

May 16, 2005

### JCER Working Programs

1. Japan Center for Economic Research (JCER) is non-government/non-profit research organization established in 1963. JCER publishes quarterly short-term economic projections (18-24 months) and annual medium-term economic projection (5-10 years). In both projections, how and when the economy would recover from the long-run deflation is a key point. Also, various researches on finance, industry, public policies, and Asian economy are published every year. Major working programs this year are the following:

2. First, an analysis on the long-term stagnation of Japan's economy since the early 1990s. The average economic growth rate in 1991-2004 was 1.2%, which was quite low by both the OECD and past Japanese standard. Hypothetical factors behind the long-run stagnation of the economic activities are: (1) failure of coordination of macroeconomic policies. Stop and go fiscal and monetary policies can be a candidate for a "prolonged recession" combined by the accumulation of bad loans in the financial sectors, (2) lack of adjustment in corporate governance such that many firms had maintained traditional policies in employment, financing. They used to be well-performed up to 1980s, but not any more in the 1990s and beyond under an increasing globalization of economic activities. Recently, however, many corporate firms have done a series of re-structuring in both employment and financing policies, resulting in a significant recovery in corporate profits. But, the pace of recent economic recovery is more diversified by industry and firm. Thus, we focus on the firm-based micro approach including technology and human resource management, and intangible assets to find out major sources for long-run sustainable economic growth.

3. Secondly, as a public policy agenda, we focus on the economic and social impacts of reforming existing regulations. Major regulatory reforms of which economic

impacts are to be estimated in this program are: (1) free selection of medical treatments between those covered and not covered by public health insurance on stimulating private demand for health services, (2) deregulation of labor markets relating to temporary workers and others on expanding job matching business, (3) relaxing of constructing regulations for apartment building in the urban area on inducing construction investments, (4) Government's business restructuring plan on corporate behavior, (5) Special Zones for Structural Reform on local authorities' behavior. Also, JCER has a series of joint research with NBER on ageing and related social policy issues, and the book on US- Japan health policy issues is coming.

4. Thirdly, micro and macro issues in the financial markets and financial systems are examined. The recent research topics are: (1) soundness of Japanese banks and remaining problems in deposit insurance system, (2) solvency-margin regulations of Japanese life-insurance sector, (3) privatization of Postal Life-Insurance and Postal Saving system, (4) deflation adjusted profitability of Japanese corporate sector, (5) performance of monetary policy and strategies to exit from zero interest rate regime, (6) international saving-investment imbalances and RMB exchange rate, (7) estimating the effect of official foreign exchange intervention in the yen-US dollar market.

5. Fourthly, the Asian studies. The major contents of the study are: (1) comparison of corporate strategies between the U.S., European and Japanese firms in the Asian region in terms of employment, financial policy, and transfer of technology, and analyzes major factors for relatively low profitability of Japanese firms, (2) economic integration between the Asian countries on one hand and the U.S., Europe and Japan on the other in terms of trade of goods and services and financial flows, and the effects of increasing Free Trade Areas (FTAs) in this region, (3) conditions for the sustainable development of China in terms of the economic and social systems. Though China has enjoyed high rate of economic growth in the past 25 years since the opening of the domestic market, she also suffers from increasing income inequality,

environmental pollution, and other social problems.

6. Finally, academic publications. Also, a new journal, the Asian Economic Policy Review is to be published in the spring of 2006. This journal is on the international economic and political issues in the Asian region, and the editors consist of the experts of economics and international relations in Asia including Japan, USA and Australia. The goal of this journal is to become an intellectual voice on the current issues of international economics and economic policy based on comprehensive and in-depth analyses, with a primary focus on Asia. As such, articles in the journal will not be purely academic research or political commentaries. Instead, stress will be placed on identifying key issues at the time – spanning international trade, international finance, the environment, energy, the integration of regional economies and other issues – in order to furnish ideas and proposals to contribute positively to the policy debate in the region. Although the principal focus is economic policy issues, when necessary and relevant international relations papers will also be included. The plan is to publish the journal twice a year a professional publishing company. The theme for the first issue is ‘The Rise of China and System Transformation’, with papers in the following areas.

- (1) Trade
- (2) Investment
- (3) Finance and Exchange Rate Issues
- (4) Environment
- (5) Natural Resources and Energy
- (6) National Security and Risk Management
- (7) China’s Economic Growth and the Possibilities for a Soft Landing
- (8) Low Birth Rate and Population Aging