

# Inequality, Fragmentation, and Integration in the World Economy

*Annual CJEB Tokyo conference*

Roppongi Academy Hills

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*Keynote speaker Joseph E. Stiglitz*

## Introductory Comments

Hugh Patrick, director of the Center on Japanese Economy and Business (CJEB) and R.D. Calkins Professor of International Business Emeritus at Columbia Business School, opened the 2013 CJEB Tokyo Conference by noting that this is an exciting time to be in Japan. After breaking out of two decades of mediocre economic performance and a downturn post-Lehman shock, the Japanese economy is in the process of a seemingly solid recovery. Revitalization, he said, has a meaning that goes beyond economics, and there has been a significant shift in Japan from the “*sho ga nai*” attitude of resignation to one of hope. This change can be seen in both Japanese business and personal expectations. The title of Prime Minister Abe’s recent speech in Washington – “Japan is Back” – epitomizes the new, positive attitude in Japan, and constitutes a psychological and political exhortation as to the way in which Japanese people should think comprehensively about their country.

This revitalization is illustrated in a new word that has entered economic and political lexicons – Abenomics, the catchword for Prime Minister Abe’s constructive economic policy program. Professor Patrick spoke about the three arrows of Abenomics: first, a dramatic monetary stimulus commitment to end deflation; second, fiscal stimulus to overcome the output gap and restore full employment growth; and third, a long-run growth strategy based on deregulation and liberalization, creation of more competitive market opportunities, and other structural reforms. Abenomics, in part because it is new, is much more about expectations than results at this stage; it still needs to overcome significant structural challenges, including the inadequacy of private sector demand and the weakness of labor markets.



*Hugh Patrick*

Prime Minister Abe’s recent announcement that Japan will enter into TPP (Trans-Pacific Partnership) negotiations before the July Upper House elections was a strong and impressive political decision. Professor Patrick cautioned, however, that TPP, while an important symbol for the third arrow of Abenomics, is not enough on its own. The path from talk to action to results is always long and difficult. The substance of the Abe government’s strategy for liberalization and structural reform will become more clearly defined once the growth strategy is announced in June.

On the topic of monetary policy, Professor Patrick strongly believes that with a new Bank of Japan Governor and two Deputy Governors we will see significant monetary stimulus measures in the coming weeks. Monetary policy, he noted, now finally has to succeed in order to end deflation. Professor Patrick expressed concern about whether domestic demand will be overcome even after the economy does well for the coming 12 months, and is similarly worried that Japan will push for fiscal consolidation too soon, before growth is restored and sustained employment is generated. Also, once deflation is ended and growth is restored, a great challenge for the Bank of Japan will be how to effectively manage the transition from negative to positive interest rates without market disruptions.

In previewing the building blocks of the conference, Professor Patrick mentioned that being future-oriented, international, and comparative were three primary themes when deciding on the topics and discussants. The design of the keynote by Professor Stiglitz is to reflect on the economic and broader implications of increasing inequality. The topics for the two panel sessions are distinct, but related. The first panel, with attention paid to Japan and its relations with other countries, is titled, “Fault Lines in the Global Economy.” The second panel,

“Japan and New Trade Agreements,” deals with three new sets of regional trade negotiations in which Japan is involved.

### Keynote Address



*Joseph E. Stiglitz*

Joseph E. Stiglitz, University Professor at Columbia University, began by noting that Japan’s challenges today can be viewed in the context of several long-running problems faced by other advanced industrialized nations. These consist of four key issues: environmental ones like global warming; aging populations and decreasing labor supply; growing inequality and the diminution of opportunities; and the need for economic structural reforms.

Professor Stiglitz discussed the problem of growing inequality by detailing dramatic changes in income that have taken place in the United States over the past few decades. Presently, the top 1% of the population receives some 20% of the national income, while the median income of a middle-class American family is the same as it was 15 years ago. Moreover, the share received by the top 0.1% is almost three times what it was in 1980. The Great Recession made the situation more dire, and in some ways amplified inequality. Median wealth fell by 40% between 2007 and 2010. Meanwhile, during the so-called “recovery” from 2009-2011, the top 1% of Americans captured 121% of all the increase in American incomes. The idea of a trickle-down economy – in which benefits are given to businesses and the wealthy, incentivizing innovation, improving the economy and thus improving everyone’s lives – has turned out to be wrong. Therefore, bitterness and anger are prevalent because the economy has not been delivering for the majority of the population.

Lack of opportunity is an even bigger problem. Professor Stiglitz argued that America as the land of opportunity is a myth. The chances for someone at the bottom of the economic spectrum rising to the top are worse in the United States than in other industrialized countries. Furthermore, in terms of life opportunities available to them, Americans are typically more dependent on their parents’ income, wealth, and education than people in other advanced industrialized countries.

As a result, the United States is suffering economically and politically, since much of this inequality is the result of rent-seeking. For instance, LIBOR rates are manipulated, monopolies are strengthened and pharmaceutical companies are less compelled to negotiate prices.

Additionally, rent-seeking diminishes opportunities for using human resources, thus discouraging investments in human capital.

In speaking about U.S. structural reform, Professor Stiglitz explained that deregulation in the 1980s set the stage for slower growth and instability after a long boom period and shared prosperity after World War II. But while America's challenges do paint a somewhat dismal picture about the state of the country's economy, the European Union is doing even worse. The EU knew that the euro was not an optimal currency during its development, and member nations are now paying an enormously high price for not adequately addressing these concerns during the initial creation and implementation process. The Eurozone must move away from austerity and create a real banking union that includes common supervision, common deposit insurance, and common resolution.

