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Challenge to Transition to a New Socioeconomic System — A Reiwa Model of Collaborative Capitalism—

Chairperson's Remarks at Fiscal 2025 April Annual Meeting

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1. Collaborative Capitalism

Exactly two years ago, I took office as Chairperson and it was here in the annual meeting that I first expressed my determination to take action. That included advocating the concept of collaborative capitalism and calling for us all to ensure that we make it a reality together. Unfortunately, however, due to my own inability to explain the concept clearly, I feel that many of you may still not understand it fully.

Right now, however, the “Trump phenomenon” has brought the world to a historic turning point. Amid such turbulence, we are once again forced to ask ourselves what we stand for and where we should be headed. I am convinced that now is the time to change the exploitative societies that have intensified so many forms of suffering around the world into inclusive societies where communities are revitalized and people help each other. The new concept that will achieve this is collaborative capitalism.

In the United States, as many as half of high school students feel a persistent sense of hopelessness, while 36% of the entire US population frequently experiences loneliness. The number of people with no close friends has increased four-fold since the year 2000, while the percentage of people who consider their current happiness level to be the lowest level possible have increased by a striking 50%.

So, what is going on in the United States, the world's largest economic power? I think what happened is that the United States has reached the end of the road, having created an exploitative society in which extreme individualism prevails. This has come about as a result of certain privileged people in big tech and the financial industry monopolizing

the proceeds of economic growth, while inclusive communities sustained by communal groups have been destroyed. US big tech in particular has created extraordinary corporate value by allying itself with globalization and innovating in new growth fields such as the digital and AI domains. In fact, it has been estimated that, if these digital giants are excluded, the S&P 500 growth rate over the past 20 years has not differed greatly from that of Japan's TOPIX.

On the other hand, there are now a large number of people in the United States who did not benefit from globalization, were left behind by technological advancement, and ended up losing their jobs, having previously worked in manufacturing. Yet, the successful people took no notice of the inequalities between themselves and these others that had proliferated with such dreadful momentum, and instead focused exclusively on increasing their own wealth. The anger that arose in response to this indifference spawned the MAGA (Make America Great Again) movement and became the driving force that revived the political fortunes of President Trump with his vociferous advocacy of tariff policies.

But even here in Japan, we are not immune to such trends. Under a taxation system that is lenient on income from capital, the number of Japanese households classified as affluent has continuously increased, while one in nine children now lives in relative poverty. Meanwhile, companies failed for many years to raise wages sufficiently, even when higher productivity led to improvements in their business results. The suicide rate for young people in Japan is more than 1.5 times the OECD average. Social media is flooded with anxiety, anger and other such emotions, while populism is undermining the sound functioning of democracy. There is deep distrust toward both political institutions and companies. We can't go on like this.

I believe we need to pay careful attention to the warnings of people such as Professor Daron Acemoglu of Massachusetts Institute of Technology, who won the 2024 Nobel Prize in Economic Sciences. According to Daron Acemoglu, AI and digital platform providers are accelerating the spread of a winner-takes-all approach, creating exploitative societies characterized by excessive concentration of wealth. In such societies, the outcomes of technologies and markets do not automatically spread throughout a population; instead, they become tied to vested interests, worsening inequalities and undermining well-being. Therefore, we must restore inclusiveness to societies through governmental policies and institutional design. I think this is a truly insightful observation,

and I also believe that collaborative capitalism is the way to make it happen.

Currently, the distortions produced by capitalism are so great that public-sector assistance alone cannot make up for them. Of course, there are also many issues with the public assistance system itself. But if we are to improve public assistance and sustain the very society we depend on, we must apply the principle of “ability to pay”—in other words, successful individuals, companies, and other entities in the private sector should return profits commensurate with the proceeds of their growth to society. We must restore the trust that has been lost and establish collaboration, with companies taking the lead. I feel very strongly that, instead of allowing our society to fragment, we must create an enhanced form of capitalism that can provide well-being. Since becoming Chairperson, I have strived to bring about such collaborative capitalism in partnership with Keizai Doyukai’s members as well as the Japan Association of New Public and the Impact Startup Association.

