

日本経済の再活性化について

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現在の日本経済とその社会を規定している枠組みが第二次世界大戦中に作られたという事実はあまり知られていない。野口(1995)によると日本経済を抜本的に変えるには"1940年体制"と決別する必要があると説いている。確かに、金融面においては、企業は主に銀行から融資を受ける"間接金融"にこの体制の特徴を見出すことができる。しかし、この仕組みは今やデフレ・スパイラルの進行と累積する不良債権により機能不全に陥っている。これらの状況から脱却して経済を再活性化するにはバイオ、ナノテク関連のベンチャー・ビジネスを中心に必要な資金が行き渡るようにベンチャー・キャピタルを中心とした"直接金融"の仕組みを整備することが必要である。

Revitalization of the Japanese Economy

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It is not well known that the frameworks of the Japanese Economy and society were made during the World War II. The review of "1940 Regime" is needed to restructure the Japanese economy. The symbol of this regime in terms of financing is an indirect financing. This system does not function well due to the vile spiral of deflation and the accumulations of bad-loans.

So, the direct financing system such as venture capitals should be taken root in Japan in order to foster venture businesses. Especially, it's important to foster high-technology oriented fields such as biotechnology and nanotechnology. This will lead to furnish new workplaces for the people who were obliged to leave the company due to restructuring. This will also become

the breakthrough of revitalization of Japanese economy. Here, I will mention about the prescriptions to escape from the vile spiral of deflation and bad-loans from the standpoint of government, enterprises, and banks respectively.

1. Introduction

After the collapse of bubble economy, Japanese economy is now facing with many pressing issues that are not allowed to be postponed. Koizumi Cabinet is tackling with these issues in earnest under the auspices of public opinion to avoid the world depression derived from Japan. At first, I will pick up the essential issues deeply lying in Japanese economy from a structural point of view. And I will also mention about the status quo of Japanese Economy from an economic theoretical point of view. Next, I will present concrete reform proposals to overcome this long deflationary situation with the solution of debt loans. Not to mention, key factors of success in reform proposals lie in the leadership of the Cabinet and the support of our people.

2. Transition and Status quo of Japanese Economy

Regarding the cause of Japanese sluggish economy, many economists point out that the causes are in the vile spiral of deflation¹ and transaction methods of bad-loans. However, deep discussions have not yet made about what is a fundamental issue to be lied behind the Japanese economy. That is, the discussion about what is a rule that regulates the Japanese economy after the World War II. One of the easiest ways to see the entity is to check the phenomena from a legal aspect. Almost all of the frameworks of the Japanese economy and society were made during the World War II. As Noguchi(1995) pointed out in his book, the succession of 1940 regime is one of the toughest barrier to

reform an industrial structure in spite of the dramatic change of the economical environments. Namely, this regime functioned well at least until the collapse of bubble economy. If it were not for the Japanese government's intervention in the shape of "Convoy System", this regime will be collapsed earlier than our estimation. In other words, the limitation of this regime may have been until at the end of high economic growth. According to the macro economic theory, the protection of infant industry should be restricted to the level that the infant industry can compete with foreign industries internationally.

In actuality, Japanese economy could manage to keep steady growth due to the government's protection under the name of so-called "Regulation". However, few people noticed that major Japanese industries that had been over-protected were losing power of competition during the period. And the minus legacy is emerging in the phenomena of vile spiral of deflation and bad-loans. Thus, the thorough review of present regime is needed to escape from this situation.

Next, we can enumerate the status quo of Japanese economy in view of the phenomena. Two factors are often cited in explaining this economic condition. One is the vile spiral of deflation. The other is the bad-loans. At a glance, these two factors do not seem to be directly correlated. But, they are highly correlated through the devaluation of the enterprise, that is, the decrease of the stock price will deteriorate not only the achievement of the enterprise but also the bad-loans of the enterprise.

