Columbia Business School
Center on Japanese Economy and Business

Tensions in the Global Financial Regulatory Environment

May 21, 2012

Roppongi Academyhills, Tokyo, Japan

Prof. Hugh Patrick opening the conference

Hugh Patrick, director of the Center on Japanese Economy and Business (CJEB) and R.D. Calkins Professor of International Business Emeritus at Columbia Business School, opened CJEB's annual Tokyo conference by providing an overview of some of the challenges and international conditions facing the global economy. Japan's triple disaster of March 2011, the implementation of Basel III and new macroprudential reforms stemming from the 2008-09 financial crisis, and Europe's ongoing economic and political difficulties come at a time when both the global balance of power is shifting and financial market innovations necessitate a recalibration of regulatory mechanisms. The themes for the conference – international in scope, future-oriented, with a longer-run perspective – were designed to address some of the important complexities facing the United States, Japan, and other economies throughout the world amidst this changing financial and regulatory environment.

In organizing the conference, Professor Patrick noted that there were two important topics in Japan's changing financial sector that should be considered: the housing loan mortgage market, and the privatization of Japan Post. He warned that the Housing Finance Agency, which replaced the government's Housing Loan Corporation, may have potential difficulties similar to those found at Fannie Mae and Freddie Mac. Considering how Japanese housing finance reforms seem to be developing, an explicit comparison between these government-sponsored financial institutions appears both timely and important, and the first panel of the conference was designed to explore this issue.

Prof. Hugh Patrick

According to Professor Patrick, Japan Post's privatization process is extraordinarily important not only because of the size and scope of its holdings – controlling one quarter of Japan's life insurance market and 30 percent of its savings deposit market – but also because of the important example it stands to set for the basic reorganization of the international financial environment. Recent legislation has halted this privatization process for now, casting doubt as to what the future will hold for the world's largest financial institution. The third panel of the conference was formed in order to examine what Japan Post will and should become over the long-term.

At the same time, noted Professor Patrick, when looking more broadly at the international system, we see financial market innovations coming to bear on the changing structure of the global regulatory environment as whole. The keynote address and second panel were designed to offer a better understanding of the nature of finance in the 21st century.

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KEYNOTE ADDRESS

Mr. Toyoo Gyohten

Toyoo Gyohten, president of the Institute for International Monetary Affairs, began by reflecting on some of the significant contrasts between how the global economy functioned throughout much of modern history and how it does today. Traditionally, and up until the end of the 20th century, finance played an important facilitating role within the "real economy." Today, however, we see the financial system leading the global economy, not the other way around.

Mr. Gyohten said that, generally speaking, world powers have undertaken a sustained quantitative easing policy agenda in recent years, which in turn has substantially increased global liquidity. At the same time, we see a notable imbalance in the debtor/creditor dynamics between these same powers, which is perhaps best exemplified in the U.S.–China relationship. These factors, combined with the advent of super computers and financial sector engineering, has drastically changed the state of finance.

Additionally, Mr. Gyohten noted that financial innovations, including the kinds of securitized products that played such a central role in the recent crisis, have come together with new and changing derivatives markets to shape the 21st century economy. Likewise, the players within the financial world are different and changing, with banks, insurance companies, and other conventional institutions operating alongside new entities like hedge funds and private equity firms.

The physical nature of finance has also undergone a transformation, with stock exchange traders being replaced with computers and automated, algorithmic-based buy and sell technologies. "The human element," as Mr. Gyohten termed it, has been drastically reduced, with today's financial system operating as a kind of computer-based money game that seeks higher and higher levels of profitability. Also, globalization – which he defined as "the elements that move the world economy" – has created a single international market for goods and services, which has clearly contributed to changes in the financial system. Indeed, from the perspectives of products, participants, and the market itself, finance as a profession and as a behavior has completely changed.

Mr. Gyohten said that greed has increased with the globalization of financial services, the repercussions of which have been both positive and negative. Certainly, risk awareness has been desensitized, which has contributed to the increase in size and scope of bubble economies. Additionally, the labor force within the financial industry has come to bear on the demographics of society at large. This is in part because, in order to participate, one must obtain advanced levels of education and work experience; and in part because the high salaries earned by many in the profession have resulted in a widening income inequality. This distortion of income means that moderates are playing a decreasing role in society, a sign that the foundation of industrial capitalism is eroding.

Left to right: Prof. Hugh Patrick, Mr. Toyoo Gyohten

In conclusion, Mr.

Gyohten said that while the many changes to the financial industry have given rise to new challenges, we are still grappling with the age-old question of how to harmonize capitalism with societal benefits. While the animal spirits that drive markets may lead to many of the problems facing today's economies, over-regulation can dampen efficient models of growth and create vacant space where healthy business systems might flourish. Looking to the future, Mr. Gyohten recommended that institutional design, as exemplified by Basel III and Dodd-Frank, should be advanced at the international level, and at the same time, a human approach to ethical business standards should be nurtured.

