 2014



Haruhiko Takahashi
Tokyo Metropolitan
University
April 2013–March
2014



Keisuke Takeguchi
Hosei University
April 2014–March
2015



Katsumi Tanabe
Keio University
April 2014–March
2015



Mizuho Tanaka
Hokulea Limited
September 2013–
February 2014



Masaya Tazaki
Mitsui Sumitomo
Insurance Co., Ltd.
July 2013–June
2014



**Masazumi
Wakatabe**
Waseda University
July 2013–
September 2013



Kengo Yasui
Ritsumeikan
University
September 2013–
September 2014



Taiyo Yoshimi
Nanzan University
September 2012–
February 2014



Kazushige Kamiyama
Bank of Japan
June 2013–
June 2014



Naoki Matsuda
Ministry of Finance
September 2013–
July 2015

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

2014 CJEB Visiting Fellow Reunion Reception

Since CJEB's inception in 1986, it has hosted nearly 200 Visiting Fellows from the academic, public, and private sectors. In order to celebrate this successful program, CJEB hosted its first formal Visiting Fellows reunion reception in Tokyo on May 14, 2014. More than 80 current and former Visiting Fellows attended this event, enjoying an evening of reconnecting and networking with their peers.



Hugh Patrick welcomes current and former visiting fellows at CJEB Visiting Fellows Reunion Reception.

2014 Annual Visiting Fellow Business Field Trip

For their annual field trip, CJEB's Visiting Fellows toured the NASDAQ MarketSite in Times Square in New York City on March 13, 2014. They had a private session with one of the senior NASDAQ executives and witnessed the closing bell ceremony.



CJEB Visiting Fellows at NASDAQ MarketSite

Research Associates

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

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
Senior Fellow, Stanford Institute of Economic Policy Research
Senior Fellow, Freeman Spogli Institute of International Studies
Stanford University

Shiro Armstrong

Codirector
Australia-Japan Research Centre
Crawford School of Public Policy
Editor, East Asia Forum
The Australian National University

Schon L. Beechler

Senior Affiliate Professor of
Organisational Behaviour
INSEAD

Lee G. 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

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

Robert Dekle

Professor of Economics
Department of Economics
University of Southern California

Peter Drysdale

Emeritus Professor of Economics
Head, East Asia Bureau of Economic Research and East Asia Forum
Crawford School of Public Policy
The Australian National University

Robert Eberhart

Assistant Professor
Leavey School of Business
Santa Clara University
Research Fellow
Stanford Technology Venture Program

David Flath

Professor
Department of Economics
Ritsumeikan University
Professor Emeritus of Economics
Poole College of Management
North Carolina State University

Koichi Hamada

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

Yasushi Hamao

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

Masanori Hashimoto

Professor of Economics Emeritus
Department of Economics
The Ohio State University

Takeo Hoshi

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

Takatoshi Ito

Professor
National Graduate Institute for Public Studies
Project Professor
Graduate School of Public Policy
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
Center on Japanese Economy and Business
Columbia Business School
Former Vice President
JPMorgan Chase Bank, N.A.

Edward Lincoln

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

Robert A. Myers

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

Terutomo Ozawa

Professor Emeritus of Economics
Department of Economics
Colorado State University

Professional Fellows

Joe Peek

Vice President and Economist
Research Department
Federal Reserve Bank of Boston

Adam S. Posen

President
Peterson Institute for International Economics

William V. Rapp

Henry J. Leir Professor of International Trade and Business
School of Management
Director
Leir Center for Financial Bubble Research
New Jersey Institute of Technology

Frances McCall Rosenbluth

Damon Wells Professor of Political Science
Department of Political Science
Yale University

Ulrike Schaede

Professor of Japanese Business
Executive Director of the Center for Emerging and Pacific Economies
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 the Center recognizes former government officials and business leaders who have had distinguished careers in economics-related fields. This position facilitates his or her ongoing involvement with CJEB and its activities.



Robert E. Fallon is president and CEO of Phosplatin Therapeutics LLC, a company he helped found that is developing a novel class of anticancer chemotherapy drugs. From 2008 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 JPMorgan Chase, where he was Asia-Pacific division head for the Chase Manhattan Bank and a member of the Chase Manhattan Corporation Management Committee. He was responsible, as senior executive in Asia, for Chase's activities in the Pacific Rim located across 13 different countries. Mr. Fallon has lived in Asia for 31 years and enjoys a myriad of 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 chairman of the Council on International Educational Exchange, Inc., a member of the Asia Society and the Council on Foreign Relations, and a professional fellow of CJEB. He is a former director of the Japan Society and of the Korea Society, as well as trustee emeritus of the Ohio University Foundation.



Patricia Hagan Kuwayama has been studying the Japanese economy since she was a graduate student in the 1960s, completing a doctoral dissertation on

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

International Advisory Board

titled *Memoir of a Trustbuster: A Lifelong Adventure with Japan*, with Eleanor M. Hadley. She earned her BA 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 participates actively in the CJEB Visiting Fellow Seminars.



Shijuro Ogata was a strong supporter and good friend of CJEB from its inception. He was the first professional fellow and served continuously as such until

his unfortunate passing on April 14, 2014. He was the former deputy governor of the Japan Development Bank and the former deputy governor for international relations of the Bank of Japan. He 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. CJEB will always remain grateful for Mr. Ogata's guidance and contributions to the Center.

Shijuro Ogata is survived by his wife, Sadako Ogata, who is also a distinguished leader. Among other positions she served as the UN High Commissioner for Refugees, chairman of the UNICEF Executive Board, president of the Japan International Cooperation Agency, and envoy extraordinary and minister plenipotentiary at the Permanent Mission of Japan to the UN. Prior to that, she had a prominent academic career at Sophia University.



Haruhiko Kuroda and May 15 Tokyo conference audience

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

Shinji Fukukawa

Former Vice Minister, Japanese Ministry of International Trade and Industry
Senior Advisor, Global Industrial and Social Progress Research Institute
Chairman, Board of Trustees, Toyo University

Yotaro Kobayashi

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

Charles D. Lake II

Chairman, Representative in Japan, Aflac Japan; President, Aflac International

Yuzaburo Mogi '61

Honorary CEO and Chairman of the Board, Kikkoman Corporation

Kazuhiro Takeuchi

President and CEO, Sumitomo Corporation of Americas

Joseph G. Tompkins '67

President, Saga Investment Co., Inc.

CJEB in the News

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

Hugh Patrick

Market Liberalization through the TPP
Nikkei Shimbun, July 3, 2013

Global Voice on the Next Stage of Abenomics

Global Debate WISDOM, NHK BS1, July 21, 2013

"On Point with Tom Ashbrook": The New Politics and Economy of Japan
National Public Radio, July 24, 2013

October's Decision Will Determine the Outcome of Abenomics

G2 Magazine 14, September 26, 2013

What Will Japan Do? Preparations for the 2020 Tokyo Olympics

NHK Special, NHK, January 1, 2014

The People of Japan! Assert Yourselves More into the Outside World!

Wedge Magazine, March 6, 2014

From the Economic Forum: The Japanese Economy after the Consumption Tax Increase

Nikkei Shimbun, April 27, 2014

David E. Weinstein

CPI: Noise Pollution at Low Altitudes

The Wall Street Journal, October 31, 2013

Don't Be Overconfident When It Comes to the Consumer Cost of Living

Nikkei Shimbun, December 31, 2013

Interview: This Year Was a Success, but the Risk Is a Contraction in Consumption

Nikkei Business, March 24, 2014

2% Cost of Living Target Is Adequate, Utilizing Women in the Work Force and TPP Implementation

Toyo Keizai, April 12, 2014

From the Economic Forum: The Japanese Economy after the Consumption Tax Increase

Nikkei Shimbun, April 27, 2014

May 15, 2014

Media Coverage from CJEB Tokyo Conference

With Stronger GDP, Yen Remains High and Stocks Low, No Prospects on Japanese Economy after July-September

Asahi Shimbun, May 15, 2014

Nikkei 225 Falls Due to Expectations that Easing Will Decrease Based on Kuroda's Statement

Asahi Shimbun, May 15, 2014

Treasuries Fall First Time in Four Days as Rally Seen Overdone

Bloomberg, May 16, 2014

Bank of Japan's Kuroda: "Many Ways" to Achieve Additional Easing, Japanese Economy's Supply Power Is Decreasing

Bloomberg, May 15, 2014

Temporary Yen Appreciation Due to a Better than Expected GDP, Dollar Slips to 101 Yen

Newsweek Japan, May 15, 2014

BOJ Kuroda: Firms Smoothly Passing on Tax Hike Costs

Reuters, May 15, 2014

BOJ's Kuroda: Correction in Yen Strength Could Slow Shift in Production Overseas

Reuters, May 15, 2014

Must Intensify Supply Power for Growth, Including Labor Force. Now Is the Time for Discussion

Reuters, May 15, 2014

Overcoming Deflation Demonstrates Difficulties in Sustaining Supply Power, Concerns Related to Price Increases Remain

Reuters, May 16, 2014

Toward Overcoming Deflation (Transcript of Governor Kuroda's Speech)

Bank of Japan, May 15, 2014

Some of the titles have been translated from Japanese to English.



