



Nobuo Ikeda
Senior Fellow

IT Revolution and Economic System Cluster

The Future of Telecommunications Policy

Vertical integration was the norm in the telecommunications industry. Observing the growth of the Internet, Senior Fellow Nobuo Ikeda theoretically analyzed the shift to horizontal division and proposed a need for a response to the new architecture. This became the focus of the policy debate thriving around the communications and broadcasting industries, and was cited by the Research Council on IT-related Regulatory Reform in its own literature.

Ikeda proposed a switch to a spectrum management policy consonant with market principles by abandoning the current spectrum licensing system in order to realize the optimal utilization of spectrum as public goods by means of digitization of the VHF band and establishment of tradable spectrum utilization rights. This proposal was a result of discussion through a mailing list with Senior Fellow Ichiya Nakamura, Consulting Fellow Shin Yasunobe and other experts. Ikeda's presentation at the academic conference received significant public response.



(Publications)

Economic Policy Review No.5

Designing Institutions in the Broadband Era,

written and edited by Nobuo Ikeda and Koichiro Hayashi, Toyo Keizai Inc.

Broadband Strategy: Too Close to Call,

Nobuo Ikeda, Nihon Keizai Shimbun, Inc.

Computerization and Changes in Economic Systems,

written and edited by Masahiro Okuno and Nobuo Ikeda, Toyo Keizai Inc.

(Discussion Papers)

01-J-001 "Vertical Non-Integration of the Telecommunications Industry Caused by the Internet"

02-J-001 "The Spectrum as Commons: Digital Wireless Technology and Spectrum Policy"

02-J-002 "Is IPv6 Needed?"

02-E-002 "The Spectrum as Commons"

Nobuo Ikeda

RIETI conducts theoretical and practical research from the perspectives of economic theory, knowledge science theory, and legal system theory, on issues such as the impact of the IT revolution on the evolution of corporate systems and new business models, assessment of the corresponding economic impact, methods to maximize the benefit of IT usage, and the setting of economic rules in the IT era.

The changes brought about by the computerization of economic activities and the rapid development of the Internet has created the need for policy formulation to be responsive to the IT revolution. RIETI studies the benefits of the changes in economic structure caused by IT, IT usage that maximizes these benefits, and required new rules.

Research into Knowledge Management Using IT

Faculty Fellow Ikujiro Nonaka and Visiting Fellow Hirohiko Izumida are spearheading basic research into knowledge management using IT, identifying the conditions necessary for the creation of knowledge that transcends current paradigms. *Knowledge Nation Theory* (Economic Policy Review Series) is scheduled for publication in Autumn 2002.

Nonaka and Izumida also established knowledge management systems for industrial technologies as effective means of industry-academia-government cooperation, held a symposium and conducted empirical study on the theme. They also manage the "Policy Platform," an experiment using information technology which puts into practice knowledge management in the policy formulation process.



Toshihiro Kodama
Senior Fellow



Takahiro Fujimoto, Faculty Fellow, at the Award Ceremony for the Imperial Prize/Japan Academy Prize. Fujimoto explains his work on the Toyota System to their Majesties the Emperor and Empress of Japan.

In order to survive amid global competition, firms must create appropriate corporate structures as well as build and implement corporate strategies in a flexible and effective manner. RIETI conducts theoretical and empirical research which assesses the policy needs resulting from the diversification of corporate systems, environment and management systems, and the evolution of corporate governance. It also conducts research on the need for a new institutional arrangement in the labor market, labor legislation, and social safety nets.

Enterprise Organization, Management, Legal System, and Employment Contracts Cluster

Research on Labor Mobility

The transfer of labor from declining sectors to growing sectors is indispensable for economic structural reform.

Senior Fellow Toshihiro Kodama, through his case study of coal mine closures, shed light on the possibility of job-change across different sectors and occupations. Kodama's research results received extensive media coverage and were adopted by Heizo Takenaka, Minister of state for Economic and Fiscal Policy, in his claim for promotion of structural reform.