Question and Answer Session

Mr. Shijuro Ogata, CJEB professional fellow and former deputy governor of the Bank of Japan, asking a question

Q: What is the greatest difference between the U.S. and Japanese financial systems?

A: Mr. Gyohten replied that major differences lie in the principles and characters of society in general, including differences in conservative nature and tolerance for risk. This has led to Japan being less affected by recent financial crises. It is debatable whether this is a positive development or not in the aggregate.

Q: Who is best suited to teach business ethics?

A: Mr. Gyohten said that teaching ethics is probably the most difficult curriculum in any educational institution. An appropriate instructor of business ethics must be someone who is viewed as an ethical business leader, who has a strong track record of success, and experience in a number of different and diverse business environments.

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SESSION 1: MORTGAGE FINANCING INSTITUTIONS AND HOUSING: U.S. AND JAPAN

Prof. Kay Shimizu

Christopher Mayer, Paul Milstein Professor of Real Estate at Columbia Business School, Alicia Ogawa, Senior Advisor at CJEB and Adjunct Associate Professor at the School of International and Public Affairs, and Hiroo Ichikawa, Dean and Professor of Urban Policy at Meiji University's Graduate School of Governance Studies, reflected on the mortgage financing institutions and housing markets in the United States and Japan. Kay Shimizu, Assistant Professor of Political Science at Columbia University, moderated the session.

Panel 1, left to right: Dean Hiroo Ichikawa, Prof. Christopher Mayer, Prof. Alicia Ogawa, Prof. Kay Shimizu

Professor Mayer began by noting that, while there was a housing bubble throughout much of the world, the effect it had on the financial systems of individual countries was different. In the United States, the impact was severe, with the American economy only recently showing signs of a recovery. Although housing prices have fallen 33% from peak, the market has stabilized and mortgage performance is improving. While he is cautiously optimistic, Professor Mayer said that major hurdles remain unaddressed, such as revamping U.S. housing policy, which has to date been lacking and ineffective. Only after the upcoming general election in November will we have a better idea of how housing policy will develop.

Credit is not returning to mortgages as it is in other sectors of the economy, and there is almost no private sector market whatsoever; where the United States once securitized nearly $1 trillion per year in mortgages, almost no such lending activity now takes place. Professor Mayer said that this is not due to a lack of demand, but rather because the mortgage finance system is broken. Adding to the problem is the extreme tightening in credit standards, leaving many would-be buyers unable to access lending markets; without a nearly perfect credit score, Americans are unable to obtain a normal conforming mortgage. Also at play is the increased cost of credit, with the spread between mortgage

Prof. Christopher Mayer

rates and bond coupons reaching nearly 1%.

This has had a very negative impact on the U.S. economy, with housing construction having fallen appreciably in recent years, contributing significantly to the slowdown in U.S. GDP growth. This phenomenon is not unique to the United States, and can be seen taking an even heavier toll in countries like Spain. Professor Mayer noted that China's inflated construction sector is showing worrisome signs, not necessarily because of risks posed by potential bank failures (which the Chinese government is unlikely to allow) but rather due to basic macroeconomic effects of retreating housing prices.

In conclusion, Professor Mayer said that housing reform is unlikely until at least 2013. A new infrastructure is needed to manage a changing mortgage finance system – one that re-establishes reasonable lending standards and reduces market frictions. Moving forward, many countries will face the difficult issue of deleveraging in the mortgage market, where writing down loans to the value of the home would bankrupt many banks and mortgage holders.

Prof. Alicia Ogawa

Professor Ogawa followed by examining the evolution of Japan's mortgage market, focusing on how it has recently avoided many of the inherent flaws in the current U.S. system. One fundamental difference is public perception, with the Japan Housing Finance Agency (JHF) being viewed as a friendly enabler, while Fannie Mae and Freddie Mac are viewed considerably less favorably. Another major difference is that, unlike in the United States, Japan does not have an "originate to distribute" model; in Japan, banks and mortgage service providers are almost always one and the same. Further differences include institutional and culture barriers to personal bankruptcy in Japan, as well as a reduced burden of credit risk that has stifled the U.S. market. Demographically, Japan's population is shrinking, so the long-term prospects for the mortgage market are not very bright. Finally, Japan's mortgage lending market operates on a recourse basis, which generally gives more protection to the lenders than the borrowers. This in turn decreases liquidity in the Japanese housing market.

Commenting briefly on the evolution of the Government Housing Loan Finance Corporation (GHLF) becoming the JHF, Professor Ogawa said that the transition has gone quite well. JHF's objectives – facilitating long-term fixed rate mortgage lending, kick-starting the RMBS market, and distancing itself from the private sector – have largely been accomplished.

