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Center on
Japanese
Economy and
Business

ANNUAL REPORT 2018-2019
(JULY 2018-JUNE 2019)

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Center on Japanese Economy and Business

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

Established at Columbia Business School in 1986 under the direction of its chairman, Professor Hugh Patrick, and led currently by its director, Professor David Weinstein, 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 vigorous research activities, international symposia, conferences, and lectures, held in New York City and Tokyo, which provide prominent speakers from the public and private sectors a forum for collaboration and reflection on Japan, the United States, and the global economy.

Under the leadership of Professors David Weinstein and Takatoshi Ito, CJEB's associate director of research, CJEB supports research projects and library and computer-based resource initiatives. Other core faculty members are Japan specialists drawn from Columbia's Business School, School of International and Public Affairs, Economics Department, and Department of Political Science. While CJEB is an independent and nonpartisan research center that takes an objective stance on political or economic policies, we encourage our researchers and scholars to hold their own individual perspectives. Funding and resources are provided by corporate sponsors, foundations, individuals, Columbia Business School, and the University.

For more than 33 years, CJEB has developed, grown, and evolved in order to carry out its mission effectively in a changing Japan and a changing world. In this way, CJEB has been able to build and maintain its status as the preeminent academic center on Japanese business and economics anywhere outside Japan.

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

<http://www.gsb.columbia.edu/cjeb>

Letter from the Directors



David Weinstein,
Director

Dear Friends,

Since its founding in 1986, the Center on Japanese Economy and Business (CJEB) has made its mission the promotion of knowledge and understanding of the Japanese economy and business systems in domestic, U.S., Asian, and global contexts.

Considering the importance of the Japanese economy in global affairs, this mission will continue to be crucial into the future. With this in mind, effective July 1, 2019, founding director Hugh Patrick has passed the torch to David Weinstein, and assumed the newly-created role of chairman. We are confident that the Center will maintain its reputation as a distinguished academic and research center under David Weinstein's leadership.

Looking back over this past year, CJEB has continued to accomplish its mission through a wide range of public symposia, conferences, research projects, paper series, and visitor programs. Japan's economy has continued its trajectory of modest, sustained recovery and growth, and is predicted to keep doing so for some time.

Over the past academic year, CJEB continued to address and examine several key challenges and prospects for Japan's economy and business systems through a series of public programs. On September 27, 2018, former Minister of Health, Labour, and Welfare Katsunobu Kato gave a special lecture discussing the Abe administration's achievements and goals (p. 35). Professor Takatoshi Ito delivered his annual lecture on the Japanese economy, titled "Agenda for 2020: Can Japan Win Gold for Its Economic Performance?" on October 4, 2018 (p. 36). On October 31, 2018, Gerald L. Curtis, Burgess Professor Emeritus of Political Science at Columbia University, and Hugh Patrick held a joint symposium on the future of Japan's politics and economy (p. 34). On April 18, 2019, Naomi Hirose, executive vice chairman of Fukushima Affairs at Tokyo Electric Power Company Holdings (TEPCO), gave a presentation about his experience leading TEPCO after the Fukushima nuclear disaster in March of 2011. He described the accident, the steps TEPCO took to mitigate it in the immediate aftermath, and the ongoing reconstruction efforts the company is making in the Fukushima region (p. 36).

David Weinstein wrote an influential paper, "The Impact of the 2018 Trade War on U.S. Prices and Welfare," which was released on March 1, 2019. Its exploration of the impact of the Trump administration's trade policy on prices and welfare was highlighted in many global media outlets, such as *The New York Times*, *The Wall Street Journal*, the *Nikkei Veritas*, and many others in the United States, Europe, and Japan. The paper's full media coverage can be found on p. 49. He appeared in many interviews in the following months, culminating with an opportunity in May to present on the paper to His Excellency Shinzo Abe, Prime Minister of Japan.

CJEB held its highly successful annual conference in Tokyo on May 28, 2019. The conference, "U.S.-Japan Relations in a New Era: Trade, Governance, and the Global Economy," featured keynote addresses from His Excellency Taro Aso, deputy prime minister of the Government of Japan, and from Glenn Hubbard, dean and Russell L. Carson Professor of Finance and Economics at Columbia Business School (CBS). Dean Hubbard's speech addressed the economics of U.S. President Trump and the G20 summit that was scheduled to take place in Japan in late June of 2019. Minister Aso's speech mainly discussed the U.S.-Japan alliance, while also touching on the rapid changes happening in Japan and its economic progress. More details about the Tokyo conference can be found on p. 31.

CJEB continues to successfully host a *zadankai* lunchtime lecture series for students and others. Yaz Iida, president of Rakuten USA, Inc., gave a talk about his company and its trajectory for growth in North America on October 30, 2018 (p. 38). Robert Dohner, former deputy assistant secretary of the U.S. Department of the Treasury, delivered a sold-out lunchtime talk titled "Have We Seen This Movie Before? China, Japan, Industrial Policy, and Trade Conflict" on February 19, 2019 (p. 39). On April 16, 2019, Hiroshi Nakaso, immediate past deputy governor at the Bank of Japan (BOJ), spoke about the continuing puzzle of Japan's "Low-for-Long" (p. 41). To learn about our other *zadankai* seminars, please see pp. 37-41.

CJEB also organized several events as part of its two research programs, the Program on Public Pension and Sovereign Funds (PPPSF), directed by Professor Takatoshi Ito, and the Corporate Governance and Stewardship

Program, directed by Adjunct Associate Professor Alicia Ogawa. On December 6, 2018, the third annual Conference on Public Pension and Sovereign Funds was held, featuring keynote speakers Nobuchika Mori, former commissioner of the Financial Services Agency of Japan, and Roger W. Ferguson Jr., president and CEO of TIAA. The conference had three sessions. The first was on the macroenvironment and the potential macrorisk for asset management; the second covered the benefits and risks of public funds investment in long-term investment; and the third investigated whether or not public pension funds will make an impact on environmental sustainability (p. 30). A symposium was held on February 27, 2019, in conjunction with CJEB's Corporate Governance and Stewardship Program: "Practical Applications of ESG in Japan: How Investors Make Companies Better Global Citizens." This event featured an all-female panel: Fabiana Fedeli, managing director and global head of Fundamental Equities at Robeco; Laura Nishikawa, managing director of ESG Research at MSCI Inc.; and Fiona Stewart, lead financial sector specialist at the World Bank (p. 34).

CJEB invests in developing the next generation of academic leaders on the Japanese economy and its business systems by offering a variety of fellowship and scholarship opportunities for students interested in studying and specializing in Japan. Last year, CJEB's first PhD fellow, Jackson Lu of CBS, completed his PhD program in 2018 and was appointed to the MIT Sloan School of Management faculty. In spring 2019, he was named one of the 2019 Best 40 Under 40 Professors by Poets & Quants, a leading online resource for information about business schools. You can read more about our initiatives, fellowships, and scholarships offered over the past academic year on p. 53.

CJEB was also proud to launch a new initiative called "Empowering Japanese Women in Leadership." This program was co-created by Yumiko Shimabukuro of the School of International and Public Affairs at Columbia University and Ryoko Ogino, CJEB managing director, with the intention of tackling the major female leadership gap that exists in Japan, and the various issues that Asian women face in the workplace in the United States. In its inaugural year, this initiative held three events. The first was a two-day workshop that offered hands-on instruction

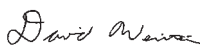
and constructive evaluation designed to advance one's career and personal development (p. 41). The second dealt with cross-cultural negotiation, while the third considered the "bamboo ceiling," or leadership barriers that exist for Asians in the United States (p. 42).

Every year, we consider how to enhance and expand our Visiting Fellows Program (p. 44). CJEB Visiting Fellows are selected from Japanese companies, academia, and the government and come to Columbia, normally for a year, to pursue independent study and research. CJEB Visiting Fellows have access to Columbia's rich resources, including the University's libraries and public events; the opportunity to engage with students and faculty of the Columbia community; and the ability to audit a wealth of courses at Columbia. It is important that our Visiting Fellows acquire necessary cross-cultural substantive and communicative skills in an increasingly global landscape and changing world economy. CJEB hosted several communication workshops and provided individual coaching sessions for our Visiting Fellows to improve their presentation skills. Our Visiting Fellows had the opportunity to put all of this knowledge into practice by presenting their research to CJEB directors and their peers in monthly seminars. CJEB has happily hosted more than 260 Visiting Fellows since the Center's establishment in 1986.

We are extremely proud of our administrative team of five talented members, led by Ryoko Ogino, who became CJEB managing director on July 1, 2019. The Center's success largely depends on their dedication, energy, and hard work. We are certain that CJEB's best years are still yet to come.

The Center's accomplishments are also made possible through the resources provided by the Business School and the University, and, notably, the generous funding provided by our corporate sponsors, foundations, and individuals. We thank all our supporters deeply.

With warm regards,


David Weinstein
Director
July 15, 2019


Hugh Patrick
Chairman

Leadership and Staff



Hugh Patrick is the founder and director* of the Center on Japanese Economy and Business (CJEB) and R. D. Calkins Professor of International Business Emeritus

at Columbia Business School, as well as codirector of Columbia's APEC Study Center. 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), obtained MA degrees in Japanese studies (1955) and economics (1957), and earned 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 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 from 1979 to 1981. He has been a member of the Council on Foreign Relations since 1974. 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 (Kunnitō Zuihōshō). He was

awarded an honorary doctorate of Social Sciences by Hong Kong's Lingnan University in 2000 and the Eagle on the World award by the Japanese Chamber of Commerce and Industry of New York in 2010.



David Weinstein is the Carl S. Shoup Professor of the Japanese Economy 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 Federal Economic Statistics Advisory Committee. Previously, Professor Weinstein was chair of the Department of Economics and 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, corporate finance, 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.



Takatoshi Ito is the director of the Program on Public Pension and Sovereign Funds and associate director of research at CJEB. He is also a professor at the

School of International and Public Affairs (SIPA) at Columbia University. He has taught extensively both in the United States and Japan since finishing his PhD in economics at Harvard University in 1979. He was an assistant and tenured associate professor (1979-1988) at the University of Minnesota, an associate and full professor at Hitotsubashi University (1988-2002), a professor at the Graduate School of Economics at the University of Tokyo (2004-2014), and dean of the Graduate School of Public Policy at the University of Tokyo (2012-2014) before assuming his current position in 2015. In spring 2016, he received a courtesy appointment in the Finance and Economics Department at Columbia Business School. He held visiting professor positions at Harvard University, Stanford University, and Columbia Business School and was Tun Ismail Ali Chair Professor at the University of Malaya.

He has held distinguished academic and research appointments such as president of the Japanese Economic Association in 2004-2005, fellow of the Econometric Society since 1992, research associate at the National Bureau of Economic Research since 1985, faculty fellow at the Centre for Economic Policy Research in London since 2006, research associate of the Tokyo Center for Economic Research since 1990, and faculty fellow of the Research Institute of Economy, Trade and Industry since 2004. He was editor-in-chief of the *Journal of the Japanese and International*

Economies and is coeditor of the *Asian Economic Policy Review*. In an unusual move for a Japanese academic, Professor Ito was appointed senior advisor in the Research Department at the International Monetary Fund (1994–1997) and deputy vice minister for International Affairs at the Ministry of Finance of Japan (1999–2001). He also served as a member of the Prime Minister’s Council on Economic and Fiscal Policy (2006–2008).

In 2010, Professor Ito was a coauthor of a commissioned study of the Bank of Thailand’s 10th-year review of its inflation targeting regime. He frequently contributes op-ed columns and articles to the *Financial Times* and *Nihon Keizai Shinbun*. He is the author of many books, including *The Japanese Economy* (MIT Press, 1992), *The Political Economy of Japanese Monetary Policy* (1997), and *Financial Policy and Central Banking in Japan* (both with T. Cargill and M. Hutchison, MIT Press, 2000); *An Independent and Accountable IMF* (with J. De Gregorio, B. Eichengreen, and C. Wyplosz, 1999); and more than 130 academic (refereed) journal articles and chapters in books on international finance, monetary policy, and the Japanese economy. His research interests include capital flows and currency crises, microstructures of the foreign exchange rates, and inflation targeting. He was awarded the National Medal with Purple Ribbon in June 2011 for his excellent academic achievement.



Alicia Ogawa is the director of the Project on Japanese Corporate Governance and Stewardship at CJEB. She is also a consultant to one of the largest

U.S.-based macro hedge funds in the United States and an adjunct associate professor at SIPA. Until 2006, she was managing director at Lehman Brothers, where she was responsible for managing the firm’s global equity research. Prior to joining Lehman Brothers, she spent 15 years in Tokyo, where she was a top-rated bank analyst and director of research for Nikko Salomon Smith Barney, having managed the original Salomon Brothers Research Department through three mergers. She is a member of the board of directors of the Maureen and Mike Mansfield Foundation, a member of the investment committee of the Association for Asian Studies, and a member of the President’s Circle of the All Stars Project, a development program for inner city young people, which was recently launched in Tokyo. She graduated from Barnard College and earned a master’s degree in international affairs at SIPA. She is a member of the International Corporate Governance Network.



Ryoko Ogino is the director for administration* at CJEB. 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 Americas Corporation and Sony Corporation of America, bringing a wealth of experience in product development, PR, international marketing, and staff management. She graduated magna cum laude from the State University of New York, Buffalo, with a major in human relations in multinational organizational settings sponsored by the Department of Psychology and Management. She co-created the Center’s Empowering Japanese Women in Leadership Initiative with Professor Yumiko Shimabukuro.

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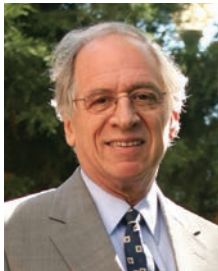
CJEB welcoming the Reiwa era with Columbia University colleagues



*Back row: JP Perez, Xochitl Honoria Romo, Jade Ke Wang, Sara Hirade, Nana Uehara, Ryoko Ogino, Shoko Nakamoto
Front row: Taylor Grace Cook, Emiko Mizumura*

Core Faculty

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



Gerald L. Curtis is Burgess Professor Emeritus 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 was on the Columbia University faculty from 1969 until December 2015. He is a professor emeritus, a senior research scholar at the Weatherhead East Asian Institute, and director of Columbia's Toyota Research Program. 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.

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 is a member of the Board of Directors of the Japan Society, the Japan Center for International Exchange, and the Mansfield 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 a 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 Japanese 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. He recently stepped down as Dean of the Business

School after a storied 15-year tenure. 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 on economics and

finance, Dean Hubbard is the author of three popular textbooks, as well as coauthor of *The Aid Trap: Hard Truths about Ending Poverty*, *Balance: The Economics of Great Powers from Ancient Rome to Modern America*, and *Healthy, Wealthy, and Wise: Five Steps to a Better Health Care System*. His commentaries appear in *Business Week*, *The Wall Street Journal*, *The New York Times*, the *Financial Times*, the *Washington Post*, *Nikkei*, and the *Daily Yomiuri*, as well as on television and radio. From 2001 until 2003, he was chairman of the U.S. Council of Economic Advisors. In the corporate sector, he is on the boards of ADP, BlackRock Closed-End Funds, and MetLife. Dean Hubbard is cochair of the Committee on Capital Markets Regulation; he is a past chair of the Economic Club of New York and a past cochair of the Study Group on Corporate Boards.



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

and investment, with extensive experience in academia, government, international organizations, and business. In addition, she has had a lifelong involvement with Asia and is an expert on that region. Dean Janow has been a professor of practice at Columbia University's School of International and Public Affairs (SIPA) and affiliated faculty at Columbia Law School 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 codirector

*All titles and positions indicated were held from July 2018 through June 2019.

of the APEC Study Center. 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, economic globalization, digital trade, internet governance, and cybersecurity. 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 161 members of the WTO. She was the first woman to serve on the Appellate Body. She was involved in 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.

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. Dean Janow serves on the Board of Directors for several

corporations, financial services, technology companies, 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. 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 received 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.



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 in New York, where he is also the founder and copresident of the University's Initiative for Policy Dialogue. He is also the chief economist of the Roosevelt Institute. 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 Stiglitz one of the 100 most influential people in the world.

Professor Stiglitz was a member of the Council of Economic Advisors 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 the 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 that is 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.

He 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 decade and a half, he 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 in 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 were sowing 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 books are *The Price of Inequality: How Today's Divided Society Endangers Our Future*, published by W. W. Norton and Penguin/Allen Lane in 2012; *Creating a Learning Society: A New Approach to Growth, Development, and Social Progress*,

with Bruce Greenwald, published by Columbia University Press in 2014; *The Great Divide: Unequal Societies and What We Can Do about Them*, published by W. W. Norton and Penguin/Allen Lane in 2015; *Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity*, published by W. W. Norton in 2015; *The Euro: How a Common Currency Threatens the Future of Europe*, published by W. W. Norton and Penguin/Allen Lane in 2016; and *Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump*, published by W. W. Norton and Penguin/Allen Lane in 2018.

Professor Stiglitz's work has been widely recognized. Among his awards are more than 40 honorary doctorates, including from Cambridge and Oxford Universities. In 2010, he was awarded the prestigious Loeb Prize for his contributions to journalism. Among the prizes awarded to his books have been 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 Officer).

Japan's Economy: Stable in a Turbulent World*

By Hugh Patrick

Japan is a comfortable, safe, relatively high income, advanced democratic nation with an educated, skilled, well-motivated labor force, private sector high savings rate, the rule of law, and well-developed markets. The unemployment rate is very low, modest GDP growth per capita continues, and prices are flat with CPI increases still significantly below the 2 percent target. Japan is fundamentally stable socially, politically, and economically, with an ethnically homogeneous population of 126 million. If this sounds familiar, it is because my last two annual essays have begun similarly, and future ones are likely to as well. This speaks well of the steadiness and persistence of contemporary Japan.

The LDP party won the Upper House elections in July as expected. Its leader, Shinzo Abe, on November 20 will become modern Japan's longest-serving prime minister. He will presumably continue in office until September 2021, completing his third successive, three-year term. A fourth term is a possibility.

Japan is the world's third-largest economy, after the United States and China. The per capita GDP in 2018, \$42,823, places Japan in about the middle of OECD economies, just behind France and just ahead of Italy. Its per capita income in purchasing power parity is 69.2 percent of that of the United States, and 79.8 percent of Germany's. Japan's net foreign assets are \$3.2 trillion, the highest of any country.

Japan's economy did better than forecasted in the first half of 2019. The 2019 first quarter GDP real growth of an annualized 2.8 percent was quirky; it was due to a sharp drop

in imports, even though exports decreased. Consumption and capital spending were stable. The revised estimate of 2019 second quarter growth was 1.3 percent; while exports continued to decrease as China and the world economy slowed, domestic consumption continued its rise, and core machinery orders jumped in June.

