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On 21st August, the 10th symposium held by the Japanese Civilization Institute took place at the Japan University of Economics in Shibuya, Tokyo on the theme, "Where should Japan go from here? Abenomics and reforming strategies beyond that." The panelists were Shigeru Ishiba—the first Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan and former Liberal Democratic Party Secretary—Kazuhiko Toyama who has participated in numerous business revitalization and industry consolidation as CEO of Industrial Growth Platform Inc., and Naoki Inose, author and director of the Japanese Civilization Institute who moderated the panel. Part 1 consisted of a seminar by Mr. Ishiba, while Part 2 included a symposium in which the Japanese economy—its conditions and its future—was discussed. Time was extended as the talk proceeded fervently and harshly. The conditions that Japan is facing today is unpredictable, but there was hope in the strategies that the panelists came up with during the event for Japan to revitalize in the future. Here is an extract from the event.

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How can we solve the problem of the declining population, which has become so acute?

Shigeru Ishiba

(The first Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan, Member of House of Representatives)



There are one hundred 27 million Japanese people today, but by the year 2100, it is said to decline to 52 million. 200 years later it is supposed to decrease to 13 million 91 thousand, and 300 years later, to 4 million 230 thousand. Why is it that the Japanese population is declining at such speed?

There are roughly three reasons. Firstly, fewer people are getting married. Secondly, people are getting married later in life. Also, people living in the top five prefectures that produce the most babies—Okinawa, Shimane, Miyazaki, Tottori and Kumamoto Prefectures—are crowding into Tokyo where babies are least born. Synergistic effect of these three factors are working toward creating a society with decreasing birth rate in Japan, which the rest of the world has never experienced before.

The Japanese population exceeded 50 million at the end of the Meiji Era. It's true that some people only say that we're just returning to those days, but this is a mistake. 50 million Japanese population of the Meiji Era mainly consisted of mostly young people. There were very few seniors. I wouldn't say we're doing the absolute

opposite direction today in this present era, but still, there's going to be few young people and many seniors from here onwards. So even if it's 50 million people, its content is very different. Now, when we face this reality, we have the question; how are we going to sustain social security, finances and agriculture, forestry and fisheries?

The issue of the declining population that Japan is facing from here onwards is severe. Just thinking about it gives me the headaches. There are no jobs in the regional areas—where food is made, energy is produced, and the birth rate is high—so they come to Tokyo. But Tokyo—which doesn't produce food or energy, and is a place with the lowest birth rate—can not exist alone as a country. What's more, people, money, and commodities are gathering in Tokyo—a place where a major earthquake or the eruption of Mount Fuji can happen any time now. In fact, a social security company in Switzerland lists Tokyo at the top of cities in the world that they think is most dangerous. Are we alright with this kind of situation?

People are aging fast even in Tokyo, where most of the Japanese population live. During just 15 years between 1955 and 1970, 5 million people moved to Tokyo and other big cities from regional areas around the country. The year 2015 marked the 90th year of Showa, so people who came to Tokyo when they were 15-years-old at the time in 1955 will have turned 75. In 1955, Japan suddenly became filled with young people, but it's going to the opposite and Tokyo will be filled with old people soon. Not only the regional areas but also Tokyo is going to head straight to deterioration. I think our generation has some responsibility in creating such a country.

"Let's leave the issue of debts to the next generation." "Who cares about the rest, as long as we enjoy ourselves." I don't think we can take pride in these kinds of mindsets. It's clear that Japan is facing a crisis. Saving the country all depends on how we can revitalize regional areas and accelerate the local economy. So what can the geographical regions do for Tokyo? What can Tokyo do for the geographical regions? We need to think about these issues immediately thoroughly. What can Japan do other than eat up the heritage of the past, not to mention leave burdens to the next generation? Through the discussion today, I hope to learn from Mr. Inose and Mr. Toyama regarding these issues.

Where should Japan go from here?

Abenomics and reforming strategies beyond that.

**Shigeru
Ishiba**

Member of House of Representatives, Liberal Democratic Party, the first Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan and former Liberal Democratic Party Secretary

vs.

**Kazuhiko
Toyama**

CEO of Industrial Growth Platform Inc., an expert member of Council on Economic Fiscal Policy (MOF)

vs.

Modulator

**Naoki
Inose**

director of Japanese Civilization Institute

What was Abenomics?

Inose: In the morning edition of Nikkei on 29th November, there was an article that read “Japan’s tax revenue surpassing 58 trillion next year, likely to hit highest in 27 years—equivalent to the amount amid the country’s massive asset bubble. The actual amount is approximately 50 trillion yen, but it’s still a considerable amount.

Meanwhile, this is often heard in news, but the household income in 1985 before the bubble was 4.18 million yen. In 1995, it was 5.5 million yen, and in 2015, it was 4.28 million yen. It’s gone back to what it was before. It’s said that Abenomics worked towards improving employment, but has it truly worked? What exactly was Abenomics? Could you explain this to us, Mr. Toyama?