So, if we look at the causes of vile spiral of deflation, one of them is attributable to the volume of imports from developing countries. Especially, the emergence of Asian countries such as China brought a strong impact on the decrease of import prices.

Now, one out of seven Japanese manufacturing enterprises have shifted their production bases from Japan to overseas. And 40 percent of them selected China as their production base. The main reasons are lower cost of personnel expenses and industrial infrastructures such as electricity, gas, and water

supply. It is often said that the personnel expense of China is one-twentieth in Japan. Thus, the labor intensive industries are facing the cavity in Japan.

Another major cause of vile spiral of deflation may be in the deflationary gap, that is, the aggregate demand is less than the aggregate supply. Therefore, chronically glutted situations are continued. This result leads to the decrease of commodity price, sales volume, personnel expenses, and incomes. While, it also leads to the increase of unemployment. Thus, the deflationary gap brought over-equipments, over-employments, and over-debts to the enterprise side. Radical fluctuation of foreign exchange between Japanese Yen and US dollars, and dive of stock prices in Japan will surely spur this trend.

In short, even if central bank(=Bank of Japan) alleviate the monetary policy, there is little demand in borrowing from the sides of enterprises due to deflationary gap. And repayment of loan is the pressing matter for the enterprise to become lean. Therefore, the effects of monetary policy do not become pervasive². Concerning bad-loans, the deteriorations of business environments and the decline of assets' prices are becoming the adverse wind for the banks that have large volume of bad-loans. If business achievements become worse, the risk of default for lending will increase for the banks. In addition, if the assets' prices decrease, the values of collaterals will be depreciated. Thus, the bad-loans amounts will increase in the end and banks can not increase the loans even if the alleviation of monetary policy is taken up to avoid the risk of re-emergence of bad-loans. Of course, banks must take the BIS regulation into consideration.

From here, we can surmise that the function of indirect financing is paralyzed in both enterprises and banks. Therefore, some drastic measures must be taken up to escape from this situation.

3. Reform Proposals

At first, Japanese government should review of the so-called 1940 regime to cope with the transitions of times. Deregulation is needed in the area of 1940 regime.

For example, fund supply is not enough to venture businesses under the indirect financing system. Because banks are hesitating to lend money to venture businesses that are ranked as high risk groups for fear of bad-loans. So, the direct financing system such as venture capitals should be taken root in Japan in order to foster venture businesses under the self-responsibility. This will lead to furnish new workplaces for the people who were obliged to leave the company due to restructuring. This will also become the breakthrough of revitalization of Japanese economy.

Here, I will mention about the prescriptions to escape from the vile spiral of deflation and bad-loans from the standpoint of government, enterprises, and banks respectively.

i) Government

The role of government is to manifest the direction to facilitate the free competitions that will lead to the revitalization of economy. Concretely speaking, the review of tax system is a pressing matter. The large-scale reduction of income taxes as Regan administration executed will affect the subconscious demand for consumers. In addition, the large-scale reduction of inheritance tax with a time limit will make the money held by elders shift to their descendants. This act will affect the consumption dramatically, because the life styles of most elder people are frugal, but, if anything, younger generations are stronger in buying power. Security related taxes also should be simplified to the level of U.S. and U.K.,etc to revitalize the security market. While, effective tax rates in the enterprises are relatively high in Japan. So, the effective tax rates should be reduced to the level of international average by utilizing the

tax allocation accounting. If we compare the effective tax rates in both U.S. and Japan, the average of U.S. enterprises are 33.6 percent and the average of Japanese enterprises are 47.1 percent. And if this situation continue, many excellent Japanese enterprises will leave Japan to reduce the effective tax rate. As a result, industrial cavity in Japan will be spurred in terms of tax. Thus, the reduction of effective tax rates to the level of international average is needed.

With regard to deregulation, cost-benefit analysis should be applied to all the existing and forth-coming regulations. In short, if the benefit in the adoption of regulation exceed the cost of no regulation, this regulation should be maintained. Otherwise, this regulation should be abolished immediately. And we should leave this field to free competition.