In closing, Professor Stiglitz shared his views on the economic situation in Japan. He emphasized that all three arrows of *Abenomics* – quantitative easing, fiscal expansion, and structural reform – need to work in order for the Japanese economy to improve. Furthermore, it will be difficult to promote economic growth using fiscal resources alone. In order to think about sustainable growth, the government needs to invest in human



*Joseph E. Stiglitz*

capital. Japan will have to use its resources to retrain individuals in different fields as the manufacturing sector declines. Investments in education and research are necessary to prepare the next generation of the workforce to be proficient in a global world. Challenges arising from demographic changes facing Japanese society, as the population ages and workforce shrinks, must be addressed in order to both bolster the current reservoir of skilled labor as well as nurture the growth of new or untapped sources human capital. Problems of childcare and preschool facility shortages, for example, must be solved in order to enable educated people, particularly women, to participate in the labor force.

Professor Stiglitz ended his keynote by touching on current TPP (Trans-Pacific Partnership) negotiations between Japan and the United States. Free trade agreements, he stated, are in fact managed trade agreements that primarily benefit special interest groups and not the aggregate welfare of the nation's citizens. Free trade agreements should only, in fact, consist of three conditions: abolishing tariffs, abolishing non-tariff barriers, and abolishing subsidies. He cautioned Japan to be prepared for rigorous negotiations with the United States,

and cautioned all sides that bodies like the Office of the U.S. Trade Representative sometimes represent special, instead of national, interests.

### **Question and Answer Session**

Q: What are your thoughts about investing in human capital in Africa?

A: Human capital investment in Africa is much lower than in many advanced industrialized countries. Sub-Saharan Africa has a rapidly growing population. There are many opportunities to transform the region into a dynamic and powerful part of the world system. With these opportunities come many challenges associated with job creation. More development assistance, like the role Japan has played in Africa, is necessary.

Q: How do countries face dwindling natural resources?

A: Countries cannot grow like they have in the past. The approaches to growth must be recalibrated. The planet will not survive if emerging markets grow like advanced industrialized nations have in the past. The move from manufacturing to services must be managed well, and governments need to allocate more resources into conservation and environmental sustainability.

### **Panel 1: Fault Lines in the World Economy**



*Panel 1, from left to right: Heizo Takenaka, David E. Weinstein, John Lipsky, Takehiko Nakao*

ohn Lipsky, distinguished visiting scholar at Johns Hopkins University, David E. Weinstein, Carl S. Shoup Professor of the Japanese Economy at Columbia University, Takehiko Nakao, vice minister of finance for international affairs at the Ministry of Finance, Japan, and Heizo Takenaka, professor and director, Global Security Research Institute at Keio University,

discussed challenges facing the economies and banking sectors in Japan, the United States, and the European Union. Alicia Ogawa, senior advisor at the Center on Japanese Economy and Business of Columbia Business School, moderated the session.

Professor Lipsky opened the panel by identifying three key questions regarding the Eurozone and its member nations. Is the Eurozone, in its current form, going to survive? If it does survive, will it expand? Will it thrive and produce better economic performance? In order to think about these issues, it is important, he pointed out, to realize the Eurozone is unique. It is not a country, nor was it intended to be. The creation of the euro as a currency was a political decision based on the fact that many Europeans believed a common currency was necessary to sustain a single market that could compete with other larger markets such as the United States, Japan, and China. Powerful economic and financial logics are integral to the zone's survival and expansion.



*Alicia Ogawa*



*John Lipsky*

Referring to Professor Stiglitz's comments regarding the built-in flaws of the Eurozone, Professor Lipsky spoke on three key challenges known to the architects of the economic and monetary union. First, it was not an optimal currency area, and the notion of a common currency was always controversial. Economies within the Eurozone were not sufficiently integrated, subjecting both large and small economies to asymmetric shocks. Second, from its inception, the union lacked central fiscal institutions to successfully manage the operations of the zone. Finally, the creation of the Eurozone was not accompanied by the creation of central regulatory, supervisory, and other mechanisms to oversee a single financial market. Instead, oversight was left to individual countries. As there was no consensus on the ideal nature of these institutions, a reactive approach was taken to the development of centralized bodies, where mechanisms would be built as problems arose. Very few imagined quite how severe the challenges, like the recent global financial crisis, would be.

The financial crisis that began in 2007 was initially met with a hesitant response from the Eurozone. More recently, the shock has led to a series of fundamental decisions regarding the types of institutions that would be best able to sustain the zone in the future. Looking at the performance of the Eurozone, one can see that substantial progress in each of the

challenge areas has been made. For example, the trend of unit labor costs growing rapidly relative to those of the northern core countries, like Germany, has been reversing. Also, fiscal imbalances, as well as balance of payments imbalances, have been reduced in the Eurozone. The substantial measures taken in response to the crises can be seen in the activist role of the ECB, the creation of a stabilization mechanism, the prospective creation of a single supervisory mechanism, and the revision of governance procedures over fiscal policy in the Eurozone.

Professor Lipsky concluded by citing current issues and risks that need to be addressed in the short-term in order for growth and stability to be restored. Of particular note are the challenges presented by Cyprus – a country on the brink of failure – and the role of the UK – a state simultaneously inside the common market and outside the common currency. Finally, in answer to his own initial questions, Professor Lipsky responded: yes, probably, and hopefully.