Looking to the future, Professor Ogawa gave several warnings. She noted that defaults in Japanese consumer loans, made up largely of housing mortgages, are on the rise, and although this may not immediately threaten financial system stability, the risks associated with this trend are substantial. She pointed to structural and societal changes underway in Japan, and warned of potential social instability, as well risks to the private banking sector, if housing policy is not carefully designed moving forward.

Dean Hiroo Ichikawa

Dean Ichikawa focused his presentation specifically on the Japanese housing market from an urban planner's perspective. Similar to trends in the United States and European Union, new housing construction in Japan is only about half of what it was in 2006. However, the makeup within Japan's construction portfolio is somewhat different. In Tokyo, for example, houses built for sale and houses built to rent each represent a significantly higher percentage of total construction than do houses built to own. Unlike in the United States, private funds remain the main source of loan provision. Another difference is that Japanese generally prefer to build new homes instead of renovating existing homes, whereas the opposite is true in the United States.

Dean Ichikawa elaborated on the factors affecting the purchase of a house in Japan. Generally speaking, there are four primary considerations: land price, income, housing policy, and lending interest rates. In Japan, these factors are moving in different directions, which may offset any sizable aggregate trend in the market. While land prices and loan rates are relatively low, which has a positive effect on housing purchases, income is down in Japan, which restricts the buyer market. Furthermore, urban and rural future projections are quite different. Although there will likely be an approximate 10% nationwide drop in the number of houses being sold, this will likely not be the case in urban centers like Tokyo.

Question and Answer Session


Dr. Adam Posen during Q&A

Q: Why was the Federal Reserve Bank's monetary policy ineffective? In order to normalize credit conditions in the MBS market, what is the most effective policy measure to be undertaken?

A: Professor Mayer responded that, while the Federal Reserve should be credited with saving the U.S. economy from total collapse at the onset of the financial crises, there can certainly be improvements in rebuilding confidence in the system. The Boxer-Menendez refinance bill is a step in the right direction.

Q: Would a bit of inflation be a feasible solution to the debt deflation dynamics plaguing the U.S. and Japanese mortgage markets?

A: Professor Mayer answered that, while inflation may be a viable solution – since raising asset values is an alternative to writing down debts – it is important to remember that the cost of bringing inflation expectations back down is always lower in theory than in the real world, where central banks operate.

Q: Should Japan introduce non-recourse loans?

A: Professor Ogawa responded that, while moving to non-recourse loans may improve liquidity and labor mobility in the Japanese market, it is important to remember that the U.S. system is an outlier in global terms, and that there are interesting alternatives to non-recourse debt.

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SESSION 2: THE GLOBAL FINANCIAL SYSTEM

Charles Calomiris, Henry Kaufman Professor of Financial Institutions at Columbia Business School, Kazumasa Iwata, President of Japan Center for Economic Research, Frank Packer, Head of Financial Stability & Markets, Bank for International Settlements, and Adam S. Posen, External Member, The Monetary Policy Committee of the Bank of England, provided their perspectives on the global financial and regulatory environment. David E. Weinstein, CJEB's associate director for research, Carl S. Shoup Professor of the Japanese Economy, and director of Columbia's Program for Economic Research, moderated the session.

Prof. David E. Weinstein

Professor Calomiris began by stating that the fundamental way we think about regulating banks is wrong. The system is broken, and we must learn from history if we are to correctly envision and implement a new, effective means of prudential bank regulation. The main constraint facing policymakers is not the economics of understanding how to improve the system, but rather the nature of banking crises themselves. He clarified by noting that financial crises do not happen by accident but are in fact fragile by design: politically, we tolerate the occurrence of crises because we desire certain other perceived advantages that take place when times are good.

Panel 2, left to right: Dr. Adam Posen, Dr. Frank Packer, Prof. Kazumasa Iwata, Prof. Charles Calomiris, Prof. David Weinstein

This "political equilibrium," according to Professor Calomiris, permits a failed banking system that does not measure risk and budget capital accordingly, and does not accurately recognize loss and require sufficient replacement of lost capital. This is what needs to change; but do we have the ability politically to make these changes? So far, the answer is no.

Turning to potential solutions (assuming we can find the political will in the future), Professor Calomiris suggested several approaches that may yield desirable results. Fundamentally, the answer lies in recalibrating the incentive structure within the financial system. At the moment, both for regulators and banks, there is an incentive not to credibly measure risk and budget capital accordingly, and not to replace lost capital in a timely manner. This must change if we are to create a more stable global financial system, and the prescription must be "incentive robust" – containing incentives strong enough to direct the actions of banks and regulators in the desired direction.