(Discussion Paper)

01-J-004 "Re-Employment Status of Former Mitsui and Mi'ike Coal Mine Workers After the Mine Closure: Implications for Labor Mobility," Toshihiro Kodama

Based on an analysis of corporate and household data, Faculty Fellow Yoshio Higuchi conducted an analysis of changes in employment practices and the labor market. He conducted empirical analyses on the long-term effects of corporate restructuring on earnings, the productivity of labor, and the volume of employment as well as the impact on domestic employment of firms' shifting their operations overseas, which attracted a great deal of public attention. His policy proposal for work-sharing as a means toward alleviating unemployment was taken up for discussion by the Budget Committee of the Diet's lower house.

(Publications)

The Economics of Human Resource Management, Yoshio Higuchi, Seisansei Publishing Co.
The Economics of Employment and Unemployment, Yoshio Higuchi, Nihon Keizai Shimbun, Inc. (Winner 42nd Economist Prize)

Based on an analysis of Japan's present unemployment situation, Faculty Fellow Masahiro Abe is analyzing the role of job matching institutions from an economic perspective.

International Competitiveness and Modularity

The research led by President Masahiko Aoki and Visiting Fellow Haruhiko Andoh took "modularity" as the keyword in cultivating venture businesses and corporate management reform, and analyzed it as a new industrial architecture.

In July 2001, RIETI held a policy symposium on modularity, inviting Professor Carliss Y. Baldwin of Harvard Business School. The proceedings of the symposium combined with research papers by Faculty Fellow Hiroyuki Chuma on the semiconductor industry and Faculty Fellow Takahiro Fujimoto on the automobile industry, both analyzing the effects of modularity in these industries, were published in the Economic Policy Review Series. This book is popular among businessmen, and has gone through several editions.

(Publication)

Economic Policy Review No.4
Modularity: A New Industrial Architecture, written and edited by Masahiko Aoki and Haruhiko Andoh, Toyo Keizai Inc.

"Competitiveness Research," serialized in Nikkei Shimbun's "Economics Classroom," analyzes the competitiveness of Japanese industry from both the macro and micro standpoints, taking modularization and globalization into account.

Corporate Governance

Faculty Fellow Hideshi Itoh's research into the future of Japanese corporations is scheduled for publication as *The Japanese Firm in Transition* in the Economic Policy Analysis Series in the autumn of 2002. In addition, the empirical analysis of Faculty Fellows Kentaro Nobeoka and Yasuhiro Arikawa, and Faculty Fellow Noriyuki Yanagawa's theoretical analysis and policy proposal activities are continuing.



Hiroshi Saito
Visiting Fellow

Deregulation and Competition Policy, Administrative Evaluation Cluster

Policy to Combat Global Warming

On the occasion of ratification of the Kyoto Protocol, RIETI acknowledged the need for economic analysis on global warming and held a policy symposium entitled “Kyoto Protocol and its Implementation.” In addition to Visiting Fellow Hiroshi Saito’s policy recommendation, Faculty Fellow Tatsuyoshi Saijo and Graduate Research Associate Takao Kusakawa presented the results of their experiment on emission right trading.

Faculty Fellow Yoshitsugu Kanemoto constructed a small-scale microeconomic model for the purpose of policy evaluation, examining the effectiveness of measures to combat global warming in the transportation sector.



Environmental Policy Symposium,
“Kyoto Protocol and its Implementation”

(Discussion Paper)

02-J-004 “Evaluation of Automotive Tax Policy as a Measure to Reduce Global Warming,”

Yoshitsugu Kanemoto et al.

Deregulation of the Electricity Market

The research results of Faculty Fellow Tatsuo Hatta, and other researchers taking part in the Electric Power Study Group will be published in the Economic Policy Analysis Series. The publication will include a survey on auction theory by Graduate Research Associate Kiri Sakahara.

Foreign Policy and Public Accounting Standards

Mitsuru Kitano, Visiting Fellow and Director at the Ministry of Foreign Affairs’ Loan Aid Division, carries out research on the evaluation of Official Development Assistance (ODA). Kitano also raises questions on timely foreign policy issues via his serial column entitled “Foreign Policy Review” on the RIETI Web site.

