

Japan's Role in Managing the Global Economy

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Motohisa Furukawa

Minister of State for Economic and Fiscal Policy, Japan

Amidst a potential “double dip” global recession, with particular troubles in the European Union, Motohisa Furukawa, Japan’s Minister of State for Economic and Fiscal Policy, delivered a lecture on Japan’s leadership role in the global economy at Columbia University’s Italian Academy. The lecture was moderated by Gerald L. Curtis, Burgess Professor of Political Science at Columbia University as well as Minister Furukawa’s professor while Furukawa was at Columbia’s School of International and Public Affairs (class of 1993). Furukawa delivered his speech in four sections, followed by a question and answer segment: how he came to pursue his current career; his view of the world economy following the 2008 financial crisis; the need for ethics in the capitalism; and Japan’s opportunity to be a leader on challenging world issues.

Minister Furukawa relayed that his experience as a student at Columbia University was his first taste of the world outside Japan. In contrast with his home country, it surprised him to see people from all over the world living together. He credited this experience with giving him a fresh look at his life and his country. He recalled that, in 1993, while Japan was

mopping up after its burst economic bubbles and politicians were unable to stimulate the economy, he asked himself: “Why can’t Japan change?” This thought became the catalyst for a new chapter in his career. In 1994, only a year removed from Columbia, Furukawa ended a six-year career at the Ministry of Finance to join politics; he was elected to the House of Representatives in 1996.



From left to right: Gerald L. Curtis, Motohisa Furukawa

Furukawa then turned to the current state of the global economy.

Recalling the Great Depression, Furukawa believes that the world applied those historical lessons in the aftermath of the 2008 financial crisis. The Group of 7 and Group of 20 meetings, for example, provided a coordinated global framework that was lacking during the Great Depression. Also, countries have avoided protectionist policies they had imposed in the inter-war period.

However, Furukawa acknowledged that there has not been a full economic recovery three years after Lehman’s bankruptcy. He said that Germany and France need to exhibit leadership in the European crisis while the region’s indebted countries must conduct disciplined fiscal austerity. He believes Japan and the United States can maintain global confidence by exhibiting fiscal prudence and acting as anchors for the global economy.

According to Furukawa, there is an opportunity for a fundamental debate about the evolution of capitalism. He argued that ethics should regain a central role in the capitalist system and pointed to several historical ideals as a guide. For example, the Japanese principle of sampo-yoshi advocates for the mutual benefit of buyer, seller, and society in a

transaction. The work of Shibusawa Eiichi, the “father of Japanese capitalism,” stressed long-term prosperity for all parties by pursuing both economic interests and ethical integrity. Furukawa also invoked Max Weber’s book, “The Protestant Work Ethic and the Spirit of Capitalism,” in support of his stance.



Columbia students

For the final portion of his speech, Furukawa discussed Japan’s role in the global economy. In particular, Japan has an opportunity to be a leader in solving

the global issues like energy efficiency and “greying” societies, and becoming a new model of growth for the world. The March 2011 earthquake disaster has forced Japan to re-evaluate its energy policy, and Furukawa believes that energy efficiency is “the model of all future global growth.” As the world’s most rapidly ageing country, Japan will focus on designing new pension and health systems. Japan seeks to create a model social system where elderly people lead healthier and more active lives, which will then lead to a new market for innovation, industries and jobs.

Since gaining power two years ago, the Democratic Party of Japan has instituted the New Growth Strategy, and the new administration of Prime Minister Noda is committed to the implementation of this plan. Furukawa said that Japan surprised the world with its quick recovery following the March 2011 earthquake, and the country now seeks to surprise the world again with strong measures on energy, environmental problems, and the elderly. He believes that Japan’s recovery from natural disasters throughout history demonstrates its society’s resilience. Furukawa closed with a firm final remark: “I solemnly swear that I will do my utmost to address global challenges.”

The speech was co-sponsored by the Japan Study Student Association and the Japan Business Association.

Question & Answer Session

Professor David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy at Columbia University and CJB’s associate director for research, first asked if there were lessons learned from Japan’s 20 years of struggle that he would recommend other countries to follow.



Furukawa responded that the world faces a new society that requires new ways of thinking based on knowledge of past experiences. He believes that this is a completely different world than the past half-century.

A Japanese student noted that in his Asian studies department there were many people studying China and one studying Korea, but none studying Japan. He asked how to increase interest in Japan.

Furukawa drew laughter by quickly retorting that the Japanese students, including the questioner, should take the onus. The number of people studying Japan doesn't matter, he said; what is important is how well Japanese people can explain the attractiveness of Japan.

A Chinese student then asked how Japan/China relations should be managed in light of some recent tensions between the two countries.

The relationship is very important and the countries cannot be separate, Furukawa said. He noted that a Japanese and Chinese student were sitting together in the audience. Young Chinese often prefer English-speaking countries to pursue education and few go to Japan, but an effort should be made to increase shared experiences and close the communication gap between the two countries.

The next questioner wondered what to expect from Japan in terms of financial and energy regulations.

Furukawa replied that a working group had been formed under the Government Revitalization Council to examine regulatory issues. Given the high cost of the earthquake, they are seeking to create regulation that can stimulate the economy with no expense. Issuing a recovery bond or raising some corporate and income taxes are options being considered. Since such policies could be painful for the Japanese people, regulators would seek to offset the burden by loosening other regulations such as introducing a substantial exemption of tax for five years in special reconstruction zones.



Another student questioner asked whether Japan needed to loosen its immigration policy.

Furukawa acknowledged that Japan was not accepting new immigrants. However, many foreigners already live in Japan, and efforts are being made to invite more tourists. The Japanese are more inward looking, but going forward the country should continue to engage foreigners.

A corporate tax accountant complemented the Japanese on their liberal tax reforms. She wondered if the exclusive corporate boards of Japanese companies could also be liberalized to allow foreigners or even women.

Furukawa admitted this was a difficult issue. He said that foreign companies could be eligible for the aforementioned tax exemption measures and that inward foreign investment was not sufficient. He confessed that many talented women wind up leaving Japan to find better environments.

The final questioner, a student, asked about Japan's new energy policy and steps to regulate nuclear energy.

The recent disaster has forced a fundamental review of energy policy, Furukawa said. Nuclear policy is being taken very seriously and the government is creating an agency to review the issue. Japan is figuring out how to provide power that is safe but affordable for the people.

The Weatherhead East Asian Institute at Columbia University and the Center on Japanese Economy and Business at Columbia Business School hosted this lecture.



From left to right: Gerald L. Curtis, Motohisa Furukawa, David E. Weinstein