Prof. Charles Calomiris

Professor Calomiris concluded by offering ideas on what a successful system might look like. For the loan market, he suggested adopting a system where the risk factor of a loan is determined by its interest rate spread, instead of relying on lending institutions to provide accurate assessments and forecasts. This would avoid much of the discretionary judgment that is often the catalyst for financial crises. Regarding accountability, he suggested that credit rating agencies should use a number rather than a letter grading system when ranking a bank's asset portfolio, and be held accountable for gross misrepresentations and inaccurate forecasts. He also suggested incentivizing timely recapitalization in banks by establishing minimum uninsured Contingent Convertible (CoCo) requirements designed to improve risk management and capital raising incentives. Finally, Professor Calomiris suggested increasing cash reserve requirements alongside a higher minimum capital ratio. This would reduce liquidity risk, increase robustness during crises, and since it is much more difficult to lie about cash than about capital, it would strengthen observability and transparency.

Prof. Kazumasa Iwata

Professor Iwata presented his view of the new regulatory environment, particularly Japan's perspective on trends and changes underway in the global financial system. He began with the yen's appreciation, noting that despite weak fundamentals, it was chosen as a flight currency following the Lehman bankruptcy. In contrast, the real effective rate of the German mark has been relatively stable since 1970. The difference can be seen in the remarkable divergence in export performance, with Japan's share of the global market experiencing a steady decline. Another concern posed by a sharp appreciation of the yen is a reactionary, self-fulfilling and rapid deflation. He said that recent moves by the Bank of Japan are appropriate to attain a 1% inflation goal, but in order to eradicate deflation, Japan must be cautious on the choice of its price index, and carefully monitor the nominal wage/price-unemployment nexus.

The spillover effect of unconventional monetary policy stemming from the 2008 financial crisis, as well as current problems in the EU, have fueled a debate over the optimal methods of stabilizing the global financial system. Professor Iwata offered his vision of the way forward, suggesting that in order to protect against the repercussions of rapid declines in major currencies, a 50 trillion yen fund should be established to enable the purchase of foreign bonds, with losses to be indemnified by the Ministry of Finance (MOF). He also recommended doubling the IMF loan base from \$750 billion to \$1.5 trillion in order to strengthen the global safety network. Furthermore, he recommended that the IMF create a new committee to evaluate global macroprudential policy as well as potential measures to prevent the formation of harmful avenues of crisis contagion, in addition to the issue of the SDR-denominated IMF bonds. In order to combat the risks posed by global imbalances arising from the distorted distribution of high quality assets between the United States and Asia, he suggested that Japan encourage the development of Asian bond markets through the creation of currency/bond settlement systems. Finally, to prevent future liquidity crises, Japan should seek to strengthen the linkage between IMF lending bodies, the Chiang Mai Initiative fund, and central banks.

Dr. Frank Packer

Dr. Packer began by noting that Asian banks have recently performed well compared to their counterparts in the West, partly reflecting the success of policy initiatives first introduced in the late 1990s in response to the Asian financial crisis, and partly due to their limited exposure to the credit risk, transfers and securitization issues that have taken a large toll on American and European markets. The concern is that beyond the decline in exports that one might expect from the current EU crisis, the travails of Western banks will spread to Asia via channels of contagion. For Asia to best manage the unfortunate economic dynamics in the EU, it will need to identify which of these contagion channels are particularly threatening and respond with appropriate financial policy.

One of these channels can be seen in European banks facing U.S. dollar liquidity funding gaps, which may lead to a retreat in dollar-based finance globally. Another concern is Asia's dependence on relatively volatile short-term, wholesale and cross-border funding markets. Finally, trade finance is a potential channel of contagion, particularly for economies heavily dependent on manufacturing exports; EU banks have historically been important players in the trade finance market in Asia, and it remains unclear exactly how the void left from their shrinking presence would be filled.

Moving from contagion channels to the changing global regulatory framework, Dr. Packer spoke on the impact of Basel III in Asia. He noted that Asian banks are well placed to handle the changes in business models that are incentivized by the new global regulatory standard. For instance, because Asian banks are grounded in traditional lending activity, they will be only marginally affected by the increased risk coverage requirements. Similarly, Asian banks, with their already high reserve requirements and focus on retail funding, are positioned well to handle changes in global liquidity standards. Finally, Dr. Packer spoke on how Basel III allows authorities to impose a countercyclical capital buffer in periods with high aggregate credit growth associated with the build-up of risk, and noted that Asian countries already have a wealth of experience with these kinds of macroprudential measures.

Dr. Adam Posen

Dr. Posen opened by saying that we are worrying too much about future crises and doing too little to remedy the current crisis. He said that along with government intervention, supranational institutions are critically important to solving many of the challenges present in international finance. Absent these institutions, incentives primarily drive national governments to take the wrong actions in the name of short-term perceived self-interest.