Nonetheless, it is unlikely this growth spurt will be sustained. Corporate profits have declined for three quarters, and business polls indicate firms are not optimistic about the near term. World economic growth and trade are slowing, as is the Chinese economy. How comprehensive U.S.-Japan trade negotiations work out is not yet determined. The Japan-South Korea diplomatic brouhaha is being driven by retaliatory trade and other economic restrictions and is escalating. At least the Japanese, and indeed we all, can look forward to the Tokyo Olympics in August 2020, hot though the weather almost certainly will be.

Japan faces a number of domestic challenges, many similar to other advanced countries, including gender disparity, work-life balance, older and retired workers, income inequality, and rural decline, as well as persistent poverty for a small segment of the population. The good news is that the government is addressing all of these issues; the bad news is that it is not doing so quickly and strongly enough.

The projected effects of the increase in the VAT (consumption tax) on October 1 from 8 percent to 10 percent present an immediate challenge.

A U.S.-Japan partial trade agreement focusing on priority items was agreed to by President Trump and Prime Minister Abe on September 25. Eventually, Japan and the United States will reach agreement on a comprehensive bilateral economic agreement, but that will not happen soon.

Japan's most important long-run fundamental challenge is its ongoing, inevitable demographic transition to a smaller and older population. Japan's fertility rate, now 1.44, has been significantly below the stable population maintenance rate of 2.08 for more than four decades. In 2011, the population began to decline. While Japan welcomes a small number of foreign workers, the government maintains a restrictive policy for permanent immigration. I expect these trends to continue for the next two or three decades, since fertility will not increase to parity and Japan will not adopt a positive immigration policy. It is projected that by 2040, the population will be 107 million, the level of 1972. Those over 65 will reach one third of the population.

An ongoing concern is the high level of government gross debt of 237 percent of GDP. However, much is held by the government sector, including the Bank of Japan, and most of the rest is held by the Japanese private sector. This is not a major international concern; Japan is considered a safe haven, and foreign demand for safe yen assets is strong.

The Global Context

This essay focuses on economics, not politics, national security, or diplomacy. However, the world order is in turmoil. Ongoing geopolitical stresses and uncertainties

*There are excellent statistics, data, and analysis on the Japanese economy, including those provided by the government's Cabinet Office; Ministry of Economy, Trade, and Industry (METI); Ministry of Finance (MOF); and the Bank of Japan (BOJ). The World Bank, the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD) produce excellent comparative data and analysis. They provide the basics for a great deal of good academic and private market research. See, for example, the *OECD Economic Surveys of Japan*, April 2019. I deeply thank Larry Meissner for his thorough, dedicated editing and research support.

are significantly dampening economic performances. Among other issues, Japan is affected by the Brexit process and its consequences; the Middle East mess; China's economic and political rise and assertiveness; and North Korea and nuclear weapons. By and large, this turmoil has been external, with Japan affected but not directly involved.

However, Japan is directly involved in an escalating rift with South Korea dating from 2015. The underlying issue, Japan's treatment of Korean women during World War II, has festered for decades, but has erupted with direct adverse economic and political ramifications.

Sustained global economic growth is persisting. GDP grew at 3.1 percent in 2017 and 3.6 percent in 2018. It is forecast by the IMF to slow to 3.2 percent in 2019, but to rebound to 3.5 percent in 2020. Global trade growth has slowed from 3.0 percent in 2018, to 2.6 percent in 2019, but is forecast to regain 3.0 percent in 2020 (World Trade Organization data).

Many expect a global growth slowdown, given unbalanced European performance and a slowing United States and Japan. Still, I do not expect a global recession in the near future.

Commodity prices have basically continued to be flat. A certain degree of volatility is to be expected as markets quickly respond to "news."

Central bankers in the late August 2019 annual meeting at Jackson Hole privately stated that the greatest threat to the global economic system is the uncertainty generated by President Trump's inconsistent, mercurial trade policy; his rhetoric, style, and substance; and his personal attacks on leaders.

Aside from his tweets and statements, Trump has made clear his negotiating style is to promote disorder, on occasion by deliberately sending mixed messages. It aims to leave

those he is negotiating with off balance. He pursues a go-it-alone approach in foreign policy. This hard-nosed style has generated some modest additional concessions for U.S. trade, but at the much higher cost of weakened U.S. participation in the alliance arrangements on which the liberal, trade-oriented system is based.

Trump's threats against U.S. allies and their leaders have created political uncertainty that undermines business investment even at current very low interest rates. Uncertainty will persist as long as Trump is in office, since he cannot be expected to change. However, probably too much of the emphasis is on Trump himself. Trump's election reflected widespread frustration with, and opposition to, the established political leadership, and the direction American culture has taken. It is not clear how such rifts can be healed.

Japan has well-managed the Trump phenomenon. Abe and Trump have become friends, a process implemented by Japanese diplomacy. Their relationship did not result in special treatment for Japan in the U.S. administration's impositions of tariffs. However, it has helped propel the successful efforts of the two governments to reach an immediate narrow bilateral trade agreement, providing U.S. exporter access to selected Japanese agricultural markets, presumably in exchange for U.S. agreement not to impose high tariffs on Japanese automobiles.

The rise of China to being a major global, and the dominant Asian, power economically, politically, and militarily has created major opportunities and challenges for Japan. China is the world's largest economy because of its economic growth and population of 1.4 billion, but its per capita income in 2018 was \$9,470, which is \$18,210 in purchasing-power-parity terms (World Bank data).

It is difficult to make precise estimates because of the lack of information in China's Communist Party-led, state-dominated economy. An April 2019 NBER study states that China's official national accounts overestimated the GDP growth rate by 1.8 percentage points annually from 2010 to 2016.

China's financial system has major problems. Because the economy is so large, bumps in its future economic performance will have major impacts on Japan and the rest of the world. For the most part, China is supportive of, and working within, the international economic system, although continuing its protectionist system.

China and the United States are the two hegemony in East Asia. Their relationship is key in all major dimensions—security, politics, and economics. It ensures a complex mixture of benefits and costs, both from competition and cooperation. The economic challenge for each nation is how to deal with the other's system—the open market-oriented American and the state-controlled, authoritarian, protected Chinese.

Most Americans support a tougher economic stance against China. Its protected markets are one concern. Another is how Chinese firms and others have obtained technology in the United States, ranging from outright theft to requirements that U.S. companies doing business in China share technology, to Chinese citizens studying and doing research in the United States. However, Americans are divided on what the United States should do: most economists oppose Trump's trade policies because of their substance and their ham-handed, erratic style.

The U.S.-China trade war, rekindled when Trump imposed tariffs on imports from China in March 2018, has ratcheted up as China has retaliated with its own increases in tariffs

and purchasing restrictions on U.S. agricultural and other exports to China. As of early September 2019, China's average tariffs on imports from the U.S. are 21.8 percent.

Trump has met with China's president Xi Jinping several times, most recently on June 29, 2019, when they attended the G20 summit in Osaka. Apparently, the main consequence is that they agreed to engage in high-level trade negotiations in October. They need at least to halt the trade war escalation, and make some mutual concessions. However, the fundamental economic issues—intellectual property rights, technology transfer, state-owned enterprise subsidies, and market access—will not be resolved soon, if ever, and clashes will persist in what will probably be a long, drawn-out U.S.-China trade war.

The effects, and especially the uncertainties, of this contribute to the potential slowing of world economic growth. Indeed, the IMF estimates that trade war costs to the global economy in 2020 could reach \$700 billion, which is the size of Switzerland's economy. Directly important for Japan is China's slowing demand for imports of Japanese machinery and equipment.

A world of negative official and even market interest rates is something I never expected, but here we are and have been for some time. It is reported that there are some \$16 trillion of negative-yielding bonds outstanding worldwide. The financial systems of all major countries are deeply intertwined, given the ready flow of funds across countries, in a world of floating exchange rates.

Americans may perceive of the interest rate on U.S. government Treasury bills and bonds as low, but it is an advanced country outlier. This is the world of central bankers, pension funds, and other large institutional holders of investible funds, but not of ordinary households, which can simply hold cash. Banks and

markets with negative interest banks are now ordinary and common, no longer an oddity.

Denmark is an extreme case of negative interest rates. Except for four months in 2014, its central bank has maintained negative rates since 2012, longer than any other country. Since August, Denmark has had negative yields on all its government bonds. In August, a Danish bank, the country's third largest, began offering 10-year mortgages at a rate of negative 0.5 percent.

Two weeks later the same bank announced it would charge large depositors a fee. Effective December 1, the fee is being increased from 0.6 to 0.75 percent and the balance threshold reduced from 7.5 million krone to 750,000 krone (\$111,100).

Well-performing, highly creditworthy Germany is another example. Once the ECB pushed its benchmark policy rate into negative territory in 2014, the German government began issuing shorter-maturity debt with negative yield. In August 2019, the German government issued 30-year bonds with a zero coupon. The issue was not fully subscribed but sold at a 3.65 percent premium, representing a 0.11 percent negative yield.

Why would investors accept negative rates? One reason is that it is costly to store huge amounts of cash in a vault. And some investors expect interest rates to become even more negative, so bond prices will rise and capital gains realized. Japan's negative interest rate structure, though less extensive than Germany's, is discussed later.

Japan has responded to Trump's withdrawal from the Trans-Pacific Partnership (TPP) negotiations and his go-it-alone approach by taking a leadership role in regional and global trade negotiations, including free trade agreements. Japan led the negotiations for TPP-11 (CPTPP, the 11-member

Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which came into force on December 30, 2018. In January 2019, the considerably larger Economic Partnership Agreement between Japan and the European Union took effect. Japan has pushed for high-standard rules in the less demanding Regional Comprehensive Economic Partnership, initiated by the 10 ASEAN members plus China, India, South Korea, Australia, and New Zealand, as well as Japan. The goal is to finalize RCEP by the end of 2019, particularly in light of the U.S.-China trade war.

Foreign Trade and Investment

Japan's foreign economic relations are multidimensional, based fundamentally on its trade, foreign direct investment, and its foreign aid program in international and Asian contexts. Japan's foreign trade negotiations and agreements are an important element. And there are many fascinating but broadly trivial stories, such as whaling.

Japan is a major exporter and importer of goods and services, including dividends and royalties from its foreign investments. It has run a current account surplus on its balance of payments for decades. Its goods exports of 80.3 trillion yen in fiscal 2018 peaked in the final quarter of 2018 and have dropped substantially in the first half of 2019. The import of goods in fiscal 2018 was 79.6 trillion yen, also peaking in the fourth quarter of 2018 and declining even more sharply through the first half of 2019.

Japanese companies actively continue to invest in the United States and Europe, as well as developing countries. In fiscal 2018, the amount increased by 42 percent from 2017, with a big surge in the first quarter of 2019. Much is in complex infrastructure projects where Japanese advanced technology

is productive and welcomed. Japan is quietly investing abroad about 50 percent more than China, despite China's highly publicized "belt and road" FDI program. Japan is participating in 240 projects in the 10 Southeast Asian countries, China 210; and most Japanese projects are larger. This is not either-or. So far 52 projects involve both Japanese and Chinese participants. Japan's projects are in the six largest Southeast Asian nations and rated at \$367 billion, compared to China's \$255 billion. More than half of Japan's total is in Vietnam.

While foreign financial institutions are actively engaged in Japanese financial markets, foreign debt invested in Japan continues to be modest, at ¥30.7 billion (\$292.4 million at 105 yen/dollar), only one-sixth of Japanese FDI of \$1.724 billion in calendar year 2018. Notable foreign purchases of Japanese companies included Bain Capital's ¥2 trillion acquisition of Toshiba Memory (Toshiba's semiconductor unit) in June 2018, KKR's purchase of auto parts manufacturer Calsonic Kansei in May 2017 for ¥498 billion, and Ningbo Joyson Electronic Corporation's purchase of bankrupt Takata in April 2018 for ¥175 billion.

Japan's foreign trade and investment policies are in principle open, market-oriented, and relatively free, based on the rule of law. This is reflected in its active support of trade liberalizing agreements—TPP (CFTPP), Japan-European Trade Agreement, RCEP, and the U.S.-Japan trade agreement negotiations. Like other nations, Japan is paying close attention to U.S.-China trade negotiations.

In June 2019, Japan hosted the G20's annual Summit on Financial Markets and the World Economy. On the whole, the meeting made only very modest achievements. Its bland communiqué did not even denounce protectionism. One critique has been that, in order to maintain good relations with Trump, Japan did not push hard for climate change

measures or against Trump's protectionist trade policies. Without the United States playing a leadership role in the G20 or in the Paris agreement, widespread support of the open international economic order is undermined.

U.S.-Japan Trade Negotiations

Trump wants to reduce the U.S. trade deficit with Japan significantly, which was \$67.2 billion in 2018 and \$42.4 billion in the first half of 2019. Trump's emphasis on bilateral balance is a mistake and certainly will not happen despite his fulminations. His policy, now achieved, was to reach a trade partial agreement with Japan by fall 2019, well before the U.S. presidential election in November 2020. The longer-run goal for both countries is to reach a comprehensive bilateral trade and economic agreement. Negotiations are underway but will probably take several years to complete, regardless of who is president and who is prime minister.

Japan's tariffs and other restrictions on manufactured goods are low but are high on agricultural imports. Trump's withdrawal from the TPP negotiations meant that Asian and EU economies faced lower tariffs than their American exporters on Japanese beef, grains, and other agricultural products. In April 2019, U.S. trade representative Robert Lighthizer and Japanese minister Toshihiko Motegi met to initiate formal negotiations, the first of a series of meetings, the most recent of which were August 23–25, on the sidelines of the G7 meeting attended by Abe and Trump. On August 25, Trump and Abe announced that a trade agreement had been reached in principle.

On September 25, Trump and Abe met in New York, at the sidelines of the UN General Assembly meeting, and announced they had signed a limited trade agreement statement

reducing Japanese barriers to imports of beef, pork, cheese, and other U.S. agricultural products, and reducing U.S. tariffs on Japanese machine tools, turbines, and other products. The parts of the agreement on agricultural and digital trade are clear—almost the same access to Japan for the United States that TPP members and European countries have, though not covering rice, fish, or forestry products.

For Japan, a crucial issue is vehicles and vehicle parts, which are one-third of its exports to the United States. Japan sought a clear, written U.S. commitment not to impose high tariffs or restrictions on autos. However, what Japan obtained was a strong oral commitment. Lighthizer stated that it was not Trump's intention at this point to do anything on autos. Abe announced that he and Trump had agreed no further tariffs would be imposed on Japan. The Japanese chief negotiator Atsuyuki Oike also stressed this understanding.

Of course, a major concern for Japan, and indeed everyone, is Trump's tendency to sudden, unilateral actions, and of course tweets, which undermine the reliability of any agreements. Nonetheless, this new agreement, limited though it may be, is beneficial for both American and Japanese consumers. The politics are another matter—domestically considerably more of a win for Trump than for Abe.

The Economy

Japan's GDP for fiscal 2018, ending in March 2019, was ¥550.5 trillion (\$5.24 trillion at 105 yen/dollar). In real terms, it increased by 0.7 percent, following the unexpectedly rapid increase in fiscal 2017 of 1.9 percent. Consumption, 55 percent of GDP, grew 0.8 percent. Investment continues to be important: the gross capital formation share increased to 24.4 percent of GDP, from 24.1

percent in fiscal 2017. Government consumption continued its stable, one-fifth share both of GDP and of gross capital formation. Japan's current account surplus, always positive reflecting Japan's high savings rate relative to domestic demand, was ¥19.2 trillion, 3.5 percent of GDP. Since imports surged, the current account surplus decreased by ¥19.3 trillion from 2017.

GDP is a measure of a country's economic power, and GDP per capita is a measure of economic well-being (the standard of living). Given Japan's population decrease, real GDP per capita increased 2.1 percent in fiscal 2017 and 1.0 percent in fiscal 2018.

The Bank of Japan (BOJ) forecasts that real GDP will grow 0.7 percent in fiscal 2019, 0.9 percent in fiscal 2020, and 1.1 in fiscal 2021. The Cabinet Office estimates 0.9 percent for 2019 and 1.2 percent for 2020. The IMF forecasts 0.9 percent in calendar year 2019, but just 0.4 percent in calendar year 2020. Private sector forecasts are a bit more cautious. This is a particularly uncertain period, since it is difficult to estimate the effects of the October 2019 consumption tax increase, the slowing world economy, Trump's protectionist policies, and the consequences of the U.S.-China trade war, among other factors.

The ongoing increase in the urban-rural divide is reflected in land prices. For Japan as a whole, land prices rose 1.3 percent in 2018, driven by strong demand for offices and hotels in major cities and tourist spots, for both Japanese and foreign tourists. Land prices increased in only 19 of Japan's 47 prefectures, they dropped in 27 rural prefectures, and were flat in Hyogo (where Kobe is the major city).

Japan has a record-breaking 8.46 million unoccupied houses. The majority (about 5 million) are in the process of being renovated for rental or sale, but 3.47 million have been

abandoned, mostly in rural areas, because they have no value. Young people have been leaving small villages for decades, but their parents and grandparents stayed. Now elderly, they are dying. One estimate is that there are at least 250 hamlets where all of the residents are 75 or older. In urban areas, cheaply constructed houses whose ownership cannot be determined are simply abandoned and left to deteriorate. Municipal governments are in the slow process of taking them over and demolishing them.

Like other property, cemetery spaces are expensive. Almost all (99.9 percent) of Japanese are cremated when they die, and the ashes are put in urns. There usually is some type of funeral service. For many urban residents, family graves are far away, so family visits are expensive.

Developers in cities are now building high rise buildings (called "columbariums") to house large numbers of urns. This makes family visits easier. The columbariums have special facilities to enable a family to pay its respects to its own urns in a private booth, as well as shrines, meditation centers, and other family facilities. Small funerals for just families and friends are increasingly common in urban areas. The development of small funeral parlors is a growing niche business.

The national census for 2015 estimated that about 5.9 million people 65 or older lived alone, one of six such seniors. In a small number of cases, the ashes of such people are not claimed, either because any known family members are estranged, unwilling to take on the responsibilities of a funeral and urn storage, or there simply are no known relatives. Some cities maintain ossuaries where urns are identified by name and stored.

Some cities have centers that offer programs for elderly low-income residents with no immediate family members. Individuals sign up to pay at least a fifth of the cremation and

burial costs of about \$2,500, with the municipal government covering the rest.