Toyama: This isn’t my idea (laugh), but maybe I can explain what came forth as a result of it. To begin with, the yen becomes weak if you do that

much amount of monetary easing. When the yen becomes weak, the Japanese stock price goes down. It’s the overseas branches that are earning money in Japanese global companies like Panasonic and Toyota. It’s dollar-based transaction, so you deserve a profit of 1.5 just by calculating with the strong yen which is about 80 yen a dollar. In other words, corporate earnings rise regardless of the manager’s ability. As a result, they consider it had a significant effect on the global economy. And when this effects the stock rate and stock prices of global companies rise, at least the rich people who earn stock make money, and expensive items get sold at department stores. This is how it works. But I think nothing more can be expected from macroeconomy.

Then has deflation worked? I don’t think peoples’ consumption activities have improved just because of this. People say we’re in the phase of consumer recession, but if we look at it from the consumer’s point of view, the fact that our wages are continuing to fall is affecting us more than the fact that monetary value is

falling. People in their 20s and 30s have only experienced wage cut ever since they started working. Meanwhile, social security is rising, which means our disposable income is continuing to minimize. In other words, unless we’re given hope that our wages and our disposable income is going to rise, our consumption will not improve. So no matter how much they try and lead inflation—or maybe raise the inflation rate to 2 % in the future—things aren’t going to change.

Then how should we respond to the consumer’s needs? Wages aren’t going to rise unless we can increase productivity persistently. In the past 20 to 30 years, Japan’s productivity is deteriorating immensely compared to other countries in the world.

Now, which industries are decreasing their productivity and which have hopes to increase? The richness of global companies such as Toyota and Panasonic cannot be raised further. The richness of these groups in their domestic plants and production base are all already highest standards in the world. But if you think about

how much productivity these global corporations occupy in the Japanese economy altogether, the number is only 30 %. For employment, it's just 20%. In the end, the problem lies in low wages of the local economy and the declining productivity.

Today, they say that employment is improving in Japan, but this is mainly because of the baby boom generation who started to retire in large numbers right at the timing that the Abe Administration emerged in 2012. This completely changes the structure of labor supply and demand.

From 10 years ago, I have been managing a bus company in Fukushima Prefecture and Iwate Prefecture, but bus drivers always lack these past 10 years. Recently, manpower is short in Tokyo too, but in regional areas, young people have been moving to Tokyo for some time now, so they've lacked in manpower for quite a long time, resulting in the lagging recession. The declining population is a severe issue for the Japanese future, but if you view it from the opposite side, all you need to do to stop the population from declining is to increase productivity and raise people's wages. You need to raise people's incomes, try and avoid people flowing to Tokyo and have people give birth and raise their children in regional areas. This must be done fast. When this issue is tackled from this angle, you realize there are no policies that can solve these points.

Inose: In other words, Abenomics does not correlate revitalizing the economy like how Mr. Toyama just mentioned. If so, what is the meaning of adopting policies?

Toyama: Having been involved in the management of small and medium-sized companies as well as local economy companies, I feel that the local economy is in a so-called zombie state—a state where the government heavily subsidizes them.

When we try and reform a bus company belonging to a regional area, we almost always succeed. When tackled strategically, we can increase both profit and wage. The bus company that I manage increased its salary to nearly 20% during the last ten years. I think what we shouldn't do most, is prolong the life of these existing zombie companies. Just by doing so, I think we can reduce quite an amount of wage and labor.

Inose: The naming “zombie” is somewhat harsh, but it's true that local companies are surviving from loans they acquire from banks, the Credit Guarantee Association and the Shoko Chukin Bank even though they're nearly broke. In the past, Shizuka Kamei strengthened these remedies, thinking they could save companies that are nearly bankrupt. They thought if they could support them to manage the place in a modern style they could keep them. However, this resulted in being just a powerful shot in the arm, not something that could change the structure of the companies altogether. I think this is one reason that the Japanese economy is lagging behind.

Placement of employees—from Tokyo to regional areas

Inose: Social, economic online news, “NewsPicks” had an article mentioning that BizReach—a company that runs a career change website—is going to start a new business to support business transfer. I think it's an interesting approach.

Toyama: M&A of small, medium-sized companies is all about the matching of managers and businesses, so BizReach will probably succeed in that area. I think it's vital that we place circulation in the re-



Shigeru Ishiba

gional areas and link companies to improve them. Bring talented people with skills—who may not necessarily be in essential positions in big firms in Tokyo—to regional areas and activate them, thereby creating a mechanism of personnel. By circulating them in geographical regions, productivity that was lacking before will be produced. I think policies that make these kinds of things effective is meaningful.

Inose: Mr. Ishiba, you travel around the regional areas of Japan all throughout the year, so I'm sure you feel a lot of things when you look at these sites, but I think it's sad that ever since Abenomics, people don't refer to “decentralization” at all anymore. During the first Abe Administration, the Decentralization Committee was formed, and I also was a member. The staff of Hello Work are all government officials, but they had plans of relocating all of them to regional areas. But the Administration switched to the Democratic Party during the debate and the whole project diminished. Then when the second Abe Administration emerged, the term “decentralization” changed to “regional revitalization.”