Another role of government is to set up the safety net to cope with the liquidity of workforces. Employment policy for small-scale enterprise is needed, because the transfer of production base in large-scale enterprise makes the number of orders decrease for small-scale enterprise. As one of the solutions, vocational disciplines are needed with a time limit by the guarantee of the Japanese government. That is to say, the unemployed people can select the appropriate training course such as Information Technology, Financial Engineering, Pension System(=Defined Contribution Plan, Hybrid Plan), International Accounting, and Welfare field, etc. In addition, public supports for the venture businesses are also needed for the people who want to do new businesses. Not to mention, to foster venture capitalists are needed to secure the direct financing.

Concerning the number of civil servants, the number of per thousand population are relatively small as compared with other advanced countries such as U.S., U.K., France, and Germany. However, if we include the quasi-civil servants who are fostered by the taxes, the number will increase. The problem here is that the one-fourth of the workforces are fostered by the taxes. This phenomenon is outstanding in Japan. Then, the small government policy is

needed if we consider the accumulations of debts both in central and local governments. One drastic way is to dismiss all of the civil servants at once and immediately reemploy the necessary people again. And the unemployed people should take the vocational disciplines to shift to the appropriate jobs. By doing so, the restructuring of the civil servants will succeed.

Finally, conventional fiscal policy is reviewed and new fiscal policy should be taken. This new fiscal policy has a high multiple effects by investing to renewal of city, infrastructure of IT, environments and welfare, etc.

ii) Enterprises

At first, Japanese enterprises should abolish a negative stance to keep the employment by maintaining the inefficient departments. The idea of scrap and built is needed by venturing new businesses. As a result, we can create the employment.

Next, Japanese enterprises must clarify the stances of the selection and concentration of the limited management resources to hike the productivity.

For example, assembling lines and lower price products should be shifted to, say, China. The productions of high technology and research institutions should be remained in Japan to foster the seeds of new technology. Because now is the time for changing the industrial structure dramatically. In short, post-manufacturing industry is under progress. Especially, biotechnology, and nanotechnology, succeeding to information technology are highlighted due to their promising perspectives. Thus, domestic oriented economic structure is also needed to avoid the trade frictions among other nations.

iii) Banks

The transactions of bad-loans are the utmost agenda for banks. And this is correlated with the issues that lower productivity industries are protected. That is, most of the lower productivity industries can not repay the loan due to the aftermath of deflation. So, some people say that public funds derived

from our taxes should be installed for banks again to accelerate the transaction of bad-loans. However, this will not function well, because the transaction of bad-loans can not be executed by one bank, that is, some banks are involved with the loans. To make the matter worse, surplus funds in banks are lacking due to the adoption of current price accounting. In the end, original asset for bad-loans is operating profits for each bank. Therefore, drastic measure to transact the bad-loans thoroughly is required. One way is to detach the bad-loans compulsorily from banks. Then, the phenomenon of natural selection will occur to banks and enterprises. And the nationalization of some major banks must be taken into consideration to minimize the turmoils.

At the same time, banks must tackle the restructuring, appropriation of lending spread, condensation of assets by the liquidities of lending assets, reinforcement of capital by themselves. In the case of the lack of capital, even if the banks try to do the self-support, installation of public funds should be considered.

While, monetarists say that deflation is a phenomenon of money. And they insist on the further alleviation of monetary policy by B.O.J.. But the problem here is that even if B.O.J. alleviate the monetary policy, necessary funds do not directly furnish to the places where the funds are required³. So, there exists the limitation on the side of monetarist policy. Concerning the deflation, this trend will continue until the average wages of Japanese workforces converge to a certain level. In a sense, now is the time for adjustments.

Finally, we must think the set-up of the direct financing systems that can furnish the necessary funds to enterprises.