*David E. Weinstein*

Professor Weinstein focused his remarks on the Japanese economy. He began by presenting a pessimistic view of the last 20 years, touching on several of the primary drivers of a “lost two decades,” including the often-mentioned stagnation of real GDP growth in Japan compared to other OECD countries. He noted that many believe Japan’s low economic growth is a result of slumping productivity, structural impediments, and problems in Japanese corporations. All of

these may well be at play, but a slowing economy may not be all that unreasonable or unexpected, given Japan’s demographics.

Japan’s aging population and shrinking labor force will naturally yield a relatively lower growth rate compared to countries with rising populations. With this in mind, Professor Weinstein argued that if real growth per worker, instead of GDP, is the criteria for international comparison, Japan does not look so bad relative to other countries. To illustrate this point, he noted that the United States would have to grow one percentage point per year faster than Japan just to have the same per capita worker income growth.

While the aging population may be a factor in Japan’s slow growth, other factors do not bode well for Japan. Japan is substantially more volatile in terms of economic growth than other OECD countries, with many ups and downs over the past 20 years due to fluctuations in investment and lending. Aggregate forces, including poor investment opportunities, the timidity of firms, declining productivity, exchange rate movements, and industry factors like competition with China, Korea, and other countries are driving many of these fluctuations. Another major factor behind changing growth rates and investment behavior in Japan has been

the many financial crises that have occurred in recent years and, in particular, the failing of several major financial institutions.

To better understand the explanatory weight carried by these failing financial institutions, Professor Weinstein pointed to the way in which lending has become more concentrated due to changing regulations in Japanese finance. Most Japanese firms receive only 1% of corporate financial lending, while the three largest financial institutions account for almost half of all lending activity. In a historical context, this is almost twice as concentrated as the financial landscape during the height of the zaibatsu and under the kigyō keiretsu.

Professor Weinstein, along with Mary Amity at the Federal Reserve Bank of New York, have researched to what degree aggregate investment is affected by aggregate fluctuations when much of the lending is channeled through very few institutions – each with its own idiosyncratic movements and distinct management methods. They concluded that 40% of movements in aggregate investment are driven by these idiosyncratic decisions in megabanks. If banking is this concentrated, the movements and management choices at large banks will affect the entire economy. In a sense, Professor Weinstein says, countries are small and banks are big. So he is concerned not just with banks being “too big to fail,” but perhaps even more so with the correlation between a bank’s idiosyncratic financial choices and the impact those choices have on a macroeconomic scale.

Professor Takenaka followed by discussing the Japanese financial situation in terms of what has been taking place in the global economy. He said that the changes underway in the EU, including the ECB’s decision to support Spanish bonds, as well as U.S. quantitative easing policies, are of much interest to Japan.

In Japan, the “level of discussion,” as he put it, is quite different from that taking place globally, with issues like corporate governance representing a primary example of discrepancy.

The EU and U.S. approaches, in which management remuneration depends significantly on corporate governance, contrasts sharply with business practices in Japan, where there is little personnel turnover regardless of performance. There are also notable differences in the interpretation of roles and design of governing bodies. For instance, listed companies in many foreign countries are required to have 50% of their board of directors consist of independent external directors, whereas no such rule exists in Japan; according to TSE regulations, which are moreover largely voluntary, there must simply be one listed independent external director.

Professor Takenaka also addressed the government’s control over the private sector as it relates to disparities in expansion and investment activity in Japan and globally. As of 2011,



*Heizo Takenaka*



Japan was 47<sup>th</sup> on the World Bank's "ease of doing business" index, a drop from 27<sup>th</sup> in 2007. Although Japan has long led the region in terms of GDP, smaller countries like Hong Kong and Singapore are viewed as more appealing locales for many investors and international companies. Japan's current trade balance, as well as the increased offshoring activity by Japanese firms, demonstrates in part the impact of an overly-regulated business environment.

Professor Takenaka concluded by explaining the need to develop a growth strategy – the third arrow of Abenomics. He noted that Japan's growth rate has decreased after the Koizumi era, with little policy cohesion between the many administrations from 2006 onwards; there have been seven different growth strategies in the past seven years. Likewise, many of these strategies are based on an archaic type of policy design. The market should play a strong role in economic expansion, but complete adherence to a laissez-faire philosophy is also not optimal. While the current direction of the Abe government is correct, there needs to be further discussion surrounding the nature and role of government in the 21<sup>st</sup> century.



*Takehiko Nakao*

Mr. Nakao delved further into Abenomics. Whereas previously the U.S. fiscal cliff and the risks posed by economic troubles in the EU garnered much media and analyst attention, now worldwide focus has been on Japan and its new economic policy course. The Abe administration has constructed a supplemental budget equal to 2% of GDP with an expected impact of 2% growth. Mr. Nakao believes this is in line with the IMF's thinking that stimulus should be

provided when growth slows. At the same time, the fiscal policy includes consolidation in the medium term. The government will maintain a target of halving the primary balances of central and local governments by 2015 compared to 2010.

Monetary policy, he said, is one of the most important and interesting parts of Abenomics. The Bank of Japan (BOJ) must be independent in its actions and decisions. At the same time, it is essential that the government and BOJ work together. The BOJ will aggressively target 2% inflation through a new asset purchase program and the government will be responsible for fiscal consolidation and fiscal affairs, and is committed to structural reforms that reinforce monetary policy.

