

INTRODUCTION

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Hitotsubashi University celebrated its 110th Anniversary in 1985. In celebration, on December 5th and 6th of the same year, an international symposium, entitled, "The World Economy and Japan," was held at the Josui Kaikan in Kanda, Tokyo.

Seven leading economists from Europe, America, Asia, and Japan were invited to make presentations on the troubled state of world economic affairs and the role that Japan must play in order to overcome these present difficulties.

In the first session, various problems of the United States and the European industrialized countries were discussed. In the second session, problems of the various countries in East Asia and Southeast Asia were raised. The third session focused on the role of Japan in world economic affairs, and the fourth session consisted of general discussion of the three previous topics, thus concluding the symposium. In this special issue of this journal, the papers presented at the international symposium, as well as comments on them are included. Following is a brief summary of the discussions in each session.

In the first session, Professor Gordon's paper discussed various views on the fiscal deficit, high interest rates, the weak dollar and the current account deficit. After investigating viewpoints including one that the current account deficit triggered the other three problems, he pointed out that in 1981-82, the money-tightening measures, then in 1983 onwards, the fiscal deficit, had a great influence on the other factors, such as the high interest rates. Next, Professor Pollard, in his paper, first discussed the problems of stagflation, fiscal deficits, and current account deficits, based on the British experience. He then compared this to the German experience. Finally, Professor Bruno presented a paper on major economic trends which have arisen within the past 15 years. Professor Bruno stressed the role played by supply-side factors, (the cost of importing raw materials such as oil, labor costs), and also the interaction of aggregate supply and aggregate demand. He also pointed out that Japanese fiscal expansion would help alleviate the worldwide trend toward economic contraction.

Lively discussion ensued in response to these three papers, especially in reference to the concept of fiscal deficits adjusted, presented in Professor Gordon's paper. In regard to Professor Pollard's paper, there was the comment that the stagnation of entrepreneurial spirit and various government interventions in non-macroeconomic aspects such as the nationalization of private corporations are what might have brought about Great Britain's economic stagflation. In regard to Professor Bruno's paper, it was pointed out that the supply-side analysis was undertaken in a neo-classical manner, but that the function of real wages can be perceived to work in a manner contradictory to that of neo-classical analysis. There were also questions raised regarding the figures Professor Bruno used for Japan in reference to the wage gap.

The topic of the second session was the economic difficulties of the Asian developing

countries, within the context of the global recession which started after the second oil crisis, and the future prospects for these countries. Professor Hong, in his paper, pointed out common problems that the Asian newly developing countries, (NICs), are presently facing, such as the protectionism and the difficulty of technology transfer from the industrialized nations. Furthermore, he introduced other problematic areas for these countries, such as the under-developed monetary systems and the shortage of active research and development. Then, Professor Dorodjatun claimed that with the recent drop in oil prices and the lack of export revenue, the Indonesian economy is suffering from a structural recession and a lagging industrialization. In response to these, the participants pointed out that of course the industrialized nations have a responsibility in the matter, and that the role Japan must play in Asia's economies is a large one, but at the same time, there is also room for reform within the policies of the Asian nations. Furthermore, it was added that the Asian nations are doing well compared to other developing countries, and have the potential and capability to overcome their present difficulties themselves.

In the third session, Professor Nakatani, in his paper, suggested that in Japan, where savings surpasses investment, and that in America, where investment exceeds savings, the cause of this situation can be found in the difference in tax systems. Japan's tax system promotes savings and suppresses investment, while the opposite is true of the American system. This situation can also be said to cause a difference in the interest rates between the two countries. He asserted that the Japanese capital account deficit with the current account surplus and the American current account deficit with the capital account surplus result from the interest differential between the two countries, and he proposed a Summit to be held in order to correct the situation. In response to this paper, most of the comments centered around the issue of the difference in Japanese and American tax systems as being the fundamental cause of the present balance of payments imbalances.

On the other hand, Professor Teranishi attempted to explain the present state of the Japanese and American balance of payments by emphasizing the financial side rather than the investment-savings relationship. He explained that because there exist foreign currency holding restrictions at banks, in the case that there becomes an excess of payments into the long-term capital balance while one is holding receipts in the financial account of the short-term capital balance, the latter's exchange transaction is covered while the former's is not, so an excess demand for dollars is produced and a depreciated yen results. In response to this paper by Professor Teranishi, it was requested that careful consideration be given to what Japan's role should be within this global view.

Finally, the fourth session consisted of general comments by Professor Bronfenbrenner, along with questions from the floor, to which each of the reporters gave a response. The issues which became the main topics at this point were Japan's role regarding Asia's newly developed countries (NICs) and the fundamental cause of the present international balance of payments situation between Japan and the United States. Regarding the first issue of Japan's role, Professors Hong and Dorodjatun stressed that the Asian NICs require technological cooperation from Japan. In addition, Professor Pollard addressed the issue of past historical experience, citing the ineffectiveness of technology export prohibitive measures during Great Britain's period of free trade. In response to the second topic of the Japanese and American international balance of payments situations, the debate regarding the difference between the two tax systems presented in the Nakatani report was revived,

and there an exchange of opinions followed regarding the extent to which the present situation can be explained by the difference in tax systems. Professor Gordon asserted that it would be difficult to explain the present international balance of payments situation using one single hypothesis. Also, Professor Bruno pointed out again that the supply-side should be stressed as a main cause.

Thanks to the timeliness of the selected topic as well as the participation of leading foreign and Japanese economists who are at the forefront of international activity in the field, the symposium was able to accomplish the goals intended. There were 184 participants, including 27 scholars from abroad, and Japanese scholars from 27 domestic universities and 6 research organizations.

This symposium was organized by the International Symposium Preparatory Committee chaired by Masazo Ōkawa and composed mainly of the staffs of the Department of Economics, the Institute of Economic Research, and the International Affairs Office. In addition, there was Hitotsubashi University's alumni organization, the Josuikai, which generously offered much help, as well as a site for the symposium.

The funds required for the staging of the symposium, the invitation of foreign participants, and the publication of the reports were supplied by the Ministry of Education's International Symposium Assistance Fund and by contributions to the Centennial Anniversary Scholarship Promotion Fund of the Josuikai.

We would like to express gratitude to all those who helped to make the symposium a success.

HITOTSUBASHI UNIVERSITY