Perspectives on Industrial Policy

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The necessity of government intervention

- Opinions in Japan tend to lean towards one extreme or the other.

"It should be left to the market."

"It is the government's responsibility."

- Appropriate level of government intervention
- Need to establish appropriate criteria
- ⇒ a new perspective on industrial policy

Situations in which government intervention is required

- Put simply, "when the market fails"

  - ➢ "Coordination failure" among stakeholders: Government intervention is particularly important

  - ➢ Temporary market breakdown: Response to financial crises, etc.

  - ➢ Macro policies: if not due to the above reasons, the effectiveness should be limited

  - ➢ External strategy: those could cause problems for the entire world

Perspectives on industrial policy

- Use of private sector mechanisms (including informal mechanisms)
- Policies in response to the coordination failure among private sectors are likely to become increasingly important in the future
- Key perspectives (examples):
  - Support for standardization and format competitions
  - Solutions in the event of the coordination failure among government agencies

Perspectives on industrial policy

- It is important to derive useful "ideas" to prevent the coordination failure.

- Providing funding has a secondary aspect.

- It is important to encourage private sector funding wherever possible.

- It is also necessary to minimize political risks from the government's standpoint.

Points for industrial policy

- Not to provide financial supports easily.

- When providing financial supports, the final decisions should not be made by a government official, that should be made by a person who is not lifetime employee and who has the responsibility for the outcome.

- Japanese has a tendency to feel government interventions are "comfortable," It is therefore important to address the limit of intervention.