Addressing the rapid depreciation of the yen from below 80 yen per dollar prior to PM Abe's election victory to around 95 yen per dollar after he took office, Mr. Nakao spoke about the way in which the international community has been monitoring this fast rate change and its effects. Although there have been voices cautioning against negative spillover consequences to

other countries, he argued it should be permitted and falls directly within Japan's stated domestic deflationary objectives. Mr. Nakao touched on four points regarding the potential negative spillover effect to emerging economies. First, he said, although there may be a certain amount of spillover, the capital flow into emerging economies has not been excessive or volatile. Next, there has already been a deleveraging effect of capital flow into emerging economies by a troubled EU. Third, the economies of emerging markets can introduce macroprudential measures to manage capital inflow. Finally, expansionary monetary policy should be welcomed as a way to stimulate growth, to avoid being trapped in deflation, and to stabilize the economy and financial system. In order to carry out monetary policy, bold structural policies are necessary.

In conclusion, Mr. Nakao touched upon Japan's entry into the TPP negotiations. Symbolically, this development is very important. It has had a strong positive impact on foreign investors' perceptions of the Japanese economy, and points to a forward-looking government at a time of increased internationalization of trade and finance. So it is important for Japan to partake in the TPP talks.

### Question and Answer Session

Q: What is the real situation and path of austerity?

A: Professor Lipsky responded by talking about the way in which critics, especially in Europe, criticize any fiscal austerity as inappropriate and detrimental to the economy. Complaints about austerity often are a smoke screen for not implementing the structural changes necessary to address the underlying problems leading to crises. Without attacking the cause(s), the fiscal problems will continue to occur.

A: Mr. Nakao responded that the opportunity to bolster sustainable fiscal positions will be missed if consolidation continues to be cast in a negative light. Complacency about a situation in which Japan's interest rate for 10-year Japanese government bonds remains below 0.6%



*Heizo Takenaka*

cannot continue. As a Ministry of Finance official, he would like to address the issue of fiscal soundness to make the economy more balanced and sustainable.

A: Professor Takenaka stated an important distinction between fiscal policy and monetary policy. Fiscal policy is decided through a long and complicated political process, while monetary policy can be decided very quickly and smoothly by independent central banks. The only way to realize real fiscal

consolidation is by stimulating the economy through structural reforms. The current situation in Japan is very difficult and complicated.

A: Professor Weinstein commented that much of Japanese policy dialogue has revolved around a series of arguments on why things cannot be done: worries about implementing fiscal stimulus because of a concern about bad deficits; worries of providing monetary stimulus because of a concern about hyperinflation; and inaction toward banks because they cannot be allowed to fail. The strategy of hoping and waiting for the “confidence fairy” does not work. A consistent approach of practicing austerity in good times and stimulus in bad times needs to be undertaken.

Q: What are the solutions to financial oligopolies?

A: Professor Lipsky noted major differences in net lending practices. In the United States, for example, 80% of corporations' net borrowing is through capital markets, meaning that large banks' corporate lending is relatively small relative to securities markets. He questioned why this has not been developed in Japan and found the abandonment of the privatization of postal savings puzzling given that it was widely supported by both the public and policy making communities.

A: Professor Takenaka commented that, while politics has slowed the realization of a fully privatized Post, it is important for Japan to continue down the path set forth during the Koizumi era; as debt levels rise, serious talks of privatization will again emerge.

A: Professor Weinstein responded by talking about the risks one needs to be aware of when so much capital flows through so few institutions. We need to think about the political economic impact these institutions command and consider the systematic risks they pose in scenarios of failure. The rise of these major institutions was not an accident, having been birthed as a result to changes in laws like Glass-Steagall in the United States and rules governing holding companies in Japan. We have to ask whether these kinds of deregulations are ultimately stabilizing or destabilizing in the long-run.

Q: How does Japan move towards a more open market and financial system while avoiding the inequality and volatility evident in the United States?



*David E. Weinstein*

A: Professor Takenaka responded that Japan is currently moving from a self-help policy course to a solve-focused policy agenda. With this in mind, it is reasonable to expect government intervention in the market, as discussion on the “best policy mix” is carried out.

A: Professor Weinstein noted two issues concerning state capitalism in his response. The first is whether the government should be running enterprises. Government performance in managing certain business sectors is mixed at best and likely net negative in terms of growth. A government-run Japan Post, for example, may not be the most efficient way to address the needs of a modern Japan. Regulation is certainly needed, however, in part to insure against financial institutions gambling with government money.

A: According to Professor Lipsky, moving away from financial repression that punishes small savers would help make Japanese growth more equitable.

## Panel 2: Japan and New Trade Agreements



*Panel 2, from left to right: Yang Yao, Motoshige Itoh, Peter Petri, David E. Weinstein*

Peter A. Petri, Carl J. Shapiro Professor of International Finance at Brandeis University, Motoshige Itoh, professor at the Faculty of Economics at the University of Tokyo, and Yang Yao, professor and director of the China Center for Economic Research at Peking University, reflected on Japan’s role in multiple regional trade negotiations. Professor Weinstein moderated the session.

Professor Petri opened by explaining some of the characteristics of the new global landscape of trade policy that is beginning to emerge. Three huge or “mega negotiations” are currently underway: the Trans-Pacific Partnership (TPP), with twelve participating countries; the EU-US negotiations; and the Regional Comprehensive Economic Partnership (RCEP), which

includes ASEAN member countries and six North Asian and Oceanic countries. Together, these trade accords account for 77% of all global GDP. Japan may be one of the few countries that has a foot in many or most of these talks.

