

## **USJI Week Collaborated Lecture 1: Reconstruction and Beyond: The Great East Japan Earthquake and Its Implications**

Friday, September 9, 2011, 2:30pm-4:15pm

Organized and co-sponsored by the U.S.-Japan Research Institute and The Sigur Center for Asian Studies, The Elliot School of International Affairs, The George Washington University

### **Introductory Remarks by Mike Mochizuki and Edward McCord**

Mike Mochizuki, Associate Professor of Political Science and International Affairs Associate Dean for Academic Programs, welcomed guests to first session of academic year at the Sigur Center of Asian Studies. Before move to main event, introduces Professor Edward McCord, Director of the Sigur Center and faculty member in the Department of History.

Professor McCord: Prof. McCord revealed that this event was his first official event as Director of Sigur Center, and he was excited to be there. He explained that the event was the inaugural event for the Sigur Center for the year and for their 20<sup>th</sup> anniversary year of Sigur Center. Prof. McCord was honored to welcome the distinguished speaker, Professor Seike of Keio University. Prof. McCord stated that public events such as these are central to the Sigur Center's mission of building understanding and communication between scholars in U.S. and Asia. As such, Prof. McCord noted that Prof. Seike would be speaking on a topic that is of great interest to people in the U.S. He said that the U.S. was transfixed by what happened in Japan, and Prof. Seike is in a special position to share his insight on the challenges which Japan has faced since March.

Mike Mochizuki then introduced the topic and Prof. Seike. Mochizuki-san said that as 9/11 is a defining date in U.S. history, 3/11 will be forever etched in Japan's collective memory and could be a key turning point in its history. Because of this, we are honored to have Prof. Seike share his analysis and thoughts about the Japanese challenge of reconstruction after the March 11<sup>th</sup> earthquake and tsunami.

As background, Prof. Seike is a distinguished labor economist, and has written many prize-winning books. Prof. Seike became President at Keio University, one of most prestigious in Japan, in 2009. Mochizuki-san added that Prof. Seike is a loyal Keio alum because he received his bachelors of Economics and M.A. and PhD. in Labor Economics from Keio University. Prof. Seike also served as Dean of Faculty and Service from 2007-2009.

Mochizuki-san noted that Prof. Seike is well-known in the U.S., as he was a visiting scholar in the Economics Department at the University of California – Los Angeles and also served as a consultant for Rand Corporation.

After the earthquake, former Prime Minister Naoto Kan established a blue ribbon panel, known as the Commission Reconstruction Design Council for the Great East Japan Earthquake, to analyze implications of earthquake and lay out a vision for Japan's reconstruction. Prof. Seike was a key member of this panel. Therefore, Mochizuki-san concluded that there is not a more suitable person to describe Japan's efforts at reconstruction after March 11.

### **Opening Remarks and Presentation**

**Professor Atsushi Seike**, *President, Keio University/Member, the Reconstruction Design Council in the Great East Japan Earthquake*

Professor Seike began by stating that one of the purposes of the event is to explore the possibilities of having more Japanese students come and study in the U.S. to facilitate knowledge

sharing between countries.

Prof. Seike then moved on to his main presentation, which analyzed the road to recovery in Japan in the aftermath of the March 11 disaster. He emphasized that while progress has been made since March, the present situation in Japan is still harsh. Nearly 200,000 jobs have been lost, and tangible asset loss is estimated to be upwards of 16.9 trillion Yen, not including damage from the nuclear accident. As such, the revitalization of Japan's economy is an urgent issue, and without revitalization of Japan's economy as a whole, there won't be a complete reconstruction.

### **Important Characteristics and Steps for Successful Reconstruction**

Prof. Seike listed 3 characteristics that a venerable, spiritual and educational leader, Fukuzawa Yukichi, listed as being the basic pillars of modern society:

- 1. Jitsugaku: science, or practical learning that fulfills society's needs**
  - a. Without science and technology, Japan wouldn't be able to reconstruct
- 2. Knowledge concerning public matters: ability to evaluate relative importance of things; don't give in to wishful thinking**
  - a. E.g., make hard financial decisions, intelligently choose the best option during hardship
- 3. Morality(?): empathy towards others in difficult circumstances; the decorum of a community**
  - a. Rescue efforts are an example
  - b. Doesn't have to be a big effort, every small effort counts
  - c. Without morals, the community can't survive