Fumiki Sakurachi, Consulting Fellow and Finance Ministry official, is conducting research aimed at the improvement of budgetary decision making through the introduction of public accounting standards.

These are concrete examples of RIETI fellows providing a theoretical and analytical backdrop to policymaking while remaining active in the frontline of policy formulation in the government, a unique asset of RIETI.

Declining incentives for cost management in the public utilities sector, such as electricity supply and telecommunications, lead to a high-cost structure and inhibit productivity growth and new start-ups.

RIETI conducts theoretical and empirical research on what the regulatory regime and competition policy in electricity supply and telecommunications markets should be, keeping in mind recent technological advances and evolution in theories on regulation and regulatory reform in the U.S. and European countries. In addition it conducts research on the evaluation of Japanese government policies in diverse fields.



Column, “Foreign Policy Review” by Mitsuru Kitano,
Visiting Fellow



Yuko Harayama
Fellow



Akihiro Sawa
Visiting Fellow

Industry-Academia Cooperation in R&D and Technology Cluster

University Reform

A publication compiled by Visiting Fellow Akihiro Sawa et al. entitled *University Reform: Issues and Controversies* was well received as a multidisciplinary study that goes beyond pedagogy and incorporates elements of economics and sociology. The work also contributed greatly to the policy discussion on university reform at the Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the Association of National Universities. Also on this subject, as a specialist member of the Science and Technology Systems Reform Study Group of the Council for Science and Technology, RIETI President Masahiko Aoki is arguing for turning National Universities into independent institutions with non-civil service status. As the result of this series of policy recommendations, the final report by MEXT's Study Group on the Corporatization of National Universities, "A New National University Corporation," shows a clear path toward removing the civil service status from National Universities.

(Publication)

University Reform: Issues and Controversies, Masahiko Aoki, Akihiro Sawa and Michihiro Daito, edited by the Editorial Board, "MITI Research Review," Toyo Keizai Inc.

Industry-Academia Cooperation

Fellow Yuko Harayama organized a policy symposium on "Institutional Design of University-Industry Collaboration." The proceedings of this symposium will be published in the Economic Policy Review Series in autumn 2002. The proposals tabled at the symposium suggested the need for clarifying the respective missions of universities and industry and the importance of an intermediary between the two parties. Discussions regarding the proposals continue within a network of people including university staff and faculty, members of technology licensing organizations (TLO), officials of MEXT, METI and local governments at Brown Bag Lunch (BBL) Seminars or through a mailing list.

Science and Technology Policy

RIETI tackles research on innovation policy from a wide variety of perspectives. Recently the Japanese government introduced funding that is distributed to researchers or groups of researchers through a rigorous selection process based on examination and evaluation. Faculty Fellow Fumio Kodama, and Fellows Yuko Harayama, Atsushi Sunami and Yoshiaki Nakamura obtained the aforementioned funding and carried out research on the topic of "Science, Technology and Industry (STI) Network and Creation of New Industries." Senior Fellow Toshihiro Kodama conducted a case study titled "Technology Advanced Metropolitan Area (TAMA) Project." Fellow Ichiro Nakayama approached the innovation policy from the standpoint of intellectual property rights. Post-Doctoral Fellow Masayo Fujimoto made a comparative institutional analysis of the organizational identity of research institutions.

(Discussion Papers)

01-E-001 "Japanese Technology Policy: History and a New Perspective," Yuko Harayama

02-J-003 "Current State of Biotechnology Research and Development in Japan and its Three Challenges," Yoshiaki Nakamura et al.

RIETI conducts theoretical and empirical research aimed at contributing to product innovation and strengthening the technological capabilities of industry. Specific areas of research include creative R&D mechanism and cost-benefit analysis of R&D, technology diffusion mechanism and symbiotic industry-academia-government cooperation, human capacity development and human resource mobility, and the creation of a competitive and flexible R&D environment.

In an age when societal needs and technology are increasingly diverse and complex and the rate of innovation ever faster, there is more than ever a need for creative R&D, specialization into areas with competitive advantages, and utilization of the stock of outside technologies.