Enhancing the MBA Experience



Chazen International Study Tour participants

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

As an annual initiative, CJEB and JBA work together to organize the Chazen International Study Tour to Japan. Led by the Jerome A. Chazen Institute of International Business, the Japan Study Tour sends a group of students for a weeklong trip to 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. Prior to each year's trip, the student trip organizers consult

with CJEB director Professor Hugh Patrick and director for administration Ryoko Ogino on possible company visits and on the overall current state of the Japanese economy.

The 2014 Chazen International Study Tour to Japan took place from March 17 to March 23, with about 40 MBA student participants visiting Tokyo, Kyoto, and Aichi. Joined by CBS professor Yash Kanoria, 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 a traditional sake brewing factory (Gekkeikan), and listened to presentations at Fast Retailing (UNIQLO), Rakuten, and ANA. In Kyoto, they visited historical sites, including the Golden Pavilion, Kiyomizu Temple, and Sanju Sangendo, as well as a traditional

geisha performance. Students spent a night in a traditional Japanese inn with hot springs in Aichi. In Tokyo, they attended a CBS alumni reception, where they listened to a presentation about the Japanese startup environment presented by alumnus Ken Isono.

The CJEB Welcome Reception was held on September 10, 2013, to welcome the CBS community and give CJEB Visiting Fellows, faculty, and staff an opportunity to network with their counterparts in other departments.

In addition, JBA cosponsored CJEB's standing-room-only lunchtime seminar, "Do You Washlet? TOTO's Challenge in Breaking into Mainstream America," on April 17, 2014 (see p. 44).

Enhancing the Columbia Experience

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

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

CJEB also provided support for the CJR's initiatives and activities, such as this year's March 9, 2014, symposium, "Fukushima Three Years Later: Staying Behind Moving Forward," which highlighted the creative responses and the social dialogue that arose as a result of the recent triple disaster (see pp. 36–37).

CJEB supports Columbia University's Japan Study Student Association (JASSA) initiatives throughout the year. CJEB-funded JASSA activities included "Japan's Second Chance' Series: Economic Roundtable," a discussion series featuring various Japanese business professionals and focusing on



JASSA Japan Study Tour participants

the restoration of the Japanese economy. This included "Abenomics and the Japanese Market's Potential," featuring Nobuyuki Saji, chief economist of Mitsubishi UFJ Morgan Stanley Securities, on October 30, 2013 (see p. 38). Additionally, CJEB was an outreach partner for JASSA's event "Challenges and Perspectives for Japan: Is Reconciliation Possible among Neighbors?," featuring Yukio Okamoto, former special advisor to two prime ministers of Japan and 2012–2013 Robert E. Wilhelm Fellow at MIT (see p. 40).

JASSA organizes an annual student-led trip to Japan that is partially supported by CJEB funds, similar to the Chazen International Study Tour to Japan (see p. 52). This year, 29 students from the United States, China, Mexico, Brazil, Canada, India, Italy, Norway, Turkey, and Ecuador participated in the trip and went to Kyoto, Tokyo, and the Tohoku region. The students started in Kyoto, where they participated in cultural activities such as a Buddhist liturgy reading at the Nishi-Honganji Temple and a traditional tea ceremony, followed by visits to the Golden Pavilion, Kiyomizu Temple, and the Gion District. In Tokyo, the students met and spoke with Yasuhisa Shiozaki, former Chief Cabinet

Secretary to Prime Minister Shinzo Abe, and Michio Kitahara from the Bank of Japan's Monetary Affairs Department. Students also visited the Japan Railway Shinkansen Control Center, where they learned about the operations behind the famous high-speed trains. Participants interacted with students from the University of Tokyo's Graduate School of Public Policy, one of SIPA's partner schools, and with SIPA alumni in Tokyo. Participants also discussed various issues such as Japan's role in the international community. Finally, for the first time since JASSA began this annual trip eight years ago, the participating students visited the Tohoku region to observe the reconstruction and recovery efforts since the 2011 earthquake and tsunami disaster. They spoke with the founders of social entrepreneurship nonprofit organizations Asuiku and World in Asia, as well as the vice mayor of Rikuzentakata City and its global public relations director. They also heard from leaders of small businesses such as a fishcake factory in Onagawa, an old established soy sauce brewery, a local start-up creating custom-made sweaters, and the editorial chief of a regional newspaper.

Visits from Japan to Columbia



JASSA Japan Study Tour

Groups of Japanese undergraduate and graduate students often visit CJEB during their tours of the East Coast. In 2013-2014, five groups from Bunkyo University, Chuo University, Komazawa University, Meiji University, and Wako University came to Columbia University. Each group met with Professor Patrick, who made a brief introduction and fielded questions. Discussion topics included Abenomics, continuities and changes in Japanese politics, TPP negotiations, immigration, women's workplace challenges, challenges presented by Japan's aging population, and attitudes toward foreign study and employment.

Fellowship and Scholarship Programs

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

The **CJEB Doctoral Fellowship** was established in 2013 to support PhD students at CBS and/or Columbia's Department of Economics who plan to develop Japan expertise, culminating in dissertations focused primarily on Japan. The Center awarded two CJEB Doctoral Fellowships in fall 2013: one to Guannan (Jackson) Lu in the Management Division of CBS, and one to Misaki Matsumura in the Economics Department. **CJEB Doctoral Research Grants and Summer Stipends** are also available to PhD students at CBS or the Department of Economics who wish to pursue Japan-related research projects or language training programs. The Center was pleased to award one Graduate Research

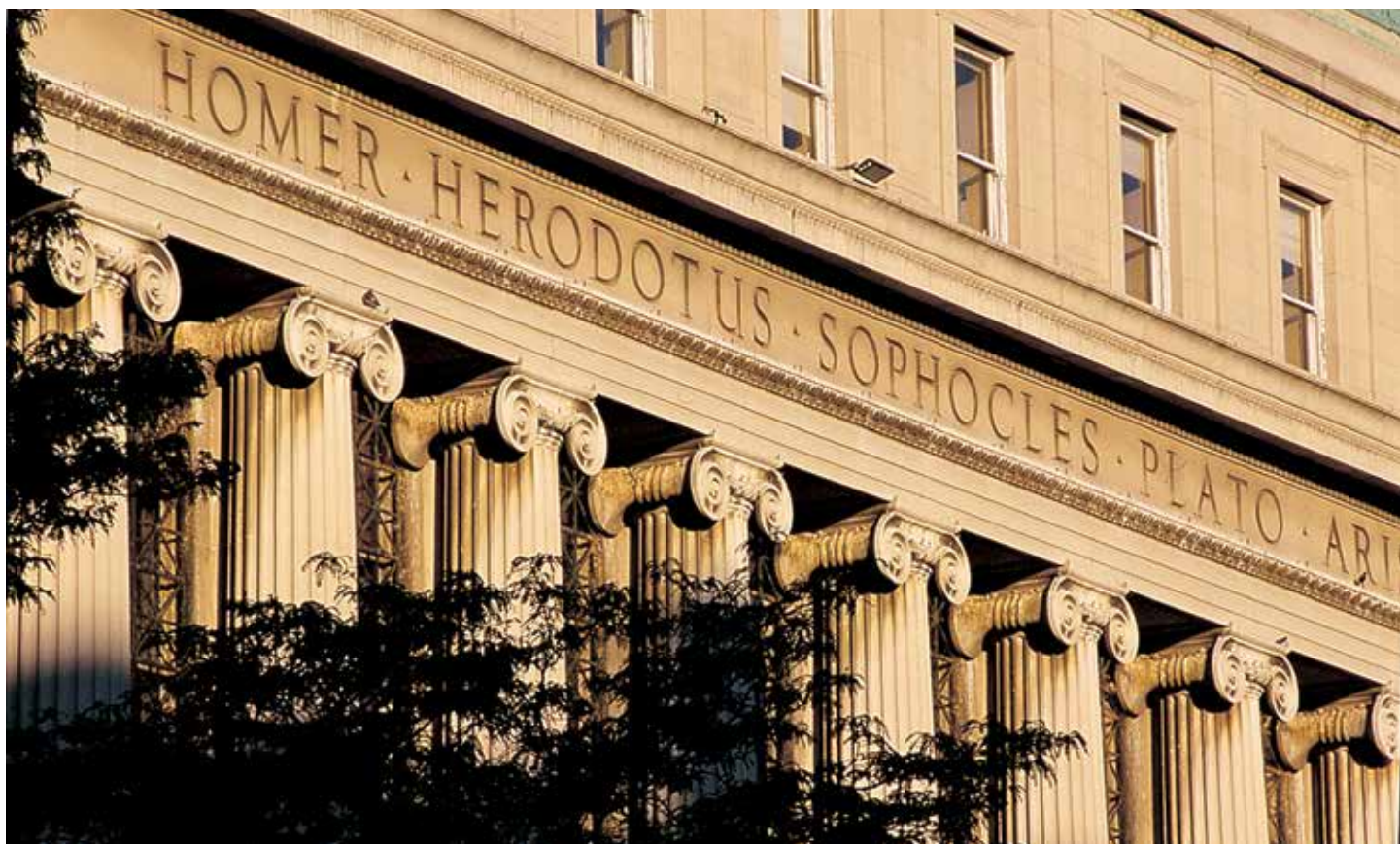
Grant in summer 2013 to Sakai Ando in the Economics Department. In summer 2014, CJEB awarded two Graduate Research Grants to Sungyong Chang of CBS and to Misaki Matsumura and Yoon Joo Jo in the Economics Department.