Ishiba: It was hard enough just trying to get the licensing authority to relocate the cropland diversions from the Minister of Agriculture to the prefectural governors. It's a shame that we couldn't transfer Hel-

lo Work, but at least we were able to create a link between the Ministry of Health, Labor and Welfare and Hello Work that wasn't there before.

I'm sure many people have doubts about Abenomics and the government, but I feel that there is the mood in regional areas that "they don't have to make that much effort." Many of them feel that their sons aren't returning to their hometown anyway, so they think their business is going to end with their generation. This was combined with Shizuka Kamei's idea of "*Tokuseirei*" (a decree for wholesale debt forgiveness issued in the Middle Ages to bail out cash-strapped vassals) of Heisei," and I think this whole notion of sticking with what we already have spread to the public.

On the other hand, however, there are the people who are making an effort in regional areas, like the bus companies that Mr. Toyama manages such as Michinori Bus, Tokachi Bus of Obihiro in Hokkaido and Eagle Bus of Kawagoe in Saitama Prefecture. Up until now, customer's needs were not reflected at all in the way they run local buses. It's a service industry so they should try and meet the needs of their customers, but even Michinori Bus didn't review bus routes and tackle ways to create a more convenient way to travel.

It might be rational for humans to think that their business is going to end with their generation, but if everyone starts feeling that way, this country will go downhill fast. If people don't start thinking seriously now, this country will disappear altogether.

Also, Jinya, a Japanese-style ryokan (hotel) in Tsurumaki Onsen in Kanagawa Prefecture is a place that's trying something new. Animation film director Hayao Miyazaki's nephew—who graduated the Faculty of Science and Engineering at Keio University, entered Honda Motor and was developing fuel cell—took after the ryokan when its director passed

away. With an engineer's point of view, he started reforming old management ways, which still used paper-based records and lacked efficient supervision of customers and staff. Today, it even sells a cloud app called "Jinya Connect" that collectively manages reservations, customers, and operators. But no one belonging to the Ryokan Association is aware of this.

Meanwhile, Dry Cleaners Happy Cleaning in Uji-shi, Kyoto is increasing its profit through a multiplying game they incorporated. This manager has written his example of management innovation on his website, but this too is not known by people in this industry. Most people aren't interested in finding out more. They're not thinking of changing the situation they are in.

Inose: Mr. Toyama, you have published the book "Why Japan will revive from the Local Economy." Employment in global companies that are fighting against the world is merely 20%. Similarly, they only cover 30% of the GDP. Economic realms exist separately as global and local, but you're saying the Japanese economy will start rising again if the remaining 70%—the local economy—shows signs of recovery, right?

People who ride the bus in Fukushima are the local people who live there. In other words, bus companies are making a profit from the local people. Similarly, stores in small towns all belong to the local economy.

People in the global economy must try extremely hard—as if they were aiming for medals at the Olympic Games—or else they are going to lose, and the game will be over. However, people in the local economy are aiming for the Prefectural Games, and that's all. Everything is completed inside themselves.

I think the Japanese local economy has yet to modernize their management structure. Also, there's the issue that public nature is robust in



Kazuhiko Toyama

regional areas. How can it we solve these problems? Could there be a policy to change these situations?

Ishiba: "Regional Revitalization" was received with much attention, but then it changed to "One hundred million total active." After a year it was "Work Style Reform" and then it was "Human Resource Development Revolution." It's like they're changing their program every single year. But I think if the local economy doesn't recover, both the regional areas and Tokyo will decline. In that sense, I think "One hundred million total active," "Work Style Reform," and "Human Resource Development Revolution" can be all included in "Regional Revitalization."

A company's profit changes drastically when the president changes. Similarly, the local economy can change immensely by the city mayor or the town mayor. I think picking the leader with management skills is what democracy is all about. I guess through politics, we need to demonstrate that justice can be both terrifying and amazing.

Inose: Mr. Ishiba, you started the Japanese edition of the City Manager System. Direct election chooses governors and mayors, but vice town mayors and local creation section chiefs are going to be matched from young government officials and university scholars, right? You're saying that the nation is going to be involved

in supporting human resources for regional areas, right? Is this working?

Ishiba: It's my feeling, but I think there is a rise of 60%. We're taking great care in how we match people. Of course, we're not after super government officials who have contacts with the Ministry of Finance. We hope to find people with motivation and aims to revitalize regional areas and match them with towns that have specific goals like; "we're trying to put strength in tourism" or "we're trying to build our agriculture."

Inose: I think we need to publicize these kinds of measures at a larger scale. This project involves only a few hundred people so far. It's not enough.

Ishiba: The problem lies in who will pay these people after we dispatch them. If we dispatch a vice mayor from City Manager, his salary is obviously going to be paid by the town he's dispatched to, but the city requires that the central government pays for it. If the government decides to spend these peoples' salaries, probably 2/3 of 1718 towns and villages in Japan will raise their hands to join the project. But that won't do. If that person were to move to a regional town, he should be prepared to be paid by the local peoples' tax. The person dispatched will lack responsibility if he receives a salary from the central government.

