

## **Brave a Depression and Build a New Japanomics**

**By TSUNODA Katsuhiko**

The negative economic growth in the wake of the global financial crisis is so striking that many people fear a recurrence of the Great Depression in 1930's. But we would be better off stilling all those fears sooner than later. This holds especially true of Japan, whose currency is on the steady rise against US dollar, while most currencies slid against it. "The only thing we have to fear is fear itself," as President Franklin D. Roosevelt put it when he launched New Deal policies about four score years ago.

Here, we need to grasp an accurate picture of how serious the current recession is. During the Great Depression of 1929-33, the situation was more disastrous; in the US, the stock prices sank more than 80%, industrial output decreased by almost one third, the number of the unemployed was 12 million and the unemployment rates reached 25%, while, on a global scale, each country created a reclusive economic zone, thus divided the world economy into blocks, the volume of world trade decreased by 70.8%, and the number of the unemployed was 50 million. Needless to say, today's recession is no match for that. The Cabinet Office of Japan states in its "White Paper on World Economy" released last December that today's recession is favored by the performance of such developing economies as China, India and Brazil, compared with two world recessions of 1970's and 1980's. In addition, there is a huge difference; players in the world today are much quicker and much more cooperative in addressing the problems. For instance, protectionism was refused at the G20 Financial Summit of last November. Japan, China and South Korea agreed to bolster cooperation to tackle the financial crisis at the Trilateral Summit on December 13 which was held for the first time independently of other international conferences.

Companies including those in auto industry may plausibly cut down some labor forces, due to the output reduction in anticipation of the decrease of domestic and foreign demands. But they should know better than to regard this as the only answer to the current situation. Some industries even stand a chance of merger and acquisition (M&A) of foreign companies. Besides, companies must have second thoughts about kicking those discharged employees out of their dormitories upon giving them a pink slip. This is sheer inhumanity. What is to be done with all those empty rooms, while jobless ex-residents are left in the cold out there? How I miss "Japanese-style management."

More importantly, politics must get a grip. The Japanese government should not stand paralyzed before a "once-in-a-century storm." And its policies should not go negative. The appreciation of yen shows that Japan's standing in the world economy is on the upswing. I am curious to know, for instance, the latest data of international comparison of per capita GDP. At the press conference after the G20 Financial Summit, Prime Minister ASO Taro expressed his intention to take an initiative in an endeavor to realize an international economic system, which corresponds to the global economy and finance of a new kind. Japan has potential strength to be the driving force for a turnaround of the world economy. But this could not be achieved by way of promoting exports. Due to the downturn in the world economy, shifting production bases to overseas locations is no longer a viable option for Japanese exporting companies, as they did in April 1995 when the yen rose to 79 yen against US dollar.

To be concrete, Japan should expand its domestic demands, as a breakthrough, that benefits the Japanese citizens in such fields as "health and welfare." Health is of biggest concern especially for the aged. Also, there is a backing of individual financial assets estimated at 1.5 quadrillion yen. Besides, the development of such "innovative technology" in this field as regeneration medicine through the use of induced pluripotent stem (iPS) cells will not only expand domestic demands but also create new foreign demands. Then, the same pattern is expected to follow in the field of the environment and the energy. It is no doubt that Japan is on the cutting edge when it comes to such environmentally-friendly products as solar-cells, seawater desalination plants, hybrid cars, electric vehicles, or information technology. If those products and technology are put to practical use, we will not only overcome the recession but also be able to make the most of the related assets and human resources in the country, whose actual value has been fatally underestimated.

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