

CEPR-RIETI Symposium

新しい資本主義を探る
Exploring the New Capitalism

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New Capitalism, New Industrial Policy

Makoto Yano, RIETI

March 23, 2022

Welcome to the RIETI-CEPR Symposium

Exploring the New Capitalism

Today, we are going to cover two themes:

1. Climate Change
2. Global Value Change Resilience

New Capitalism

- Prime Minister Kishida's Guiding Policy Philosophy
 - Creation of the ideal loop of growth and distribution
 1. Human capital investment
 2. Digital Platform: Digitalized urban/rural areas
 3. Start-up
 4. Bold investment
 - Green, Semiconductors
 - Proper income distribution pulls healthy growth.

Per capita wage rate

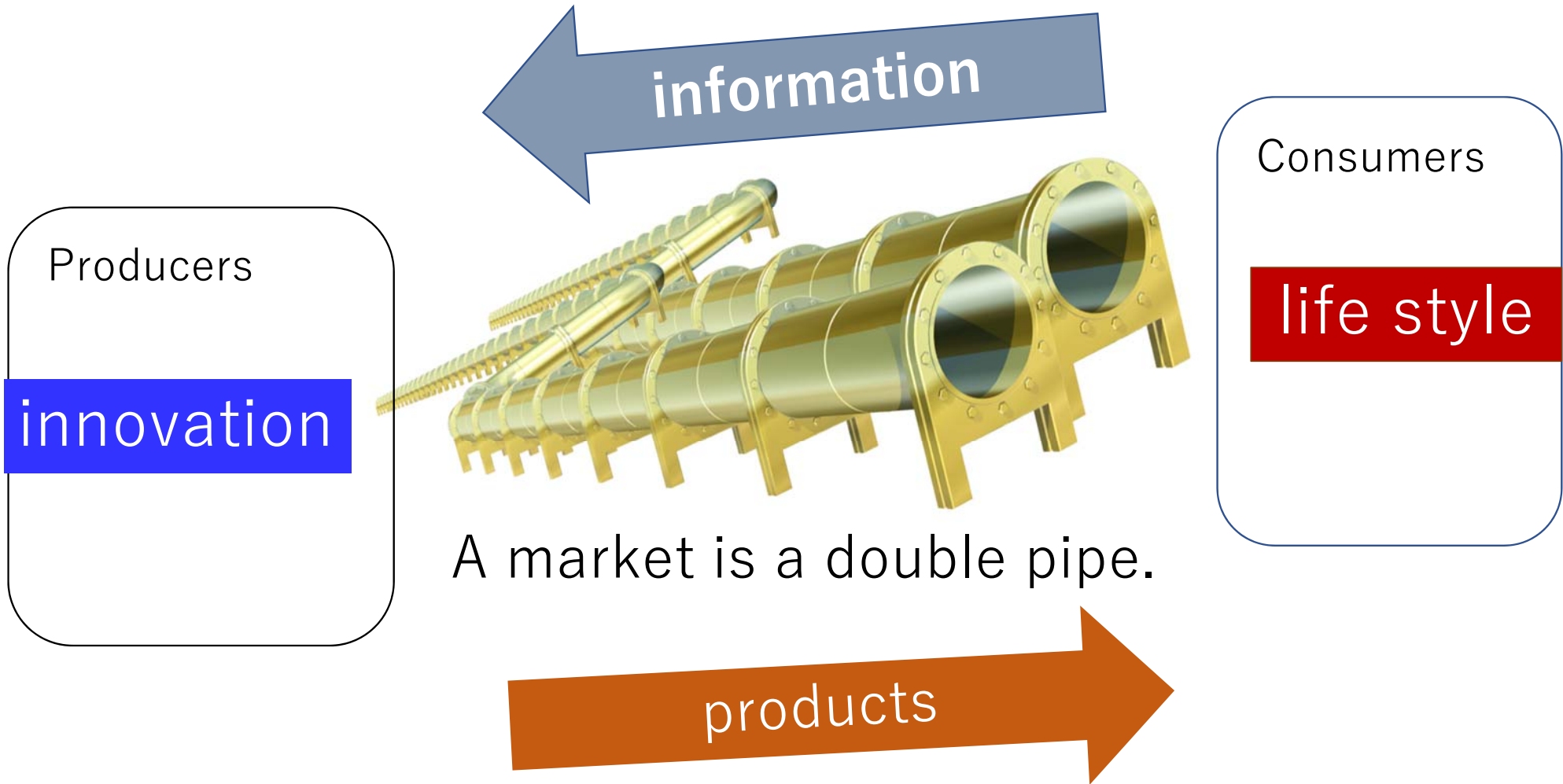
- Japan \$38515
- Korea \$41960
- France \$45580
 - UK \$47147
- Germany \$53745
 - US \$69392