Dispatching personnel is not all from the government office. People who have retired too can maybe get reemployed at a local company in the local area they used to live in. Not everybody can become executives at private banks and trading companies. We can perhaps make a system for these people so that they can smoothly return to their local town. One problem is the wife, who might say she doesn't want to accompany her husband to his local village. Then we can come up with a system in which

the wife can remain in Tokyo, and the husband returns to his homeland, and they can come and forth regularly. We can make plans like "super discount" or "early discount" and create a structure that can make it happen.

Inose: We should give that a name Mr. Ishiba, as one of your policies. It's not spreading with the title, "City Manager System."

Ishiba: Please let me know if you come up with a better naming (laugh).

"Decentralization" once more

Inose: Jobs-to-applicants ratio is rising now, but this is because we regard people who are 64 and below to be productive. Today, even if people retire when they reach 60, they can't receive their pension until they're 65. Therefore, people aren't supposed to work are working, which is why employment as a whole seems to be on the rise. If these people who are 60 and above work toward supporting regional areas, I'm sure the Japanese economy will change.

Toyama: The eldest bus driver in our company is 75. People say that people in their 60s cause accidents, but statistically, people in their 60s cause the least accidents, while people in their 20s produce the most. The productivity of people in their 60s, by no means, fall.

What's unfortunate for people in regional areas is that they let out talented personnel for 4 to 5 generations ever since the Meiji Era. The global economy is deteriorating now, so sadly you've got to be Hideki Matsuyama if it were golf, or Kei Nishikori if it were tennis, to play actively in the scene.

But even if you drop out of that specific field, there are many jobs you can pick up in regional areas, so



Naoki Inose

we want these people to return and raise productivity. That these people become dedicated taxpayers instead of tax eaters—who are dependent on tax—is one of the keys to recovery.

Inose: The GDP depends immensely on regional areas. There are many talented people today who have dropped out from the global economy. We need to make a connection there. It'll be great if we could come up with a clear plan.

Toyama: This is not only the case of Japan. It's about the same rate in Germany, while in the U.S., it's even higher. Their local economy occupies 90% of the GDP.

Ishiba: When I became Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan, I don't know how many times I asked Keidanren (Japan Business Federation) about management in personnel. There are no banks, trading companies or manufacturers that don't have regional branches so I asked them to send more people out to these places or perhaps they could relocate specific functions of businesses to the suburbs. But they just laughed, saying, it's an exciting idea.

A few years ago, Masahiro Sakane, Councilor and Senior Adviser of Komatsu, made a drastic change in the company by relocating the whole research development function—



while leaving just a small number of people in its head office in Tam-eike—to Komatsu, Ishikawa Prefecture, where it was originally founded. As a result, it raised productivity immensely. Simultaneously, the birth rate of women employees increased in the company. It's such a good example, but why is it that when I ask them to do similar kinds of reform with other firms in Keidanren, they're not interested?

Even if the government grant subsidies or if they provide them with every possible support, people in the private sectors need to feel the need to change, or it won't work.

Inose: However, I do think that private sectors can go bankrupt if they fail, whereas people working in government offices don't have to worry about losing their jobs. There's a big difference there.

Also, there's the question of fiscal discipline. During the Koizumi Administration, I was involved in the

privatization of the Japan Highway Public Corporation, so I remember—the national budget was 83 trillion yen. Even though there was a rise in consumption tax, should we use as much as 100 trillion yen?

Ishiba: The budget for the Ministry of Defense is 7 trillion yen, for Ministry of Agriculture, Forestry and Fisheries it's 2 trillion 4 thousand billion, and for medical expenses, it's 42 trillion. It's a huge number. Insurance covers half, 10% is covered by personal, and the tax covers the rest. Moreover, 35% of that amount is a loan, but nobody talks about it.

Inose: So you must be the one to speak out, Mr. Ishiba. There's no such thing as a budget of 100 trillion yen. They say they asked the financial world to pay 300 billion yen for child care support, but can't that be provided by cutting a little bit out from 100 trillion yen? At one time, an amount of 300 billion yen was

plunged into the Japan Highway Public Corporation. Putting a stop to that and investigating other sectors, and you find an amount of 1 trillion 4 thousand billion yen. Maybe you must arrange fiscal discipline more appropriately. Then, you can supply that money to regional areas.

Ishiba: But I think regional areas must make their own money too.

Inose: That's true. Anyway, why don't you start by raising the idea of decentralization again?

Ishiba: It goes without saying, but decentralization involves authority but also a responsibility. I must point out that democracy is exceptionally frightening. Districts can become happy or unhappy just by the way you handle it. We must teach students that freedom is substantial. Probably, a lot of people have never even thought about national sovereignty. It's not sovereignty unless you

vote considering you are a statesman.