The period following the collapse of Japan’s bubble economy in the early 1990s produced disadvantaged groups within society such as “non-regular” employees (who were generally paid less and lacked job security) and the “employment ice-age generation” who struggled to find stable, full-time work. The societal fragmentation such groups represent has progressed steadily since then. Yet, despite these circumstances, there are people battling to help, demonstrating outstanding ability to achieve results as they do so. They include those involved with the NPO Sankakusha, which supports isolated young people, and the “children’s cafeterias” that provide meals for children from low-income households. If a diverse range of sectors and companies—including NPOs such as these, impact startups, and academia—work together, combining their respective areas of expertise, they will gain even more power and collaboration will be nurtured.

Companies need to support the social sector by investing resources in it, whether human, physical, financial, or of other kinds. When providing funds, companies can take advantage of tax benefits for making donations, or the corporate *furusato nozei* (hometown tax) scheme. However, the way these schemes are set up cannot be described as user-friendly. It is my intention, therefore, to strongly urge the government to make improvements in this regard as a first step toward increasing collaboration.

However, our standpoint is most definitely not one of rejecting growth. Indeed, we believe that growth is essential. It goes without saying that the prerequisite for this collaborative

capitalism is the economic growth that capitalism provides. The inclusive socioeconomic system advocated by Daron Acemoglu and others corresponds exactly to a society based on collaborative capitalism in which both individuals and organizations seek to boldly forge their own destinies without fear of failure. The animal spirits this entails will produce further innovation and is bound to bring about growth for companies. At the same time, society's trust will bring enduring resilience to companies underpinned by communities, and greatly increase corporate value over the medium- to long term. And the dynamism generated by such an empowered society will enable more companies to contribute to collaboration.

So, why don't we, here in Japan, become the first country in the world to bring about the cycle of collaboration created when collaborative capitalism combines a spirit of enterprise with inclusion?

2. Restoring Economic Growth Through Renewal

As everybody knows, Japan's industrial competitiveness is declining from year to year. Yet, collaboration depends upon corporate growth potential. To increase this growth potential, dynamism generated through renewal is essential.

Such renewal would mean that, as a succession of startups with new technologies and business models appeared, existing companies would pull out the stops to generate their own innovations in order to avoid losing out. They would make bold use of AI and raise their productivity so that—even in a society with a declining population—they could be among the ultimate winners. They would acquire the capacity to continue investing generously in human resources and digital technology by forming and reforming alliances if they were unable to survive on their own. The time has now come when companies of all kinds must take on disruptive new challenges if they are to prevail in the competition.

Meanwhile, companies whose role had come to an end would have to withdraw from the market. But, once that rigorous filtering process was over, a society and culture would emerge in which all the companies underpinning the Japanese economy would be vibrant and successful, engaging constantly with the challenge of creating new value.

However, we must not forget the perspective of people within this scenario. We must create a society in which everybody is free to choose workplaces where they can best fulfill their potential, enabling them to grasp new opportunities. Furthermore, we must

maintain the current wage-raising momentum and increase real wages constantly. As competitive companies can offer appealing opportunities and compensation packages, they will be able to attract outstanding human resources, enabling them to achieve further growth. Improved mobility among human resources serves as a safeguard against market withdrawal by companies, and will probably also come to be a source of vigor that stimulates dynamic renewal. In particular, many of the medium-sized companies that account for around 70% of employment in Japan will need to be encouraged to form and reform alliances in order to cultivate their capacity to invest in human resources and technology.

3. The Reiwa Model of Collaborative Capitalism in Seven Key Areas

It is now, while we are in the process of freeing ourselves from our deflationary mindset, and while the United States is trying to transform the world, that we need to wake up from our 30-year sleep, free ourselves of the old conventions and systems that no longer reflect reality, and replace them with a “Reiwa model” of collaborative capitalism that is attuned to the times. Below, I describe specific action to be taken in seven key areas.

— One: Make public assistance more effective and efficient

Alongside determined efforts on the part of companies to pursue collaboration, we also need to take bold and radical action to address public assistance, which was originally the role of governments. Japan’s social security system is sustained by salaried employees—who make up the majority of workers—shouldering a heavy burden of contributions. However, the reality is that many workers who struggle with low incomes have lost their motivation to work due to the contributions they must pay. We need to apply the principle of ability to pay in this situation, changing to a system whereby people who have the capacity to pay the contributions take on a greater share. If there was a data management system linked to My Number, an individual identification number issued to all registered Japanese residents, individuals’ economic circumstances could be cross-referenced to calculate what rate of contributions they should pay. It would then be possible, for instance, to adjust co-payments for medical or long-term care according to income and other economic circumstances, as well as the severity of the individual’s illness or injury.