Prof. Seike likened Fukuzawa's pillars to economist Alfred Marshall's belief that social scientists should have a cool head and a warm heart. As such, Prof. Seike argued that these characteristics and the following steps are required for successfully reconstructing Japan:

- 1. Establish local infrastructure:** not just restore, but more substantial reconstruction and revitalization by making infrastructure safer than before and moving from disaster prevention to disaster reduction to emphasize saving lives over minimizing material damage.
  - a. Examples: move communities to higher ground, establish disaster relief centers, and build embankments
- 2. Restore employment**
  - a. Increase production activities to be more competitive and take advantage of strengths that the affected areas have, such as:
    - i. Fishing and high value-added agriculture like fruits
    - ii. Natural parks, World Heritage sites, good location for solar power
    - iii. Strength of the people
    - iv. Manufacturing – part of global supply chain
  - b. Harness potential to lead reconstruction

Prof. Seike stressed that even with these steps and Fukuzawa's 3 pillars, **other factors need to be addressed while implementing reconstruction plans**; namely, the aging population and the globalized economy.

The **aging population** will present some challenges to rebuilding. The affected areas are aging faster than the rest of Japan, which is already aging much faster than the average country. Therefore, the social security system will play an important role, including the long-term care system and the health care system, which are important but also costly during this time when finances are needed for reconstruction. **Prof. Seike recommended turning to the public pension system for solutions:** increasing the pension age to closer to 70 (the U.S. already has done this and it has a lower percentage of older people); re-evaluate the seniority-based wage system and promotions (especially in large companies); and allow older workers to work in professional settings to use accumulated skills and knowledge and transfer these to younger workers; finally, promote an active society.

The **globalized economy** means that the affected areas are connected to the rest of the world, making reconstruction even more possible. However, in both the short-term and the long-term the domestic market will shrink and domestic businesses will depend more on the international market to help Japan's economy grow. After the earthquake, free trade framework negotiations stopped but Prof. Seike recommends that those talks resume as soon as possible to help restore Japan and its economy. In addition, due to its aging population and falling birth rate, population decline (and thus falling domestic demand) is unavoidable. Prof. Seike recommends that Japan **mitigates the fall in the workforce by making more opportunities for women, older people, and foreigners.** Not only will Japan need more workers, but it should also take steps to improve worker value-added productivity by encouraging creativity and technical skills to make high-value products. Therefore, education and training are essential, and **universities will play an important role by teaching students to analyze new situations, discover problems, and solve problems by constructing and testing hypotheses.**

Prof. Seike concluded his presentation by emphasizing that, in an era of fast changes, society needs an ethos that values science learning and thinking for oneself. Applying a scientific way of thinking helps people have mutual understanding between cultures. Learning and human capital investments are very important for Japan's reconstruction.

### Commentators

**Professor Naoyuki Agawa**, *Vice Chair, USJI/ Vice President of International Collaboration & Education, Keio University*

Prof. Agawa started his commentary by explaining to the audience that Fukuzawa was indeed a great man, as shown by his appearing on Japan's 10,000 Yen bill. He then moved on to say that the March 11 disaster, while a horrible tragedy, did serve to strengthen the ties of Japan and its strong allies in the region, in particular the U.S. Another important note is the rapid deployment of Japan's SDF and U.S. Armed Forces to the Tohoku area.

Prof. Agawa then described his observations of young students' reactions to the disaster, as most had never seen such a sobering event. He believes that **young Japanese students have become more spiritual, motivated, and serious about wanting to do something to help.** The countless stories of help and compassion are a positive sign for spiritual rebirth.

Questions: Prof. Agawa had two questions regarding Prof. Seike's presentation

1. **Regarding plans for reconstruction and hypothetically changing the pension system,**

**how will Japan pay for these changes?**

- 2. On the flip side of aging: how will Japan's dwindling population and decreasing percentage of young people affect Japan's economy and military in the future?**

**Dr. Edward Lincoln**, *The George Washington University*

Dr. Lincoln explained that he had a reaction of horror at the scale of destruction, similar to his reaction on 9/11 (but with 3/11 being caused by natural forces, not terrorist), and the loss of life and physical infrastructure is deeply saddening.

Dr. Lincoln continued by providing his observations of U.S. media coverage of the disaster, which is a mixture of positive and negative views. Positive stories covered the amazing cohesion of Japan's society, which directly relates to Alfred Marshall's "cool heads, warm hearts" message. Relatively negative stories shared dismay at the nuclear disaster and how it was handled, surprise at the vulnerability of the global supply chain, and surprise and dismay about the political muddle in Japan with the LDP and the DPJ and within the DPJ. Dr. Lincoln explained that in the U.S., politics recedes during disasters in order to get things done, but this wasn't the case in Japan.