Noteworthy Events

Japan has had a number of noteworthy events in 2019. The most important has been the imperial succession. The ongoing Ghosn-Renault-Nissan saga and negotiations are fascinating and juicy. Probably more important has been the JIC scandal. And, a tiny industry, whaling, has been subject to criticism by environmental activists, initiated by Australians.

The Emperor has scant economic or political power, but significant symbolic power, much of which is thanks to Emperor Akihito, who began his effective reign as Heisei Emperor in 1989. Popularly regarded as the people's emperor, Emperor Akihito consoled Japanese in difficulty and expressed remorse to countries having suffered at Japan's hand during its colonial period and World War II. He decided to abdicate due to age (he was born in 1933) and health reasons. He was finally able to do so at the end of April 2019.

He was succeeded by his son Naruhito, and the Reiwa Era has begun. Naruhito, born in February 1960, was educated in Oxford and has promised to follow his father's approach, commitments, and style.

The abdication and the new Emperor's installation was a smooth, good process, generating some optimism about Japan's future. In contrast, when the Showa Emperor (reigned 1926-1989) lay ill and finally died in 1989, at the age of 87, everything slowed, including the economy, as people mourned and refrained from parties and other forms of conspicuous consumption. The lesson learned: a smooth abdication is the best way to carry out Imperial succession.

The ongoing Ghosn-Nissan-Renault story embodies a complex mixture of individual and

management strengths and weaknesses, the corporate culture of two major automakers: Nissan, based in Japan, and Renault, based in France; the economies of scale and specialization making their alliance so economically attractive; the evolving fitful nature of the alliance itself; and the respective roles of the French and Japanese governments. Not surprisingly, the media has focused on Carlos Ghosn's accumulation of power and money, and his downfall. Information on his manipulative funding arrangements continues to seep out.

The Renault-Nissan relationship has evolved significantly from 1999, when Ghosn pulled Nissan back from bankruptcy and established the Renault-Nissan alliance. He had a strong desire to merge the companies but was effectively thwarted by a group of Nissan managers. Matters came to a head in 2018.

The economics of technology is a major driver of this tale. Nissan and Renault each has its own proprietary technologies. How much to share, and how to share, has been key. So, too, has been the sharing of research and development costs.

A range of different models can be built on the same platform. Originally, *platform* simply meant the chassis, but it has expanded in concept to include other components. Platform sharing reduces the number of unique parts across a company's product line, as well as the time and money that would be needed if every new vehicle had to be made using its own platform.

For several years, Nissan has done poorly in the United States and other foreign markets, and profits have dropped significantly. Nissan management continues to strongly resist Renault merger efforts, as Renault has a far larger share of Nissan's stock than Nissan has of Renault's, and the French government owns 19.7 percent of Renault SA, a further complication. The mutual lack of trust is a major challenge. It remains to be seen

whether current negotiations can resolve the ownership imbalances, lack of trust, and other difficulties, despite the very strong economic incentives to work together.

The arrests and treatment of Ghosn made me more aware of those aspects of the Japanese legal system that are different from American practices, which themselves are probably not globally typical. Not surprisingly, Ghosn proclaimed his innocence. There was nothing special about being held in a small cell. However, I was shocked that, according to regular practice in Japan, he was held without bail for three months, repeatedly questioned without his lawyer present, and that one of the conditions of his eventual bail was that he have absolutely no contact or communications with his wife or his son, who are his business partners.

The Japan Investment Corporation (JIC) scandal provides important insights into the tensions between the Japanese government bureaucracy, the political leadership, and market-based senior executive compensation. On September 20, 2018, METI established the JIC as the successor to the Innovation Network Corporation of Japan (INCJ), with ¥2 trillion (\$18 billion) in government funds. Its purpose was to be a globally competitive sovereign wealth fund to finance emerging technology companies, engineer M&A, and invest in major foreign technology companies.

METI recruited Masaaki Tanaka to be JIC president and CEO and appointed a board of eight other well-known outside specialists and two METI officials. Tanaka had extensive experience in global financial markets in his career with Mitsubishi UFJ Financial Group (MUFG), and as an advisor to the Financial Services Agency (FSA), other governmental agencies, and private sector business groups. METI offered him a significantly higher wage package than any Japanese official or the Bank of Japan governor.

JIC hired a Silicon Valley venture capital firm to help it invest. In November 2018, METI withdrew its salary offer to Tanaka and the other board members, saying it had made a mistake. Chief Cabinet secretary Yoshihide Suga, once he learned of the lucrative JIC salary terms, indicated it was not acceptable. METI minister Hiroshige Seko stated that "compensation at an institution that manages public money needs to be in line with what people find acceptable." Tanaka and the other JIC nongovernment board members then resigned, and JIC was in limbo. The issue was not only salary, but also the degree of JIC independence that Tanaka steadfastly assumed, which was more than the government realistically should be expected to give.

On October 4, METI filled the post of president and CEO of JIC with Keisuke Yokoo, former president of Mizuho Securities Company. Presumably, JIC will resume operations soon.

Economic policy making is fundamentally political; it benefits specific industries and workers and hurts others. There are the big stories of Trump, of China, of the international economic system. And there are smaller stories, which on occasion receive special attention. Such is the case of the Japanese government's decision to officially restart commercial hunting of whales, after having agreed in 1988 to ban whaling except for research purposes. Antiwhaling social activists in Australia and elsewhere have strongly objected.

The whaling story is a complex mixture of culture, politics, scientific research, international relations, economics, and consumer preferences. In 1951, Japan joined the International Whaling Commission (IWC), founded in 1946. In 1986, the IWC declared a moratorium on whaling except for scientific research purposes. Japan actively engaged in whale research, caught whales, and then sold the whale meat in Japan.

Japan had sought to replace the moratorium with “sustainable quotas,” most recently in 2018. Rebuffed, the government decided to quit the IWC effective July 1, 2019, and, like Norway and Iceland, among a few others, engage in commercial whaling. The now 88-member IWC is the first major international organization from which postwar Japan has withdrawn.

It is difficult to think of a more miniscule Japanese industry. Japanese whaling consists of the large whale factory ship *Nisshin Maru* and its three catcher boats, and five medium whaling boats. There are around 300 people working in the industry, including some 200 crew members.

Withdrawing from the IWC is not going to result in a frenzy of Japanese whale hunting. The Japanese authorities allowed the hunt of 630 whales in 2018. The government has moved cautiously, limiting the number of whales caught to 227 for the second half of 2019, and limiting hunting to the 200-mile maritime economic zone around Japan, a much closer and less costly location. Previously, Japanese whalers operated in Antarctic waters.

Japanese consumer demand is very low. In the early postwar years, American occupation authorities urged Japanese to eat whale as a cheap source of protein. It cost only about a quarter of the price of beef. For the next decade or so, half of all protein in the Japanese diet was whale meat and was used for school lunches. About 200,000 tons were consumed annually. Today, whale meat is only 0.1 percent of total meat consumption, and it is comparable in price to beef. For several years, annual consumption has been about 3,000 tons, of which 1,000 tons is imported. This is about 40 grams a year per capita, about the size of a slice of ham. Japan has a few restaurants specializing in whale meat; it is a small niche market.

It is not entirely clear why the government decided to withdraw from the IWC and restart commercial whaling. NHK and other opinion polls show broad Japanese support for whaling, presumably as a part of Japan’s historic culture, even though relatively few Japanese now eat whale meat. However, Japanese whalers have been able to enlist top political support: Prime Minister Abe is from Shimonoseki, a whaling port, and the LDP secretary general, Toshihiro Nikai, represents Taiji, a whaling port in Wakayama prefecture. The Fisheries Agency provides an annual subsidy to whalers of \$46 million.

Whether this minuscule industry finally disappears probably depends fundamentally on the continuation of the government subsidy. It has been suggested that after three years it should be sharply reduced. With low demand, and the availability of higher-quality, less expensive whale meat imports, as the whaling ships become outmoded, they are not likely to be replaced. Yet future policy will continue to be shaped by this interesting mixture of Japanese economics, politics, and culture, and foreign environmental activist media coverage.

Productivity and Innovation

Productivity increases, the key to growth, are founded on investment, improving labor skills, new technologies, and innovation. A common metric is GDP per hour worked. For Japan, this rose 0.9 percent in 2017, but only 0.4 percent in 2018, according to OECD data. Such a measure only partially reflects the productivity of labor. On the labor-input side, this is because of differences in the personal capacities of workers, the intensity of their effort, and what they have to work with. Furthermore, wages are used to measure output, which is a problematic proxy of value in the service sector, since it employs low-wage part-time or foreign workers, underestimating output and productivity.

The OECD has identified 45 broadly defined key technologies that are expected to have significant economic (and other) impacts, some disruptive, classified into four major categories. Of these, 14 are digital technologies (the internet of things, big data analysis, robotics, blockchain, etc.); 10 are biotechnology (regenerative medicine, biochips and sensors, genomics, etc.); 7 are in advanced materials (nanomaterials, nano-devices, graphene, etc.); and 14 are in energy and environment (electric vehicles, wind turbines, carbon capture and storage, smart grids, etc.).

Japan ranks ninth in the Bloomberg 2019 innovation index, just behind the U.S. (South Korea has led the list for six years; Germany is a close second.) Japan places high in R&D expenditures and manufacturing value added, but low in productivity in services sector efficiency.

The August 2, 2019, Economic and Fiscal Policy Committee report states that firms actively pursuing artificial intelligence and training workers in tasks that cannot be readily automated are achieving significant productivity gains. The government actively promotes innovative startups and (to use the government’s term) “hidden gem” small and medium enterprises (SMEs). There is a government website specifically devoted to the role of technology. The overall policy emphasis has been on the internet of things, artificial intelligence, industrial robots, regenerative medicine, and plant-based biodegradable plastics, along with a wide range of more-narrowly focused projects.

Much analysis tends to focus on innovation and new technologies, and that is appropriate. Nonetheless, some products, and their production machinery, continue in use for decades. Maintenance of such production systems requires procedures to produce replacement parts as they wear out; 3-D production addresses this. Another issue is

training engineers and other skilled workers to understand and maintain older technologies, not just apply the new. Some companies, such as Nissin Electric, have developed training centers for that purpose.

For some decades, I have spent upwards of two months a year in Japan. In more recent trips, I have visited companies in various parts of Japan, usually in the company of a senior staff member of the Development Bank of Japan, with an interpreter. One thing that has impressed me is the entrepreneurship and innovativeness I encounter. (Summaries of these visits are available on the CJEB website: <https://www8.gsb.columbia.edu/cjeb/research/companyreports>.)

The Corporate Sector

As in other market economies, Japan's industrial organization is based on corporate enterprises. They provide four-fifths of the jobs and most of the output. The main exception is agriculture, with its 5.9 million individual proprietorships, and some professional services.

Japan has some 988,000 incorporated business enterprises. Almost all are small, typically family-owned, with a paid-in capital of 10 to 100 million yen. While some are barely profitable or even close to bankruptcy, most are a fundamental strength of the Japanese economy. Virtually every Japanese city has locally well-known, small, but strong local companies. Some provide local banking or financial, retail, and other services; yet others produce a highly specialized, specific component that has global reach and market share. It is difficult to assess the contributions of these enterprises. They understate profits, and of course companies in difficulty do their best to prevent adverse information leakage.

Much more information is available on listed companies, particularly the 2,155 trading on the first section of the Tokyo Stock

Exchange. They have to make public a great deal of information.

One enduring, key feature is the stereotypical employment system, which is still pretty much the case. Large firms seek to hire the best graduates of the major universities, and in due course promote them based on seniority and merit, winnowing down those who become top management, ultimately president and CEO, and internal members of the company's board of directors. The result is a deeply and strongly entrenched management, often involving several competing cliques.

Japanese companies have accumulated immense financial resources from retained earnings: ¥463.13 trillion (March 2019), a record for the seventh consecutive year. Listed companies hold even more than that in cash: ¥506.4 trillion (\$4.82 trillion at 105 yen/dollar) as of their latest filings. This is the highest level on record, according to data compiled by Bloomberg, and is more than three times the March 2013 level.

This risk-averse behavior protects management from periods of potential adversity, but it is wasteful, particularly given Japan's zero interest rate policy. Companies are using these surplus funds to buy back shares, increase diversity, and to engage in M&A, though not in sufficient amounts to diminish the cash surpluses.

Implementation of corporate governance and stewardship codes is a continuing process. While some companies are actively pursuing reforms, management in most companies is moving slowly. Almost all companies listed on the Tokyo Stock Exchange, particularly the JPX Nikkei 400 companies, have two outside directors. An FSA October 2018 survey found that more than 100 institutional investors, a major increase, disclose their voting on individual agenda items at company

annual meetings. Virtually all public pension funds have signed the stewardship code, though corporate pension funds have been slow to do so.

Since passive investment funds select companies based in stock indices, they do not engage with individual companies to improve their long-term performance. Some activist investors focus on long-term performance, though others push for changes that have quick results.

M&A in Japan is still modest but is increasing. Most are in practice acquisitions, since one company and its management dominates the other. Most transactions are friendly, or at least not overtly hostile. Much activity is by major conglomerates such as Panasonic, Hitachi, and Toshiba, disposing of units and subsidiaries that are not part of the core of the company. Well-known foreign expert investors such as KKR and Bain are actively seeking such opportunities, as are Japanese private equity and venture capital firms such as Japan Industrial Partners.

Hostile takeover bids remain uncommon, but there are some interesting new cases. They often invoke complicated interactions among majority shareholders, minority shareholders, and company management. The months-long Itochu Trading Company quest for sporting goods company Descente received considerable media coverage, even outside Japan. Itochu, already the largest shareholder with about 30 percent, wanted to regain control of Descente. From 1994, Itochu had appointed Descente's president. Then, in 2013, a founding family member became president and sought greater independence. A January 2019 tender offer at a 50 percent premium to the pre-bid share price allowed Itochu to increase its ownership share to 40 percent, sufficient to veto major management decisions. In March, Itochu took control and

appointed its own staff member as Descente president. Several other hostile bids are in the works in early fall 2019.

Labor

As of July 2019, Japan's labor force was 68.9 million, of whom 67.3 million members were working, primarily as business or government employees. The unemployment rate was an unprecedentedly low 2.3 percent. Males in the labor force numbered 38.3 million, with 97.6 percent employed; females in the labor force were 30 million, with 97.9 percent employed. The vast majority (80 percent) were employees working for companies; 8.0 percent were in the government sector; and 9.7 percent were self-employed or family workers.

The number of job openings has been greater than job seekers since 2014, and the gap has widened. Increases in the supply of workers, despite the demographic transition, has come from three main sources: married women reentering the labor force, elderly people continuing to work, and the acceptance of a modest number of foreign workers. At one time Japan had a relatively low participation rate for married women, but the rate is now higher than in the United States. Also, a higher percentage of Japanese over 65 continue to work than in the United States.

Ongoing labor shortages in almost all fields are bringing about all kinds of adjustments, including an explicit policy to provide work visas for some 340,000 foreign workers over the next five years.

An important distinction is between regular employees, who in principle have long-term jobs, and nonregular employees, who have limited-term contracts or part-time jobs. Some 76.8 percent of male employees (30.5 million) are regular employees, but only 44.6 percent of female employees (26.5 million). Only 15.4 percent of the male employees

are part-time, compared to 43.7 percent of female employees. Small firms (less than 30 employees) employ 24.6 percent of male employees and 27.3 percent of female employees. Some 31.8 percent of male employees and 27.9 percent of female ones comprise the 18.1 million (30 percent) who work at large firms (500 employees or more).

In January 2019, a government wage data scandal erupted. The Ministry of Health, Labour, and Welfare is required to survey virtually all companies with more than 500 employees to obtain wage data, which are used for estimating government benefit programs. However, the Ministry had only surveyed about a third of Tokyo-area large businesses between 2004 and 2017. Since large companies have higher wages than smaller ones, this undercounting reduced national wage estimates. One consequence is that the government has failed to pay tens of billions of yen (several hundred million dollars) in unemployment insurance and similar benefits, according to an internal investigation.

One major long-run change in Japan is the role of women in the economy and in society. Japan has long been male-dominated economically, politically, behaviorally, and institutionally. The increase in female participation in the wage-earning labor force has helped change this. So, too, have improvements in educational opportunities, the 2018 scandal over major medical schools discriminating against women taking the entrance exam notwithstanding. In 2016, women accounted for just 21.1 percent of all doctors in Japan, the lowest level among OECD nations.

As in most advanced economies, the wage differences between Japanese males and females doing the same work are relatively small. However, because 76.8 percent of men have full-time regular positions, but only 46.1 percent of women do, men as a group on average earn about 25 percent more than

women. This reflects the fact that regular workers receive higher wages and fringe benefits than nonregular workers, especially part-time ones.

Women have family responsibilities to care for their parents and, since most are married, care for their children and their husband's parents. This constrains working hours, which makes part-time work attractive, but it consigns women to low-paying jobs.

The Abe administration has passed policies to encourage more women to enter the labor force, including investment in nurseries and other child care facilities. However, it has focused less on encouraging promotion of women to managerial positions, a significant problem in the private sector as well as the public sector. For example, only about 10 percent of Diet members are women, a smaller share than in Iraq.

Importantly, the fundamentals of the work-life balance environment are gradually changing, generationally and institutionally. Men working long hours into late evening, and overtime, have been decreasing. Many young married men return to home for dinner, and many married working women go home to prepare for dinner and take care of their children. The Abe administration on female employment—womenomics—is promoting these work-life recalibrations.

Another work-life issue is the reality that most Japanese will live 20 to 30 years after retirement. The government is encouraging larger companies to postpone retirement to 70, significantly higher than current retirement ages, which are in the mid-50s, and to 65 or so for smaller companies. Ending formal retirement ages is probably desirable, but institutionally and financially difficult for employers.

One of the biggest challenges from Japan's demographic transition is how to finance the costs of maintaining the existing standard of living for Japan's future elderly. The national pension is ¥788,000 a year (\$7,430) for those who contribute the required monthly contribution (currently ¥16,430) for 40 working years. The FSA has estimated that couples will need to have assets of an additional ¥20 million, and that they should be invested, some in stocks and other more high-risk assets. In the longer run, the government will have to find a compromise package of higher taxes and lower welfare payments. It will take extraordinary political leadership to achieve this.

The government has pursued a strict policy limiting the acceptance of foreigners as workers in Japan, except for a few thousand highly-skilled foreigners recruited for special positions. Foreign workers come in a variety of ways: as trainees, as students allowed to work 28 hours per week, and as tourists and former students who overstay visas. A separate category is designed to attract the descendants of Japanese emigrants, in part to nurture relations of foreign Japanese-descendant communities in other countries with Japan.