BBC: Mariko Oi, Nov 1, 2021

Market Quality Theory

- Healthy growth and development is guided by high quality markets
 - Health growth: Growth guided by a proper distribution
 - Market Quality: Efficiency in allocation + Fairness in trading process
 - What is fairness in trading process?

Market and Market Quality



Innovation and Need for New Industrial Policy

Industrial Policy: Protection of Infant Industries

- New Industrial Policy

- Faster Development of Fundamental Technologies

- Computer, Nuclear Energy
- Space Exploration
- Internet

- Increasing Returns

- Takashi Negishi (1961)

- Old Industrial Policy

- Faster Catch-up

- US post Independence War
- Japanese Rapid Growth
- Chinese Miracle

- Externality in Learning

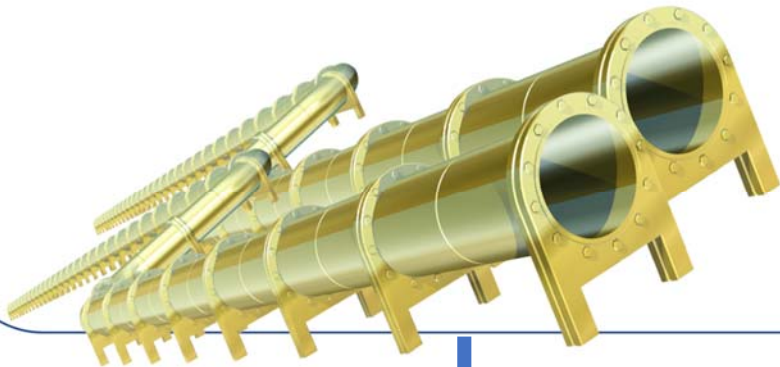
- Hamilton, List, Baldwin

High Quality Market - Pre-requisite for New Industrial Policy

New Technologies (Computer, Nuclear Energy, Space)

with High Quality Markets

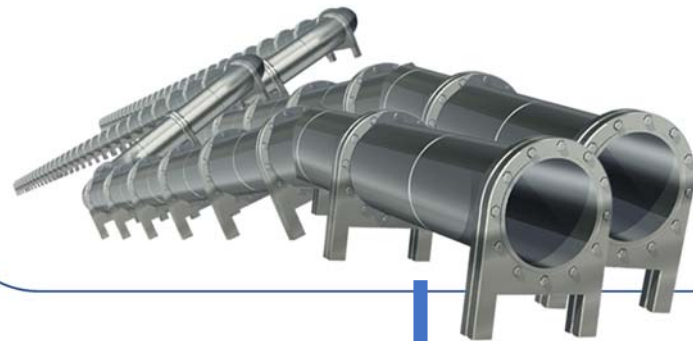
US, UK, EU in the late 1990s



Growth

Without High Quality Markets

Soviet in the mid 1900s
Japan since the 1980s



Stagnation

Technologies for the Future

- Development of Green Energy
- Production network for semiconductors and other key products in the middle of geoeconomics shocks

Establishment of the New RIETI EBPM Center on April 1

- Evidence Based Policy Evaluations for New Industrial Policy,
- focusing on green innovation and adjustments toward geoeconomics shocks

Today's Symposium

- Towards forming a guiding philosophy for this initiative.
- Development of Green Energy
 - which will be discussed by Rick Van Der Ploeg and Yuki Ono
 - moderated by Richard Baldwin
- Production network for semiconductors and other key products in the middle of geoeconomics shocks
 - which will be discussed by Richard Baldwin and Yasuyuki Todo
 - moderated by Tetsuya Watanabe.

Fairness in Trading Process

- Competition is subject to a proper set of rules
 - that have been developed over time for the effective use of markets
- One such rule is the rule of non-discrimination
 - that leads to an equal treatment of all market participants and unbiased distribution of gains from trade.
- Unbiased distribution leads to healthy growth

Industrial Revolution Cycles

Cyclical Change in market quality and innovation

Rapid technological progress reduces market quality