Dr. Lincoln stated that, going forward, **Japan shouldn't focus on just rebuilding, but making things better than they were before.** He finished with 4 questions for Prof. Seike:

- 1. How does the nuclear disaster complicate Japan's reconstruction?**
- 2. Regarding the aging process and social security and long-term care insurance, what does this mean for the nature of reconstruction in the area?**
- 3. Regarding globalization and a greater dependence on foreign markets, how will this impact policies and perception of immigration?**
- 4. Japan's deregulation policies stretch back to 1994, but it's not enough to really help productivity and creativity. What else can be done?**

Prof. Seike then took the opportunity to answer these questions, reminding everyone that his answers were his own opinion.

On Prof. Agawa's financing question, Prof. Seike emphasized that it is important to not transfer the cost to future generations because they already have a heavy burden. The current generation must bear the cost through increase in consumption taxes (consumption taxes being the most beneficial compared to corporate and income taxes).

On the shrinking population, there are many types of possible measures such as increasing immigration and increasing the birthrate by reducing the opportunity costs for women to bear children. Prof. Seike personally would like to see more immigration on the condition that Japan offers the same labor rules and social security system for foreign workers.

On Dr. Lincoln's nuclear disaster question, Prof. Seike explained that the rebuilding process will also depend on the mentalities of the affected areas. In Miyagi and Iwate, they are facing problems but the people already have mentality to rebuild for a good future. In Fukushima, people are still depressed, but Prof. Seike said that if they are compensated for the damages, things will look brighter. TEPCO should pay most of the compensation, but the government also must play a larger role as well since the Fukushima reactor #1 failure was a design failure, not an operation failure – as evidenced by there being 12 other nuclear

reactors in the area that did not fail. Since TEPCO was operating under a government-issued license, the government should also pay.

On aging, Prof. Seike explained that as many jobs and incomes were lost and the areas' higher percentage of older people means that more incomes from pensions will be needed to help sustain the region. He finished by saying that it will be important for older people to collaborate with younger people to transfer their skills to rebuild facilities and bring back workers.

### Student Questions

Afterwards, 4 students had the opportunity to ask Prof. Seike some questions about his presentation. Their questions and his answers are below:

Question 1: **With the rise of anti-nuclear sentiment in Japan and alternative sources being more costly, how will public perception of nuclear power impact reconstruction?**

Answer: There needs to be more public education about nuclear power, and better explanation that the disaster was caused by design failure since other reactors didn't suffer damage. Japan should instead focus on *safer* nuclear reactors, because if Japan stops operating reactors, it won't be able to develop safer technology for Japan and the rest of the world.

Question 2: **Some schools are pushing students toward vocational education rather than liberal arts – what would Prof. Seike's message be to students deciding between these paths?** Answer: Both are important, but liberal arts foster the ability to think for oneself and apply abilities in many aspects. If students specialize in one vocational trade, unfortunately their skills will be obsolete at some point.

Question 3: **Japan has low interest rates but high public debt – is there an upper bound? Will the interest rates rise?** Answer: In the long-term interest rates should be higher. Right now they are low because of high savings rate in households and corporations.

Question 4: **What are the lessons learned on the resilience of society?** Answer: The importance of science – if we had listened to what scientists said before the earthquake, some accidents could have been prevented. The government and power companies need to seriously listen to scientists and support scientific research.

### Questions from the Audience

To conclude the seminar, the discussion was opened to the audience. One audience member asked about the role of the international economy. Prof. Seike replied that **without international trade, Japan can't rebuild**. So while it's important to have closer relations with China and South Korea, Japan must also care about the world; therefore, it should work within the larger framework of free trade, such as the Trans-Pacific Partnership. Another audience member asked about localization versus decentralization in the wake of the disaster. Prof. Seike said that this is an important point, and right now the government is making the reconstruction plan with input from local governments. So far the structure has been more centralized, but he believes that it will continue to move toward deregulation and decentralization. However, it is important to note that **if decentralization occurs, local governments will have to get money on their own – they can't rely on transfers from the central government like they can now** - so local governments will need to raise taxes in their area. Therefore, while local governments want autonomy, they still need money/transfers and thus the future the system won't be completely decentralized.