In fall 2002, the Center on Japanese Economy and Business and the East Asian Institute of Columbia University continued its special lecture series featuring Mr. Shijuro Ogata. The lectures were held on September 25 and November 7, 2002. Mr. Ogata’s presentations addressed the present monetary policy problems in Japan and the impact of Mr. Heizo Takenaka’s appointment as Chief Financial Regulator on Japan’s political-economic situation. This report is a summary of his presentations.

Since 1986 the Center on Japanese Economy and Business, in cooperation with the student-run Japan Business Association (JBA) at Columbia Business School, has brought distinguished Japanese and American executives and government officials to Columbia University through the Distinguished Lecture Series. For more information on Center programs, see our website at: http://www.gsb.columbia.edu/japan/.
Since I last spoke at Columbia University, many things have happened in Japan. There have been a number of developments in the real economy that have not been very encouraging. First, exports continue to increase but at a slower pace, which is one element supporting the Japanese economy. Second, domestic demand remains weak. Third, prices continue to decline for the 38th month in a row. Fourth, business sentiment has only slightly improved among large companies and, fifth, unemployment and bankruptcies remain high.

With these events in the background there have been at least five dramatic events recently. First, the Bank of Japan (BoJ) decided to purchase stocks from major banks in late September 2002. Second, Mr. Takenaka was appointed chief financial regulator on September 30th. Third, stock prices drastically fell following Mr. Takenaka’s appointment. Fourth were the bi-elections on October 27th, and fifth was the announcement of a revised banking reform plan and anti-deflationary measures on October 30th.

I would like to focus on two things. First, the BoJ’s decision to purchase stocks and the present monetary policy problem in Japan and, second, Mr. Takenaka’s appointment, which really dramatizes the present political-economic confusion in Japan.

In my view, the BoJ’s decision to purchase stocks from major banks is a belated expression in bold and unorthodox form of the BoJ’s frustration over the ineffectiveness of its own very easy monetary policy. Frankly, I am impressed by the boldness, but it has not been well received in the financial markets for two reasons. First, it is too unorthodox and seen by many as another PKO (price keeping operation) of stock prices, which is not very popular and may be distorting the market mechanism. Second, it represents the lack of policy coordination among policy makers in Japan. I wonder if this is the only way the Central Bank can influence other branches of the government. If so, this is not only a problem for the Central Bank, but also for all of the policy organs of the Japanese government.

I think the BoJ is facing a very difficult situation to which the federal reserve system is gradually approaching. Despite the repeated reduction of interest rates, I think deflation cannot be dealt with fully. In Japan there are two kinds of views held by observers, including foreign observers. There are those people who consider deflation as primarily a monetary phenomenon. According to them, if monetary conditions are kept very, very easy, eventually deflation will stop and inflation will start. That may be so, but so far it has not happened. These observers also argue that the BoJ should do more, such as purchase some financial assets and establish inflation targets.

On the other hand, there are some observers, including myself, who consider deflation as not only a monetary phenomenon but also a phenomenon of the real economy, such as excess capacity or deficient demand. Therefore, easy monetary policy alone cannot solve the problem. I think that some taxes, tax policy and more deregulation might be necessary. However, given the large deficits in Japan, many people, particularly the fiscal and tax people and some politicians, are so afraid of any increase in fiscal deficit that they are not enthusiastic. Unfortunately, Mr. Takenaka belongs to the first group of observers, not the second group. Only recently has he begun to support tax reform, but fundamentally he has been advocating the further relaxation of monetary policy by establishing deflation targets. As a cabinet minister appointed by Koizumi, he is either bound by Koizumi’s pledge to cap the public borrowing at 30 trillion Yen, or he sincerely believes deflation is a purely monetary phenomenon. I am not quite sure.

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Mr. Takenaka’s appointment really symbolizes the political and economic confusions of the Koizumi cabinet. This was the second reshuffling of his cabinet undertaken by Koizumi himself without consulting anyone else, even his secretary general or chief cabinet secretary. He also defied, once again, the other factions. The victim of his first reshuffle was Makiko Tanaka. The victim this time was Yanagisawa. Koizumi pledged to have one cabinet minister, one post during his cabinet, but that has already been broken twice. That is the first point.

Second, delegating economic policy management to one unelected official is quite unique in a parliamentary democracy. If Mr. Takenaka had already been successful in macro-economic policies and if he had been politically powerful he could have become the real economic czar described in some of the American newspapers. But, I think in the case of macroeconomic policy, with due respect to his brilliance, he only produced interesting ideas to the economic fiscal advisory council, and not all of his ideas were adopted automatically, despite apparent shouting from the Prime Minister. So he has not been successful as an economic policy planner. Nevertheless, he was assigned to this very difficult job. If I were in his position, I would decline to accept. But he was courageous to do so.