Meanwhile, where the pension system is concerned, we need to stop those who are motivated to work from deliberately limiting their work hours due to the “annual income barrier.” This will require reform involving the incremental phasing-out of Category III insurance and the conversion of Category III insured persons into Category II insured

persons. It will also require reform of the Basic Pension system that provides for peace of mind in old age.

— *Two: Use institutional design and technology to overcome population decline and labor shortages*

Surely it is now time to reconsider the whole point of work style reforms. Rather than applying a blanket rule that prevents an entire group of people from working, we need to change the system to make it easier for people who are motivated to work to do so. Japan should introduce a system that allows companies and individuals to enter into contracts flexibly based on the Labor Contracts Act, and this should be combined with adopting a system that uses digital technology to monitor and maintain the health of each individual worker. Through such an approach, we should enable workers who remain healthy—regardless of their age—to choose their own preferred ways of working according to their household circumstances. Such “genuine work style reforms” would pave the way for increased labor input and raise the potential economic growth rate. I also believe that enabling workers to work in the way they want to would lead to productivity improvements.

Another point to note is that foreign workers are currently increasing in Japan. To deal with labor shortages affecting essential fields in particular, measures to address labor shortages need to be linked to the medium- to long-term employment of foreign workers. To promote such employment, Japan must find a way forward for foreign workers to successfully integrate into local communities. This is another area in which companies should be able to help. The city of Hamamatsu offers a very useful case study in this regard.

Furthermore, to raise productivity per worker and resolve labor shortages, it will be essential to make full use of AI. We should probably allow AI to handle the fields in which it is more productive than us, moving the workers in occupations that are taken over by AI to jobs that are better performed by humans. At the same time, we need to discuss how to regulate the use of AI to prevent it from being used to spread social ills.

— *Three: Break down vested interests and make progress with regulatory reform and deregulation.*

To achieve the renewal that will bring dynamism to Japan’s economy, we must break down vested interests and call upon the private-sector to undertake daring new ventures

through ambitious startups, as well as robust investment to support such ventures. We must abolish or loosen regulations that hinder Japan in doing what it needs to do, such as introducing a new ride-sharing law, expanding provision of mixed (both insured and non-insured) medical treatment, and turning hospitals into incorporated companies so that they can provide high-quality medical care while keeping costs down.

To create a society in which people can work to the extent that they choose regardless of their age, as advocated in connection with the second area of action, we need to extend healthy life expectancy. That is a key reason why we must enhance the provision of preventive healthcare.

Business domains such as these, made accessible through deregulation and regulatory reform, will be new markets for companies. As the Japanese economy transitions from deflation to inflation, Japan needs an economic policy that will funnel around 340 trillion yen of surplus cash held by private-sector companies into domestic investment, which is bound to serve as a catalyst.

— *Four: Clarify fiscal discipline policies and undertake wise spending guided by strategic principles*

Japan faces growing demand on its fiscal resources in areas that are sure to become more essential, including defense, social security, and basic R&D. As uncertainty heightens around the world, fiscal strength is important, not least to prepare for unforeseen eventualities.

We must also maintain fiscal discipline to preserve the credibility of government bonds. We need to boost revenue by revitalizing the economy, while ensuring thorough implementation of evidence-based policymaking, and substantially reducing expenditure that is ineffective or is maintained only to serve vested interests.

— *Five: Revitalize regions nationwide*

We need to correct the overconcentration of people and resources in Tokyo and restore dynamism to regions outside Japan's major cities. However, previous efforts to do so have not met with great success. It seems to me that this is probably because regional policymaking that is centralized and applied uniformly throughout the country is unable to successfully address the issues particular to each region.

This requires us to transfer significant authority from the national government to the metropolitan and prefectural governments, and to create a system enabling them to take responsibility so that local governments can be bold in putting their own innovative ideas into practice according to local circumstances. Prefectures outside Tokyo should be provided with not only the tax allocation grants for local municipalities, but also other funds they can use more freely. If the national government provides resources to regions that take up this challenge, thereby encouraging competition, this will result in motivation and efforts to achieve growth, along with animal spirits.