Dr. Posen lamented that, despite the lessons derived from Japan's emergence from its 1990s financial crisis, when it instituted a separating equilibrium which helped the government evaluate which banks were worth saving, most EU governments have not responded appropriately to their current banking woes. In the parlance of emergency medicine, a triage program needs to be implemented in which banks are evaluated in terms of which are okay, which would be okay with the assistance of capital injection, and which need to be shut down. Governments should not be afraid to nationalize at least temporarily the worst performing banks, however unpopular this policy course might be to those in the finance profession. Speaking on the difficult-but-needed, asymmetrical nature of government intervention, Dr. Posen noted that "a good monetary policy will not solve your structural problems; bad monetary policy will make all your structural problems insoluble."

Finally, echoing some of the sentiments made by Professor Calomiris, Dr. Posen said rules need to be big, dumb, and simple. These rules should be highly automatic, thus giving policy makers very little room for discretion, and be activist in nature. Unlike many who champion the macroprudential capital allocation approach, Dr. Posen's preference would be to "restrict out against" certain types of activities and investments, and make the process as automatic as possible.

Question and Answer Session

Q: Are we as smart as we think we are? Can we survive our own financial innovations, or will crises continue to plague the international system?

Audience member Hirotaka Shimazu during Q&A

A: Professor Calomiris said that banking crises over the last 30 years are not the result of reduced financial regulation, but rather the creation of extremely generous safety nets for banks. History proves that financial repression is not necessary. The answer lies in designing an incentive system that works.

Professor Iwata commented on the current trends in the international regulatory environment and noted that while financial repression may not be needed, it does appear to be taking place around the world.

Dr. Packer added that the perspective on repression has changed. A case in point is IMF's changing advice to emerging economies; capital controls used to be off the table, but aren't any longer.

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SESSION 3: JAPAN POST INSURANCE AND BANK PRIVATIZATION CHALLENGES

Panel 3, left to right: Prof. Heizo Takenaka, Prof. Kay Shimizu, Prof. Edward Lincoln, Prof. Alicia Ogawa

Edward Lincoln, Professional Lecturer, George Washington University, Kay Shimizu, Assistant Professor of Political Science at Columbia University, and Heizo Takenaka, Professor and Director, Global Security Research Institute, Keio University, spoke on the controversial and charged debate now being waged in Japanese policy circles regarding Japan Post privatization. Professor Ogawa moderated the panel.

Professor Lincoln began by raising five troubling economic issues surrounding the privatization of Japan Post Bank (JPB): a level playing field, market power, murky accounting, inappropriate social policy, and increased inefficiency.

In terms of a level playing field, Professor Lincoln said that the government's presence alters public risk perception, which has been exacerbated by a move to increase the allowable deposit size limit. Also, while the FSA has grown into a fully credible institution, JPB is not regulated by its banking office. Instead, the FSA created a small new office to oversee JPB, suggesting that it operates under a different regulatory environment than that of other commercial firms.

Dr. Edward Lincoln

Professor Lincoln said that while Japan postal savings as a share of total bank deposits has fallen since the early 2000s, it remains very large at around 23%. Coupled with the oligopoly-like banking environment in Japan, this produces market power dynamics worthy of concern.

Murky accounting arises from cross-subsidization opportunities between

JPB, Japan Post Services and Facilities (JPSF), and Japan Post Insurance (JPI). JPB and JPI pay rent, personnel wages, and other costs associated with doing business to JPSF. These payments are conducted as internal transactions and not determined by market forces. Therefore, manipulation and other unfair subsidization opportunities exist.

Professor Lincoln addressed the social policy debate revolving around the privatization of JPB, highlighting some of the issues voiced by politicians who harbor fears that privatization will lead to the closing of banks in rural areas. This in turn disadvantages an elderly population that is less mobile and reliant on JPB for banking services. Professor Lincoln said that JPB is the wrong agency to address this problem, and that private sector provision of banking services is widespread and capable of filling the demand gap if the number of JPB branches is reduced.

Finally, Postal Savings turned over all deposits to the MOF for over 130 years, and therefore has very little expertise in investing its own money. Professor Lincoln said that the probability of inefficient choices, and thus the risk of JPB failure, is considerably high. He believes the best solution, albeit a radical one, would be to eliminate JPB by accepting no new deposits or insurance contracts, and letting balances run down over time. The second best approach would be to return to the 2007 plan and fully privatize with attention paid to creating a level playing field. The worst approach, he said, is the one set forth by current legislation.


Prof. Kay Shimizu

Professor Shimizu spoke on the politics of JPB, beginning with policy changes that signal a retreat from privatization. She pointed to several key revisions, including the merger of many JPSF and JPB operations, that underscore much of Professor Lincoln's concerns.