What is local autonomy? Changing the relationship between regional areas and the central government.

Inose: There is the saying, “Near is better,” meaning problems should be solved nearby. Other words, matters regarding the city, town or village should be decided by the people who live there. Moreover, financial resources should be collected with the power to levy taxes.

But when that happens, there is the issue of the Constitution, for there is the word “local public entity” written in Act 92 of the Constitution. Mind here that it’s “entity” not “local government.” From about the 1960s, the media started to refer to it as “local authority.” In fact, after the war, the GHQ tried to name it the “local authority” but the Home Ministry resisted and it became the “local public entity.” In other words, self-determination for regional districts is not written down in the Constitution. I think there is the necessity to revise the Constitution regarding self-determination of the local government as soon as possible.

Ishiba: So you’re saying there is more than Act 9 of the Constitution that needs revising. Like you say, I think we need to change the relationship between regional areas and the central government while rethinking what a “self-government” is, otherwise this country won’t last. We need to shift the peoples’ focus that’s always pointing to Tokyo from regional areas and try and turn it the opposite way. The structure of the population, society, and industries have changed, so the relationship between geographical regions and the central government needs to change too.

During the House of Representatives general election, the appointment of the judges of the Supreme

Court was examined, but did you even know one name of the judges? The dismissal of the Supreme Court judge is something up to the people, not the diet. But hardly anyone knows the names of the judges let alone the judicial decisions they have made, so it’s become a mere façade. Being in such a state, can we say we have three separate branches of legislative, executive, and judicial that’s indeed working?

Also in the Constitution, it says, the Emperor shall “perform only such acts in matters of State as stipulated by the Constitution.” Therefore, strictly speaking, isn’t the act of the Emperor visiting disaster-stricken areas and battlegrounds—which he considers to be extremely important—illegal?

Amongst these issues, I think “local government” is an important issue which our Party should solve upon changing the relationship between regional areas and the government. However, the Liberal Democratic Party is undertaking four problems now: Act 9 of the Constitution, emergency response, education for free and disparities of one vote. Presently, we’re in fact making the Heisei 24 Draft that covers all of this, but today I cannot go into this.

Act 9 of the Constitution and civil-military relations

Inose: I don’t know what will actually become of Act 9 of the Constitution, but Prime Minister Abe suggests that we note the existence of the Self Defense Force in Paragraph 3 of Act 9. But he intends to leave Paragraph 2 of Act 9 that reads, “To accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as another war potential, will never be maintained. The right of belligerency of the state will not be

recognized,” as it is. That means we’re only going to affirm the Self Defense Force, not position it as an army. Prime Minister Abe thinks the New Komeito is going to acknowledge this, but there is concern that people may think he’s just arranging its shape. How do you think it should be tackled?

Ishiba: I’m thinking we add the line, “To contribute to Japan’s independence and world peace, the country maintains a Self Defense Force of land, sea, and air forces led by the Prime Minister as Commander-in-chief.” Is this peculiar?

Japan, after the war, is a country in which a Self Defense Officer in uniform has never attended the diet to respond to questions. Then how are we to understand the military situation? It’s a country where people can become the Defense Minister, even though they’ve never experienced work at the Ministry of Defense. As long as they know some other field, it’s okay. How can the administration be in control like this? That’s why we need to add something like “For the operation and maintenance of the Self Defense Force we need the greatest consideration from the judicial, legislative and administrative field.” We must think of better words to express this, however.

One thing that can’t be accepted by Japan is the idea of Max Weber that goes, “the state is a human community that claims the monopoly of the legitimate use of physical force (army and police) of violence within a given territory.” It’s realism if you say that this is the essence of a nation. An army belongs to the country and the police to the government. Although they’re both organizations that use force, there is no notion of civilian control for police. Under the National Government Organization Law, the police are entirely included in the administration. But in Japan, the Self Defense Force is also involved in the National Government

Organization Law. There is no other country like this in the world except Japan.

Prime Minister Abe thinks it disrespectful that while people believe the Self Defense Force is illegal and they teach that in schools, there are people who risk their lives for this country. I don't deny that, but the "right of belligerency" is not the right to take part in the war, but rules that you need to follow during the war. If you don't acknowledge that, it's like you're taking part in war without rules. To say "the nation's right of belligerency does not acknowledge this" is almost the same as not admitting the nation's right for self-defense. Isn't that frightening as a country?

People who participate in the Self Defense Force—the country's most influential power unit—are people with a strong sense of justice and mission. Do you know the war song "*Showa Ishin-no Uta*" (Showa Restoration Song)? It's a song that was popular during the Koki Hirota Administration when the 2.26 incident occurred. It sings; "politics and the financial world is full of decay, so what are we waiting for, let's rise and start a revolution." There was a time like that in Japan just 80 years or so back.

I don't think the Self Defense Force will suddenly start a coup, but we can't say for sure that there won't be a time when we reflect and regret the fact that we didn't state civil-military relations explicitly in the Constitution. The civil society needs to build a framework so that such things don't happen. Are we alright with a social context in which everything is in the hands of the Self Defense Force's morals and sense of mission? Isn't it wrong that we're escaping into a somewhat fictional world where we refuse to call the Self Defense Force an army?