In 1990, Japan revised its immigration laws to grant second and third generations of foreign citizens of Japanese ancestry special access to the Japanese labor market. As a consequence, Japanese-Brazilian workers in particular were attracted to Japan, reaching a peak of 310,358 in 2007. When the 2008 financial crisis hit Japan, the government provided foreign workers incentives to leave. By the end of 2017, Japanese-Brazilians in Japan had decreased to about 190,000.

In late March 2018, the government announced a program to attract fourth-generation emigrants to work in Japan for up to five years under a preferential visa program.

They must have basic Japanese language skills, and cannot bring family members. The government expected to attract about 4,000 workers. As of late June 2019, only 43 applicants had been accepted. One problem is that not many fourth-generation Japanese descendants in foreign countries know enough Japanese to pass the language test.

Macroeconomic Policy

The fundamental rule of monetary policy and fiscal policy is to maintain price stability and full-employment levels of aggregate demand. In Japan, as in other advanced countries, for some years monetary policy has been very easy, with low interest rates, and the government has run a budget deficit, providing demand stimulus. Japanese fiscal and monetary policies generally work in tandem, with good communication between both sets of policymakers, but certainly not as a coordinated unit, as evidenced by the consumption tax increase in October 2019 to 10 percent, and the inability so far of the BOJ to achieve its 2 percent CPI increase target, first set in January 2013.

Modern monetary theory (MMT) has been actively discussed by policymakers, as well as academics. The basic proposition of MMT is that the government can spend unlimited local currency amounts, financed by purchases of its bond issues by the central bank, with no limit on domestic money supply because there is no risk of default, until the inflation target is reached.

This way of thinking has correctly been strongly rejected both by BOJ governor Haruhiko Kuroda and senior MOF officials. BOJ continues its policy of extraordinarily low interest rates and yield curve control, with its official short-term rate of minus 0.1 percent, and a 10-year Japanese Government Bond (JGB) yield of zero. The policy has been managed well but still is far from achieving the 2 percent CPI annual increase

target. This will not be achieved anytime soon. With the Japanese economic performance slowing, the BOJ policy remained on hold in its September 2019 meeting, and Governor Kuroda has indicated further easing steps may be taken in the coming months if needed.

However, the easy money, zero interest rate policy has not been, is not, and will not be sufficient to achieve full-employment domestic demand growth. The government is dealing with the increase in the consumption tax to 10 percent by implementing a somewhat complex mixture of expectations, guarantees, and incentives to offset the immediate effect on consumption and on expectations. The longer-run effects of the tax increase are unclear. While the government has long touted fiscal reform and eventually eliminating the budget primary deficit, the realistic need to stimulate demand has trumped such MOF goals. Japan has run budget primary deficits for more than 20 years without significant deleterious effects. I expect this to continue indefinitely.

So long as interest rates are below the GDP growth rate, a primary deficit is not a major economic or fiscal problem. Olivier Blanchard and Takeshi Tashiro, in a May 2019 PIIE policy brief, argue that Japan should continue to run a modest budget primary deficit in order to sustain sufficient aggregate demand. Their analysis does not hold if Japanese interest rates rise significantly, but such interest rate increases would be in response to changes in positive economic fundamentals such as a surge in Japanese private investment or a major decrease in private saving.

What the government spends on is a different, important issue. The challenge is how to sustain the standard of living of Japan's elderly poor through welfare expenditures, as the proportion of elderly retirees increases and the proportion of younger taxpayers decreases.

The Financial Sector

Japan has a well-developed, market-oriented financial system that continues to be bank based, but with increasingly active, important financial markets. Financial technology continues to change profoundly, from ATMs to FinTech to cyber currency. The financial system has had to adjust to two profound changes: the demographic transition to fewer and older people, and directly to the BoJ's extraordinarily low interest rate policy and its huge purchases of JGBs.

The seven major banks, including the three megabanks, have shifted their business model from loans and deposits to focusing on asset wealth management and other financial services, and actively entering foreign markets by investing in foreign bonds and lending abroad, particularly to the foreign branches or subdivisions of their large Japanese corporate clients. Even so, the banks are in the process of substantially reducing employees, and their profits are down significantly.

Many regional banks have serious problems. With only a few exceptions, they are not big enough, and do not know enough, to operate well in foreign markets. However, they are important in Japan. Three-fourths of Japanese companies rely on a local financial institution as their main transactions bank.

While the sustained low interest rate policy has benefited business borrowers and residential home owners having mortgages, it has been costly for financial institutions.

Although some regional banks, usually the larger ones in larger cities, are in reasonably good shape, most have severe problems, particularly in regions with significant declining populations. Regional bank difficulties are well known and are reflected in the market price of their shares: 83 of 87 listed banks have a price-to-book ratio (PBR) of 0.4 or lower. The spread between lending and

deposit rates had fallen to 1.1 percent point by 2017, and even less subsequently. In their March 2019 fiscal year-end reports, profits decreased in about 70 percent of 78 regional banks and their holding groups, and three suffered losses. For some banks, reported profits were increased by capital gains from sales of JGBs, purchased earlier with a positive interest rate. The BOJ has estimated that 60 percent of regional banks will be having losses within the coming 10 years.

Regional banks also are shifting their business models from traditional lending-oriented to a broader range of financial services, but it is a slow, difficult process. The FSA is encouraging regional financial institutions to merge and is supporting the Regional Bank Association request that the current 5 percent limit on ownership of the stock of a corporate client be significantly liberalized, so banks can earn capital gains on successful local companies they know well.

The future does not look good for many regional banks. Their economic environments suffer from an aging and declining population, loss of young people, and local SMEs closing. Interest rates will not rise significantly in the foreseeable future. First-tier banks will survive, but many second-tier banks will be absorbed by other financial institutions. Regional financial institution group alliances are one way to keep regional banks alive and well. A hopeful harbinger is the SBI Holdings announcement in late September 2019 that it will invest in Shimane Bank in the wake of Shimane's losses on its securities portfolio, but it will take time to determine if its approach succeeds.

Energy

Energy has long been Japan's greatest economic vulnerability. It has to import all its oil and natural gas, and most of its coal; these comprise about 90 percent of Japan's total energy sources. Their world market prices are

volatile. As of 2016, 35 percent of Japan's energy consumption was for cooling, heating, and lighting buildings and houses, 28 percent for industry, and 24 percent for cars, trucks, railroads, and other forms of transport. Some 42 percent of primary energy consumption was oil, 27 percent coal, and 24 percent natural gas. The other sources were small: biomass 3.2 percent, hydro 1.6 percent, solar and wind 1.2 percent, nuclear 1.1 percent, and geothermal 0.5 percent.

Technology is changing rapidly, and so are costs. The government encourages solar and wind sources, and the development not only of rechargeable lithium-ion batteries, but also alternative energy storage systems such as Molten Salt TET and ice thermal storage.

Electricity generation, mainly by electric power utilities, is key. Given the long life of existing facilities and the flattening of electricity consumption, the sources of electricity generation change slowly. In 2019, LNG produced 40 percent of electric power generation, coal 28 percent, and oil 2 percent. Solar, air, and biomass generate 10 percent of electricity, hydro 9 percent, and nuclear 6 percent.

Government energy policy is broad based and focuses on helping develop new technologies, thereby reducing costs, in renewables, as well as electric vehicle efficiency.

An unresolved issue is what to do about nuclear power. Nine of Japan's nuclear power plants have been reopened in 2019, but one then closed because its counter-terrorism facilities were deemed inadequate. Another five or so are scheduled to be reopened in 2020. However, Shinjiro Koizumi, the politically popular new minister of the environment, in September 2019 announced he wants to close all the nuclear power plants, and presumably not build any new ones. This is in contrast to the 2018 report of the Japan Institute of Energy Economics that in

2050 nuclear power will provide 16 percent of Japan's primary energy consumption and generate 20 percent of its electricity.

I am always fascinated by tidbits. For example, electricity, called regenerative power, is generated by vehicles motors, notably railway and subway trains, when the vehicle hits its brakes. This is a clean, inexpensive source of electricity, but it requires an inverter to convert the regenerative power from DC to AC electricity to use on the grid. Meidensha Corporation has developed and uses an electrochemical double-layer capacitor (EDLC) to store electricity better than an ion-lithium battery in that it can recharge rapidly and repeatedly and has a long operating life.

Japan has at least two energy dilemmas. One is that coal is cheap but "dirty" (CO₂, methane, and other pollutants). Japanese companies have developed ways to increase coal efficiency and in storing CO₂. BloombergNEF reports that Japan will add 10 gigawatts of coal-fired electricity over the next five years, making coal's share of energy 36 percent by 2024. Natural gas now and renewables in the eventual future will replace coal, but it will probably be a long, slow process.

The equally important dilemma is what to do about nuclear power. The immediate issue is how many closed plants to reopen. The long-run issue is whether to continue to develop and use new, efficient, presumably very safe nuclear power plants to generate electricity.

Conclusion

The world, is in the midst of its fourth industrial revolution, as digital and other new technologies drive the global economy. Opportunities and challenges are arising. Importantly, although essentially everyone is benefiting in some way, the gulf between those at the top and bottom has widened. This necessitates ameliorative government and sound policies. One surprise is that

measured productivity growth has continued to slow. I expect productivity growth to rise as new technologies are more widely used.

While in many respects ours is a turbulent world, Japan has a stable, strong, well-performing economy in a politically stable, pragmatically flexible, culturally homogeneous society. Japanese are well-educated, skilled, hardworking, and diligent. The country has achieved a high level of civilian technology. It has a large capital stock: housing, office buildings, factories, roads and other infrastructure. And it has strong economic, social, and other institutions. In these respects Japan is similar to the advanced Western European nations. It has both its own specific problems and challenges, and those that other developed countries also have to deal with.

Japan is an outlier, and a leader, in the process of adaption to a decreasing and aging population. At some point, Japan eventually will have to decide how to halt population decrease, but the decision will not be made soon.

We need to change our way of thinking about a country's economic performance from total GDP to GDP per capita. In terms of economic welfare, maintaining and increasing the standard of living is key. The simplest, though not adequate, measure is GDP per capita. That depends on output per worker per hour. So Japan's future total GDP may be flat, or even slightly declining, but the standard of living can be stable or continue to increase. Of course well-being is generated by many social and personal factors as well as economic, and GDP per capita only approximately measures economic well-being.

Japanese will live longer and better lives, particularly because of ongoing major improvements in medical technology and health care, as well as all of the new technologies and other innovations that will continue to drive

its economy. I am optimistic that Japan will deal reasonably well with the challenges it faces at home, and in a turbulent world.

October 4, 2019

Current Research Highlights



From left to right: David Weinstein, Gerald L. Curtis, Merit E. Janow, and Takatoshi Ito

One of CJEB's highest priorities is promoting research related to the Japanese economy, businesses, management systems, and financial markets. Typically, the Center's core faculty members obtain funding individually through competitive outside grants, as well as additional financial and administrative support from the Center in order to facilitate their research.

David Weinstein leads the Center's research activities and has several projects under way. Professor Weinstein's research and teaching focus on international economics, macroeconomics, corporate finance, the Japanese economy, and industrial policy. In addition to his role as CJEB's director of research, he is the director of the NBER Japan Project, and the executive director of the Program for Economic Research in the Department of Economics at Columbia. Professor Weinstein was also the chair of Columbia University's Department of Economics.

In 2018-2019, Professor Weinstein released a paper examining the costs of the trade war, estimating them to be 1.4 billion dollars per month. This paper was widely cited in media in the United States, Europe, and Japan. In addition, he also published a paper in the *IMF Economic Review* on international bank flows and the global financial sector documenting how problems in one banking system are transmitted globally. His work on e-commerce resulted in a paper examining how the entry

of Japanese e-retailers has affected consumer prices and welfare in Japan. Finally, he has continued to do work related to understanding the determinants of trade patterns.

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

Gerald L. Curtis divided his time this past year, as he has for many years now, between living in New York and Tokyo. He conducted research on Japanese politics, U.S.-Japan relations, and the changing political order in the Asia-Pacific region, spoke at many public events in both countries, and consulted with policymakers, business leaders, and others. He participated in a number of track II meetings to discuss policy issues with other experts from the United States, Japan, China, and Korea. His views on issues relating to Japanese politics and to U.S.-Japan and U.S.-East Asian relations were quoted in numerous publications on both sides of the Pacific.

In May 2019, just as Japan ushered in its new Reiwa era, he published a major work in Japanese about the political history he has observed close-up over the past half century. The title of the book, rendered into English, is *A Personal Chronicle of Politics in Showa and the Heisei Era*. The book draws heavily on the extensive interactions he has had with Japan's prime ministers and other political leaders since the late 1960s and has drawn enthusiastic reviews.

Takatoshi Ito contributes to the Center's research activities and has several individual ongoing research projects. Professor Ito's research and teaching focus on international finance, foreign exchange market microstructure, Asian financial markets, inflation targeting, and the Japanese economy. Professor Ito also maintains a teaching and research position during the summer at the National Graduate Institute for Policy Studies in Tokyo. His research focuses on three broad themes: international finance, the Japanese economy, and the Asian financial markets. He has carried out a series of research projects on the dynamics of the exchange rates in various time spans and frequencies. He has done macroeconomic analysis of the yen/dollar exchange rates after the rate floated in 1973. Currently, he is examining the microstructure of the foreign exchange markets using a tick-by-tick dataset, which contains all firm quotes and deals in a computerized order-matching engine. He is researching how particular institutions and rules in the market influence pricing and deal activities.

His work on the Japanese economy includes both macro- and microeconomic aspects of the economy. On monetary policy, he was a proponent of inflation targeting in Japan, long before the Bank of Japan finally adopted it in 2013. He is investigating transmission channels and the effects of quantitative easing adopted by the four major central banks. On fiscal policy, he has been analyzing the debt

sustainability of Japanese government debts. He has been conducting a simulation analysis of a menu of fiscal consolidation with varying degrees and speeds. On growth strategy, he investigates various reform plans in regulated industries from agriculture and education to medical and health care. He combines theory and empirical research and derives policy implications.

He belongs to a research group at the Research Institute of Economy, Trade, and Industry, which examines Japanese exporters' decisions to pass through the exchange rate changes on export and destination prices. He is also a special member of the Council on Customs, Tariff, Foreign Exchange, and other Transactions at the Ministry of Finance, Japan. Professor Ito organizes internationally acclaimed seminars, such as the NBER East Asian Seminar on Economics in June 2016.

He served as chair of the study group on reforming public pension funds in Japan. A report from his group, recommending portfolio rebalancing away from Japanese government bonds and toward more risk assets, has been very influential in the subsequent change of the Government Public Investment Fund.

Professor Ito's involvement in Southeast and

East Asian economies dates from the time of the Asian currency crisis in 1997–1998. He has done research on, as well as given policy advice related to, economic and financial issues in Southeast Asia, in particular Thailand, Indonesia, Korea, and Myanmar. He continues to visit these countries to engage in academic and policy discussions. He has been doing research, as well as teaching, on inflation targeting and exchange rate regime and financial and capital markets development in the Asian emerging market economies.

Merit E. Janow, appointed dean of the School of International and Public Affairs (SIPA) in 2013, undertakes research on international trade, finance and investment, the digital economy, and the intersection of those areas in Japan and China. Over the past four years, 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, and comparing Chinese and Japanese industrial policies and policies around high tech and digital, and corporate governance issues. As dean, she also has initiated a number of new initiatives around the intersection of technology and policy, notably focusing on cybersecurity, internet governance, and digital economy; a major China/Asia initiative; new initiatives

on central banking and financial policy; and global urban policy.

Alicia Ogawa continues her private consulting work for an activist fund on the Japanese equities market. She has been a featured speaker on corporate governance at several NPOs this year, including the American Chamber of Commerce in Japan, the Council of Institutional Investors, and the International Corporate Governance Network. The project on Japanese Corporate Governance and Stewardship organized several events at Columbia this year, including a seminar entitled "Practical Applications of ESG in Japan: How Investors Make Companies Better Global Citizens." She also led a group of SIPA graduate students in a project for Citibank on ESG ratings and stock performance.

Hugh Patrick continues his study of Japan's current economic performance, monetary policy, and institutional changes. His most recent paper is his annual essay on the current Japanese economy, included in this annual report, starting on p. 10. He is an active participant in a range of conferences about Japan and Asia. He made trips to Japan in fall 2018 and spring 2019, and to Korea in spring 2019, and had meetings with senior policy advisors and business leaders.



Hugh Patrick

Faculty Engagement



From left to right: Glenn Hubbard and Hugh Patrick

CJEB actively supports Columbia University faculty members who are not formally associated with the Center by promoting dialogue between the business, professional, academic, and cultural communities in the United States and Japan. CJEB funds Japan-related research and explores ways to incorporate the study of the Japanese economy and business systems into faculty research and teaching. We foster collaboration and use our extensive network of Japanese professional contacts to arrange for speakers from the private, academic, and government sectors to give lectures to the Columbia community. CJEB faculty have access through CJEB to various Japan-related databases for use in their research. Additionally, where appropriate, CJEB can fund and arrange faculty trips to Japan.

This past year, CJEB invited several faculty members to participate as speakers or panelists in its various public programs. On

September 27, 2018, CJEB sponsored a lecture featuring Katsunobu Kato, minister of Health, Labour, and Welfare of Japan (p. 35). The lecture, titled “Special Lecture with Minister Katsunobu Kato,” was moderated by **Takatoshi Ito**, professor at the School of International and Public Affairs and Director of CJEB’s Program on Public Pension and Sovereign Funds. Minister Kato discussed the current state of Japan’s economy and the impact Abenomics has had. On November 13, 2018, CJEB cohosted a lecture with the Weatherhead East Asian Institute (WEAI) of Columbia University featuring **Gerald L. Curtis**, Burgess Professor Emeritus of Political Science at Columbia University, and **Hugh Patrick**, titled “Japan’s Politics and Economy: What’s Next?” (p. 34). Professors Curtis and Patrick shared their perspectives on Japan’s current political and economic landscapes and their predictions for the country’s next few years.

On December 6, 2018, CJEB hosted its third annual Conference on Public Pension and Sovereign Funds (p. 30). **Nobuchika Mori**, former commissioner of the Financial Services Agency of Japan and senior research scholar and adjunct professor at the School of International and Public Affairs, gave one of two keynote speeches. **Jacob J. Lew**, former secretary of the U.S. Treasury and visiting professor of International and Public Affairs at Columbia’s School of International and Public Affairs, moderated the first panel, “Macro Environment: Is There Any Macro Risk for Asset Management?” **Sanjay Peters**, adjunct associate professor of International and Public Affairs at SIPA, served as a panelist in the second session, titled “Public Funds Investment in Long-Term Investment: Benefits and Risks.” On February 14, 2019, CJEB held a lunchtime seminar titled “Closing the Gender Gap in Japan: Achievements, Challenges, and

Prospects,” that was moderated by **Yumiko Shimabukuro**, Director of the Urban and Social Policy Program at the School of International and Public Affairs and faculty advisor of the Empowering Asian Women program at Columbia.