These large-scale negotiations are a product of the new emerging landscape of international trade and seek to set the rules of the game for the 21<sup>st</sup> century. Their potential lies not only in the promising economic gains they offer participating countries, but also in the positive reciprocal dynamic in international trade that has materialized as a result of the negotiations, with the TPP encouraging RCEP, and RCEP spurring on TPP talks. Many new issues have come to the table since the last global negotiations were concluded 20 years ago. This new round of international negotiations is creating the framework by which issues such as e-commerce, connectivity, and transparency will be understood for years to come. Emphasis, Professor Petri said, should be on improving rules rather than tariffs. Moreover, balancing liberalization that serves the interests of developing countries as well as advanced nations must be a priority.



*Peter Petri*

According to Professor Petri, the gains for Japan as a result of these negotiations will be quite substantial, and estimates that the economic benefit will be close to 10 trillion yen, or about 2% of GDP; higher than the Abe administration's estimate of 3 trillion yen, or about 1/3 of a percentage point of GDP. The difference in the estimates can be attributed to the government using a fairly standard, safe conservative model whereas Professor Petri and his colleagues used a more nuanced international trade model.

Echoing Mr. Nakao's earlier discussion of what Japan could hope to achieve from TPP, Professor Petri commented on the benefits of participating in these large negotiations, including an increase in foreign direct investment, especially in services; higher productivity and growth, especially in services; and some increase in manufacturing, but even more importantly, a shift to high tech, high productivity industries within the manufacturing sector. Agriculture, he explained, will see a transition to high productivity areas such as fruits, vegetables, organics, and even tourism. Japan will likely be able to keep some of the barriers for its most sensitive products, although agriculture as a whole will probably decline slightly and very gradually over a decade or more. Taken together, these negotiations serve as a great opportunity for Japan; the many benefits that the economy will experience will float all boats, allowing for even those who are most adversely affected by the structural transition to be appropriately compensated.

Professor Petri concluded by saying that TPP by itself is not enough, either as the third arrow of Prime Minister Abe's revitalization strategy or as a trade policy. Japan needs to gain a stronger foothold in other regional networks, including RCEP and negotiations with Korea and China, in order to promote high quality rules as a way of not only gaining the best immediate



*Motoshige Itoh*

rewards, but also as a means to help pave the way for consolidation of agreements in the future. For Japan, the opportunity that these new mega negotiations present is not simply economic, but political as well.

Professor Itoh also talked about the benefits and impacts for Japan of participating in TPP negotiations. He began by alluding to the fact that politics plays a critical role in international trade talks. Often, participating in negotiations is subject

to the domestic political climate and the will of the ruling party. Also important to remember is that while politicians will fight for their constituents, and special interest groups will demand exceptions, much of the actual granular details are left to government officials. There are many actors and influences that come to bear on large trade negotiations.

TPP is important for Japan, and in terms of liberalization, the economic benefits outweigh the drawbacks. Citing examples of progress made during the Koizumi administration, as well as Professor Petri's research, Professor Itoh noted that there are major benefits to participating in the agreement and undergoing trade reforms. By 2025, TPP will account for about 2% of GDP, an economic benefit of approximately 10 trillion yen. In ten years, this figure will stand at approximately 100 trillion yen. It is therefore of the utmost importance that Japan participates in TPP negotiations. However, Professor Itoh cautioned, politics is not always governed by what is most efficient or productive, and thus the future course is unsure.

Referring to Professor Petri's explanation of how trade rules globally have changed dramatically in recent years, Professor Itoh mentioned how previous multinational trade negotiations at the end of the 20th century, like the General Agreement on Tariffs and Trade (GATT), are not in line with the contemporary trade environment due to outdated models which largely forbid discrimination policies or exemption clauses. Likewise, while the WTO needs to maintain its authority, new trade rules will increasingly be determined in bilateral and multilateral negotiations. Professor Itoh noted that he does not know whether this is good or bad, but regardless, Japan needs to participate in this trend and be an influential member of designing the way forward. Japan must be aggressive, take part in negotiations, and not be left behind.

On the issue of agriculture, a particularly thorny issue when it comes to TPP, Professor Itoh said that Japan needs to increase the efficiency of agricultural land and technology to remain competitive. Unlike in the United States, where agriculture makes up 8% of GDP, Japan's agriculture industry accounts for around 3 to 4%. Another key difference is the dynamic of those working in the sector. In Japan, a large portion of the farmers are not full-time. Many wear two hats, as he said, by having careers outside of agriculture, and thus are contributing to



*Yang Yao*

the industry on a smaller scale. Unless Japan and its agriculture sector can take the steps necessary to adapt and modify the industry to meet modern demands and needs, its sustainability is in jeopardy. Appropriate government support is absolutely necessary.

Professor Yao shared the point of view of developing nations, and China's in particular, on TPP and other regional trade negotiations. He largely agreed with Professor Stiglitz and began by saying

the United States started TPP for the purpose of creating model trade agreements for the 21st century, and that while the ultimate aim of TPP is a good one, its design favors highly developed countries. Developing nations, like China and other BRIC states, are not always well positioned to partake in these kinds of agreements given that their needs are different than that of industrialized countries. To illustrate this point, Professor Yao pointed out that TPP and similarly designed trade pacts will alienate countries like China, with a per capita income threshold of 6000 USD, not to mention entire regions like Africa.