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

The **Mitsubishi UFJ Trust Scholarship Foundation** provides one Columbia University student each year with tuition and living expenses for a program of either undergraduate or graduate study in Japan. CJEB conducts a University-wide competition on behalf of the Foundation to nominate a student. The scholarship recipient for 2013-2014 was Nicolle A. Konai, MPA candidate at SIPA.



Library and Data Resources



Columbia University is home to one of the largest collections of Japanese- and English-language materials in the United States. CJEB evaluates Columbia University library resources and commits funding to procure new materials on Japan and the Asia-Pacific economies. CJEB also maintains a small working collection of materials on the Japanese and Asia-Pacific economies, including statistical resources, academic journals, and periodicals.

In addition, the Center continues to develop its extensive database on the Japanese economy, with an emphasis on financial markets, under the direction of Professor David E. Weinstein. The database is a compilation of statistical resources for faculty

members and students conducting relevant research.

CJEB's database includes:

- Time-series and cross-section data on financial markets, institutions, and the macroeconomy from Nikkei NEEDS Financial QUEST 2.0 and the Development Bank of Japan's Industrial Financial Database
- An online news and data retrieval system that provides essential corporate and economic data as well as leading newspaper and journal articles on Japanese and other Asia-Pacific economies from Nikkei Telecom, which is accessible via Columbia University Libraries (CLIO).

Other data resources:

- CJEB Research Associate and Professor at The University of Tokyo Tsutomu Watanabe (along with Kota Watanabe of Chuo University and The University of Tokyo) launched the UTokyo Daily Price Index project in May 2013, which measures and publishes the consumer inflation rate on a daily basis.

Discussion Groups

Japan Economic Seminar

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

This year, the JES was held on February 28, 2014, and was moderated by Professors Ito and Weinstein. The following papers were discussed:

"Good Jobs, Bad Jobs, and the Great Recession: Lessons from Japan's Lost Decade"

Presenters: Ryo Kambayashi, Associate Professor, Institute of Economic Research, Hitotsubashi University; Takao Kato, W. S. Schupf Professor of Economics and Far Eastern Studies, Department of Economics, Colgate University

Discussants: Hiroaki Miyamoto, Professor, Graduate School of International Relations, International University of Japan and the University of Tokyo; Aysegul Sahin, Assistant Vice President, Macroeconomic and Monetary Studies Function, Federal Reserve Bank of New York

Estimating Daily Inflation Using Scanner Data: A Progress Report

Presenter: Tsutomu Watanabe, Professor,

Graduate School of Economics, Graduate School of Public Policy, University of Tokyo (coauthor: Kota Watanabe, Professor, Chuo University)

Discussants: Jessie Handbury, Assistant Professor of Real Estate, Wharton School of Business; Naohito Abe, Professor, Institute of Economic Research, Hitotsubashi University

Monetary Policy Discussion Group

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

U.S.-Japan Discussion Group

Shortly before CJEB was founded, the then CEO of Sumitomo Corporation of Americas and Professor Patrick took the initiative in organizing, on a private, individual basis, an evening discussion group of senior Japanese and American businessmen and professionals living in the New York area. The group continues to convene to discuss frankly and informally—and off the record—issues and prospects in U.S.-Japan business, economic and political relations. Kazuhiro Takeuchi, the current CEO of Sumitomo Corporation of Americas, and Hugh Patrick are the co-organizers of this group. The members come from the business and financial communities, together with several specialists on Japan from the Columbia University faculty. The group avoids identification with any particular companies or groups and meets twice in the

fall and spring for dinner and discussion. Topics of discussion for 2013–14 included the prospects for Abenomics and the implementation of its “third arrow” as part of Japan’s growth strategy, demographic concerns related to Japan, Japanese and American immigration and labor policies, U.S. fiscal and budgetary policy, U.S. economic recovery, and the Trans-Pacific Partnership agreement.

Financial Support

Columbia University and Columbia Business School (CBS) 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 Americas made an initial significant contribution that enabled the Center to be established in 1986 and has continued to be a major Center donor. The Center also greatly appreciates and benefits from the income derived from the generous endowments funded by Fuji Xerox Co., Ltd., Sanken Industrial Policy Research Institute,

the Marine and Fire Insurance Association, the Federation of Bankers Association, the Security Dealers Association, the Life Insurance Association, and Mitsubishi UFJ Trust and Banking Corporation during the first years of the Center's establishment at CBS.

The Center was delighted to hold the Special Luncheon for Corporate Sponsors to thank our sponsors for their continued support on Friday, May 16, 2014, at the Hotel New Otani Tokyo.

Corporate Sponsorship Program

Sponsors for the year 2013-2014 are as follows:

Lead Corporate Sponsor

(\$100,000+ annually)

Sumitomo Corporation of Americas

Senior Corporate Sponsors

(\$50,000+ annually)

Advantage Partners, LLP

Mitsubishi UFJ Trust and Banking Corporation

Tokai Tokyo Securities Co., Ltd.*

Major Corporate Sponsors

(\$25,000+ annually)

Daiwa Capital Markets America Inc.

Kikkoman Corporation

Research Institute of Public Management, Ltd.*

Ricoh Co., Ltd.

SMBC

Takata Corporation

Tsuchiya Co., Ltd.

Corporate Sponsors

(\$10,000+ annually)

Aflac Japan

Fuji Xerox Co., Ltd.

Imuta and Associates

ITO Corporation

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

Minebea Co., Ltd.*

Mitsubishi Corporation (Americas)

Mitsui Sumitomo Insurance Co., Ltd.*

Mitsui USA Foundation

Mori Building Co., Ltd.

Nikkei Inc.*

Nomura America Foundation

Saga Investment Co., Inc.

Sumitomo Mitsui Trust Bank, Ltd.

Toho Technology Corporation

Yaskawa Electric Corporation

Individual Sponsor

(\$10,000+ annually)

Robert Alan Feldman

Friends of the Center

(up to \$9,999 annually)

Miyoko Davey

Hiroko and Satoru Murase

Tsunao Nakamura

Hugh Patrick

Sadao Taura

* Regularly sends Visiting Fellows



所長及び研究所長からのご挨拶

親愛なる皆様へ

日本経済経営研究所(CJEB—Center on Japanese Economy and Business)は、日米関係に重点を置きながら、日本国内や東アジア、そして国際的視点から日本経済とそのビジネス構造への理解を深めるという使命の下、1986年にコロンビア大学ビジネススクールにて設立されました。CJEBにおける重要なミッションは、以下の2点によって成し遂げられる日本のビジネス構造や経済問題についての意見交換を行うプラットフォームの構築です。まず、日本のビジネスや政府、学会のリーダーをコロンビア大学へお招きし、彼らの持つ重要な視点や考えをコロンビアやニューヨークのコミュニティへ共有することです。次に、会議や研究活動、その他のプロジェクトを通じてアメリカや国際的な視点や考えを日本へ投げかけることです。

過去28年間に、日本やアメリカを含む世界中が変化し続ける中、当研究所はその使命を遂行するために発展し、成長し、進化し続けられるような、興味深い課題に取り組んでいます。かつて、コロンビア大学の他に、ハーバード大学やイエール大学、ミシガン大学やスタンフォード大学らが、日本経済の専門家を有する主要な他機関として挙げられました。しかし、我々の競合大学は、彼らが退職した後、新たな専門家を雇うことをしませんでした。現在、コロンビアはアメリカの主要研究大学において、唯一経済学部又はビジネススクールに日本経済の専門家を有しています。コロンビアは、引き続き本分野へ強く関わっていきます。何故なら、世界第三位の経済大国である日本は、アメリカ及び世界において本質的に重要であるからです。当研究所は、日本に焦点を絞った公開プログラム、研究プロジェクト、学生や教職のサポートといった活発且つ多様な活動を精力的に行い続けていることに誇りを持っています。

2013~2014年度、CJEBは様々な講義やシンポジウム、会議を開催し成功を収めました。2014年5月15日には、東京にて年次カンファレンスを行い、基調講演に日本銀行の黒田東彦総裁及びピーターソン国際経済研究所のアダム・ポーゼン所長をお迎えしました。本カンファレンスは、「日本経済の復活」をテーマとし、他多くの著名なパネリストをお招きし、主要メディアの記者達によって取材されました。より詳細な内容については、29ページをご確認ください。