Regarding the reasons for a retreat from privatization, once a strong symbol of reform, Professor Shimizu said that a changing Japanese political landscape has come to bear on the direction JPB policy has taken. One political factor contributing to the retreat is weak party unity and lack of both inter and intra-party cohesion. Another is interest group politics, which are alive and well in Japan and capable of adjusting to the new electoral environment. There is also wavering public support for privatization, particularly from constituencies who are unhappy with the decline in social functions provided by the previously community-oriented postal system. In fact, there is rising societal opposition to market fundamentalism in general.

Professor Shimizu also made clear that the success of Japan Post Group in financial terms, despite its status as a de facto state-owned enterprise, is far from assured. Indeed, its special status with the government, which mandates such things as "universal service nationwide," lends itself to costly inefficiencies. Finally, Professor Shimizu called for more substantive public debate over several key issues that have not received adequate attention, including appropriate measures to avoid systemic risk and the relationship between JPB and Japan's government bond market.

Prof. Heizo Takenaka

Professor Takenaka, the former government minister in charge of Japan Post privatization, echoed Professor Shimizu's closing remarks regarding the current lack of policy discussion taking place. When he was minister, thousands of hours were dedicated to privatization policy discussion in the Diet, whereas now hardly any serious debate takes place. He noted the closing of post offices in rural areas is by no means a new phenomenon, and began taking place far before any movements toward privatization. Politicians have conflated the issues, which stymies more substantive discussion.

Professor Takenaka laid out the three fundamental goals of the original privatization plan: to streamline inefficient government, to improve profitability, and to normalize the flow of funds. He said that many of the recent changes mentioned by Professor Lincoln and Professor Shimizu have jeopardized the chances of successfully accomplishing these original goals, and instead have led toward depressing private business activity, worsening Japan Post profitability, and damaging TPP negotiations.

Given this situation, Professor Takenaka called for a return to prudent reform. In the short run, management must be changed, replacing the former bureaucrats who head Japan Post with private sector leadership. In the mid-term, we must re-identify the core issues at hand and avoid political factors that hinder prudent policy making. In the long run, Professor Takenaka called for a more "serious-minded government" dedicated to leading Japan toward a bright future.

Question and Answer Session

Q: Each of the speakers has mentioned the potential threat posed to the Japanese government bond market and/or the lack of Japan Post profitability due to a lack of risk-taking. Would this change even with full privatization, when we see the private sector behaving in much the same ways?

Audience member Heather Montgomery during Q&A

A: Professor Lincoln responded that, while it is true that the share of total assets represented by government bond holdings in Japanese commercial banks has increased in the recent years, it amounts to far less than JPB's 80% share. The risk exposure is still considerably higher for JPB than for private banks.

Professor Takenaka agreed with Professor Lincoln and noted the importance of framing the issue within an appropriate transitional period. In Germany, Deutsche Post took over a decade to privatize, and Japan Post should be given a similar time period within which to realize a full transition to the private sector.

Q: Is there a social role for a reformed Japan Post? Should the post office be contracted to perform services for local governments and the elderly communities?

A: Professor Lincoln said he does see post offices as social institutions, and that Japan Post is indeed well-suited to provide many community-centered services. These social functions should not be funded by drawing on general post office revenues, but rather be carried out on a contract basis with the government.

Q: Even if Japan Post is fully privatized, is it realistic to expect public perception regarding implicit guarantees to disappear?

A: Professor Lincoln said that while perceptions do change over time, when it comes to Japan Post, he would expect this process to take quite a long time. He added that whenever perceptions do not match the realities of risk, there is a potential for large problems.

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CLOSING REMARKS

Professor Weinstein gave special thanks to the speakers, audience, CJEB staff and corporate sponsors. He highlighted the major themes and opinions touched on throughout the conference, and concluded by putting forth an analogy: financial markets are like the Japanese dish fugu (blowfish): delicious if prepared correctly, and deadly if handled incorrectly.

Prof. David E. Weinstein giving closing remarks

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RECEPTION TOAST

Minister Motohisa Furukawa giving a toast at the closing reception

Motohisa Furukawa, Minister of State for National Policy, opened the reception with a toast. He thanked the participants and attendees for the day's fruitful discussion on timely and important topics; Columbia University for nurturing a long tradition of Japan-focused studies and scholarship; and CJEB for its quarter-century-long commitment to fostering a greater understanding of Japanese business and economic systems. He reflected on Japan's recovery from the Great Tohoku Earthquake and Fukushima Daiichi nuclear disasters, and said that as Japan emerges from the worst of the crisis, it stands to offer the international community important lessons on a diverse set of issues, including the design of energy policy and mechanisms for supporting an aging population. Raising his glass, Minister Furukawa wished Japan a bright future, urging it to be bold in developing its economic and social frontiers as it continues its post-disaster rebirth.