CJEB also held its annual Japan Economic Seminar (p. 55) on March 8, 2019, highlighting several papers on the Japanese economy. CBS postdoctoral research scholar **Cynthia Mei Balloch** was a discussant for the paper “Forgiveness versus Financing: The determinants and impact of SME debt Forbearance in Japan,” written and presented by Chuo University professor Arito Ono.

Adam Sacarny, professor at Columbia University’s Mailman School of Public Health, also served as a discussant for the paper “Free for Children? Patient Cost-Sharing and Health Care Utilization,” written and presented by Toshiaki Iizuka, professor at the University of Tokyo.

On May 30, 2019, CJEB hosted a special educational summit for its corporate sponsors and guests, titled “Demystifying Machine Learning and Artificial Intelligence” (p. 42). The summit was taught and designed by **R. A. Farrokhnia**, adjunct associate professor at Columbia Business and Engineering Schools. Two days prior, CJEB organized

its annual Tokyo conference, “U.S.-Japan Relations in a New Era: Trade, Governance, and the Global Economy” (p. 31). Several noted Columbia faculty members participated in this conference, including **Glenn Hubbard**, dean of Columbia Business School, and **Merit E. Janow**, dean of SIPA.

CJEB continues to work with the Jerome A. Chazen Institute for Global Business and CBS’s student-run Japan Business Association (JBA) to support the annual travel of a CBS faculty leader on the Chazen International Study Tour to Japan. In spring 2019, **Mattan Griffel**, adjunct assistant professor of business at CBS, led the study tour.



David Weinstein

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.

2018-2019 Working Papers

WP 363

The Samurai Bond: Credit Supply and Economic Growth in Pre-War Japan

Sergi Basco and John P. Tang

July 2018

While credit supply growth is associated with exacerbating financial crises, its impact on long-run development is unclear. Using bond payments to samurai in nineteenth-century Japan as a quasi-natural experiment and exploiting regional variation, we find that bond payments are associated with persistent redistributive effects between regions and sectors. Areas with early railway access and higher bond value per capita experienced faster income growth in the tertiary sector and slower growth in the primary, with analogous effects for sectoral labor shares. Our interpretation is that the interaction between credit supply and productivity-enhancing technologies facilitated economic development and structural transformation.

WP 364

The Neo-Fisher Effect: Econometric Evidence from Empirical and Optimizing Models

Martin Uribe

September 2018

In this paper, I investigate whether the neo-Fisher effect, according to which a permanent monetary tightening leads to an increase in inflation in the short run, is present in U.S. data. I estimate an empirical and a New-Keynesian model driven by transitory and permanent monetary and real shocks. I find that both models produce similar dynamics. Temporary increases in the nominal interest-rate lead, in accordance with conventional wisdom, to a temporary increase in real rates that is contractionary and deflationary. The main result of the paper is that, in response to a permanent increase in the nominal interest rate, inflation increases immediately, reaching its higher long-run level within a year. Furthermore, the adjustment entails no output loss and is characterized by low real interest rates. In both models, permanent monetary shocks are an important driver of nominal variables, explaining more than 40 percent of the variance of changes in inflation.

WP 365

Main Bank Relationship and Accounting Conservatism: Evidence from Japan

Hideaki Sakawa and Naoki Watanabel

September 2018

In a market-oriented economy like the United States, the process of monitoring through lending mitigates lenders' demand for accounting conservatism. Japanese corporate governance is characterized as a bank-dominated or relationship-oriented system.

Under bank-dominated systems, main banks are expected to be effective monitors. In our model, main banks play the role of reducing the lenders' demand for accounting conservatism by reducing information asymmetry. We find that main banks can reduce the demand for accounting conservatism. Our findings help understand accounting conservatism vis-à-vis agency problems. We provide empirical evidence to contribute to the literature on banking, specifically to fields such as relationship banking.

WP 366

Earnings Management and Internal Control in Bank-Dominated Corporate Governance: Evidence from Japan

Hideaki Sakawa and Naoki Watanabel

September 2018

We examine the relationship between internal governance and earnings management in Japanese listed firms. Following the recent accounting frauds in large companies such as Olympus Corp. and Toshiba Corp., Japanese internal governance systems have also been widely criticized. Unlike the United States and United Kingdom, Japan is known as a bank-dominated corporate governance system. We predict that the bank-client relationship is expected to mitigate opportunistic earnings management by mitigating the degree of information asymmetry, which is a main cause of agency problems arising from debt contracts. Our results show that bank-appointed audit board members mitigate managerial earnings management. Furthermore, neither outside directors nor audit committees (ACs) are helpful to decrease opportunistic managerial earnings management. Our findings imply that a lender-monitoring system, through audit board members, could contribute by substituting the monitoring role of outside directors and ACs.

WP 367

Japanese Newspapers

David Flath

March 2019

In 2017, Japanese newspaper advertising revenue, adjusted for inflation, was only half as great as at its 1997 mini-peak. Japanese newspaper circulation also peaked in 1997, and in the two decades since then has fallen by about one-fourth (counting a morning-and-evening subscription as two, by one-fifth if counting it as one). Based on the inferences in this paper, underlying these recent changes in Japanese newspaper revenue and circulation is an 83 percent decrease in the demand for newspaper ads from 1997 to 2017, and a 26 percent decrease in demand for newspaper subscriptions, measured at the 1997 inflation-adjusted prices of ads and subscriptions. The fall in demand for newspaper ads can be directly linked to the rise of the internet using an autoregressive distributed lag model.

WP 368

The Impact of the 2018 Trade War on U.S. Prices and Welfare

Mary Amiti, Stephen J. Redding, and David Weinstein

April 9, 2019

This paper explores the impact of the Trump administration's trade policy on prices and welfare. Over the course of 2018, the United States experienced substantial increases in the prices of intermediates and final goods, dramatic changes to its supply-chain network, reductions in availability of imported varieties, and complete pass-through of the tariffs into domestic prices of imported goods. Overall, using standard economic

methods, we find that the full incidence of the tariff falls on domestic consumers, with a reduction in U.S. real income of \$1.4 billion per month by the end of 2018. We also see similar patterns for foreign countries who have retaliated against the United States, which indicates that the trade war also reduced real income for other countries.

2018-2019 Occasional Papers

OP 79

Japan's Economy—Stable, with Sustained Modest Change

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

June 2019

Professor Hugh Patrick's 2017-2018 annual essay on the Japanese economy is published here as a CJEB Occasional Paper. The essay considers the full breadth and scope of issues facing the Japanese economy. He describes Japan's economy as continuing to do well, despite a blip in the first quarter of 2018. There were no big domestic surprises, and he did not anticipate any. In 2017, GDP increased 1.7 percent, greater than estimated potential growth. GNP per capita, in some ways a better measure than GDP growth since Japan's population is declining, increased by almost 1.9 percent. Unemployment continued to decline to 2.5 percent in July. Deflation ended, but the major macroeconomic shortfall was that the 2 percent consumer price index (CPI) annual increase target was not achieved, and he did not believe it would be achieved anytime soon. At the macro level, improvement was incremental and gradual. He observed that this essay reads very much like his essay from the previous year.

Program on Public Pension and Sovereign Funds

With imposed stress on public pension systems across advanced economies because of the growth in aging populations, many countries have created or reformed public pension funds to finance future shortfalls in pension contributions. Under the guidance of Professor Takatoshi Ito, CJEB established this program in order to examine and conduct extensive research on how public pension funds and sovereign wealth funds should be structured, both in portfolio and governance. The program evaluates public pension fund reforms across Japan and other global economies, with an aim toward deriving lessons for Japan to enhance its Government Pension and Investment Fund (GPIF). Similarly, the GPIF can serve as a model for structuring other public and quasi-public pension funds in Japan and other emerging market economies, with the intention of setting up or reforming its own funds.

This year, the Program on Public Pension and Sovereign Funds (PPPSF) held its third annual conference on December 6, 2018 (see p.



From left to right: Roger W. Ferguson Jr., William Kinlaw, Sanjay Peters, and Geoffrey Rubin

30). The conference was composed of three sessions: “Macro Environment: Is There Any Macro Risk for Asset Management?”; “Public Funds Investment in Long-Term Investment: Benefits and Risks”; and “Will Public Pension

Funds Make an Impact on Environmental Sustainability?” The two keynote speakers were Nobuchika Mori, former commissioner of the Financial Services Agency of Japan, and Roger W. Ferguson Jr., president and CEO of TIAA.

Corporate Governance and Stewardship Program



Sustainability and Promotion of Long-Term Investing: The Role of Investors and the Stock Exchange

As a major policy to promote structural reforms, Prime Minister Abe introduced the Corporate Governance Code and the Stewardship Code in order to encourage Japanese firms to innovate and invest, and for shareholders to actively monitor and promote those efforts. The Corporate Governance Code is designed to increase transparency and accountability in Japanese corporate management, and the Stewardship Code is designed to encourage investors to engage in active discussion with their invested companies, in order to guide and accelerate the evolution of Japan’s corporate culture. Through a series of public programs and papers led by Alicia Ogawa, this program initially focuses on an analysis of the governance structure of the most innovative Japanese

companies and how it has contributed to their status as leading competitors in the global market. The program’s mission is to inspire best practices among other firms in Japan as they consider new approaches to governance.

In 2018–2019, CJEB held an evening symposium for its Corporate Governance and Stewardship Program: “Practical Applications of ESG in Japan: How Investors Make Companies Better Global Citizens” (p. 34). Three lunchtime seminars were also held as part of the program: “The Rise of Japanese Cross-Border M&A in a New Era of Shareholder Scrutiny” (p. 37), “Shareholder Activists Take on Corporate Japan” (p. 37), and “Sustainability and Promotion of Long-Term Investing: The Role of Investors and the Stock Exchange” (p. 40).

The New Global Financial Architecture



CJEB Annual Tokyo Conference 2019

Building on 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 a major emphasis on Japan.

The program brings together distinguished finance and economics professors at Columbia Business School (CBS) 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, the program also concentrates on

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's seed funding, and in 2011, Aflac Life Insurance Japan Ltd. (formerly known as Aflac Japan) became the first sponsor. The Center continues to seek a small number of appropriate sponsors inclined to make significant annual commitments for three years.

This year, CJEB held a number of NGFA events, including four at Columbia University: in October 2018, "Agenda for 2020: Can Japan Win Gold for Its Economic Performance?" (p. 36); in November 2018, "Private Equity Coming of Age in Japan" (p. 38); in February 2019, "Have We Seen This Movie Before? China, Japan, Industrial Policy, and Trade Conflict" (p. 39); in April 2019, "The Puzzle of Japan's Low-for-Long," (p. 41). Finally, "U.S.-Japan Relations in a New Era: Trade, Governance, and the Global Economy" (p. 31) was held as part of the NGFA program in Tokyo in May 2019.

Each year, CJEB organizes and hosts numerous major conferences, symposia, lectures, seminars, and workshops that feature distinguished speakers. These programs provide an important educational platform for students, academics, members of the private sector, and policymakers from Japan and the United States. The 2018-2019 events are listed below and split into the following sections: Conferences, Symposia, Lectures, Lunchtime Seminars, and Workshops. All professional titles listed for participants are accurate for the time of the event. In addition to the descriptions below, videos and reports can be found on CJEB's website: www.gsb.columbia.edu/cjeb.

Conferences



Back row: Lukasz Pomorski, Ayako Yasuda, Norihiro Takahashi, Kee Chong Lim, Athanasios Orphanides, William Kinlaw, Sanjay Peters, Ekaterina Gratcheva, and Jacob Lew. Front row: Takatoshi Ito, Hugh Patrick, Catherine Mann, and Nobuchika Mori

Conference on Public Pension and Sovereign Funds

December 6, 2018, The Italian Academy, Columbia University

This was the third annual conference of CJEB's Program on Public Pension and Sovereign Funds (PPPSF). CJEB director Hugh Patrick gave opening remarks and briefly introduced the program. PPPSF director Takatoshi Ito, a professor at the School of International and Public Affairs (SIPA) at Columbia University, followed with more details about the program and its success in the past year, and then went on to introduce the three panels. Nobuchika Mori, former commissioner of the Financial Services Agency, delivered the first keynote speech, which was followed by the first panel, "Macro Environment: Is There Any Macro Risk for Asset Management?" In this session, the panelists discussed their respective forecasts for the global economy in the coming 12-24 months. Roger W. Ferguson Jr., president and

CEO of TIAA, delivered the second keynote, which was followed by the next panel, "Public Funds Investment in Long-Term Investment: Benefits and Risks." This panel focused on issues related to the interim risks of long-term strategies, the opportunity cost of illiquid portfolios, and the difficulties of making realistic long-term commitments that will not be swayed by near-term market fluctuations and board pressures. In the final panel session, "Will Public Pension Funds Make an Impact on Environmental Sustainability?," the panelists considered the potential of public pension funds and other large institutional investors to positively impact environmental sustainability.

Welcoming Remarks

Hugh Patrick, Director, CJEB, Columbia Business School

Takatoshi Ito, Professor, SIPA, Columbia University, and Director, PPPSF, CJEB

Keynote: Nobuchika Mori, Former Commissioner, Financial Services Agency, Japan; Senior Research Scholar,

School of International and Public Affairs, Columbia University

Keynote: Roger W. Ferguson Jr., President and Chief Executive Officer, TIAA

Session 1: Macro Environment: Is There Any Macro Risk for Asset Management?

Moderator: Jacob J. Lew, Former Secretary of the U.S. Treasury; Visiting Professor of International and Public Affairs, SIPA

Panelists:

Kee Chong Lim, Deputy Group Chief Investment Officer and President, Americas, GIC

Catherine Mann, Global Chief Economist, Citigroup

Athanasios Orphanides, Professor of the Practice of Global Economics and Management, MIT Sloan School of Management

Session 2: Public Funds Investment in Long-Term Investment: Benefits and Risks



Nobuchika Mori



Back row: Drew Edwards, Hiroki Sampei, Alicia Ogawa, Mireya Solís, Lorenzo Caliendo, Shotaro Oshima. Front row: Glenn Hubbard, Takatoshi Ito, Hugh Patrick, David Weinstein, Merit Janow

Moderator: Roger W. Ferguson Jr., President and CEO, TIAA

Panelists:

William Kinlaw, CFA, Senior Managing Director, State Street Global Exchange

Sanjay Peters, Adjunct Associate Professor of International and Public Affairs, SIPA

Geoffrey Rubin, Senior Managing Director and Chief Investment Strategist, Canada Pension Plan Investment Board

Session 3: Will Public Pension Funds Make an Impact on Environmental Sustainability?

Moderator: Takatoshi Ito

Panelists:

Ekaterina Gratcheva, Lead Financial Officer in Finance, Competitiveness, and Innovation Global Practice, World Bank Group

Lukasz Pomorski, Managing Director, AQR Capital

Norihiro Takahashi, President, Government Pension Investment Fund

Ayako Yasuda, Professor of Finance, UC Davis Graduate School of Management

U.S.-Japan Relations in a New Era: Trade, Governance, and the Global Economy

May 28, 2019; Otemachi Financial City Conference Center, Tokyo, Japan

CJEB presented its annual Tokyo conference featuring business, government, and academic leaders from Japan and the United States.

Glenn Hubbard, dean and Russell L. Carson Professor of Finance and Economics at Columbia Business School, delivered a keynote speech on President Trump's economic policies and the G20 summit that was scheduled to take place in Japan in late June 2019. He outlined what he saw as the recent successes of President Trump's policies, including a resetting of growth expectations in the United States and the enactment of tax and regulatory changes aimed at growth. He noted that President Trump's actions on trade were more controversial, particularly when his policies could be construed as harmful to relationships with key allies like Japan. In comparison, Dean Hubbard described Japan's recent and current trade policies and actions as helping Japan

rise to the global stage as an architect and defender of free trade. Dean Hubbard was optimistic that the upcoming G20 summit meeting would offer an opportunity for global reflection on growth prospects, financial stability, international trade relations, and sources and consequences of populism.

His Excellency Taro Aso, deputy prime minister of the Government of Japan, also delivered a keynote speech on the U.S.-Japan alliance, the changes happening in Japan, and Japan's economic progress. Minister Aso began his address by reminding the audience that, despite recent turmoil, America still holds a place of global prominence and that many in the world still look to America for leadership. He also noted that a strong America is key to a strong Japan, just as a strong Japan is in the best interest of America. He expressed confidence that the United States and Japan can work out any common challenges, including ongoing trade negotiations. He also encouraged CJEB to continue facilitating research on the economic and political ties between the two countries. Finally, Minister Aso illustrated several key changes now taking place in Japan, ranging from better corporate governance, to the fostering of young entrepreneurs, to rewriting social contracts to include more



Deputy Prime Minister Taro Aso



From left to right: Taro Aso and Takatoshi Ito



Glenn Hubbard

spending on families with children. He urged the audience to pay attention to the changes going on in Japan.

Welcoming Remarks

Hugh Patrick, Director, CJEB, Columbia Business School

Keynote Speech: The Economics of Trump and the G20 Summit

Speaker: Glenn Hubbard, Dean and Russell L. Carson Professor of Finance and Economics Columbia Business School

Moderator: Hugh Patrick

Panel I: America and the New Protectionism

Panelists:

Lorenzo Caliendo, Professor of Economics, Yale University

Shotaro Oshima, Chairman, Institute for International Economic Studies

Mireya Solís, Director, Center for East Asia Policy Studies; Philip Knight Chair in Japan Studies, The Brookings Institute

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

Moderator: Merit E. Janow, Dean, School of International and Public Affairs, Columbia University

Keynote Speech by Minister Taro Aso

Speaker: His Excellency Taro Aso, Deputy Prime Minister; Minister of Finance; Minister of State for Financial Services, Cabinet Office, Government of Japan

Moderator: Takatoshi Ito, Director, Program on Public Pension and Sovereign Funds, CJEB; Professor, School of International and Public Affairs, Columbia University

Panel II: Shareholder Engagement: How Investors Talk to Companies

Panelists:

Drew Edwards, CEO and CIO, Usonian Investments

Akitsugu Era, Director, Head of Investment Stewardship Team, BlackRock Japan Co., Ltd.

Tsuyoshi Maruki, President and CEO, Strategic Capital, Inc.