4. Conclusion

So far, I mentioned about how to resolve these difficult situations based on the economical point of view. The environments surrounding Japan are dra-

matically changing, especially after the collapse of bubble economy. Thus, as our nation is scarce in natural resources, we must endeavor by investing the funds effectively to high-technology oriented fields such as biotechnology, and nanotechnology,etc to revitalize the Japanese economy. I hope that Japan can shine again through this process.

References

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3. Posen, S. Adam, "Restoring Japan's Economic Growth", the institute for International Economics, 1998
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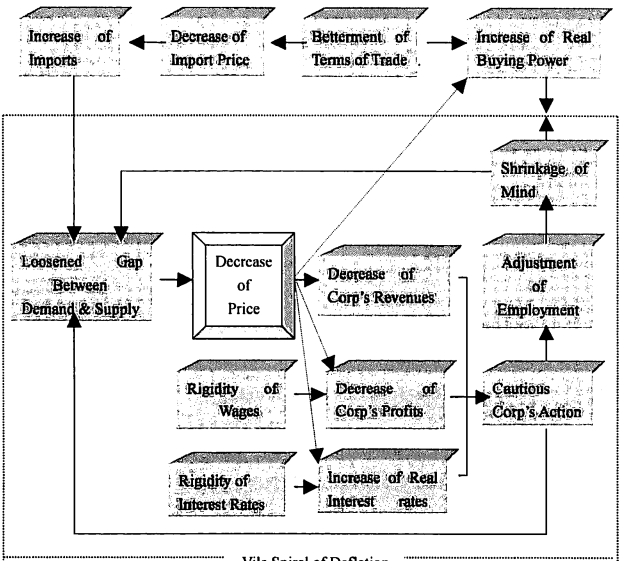


Table-1 : Flow Chart of Deflationary Spiral
(Source: Economic White Paper ,1998)

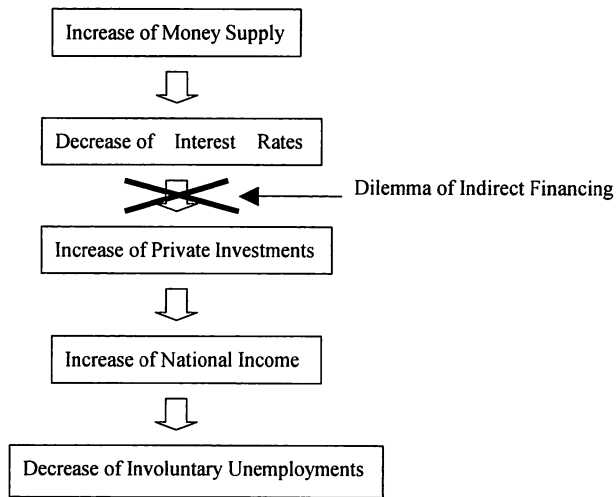


Table-2: Diffusion Process of Expansive Monetary policy

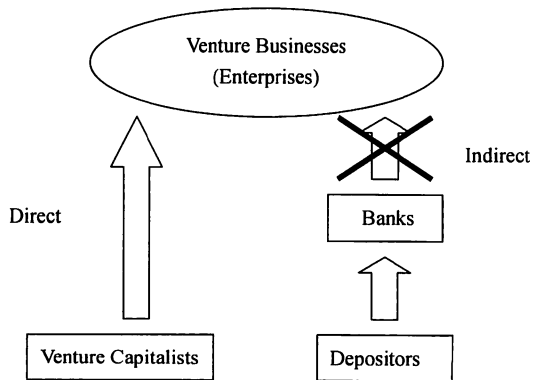


Table-3: Styles of Financing

- 1 Flow Chart of Deflationary Spiral is listed at the back of this paper as Table-1.
- 2 For further details, please see the Table-2 listed at the back of this paper.
- 3 Please see the Styles of Financing in Table-3 listed at the back of this paper.