Third, the appointment of hard-landing advocates as his advisors, including the famous Mr. Kimura, and the leakage over their proposals without any indication of anti-deflation measures produced two things: the stock market fell, and it aroused strong opposition from three groups.
The first group is the bankers. They are afraid of the possible nationalization of their banks with compulsory management changes through stricter assessment of their own claims.

The second opposing group is the borrowers. Mr. Takenaka is known as a person who distributed a secret list of thirty companies that looked really large, but were actually in a very bad situation. Many Japanese weekly magazines speculated which companies would be among the thirty. Now it is said there is a list of fifty-one companies, according to one magazine, and they are very angry.

The third opposing group is the politicians, including the ruling LDP, the Komeito and the Conservatives. They are unhappy with the country’s economic policy management residing in one unelected official rather than with them. They are also unhappy with the elimination of a possible deflation impact of the new approach just before bi-elections.

Looking at this original plan I see at least two important deficiencies. First, it lacked a parallel package of anti-deflation measures. Despite the fact that bad loans and deflation are to a large extent, if not entirely, interrelated to each other, both had to be dealt with together. Second, even if the treatment of deferred tax assets in connection with their Tier I capital had been too generous to the banks, the division of accounting reform regimes should be undertaken in stages rather than abruptly.

Then, because of opposition, the announcement of the banking reform plan had to be postponed until the announcement of anti-deflation measures on October 30th. This revised banking reform plan was a watered down version of the original proposal, which postponed decisions on the portion of deferred tax assets to be counted into Tier I capital and softened the requirements for nationalization and management changes. An anti-deflationary measure contains a number of things.

First, the establishment of an Industrial Reconstruction Corporation to help the reconstruction of borrowers in trouble, as well as some tax changes and extensions of the safety net, but they are generally a blueprint with measures to be decided upon.

The announcement did not mention the immediate need for a supplementary budget, but I can see some of the merits in this revised banking plan and also in the anti-deflationary measures. One merit is that bankers must have been seriously warned about the urgent need to deal with their bad loan problems in view of new requirements to assess loan claims more strictly than before. There is also a greater readiness on the part of the government to invoke its right as shareholder.

Secondly, the plan must have reminded many of us, including many readers of newspapers, that the bank loan problem is not simply the problem of banks but also that of borrowers. A simple injection of public funds to the banks alone cannot solve the problems. Although I am in favor of nationalizing government banks, including the eventual privatization of some of them, I think those government banks should be utilized fully while private banks are in trouble. In that context, this new proposal to establish an Industrial Reconstruction Corporation may not be a bad idea.

Foreign Reaction

I think foreign reaction has been mixed. As soon as the original banking reform plan leaked out, foreign analysts warned that Mr. Takenaka’s proposal could cause a melt down in the economy as banks would be forced to reduce their loan base, holding credit from better performing companies most able to repay loans.

On the other hand, according to the newspapers, American officials quickly and openly supported Mr. Takenaka and, frankly, aroused some anti-America sentiment among those Japanese who are nationalistic and fond of a conspiracy theory. They think Mr. Takenaka might be conspiring to promote the cheap sale of Japanese banks, as in the case of Shinsei bank. This is probably not Mr. Takenaka’s intention, but that kind of stimulus to anti-American sentiment is not insignificant. I am worried about that.

What kind of political confusion has resulted from this episode? Koizumi’s leadership is now questioned since he delegated or, in my view, outsourced one of the most important functions of the Prime Minister to an unelected member of his cabinet. This is really unique. However, he failed to support Mr. Takenaka fully in the face of opposition from within his own party and from within his old coalition. The old guard within the LDP and other coalition parties have openly criticized Koizumi. However, Koizumi cannot be replaced very easily due to the absence of an appropriate substitute, which is his strength. In my view, this is our worst weakness. If Koizumi fails his successor will either be a member of the old guard or some nationalist. As a result, most of the LDP has no choice but to support Koizumi. That is the situation.
財界著名人講演シリーズ

日銀景気回復へむけて
元日本銀行理事長・元日本開発銀行副総裁
勝方十四郎

2002年春、コロンビア大学ビジネススクール日本経済研究所とコロンビア大学東アジア研究所の共催で、勝方十四郎によるリッピーチャリティがスタートしました。春学期に引き続き、2002年秋学期には9月25日と11月7日に講演会が開催されました。輸方十四郎は日本の金融政策と竹中平蔵経済財政相の金融相関に焦点を置いて講演されました。以下は講演の巻頭です。