(Japanese summary below)

緊迫化する国際金融規制

2012年5月21日

2012年5月21日、六本木アカデミーヒルズにてコロンビア大学ビジネス・スクール日本経済経営研究所（CJEB—Center on Japanese Economy and Business）の年次カンファレンスが開催された。
カンファレンスの主旨は長期的な視野から将来を見据えた国際的なもので、変貌を遂げつつある金融および規制環境の下、日米のみならず世界経済が直面する重要かつ複雑な問題について検討することであった。

CJEBのヒュー・パトリック所長が開会の辞を述べ、世界経済が直面する課題と世界情勢について概括した。2011年3月に発生した日本の三重苦の災害、バーゼルIIIの導入と、2008～09年の金融危機をきっかけとしたマクロプルデンシャルな改革、欧州が引き続き直面している政治経済上の問題などが同時発生するなか、国際的な力関係がシフトしつつあり、革新の進む金融市場では規制メカニズムの調整が必要となってきている。パトリック所長は、変化しつつある日本の金融業界にとって検討すべき2つの重要なトピックとして、住宅ローン市場と日本郵政公社の民営化を挙げた。
　国際通貨研究所の行天豊雄理事長が基調講演を行い、世界経済が近代史においてどのように大きく変化し、今日ではどのように機能しているかについて述べた。総じて経済大国は近年になって持続的に量的緩和政策を実行してきており、その結果世界の流動性が高まった。同時に、同じ経済大国間で債権者と債務者との間の不均衡が拡大している。その最もよい例は、おそらく米中関係であろう。これらの要因がスーパーコンピューターの出現や金融工学と相まって、金融状況に劇的な変化をもたらしている。さらに行天氏は、金融の革新と変化を遂げつつある新たなデリバティブ市場が、21世紀の経済を形作っている点にも言及した。行天氏の言葉によれば「ヒューマン・エレメント」が劇的に減り、今日の金融システムは高利益をどこまでも追求するコンピューターベースのマネーゲームのようなものとなっている。同様に、金融プレーヤーも従来とは変貌し続けており、銀行、保険会社、その他旧来の金融機関に、ヘッジファンドやプライベート・エクイティ・ファンドなど新たな金融機関が加わっている。実際、商品や参加者、市場自体から見ると、職業としてもその行動においても、金融は昔とは全く異質なものとなっている。行天氏は、将来的には、バーゼルIIIやドッド＝フランク法などの制度設計を国際水準まで高めるとともに、業務倫理基準に対する人間的なアプローチも育む必要があると述べた。

パネルIの「日米の住宅金融機関と住宅マーケット」では、コロンビア大学ビジネス・スクール（CBS）ポール・ミルスタイン不動産学教授のクリストファー・メイヤー氏と、CJEBのシニア・アドバイザー兼コロンビア大学国際関係・公共政策大学院准教授である小川アリシア氏、そして明治大学専門職大学院ガバナンス研究科長・都市政策専門教授の市川宏雄氏が、日米の住宅ローン金融機関と住宅市場について考察した。司会はコロンビア大学政治学部の清水薫助教授が務めた。メイヤー氏は、他の業界と違って米国住宅ローン市場にはまだ融資は戻っておらず、民間部門の市場といったものはないに等しいと述べた。以前、米国では1兆ドル近い住宅ローンが証券化されていたが、今ではそのような融資はほとんどないといってよい。これは需要がないわけではなく、住宅ローンの金融システムが機能していないためである。それに続き小川氏は、現在米国の金融システムに見られる本質的な欠陥がいかに日本では回避されてきたかを中心に、日本の住宅市場の進化について概説した。住宅金融公庫から住宅金融支援機構（JHF）への引継ぎは非常にうまく行われ、JHFの目的は概ね達成されているという

。市川氏は、米国とは異なり、日本ではいまだに民間融資が主に行われていると述べた。同氏は、日本の住宅購入に影響を与えている要因（地価、所得、住宅政策、貸付金利）はそれぞれ異なる方向に向かっており、市場で総体的なトレンドが見られたとしてもそれが相殺される可能性があるとした。