2014年7月31日及び8月1日には、東京にて毎年恒例の日本プロジェクト会議を共催しました。デイビッド・ワインスタイン教授と共に、全米経済研究所、東京大学金融教育研究センター、オーストラリア国立大学公共政策クロフォード・スクールのオーストラリアー日本リサーチセンターが主導したものです。本リサーチ・カンファレンスにはコロンビア大学ビジネススクール学長であるグレン・ハバード教授を含む著名なスピーカーが参加し、「日本経済の接続的成長のために」という題で、内閣府が主催したESRI国際会議と併せて開催されました。日本プロジェクト会議及びESRI会議の詳細については29ページをご覧ください。

2013~2014年度における特筆すべき学内公開イベントとして、以下が挙げられます。9月に行われたジェラルド・カーティス教授による日本政治に関する第9回目の講演会「安倍首相と自民党の復活。次の一手は?」。10月に行われた「国家の企業経営への介入とその是非:日本、米国、中国」に関する会議。2014年2月に実施した、駐米大使である佐々江賢一郎氏による講義「日本と世界」。4月に開催した、米国三井物産財団にご支援頂いている第15回三井シンポジウム「How to buy Japan:グローバル経済における日本のプライベート・エクイティの現状」。CJEBが昼食時に開催する「座談会セミナー」には引き続き多くの皆様にご出席頂いています。ビジネスや政府、学会において著名である講演者が、コロンビア大学の学生やニューヨークにおける専門家のコミュニティと非公式に会し、知見を共有する場となっています。2013~2014年度の座談会スピーカーには、北米伊藤園の社長兼CEOである本庄洋介氏、東京大学教授の伊藤隆俊氏、北米大和証券キャピタル・マーケットツ会長兼CEOの田代佳子氏、日本銀行政策委員会審

議委員である白井さゆり氏、TOTO アメリカホールディングスの社長兼 CEO である野方大二郎氏らをお招きしました。CJEB のイベントに関する詳細な情報は、28 ページ以降をご参照ください。

コロンビア大学のような世界的な研究機関に期待される通り、CJEB の主要な使命の一つは、日本経済、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で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 は稀有な存在です。今後もワインスタイン教授の指導の下、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、更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。(ワインスタインの研究活動については、17 ページをご参照ください。)

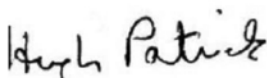
CJEB の研究活動の一環として、2013 年秋にコロンビアにて学業を開始する学生を対象に、CJEB 博士課程給付奨学金の授与を行いました。本奨学金制度は、コロンビア大学ビジネススクールまたは経済学部において、日本を専門とし、主に日本に関する論文を執筆する博士課程の学生を対象としています。日本経済、ビジネス、経営システムを研究する次世代の専門家を発掘し、育成することの必要性に基づき、当研究所はこの構想に取り組んできました。この奨学金制度は、CJEB の博士課程研究助成金(グラント)や夏の給付金(スタイペンド)と併せ、当研究所がコロンビア大学の学生を支援する手段の一部です。当研究所では、この奨学金制度の一層の発展のため、積極的に資金調達活動を行っていきます。

本年度の客員研究員プログラムも成功のもとに終了致しました。本プログラムでは、産学官各界から選出された研究員が、毎年コロンビア大学ビジネススクールに一定の期間在籍し、それぞれ独自の研究を行います。従来通り、2013~2014 年の客員研究員(46 ページ参照)は、CJEB の研究会合に出席し、研究成果を発表し、セミナーや公開イベントに参加し、講義を聴講しました。客員研究員は、CJEB とコロンビア大学ビジネススクールにおいて重要な役割を引き続き担っていきます。

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

研究所の運営面では、CJEB にて 4 年半の間多大な貢献をした後、ベンチャー企業の立ち上げのために退職した長谷川キャロラインの後任として、荻野僚子が CJEB の事務所に就任した事を大変嬉しく思います。

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



ヒュー・パトリック
所長



デイビッド・ワインスタイン
研究所長

(ご講演者の皆様のご所属・お役職等は、ご講演当時のものです。)

日本経済とアベノミクス:その成果と持続可能性の評価

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

翻訳

平尾光司

昭和女子大学 学事顧問 特任教授 (グローバルビジネス学部)

信金中央金庫 金融研究アドバイザー

はじめに

2014年9月までの1年間の日本経済の状況の評価には3つの重要なポイントがある。第一にはアベノミクスの実績である。第二は2008—2009年にかけてのグローバル不況からの日本経済の目覚ましではないが着実な回復である。第三には4月1日に実施された消費税の5%から8%への引き上げである。これは短期的なGDP成長率に大きな影響を与えている。

2012年の総選挙によって自民党は国会の衆参両院の多数を占めるにいたった。日本の有権者はそれまでの20年間の停滞から脱却する積極的で力強い政治のリーダーシップを求めたからである。安倍首相は自分が安定したリーダーになることを求め、そのための手段としてアベノミクスを展開した。次の総選挙は2016年半ばに予定されている。もし日本の政治情勢とアベノミクスが順調に推移すれば安倍首相は政権を維持して、自民党総裁の任期が終了する2018年まで首相の座を占めることになる。これは安倍政権にとって短期的な日本経済の課題に対処するだけでなく長期的な、基本的な問題に意欲的に取り組む絶好の機会となる。

2012年の総選挙以来、日本国民の気持ちの持ち方(マインドセット)が諦めから前向きに変わってきた。つまり、若干の懸念を持ちながらも日本に期待と希望が甦ってきたのである。この国民の気持ちの変化をとらえて安倍首相は日本の再生への取り組みを強調している。9月3日に発表した最初の内閣改造人事で経済の構造改革に取り組む決意をあらためて強調した。一つの大きなリスクは政治・安全保障政策である。中国・韓国との関係の改善に経済再生に向けた努力ほどには意欲的に取り組んでいるようには見えなく、かつ改善の目途がついていないことである。

アベノミクスに盛り込まれた目標は日本の自信と誇りの回復であり、国際社会で尊敬される国としての地位の確保である。経済政策の一連の目標が明確にされ、6月24日に内閣の経済活性化、成長戦略として発表された。目的はアジアと世界の平和のために建設的に貢献して国際問題における日本の存在感を高めることである。人口減少問題に対しては50年以内に人口を1億人のレベルに安定させることである。言い換えれば過去20年間の経済停滞から脱却し、内向きになった日本の消極的平和主義を克服し、人口減少に歯止めをかけることが政策目標となっている。

「日本経済とアベノミクス:その成果と持続可能性の評価」

本論文は日本経済とアベノミクスを対象としており、安全保障問題、外交政策を対象としていない。しかし、安倍首相が述べているように経済的現実主義とイデオロギーの目標の二つの問題は密接に関連している。日本国民の誇りを高めるために安倍首相は日本の過去の植民地支配、第二次世界大戦、“慰安婦問題”について実際の証拠と整合しない見解を明らかにしている。この結果、多くの中国、韓国と日本国民の間に安倍首相の究極的な意図と目標についての疑心を抱かせる結果になっている。安倍首相は国民の広汎な支持と近隣諸国との注意深いバランスが必要である。これまでのところ安倍首相はこの点については適切に行動していないように見える。

アベノミクスは日本経済の直面する多面的な問題に多角的に取り組む政策として設計されている。アベノミクスの 3 本の矢の目標は明確である。つまり、財政政策(政府の責任範囲)、金融政策(日銀の責任範囲)および構造改革(民間、政府の共同責任)の 3 本の矢からなっている。

その目標も明確である。まず物価の安定である。デフレに代わって消費者物価の 2%上昇を期間を定めずに目標とする。次に弾力的な財政政策である。財政支出による適切な国内の需要水準の維持と巨額な財政赤字削減の目標の難しいバランスを達成して政府債務の対 GDP 比率の低下を図る。そして、構造改革における政府の役割は規制緩和や成長阻害要因の撤廃により、イノベーションの促進、民間設備投資の増加、女性などの労働力の供給増加、民間消費の刺激を目指すことである。

アベノミクスは最初の段階では一定の成功をおさめた。スタート時点での興奮に満ちた高揚感と大きな期待・楽観は消えつつある。しかし、アベノミクスを失敗と判断するにはまだ早過ぎる。アベノミクスには即効性は期待出来ない。その実効が上がるには時間が必要である。金融政策はデフレを抑え込むことには成功したが消費者物価を年率 2%の上昇を達成し、それを維持することは至難の課題である。財政政策の課題も大きい。財政の安定化には十分な民間投資と民間消費の増加が必要である。経済成長を実現するための構造改革には多様な政策措置が必要であり、1 本の矢でなく無数の小さな投げ矢(ダーツ)が必要である。安倍内閣の成長戦略の基本目標は日本の活性化と前向きにリスクをとるケインズ的なアニマルスピリッツ(活力に満ちた企業家精神)の回復である。政府が 6 月 24 日に発表した経済再生・成長戦略はアベノミクスの第 3 の矢の内容を示しており、今後の重要な長期成長戦略の内容を説明している。これは数年間の短期的な政策措置ではなく数十年かかるような主要な経済・社会的目標を設定している。その意味で 2013 年に発表された成長戦略よりも明確であり信頼性が高いと評価できる。

