

USJI Week Seminar 2: Reconstruction and Beyond: The Great East Japan Earthquake and Its Impact on an Aging Japan

Friday, September 9, 2011

10:00am-12:00pm

Ambassador Room, The Embassy Row Hotel

Organized by the U.S.-Japan Research Institute

Welcome Remarks

Professor Katsuichi Uchida, *President, USJI/ Vice President, Waseda University*

Prof. Uchida opened the session by welcoming the audience and introducing the U.S.-Japan Research Institute as well as USJI Week. He then introduced the three panelists and the moderator for the seminar Prof. Naoyuki Agawa, and passed the floor to him.

Moderator

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

Prof. Agawa thanks Prof. Uchida for his introduction, and briefly goes over the agenda for today's event. He then hands over the floor to Prof. Seike for his presentation.

Panelists

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

Prof. Seike opens his presentation by firstly thanking the USJI for organizing the event, and expressing his appreciation to Prof. Campbell and Prof. Ramseyer for their participation despite their busy schedules. He then quickly goes over the overall details of the Great Japan Earthquake's impact on Japan. He notes that reconstruction and providing aid to the people should be Japan's primary goal right now. However, he believes that the Japanese government should not only restore, but revitalize and improve its infrastructure so that the living environment can become safer and more comfortable in the future.

Prof. Seike observes that one of the most important variables in reconstruction is Japan's aging population. A quarter of Japanese people will be 65 and older within 2 years, and the public expenditure for social security has already reached 105 trillion yen. This is equal to 180 percent of total GDP in Japan and is also expected to continue increasing in the future.

Thus, there is obviously a need to secure resources to reduce the burden, but there is not much room for the government to do this. Prof. Seike argues that a possible method would be to increase the pension eligibility age closer to 70. The US by comparison has a pension age of 67, despite its much lower elderly population. He realizes that this would, however, increase the burden on companies and businesses, especially if the practice of seniority based wages were to continue in Japan. He suggests that elder workers should work as experts, not managers, utilizing their accumulated knowledge, and skills as a way of addressing this concern. To cope with the aging population, Prof. Seike stresses the importance of establishing a Lifelong Active Society, which should be incorporated into the reconstruction efforts.

Prof. Seike notes that as Japan's population shrinks so will its market economy, forcing businesses to depend on the global market and global expansion. Japan has not relied much on the global market, but this is vital to finance reconstruction. He suggests that there should be policy towards the global market to assist in the recovery of the Japanese economy.

A shrinking workforce is inevitable as the population decreases, even with the inclusion of elder, women, or skilled foreign workers. As such, argues Prof. Seike, it is extremely important to improve the productivity of each worker, so that Japan can produce goods and services with high value-added to compete internationally. Thus, higher education and training will play a prominent role. He concludes by emphasizing that society needs to value learning, as skilled human capital is vital for development.

Professor John Creighton Campbell, *Professor Emeritus of Political Science, University of Michigan/Visiting Scholar, Institute of Gerontology Tokyo University*

Prof. Campbell explains that the issue of frail elderly people in temporary housing and shelters dying alone or succumbing to loneliness had been given wide coverage after the Kobe earthquake in 1995. He notes that compared to past disasters, there was much more attention given to elderly people in such arrangements. In dealing with the disaster in general as well as with the elderly, on an absolute standard the government had perhaps not performed very well, but Prof. Campbell believes that it had done relatively well compared to many other nations in times of disaster. Nonetheless, he recommends that there need to be an authority dedicated to disaster management in Japan to overcome the red tape and jurisdictional barriers that were seen during the earthquake and tsunami.

On his next point, Prof. Campbell observed that there was a common perception that the elderly will hinder reconstruction efforts as they lack energy, resources and spirit. This was completely untrue, at least for the Tohoku region as elderly people there are very feisty and attached to their towns. The presence of the elderly were also positive economically, as they had less incentive to move elsewhere, received constant income in the form of pension without needing to work, and provided opportunities for employment in care giving. Actually, agencies that provide long-term care to frail elderly people are the number two employer

(after city hall) in many rural areas, and thus can be vital in sustaining the livelihood of their towns.