Nobuo Tanaka
Senior Fellow



Ichiro Araki
Senior Fellow

International Political Economy and International Economic Law Cluster

Safeguard Issues

In April 2001, Japan applied Safeguard Measures and imposed emergency tariffs on imports of scallions, shiitake mushrooms, and tatami straw. As a retaliatory measure, China placed high import duties on such items as Japanese automobiles, air conditioners, and mobile telephones. During the domestic debate that raged over these measures, Senior Fellow C.H. Kwan and Faculty Fellow Akira Kotera outlined an argument grounded in economic and legal theory which opposed such protectionist measures. Heated discussion also took place on our Web site with participation of the general public. The protectionist trade measures in question were subsequently revoked during the trade negotiations between Japan and China in December, demonstrating the correctness of the fellows' policy proposal.

Multilateral Trading System

The November 2001 declaration of the WTO's Fourth Ministerial Conference in Doha, Qatar stipulated, among other items, the kick-off of a new round of trade negotiations and China's accession to the WTO. Research conducted by Senior Fellow Ichiro Araki, a WTO expert, and Faculty Fellow Akira Kotera contributed to capacity-building on trade policy issues among Japanese government officials and other organizations, as well as among policymakers from other countries.

Trade and Investment Issues

Faculty Fellow Shujiro Urata is conducting empirical research on foreign direct investment by Japanese corporations, and by foreign firms toward Japan. Visiting Fellow Kenichi Kawasaki and Fellow Nozomi Sagara are using the general equilibrium model incorporating international trade to analyze the impact of trade and investment liberalization.

Japan-U.S. Economic Relations

In April of 2001, researchers from the American Enterprise Institute (AEI) participated in discussions with experts from the U.S. and Japan on topics such as the current economic situation and future direction of economic policies in both countries. They also discussed future U.S.-Japan relations from both economic and security perspectives. In October 2001, RIETI held a workshop in conjunction with researchers of the Brookings Institution to examine the ramifications of the terrorist attacks of September 11 on the future of Japan-U.S. economic relations. Senior Fellow Nobuo Tanaka, Faculty Fellow Yoshihide Soeya and a number of other researchers participated in the workshop.

The rapid development of cross-border economic activities is causing conflict of economic interests among countries and concern for national economic sovereignty, while at the same time eliciting backlash against globalism. There is more than ever, a need for international rules that govern international economic activities to keep pace with the increasingly globalized economy.

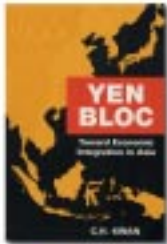
RIETI conducts multifaceted, interdisciplinary research from legal, economic and political perspectives on how to create a new politico-economic regime responsive to diversifying economic activity and values. It also conducts research on strategies conducive to the sustained growth of the Japanese economy in the face of globalization.



C.H. Kwan
Senior Fellow



Yukiko Fukagawa
Faculty Fellow



Asian Economies and Regional Integration Cluster

Studies of Asian Economies

The “China as a Threat” view is an additional cause of concern amid the Japanese economy’s already prolonged recession. Research results by Senior Fellow C.H. Kwan on the emergence of China and Japan-China relations are featured on the “China in Transition” page on RIETI’s Web site in Japanese, Chinese and English, and are highly acclaimed by readers at home and abroad. Kwan is also conducting research on foreign exchange systems in Asia. Visiting Fellow Toshiya Tsugami is engaged in research on the Chinese economy and Japan-China relations based on his four years of experience in Beijing and his practical perspective as Director for the Northeast Asia Division at METI. Faculty Fellow Jianjun Meng, who is based both in Japan and China (Tsinghua University), is engaging in empirical research on China’s economy. Fellow Atsushi Sunami is carrying out research on China’s science and technology policies, following the theme of China’s innovation system reform (“Meeting the Challenges: Becoming a Science and Education Power”). As a specialist on the Korean economy, Faculty Fellow Yukiko Fukagawa has made specific policy proposals regarding Japan-China-Korea cooperation in Northeast Asia.