Another issue regarding TPP for developing countries is intellectual property rights (IPR) protection. It is very important to stimulate and promote innovation, especially in developing nations, but realistically, Professor Yao said, the costs of heavy IPR for industrializing countries have to be taken into consideration. Developing countries need to acquire technologies and know-how through a variety of means and methods in order to grow economically, and IPR protection as it is under TPP will stifle many of these avenues towards innovation and knowledge diffusion. In terms of industrial policy, Professor Yao believes TPP will be most strict on subsidies. In Japan and South Korea, subsidies are commonplace in many industries, and were an important factor in helping both countries to upgrade technologically. From the point of view of a developing country, it is difficult to comply with TPP rules while at the same time promoting a best pro-growth policy mix. Additionally, Japan and other Asian nations participating in TPP may contribute to trade diversion as a regional production network already exists. If some countries join TPP and others do not, trade will be negatively affected.

Professor Yao also spoke about the CJK (China-Japan-Korea) free trade negotiations and the impact they stand to have on the participating countries. He noted that the three countries make up nearly a quarter of world GDP, and that 20% of Japanese and 25% of Korean export trade goes to China. Both have large trade surpluses with China, and the three countries are quite complementary to one another in terms of trade dynamics. He mentioned that the leaders of the three nations are much more pragmatic than their populations, and that while the countries have well-known historical misgivings and territorial disputes, the CJK

negotiations can serve as an important step in promoting closer ties and resolving unsettled issues.

### Question and Answer Session

Q: Is the world moving towards a situation where wealthy countries are going to benefit from these trade agreements while other countries are left out?

A: Professor Itoh responded by saying that a mutual enforcement mechanism is necessary for equitable negotiations and agreements to be reached. He cited GATT as a historical example of how international agreements can both be created by industrialized nations and at the same time benefit developing countries as well. If we consider history, TPP holds promise for both wealthy nations and those seeking to climb the rungs of economic development.

A: Professor Petri answered that one of the benefits of large trade agreements is that they have relatively little trade diversion, although some does exist. Japan's entry into the TPP would lead to approximately USD 15 billion worth of trade diversion from China per year. This suggests that another set of discussions between Washington and Beijing needs to take place in order to ensure that these negative effects do not fall entirely on China. Professor Petri again said that 77% of the world being in this agreement means 23% is not, and that we therefore need to get back to Doha, or to the table at a minimum, to make sure that some of the common rules are extended broadly across the entire global trade spectrum.



Panel 2, from left to right: Peter Petri, David E. Weinstein, Motoshige Itoh, Yang Yao

A: In his response, Professor Yao indicated that he was worried about smaller countries in ASEAN. He said that if Malaysia, for example, joins TPP but Indonesia does not, Indonesia is going to be seriously adversely affected.

Q: Will China ultimately join the TPP?



A: Professor Yao responded that joining the TPP would be an arduous process for Beijing, and therefore does not foresee China entering the negotiations. The WTO needs to serve as the global standard for governing trade.

Q: How will IPR, trade secrets, and data flow be enforced in order to protect the interests of manufacturers that rely on global production networks?

A: Professor Petri responded by saying that the toughest issues in the negotiations are services, investments, and IPR. Providing strong IP support, he said, cuts two ways for developing countries. It will be more difficult for developing countries to create their own technology. At the same time, it will encourage foreign direct investment as econometric evidence suggests that higher protection leads to more investment.

### Closing Remarks



*David E. Weinstein*

Professor Weinstein closed the session by giving special thanks to the distinguished speakers, audience, CJEB staff, and corporate sponsors, and felt that the conference was very successful in terms of pushing people to uncomfortable places. Referring to Professor Stiglitz's views on the costs of inequality and globalization, Professor Weinstein noted that growth is not necessarily a positive social force, and that good governance and equitable policy development are needed to ensure that the winners created by change and innovation are able to compensate those that are left behind. While the many issues discussed during the conference may push people outside of their comfort zone, it is the duty of academic studies and intellectual leadership to carry this flag forward in the name of bettering living standards and global welfare. The speakers, audience, and moderators should be commended on meeting this challenge with an interesting and productive day of discussion and reflection.

*(See next page for Japanese version)*

## 世界経済における格差、分裂、そして統合

2013年3月21日、六本木アカデミーヒルズにてコロンビア大学ビジネス・スクール日本経済経営研究所(CJEB—Center on Japanese Economy and Business)のカンファレンスが開催された。未来志向で国際的かつ相対的なカンファレンスのテーマとして、21世紀の世界経済において枠組みを変容させるような体系的なダイナミクスへの対峙が趣旨となった。基調講演においては、格差拡大が経済や更に広範な分野に与える影響についての考察が行われた。パネルⅠとⅡでは、それぞれ独立していながらも関連性のある議題が扱われ、パネルⅠの議題である「世界経済が抱える課題」では、日本と諸外国との関係に焦点が置かれた。パネルⅡの「日本と新たな貿易協定」においては日本が参加する3つの地域貿易交渉が取り上げられた。