Armed forces exist to protect the country's independence, and the police to protect the citizens' life property and public order. They are two

very different things. These two are the country's most potent divisions, so shouldn't we identify them explicitly in the Constitution? The reality won't disappear even if we try and look away.

When public officials are appointed they must submit a document that pledges the Oath of Service, but in the case of Self Defense Force officers it just goes; "I pledge that I will complete my mission heedless of danger and answer to the interest of the nation." The phrase "heedless of danger" is not included in oaths for firefighters let alone police officers. It's disrespectful to make them pledge that they'll complete their mission no matter how dangerous it is while stressing that they are against the Constitution. Prime Minister Abe is right about this. But is it a question of just mentioning it in the Constitution? I don't think so.

Inose: Regarding military power, America comes first, followed by Russia and China. Japan is in fourth place. Japan is, in fact, a country with quite a scale of military power. But it's bizarre that its laws aren't maintained properly.

The paradigm shift to the local economy

Inose: Returning to the debate on the economy, the causal relationship between policies and their achievements have yet to be explicitly analyzed regarding Abenomics, so we don't know what the problem is apart from monetary easing. What do you think is at the heart of the problem?

Toyama: At least Abenomics is working toward the global economy to some degree. Having made corporate capital investment reform, it's true that ROE (Return on Equity) has increased as well as capital pro-

ductivity. The problem is the local economy, but as I said earlier, possibilities for economic growth is extremely high. Because presently the productivity a Japanese person produces in Japan is about a half of an American and 2/3 of a European. Productivity is the number calculated by dividing the labor productivity of added value by hours spent on labor. Multiply this by the country's population, and you roughly have the GDP. Exceedingly said, 80 % of those working in the local economy realm still have room to double the size of the economy. In other words, we can cover the loss we're receiving from the declining population by doubling productivity and extending the years we spend on labor. Besides, if we can raise productivity, wages will rise too. Also, if family income increases, the decline in population will stop. Moreover, if labor productivity increases, it's added value, so it'll mean people won't be working long hours anymore. This will all work toward raising the birth rate, so I think the local economy is the key to a sustainable strategy for us to grow.

Up until now, no economists—including macroeconomists—have discussed macro economy seriously. Nobody has proven it scientifically. Therefore, people have been going around circles discussing the traditional macroeconomy, monetary easing, and financial policies. But these 20 to 30 years have demonstrated that the macroeconomy has already come to an end. The global economic model didn't work, so in the U.K. the Brexit occurred, and in the U.S., President Trump emerged.

If Mr. Ishiba, you were to become President, I would like you to launch a policy in which Japan leads the world in changing the paradigm of economic policies. The U.S. is already facing this problem and China will too sooner or later. If Japan can meet this challenge of local economics and find a solution before any other country, then it will be able to

lead the world again in the 21st Century as a role model.

Inose: Why is the productivity of Japan so low?

Toyama: This number is produced by added value according to the time spent on it, so it means the Japanese people are spending time where they're not receiving money. So I think we don't need "*omotenashi*" (hospitality) anymore. Primarily, we should receive money for the hospitality we provide. However, for example, almost every ryokan is providing service for free. The more we offer service, the more labor productivity falls. Many managers don't question that.

The reason why this was overlooked is that during the past 25 years since the bubble burst until the baby boom generation retired in large numbers, we had an excess labor force. In a country where there's excess labor force, the employment absorption force becomes stronger if labor productivity is low. So, in that sense, the government's policies not to mention company managers and people in finance, have been unconsciously taking behavior patterns of work sharing. Companies had the excessive personnel, and those who dropped out from the global economy were absorbed into bus companies, distribution companies, and construction companies which productivities are low. Therefore, even though Japan is in a period of a prolonged recession, the unemployment rate is about 7% percent at the most, which is extremely low compared to other countries. In other words, because we were restraining productivity, there was employment absorption force in the local economy. Plus, there were these monetary easing methods, subsidies, and grants that supported this. Up until now, I think the zombie companies played an important role in keeping the society stable.

But from around 2012, there's not

enough labor, so we don't have enough room or the necessities for continuing this. We can no longer help black companies becoming zombie companies. Instead, it's better that firms with low productivity disappear so that firms with high productivity can be supported. Local economies are called, "low-hanging fruit" in English, but it's precisely that. There are many fruits in tremendously low areas, which you can reach if you just reach out with your hand. But as a result, these few 20 or so years, we have been adopting policies that are lowering productivity. The same goes for the agriculture, forestry and fisheries industry. So, if we go after these fruits, I think the Japanese economy can grow.

Inose: We need a system that can support such a paradigm shift.

Ishiba: So how are we going to build a system, and how are we going to promote the project? We need private companies to realize the need to tackle these issues, or it won't work. Initially, subsidies for the revitalization of regional areas were aimed to promote that.