At the same time, however, to prevent such grants from turning into uncontrolled pork-barrel spending, it will be necessary to have a third-party organization conduct evidence-based verification of each region's efforts regularly—perhaps after three years, five years, seven years, and so on—making this process transparent to promote competition among local governments. After 10 years or so, it will be clear who the winners are, new company towns will form, and local governments that are achieving vigorous growth will emerge. We could even consider granting these successful local governments the right to levy taxes. The point is to cultivate a culture that encourages regions nationwide to think for themselves, take on challenges, and make money. Surely this is the future of regional revitalization.

— *Six: Adopt and implement a credible energy strategy*

Above all, the baseline is to reliably implement the Seventh Strategic Energy Plan. We also need to proceed with expanding Japan's use of nuclear power, which will be unavoidable to prepare for challenges such as achieving carbon neutrality and meeting surging energy demand in an AI-enabled society. In addition to fully restarting nuclear power plants whose safety has been approved by the Nuclear Regulation Authority, we must pursue research and development on next-generation nuclear reactors such as small modular reactors and new energy sources such as nuclear fusion.

In conjunction with this, I would like to suggest the creation of an energy policy based on the principle of “local production for local consumption.” This would entail employing innovative ideas such as a mechanism whereby consumers would pay higher electricity bills the further they were from power-supplying locations. Such a policy could produce new industries in power-supplying regions and create employment, leading to regional revitalization.

— *Seven: Set out diplomatic and national security policies for overcoming geopolitical risks*

The global order built up through the strenuous efforts of the post-war international community is now at risk. Not only governments, but companies too are faced with an extremely uncertain environment. Japan's government needs to cooperate with the private sector to increase the chances of predicting changes in global conditions.

In terms of diplomacy and national security, Japan first needs to establish the self-reliance to take responsibility for its own national defense, and to bolster deterrent capability accordingly. Then, Japan must seek to ensure stability in Asia through the Japan-US alliance, as well as through reinforcing cooperation with other nations including its Quadrilateral Security Dialogue (QUAD) partners India and Australia, and like-minded countries such as South Korea and the Philippines. As Japan works to increase the signatories to a high-standard Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), it should encourage participation by the Global South in the Regional Comprehensive Economic Partnership (RCEP) by improving reciprocity to ensure that no single country benefits more than others.

This year, the Ninth Tokyo International Conference on African Development (TICAD 9) will take place. Using TICAD 9 as an opportunity to further develop coordinated public-private initiatives that reinforce relations between Japan and Africa is likely to eventually benefit the national interests of Japan by strengthening its relations with the Global South.

4. Strengthening Activities to Increase Member Engagement

Lastly, I would like to discuss our policies regarding the operation of Keizai Doyukai during my second term as Chairperson. We intend to join forces with our members to identify the challenges Japan faces one by one, then put all our heads together and spare no effort in searching for ways to overcome these challenges.

In order to do so, we will start by creating opportunities for the corporate executives who are our members to learn together about the latest world trends including geopolitical developments, and to freely and actively exchange opinions with each other. Alongside creating learning opportunities to acquire the most up-to-date knowledge necessary to run a business in this day and age, we will increase networking occasions. If our members draw on the knowledge and insights acquired through these opportunities when running their own companies, this will eventually strengthen Japan's economic power, which

represents the sum of all their businesses combined.

On a separate front, Keizai Doyukai will work to prevent policy proposals arising from discussions among its members from coming to an end at the proposal stage; we will keep promoting them tenaciously, aiming to have them implemented. Meanwhile, as we approach Keizai Doyukai's 80th anniversary in February 2026, we will seek to bring about policy-oriented government and spur lively debate among Japan's citizens by looking into the creation of a think tank function to be responsible for policy assessment.

In order to have policies implemented, we need to improve Keizai Doyukai's ability to communicate its messages. To this end, we will execute a public relations strategy suitable for the current Reiwa era, including the use of social media and video platforms. Through such public relations, we hope to make our policy proposals be heard and resonate in society, thereby improving their chances of being implemented.

For the sake of Japan's future, I intend to move forward alongside our members toward collaborative capitalism founded on an inclusive society. I will give my all for the next two years, right up until my term ends. As I do so, I would be grateful for your continued support.