(Publication)

Yen Bloc: Toward Economic Integration in Asia,

C.H. Kwan, Brookings Institution Press

Economic Partnership Agreements and Economic Integration

Based in the United States (Brookings Institution), Senior Fellow Naoko Munakata has carried out empirical analysis and made policy recommendations regarding the economic integration of East Asia, where various legal frameworks have been formed since the Asian currency crises. From the conceptualization stage, she participated in Japan-Singapore Free Trade Agreement negotiations, which represented Japan’s new direction toward deepening economic relations with East Asia as it breaks away from its exclusive commitment to the multilateral trade system.

(Publication)

Economic Policy Review No.2

Turning Point of Japan-China Relations,

written and edited by Naoko Munakata, Toyo Keizai Inc.

Asian Networking for Economic Policy Research (ANEPR)

In January 2001 our predecessor, MITI/RI, gathered economic policy researchers from Japan, China, Korea, and other Asian countries as well as economic researchers from outside the Asian region to engage in debate on cooperation, competition, and complementary relationships on an experimental basis. This forum was called Asian Networking for Economic Policy Research (ANEPR). The personal relationships that were formed at that time among the researchers as well as joint research projects have been maintained and further expanded after RIETI’s establishment.

Japan’s relationship with other Asian nations is vital to its foreign economic policy. The politico-economic map of the Asian region is changing dramatically with the rise of the Chinese economy and the closer economic relationship between North and South Korea. Japan needs to devise strategic policies based on detailed analysis in order to secure its future economic presence in the region.

RIETI conducts theoretical and empirical research on issues including Asian countries’ economic system reforms and their impact on economic performance, network-building within Asia and ways for individual countries to secure their presence, and the outlook for cooperation among Asian nations.



Kenichi Ohno, Consulting Fellow,
at the Award Ceremony for the
"Osaragi Jiro Rondan Award"

Asia Dynamism Study Group

The economies of various countries of East Asia, each of which is in a different development stage, have strong industrial links. For more than ten years, the economies of East Asia have been the driving force underlying the so-called Asian Miracle and have functioned as the "world's factory." Consulting Fellow Kenichi Ohno, together with Visiting Fellow Hirokazu Okumura and others, established the Asia Dynamism Study Group. The formation of this group was aimed at undertaking analysis and making recommendations to enable Japan, which has a deep interest and responsibilities in this East Asian dynamism, to establish a clear-cut vision and implement various strategies that are consistent with this vision. The results of these activities can be seen on the RIETI Web site.

(Publication)

Globalization of Developing Countries: Can They Accomplish it Autonomously?,

(Winner 42nd Osaragi Jiro Rondan Award)

Kenichi Ohno, Toyo Keizai Inc.

Asian Security and Other Topics

Faculty Fellow Takashi Shiraishi carried out joint research with researchers from Thailand and the United States on the separate themes of "Hegemony and Technocracy" and the "East Asian Region and Japan," based on the overall theme "Formation of the East Asian System and its Change." Faculty Fellow Yoshihide Soeya is engaging in research on such areas as Japan-U.S., U.S.-China, and Japan-China relations as well as the Northeast Asia and Southeast Asia situation, with the current focus on analysis of the new diplomatic policies of the Bush administration.



Keiichiro Kobayashi
Fellow



Sota Kato
Consulting Fellow

Developments such as the maturation of economies, the IT revolution, and the aging of the population are bringing increasing diversity and complexity to policy issues. The relationship between the government and major social institutions is shifting from mere governance by the state to one of multidimensional governance stemming from cooperation and competition among diverse organizations. There is a particular need for examining the proper forms of, and promotion policies for, regional self-government as well as NPOs and NGOs based on spontaneous participation of citizens.

RIETI conducts theoretical and practical research into politico-economic systems, urban economies, the devolution of power from central governments to local governments, and the role of NPOs and NGOs, as well as research into transitions in Japan's industrial policy to accumulate policy cases for reference.