Hiroki Sampei, Head of Engagement, Fidelity International

Moderator: Alicia Ogawa, Director, Project on Japanese Corporate Governance and Stewardship, CJEB

Closing Remarks

David Weinstein

Toast at the Reception

Satoru Komiya, Senior Managing Director, Tokio Marine Holdings; Tokio Marine Nichido Fire Insurance

The Japan Project Meeting with Joint ESRI International Conference

July 29-30, 2019; 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 are grateful to the Asian Development Bank Institute for its 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 "AI, Robotics, and the Labor Market."

Please see below for the agendas for both the Japan Project and the ESRI Conference.

The Japan Project Meeting

Welcoming Remarks

Naoyuki Yoshino, Asian Development Bank Institute

The Impact of E-Commerce on Urban Prices and Welfare

Authors:

David Weinstein, Columbia University and NBER

Yoon J. Jo, Texas A&M University

Misaki Matsumura, Columbia University

Discussant: Mototsugu Shintani, The University of Tokyo

The Great Disconnect: The Decoupling of Wage and Price Inflation in Japan

Authors:

Takeo Hoshi, Stanford University and NBER

Anil K. Kashyap, The University of Chicago and NBER

Discussant: Daiji Kawaguchi, The University of Tokyo

Meritocracy and Its Discontents: Evidence from Centralizing and Decentralizing School Admissions

Authors:

Mari Tanaka, Hitotsubashi University

Yusuke Narita, Yale University

Chiaki Moriguchi, Hitotsubashi University

Discussant: Yeon-Koo Che, Columbia University

The Collateral Channel versus the Bank Lending Channel: Evidence from a Massive Earthquake

Authors:

Iichiro Uesugi, Hitotsubashi University

Daisuke Miyakawa, Hitotsubashi University

Kaoru Hosono, Gakushuin University

Arito Ono, Chuo University

Hirofumi Uchida, Kobe University

Discussant: David S. Scharfstein, Harvard University and NBER

Policy Uncertainty in Japan

Authors:

Elif C. Arbatli, International Monetary Fund

Steven J. Davis, The University of Chicago and NBER

Arata Ito, Research Institute of Economy, Trade and Industry

Naoko Miake, International Monetary Fund

Discussant: Sagiri Kitao, The University of Tokyo

Managerial Talent and Economic Performance: Evidence from Discontinuities in Douglas MacArthur's Economic Purge

Authors:

Melissa Dell, Harvard University and NBER

Sahar Parsa, Tufts University

Discussant: Hideaki Miyajima, Waseda University

ESRI International Conference: "AI, Robotics, and the Labor Market"

Keynote: "The Effect of AI and Robotics on the Labor Market"

Tyler Beck Goodspeed, Member, Council of Economic Advisors

First Session: "Empirical Analysis; the Effect of the Introduction of AI and Robotics on Labor Market in Japan"

Chair: Fumihira Nishizaki, President, ESRI

Presenter: Daiji Kawaguchi, Professor, University of Tokyo

Commentator: Robert J. Gordon, Professor, Northwestern University

Second Session: The Effect of AI and Robotics on Work, Human Resources, and Employment

Chair: Atsushi Seike, Honorary President, ESRI

Presenter: Ajay Agrawal, Professor, University of Toronto

Symposia



Gerald Curtis



From left to right: Fabiana Fedelli, Laura Nishikawa, and Fiona Stewart

Commentator: Koichi Kume, Visiting Senior Research Fellow, ESRI

Third Session: The Effect of AI and Robotics on Economic Growth

Chair: Anil Kashyap, Professor, The University of Chicago

Presenter: Charles I. Jones, Professor, Stanford University

Commentator: Koichi Futagami, Professor, Osaka University

Fourth Session: How Will AI and Robotics Affect the Labor Market?

Coordinator: Alan Auerbach, Professor, University of California, Berkeley

Panelists:

Tyler Beck Goodspeed, Member, Council of Economic Advisors

Jesse Rothstein, Professor, University of California, Berkeley

Shumpei Takemori, Member, Council on Economic and Fiscal Policy

Atsushi Seike, Honorary President, ESRI

Japan's Politics and Economy: What Next?

October 31, 2018; Faculty House, Columbia University

CJEB cohosted a symposium with the Weatherhead East Asian Institute (WEAI) featuring Professor Gerald L. Curtis, Burgess Professor Emeritus of Political Science, and Hugh Patrick, R. D. Calkins Professor of International Business Emeritus and Director of CJEB. The main themes discussed were domestic politics in Japan, the trajectory of the Japanese economy, and Japanese foreign policy. Professor Curtis acknowledged that the declining population is one of the biggest challenges the Japanese government faces as the growing electoral power of the elderly is creating generational tensions in policymaking. Professor Curtis posed the question of whether a dynamic leader would emerge after Prime Minister Abe who would have enough persuasive ability to convince older generations to agree on policies that would benefit future generations. Regarding Japanese foreign policy, Professor Curtis outlined three major concerns. They included: (1) maintaining a strong relationship with the United States while it is experiencing

a tumultuous period with an unpredictable American president; (2) dealing with China, a nearby rising power presenting economic and security threats; and (3) managing relations with North Korea. Regarding North Korea, Professor Patrick turned the discussion to further explore the abduction issue.

Practical Applications of ESG in Japan: How Investors Make Companies Better Global Citizens

February 27, 2019; International Affairs Building, Columbia University

On February 27, 2019, CJEB hosted a panel exploring the future applications of ESG by examining the current practice from three diverse vantage points. These perspectives came from representatives of, respectively, large private asset owners; firms developing the practice of ESG ratings as well as expanding and refining the range of ESG research products available; and public sector and multilateral organizations. Three panelists considered the issues for the evening: Fabiana Fedeli, managing director and global head of Fundamental Equities at Robeco;

Lectures



Minister Katsunobu Kato



From left: Hugh Patrick, Katsunobu Kato, Takatoshi Ito, and David Weinstein

Laura Nishikawa, managing director of ESG Research at MSCI Inc.; and Fiona Stewart, lead financial sector specialist at the World Bank. Professor Alicia Ogawa, director of CJEB's Project on Corporate Governance and Stewardship, moderated the event and provided a brief overview of the growing importance of ESG in mainstream investment decision-making.

Ms. Fedeli began her speech by emphasizing that ESG is not a fad; rather, it has become an important part of due diligence. Robeco has been actively applying ESG considerations in its investment decisions since 1999, when it launched its first sustainable fund, and has incorporated ESG factors in emerging market investment analyses since 2001. Ms. Nishikawa emphasized that ESG ratings measure the long-term ability of firms to manage the ESG risks they face. ESG ratings are not value judgments about the negative or positive externalities of the operations of the firm, as they are commonly misperceived to be. While Dr. Stewart also emphasized that ESG is becoming mainstream, the current pool of evidence largely illustrates the benefits of ESG practices for equities, while "materiality" is not yet there for fixed income markets.

The Future of Japan's Social Security and Work Style Reform

September 27, 2018; Faculty House, Columbia University

On September 27, 2018, CJEB hosted a special lecture by Minister Katsunobu Kato, minister of Health, Labor, and Welfare in Japan, as well as minister for Working-Style Reform and minister in Charge of the Abduction Issue in Japan. The event was moderated by Professor Takatoshi Ito, professor at the School of International and Public Affairs (SIPA) and the director of CJEB's Program on Public Pension and Sovereign Funds. Minister Kato and Professor Ito were welcomed by Professor Patrick. Minister Kato provided an overview of the primary goals of the Abe administration with regard to labor and welfare, as well as the use of "Abenomics" to address the structural problems of the Japanese economy. These structural problems include a declining birth rate and an aging and declining population size. The Abe administration has prioritized addressing these issues to increase labor productivity, ensure sustainable growth, and lay the foundations for a robust, thriving

society in the future. Minister Kato then highlighted some of the key achievements of the Abenomics reforms to date.

Nominal wages in Japan, which are largely determined by annual negotiations between the large corporations in the country, have increased steadily in recent years by 2 percent every year. Also, the hourly wage of part-time workers has also increased by 16.7 percent. Furthermore, the minimum wage has been increased, and the administration is continuing to target an annual increase, ideally of 3 percent each year, to match GDP nominal growth. Minister Kato nevertheless observed that there are still serious and persistent challenges that the Japanese government must continue to address. These issues include expanding support further for the large aging population in Japan, securing the labor force, creating employment opportunities for recent university graduates, increasing labor productivity, transforming corporate culture to build a work environment that supports women and mothers, and adapting social security and pension systems to the reality of increased longevity in Japan.



Takatoshi Ito



Naomi Hirose

Agenda for 2020: Can Japan Win Gold for Its Economic Performance?

October 4, 2018; International Affairs Building, Columbia University

CJEB hosted a special lecture delivered by Professor Ito on the current conditions of the Japanese economy, as well as risks that weigh on the outlook for the economy over the next two years. David Weinstein, Carl S. Shoup Professor of the Japanese Economy, Columbia University, and director of Research at CJEB, moderated the event. Professor Ito highlighted several key events that were expected to take place between 2018 and 2020 and that would be crucial to the future trajectory of the Japanese economy and Japanese politics. The LDP's support during the July 2019 elections for the House of Councillors, the Upper House of Japan's bicameral legislature, would reflect the level of public approval for Prime Minister Shinzo Abe's policies and the strength of the LDP. In May 2019, there would be a dynastic change as a new Emperor of Japan ascended the throne. Japan will also be the site of many events of cultural and political significance

to the international community, such as the June 2019 G-20 Summit, the 2019 Rugby World Cup beginning in September, and the 2020 Summer Olympics. In terms of changes to fiscal policy, the Abe administration has scheduled a consumption tax increase from 8 to 10 percent, effective October 1, 2019. The result of this confluence of events for the Japanese economy depends greatly on how the Abe administration prioritizes different policy agendas over the next two years.

Leading after a Nuclear Disaster

April 18, 2019; Faculty House, Columbia University

CJEB hosted Naomi Hirose, executive vice chairman, Fukushima Affairs, and former CEO and president of the Tokyo Electric Power Company (TEPCO), for a discussion about leadership following the nuclear disaster in Fukushima in March 2011. He described lessons the firm has learned and changes to the firm and its regulatory practices that are poised to transform standards for nuclear safety internationally. Professor Patrick moderated the event.

Mr. Hirose provided an overview of the natural disaster and events precipitating the accident at the Fukushima Daiichi Nuclear Power Station (NPS) and its effects. TEPCO, the Japanese government, and local people have been redressing this incident for eight years as of 2019. In comparing Fukushima from 2011 to 2017, radioactivity levels have decreased significantly, and the condition of the Fukushima Daiichi NPS is now stable. Furthermore, designated evacuation zones have decreased as well. However, more than 20,000 persons who used to live in the evacuation zones remain displaced as a result of the incident, and TEPCO is continuing its work to restore the homes and communities of local residents in many ways.

Mr. Hirose provided a financial history of TEPCO and discussed the implications of the accident in Fukushima for management practices. Important lessons on governance that Mr. Hirose believes can be shared from the incident in Fukushima include the importance of instilling a safety culture at TEPCO, improving communications from engineers in the field to corporate headquarters, and continuing to build solidarity and shared responsibility among employees in the firm in light of the crisis.

Lunchtime Seminars



Satoshi Kitada



Marc Goldstein



Benjamin Adams

Mr. Hirose observed that, in studies of the functioning of TEPCO after Fukushima, it was revealed that tradeoffs were often made between budgets, scheduling, and safety. He noted, moreover, that further commitment to finding optimal and safe solutions is something TEPCO has focused on improving. Additionally, he has encouraged engineers in the field to report crises even if they have not completely discerned the cause yet, as sometimes delays can be crucial to determining the severity of crises.

This event was cosponsored by the Center on Global Energy Policy, Columbia University. APEC Study Center, Columbia University was an outreach partner.

CJEB organizes a series of lunchtime seminars on campus for students, faculty, and members of the Columbia and New York community. These include *zadankai*, or informal discussions, which involve lengthy question-and-answer periods with the audience and are geared toward presenting new and insightful 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 in 2018-2019 included:

The Rise of Japanese Cross-Border M&A in a New Era of Shareholder Scrutiny

Zadankai

October 15, 2018; Uris Hall, Columbia Business School

Satoshi Kitada, Managing Director, SMBC Nikko Securities America, Inc.

Moderator: Alicia Ogawa, Director, Project on Japanese Corporate Governance and Stewardship, CJEB

Mr. Kitada indicated that Japanese companies are more active than ever in outbound M&A activity, yet relative to the rest of the world, Japan is still comparatively inactive. He shared his views on Japan's corporate governance reform and the possibility of changing the conservative nature of Japanese companies to invest more. Mr. Kitada mentioned Takeda Pharmaceutical Company's acquisition of Shire PLC as a sign of change in Japanese

companies' behavior. He concluded by stating that the combination of the corporate governance reform and the rise of shareholder activism would lead to more M&A actively in Japan, including inbound transactions.

Shareholder Activists Take on Corporate Japan

Zadankai

October 24, 2018; Uris Hall, Columbia Business School

Marc Goldstein, Head of U.S. Research, Institutional Shareholder Services Inc.

Benjamin Adams, General Manager, NY Branch, IR Japan, Inc.

Moderator: Alicia Ogawa, Director, Project on Japanese Corporate Governance and Stewardship, CJEB

Mr. Goldstein and Mr. Adams gave a lunchtime talk that involved a discussion of structural reform and challenges to the old Japanese corporate governance model. Topics included shareholders' obligations and rights in Japan, voting transparency,



Yaz Iida



Richard Folsom



Minoru Nakazato

and takeover defense policies. They also talked about the trend of independent board directors on boards in Japan. Mr. Goldstein focused on his work at the world's largest proxy advisory firm. He also gave examples of shareholder activism at companies such as Sony, Fanuc, PanaHome, and Toshiba. Mr. Adams discussed reforms to shareholder voting, including how a push for transparency led companies to reveal their own votes on their own issues for the first time, which led to stronger outside boards.

Rakuten: How to Promote Global Innovation

Zadankai

October 30, 2018; Uris Hall, Columbia Business School

Yaz Iida, President, Rakuten USA, Inc.

Moderator: David Weinstein, Director of Research, CJEB

Mr. Iida delivered a lunchtime lecture focusing on the e-commerce company Rakuten. He described Rakuten's humble beginnings followed by incredible growth in Japan, and also provided an overview of how the

company has expanded overseas and its plans to become a household name in the United States. Rakuten was designed as an online "grand bazaar," where customers would feel like they were getting the personal attention of a shopkeeper in a market, but with the convenience of shopping online. Mr. Iida explained the fundamental Japanese values that underlie Rakuten's company philosophy, including *omotenashi*, or the unique concept of Japanese hospitality that prizes a high standard of customer service and respect above everything. He also gave insight into the company's strategy of increasing brand awareness in the United States and abroad by partnering with some of the world's best sports teams, including FC Barcelona and the Golden State Warriors.

Private Equity Coming of Age in Japan

Zadankai

November 8, 2018; Warren Hall, Columbia Business School

Richard Folsom, Representative Partner, Advantage Partners

Moderator: David Weinstein, Director of Research, CJEB

Mr. Folsom discussed trends in Japan's private equity market and its buyout market. He also spoke about how founder succession transactions are driving market growth. He shared his perspective on transactions and illustrated how mid-market transactions continue to be the mainstream. Corporate governance reforms in Japan are shifting from "form" to "substance." Additionally, Mr. Folsom discussed the regional presence of Advantage Partners by talking about the locations of their offices in Tokyo, Hong Kong, Shanghai, and Singapore. He also showed various portfolios of funds that are currently served by Advantage Partners across a range of industries in Japan and Asia.

Aggressive Use of Tax Shelters by the Wealthy and General Anti-Avoidance Rules

Zadankai

February 13, 2019; Warren Hall, Columbia Business School



Asako Osaki



Robert Dohner



Shinichi Matsuda

Minoru Nakazato, Professor of Law, Graduate School of Law, The University of Tokyo; Chairman, Tax Commission of the Government of Japan

Moderator: Hugh Patrick, Director, CJEB

Professor Nakazato discussed why the widespread use of aggressive tax shelters hurts government revenues worldwide and discussed the long history of tax shelters, dating back to their first uses in ancient Japan and China. He also explained the OECD's Base Erosion and Profit Shifting (BEPS) project and its implications for the world economy. Finally, Professor Nakazato explained General Anti-Avoidance Rules (GAAR), where they come from, and what threats they might pose to democracies.

Closing the Gender Gap in Japan: Achievements, Challenges, and Prospects

Zadankai

February 14, 2019; Uris Hall, Columbia Business School

Asako Osaki, Director, Gender Action

Platform; Visiting Professor, Kwansai Gakuin University, School of Policy Studies

Moderator: Dr. Yumiko Shimabukuro, Director, Urban and Social Policy Program, School of International and Public Affairs; Faculty Advisor, Empowering Asian Women, Columbia University

Professor Osaki discussed gender equality as a global, economic imperative, arguing that, when women are economically empowered, they impact their households, communities, and future generations. She explored how economic growth is linked to economic equality worldwide and detailed the political and economic impact of gender equality in Japan, specifically. She contrasted the country's discriminatory, institutionalized gender policies against recent women's advancement initiatives from Prime Minister Abe, whose economic policy package known as "Abenomics" included women's advancement as a priority for the first time in Japan's history. Professor Osaki addressed the need for the Japanese government to align its domestic laws and policies with global standards and accelerate their efforts to reverse the gender inequality entrenched in society as well. She pointed out the important role played by civil society, particularly by the youth.

Have We Seen This Movie Before? China, Japan, Industrial Policy, and Trade Conflict

Zadankai

February 19, 2019; Uris Hall, Columbia Business School

Robert Dohner, Nonresident Senior Fellow, Scowcroft Center for Strategy and Security, Atlantic Council; Former Deputy Assistant Secretary, U.S. Department of the Treasury

Moderator: Hugh Patrick, Director, CJEB

Dr. Dohner compared the current trade conflict between the United States and China to the trade tensions between the United States and Japan in the 1980s. Today, the U.S. government is concerned about China targeting high-technology industries and unfairly acquiring intellectual property (IP) and trade secrets from American firms. In the 1980s, the United States dealt with many of the same issues with Japan, including a scandal in which 18 Japanese businessmen were indicted when they attempted to steal IP from IBM. Dr. Dohner explained that the trade tensions with



Ryota Kimura



Shin Furuya



Hiroshi Nakaso

Japan in the '80s were never fully resolved, and predicted a similar outcome for the trade conflict with China, noting that disputes will inevitably continue beyond the current administration. However, the continuous rapid development of technology will change the character of the disputes and force many of the current issues to recede in importance.