安倍内閣の差し迫った課題は消費税増税で失速した経済をいかに早く円滑に回復させるかである。安倍首相は年末から来年初めにかけて重要な政策決定を実行しなければならない。2014 年の第 2 四半期の経済の落ち込みは厳しいものであった。直近の経済データによると第 3 四半期の 4.1%という成長率の回復予想も実現は期待出来そうもない。第 4 四半期の回復に期待が先延ばしになっている。

これから 6 か月の間に安倍首相は重要な決断に迫られる。その中でもっとも重要な課題は 2015 年 10 月に予定されている消費税の 2%増税の可否である。11 月 17 日に発表が予定されている GDP の第 3 四半期の実績が失望的な数字であれば安倍首相は決定を来年初めに延期するであろう。筆者は消費税増税が実施されると予想する。TPP 交渉は日本にとって国内的にも国際関係においても重要な課題である。さらに法人税減税は財政ニュートラルの原則を守るとすれば他の税源の増税が必要になってくるので難しい判断・決断に迫られる。

次の章では昨年の日本経済の回顧を行う。次にアベノミクスの主要な課題、特に成長戦略とその対外関係における意義を検討する。

2013 年経済の回顧

2013 年の日本経済は良好な成果を実現できた。GDP 成長率は 1.5%と潜在成長率の上限を達成した。そして経済の需給ギャップは大幅に縮小した。コア CPI(生鮮食料品を除く)は 2013 年第 2 四半期にはプラスとなり、年末には 1.3%で上昇した。失業率は改善を続けて年末の失業率は 3.7%と完全雇用水準である 3.3-3.5%に近づいている。しかし現金給与総額は横ばいで消費者物価が上昇したために実質賃金はわずかに低下した。日本の 2008-9 年のリーマンショックからの回復は急速ではないが着実に進んでいた。

対照的に 2014 年は 4 月の消費税の 5%から 8%への引き上げによって波乱含みの年になった。消費税の 8%への引き上げは GDP ベースの需要を 1.5%引き下げるインパクトがある。驚く事ではないが第 1 四半期には 4 月からの増税に備えて消費者が買いためや耐久消費財の前倒し購入に走ったために駆け込み需要が発生し、GDP は年率 6.0 %と大きく成長した。しかし第 2 四半期にはその反動で 9 月 8 日に発表された暫定値では 7.1%のマイナス成長となった。

したがって GDP 成長率は暦年ベースと年度ベースとでは大きな相違が発生する。暦年ベースの成長率は 2013 年の実績値が 1.5% 2014 年の予想は 0.8%である。会計年度ベースでは 2013 年度の実績値が 2.3%、2014 年度の予想値はほぼ 0%と予想されている。

経済生産活動は昨年ほとんど横ばいであった。円・ドルの為替レートが 80 円から 108 円へと急速な円安が進んだにもかかわらず輸出数量はアジアと世界全体の需要の成長鈍化(と企業の生産基地の海外移転)によって停滞している。企業収益は好調である。特に輸出企業はドル建てベースでの輸出価格を円安に見合うほど引き下げていないので収益が急増している。他方、原油、液化天然ガス、食料、その他輸入品の円建て価格は上昇している。

雇用環境は基本的には良好であるが日本的な雇用問題は複雑である。失業率は 3.7%と低水準にあるものの多くの非正規労働者は正規労働者への転換を希望している。正規労働者の雇用は若干増加したが非正規労働者の雇用増加が大きい。非正規労働者の賃金は正規労働者の賃金を大きく下回っている。経団連は 2014 年の春闘の結果として賃金は 2.24%増加したと報告している。これは過去数年の平均の 1.8%を上回っている。これは年功型賃金の年功分の上昇によるものであり、初任給レベルの上昇によるものではない。7 月の賃金支払い総額はボーナスが 7.1%も上昇したために増加した。これまでの日本の現金給与総額はパートタイマー、契約社員の構成比が上昇したことから増加していない。消費税増税の影響を除くと賃金は消費者物価の上昇にほぼ等しい。このために実質賃金はほぼ横ばいといえる。しかし、消費税増税を考慮すると実質賃金は年率 1.4%で減少している。この減少は増税効果が吸収されるにつれて一時的な影響に止まろう。

アベノミクス:マクロ経済政策

デフレからの脱却と財政赤字の削減を可能にするように民間総需要を十分な水準で維持することは

マクロ経済政策の主要な二つの課題である。

日本銀行はデフレに歯止めをかけるのに成功している。コア消費者物価指数(生鮮食品を除く)は2013年春にプラスに転じ、2014年の3月には1.3%の上昇と改善した。消費税引き上げは消費者物価を2%引き上げた。増税効果を除いてもコア消費者物価指数は8月には1.1%上昇した。インフレは一時的には落ち着くがふたたび上昇しよう。民間エコノミストによると消費者物価は来年とそれ以降も1.5%ほど上昇すると予想されている。日銀は2%のインフレターゲットは2015年までに達成されるという楽観的な予想をしている。いずれにせよ黒田日銀総裁のインフレ・ターゲットの目標を実現するという決意は強固であり、緩和措置を動員してでもインフレ・ターゲットは達成されよう。

日銀は現在の超低金利を今後2年間は維持し続けると予想される。筆者はインフレ水準が1%以下になったり、GDP成長率が急速に低下したり、円高が進展したりする等の事態が発生しない限り追加的な金融緩和措置が実施されるとは考えない。来年の春になれば追加的な金融緩和の必要性の有無が明らかになるであろう。

2014年度の歳入は54.6兆円で一般会計予算の95.9兆円の57%しかカバーしない。そのギャップは国債発行に依存する。2013年の財政赤字はGDP比8.4%であった。この比率は今年も大きく低下することは期待できない。2014年2月の補正予算5.5兆円により2014年の政府支出は101兆円となる。財務省は7月に2015年度の予算は本年度並みの101.7兆円という予算編成方針を打ち出している。

当面の財政問題は日本経済が4月の消費税の8%への引き上げのショックを吸収するかである。これによって2015年10月に予定されている2%引き上げについての安倍首相の決断に大きな影響を及ぼし、2015年度予算が拡大型か収縮型のどちらになるかも左右しよう。2014年度末の政府総債務はGDP比230%に達し、純債務も143%になると予想されている。この比率はさらに今後上昇しよう。

政府は成長にとって必要な民需を確保しながら、財政のプライマリー・バランスを2020年までに達成し、次いでGDP債務比率を低下させることを目標としている。これは難しい課題である。なぜならば目標達成のためには消費税の20%以上の引き上げと年金給付の引き下げを同時に実施しなければならないからである。これは政治的に難しい課題である。

10年物国債の利回りは0.75%を下回っている。8月下旬には0.5%を記録した。消費者物価上昇率が最低でも1%に達するので実質金利のマイナスは当面持続する。しかし、長期的に見ればこのような状況は持続不可能である。ある時点で長期国債利回りは上昇し、国債価格は低下しよう。債券市場の危機を回避するためにこの国債管理が大きな課題である。

アベノミクス：構造改革と成長

アベノミクスの基本的目標は日本が完全雇用の下で長期的な安定成長を実現することである。そのために潜在成長率を現在の0.5-1%から引き上げる必要がある。2013年-2022年の10年間の成長目標である2%はきわめて楽観的な見通しである。なぜならば労働力が毎年0.5%減少しているので一人当たりの生産性は2.5%上昇する必要があるからである。

成長戦略は明確で常識的な内容である。つまり、イノベーション・技術進歩の促進、労働力・資本の活用、マクロ需要の維持が戦略の柱である。経済成長は民間部門の活性化とイノベーションの展開に依存するからである。

アベノミクスに対する一般的な懸念は構造改革がどこまで実行できるかである。この懸念は筆者も共有する。安倍首相はすべての分野を活性化しようとしている。革新的な提言をまとめるために多くの審議会・委員会を創設してきた。そして革新的な提案を実行するための障害を徹底的に除去し、規制緩和を推進し、構造改革を実行すると公言している。しかし、提案されている多くの改革は反対意見も強くメディアや国会で論議を巻き起こしている。多くの政府の改革推進措置は税制上の優遇を伴うので、財政難の中では“抜け穴”と見做されて立法には抵抗が強い。

構造改革のいくつかは実施に移されているものもあるが多くは年末から来年にかけて実施段階に入る。構造改革はその効果が目にみえるまで数年は要する。したがって安倍首相の構造改革への取り組み努力を批判するのは時期過早であり、その成果を短期間で評価するのも難しい。