Political Economy System Cluster

Government Activities and Policymaking Processes

The results of the Bubble Research Group headed by Faculty Fellow Michio Muramatsu were published as *Heisei Bubble Research* (Volumes I and II) by Toyo Keizai Inc. Faculty Fellow Masaru Mabuchi carried out research on actual examples of critical policy decisions over the past several years and quantitative analysis on changes in administrations. Faculty Fellow Tetsuji Okazaki reevaluates changes in systems and policy decision processes from the perspective of economic history and has announced these results at the Financial System Council. *The Trap of the Japanese Economy*, a collaborative work by Consulting Fellow Sota Kato and Fellow Keiichiro Kobayashi, makes an analysis from the political economic viewpoint of the causes underlying the sluggishness of the Japanese economy in the 1990s. This work received the Nikkei Keizai Book Culture Award.

(Publication)

The Trap of the Japanese Economy,

Keiichiro Kobayashi and Sota Kato, Nihon Keizai Shimbun, Inc.

(Winner 44th Nikkei Keizai Book Culture Award / Winner 1st Osaragi Jiro Rondan Award — Encouragement Prize)

Politics of Crisis

Faculty Fellows Ikuo Kume, Masaru Mabuchi, and Kuniaki Tanabe planned a project for a comparative analysis of the responses by various countries to the financial and fiscal crises of the 1990s, and held a workshop inviting such professors as Kathleen Thelen of Northwestern University. The results of this project were announced at the European Study Society in the United States.

Local Government/Citizen Empowerment

Visiting Fellow Tomitaro Kitami, a local government official who is temporarily transferred to METI, is carrying out research on fiscal policies of regional governments as well as regional government structures. He has prepared research papers on such topics as e-local government and alternative dispute resolution (ADR), and has made specific proposals. Visiting Fellows Motoko Mekata, Akiko Sugaya, and Consulting Fellow Nobutaka Murao are engaged in a project titled “Citizens for Shaping the Public.” The results of the workshop will be published in the Economic Policy Review Series.



Kotaro Tsuru
Senior Fellow

Macroeconomics, Financial and Monetary Mechanisms Cluster

Safety Nets As a System

Focusing on a wide range of safety nets covering such areas as social security, the healthcare system, and employment issues, we held a multidisciplinary symposium with the recognition that it is necessary to redesign the safety nets system that supports a vital economy and in which each component institution can reinforce one another. Plans call for the publishing around spring 2003 of *Changes in the Corporate Environment and Social Welfare* (provisional title), which comprises the results of research on corporate welfare and retirement provisions by Faculty Fellow Toshiaki Tachibanaki, Visiting Fellow Yoshihiro Kaneko, and Fellow Koichi Akaishi. Faculty Fellow Koichi Kawabuchi’s policy recommendations for reform of the healthcare system were published as *Healthcare Reform* (Economic Policy Review Series) and elicited a response from the Ministry of Health, Labour and Welfare, hospitals nationwide, and various political parties.

(Publication)

Economic Policy Review No.3 *Healthcare Reform,*

Koichi Kawabuchi, Toyo Keizai Inc.

Macroeconomic and Financial Systems

Fellow Keiichiro Kobayashi is building a macroeconomic theory that incorporates financial systems. He analyzed the cause and effect factors in the non-performing asset problem in *Issues and Controversies in Macroeconomic Policy*, and *Economics of Balance-Sheet Restructuring* for the Economic Policy Review Series, co-authored with Visiting Fellow Tatsuya Terazawa and Faculty Fellow Mitsuhiro Fukao. Through such means as the RIETI policy symposium, “Non-Performing Assets, Restructuring for Japan’s Economic Recovery,” he has made energetic use of the media in disseminating his ideas.

(Publications)

Issues and Controversies in Macroeconomic Policy, Hiroshi Yoshikawa, Edited by the Editorial Board, Ministry of International Trade and Industry/Research Institute, Toyo Keizai Inc.

Economic Policy Review No.1 *Economics of Balance-Sheet Restructuring,* written and edited by Mitsuhiro Fukao, Tatsuya Terazawa and Keiichiro Kobayashi, Toyo Keizai Inc.