Breaking Generational Curses in Corporations What Is the Structure of Top Management Succession for Sustainable Growth?

Zadankai

February 28, 2019; Uris Hall, Columbia Business School

Shinichi Matsuda, Senior Management Consultant, Nomura Research Institute, Ltd.

Moderator: Hugh Patrick, Director, CJEB

Mr. Matsuda discussed how to avoid the phenomenon of rapid corporate decline after great CEOs such as Jack Welch of GE or A. G. Lafley

of P&G step down. "Tenure disparity" between a CEO and his or her senior executives is a common occurrence in which the CEO's term is longer than that of the other senior executives. Matsuda's statistical research on top corporations in both Japan and the United States found a strong correlation between this tenure disparity during the CEO's term with a decline in corporate value during the succeeding CEO's term. A large tenure disparity means that the senior executives are frequently replaced during the CEO's term. In that situation, the top management meeting becomes a mere formality and creates a "Monster CEO" who makes all of the decisions by himself and also creates a strong "silo mentality" among the senior executives, which ultimately undermines corporate culture.

Mr. Matsuda highlighted Carlos Ghosn as a particularly relevant example of a "Monster CEO" and pointed out that this corporate misfortune was not only Ghosn's fault but also a structural fault. Good corporations in both Japan and the United States have realized sustainable growth over generations by maintaining a comparable length of tenure between the CEOs and senior executives in each period. Mr. Matsuda concluded that the keystone habit for sustainable growth for corporations is appointing top management as a team, not an individual.

Sustainability and Promotion of Long-Term Investing: The Role of Investors and the Stock Exchange

Zadankai

March 28, 2019; Uris Hall, Columbia Business School

Ryota Kimura, Chief Representative, General Manager, New York Representative Office, Tokyo Stock Exchange, Inc.

Shin Furuya, Impact Investment Strategist, Domini Impact Investments LLC

Moderator: Alicia Ogawa, Director, Project on Japanese Corporate Governance and Stewardship, CJEB

Mr. Kimura and Mr. Furuya spoke at a lunch-time discussion that focused heavily on the impact of ESG (environmental, social, and corporate governance) in the investment world. They gave their differing perspectives on the trend, with Mr. Furuya offering support and encouragement for the practice and Mr. Kimura remaining more skeptical about its efficacy and application in the real world. The topic of proxy voting and proxy advisors

Workshops



Rethinking the Asian Leadership Gap: Breaking the Bamboo Ceiling

was also heavily discussed in light of the recent crackdown on the presence of these figures in the United States.

The Puzzle of Japan's Low-for-Long

Zadankai

April 16, 2019; Warren Hall, Columbia Business School

Hiroshi Nakaso, Chairman of the Institute, Daiwa Institute of Research Ltd.; Immediate Past Deputy Governor, Bank of Japan

Moderator: Takatoshi Ito, Professor, School of International and Public Affairs, Columbia University

Cosponsor: Central Banking and Financial Policy @ SIPA

Mr. Nakaso discussed the Japanese economy's real GDP growth rate, expounding on expectations about a gradual slowdown that has been predicted to continue through FY2019 as the effects of the slowdown in overseas economies take hold. This will be followed by a moderate growth trajectory at around the level of the potential growth rate.

Mr. Nakaso considered some solid indicators of economic growth such as corporate earnings, capital expenditures, and the unemployment rate in his discussion. He also gave a comprehensive overview of the Bank of Japan's monetary policy transition from 1999 through the present day, with special attention to quantitative and qualitative monetary easing (QQE) with a negative interest rate. In considering the impact of low interest rates on regional banks, he opined that regional banks will either have to change their models or consolidate. Mr. Nakaso described the various reasons why a rise in inflation takes time, including downward pressure from intensifying competition, Japanese firms' hesitance to raise both wages and prices, and the improvement in Japanese labor productivity.



Yumiko Shimabukuro

A Target of Opportunity: Empowering Japanese Women in Leadership Initiative

February 1 and 8, 2019; Interchurch Center, Columbia Business School

Yumiko Shimabukuro, Director, Urban and Social Policy Program and Founder, Global Leadership Development Training Program at Columbia University; Faculty Advisor, Empowering Asian Women, Columbia University

This customized two-part workshop, created by Professor Shimabukuro and CJEB's Ryoko Ogino, offered hands-on instruction and constructive evaluation designed to advance one's career and personal development. The first session featured participants engaging in highly interactive career visioning and values exercises to help them better understand their professional developmental paths and identify potential obstacles. The second workshop provided a toolkit that one can deploy to communicate ideas effectively and augment one's impact in a variety of domestic and global settings.



R. A. Farrokhnia speaking at a workshop in Tokyo

Cross-Cultural Negotiation

March 29, 2019; Warren Hall, Columbia Business School

Zachary Metz, Adjunct Assistant Professor of International and Public Affairs, Columbia University; Partner and Director, Consensus

Through case studies and simulation exercises, this workshop provided a step-by-step explanation of how to engage effectively in cross-cultural negotiation and high-stakes conversations.

Rethinking the Asian Leadership Gap: Breaking the Bamboo Ceiling

April 9, 2019; Uris Hall, Columbia Business School

Yumiko Shimabukuro, Director, Urban and Social Policy Program and Founder, Global

Leadership Development Training Program at Columbia University; Faculty Advisor, Empowering Asian Women, Columbia University

Monique Lopez, Executive Director, J.P. Morgan; Lecturer of International and Public Affairs (part-time), Columbia University

This workshop unpacked the various leadership barriers, commonly referred to as the “bamboo ceiling,” that Asians face and provided practical and transformative lessons to overcome these challenges. It strengthened self-empowerment tools with academic research and discussion on the real-life ramifications for employers.

Demystifying Machine Learning and Artificial Intelligence

A Joint Educational Summit Organized by Advanced Projects and Applied Research in Fintech and CJEB

May 30, 2019; The Classic House at Akasaka Prince, Tokyo, Japan

R. A. Farrokhnia, Adjunct Associate Professor, Columbia Business and Engineering Schools; Executive Director, Dean’s Office, Columbia Business School

The summit was designed and taught by Professor Farrokhnia, a recipient of the Dean’s Award for Teaching Excellence. It offered a comprehensive “gentle guide” introductory primer to the topics of machine learning and artificial intelligence, intended for participants with limited or no technical background or prior knowledge. It was well-received by the attendees.

Faculty Advisory Committee



Panel at the CJEB Annual Tokyo Conference 2019

CJEB's Faculty Advisory Committee was formed to provide insight and guidance to CJEB's governance, research, teaching, and outreach activities. The diversity of intellectual focus among the committee members is key to furthering CJEB's mission of serving as a comprehensive forum for collaboration and reflection on Japan, the United States, and the global economy. CJEB directors receive valuable advice and recommendations on potential opportunities to expand and develop the Center. In addition to **Hugh Patrick** and **David Weinstein**, the members of the Committee are:

Charles W. Calomiris

Henry Kaufman Professor of Financial Institutions

Faculty Director, Program for Financial Studies

Columbia Business School

Fangruo Chen

*MUTB Professor of International Business
Columbia Business School*

Wouter H. Dessein

*Eli Ginzberg Professor of Finance and Economics
Chair of Economics Division
Professor, Heilbrunn Center for Graham and Dodd Investing
Columbia Business School*

Robert J. Hodrick

*Nomura Professor of International Finance
Academic Advisory Board Member, Program for Financial Studies
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
Codirector, APEC Study Center
Columbia University*

Bruce M. Kogut

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

2018-2019 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 while experiencing the dynamic lifestyle of New York City. The 2018-2019 Visiting Fellows are:



Masahiro Endoh
Keio University
August 2017-
August 2018



Yuki Fujikawa
Mitsui Sumitomo
Insurance Co., Ltd.
July 2018-June
2019



Yoichiro Hashida
Senshu University
April 2018-
March 2019



Hiroshi Ishijima
Chuo University
September 2018-
August 2019



Masaomi Kato
Sumitomo Mitsui
Trust Bank, Limited
July 2018-
May 2019



Hiroki Kuranami
Ricoh Company, Ltd.
July 2018-
August 2019



**Kiyotaka
Nakashima**
Konan University
March 2019-
September 2019



Hideaki Sakawa
Nagoya City
University
September 2017-
September 2018



Ayano Sato
Takasaki City
University of
Economics
August 2017-
August 2018



Junko Shimizu
Gakushuin
University
March 2018-July
2018



Takashi Unayama
Hitotsubashi
University
September 2018-
August 2019

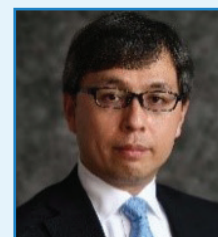


Kiyoshi Wada
Tokio Marine
Holdings Inc.
May 2018-
December 2018



Erika Yamada
Hyogo Prefectural
Credit Federation of
Agricultural Cooperatives
May 2018-May 2019

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



Hiroyuki Kamimaru
Office of Integrated
Resort Regime
Promotion, Cabinet
Secretariat
August 2018-
August 2019



Koichiro Suzuki
Bank of Japan
July 2018-
May 2019



CJEB Visiting Fellows and CJEB staff at Yankee Stadium

2019 Visiting Fellow Reunion Reception

CJEB held its annual Visiting Fellow Reunion Reception on May 29, 2019, at the Classic House at Akasaka Prince in Tokyo. The event was organized as a joint reunion and reception in partnership with CBS Office of External Relations and CBS Admissions Office and was attended by more than 130 CJEB Visiting Fellows, CBS alumni, and incoming and prospective students. The reception commenced with welcoming remarks from **Hugh Patrick**, who then introduced two special guests. First, **Glenn Hubbard**, CBS dean and Russell L. Carson Professor of Finance and Economics, shared a few words, followed by a toast from **Yuzaburo Mogi '61**, honorary CEO and chairman of Kikkoman Corporation, and the first Japanese graduate of CBS. **David Weinstein** concluded the reception.



David Weinstein speaking at the Visiting Fellow Reunion

2019 Annual Visiting Fellow Business Field Trips

CJEB organized two corporate visits for its Visiting Fellows in the spring of 2019. The first visit was a tour of the Bloomberg office on March 13, 2019. They had the opportunity to see the company's unique office, as well as learn about its history, company culture, and business initiatives. They were also able to take a step behind the curtain and see real-time operations of Bloomberg Television programming, a unique experience not normally permitted to visitors.

For the second trip, the Visiting Fellows visited Yankee Stadium on April 30, 2019. They were welcomed by CBS graduate George Rose '00, executive advisor for the Yankees' Pacific Rim Operations, for a guided tour of the stadium, Monument Park, and the New York Yankees

Museum. In addition to outlining the history of the Yankees as a sports team, the tour included explanations of the business models and strategies employed by management that have led to the team's internationally-renowned status. One of the highlights of the visit was a unique experience for the Visiting Fellows to hold historic artifacts of Yankee history. A museum curator allowed them to hold jerseys used by the legendary baseball players Babe Ruth and Lou Gehrig; they learned that Ruth wore one of those jerseys when he played in Japan. The tour continued with a special lecture and Q&A session delivered by George Rose and concluded with lunch at Yankee Stadium's Hard Rock Café.



Top to bottom: CJEB Visiting Fellows at the Bloomberg office and Yankee Stadium

Research Associates

CJEB benefits from an 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 of the Center's projects and public programs and by contributing to the Center's Working Paper Series.

Christina Ahmadjian

Professor, Graduate School of Business Administration
Hitotsubashi University

Shiro Armstrong

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

Schon L. Beechler

Senior Affiliate Professor of Organisational Behaviour
INSEAD

Lee G. Branstetter

Professor of Economics and Public Policy
Heinz College and Department of Social and Decision Sciences
Carnegie Mellon University
Nonresident Senior Fellow
Peterson Institute for International Economics

Jenny Corbett

Emeritus Professor
The Australian National University
Rio Tinto Fellow
Foundation for Australia-Japan Studies
Professorial Fellow, Griffith Asia Institute
Griffith 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
Editor-in-Chief, *East Asia Forum*
Crawford School of Public Policy
The Australian National University

Robert Eberhart

Graduate School of Business
Stanford University

David Flath

Professor
Department of Economics
Ritsumeikan University
Emeritus Professor 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

Masanori Hashimoto

Professor Emeritus
The Ohio State University

Takeo Hoshi

Henri and Tomoye Takahashi Senior Fellow and Director of the Japan Program
Shorenstein Asia-Pacific Research Center,
Freeman Spogli Institute for International Studies
Professor of Finance (by courtesy)
Stanford Graduate School of Business
Stanford University

Anil Kashyap

Stevens Distinguished Service
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

Professorial Lecturer
George Washington University

Robert A. Myers

Senior Vice President
Fairfield Resources LLC
Former Director of Technology
IBM Japan

Terutomo Ozawa

Professor Emeritus of Economics
Department of Economics
Colorado State University

Joe Peek

Vice President and Economist
Research Department
Federal Reserve Bank of Boston

Adam S. Posen

President
Peterson Institute for International Economics

Professional Fellows

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
Director, Program on Ethics, Politics, and Economics
Department of Political Science
Yale University

Ulrike Schaede

Professor of Japanese Business
Director, JFIT Japan Forum for Innovation and Technology
School of Global Policy and Strategy (GPS)
University of California, San Diego

Michael J. Smitka

Professor Emeritus of Economics
Williams School of Commerce
Washington and Lee University

Tsutomu Watanabe

Professor
Graduate School of Economics
University of Tokyo

Eleanor Westney

Professor Emeritus of Organization Studies
The Schulich School of Business
York University

Jiro Yoshida

Associate Professor of Business
Department of Risk Management
Smeal College of Business
The Pennsylvania State University
Project Associate Professor
Graduate School of Economics
University of Tokyo

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 more than 30 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

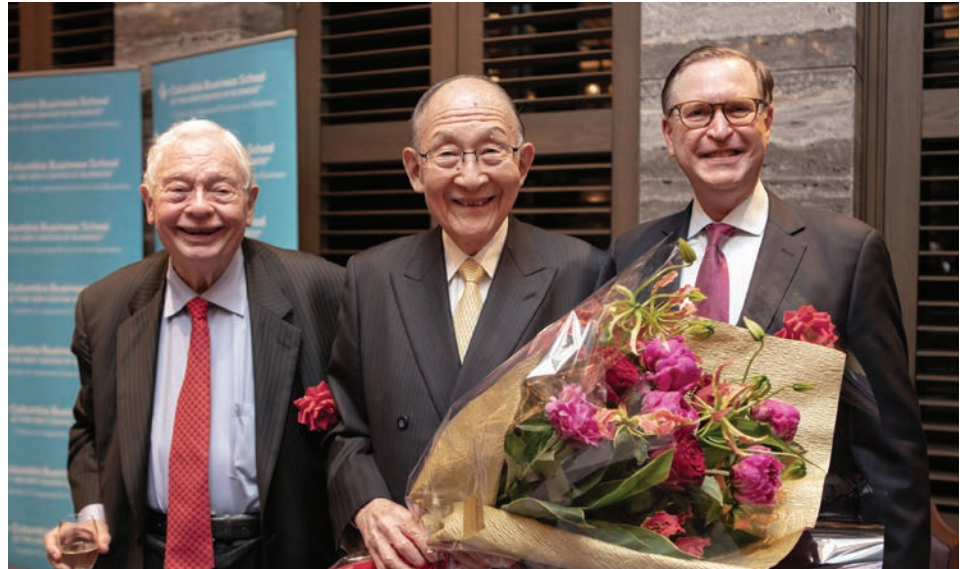
industry in 1970. She became a professional fellow of CJEB in 2009, after retiring as a vice president and international economist at JPMorgan Chase in New York. Previously, she was JPMorgan's chief economist in Tokyo and earlier with Chemical Bank in Tokyo. From 1970 to 1986, Dr. Kuwayama was with the 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 assisted Eleanor M. Hadley in writing *Memoir of a Trustbuster: A Lifelong Adventure with Japan*. 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.

International Advisory Board



Nobuchika Mori is a senior research scholar and adjunct professor at Columbia's School of International and Public Affairs (SIPA). He joined CJEB as a professional fellow in 2018. Before joining CJEB and SIPA,

he was the commissioner of Japan's Financial Services Agency (JFSA), which oversees Japanese banks and holds broad responsibility for financial regulatory and policy issues. Prior to becoming the chief administrator of JFSA, he spent more than 30 years in senior positions at that agency and Japan's Ministry of Finance, as well as Japan's Ministry of Foreign Affairs and the Inter-American Development Bank. He contributes to SIPA and the University's work on central banking and financial policy, particularly with respect to Japan and East Asia. He collaborates with senior faculty and researchers at SIPA's Center on Global Economic Governance and Initiative on Central Banking and Financial Policy as well as CJEB. He holds a BA degree in liberal arts from Tokyo University and BA and MA degrees in economics from Cambridge University.



From left to right: Hugh Patrick, Yuzaburo Mogi, and Glenn Hubbard

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.

Richard Folsom

Representative Partner
Advantage Partners

Shinji Fukukawa

Former Vice-Minister
Japanese Ministry of International Trade and Industry
Senior Advisor
Global Industrial and Social Progress Research Institute
Chancellor
Toyo University Incorporated Educational Institution

Yasushi Kinoshita

Chairman
Development Bank of Japan Inc.

Charles D. Lake II

Chairman and Representative Director
Aflac Life Insurance Japan Ltd.
President
Aflac International

Yuzaburo Mogi '61

Honorary CEO and Chairman of the Board
Kikkoman Corporation

Toshikazu Nambu

Representative Director and Senior Managing Executive Officer
Sumitomo Corporation

Atsushi Saito

Commissioner
Nippon Professional Baseball Organization
Senior Fellow to KKR Global Institute
KKR Japan

Taisuke Sasanuma

Representative Partner
Advantage Partners, Inc.

Joseph G. Tompkins '67

President
Saga Investment Co., Inc.

CJEB in the News

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

David Weinstein

How Goes the Trade War?

The New York Times, March 3, 2019

Real Time Economics: The U.S. Trade Deficit Is about to Break Another Record

The Wall Street Journal, March 4, 2019

Evidence Grows That Trump's Trade Wars Are Hitting U.S. Economy

Bloomberg, March 4, 2019

Trump's Trade War Is Costing Americans \$3 Billion a Month in Higher Taxes, Study Says

Time Magazine, March 4, 2019

The Midwest Mindset: Why Does Trump Undervalue Trade?

