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Japanese Economy and Economic Policy in the Last Quarter Century

Preliminary Report of Structural Reform Analysis Group

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Primary Focuses

- Drastic changes in External and Internal Environments
- Needs for and Forces against Reforms in Domestic Systems
- What Delayed, Weakened and Nullified Necessary Reforms
  - desirable systems may differ in different environments
  - Reforms are often blocked, delayed and nullified
    * old system may have inertia
    * meta-system (systems for Reform) may differ
    * misfortune, unforseen events, etc.
Changes in Environments

- External Environments
  - End of East/West Confrontation and Globalizations
    * Increased Tension in Non-Economic Aspects
    * More Frequent Economic Interactions with Foreigners
    * Entry of Foreign Firms & Capital

- Internal Environment
  - From Growing Economy to Shrinking Economy
    * End of Catching-up
    * Aging and Population decrease
    * Reduced Business Chances
  - Changes in ITC Technologies
    * Modulization, Outsourcing
    * Venture, Business-University Cooperation
    * E-mail, Internet
Changes in Systems

- Corporate System
  - Long-term employment $\Rightarrow$ Temporary Workers/Outsourcing
  - Within Firm Promotion $\Rightarrow$ Use of Outsiders
  - Recruitments of fresh Graduates $\Rightarrow$ Job Change, Second Chance

- Corporate governance
  - Financial Institutions $\Rightarrow$ Capital Markets
  - Mutual Shareholding $\Rightarrow$ M&A, Buyout, etc.
  - Board of Directors $\Rightarrow$ Use of Outside Directors

- Government-business relationship
  - deregulation, regulation reform
  - *ex ante* regulation $\Rightarrow$ *ex post* regulation
  - industrial policy $\Rightarrow$ competition policy
Key Words, Key Concepts

- Long-term Fixed-member Relationship
  - Vested Interest $\Rightarrow$ Political Rent
  - Nawabari and Rent Sharing
  - Outsider vs. Insider

- Procrastination and Impasse
  - Multitude and Fixation of Stakeholders
  - Change of Institutional Framework for Reform
  - Dependence on bureaucracy and HMR Customs of Bureaucrats

- Check and Balances
  - Legislative, Administrative, Judiciary Brances
  - Politicians, Bureaucrats, Businessmen
  - Media (Newspaper and TV), Sepation of Facts and Opinions