CJEBのヒュー・パトリック所長が開会の辞を述べ、日本は今、興味深い時期に入っており、20年に亘る景気低迷やリーマン・ショック後の落ち込みから脱却し、今こそ日本経済は堅調な回復軌道に乗ったと言及した。パトリック所長によれば、再生には経済的な意味合いにとどまらない広い意味合いがあり、日本において、従来の「しょうがない」という諦めの態度から希望を抱く態度への重要なシフトが見られると言う。この変化は日本の産業界のみならず、個人レベルでも見て取ることができる。安倍首相が最近ワシントンで行ったスピーチのタイトルとなった「Japan is Back.(日本は戻ってきました。)」は昨今日本国内に見られる前向きな態度を象徴しており、日本国民が自国について包括的に考えるにあたって、心理的にも、政治面においても励ましを与えるものである。一方、全てを楽観視できるには至らず、アベノミクスが真価を発揮できるかどうか、TPP(環太平洋戦略的経済連携協定)交渉参加が良好な結果をもたらすかどうかはまだ分からない。

コロンビア大学のジョセフ・E・スティグリッツ教授は基調講演の冒頭、日本が今日直面している課題を、他の先進国がこれまでに経験してきた長期的な問題の文脈から考察する観点について言及した。長期的な問題の具体例として、温暖化をはじめとした環境問題、人口の高齢化や労働力の減少、格差の拡大と機会の減少、経済構造改革の必要性が挙げられた。スティグリッツ教授は、過去数十年の期間に米国で生じた国民所得の激変について詳述することにより、格差拡大によりもたらされる課題について論じた。富裕層はより豊かになり、貧困層は益々貧しくなっている。大不況(Great Recession)後の景気回復の恩恵を受けたのは主に所得水準上位1%の国民のみで、経済のトリクルダウン理論は誤っている。さらに、機会の欠如がより大きな問題となっている。米国を「機会を与えてくれる国」とする見方はすでに過去のものであり、米国で貧困層の国民が最上位層に達することのできる機会は他の先進国よりも少ないとスティグリッツ教授は考える。また、教授は日本経済の現状についても見解を示し、日本経済の回復には、アベノミクスの「3本の矢」(量的緩和、財政出動、成長戦略)の成功が欠かせないと強調した。さらに、財政出動のみで経済成長を促進することは困難であろうと述べた。持続可能な成長の達成には、政府として人的資源への投資を行い、世界で活躍できる次世代の人材を育成する必要がある。人口の高齢化や労働力の減少といった日本社会が直面する課題に対処し、現在の熟練労働者の能力強化にあたるのみならず、新規あるいは未活用の人的資源を育成しなければならない。教養ある人材、特に女性の労働力への参加を促すため、たとえば保育所不足の問題への解決策を見出すことが必要になる。最後に、スティグリッツ教授はTPP交渉に言及した。自由貿易協定とは実際には管理された貿易協定であり、国民全体の幸福に主眼を置いたものではなく、主に恩恵を享受できるのは特別利益団体となっている。自由貿易協定には3条件のみ揃っていれば良く、すなわち、関税の撤廃、非関税障壁の撤廃、補助金の廃止が重要であると教授は述べた。日本は今後、米国との厳しい交渉に備える必要があり、米国通商代表部のような組織は、時には国全体の利害ではなく、特定の利害を代表することがあるとして、全当事者に注意を喚起した。

パネル I 「世界経済が抱える課題」にはジョンス・ホプキンス大学特別客員研究員のジョン・リップスキー氏、コロンビア大学経済学部カール・S・シャープ日本経済学教授で CJEB の研究副所長のデイビッド・ワインスタイン教授、財務省財務官の中尾武彦氏、慶應義塾大学の竹中平蔵教授がパネリストとして参加し、日本、米国、EU 諸国における経済と銀行部門が直面する課題について議論した。CJEB シニアアドバイザーの小川アリシア氏が司会を務めた。リップスキー教授がまず、ユーロ圏と構成国に関して 3 つの主要な問い掛けを行った。ユーロ圏は現在の形のまま生き残ることができるのか？生き残ることができたとして、拡大はできるのか？繁栄を達成し、経済発展を遂げることができるのか？この地域の成長と安定を取り戻すために、短期的に取り組むべき現在の問題とリスクについて見解を述べた。特筆すべきは、国家破綻の瀬戸際にあるキプロスが原因で生じる課題と、共通市場内に位置付けられながらも共通通貨を採り入れていない英国が果たす役割である。自らの 3 つの問い掛けに対し、リップスキー教授は「恐らく、可能だろう。そうであることを願う。」との回答を示した。ワインスタイン教授は日本経済にフォーカスした見解を述べた。教授はまず、過去 20 年に亘る悲観論について語り、「失われた 20 年」をもたらした主要な原因に言及した。日本の人口動態を考えれば、景気の減速はそれほど不合理且つ予想外な事態ではないかもしれないと述べた。人口が高齢化し、労働力が減少する状態では、人口が増加している国々と比較すると、おのずと経済成長率は相対的に低下する。労働者 1 人あたりの実質成長の点では、日本は他の国々と比較して大して見劣りしない。ただ、日本にとって好ましくない要素も存在する。過去 20 年間、日本における投資額や貸出額には大きな変動が見られ、他の OECD 諸国と比べ、日本の経済成長は安定性の面で大きく見劣りする。日本の成長率や投資行動がこれまで変動してきた主要因は、近年発生した複数の金融危機と、特に大手金融機関の経営破綻であろう。金融機関の破綻の影響度合いをより明確に説明するため、日本における金融規制の結果、資金貸出の構造が偏ったものになっているとワインスタイン教授は指摘した。ほとんどの邦銀の貸出額が国内貸出総額の 1%程度に過ぎない一方で、金融機関上位 3 行による貸出が貸出総額の 50%近くを占めている。財閥や企業系列の最盛期と比べ、現在では資金貸出構造の偏り部分が倍増している。銀行が「大き過ぎて潰せない」状態になり、政策や経済の方向性決定において過大な影響力を持つようになるリスクを孕んでいる。次に、世界経済の動きの中での日本の視点について竹中教授が論じた。欧州中央銀行によるスペイン国債の買い入れ決定がなされ、それに引き続いて FRB による量的緩和策が発表されるなど、EU における変化の動きは日本にとって非常に興味深いものであるとコメントした。アベノミクスの 3 本目の矢である成長戦略を策定する必要性にも触れ、小泉政権以降、日本の成長率が低下していること、2006 年以降の政権が打ち出す政策に継続性がほとんど見られず、過去 7 年間で 7 つの異なる成長戦略が策定されたことについて述べた。安倍政権の現在の方向性は正しいものの、21 世紀における政府の本質と役割について更なる議論を行う必要がある。円安が急速に進む中、その波及効果が新興国経済に及ぶ可能性について中尾氏が 4 点言及した。第一に、一定程度の波及効果は否めないものの、新興国経済への資本流入量は過大あるいは安定性を欠いたものではない。第二に、問題を抱えた EU 諸国によるレバレッジ解消の動きに懸念が高まる中、新興国への資本流入はむしろ歓迎すべきことである。第三に、新興国経済はマクロプルーデンスな政策により、資本流入量を制御できる。最後に、成長を促進し、デフレを回避し、経済と金融システムを安定化させるために、拡張的金融政策は歓迎すべきものである。金融政策実施のためには、大胆な構造政策が不可欠であるとした。