(Discussion Paper)

02-E-004 “Japan’s Lost Decade and the Complexity Externality,”

Keiichiro Kobayashi et al.

Senior Fellow Kotaro Tsuru is conducting theoretical and empirical research on main banks and financial *keiretsu*, focusing on changing relationships between Japanese companies and banks. He presents easy-to-understand analysis and commentary in “Economics Review” on the RIETI Web site, while introducing the latest economic theories for a wide range of themes that include government organizations and incentive systems.

(Discussion Papers)

01-E-004 “Bank Relationships and Firm Performance: Evidence from Selected Japanese Firms in the Electrical Machinery Industry”

01-E-005 “Careers and Incentives of Japanese Fast-Track Bureaucrats: A Career-Path Dependent Model Perspective”

Kotaro Tsuru

Consulting Fellow Yoichi Takahashi, based on his experience as an officer at the Ministry of Finance, made analysis and policy recommendations regarding non-performing asset and pension problems from economic and legal perspectives.

Taking Japan’s current financial condition and future financial circumstances into consideration, the country must strive to achieve balanced economic growth, and must look ahead to structural socio-economic changes. The formulation of the optimal policies to achieve a sound financial structure is a pressing issue, and there is a need to reconsider the nature and role of fiscal management.

RIETI conducts theoretical and empirical research into tax and fiscal policy emerging from compliance with social security systems and other changes in the socio-economic structure, efficient and effective fiscal management that encompasses the division of control over financial resources between national and regional authorities, and rethinking the role of fiscal policy as an effective agent in regulating business conditions through such measures as public works investment.



Kazuyuki Motohashi
Senior Fellow



Tetsuro Toya Memorial Library

Econometrics and Databases Cluster

Pan Pacific Productivity Comparison Project

RIETI is systematically building databases at the industry and corporate levels while developing quantitative models that utilize these data.

To analyze economic growth factors in East Asian countries, as well as the international competitiveness of Japanese manufacturing industries, RIETI is developing databases for an input-output table, capital stock, and labor using its network of researchers in Japan, the United States, China, Korea, and Taiwan. In fiscal 2001, RIETI held two international conferences as part of work to achieve conformity in category concepts, including database design and industry classifications. RIETI will make necessary adjustments in accordance with the state of progress of this work in each country with the aim of completing the databases in spring 2004 and plans to announce this at an international conference. Although macroeconomic databases are being developed by such international institutions as the World Bank, the East Asia Productivity Database enabling an analysis by type of industry is unprecedented anywhere in the world and is expected to generate a significant response.

Database Development for Industry Structure Analysis

The Japanese economy underwent a significant structural transformation from the 1980s through the 1990s. However, because time-line linkages of government statistics are inadequate, sufficient empirical analyses of changes in industry structure were not made. Using an input-output table as a base, RIETI is linking industrial, trade, and various price statistics according to detailed industry classifications as well as developing a chronologically arranged database for the analysis of industry structure. We are carrying these out with the aims of completing and releasing them during 2002. We expect that this database will be used as a basic resource for policy analysis related to economic structural reforms. Using the database, we also plan to develop quantitative economic models for making various types of policy simulations.

Policy Analysis Using Firm-Level Data

RIETI is developing a firm-level database that links various questionnaire surveys with a database of corporate financial statements. We are also focusing on policy analysis using microdata, primarily those from the Ministry of Economy, Trade and Industry. For example, policy evaluation analysis of a small and medium-sized company innovation policy employing industrial statistics data by Senior Fellow Kazuyuki Motohashi is being used as a basic reference for system design for various policies at the Small and Medium Enterprise Agency.

(Discussion Papers)

01-E-006 "Use of Plant Level Micro-Data for SME Innovation Policy Evaluation in Japan"

01-E-007 "Development of Longitudinal Micro-Datasets and Policy Analysis for Japanese Industrial Sectors"

Kazuyuki Motohashi

RIETI conducts empirical analysis using its proprietary databases as well as policy impact simulations based on general equilibrium models. These activities offer valuable objective data needed in policy formulation and support the quantitative aspects of the research projects conducted by RIETI's various clusters.