Usually, there is no zero assessment for subsidies, but there were quite a few during the two years I was in charge. We kept the town names confidential, and we triple checked, so I'm sure it was done with fairness.

But by doing so, for the first time, we're faced with opinions like, "how come that town which is in the same Prefecture as ours receive the full amount, while we get nothing?" So inspection is made, and those who are granted have to answer to the responsibilities, or else there's no meaning of providing incentives. Talks on choosing good managers also rise.

This is not a system, but one other thing I'd like to point out is the employment of local officials. State officials have economic positions that they can take, but local officials

have administrative positions and law-related positions but not financial positions. In reality, is no person who can analyze the economy of the town they're in, based on the Ministry of Economy, Trade and Industry's annual table or someone who can use the RESAS (Regional Economy and Society Analyzing System). It's strange that no one can analyze the region's productivity, employment, and income statistically and build a plan from there. To hire someone who has those abilities can be done with one decision from its leader. If it's the case that that kind of standard management logic lacks in local government offices, we need to support them in areas where we can expect the most significant growth like Mr. Toyama said.

From as old as the Heian Period, Japanese traveled to the city and became subordinates of people with power. It's not like that in Europe. It's something typically Japanese based on our culture, and it's probably going to be challenging to try and change that, but if we don't this country won't last.

People of "*kenjinkai*" (association of people from the same Prefecture) all say; "let's fulfill our aspirations in big cities and someday return." Shouldn't we stop thinking like this? I think from now on, and we should say, "let's return to regional areas to fulfill our aspiration."

Proposing a Ministry for Public Interest, a Ministry for Startups and thereby building a new nation

Inose: 100 billion was given out for decentralization. Is the list of scores for assessment open for the public to see?

Ishiba: Yes, it is.

Toyama: I was a scoring officer too, but they've graded it with ABCD, and it's pretty clear. If you look at the ones that are ranked A, you'll get a good idea of how you should tackle the plan. Most of the ones that just filled in the blanks with advice from a consultant are graded D. For example, if the idea on fireworks of Oma in Aoyama Prefecture was received well, almost everyone around the country would start promoting their fireworks. Similarly, if they hear that farming abalones are accepted

well, they'll start chanting, "abalone." The plans that have no material are marked D. It's quite clear.

Inose: I see. Just one more thing. I do think we need a National Remodeling Plan. I'm presently a special advisor for Osaka City in Osaka, but what I'm suggesting is Firansoropi, like the way Mark Zuckerberg donated 5 trillion yen. Giving grants out not by the government, but by individuals.

We have the responsibility of paying tax, and as taxpayers we will, of

course, take part in the nation including elections, but while there's one artery where the National Tax Agency collects tax and the Ministry of Finance creates a budget out of that, we could perhaps form a second highway where people can donate money to NPO corporations and thereby be deducted the amount. I think we need the flexibility of not only casting a vote in elections but also actively taking part in politics through tax. For example, how about creating something like a Ministry of Public Interest?

Regional revitalization begins by discovering Japanese strengths

Toshio Goto, President

From ancient times, Japan has a history of continuously absorbing the culture, art, and civilization from abroad. It started in the Nara Era, where "*kentoshi*" (Japanese envoy to Tang Dynasty China) were dispatched and brought "*Wakon Kansai*" (Japanese spirit imbued with Chinese learning) into the country. Then at the end of the Edo period, around the Meiji Restoration, there was "*Wakon Yosai*" (Japanese spirit imbued with Western learning). Now there's even the notion of "*Wakon Eesai*" (Japanese spirit imbued with English learning), but all of them have "*wakon*" (the Japanese spirit) in common.

The Japanese spirit known as "*Yamato-gokoro*" is at the heart of Japanese civilization. The key to the theme today—the revitalization of Japan and regional areas—might lie in Japanese civilization. We often forget the good parts of our country, and it's quite often that we're reminded them by foreigners.

Foreigners have discovered many useful parts of our country. If we go back as far as the 3rd Century, the following is stated in the "*Gishiwajinden*" (an 'Account of the Wa' in "The History of the Wei Dynasty"); "the Japanese civilization is of an extremely high standard. There are no crimes, and it is safe. Furthermore, in the "*Chosen Tsushin-shi*" of the 15th Century, it's written, "whether you're a man or a woman, you're educated the language. The literacy rate is extremely high in this country." I don't intend to praise everything about Japan, but it's true that we often forget our beauties and are reminded them by those who come to Japan from the outside world. And I think the clue to solving regional revitalization lies in rediscovering Japanese civilization, which is our strength.

Ishiba: We haven't indeed arranged that yet, but it would be good if we could function something like a Ministry for Public Interest and create supreme leaders who will provide money but also say what they want. Can we perhaps build something like a Ministry of Public Interest in Osaka City? Also, the rate of starting up a business is very low in this country. The age of company presidents in Japan is probably the highest amongst the developed countries. Japan is no doubt a challenging envi-

ronment to start a business. So maybe we could also build something like a Ministry for Startups?