6月24日に発表された成長戦略と経済再興プランでは重要度と質が異なる10の分野と249の政策項目を掲げている。これらの提案項目は三つのテーマに大別される。

第一にそしてもっとも総合的なテーマは企業の収益力(ROI＝投資収益率)の向上である。そのために法人税減税、企業ガバナンスの向上、産業再編の促進、イノベーションの推進、公的年金・政府ファンドの運用利回りの改善が必要になる。第二は人的資源の拡大である。このために女性の労働力活用、企業のワークスタイルの改革、外国人労働者の雇用の慎重な増加などが提案されている。第三には主要な産業の改革と再編である。これには農業と医療・介護の分野の改革、中小企業の転換支援、地方経済の再生が含まれる。

労働力が減少するのでイノベーションと労働生産性の向上が至上課題である。政府は大学と企業の研究開発活動における産学連携の弱さを改善しようとしている。政府は「ロボット革命」のための審議会を設立しようとしているが、政府の基礎的研究開発資金の大幅な増額は見通しが立っていない。企業は研究開発をコスト・ベネフィットの観点で評価するので上手くいく見通しは難しい。

先進国では研究開発費がGDP比1%増加すると労働生産性は0.4%上昇すると推計されている。これを適用すると労働生産性が2.5%上昇するためには日本は研究開発費のGDP比率を現在の3.3%から6.5%と大幅に引き上げる必要になる。この増加は民間部門の負担となる。現在の政府の研究開発費は政府支出のわずか0.5%しか占めていない。

日本は世界でもっとも教育水準が高く、熟練し、忠誠心の高い労働力を有している。しかし、その生産労働者総数は減少を続けている。この傾向は今後も続くことは否定できない。日本の失業率は景気後退の時期にあっても欧米各国よりもはるかに低かった。現在の失業率は完全雇用に近い3.3%から3.5%の水準にある。労働市場における求人需要は強く有効求人倍率は1.1倍と1992年以来の高水準である。しかし、正規労働者の有効求人倍率は0.7倍に止まっている。これに対して契約社員、パートタイマー、日雇いなどの非正規労働者の有効求人倍率は1.8倍である。非正規労働者は正規労働者と比べると基本給、福利厚生費や身分保障など雇用条件で大きな格差がある。

労働市場はかなり不完全で二重構造になっており労働力が適切に配分されていない。日本の労働者全体の約三分の二が正規フルタイムで安定した身分にある。しかし36%は非正規労働者でこの比率は近年上昇を続けている。しかし、最近の安倍首相の発言によると過去3年間に100万人の非正規労働者が正規労働者に身分転換している。

建設労働者の不足がもっとも深刻なミスマッチの状態にあり、全労働者に対する労働者不足率は2014年6月には3.4%となっている。コンビニエンス・ストア、外食産業の労働市場での非正規・低賃金

労働者の需給は逼迫しており、賃金上昇への望ましい圧力が強まっている。

アベノミクスは労働市場の改革を構造改革の三つの優先分野の一つに位置付けている。その中には女性の労働市場参加、企業での働き方の柔軟性、外国人労働者の漸増が大きな柱になっている。ウーマノミクスを除くと労働市場の改革はこれまでのところ大きな動きは見られない。そして筆者には安倍首相が労働市場の全面的な改革に真剣に取り組んでいるようには見えない。

女性の労働市場参加の増加は重要である。この問題では多くの改革が実施されている。安倍首相が就任してから女性就業者数は 82 万人増加した。日本の女性就業率は 62.4%で OECD の平均である。しかし、日本の女性の 30-44 歳の年齢層の就業率はアメリカと比較して大幅に下回っている。

安倍首相は既婚女性の労働市場への参加率を引き上げるために保育所、子供園などを増加させる、主婦の賃金所得について課税方式を改正するなど多くの対策をスタートしている。最終目標は第一子が誕生してから女性の再就業の比率を 2010 年の 38%から 2020 年に 73%に引き上げ、25 歳-44 歳の年齢層の女性の就業率を 68%から 73%に引き上げるというものである。しかし、これに成功しても労働力総人口の減少にはささやかな歯止めにはかならないであろう。

移民抑制政策によって日本では外国人労働者の数は少ない。この状況が大きく変わるとは予想されない。2012 年現在の永住外国人の数は 200 万人である。日本生まれの在日韓国人を除くと合法的に就業している外国人労働者は約 71 万 4 千人で全労働力の 1.1%を占めている。そのうち約 32 万人が中南米からの日系人労働者である。15 万人が中国からの未熟練労働者の研修生である。さらに 20 万人がパートタイムで働いている外国人留学生である。5 万人ほどが不法就業外国人でビザが失効している留学生と移民労働者である。日本のメディアが移民労働者の問題を報道するときは訓練生や研修プログラムで来日した労働者のことであり、永住移民労働者のことではない。

日本は高い能力を有する経営幹部、技術者、専門家など高度専門人材を海外から招致しようとしている。しかし、諸外国も同じ努力をしており人材獲得競争はきびしい。日本語が大きな障害となっている。低賃金の未熟練労働者の需要に対応するために日本政府は研修期間を 3 年から 5 年に延長して、年間の研修参加者を 2012 年の 85,872 名から大幅に引き上げることを目指している。しかし、20 万人以上まで増加させることは難しいであろう。また日本政府は外国人研修制度について厳しい監督が必要である。2012 年には 79%の企業が研修生の労働基準法で定められた。権利を守っていないと報告されている。研修生の労働条件の目に余るほどの劣悪なケースがみられる。このため契約期間が終了すると殆どの研修生が帰国してしまう。

安倍首相の極めて野心的で超長期的な人口目標は 2100 年までに移民増加なしで総人口を 1 億人に定常させるというものである。この実現のためには子育て支援制度、家族価値と目的の強化および強力な社会・経済的支援の環境が必要である。子育て支援制度の強化によってフランス、フィンランド、スウェーデンでは出生率が上昇した。しかし人口減少を食い止めるまでにはいたっていない。日本で大きな出生率上昇は難しい課題である。

日本の家庭が子供をより多く持ちたいと思うようになると仮定してもタイミングが重要である。日本経済研究センターの予測によれば出生率が 2050 年までに 2.07 にまで上昇すれば日本の総人口は 2100 年には 9 千万人で安定する。しかし出生率上昇のタイミングが異なる予測によれば 2100 年の総人口は 8 千万人と 1950 年の人口水準にほぼ等しい水準まで減少する。

戦略部門

2014 年 6 月に政府の規制改革会議は 230 項目の規制緩和措置を提案した。規制緩和は特に 3 つの戦略部門である電力、医療、農業に焦点を当てている。

10 電力は発電、送電、配電の 3 業務を 2016 年から分離を開始する。電力市場ではすでに新規参入者によって競争的市場が形成されつつある。政府は再生エネルギーの買い取り価格を引き下げているが依然として多額の補助金を供与している。この補助金は太陽光発電と風力発電が対象となっているがまだ石炭、天然ガスを代替するには至っていない。すべての原子力発電所が運転停止しているので 90%の電力源が火力発電になっている。高価格の液化天然ガスの輸入が急増しており、今後も主要なエネルギー源と予想されている。

2014 年 4 月に発表されたエネルギー基本計画は「原子力への依存を可能な限り引き下げる」とし、一方では政府の策定した新しい原子力安全基準を満たす原子力発電所の運転再開を支援している。日本国民は福島原発事故によって原子力発電所の安全性について懸念を強めており、大気汚染による死亡やその他の健康リスクよりも放射能汚染リスクを経済的なコストの検証無しで懸念している。

原子力規制委員会は 9 月初めに九州の二つの原発の稼働再開を認可した。しかし、地元の自治体の了承を得るのはこれからである。メディアの報道では安倍首相は年末までに最終結論を出す予想されている。首相は安全基準を満たす原発の運転再開を強く支持しているのでその結論は前向きなものとなろう。電力会社は 20 の原子力発電所の運転再開を申請しているが運転再開には数年は要しよう。残りの 28 の運転可能な原子力発電所はコスト、立地要因から運転再開は困難と考える。

農業はマクロ経済的にみればもはや大きな産業部門ではない。GDP の 1.2%、就業者の 3.8%を占めるに過ぎないからである。しかし、農業改革は政治的には常に大きな問題であった。農業は日本の経済・社会の課題をすべて内包している。つまり、高齢化、生産性の低さ、全国農業協同組合連合会(全農)という中央組織による独占、長期間の人口減少などが深刻である。

アベノミクスでは農家の所得倍増と農村地域社会の増加を打ち出しているがそれをどのようにいつまでに実現するかを何も説明していない。政府はすでに従来のコメの生産割当制度を 2018 年までに撤廃してコメの生産を市場に連動させることを発表している。安倍政権の農業における規制緩和策には農地の集約、野菜・果物の生産、非中央集権化した全農と単位農協による提供サービスの多様化が含まれている。

日本の専業農家は 160 万で家族総数は 450 万人である。専業農家の平均耕作面積は 4.8 エーカーに過ぎない。農民の平均年齢は 65 歳である。耕作面積 12.3 エーカー以下の 88.6 万の農家は農業外収入が農業収入よりも多い第 2 種兼業農家である。耕作面積が 35 エーカー以上の大規模農家では所得が 1100 万円以上に達している。農業収入が農業外収入を上回っている。日本の農家の技術は優れており、農業機械も十分に装備している。農地生産性は高いが農民一人当たりの生産性は低い。農業組織の大きな変化は農業生産法人の増加である。農業生産法人は農地を提供する農家が半分出資して、農家以外の投資家が半分出資する。これは農地集約化の手段になる。