パネル II 「日本と新たな貿易協定」にはブランダイス大学カール・J・シャピロ国際金融教授のピーター・ペトリ氏、東京大学大学院経済学研究科教授の伊藤元重氏、北京大学中国経済研究所主任、経済学教授のヤング・ヤオ氏がパネリストとして参加し、複数の地域貿易交渉における日本の役割についての検討が行われた。ワインスタイン教授が司会を務めた。まずペトリ教授が、貿易政策についてグローバルで見られる新たな動きの特徴を幾つか説明した。規模の大きい「メガ」交渉が現在 3 つ進行中であり、その 3 つとは、12 カ国が参加する TPP 交渉、EU・米国間の交渉、ASEAN 諸国に加えて、北アジ

アとオセアニアから6カ国が参加する東アジア地域包括的経済連携(RCEP)交渉である。日本はこれらの交渉の多く、あるいはほとんどに関わっている数少ない国の1つかもしれない。これらの交渉の結果、日本にもたらされる恩恵は非常に大きなものであろうとペトリ教授は述べた。伊藤教授も賛同の意を表明し、TPPは日本にとって重要であり、自由化によって得られる経済的恩恵は欠点を補って余りあるとコメントした。TPPにおける争点となっている農業について伊藤教授は言及し、現代の需要とニーズに応えられるように、日本政府と農業部門が必要な措置を講じて農業産業の適応・修正を図らなければ、農業の持続可能性が脅かされることになるとした。適切な政府支援が不可欠な分野だ。ヤオ教授は、TPPとその他の地域貿易交渉について、途上国、特に中国の観点を共有した。ヤオ教授は概ねスティグリッツ教授に賛同した上で、TPPとは21世紀における貿易協定のモデルを確立する目的で米国が始めた取り組みであり、TPPの最終的な目標は素晴らしいものである一方、TPPの仕組みは先進国にとって有利な内容となっていると指摘した。中国や他のBRIC諸国のような途上国のニーズは先進国のニーズと合致していないことを考慮すると、この種の貿易協定に参加するにあたって途上国の立ち位置は必ずしも有利なものではない。ヤオ教授は、参加国が享受できる恩恵の点では、日中韓の自由貿易交渉のほうが望ましいとした。この3カ国は合計で世界GDPの25%近くを占めており、貿易においても相互補完的な関係にある。3カ国の指導者達は国民よりも現実的な考えを持っており、歴史認識の食い違いや領土問題を抱える一方、3カ国間で交渉を行えば、結び付きを強め、懸案の問題を解決するための重要な一歩になるであろうと述べた。

ワインスタイン教授が閉会の辞を述べ、各講演者や聴衆、CJEB関係者とスポンサー企業に感謝の意を表した。同教授は格差とグローバリゼーションの代償に関するスティグリッツ教授の見解に触れ、成長は必ずしもポジティブな社会的動向であるわけではなく、変化や革新の結果生まれる「勝ち組」が、取り残されてしまった他者に何らかの埋め合わせをできるように、ガバナンスや公正な方針を策定することが欠かせないと述べた。カンファレンスで議論された問題の中には物議を醸すものや、「コンフォートゾーン」を出ずには議論できないものもあったかもしれないが、生活水準を改善し、世界に幸福をもたらすため、この様な取り組みは学術研究や有識者によるリーダーシップに求められる責務であると認識しているという。この課題に向き合うべく興味深く生産的な議論・検討を行った各講演者、聴衆、司会者に対して賞賛の言葉を贈り、ワインスタイン教授はカンファレンスを締めくくった。

(翻訳: 藤井信孝、マシュー・ブールマ)