Prof. Campbell dismisses the view that an aging population is the biggest threat the nation faces. While aging populations are attributed to a decline in the labor and investment markets, the situation in Japan has in fact been the opposite with surpluses of both workers and funds available to invest. He further argues that while this is indeed a problem, it is the least dangerous among other issues that Japan faces, especially since it happens very slowly and can be best dealt with.

Professor Mark Ramseyer, *Mitsubishi Professor of Japanese Legal Studies, Harvard Law School, Harvard University*

The question that Prof. Ramseyer wishes to raise in this seminar is why reactors are put on fault lines and whether there are ways to utilize nuclear power more safely. He believes that this could be explained by limited liability capping the cost burden on companies that affects their decision making. However, governments will not necessarily perform better if given the role, as this is simply the dynamics of modern society.

Nuclear plants are often placed on particularly dangerous places, and when disasters happen society will have to bear the burden as even the largest of companies are just not capable of completely paying for the cost of total damages. Prof. Ramseyer briefly goes over the process of creating a nuclear reactor in Japan, as defined by METI. He explains that there are massive revenues and subsidies given to communities for accepting the installation of these reactors, which is the main reason why they often agree to do so. Nuclear plants are commonly proposed in depressed communities that often have a disproportionate amount of elderly people.

Power companies are strictly liable to take out insurance for disasters from the government capped at 120 billion yen. This liability is however, is not applicable to wildly huge catastrophes. Prof. Ramseyer proceeds to go over the net assets of Tokyo Electric, which is by far Japan's largest utility provider. Its assets are approximately 2.5 trillion yen, but this is still not nearly enough to cover the total costs of damages from the disaster.

Prof. Ramseyer argues that the situation would not be dealt with any better were government in charge of utilities. Government policies are set to appeal to the median voter, the group occupying the bulk of votes electing governments into office. They will set up power plants in locations that satisfy these median voters, which ultimately fall into the same areas as they are now.

Prof. Ramseyer admits that he does not have an answer to the question that he raised. He concludes by noting that dangers will come with all sources of energy.

Questions and Comments

Question: All major economies, including the US and Japan, are seeking to weaken their currencies during this difficult period. Is this a source of tension in the US-Japanese relationship?

Prof. Seike notes that what we need is more international cooperation, but at the moment he does not have an answer as to how we can stop this currency adjustment. This problem is also something that could be solved better on a multilateral platform.

Prof. Ramseyer points out that governments cannot set the currency rate, which is dictated by market factors on a long term basis. Furthermore, governments do not have many incentives to depreciate the currency. While exporting firms may prefer this to sell more products, taxpayers and voters make purchases from abroad and this is not something that they would appreciate.

Question: For Prof. Seike, looking at the Japanese political system from the US, it seems to be a closed system and there are not many new faces every year.

Prof. Seike notes that there are indeed problems with the Japanese political system, but this is something that is seen in various democracies. He stresses that we must discuss politics in a calm and rational manner. While there might be an issue in the rapid replacement of prime ministers in Japan, at least they have been elected through legitimate and open systems. He still has confidence in the Japanese democratic system.

Prof. Campbell quickly comments that Prime Minister Noda was relatively unheard of prior to his new appointment.

Prof. Agawa notes that the government had done a good job in maintaining order and stability during the recent disaster. The people have also quickly began to move forward, and it is especially encouraging that the younger generations of Japanese are now motivated to contribute to the improvement of the country.

Question: For Prof. Ramseyer, should there be some blame on the people for pushing these nuclear plants into unsafe areas simply because they do not want them in their own cities?

Prof. Ramseyer observes that people obviously like to have cheap power, but they would prefer to have these unsafe reactors far away if possible. If part of the reason for having nuclear reactors in the area is the benefit of subsidies, then it makes sense that nuclear reactors are seen in poorer areas where such benefits have more meaning.

Prof. Seike comments that this is one reason why he believes those enjoying cheap electricity without having plants situated where they live should pay some cost for the accident, perhaps through higher electricity prices.

Prof. Campbell adds that this situation makes perfect sense, and such dangerous plants are established by effectively bribing localities into having them in all countries, not just Japan.

He also points out that for many years, reactors in Japan have always been built in locations that already have reactors.