農業の改革は漸進的で長期間を要する。政府はこのプロセスを経済的・社会的な理由から既存農家の既得利益を損なわないように用心深く進めていくことになる。そしてこの問題は人口変化と市場圧力の組み合わせによって解決されるであろう。数十年にわたって農家の子弟は都市に流出した。今後

10年から20年の間に80%の農民が引退する。その時点では25万の中核農家が高価格の生鮮食品を主として国内市場向けに生産していることになる。

日本の医療制度は整っており、健康保険に全国民が加入している。医療サービスは民間の病院、医療クリニック、長期療養所などで供給されている。医療コストは国民健康保険、民間医療保険によってカバーされている。医療費はGDPの約8.5%であり他の先進国平均よりも低い。しかし、完璧な医療システムはない。日本の医療専門家は医療サービスの供給、医療保険制度などについて具体的な改善策を提言している。

医療費のほとんどは公的セクターによって支払われている。一部の人は健康保険対象にならない新医療サービスについては自己負担をしている。医療コストの48%は健康保険料拠出によって、13%は患者自己負担によって、残りの39%は政府(一般会計)からの補助によって賄われている。

日本の平均寿命は82.8歳と世界で最高水準である。高齢者の医療費は急増している。85歳以上の高齢者の医療コストは40-44歳の年齢層の7倍にも達する。長期医療コストの増加はさらに劇的である。85歳以上の年齢層では65-69歳の年齢層の30倍にも達する。これは介護代替のための長期入院が多いためである。

GDPに対する医療費の割合は1990年には4.4%であったが2011年には9.8%まで上昇している。増加の3分の2は65歳以上の高齢者の増加によるものであり、残りは医療技術の向上、医療サービス需要の所得弾力性の高さ、医療関係の人件費の上昇による。医療費増加のために政府支出は4.75%増加し、これが財政赤字の大きな部分を占めている。

低めの予想でも高齢化による医療コスト増によって医療費は2030年にはGDPの12.8%に達する。医療費コストの増加率が一人当たりGDP成長率より1%高いとすれば2030年の医療費はGDPの15.6%に達する。この増加は財政負担となる。財政負担は2010年の対GDP比3.6%から2030年には7.8%に上昇する。この財政負担は7%の消費税引き上げにほぼ等しい。

アベノミクスでは医療サービスの質の向上と予防的医療の推進を提言しているが総合的な分析と対策を欠いている。また医療費増加に対する財源について対策も具体的な提案がない。

経済的、政治的理由からアベノミクスは地方経済の再生・発展の重要性を主張しているが具体的な政策は明らかでない。政府は6つの地域を国家戦略特区として指定して革新的な構造改革の実験を実施する。6つの戦略特区のうち2つは東京・大阪の大都市圏である。大きい可能性があるのは東京圏を国際ビジネスセンターのハブにする構想と関西圏(大阪—神戸)を医療・健康イノベーションのハブにする構想である。三番目は過密化している東京・関西圏を避けて九州の福岡市に若者を呼び込み新規開業のベンチャーのセンターにすることである。しかし、筆者にとってこの特区方式が大きな意味があるとは考えられない。特区において新しい政策、規制緩和を実施するという考えには賛成である。しかし特区構想に盛り込まれた政策措置が強力にかつ着実に展開されるかどうか注視する必要がある。また特区での規制緩和の成果を全国に波及・普及させることが重要である。

一人当たりGDPでアメリカにまだ大きな差があるので長期的に見れば日本の経済成長の余地は十分にある。1990年代半ばから日本の経済成長率はアメリカを下回ってきた。1995年には日本の一人当たりGDPはアメリカの80%であった。しかし2012年には69%まで低下した。日本の製造業の生産性は高い。日本の課題はサービス産業の生産性の飛躍的な上昇である。

日本企業の機会と課題

経済活性化と成長は民間部門の動員にかかっている。政府は規制撤廃、規制改革、その他企業優遇措置によってビジネス環境の改善に努めている。2014 年 6 月発表の基本方針で法人税減税、コーポレート・ガバナンスの改善、女性の労働市場参加、イノベーション・生産性向上などを打ち出している。

民間設備投資が成長のドライバーである。最近のデータによると長い停滞が続いていた設備投資が増加の動きが出てきた。2014 年の大企業の設備投資計画は民間エコノミストの予想を上回って 7.4% 増になっている。2002 年以降企業は設備投資を上回る内部留保を増加させてきた。その結果、企業純貯蓄は家計純貯蓄を上回っている。2002 年から 2013 年までの 48 四半期のうち 45 四半期で企業は借入債務を削減して巨額な内部留保を積み上げた。このような企業行動は 1997 年－99 年の不動産・株式バブル崩壊と 2002 年の信用収縮によるバランスシート・ショック、さらに最近の 2008－2009 年の景気後退に対する防衛的な財務管理の結果である。2014 年 1 月に政府は加速度償却、新規設備投資に対する投資減税を導入して設備投資へのインセンティブを強化した。

政府は来春から法人税の減税を立法化する予定である。もし、法案が通過すれば安倍首相が改革を実行する決意を示す有効なシンボルとなろう。減税案は現行の法人税率 35%を 2015 年度から 30% 弱に引き下げるが最終的には 25%まで下げることが予定されている。財務省は減税による税収減を相殺する税源を要求している。このために政府は現在の租税特別措置を見直して、減税による歳入減を相殺して財政収支上は中立にすると抽象的に述べているがこれは大きな問題となろう。

現在、日本の企業の 28%しか税金を負担していない。これは他の先進国よりは低い割合である。企業総数 245 万社のうち 2 万 4 千社の大企業(資本金 1 億円以上)が法人所得税の三分の二を負担している。中小・中堅企業では利益がオーナー経営者の給料と経費の形で支払われていることがよくある。個人所得の捕捉と課税が難しいので消費税が逆進性はあっても税務行政上は効率的で公平な税と見做されている。

アベノミクスは上場企業 3,414 社に焦点を当てている。なかでも東証一部上場の 1,814 社である。東証一部は上場企業の時価総額、株式売買高で圧倒的な地位を占めている。東証一部上場企業は政府の指導、東証取引規制、市場や社会からの多様な圧力の対象になっている。海外の機関投資家は時価ベースで日本株の 31%を所有しており、ヘッジファンドは活発に投資している。安倍政権はその政策成果の判断基準として株価を重視している。しかし、株価は海外、国内の諸要因と短期的な投機資金の流れによって変動するので株価管理は難しい。

多くの上場企業はしっかりと身分保障された経営者クラスによって経営されている。経営者クラスは新規学卒採用、年齢階層別の業績管理、昇格管理によって選別された企業内での生え抜きが中心である。経営者は他のステークホルダーへも配慮し、特に正規従業員に対しては手厚い保護をする。企業は年金基金、信託・生保などの機関投資家株主に対しては多額ではないが安定した配当の維持に努めている。

同一産業の中でも業績は企業ごとに大きく異なる。しかし一定の業績を維持している限り経営者は大きな自主権を認められている。巨額な現金資産を保有しながら目に余るほど収益性が低い企業は株主からのリストラ、配当増額要求のターゲットにされる。外国のヘッジファンドはこのような企業を攻撃

目標として狙っている。2001 年から 2008 年までに主として外国株主による 47 の敵対的な企業経営介入があった。しかし、国内機関投資家、裁判所は現経営陣を支持したために国内個人投資家にとっても不利な結果をもたらした。

日本企業の投資利益率、自己資本利益率はともに欧米企業の約半分という低水準にある。アベノミクスが成功するためには企業が現金資産を抱える代わりに収益性の高いプロジェクトに投資する必要がある。企業が生き残り、競争力を強化するために部門統合・撤廃を進めているために友好的な企業合併・買収が増加している。しかし、敵対的な企業合併・吸収はほとんど見られない。年金受給者、顧客の高齢化が進むので年金基金や保険会社は日本の企業に収益力を高め、増配するような要求を強めている。

安倍政権はコーポレート・ガバナンスの強化を最優先順位に位置付けている。その目的は企業経営の透明性の向上、法律・規制の遵守による企業の収益力の向上である。東京証券取引所は金融庁と協力してコーポレート・ガバナンス基準を作成中である。その中では複数の外部取締役の任命、内部通報者に対する公的保護が規定される予定である。この新基準は 2015 年の株主総会で株主に提案されることになろう。この他に政府は馴れ合い的な企業間の株主持ち合いの引き下げ、独立株主の権利向上も提案している。金融庁は株主が企業のモニターがより容易に出来るように情報開示を強化するガイドラインを発表している。

