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## **Towards a Society that Encourages Risk Taking and Embraces Competition (Summary)**

–Formulating an economic growth strategy that can create  
a future for Japan in the global economy–

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### **1. Introduction**

- Japan's enterprises are expected to be driving forces for achieving its sustainable economic growth. On the other hand, there are some government policies which lead maintaining the existing structure or discouraging companies' positive intensives for challenging.

### **2. The Importance and Inevitability of Industrial Structures transformation**

- The global position of Japan's economy continues to decline. In order for resource-poor Japan to maintain its current standard of living, it is imperative that per-capita GDP be improved.
- Japan's public debt is by far the biggest among advanced countries. Nominal GDP growth is essential for its primary balance improvement.
- Given the changes to the way demand is structured due to the aging of the population, Japan should work to rebuild supply structures. However, simply shifting resources (the workforce) to labor-intensive industries such as healthcare and long-term care will only lower the overall productivity of the economy.
- Japan needs to bolster its growth potential through the efficient allocation of resources alongside productivity improvements brought on by market competition and innovation. For this purpose, and in order to reap the full benefits of international specialization, Japan must join the Trans-Pacific Partnership (TPP).

### **3. Sound Competition**

- The efficient resource allocation can only be achieved in the environment featuring an ideal level of competition. Rather than viewing competition as a problem and regulating its existence, a framework that leads healthy competitions among companies should be devised.
- Historically, industries and companies had naturally performed regenerations (replacing the old with the new); however, the number of obstacles which prevent this has been increasing. These obstacles create

an environment of excessive competition that erodes corporate profitability and raises barriers to entry for newcomers.

- While an economic stimulus package may be needed over the short term to combat falling demand and other problems caused by external shocks, it would be mistaken to think of this short-term need as a substitute for a medium- to long-term growth strategy. Productivity and growth potential should be fostered not by policies that target specific industries for government support, but by market reform and deregulatory measures that encourage healthy competition. This is especially important with regard to labor market reform.

#### **4. A Society that Encourages Risk Taking and Challenges**

- Innovation is an essential catalyst for growth, one that only comes about through risks taken when confronting uncertainty. Taking a risk is no easy feat – it requires the existence of incentives. When considering how to protect the “weak,” it is important to strictly define the standards for protection in such a way that they do not become excessive and thereby dissolve the incentives for risk taking.
- Globalised corporate activities has made it harder to discern the connection between the expansion and growth of domestic companies overseas and the prosperity of the Japanese public at home. This has led to a perception gap between the two sides regarding the importance of globalization. The best solution to this situation is to actually accelerate globalization and refrain from interfering in corporate efforts to raise productivity. To this end, and in order to attract foreign corporations and capital to the country, Japan should aim to raise its global competitiveness and aim to become a hub for the emerging fields working to tackle global issues.
- In order to improve the quality of Japan’s workforce and labor participation rates, companies and their management teams should work to foster personnel capable of competing globally and bringing about innovation. Systems should be created to allow more women and foreigners to participate in the workforce and allow the elderly to work longer. Japan needs to become a society that encourages each individual to take risks in all aspects of their life, including entrepreneurship, investment, employment, and education.

#### **5. Conclusion**

- In the end, it is the supply side that raises an economy’s growth potential by cultivating latent demand. There should therefore be nothing placed in the way of risk taking on the part of the supply side, nor should natural selection through healthy competition among this group be artificially prohibited. Japan must accept competition as necessary, and work to deal with the issues its economy faces on that basis. Government policy must not discourage the public from taking risks, for it is these risks that will help Japan to construct a more affluent society.