Inose: Let's go with those two plans. The relationship between the ruling party and the opposition parties are like a company and a union. Executives are not exchanging ideas. Company managers have got to get involved in severe debates in order to improve. As leaders of the country, they need to take part in discussions actively. I think maybe Mr. Ishiba, you could be the one to bring that

issue out to the public.

Ishiba: If there is no one doing it, then I'll make the utmost effort to try and be that one to do it.

Inose: Thank you for discussing with us for such an extended period.

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The panelists

Shigeru Ishiba

Member of the Liberal Democratic Party and the House of Representatives. Born in 1957. He graduated from Keio University, Faculty of Law and started working in Mitsui Bank (the now Mitsui Sumitomo Bank) before pursuing his career as a member of the Liberal Democratic Party and the House of Representatives (10th). He is the chairman of Suigetsukai (Ishiba group). He served as Minister of Agriculture, Forestry and Fisheries (49th), Minister of Defense (4th), Senior State Secretary for Defense (68th and 69th), Policy Research Council Chairman of the Liberal Democratic Party (52nd), Secretary-General of the Liberal Democratic Party (46th), Minister of State for the National Strategic Special Zones and Minister in charge of Promotion of Overcoming Population Decline and Vitalizing Local Economy in Japan.

Kazuhiko Toyama

Representative Director/CEO of IGPI (Industrial Growth Platform Inc.). After he graduated the University of Tokyo, Faculty of Law, he went on to acquire an MBA at Stanford University. He is the CEO of Boston Consulting Group and Corp Directions Inc. He was appointed to lead Industrial Revitalization Corporation of Japan, a government-backed restructuring fund, as COO before he founded IGPI. He has been involved in numerous company reform and industrial revitalization. He serves outside director of Panasonic Corporation and Tokyo Electric Power Company Holdings, Inc. and is also the Vice Chairperson of Keizai Doyukai (Japan Association of Corporate Executives). He is also an expert member of Council on Economic Fiscal Policy (MOF), member of The Tax Commission (CAO) and member of the Trade and Industry Industrial Structure Council, New Industrial Structure Committee of the Ministry of Economy, etc.

Naoki Inose

Author. Born in 1946. In 1986, he received the Souichi Ooya Nonfiction Award for his book "Mikado no Shozo" (Portrait of the Emperor). In 1996, he received the Bungeishunju Readers' Award for his book "Nipponkoku no Kenkyu" (A Report on Japan). In June 2002, Prime Minister Junichiro Koizumi appointed him to the Promotion Committee for the Privatization of the Four Highway-Related Public Corporations. He served as Tokyo Governor from December 2012 to December 2013. In December 2015, he became Special Advisor to Osaka City. His books include "Show 16-nen no Haisen" (The Defeat in Showa 16), "Persona—Mishima Yukio Den" (Persona: The Story of Mishima Yukio) and "Picaresque—Dazai Osamu Den." (Picaresque: The Story of Dazai Osamu). Upcoming books include "Kyushutsu" (Rescue), "Senso, Tenno, Kokka" (War, Emperor, State), "Seigi ni tsuite Kangaeyo" (Let's Think about Justice), "Minkei" (Posse Man), "Tokyo no Teki" (Tokyo's Enemy) and in collaboration with Lully Miura, "Kokumin Kokka no Riarizumu" (Realism and the Nation-state).

Translation: Ayako Karino

Can Japanese athletes play an active role in the Pyeongchang Olympics? What is going to become of Japanese national sports Sumo? Tradition and science, what exactly is sports? How further are athletes going to evolve? We will invite sports experts, Olympians and sports journalists to talk about the history and the latest science on sports.

► Panel discussion:

Japanese people and Sports

Dai Tamesue

Bronze medalist in men's 400 meters hurdle, at the World Championships
Organizer of DEPORTARE PARTNERS



Miyako Tanaka-Oulevey

IOC marketing committee member
Seoul Olympic bronze medalist in synchronized swimming, duet



Seijun Ninomiya

Sports journalist
Rakuten Eagles Management
Board of Trustees



Naoki Inose

Author, Director of Japanese
Civilization Institute



Date: 6th February, 2018, 7 p.m.-9 p.m. (doors scheduled to open at 6:30 p.m.)

Venue: Japan University of Economics, Tokyo Shibuya
Campus Hall (the hall seats approximately 100 people)

Address: 25-17, Sakuragaoka-cho, Shibuya-ku, Tokyo, 151-0031

Admission: 2,000 yen (please pay at the door on the day)

How to attend: apply through the site below:
<http://www.japancivilization.org/>

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Messages from Director

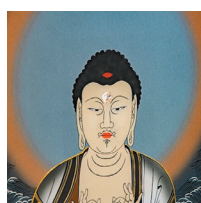
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Tsumami Kanzashi
(Crepe)



Folding Screen
(half size)



Folding Screen
(full size)



KYO-YAKI
Earthenware



Japanese Bamboo
Basket Tokyotrad



Odoshi -
Samurai Armor