2014 年に東京証券取引所は政府の支援も受けて JPX-NIKKEI 400 株式指数の取引をスタートさせた。これは高い営業利益、ROE に基づいて指数に組み入れる企業を選択する。この組み入れ銘柄になることは企業収益向上への強いインセンティブとなる。指数の組み入れ銘柄は半年ごとに入れ替えが行なわれる。

上場企業の取締役の 85%以上はトップから任命される社員である。安倍政権は会社法を改正して 2015 年から企業が社外取締役を選任しない場合はその理由の説明責任があるとした。2014 年 6 月現在で東証一部上場企業の 74%が少なくとも 1 名の社外取締役を選任しており、これは 2013 年 8 月の 62%よりは上昇している。社外取締役が取締役会の過半を占めるケースはきわめて稀であるが 622 社が 2 名以上の社外取締役を選任している。

経済における女性の地位向上には二つの目標がある。一つは総労働力の増加であり、一つは管理職または経営の意志決定レベルにおける女性の増加である。9 月 3 日の内閣改造で安倍首相は 18 の大臣職のうち 5 名の女性を大臣に任命した(2014 年 9 月 3 日発足時)。安倍首相は女性大臣が女性からの新しい視点を政府にもたらすことを期待すると述べている。安倍首相のきわめて野心的な目標は大企業と官庁での女性幹部職の比率を 2030 年までに 30%に引き上げるというものである。2011 年には課長職以上の女性幹部比率は 10.6%、取締役レベルでは 1%であった。

アメリカでは過去 50 年で高度職業分野における性別・人種別の差別が撤廃されて人材の多様化が大きく進んできた。女性を人材プールに入れることで能力のある女性が管理職に昇進し、従来は能力の低い男性に割り当てられていたポジションに女性が就くことによって生産性と経済成長率が上昇する。多くの企業は最近では女子の大学卒業生を管理職候補として採用しているが 10 年以上前には管理職層としてまとまった採用はしていなかった。

日本の企業の管理職文化は生産性が高いとはいえない長時間労働が特徴である。退社時間は遅い。この働き方は企業と企業における自分のキャリアへの忠誠心の証しとされてきた。幹部候補生が課長

レベルの管理職に昇進するまでには同一企業でおよそ 13 年間勤務する必要がある。長時間労働は健全な家庭生活と両立が難しい。

目標は女性が管理職コースで活躍するとともに結婚し、二人以上の子供を出産することである。しかし、これらのどちらも重要な目標をどのように達成できるのか明らかでない。日本の家庭では妻が生涯仕事を続けるために生後数か月の乳児を保育園、祖父母に預けることを受け入れる用意は出来ているだろうか。保育園や幼児受け入れ施設を適切な保育料で十分に確保できるのだろうか。日本企業は現在の長時間労働文化を働く女性支援のために改革する用意はあるのだろうか。企業への貢献の尺度を長時間労働から業績・成果中心に変えることが出来るだろうか。管理職に女性が増加するにつれて日本でも欧米のように男女共に管理職は 6-7 時に退社するようになり、家族と夕食を共にして夜を家族団らんで過ごすことになる。私は日本の若い世代が古い世代の働き方に惹かれているとは思えない。彼等は同僚としてあるいは上司として女性と働くことに抵抗感はないし家庭では父親としての子育てに喜びを感じるであろう。

国際的問題

世界経済は 2008-9 年の大不況から回復しつつある。しかし、その回復スピードは緩慢である。アメリカと日本の経済は比較的好調である。ユーロ圏の経済危機は依然として続いておりドイツ経済の好調と南欧経済の停滞が対照的である。緊縮政策のコストは高くついておりデフレと景気の再後退が強く懸念される。アジアは世界のもっともダイナミックな地域で新興国の中国、インド、インドネシアと先進国の日本、韓国が牽引している。東アジアにおける経済相互関係は広がりを持ち、深化して分業・互恵関係を構築している。しかし、政治・安全保障の面では調和がとれている地域ではない。相互の政治的信頼関係は低くナショナリズムがたびたび前面にでている。安倍首相の発言や政策が政治的緊張関係を悪化させた。

経済的にも政治的にも中国との自由貿易協定および 12 カ国が交渉に参加している TPP 参加は日本にとって重要である。中国は 2 年前に日本の最大の貿易相手国になった。2013 年には日本の輸出の 18.1%が、輸入の 21.7%が対中国であった。日本の対中直接投資は 2011 年までに急増してピークに達した。2013 年には若干減少を見せたが 2014 年上半期には 49%という大幅な減少を示した。これは中国の賃金コストの優位性、市場の多様化の魅力よりは政治的な懸念が大きいことを示唆している。それに関わらず中国の現在の相対的な高成長によって中国は日本にとって経済的重要性がますます高まることになる。

日本の TPP 参加交渉は現在続いている日米間のきびしい二国間交渉の成否にかかっている。この二国間交渉は対立点が多くあり TPP だけでなく日米貿易政策の在り方を規定することになる。

TPP 交渉における日本の最大の課題は農業の高保護を止めることである。したがって TPP 交渉は日本の農業改革の重要な政策手段となる。しかし、主要な農産物について安倍首相と自民党がアメリカの納得するだけの関税引き下げないし撤廃を実行できるか見通しが立たない。5 分野、566 の関税品目が関税大幅引き下げ、撤廃の対象になっている。これらの関税は現在、コメ 778%、乳酪製品特にバター 360%、砂糖は 328%、小麦 252%、豚肉・牛肉が 38.5%となっている。しかし、ベストシナリオでも農産物貿易の自由化は少なくとも 10 年かかると予想されている。

「日本経済とアベノミクス:その成果と持続可能性の評価」

アメリカ議会が TPP 協定を認めるかも大きな障害である。専門家は日米が今後 6 か月以内に妥結に至らないと失敗に終わると懸念している。

良いニュースは円レートが大幅に上昇することが予想されていないことである。今後数か月にわたって穏やかな円安傾向が続けばさらに好ましい。

観光産業は重要な産業になった。2005 年には訪日観光客総数はおおよそ 440 万人であったが 2013 年には 800 万人に急増し、今年は 1 千万人を超えると予想されている。日本はビザ発給条件を大幅に緩和した。さらに中国の格安航空会社が日本の諸都市の空港に飛行を認めた。また円安も貢献した。2013 年では外国人旅行者の中心は東アジアからである。台湾 26.0%、韓国 24.8%、中国 8.9%の三国で 6 割を占めている。2014 年 1-7 月に中国からの旅行者が 129 万人強と前年同期比 91%増と大幅に増加したことは頼もしい兆候である。

安倍政権は 7 月 1 日に憲法の政府解釈を変更して集団的自衛権を認めた。これは反発を招いた。特に中国、韓国からの反応は厳しいものがある。これはナショナリズムと軍国主義に日本が傾く第一歩とみられている。集団的自衛権は日本では大きな政治問題になっており安倍首相はその立法措置を来年の通常国会まで延期することを決定した。

結論

日本が今後 10 年間に GDP 成長率を年率 1%、一人当たり GDP 成長率を 1.5%で持続すれば素晴らしい成果であろう。しかし、それには労働生産性が 1.5%上昇することが必要である。これは歴史的にも国際比較から見てもあまり例がない生産性成長率であり大きな挑戦である。

日本を評価するときに広い視野が必要である。つまり、日本は高技術、高所得、グローバル競争力によって経済的に成功した国であり、民主主義が定着した平和愛好国である。国内社会は快適で安全である。また独特な言語によって均一で安定的かつ結束力の高い社会を形成している。日本は依然として世界の 5 大経済大国として国際社会の主要なプレイヤーである。日本は経済的成功、人口の構造変化、労働力減少によって大きく変貌していこう。都市集中はますます進展し、政府の努力にかかわらず地方の人口減少は続くであろう。このような傾向は日本だけの問題でなく世界共通の課題であるが日本はその課題先進国である。

安倍首相とアベノミクスは日本国民の心理を前向きに転換するために大きな貢献をしたし、また前向きな心理によってメリットも受けている。アベノミクスは短期間で達成可能でないともしも物価安定、人的資源、その他の資源の有効な活用によって日本は経済成長を続けるであろう。最悪のケースでも日本は苦難を乗り越えて前進するであろう。経済と社会の基礎的な強さを考えれば日本は過去と同様に勝ち残るであろう。

2014 年 10 月 19 日

Design/Production
Columbia Creative
Office of Communications
and Public Affairs

Editor:
Ryoko Ogino

Assistant Editors:
Caroline Hasegawa
Sonya Kuki
Emiko Mizumura
Kahori Takahashi
Andy Wanning

Contributor:
Koji Hirao

Photography:
Eileen Barroso
Michael Dames
Michael Di Vito
Hideo Hoshino
Alan Klein
Andy Wanning



| Center on Japanese Economy and Business

2M9 Uris Hall, 3022 Broadway

New York, NY 10027

Phone: 212-854-3976

Fax: 212-678-6958

Web: www.gsb.columbia.edu/cjeb

CJEB Representative Office in Japan

c/o Terumi Ota

1-19-18-1003 Shibuya

Shibuya-ku, Tokyo 150-0002

Fax: 03-5467-6012