日銀による銀行保有株価取の決定と日本の金融政策上の問題点

日本経済の終盤が続く中、9月に日銀が発表した銀行保有株価取の決定は、金融緩和政策の効果のなさに対する骨を折るように指摘を受けております。一方、持値に言えるところあるとは感心するが、この決定は、市場を歪めるとして不適切と日本政府による政策のPKO (Price Keeping Operation) と見なされるにすぎず、また日本の政策決定機関の協力体制の欠如を疑問に思うところを意見する。そしてこの決定が日銀の唯一の手段なのかたとすれば、日本の政策決定機関は深刻な問題を抱えていることになる。デフレを主に金融問題と捉え、更なる金融緩和、金融資産の購入、インフレ目標の設定など強引な金融政策を実行することを唱えるグループがいる。一方で、自分自身含め、デフレは資産価値が低く、金融緩和したと捉えると、デフレ緩和だけでなく解決できないという立場を取るグループがある。私は、税制改革というより税制緩和が必要であると考える。しかしながら、特に財政、税制の関係者の間には、標的の財政赤字をこれから下流に繰り上げて行くという意識が強く、竹中氏は、デフレを基本的に金融問題と捉え、つい最近まで税制改革には触れないことがあった。もっとも、竹中氏がデフレを純粹に金融問題と捉えているのか、それとも小泉首相の政府が限界上限を30兆円に抑えようという公約を守るために金融政策を推し進めているのか、定かではない。

竹中金銭相関の政治、経済、財政上の影響

竹中金銭相関の誕生は、小泉内閣の混乱を反映している。小泉首相の前進の交渉のないと宣言しておきながら、田中宏相の改変に続き、横浜前金銭相の更なる、断頭で竹中平蔵経済財相の金銭相関を決めてしまった。経済政策は、小泉内閣によって選ばれた議員ではない竹中氏に一手に任せてしまうというのでは、議会制度においては極めて異例である。竹中氏が経済財相としてマクロ経済政策で成功し、政治的にも圧倒的な圧力があるというなら、米国の経済政策で持ち上げられると「エコノミック・ツァー」の誕生となったであろうが、現実は経済政策問題で幾つかのアイデアを提案するに止まり、経済政策プランナーとしてはあまり手を発揮できない状態で、金融相関の重要性は重視される。更にこのことにより、不良債権の悪質化対策を含む税制改革を進めるために、発足させたブレンドチームのメンバーに不良債権管理の専門家を招いたことと、竹中氏の代表的な内閣に提案され、提案が採択された。不良債権の発展、税制改革、財政政策の発展、「30兆リスト」の浮動化に対する、京都・神奈川での金融構造改革の推進に、不良債権の相関である「30兆リスト」に対する発表を表明する企業、そして竹中・木村らが不満をもつ政策家たちの強い反対にあたった。結果、当然議案は後退、経済財政策会議は10月30日、企業再生のための金銭機関である「産業再生機構」の創設や、企業倒産・失業などの悩みを和らげるためのエコノミック・ツァーを盛り込んだ総合デフレ対策を議案した。この対策は、銀行の経営状況によっては国が保有している優先株を普通株に転換し、市場上の銀行財政化に踏み込んだ、不良債権処理の早期解決を目的とした政府としての強力な意志が盛り込まれており、また銀行の不良債権問題の解決を有効化する企業の過剰債務問題解決への取り組みを本格化させる点で評価できる。

竹中金銭相関への海外からの反響と日本政治リーダーシップ

竹中金銭相関の影響が顕著になると、一部の海外のアナリストは、日本の銀行が優良企業にもかかわらず販売を激化し、日本経済減速の危険を引き起こす可能性があるとの警告を発した。一方で、アメリカ政府関係者が竹中氏を歓迎したという報道もあり、保険資金の間には竹中氏を新興銀行の場に大手銀行の外資への誘致を促立てたものだとして陰謀説が飛び散り、反米感情が高まったと言われる。竹中金銭相関が日本経済回復のための対策を一手に任せた小泉首相は、自民党内外からの公演的打撃を受けた。小泉首相のリーダーシップには問題があるものの、今後は体制を整える一方で、財政政策を重視する自民党の内閣府またはナショナリスト的で政治家だけでなく、政策を支える自民党議員は今後も支持すべきであるという観点を有している。