Chicago Tribune, March 4, 2019

Repeat after Us: China Isn't Paying Tariffs

NPR Marketplace, March 4, 2019

Trade Talks Will Probably End with Tariffs Still in Place

The Economist, April 4, 2019

The Finance 202: Trump Is Underestimating the Damage Higher Tariffs Could Have on U.S. Economy

Washington Post, May 9, 2019

Who Loses Out in the US-China Trade War?

BBC News, May 14, 2019

Who Pays the Trump Tariffs? We Do, These Americans Say

The Wall Street Journal, May 15, 2019

US Consumers Start to Pay Price of Trade War

Financial Times, May 15, 2019

NY Fed Finds New China Tariffs to Cost US Households \$100bn a Year

Financial Times, May 23, 2019

The Direction of the U.S.-China Trade War and the World Economy: Uncertainties in Trade Policy and Negative Influences on the Investment Market

Nikkei Veritas, June 23, 2019

David Weinstein's paper, "The Impact of the 2018 Trade War on U.S. Prices and Welfare," was also discussed in other media outlets, including NPR's "All Things Considered," the *Washington Post*'s "PowerPost," *Spiegel Online*, *Associated Press*, *Fortune*, *CNBC*, *PBS NewsHour*, *VoxTalk*, *Vanity Fair*, *Yahoo Finance*, *Barron's*, *Business Insider*, *Japan Times*, *China Daily*, *South China Morning Post*, and *Washington Examiner*.

Takatoshi Ito

An Expert's Perspective on the Decade since the 2008 Financial Crisis (Middle Volume): China's Excessive Debt and Concerning Factors

Nikkei Inc., September 13, 2018

BOJ Has Taken Very Quiet First Step towards Exit, Professor Ito Says

Bloomberg TV, September 19, 2018

Columbia University Professor Takatoshi Ito: "Don't Despair in the Face of Misfortune. Don't Be Afraid to Take Chances When You Get Lucky."

Nikkei Inc., Morning Printed Edition, October 14, 2018

The Bank of Japan's Stealth Tapering Project Syndicate, November 16, 2018

BOJ Monetary Policy: Impact of YCC

UBS Knowledge Network, November 21, 2018

(Interview) "How Should We Evaluate the Unprecedented Monetary Easing Policy" with Takatoshi Ito and Etsuro Shioji

The Keizai Seminar, *Nippon Hyoron Sha Co., Ltd.*, November 27, 2018

Calamity Caused by the Abrupt Resignation of the Governor of the Central Bank of India

Nikkei, Inc., Morning Printed Edition, January 6, 2019/*Electronic Version*, December 27, 2018

At the End of the Heisei Era (Part 2)—"The Japanese Economy: The Past 30 Years and Remaining Issues"

NHK (Japan Broadcasting Corporation), January 8, 2019

World University Rankings: Better Than the University of Tokyo?

PRESIDENT Family, March 5, 2019

(Professional's Views) "Delay the Consumption Tax Hike by Half a Year"

"Morning Satellite," TV TOKYO Corporation, May 24, 2019

Japan's Quest to Balance Its Books

NHK WORLD-JAPAN, June 21, 2019

Side Effects of ESG Investment

Forbes Japan, June 25, 2019

An Evaluation of Abenomics in Its 7th Year (First Volume): Labor Reform Rather Than Monetary and Fiscal Matters

Nikkei Inc., June 26, 2019

Enhancing the MBA Experience



Chazen International Study Tour participants at Shiseido



Monique Lopez and Yumiko Shimabukuro speaking with Columbia Business School students

CJEB is a key contributor to the Columbia Business School's (CBS) international community and seeks to pursue opportunities to enhance the MBA student experience. In this endeavor, CJEB's major collaborative partner is the CBS Japan Business Association (JBA), a student-led organization that promotes Japanese business and culture to the CBS community. The Center regularly meets with JBA officers to exchange ideas on ways to promote Japanese economy and business-related issues within CBS.

As an annual initiative, CJEB assists the JBA in organizing the Chazen International Study Tour to Japan. Led by the Jerome A. Chazen Institute for Global Business, the Japan Study Tour sends a group of students on a weeklong trip to Japan, providing a unique opportunity for the students to experience cultural excursions and visits to Japanese corporations. Since the tour's initiation in 1989, CJEB has helped fund the program and contributed to its agenda. Before each trip, the student trip organizers consult with Professor Hugh Patrick and CJEB's director for administration, Ryoko Ogino, on possible company visits and on the overall current state of the Japanese economy.

The 2019 Chazen Japan Study Tour took place from May 19 to May 26 and was a huge success. Visiting Tokyo, Kanazawa, and Kyoto, the 40 MBA students met with representatives from Japanese corporations and immersed themselves in Japanese cultural sights and experiences. Mattan Griffel, CBS's award-winning adjunct professor of business, joined the group.

In Tokyo, the students joined presentations from TeamLab, SEGA, Softbank, Shiseido, Raksul, Selan (an education startup), and Longhash. The students enjoyed the variety of companies they were able to visit, ranging from startups such as Raksul and Selan to Japanese giants such as Shiseido and Softbank. They especially appreciated the engaging presentation given by the CFO of Softbank, Mr. Yoshimitsu Gogo. It was the first time in the program's history that the Japan Study Tour was able to coordinate a visit to Softbank. On the last night in Tokyo, CBS alumni in Japan hosted the students at a reception. By chatting with alumni, the students had a great opportunity to learn thoughtful insights about Japan. Besides company visits, the participants experienced unique cultural activities, such as joining a

yakatabune dinner cruise, watching a professional baseball game, and visiting the Sensoji temple.

In Kanazawa, the tour group had a great experience visiting the Fukumitsuya sake brewery, where the students had an opportunity to learn about the production process for the finest sake and to taste different kinds of sake. The students also enjoyed traditional Japanese beauty while strolling through the Kenrokuen garden and Higashichaya district. Kanazawa had never been included as a stop in previous Japan Study Tours, but this year's tour organizers are now convinced that the city is a worthwhile destination.

At the final stop, Kyoto, the group visited the OMRON manufacturing plant to learn about the company's advanced initiatives on employment for individuals with disabilities, vividly demonstrating a good example of corporate social responsibility (CSR). In addition to experiencing Zen meditation at Taizoin temple, they enjoyed their visit to several historical sites, including the Golden Pavilion and the Fushimi-Inari Shrine.

As part of CBS's International Week 2019, CJEB cohosted "Rethinking the Asian

Enhancing the Columbia Experience

Leadership Gap: Breaking the Bamboo Ceiling” on April 9, 2019. Working closely with the CBS Student Government Executive Board, CJEB invited Yumiko Shimabukuro, director of the Urban and Social Policy Program at the School of International and Public Affairs and faculty advisor for Empowering Asian Women at Columbia University and Monique M. Lopez, executive director of the Middle Market Banking and Specialized Interest Group at J.P. Morgan, to present on trends in leadership based on race and gender. They shared their own experiences and strategies regarding overcoming challenges in career development, such as discrimination in the workplace. The event was cosponsored by CJEB and featured memorable interactive experiences that received great feedback from attendees.

On March 29, 2019, CJEB organized a special workshop, “Cross-Cultural Negotiation,” which was led by Zachary Metz, adjunct assistant professor of International and Public Affairs at the School of International and Public Affairs. Originally, the workshop was arranged for CJEB’s Visiting Fellows, but because of the value of the workshop’s contents and interactive exercises, CJEB extended invitations to previous attendees of its Empowering Japanese Women Leadership Initiative, as well as other students on campus.

CJEB’s annual welcome reception for its Visiting Fellows, as well as members of the CBS student body and other CBS communities, was held on October 8, 2018. CJEB officers and staff welcomed the CBS community to the new academic year, allowing CBS students the opportunity to network with CJEB Visiting Fellows and CBS faculty and staff from other departments.



Japan Study Student Association (JASSA) in Kyoto

Columbia University offers many resources and opportunities for students, faculty, and alumni interested in learning more about Japan outside the Business School. CJEB contributes to this initiative by assisting other organizations on campus that are engaged in Japan-related activities. This includes the Weatherhead East Asian Institute (WEAI), the APEC Study Center, the East Asian Languages and Cultures (EALAC) Department, the School of International and Public Affairs (SIPA), and many others.

CJEB continues to serve as a contributor to the Columbia Japan Society (CJS), a student-run organization that focuses on educating the University community as well as the greater New York City public on Japanese culture, history, and language. In 2019, CJEB provided a generous sponsorship that allowed CJS to organize and partially fund its annual Matsuri event, a Japanese-style festival held on Low Plaza at Columbia University. The festival serves as a way to celebrate Japanese history, food, and culture, while supporting local businesses, ultimately creating a space where the private sector, the public, and

academia can connect through the celebration of Japanese tradition.

CJEB is continually active and committed to promoting Japan-related activities at Columbia through the support of Japan Study Student Association (JASSA) and its initiatives. JASSA continues to organize its 13th annual student-led trip to Japan, which is similar to the Chazen International Study Tour to Japan, and is partially funded by CJEB. This year, 54 students, including 14 organizers, from 12 countries participated in the trip and traveled to Tokyo, Hiroshima, and Kyoto.

The trip commenced in Tokyo, where students had numerous opportunities to exchange opinions and have discussions with leaders in both the public and private sector. The students visited the first female governor of Tokyo, Ms. Yuriko Koike, to discuss how Tokyo is preparing for the 2020 Olympic and Paralympic games, and three concepts which Tokyo aims to realize for sustainable growth: “Safe City, Diverse City, and Smart City.” After meeting with Ms. Koike, they joined a tour of the National Diet to learn how decisions

are made in Japanese politics. They also visited the Office of the Prime Minister and met Mr. Yasutoshi Nishimura, deputy chief Cabinet secretary. Mr. Nishimura explained that Japan would try to solve common global issues by taking advantage of many important events, such as the G20 Osaka summit in June 2019, Tokyo Olympic and Paralympic games in 2020, and World Expo in Osaka in 2025. To learn more specific Japanese policies, the students visited policymakers at central ministries and discussed Japan's current issues and how to solve them. They visited the Ministry of Economy, Trade and Industry, the Reconstruction Agency, and the Ministry of Defense. As for the private sector, they met with Mr. Yoshiyuki Kasai, chairman emeritus of the Central Japan Railway Company. He explained the history of the privatization of Japan National Railways and the future strategy of the Central Japan Railway Company.

After visiting Tokyo, the students headed for Hiroshima, where they learned about some of what Japan experienced during World War II. They visited the Atomic Bomb Dome and Hiroshima Peace Memorial Museum. In the museum, they listened to a talk by Ms. Keiko Ogura, a survivor of the 1945 atomic bombing. They were shocked by her horrible experiences and the discrimination she faced after the war.

In their last destination, Kyoto, the students participated in cultural activities that included wearing kimonos, experiencing a tea ceremony, and meditation. In addition, they were divided into two groups; one group visited the Sasaki Sake Brewery to learn how Japanese sake is made, and the other group visited the Kameya Yoshinaga Company to experience making *wagashi*. To learn about older Japanese history through historic buildings, the participants visited the beautiful Fushimi Inari Shrine,



Hugh Patrick with TOMODACHI Sumimoto Scholars

Kiyomizudera Temple, and Kinkaku Temple. Through this one-week trip, the students acquired a better understanding of the "real Japan" by learning Japan in terms of economy, politics, culture and history. This trip surely contributed to an increase in the number of foreign students who are familiar with Japan.

Aside from funding and programming, CJEB engages with the student community by providing opportunities for Columbia students to work at the Center as student casuals. They are selected from a number of applicants, and their contribution to the CJEB team is invaluable, as they are deeply involved in the day-to-day operations of the Center. The Center is committed to developing our student workers professionally while providing a unique learning opportunity. Our student casual program is open

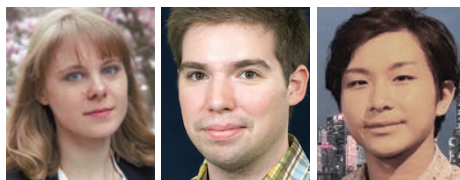
to high-performing and proactive students with relevant backgrounds and interests from across the University.

Visits from Japan to Columbia

Groups of Japanese undergraduate and graduate students often visit CJEB during their tours of the East Coast. In 2018-2019, student groups from Bunkyo University and Wako University came to Columbia University. Each group met with Professor Patrick, who gave a brief introduction and fielded questions. Discussion topics included U.S.-Japan relations; U.S. trade policies and their impact to the world; Japan's continuing workplace challenges, especially for women, and related policies; and Japan's social problems.

In spring 2019, the New York office of CJEB's longtime lead corporate sponsors, Sumitomo Corporation of Americas, visited CJEB and Columbia twice as part of its TOMODACHI Sumitomo Corporation Scholars Program. Through this program, scholarship recipients, who come from Japanese universities, are given the opportunity to study abroad in the United States for one year. This year Sumitomo visited CJEB on January 9, 2019, and March 26, 2019, where Professor Hugh Patrick and CJEB's director for administration, Ryoko Ogino, welcomed students and executives from Sumitomo to engage in a lively discussion on Japan and the world economy and the students' future prospects. Students were given the opportunity to meet and exchange ideas with, and receive career advice from, CBS and SIPA graduate students.

Fellowship and Scholarship Programs



Tatyana Avilova Cameron LaPoint Shogo Sakabe

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. Further information on these opportunities is available at <https://www8.gsb.columbia.edu/cjeb/resources/studentopportunities> under the heading "Fellowships & Scholarships."

The **CJEB Doctoral Fellowship** was established in 2013 to support PhD students at CBS and/or Columbia's Department of Economics who intend to develop Japan expertise, culminating in dissertations focused primarily on Japan. Our CJEB Doctoral Fellowship recipients include Guannan (Jackson) Lu, now teaching at MIT's Sloan School of Management since the fall of 2018, and Shogo Sakabe, currently in the Department of Economics at Columbia University.

Jackson Lu, our first PhD fellow, obtained his PhD in management from CBS in 2018. His research at CBS focused on the benefits and risks of globalization for individuals, groups, and organizations. While teaching at MIT's Sloan School of Management, he became the second-youngest professor named one of the World's 40 Best Business School Professors Under 40 by Poets & Quants on April 22, 2019. He was awarded this honor based on the popularity of his classes among his students, and for his research published in premier scientific

journals and publications such as *Wired*, *Pacific Standard*, *Forbes*, and *Quartz*, among others.

Shogo Sakabe, the current Doctoral Fellowship recipient, has been working with Professor David Weinstein on measuring the effect of importing new knowledge from foreign countries on industrial productivity growth when Japan opened its economy to international trade in the 19th century. In another project with Cameron LaPoint, a fifth-year PhD candidate in the Department of Economics, Professor Weinstein has been investigating consumers' response to the arrival of pension paychecks using point-of-sales data from Japanese supermarkets.

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 **Sumitomo Fellowship Program** was established by the Center as part of an initial operating grant from Sumitomo Corporation of Americas. The program has provided support to various Japan-related research initiatives, and the fellowship recipients engage in their own research as well as participate in CJEB programs. Tatyana Avilova and Cameron LaPoint, both PhD candidates in the Department of Economics, were named Sumitomo Fellows this year.

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 award was granted to Spencer Cohen of Columbia University for 2018-2020, and he is continuing on to his second year.

Library and Data Resources



David Weinstein speaking at the CJEB Sponsor Dinner

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.

Data Resources

The Center continues to develop its major computer-based databank on the Japanese economy, with an emphasis on financial markets, under the direction of Professor

David Weinstein. The databank is a compilation of statistical resources for faculty members and students conducting relevant research.

CJEB's databank 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 Professor Tsutomu Watanabe of The University of Tokyo (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 2019

Japan Economic Seminar

The Japan Economic Seminar (JES) was founded in 1966 by the late Professor James Nakamura of Columbia and Professors Hugh Patrick (then at Yale) and Henry Rosovsky of Harvard. With a membership of up to one hundred individuals, it originally was an inter-university 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 in the spring semester under the leadership of Takatoshi Ito, professor at Columbia's School of International and Public Affairs and director of the Program on Public Pension and Sovereign Funds at CJEB. Special arrangements have been made to include economists from Japan as paper authors and discussants.

This year, the JES was held on March 8, 2019, and had four sessions. The Japan Economic Seminar thanks the James Nakamura Fund for its support.

The following papers were discussed:

Trade with Cyberspace: Estimating the Welfare Gains from E-Retail

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

Discussants: Tsutomu Watanabe, Professor, The University of Tokyo; Roberto Rigobon, Professor, MIT

Scarcity and Spotlight Effects on Term Structure: Quantitative Easing in Japan

Presenter: Jun Uno, Professor, Waseda University

Discussants: Etsuro Shioji, Professor, Hitotsubashi University; Gauti B. Eggertsson, Professor, Brown University

Forgiveness versus Financing: The Determinants and Impact of SME Debt Forbearance in Japan

Presenter: Arito Ono, Professor, Chuo University

Discussants: Takeo Hoshi, Professor, Stanford University; Cynthia Mei Balloch, Postdoctoral Research Scholar, Columbia University

Free for Children? Patient Cost-Sharing and Health Care Utilization

Presenter: Toshiaki Iizuka, Professor, The University of Tokyo

Discussants: Ashley Swanson, Professor, The Wharton School, University of Pennsylvania; Adam Sacarny, Assistant Professor, Columbia University

U.S.-Japan Discussion Group

Shortly after CJEB was founded, the then-CEO of Sumitomo Corporation of Americas and Professor Patrick took the initiative to organize, on a private and individual basis, an evening discussion group attended by 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. Masaki Nakajima, the current CEO of Sumitomo Corporation of Americas, and David Weinstein, CJEB's director of research, 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.

The discussions naturally focus on the wide-ranging political economy and how Japanese and American corporations operate domestically, abroad, and with each other. Topics discussed in 2018–2019 included the U.S.-Japan trade negotiations, Trump's trade policy on Japan, Japan's monetary policy, and regional banks and financial stability in Japan.

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 its 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 support CJEB through funding to help establish an endowment or provide funding 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 and now.

On November 13, 2018, Professor David Weinstein, CJEB's director of research, presented his paper, "Financial Regulation in Japan, the U.S. and Europe," over dinner with a small group of CJEB sponsors and other guests at Faculty House, Columbia University. This was a great opportunity for our guests to discuss and exchange ideas on the current Japanese economy in a private setting. On May 29, 2019, CJEB was delighted to hold



The 2019 CJEB special luncheon in Tokyo

a special luncheon at the Classic House at Akasaka Prince in Tokyo for our corporate sponsors in Japan to demonstrate our deep appreciation for their continued support. Professor Weinstein presented his latest paper, "The Impact of the 2018 Trade War on U.S. Prices and Welfare," at this luncheon as well.

Sponsorship Program

Sponsors for the year 2018-2019 are as follows:

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