パネルIIの「国際金融システム」では、CBSのヘンリー・カウフマン金融機関学教授のチャールズ・カロミリス氏と、日本経済研究センターの岩田一政代表理事、国際決済銀行アジア大洋州地域代表部
金融安定化・市場部長のフランク・パッカー氏、イングランド銀行のアダム・ポーゼン金融政策委員が、国際金融・規制環境に関する見解を述べた。コロンビア大学経済学部カール・S・シャウプ日本経済学教授でCJEBの副所長、デイビッド・ワインスタイン氏が司会を務めた。カロミリス教授はまず、銀行の規制に対する既存の根本的な考え方の誤りについて指摘した。現在システムは機能しておらず、慎重な銀行規制を効率的に実施する新たな方法を模索して実行するには、歴史の教訓から学ぶ必要があるとした。金融危機は偶発的に起こるものではなく、実は構造上非常に脆いものである。危機が発生してもそれを我々が政治的に容認するのは、状況が良いときに発生するであろう利点が望ましいものであるからだ。カロミリス教授によれば、測定したリスクに合わせて資本を準備し、また損失を正確に認識して資本の損失を十分に補充することのない壊れた銀行システムは、この「政治的な均衡」にとっては望ましいことになる。これを変えることが必要で、その対処法は「十分なインセンティブ」を伴うものでなくてはならない。つまり、銀行や規制当局の行動を望ましい方向に向けるだけの強いインセンティブが必要なのである。岩田氏は、主に金融問題を中心に将来の展望を語り、主要通貨の急速な下落の影響から保護するため、財務省が損失を補償する50兆円の基金を設立して外国債券を購入できるようにする必要があると提案した。また、世界のセーフティ・ネットワークを強化するため、IMF（国際通貨基金）の融資基盤を7,500億ドルから1.5兆ドルに倍増させることを提案した。さらに、危機の影響が他の地域に拡大する経路が形成されるのを防ぐためのマクロプルデンシャルな方針と措置提案を評価する新たな委員会を、IMFが設置することを提案した。パッカー氏は、特にアジアにとって脅威となりうる波及経路について指摘した。そうした経路の1つとして米ドルの流動性による資金不足に直面する欧州銀行の例を挙げ、それが国際的にドル建て融資の減少につながる可能性について言及した。もう1つ懸念されるのは、アジアが比較的変動の激しい短期的な国際ホールセール資金調達市場に依存している点である。最後に、貿易金融も影響波及経路の1つとして挙げた。特に製品の輸出に大きく依存している国のリスクが高い。ユーロ圏の銀行はこれまで、アジアの貿易金融市場において重要な役割を果たしてきたが、その存在感が縮小してきている今、そのギャップがどのように埋められるのか、現時点では定かではない。ポーゼン氏は、我々は将来の危機について懸念するあまり、現在の危機に対する対応が遅れていると述べた。国際金融の多くの課題を解決するには、政府介入に加え、超国家機関が極めて重要であるとの考えを示し、そうした機関がなければ、各国政府は主にインセンティブによって短期的な視点に基づく利己主義の下、誤った道を進むことになると警告した。

パネルIIIの「かんぽ生命保険及びゆうちょ銀行
民営化後の課題」では、ジョージワシントン大学のエドワード・リンカーン特任講師と、清水薫教授、慶応義塾大学教授でグローバルセキュリティ研究所所長の竹中平蔵氏が、今日本の政界で大きな論争となっている日本のゆうちょ銀行民営化について討議した。小川教授が司会を務めた。リンカーン教授がまず、ゆうちょ銀行の民営化に関して、公平な競争環境の欠如、市場支配力、不透明な会計、不適切な社会政策、そして非効率性の助長という5つの経済的な問題を挙げた。リンカーン教授は、最善の解決策として、過激ではあるが、新規預金や新規保険契約を受け入れず、既存残高は自然消滅を待ってゆうちょ銀行を最終的になくすことを提案した。次善策は、2007年の案に戻り、平等な競争環境とすることを主眼としてゆうちょ銀行を完全に民営化することであり、現在の政権が提案している案は最悪のアプローチであるとした。清水教授は、民営化からの後退を示す政策の変更をはじめとした、ゆうちょ銀行にかかわる政治的な問題について話した。日本郵政公社のサービス・施設とゆうちょ銀行業務との統合など、主要な変更点について指摘したが、それはリンカーン教授の懸念を裏付けるもので

もあった。清水教授はシステミック・リスクを避けるための適切な措置や、ゆうちょ銀行と日本国債市場との関連など、複数の重要問題が十分に討議されていないとして、もっと内容の濃い公の論議が必要であるとした。竹中教授は大元の民営化が成し遂げようとしていた3つの基本的な目標として、非効率的な政府の合理化、収益力の改善、資金フローの通常化を挙げた。リンカーン教授と清水教授が挙げた最近の変更の多くがこれらの当初目標達成を妨げており、それどころか民間セクターの企業活動の低迷をもたらし、日本郵政公社の収益力は悪化、TPP交渉にも悪影響になっていると述べた。こうした環境下、竹中教授は、慎重な改革への回帰の必要性を訴えた。さしあたって、日本郵政公社のトップであった元官僚を、民間セクターの経営トップと差し替える必要がある。中期的には、足元の中核的な問題をもう一度直視し、慎重な政策決定を阻害するような政治要因は回避しなくてはならない。長期的には、明るい未来に向けて日本を引っ張っていける「真剣な政府」を提唱する必要があると述べた。

閉会の辞として、ワインスタイン教授が各講演者や聴衆、CJEB関係者とスポンサー企業に感謝の意を表し、今回のカンファレンスの主要テーマや意見について概括するとともに、金融市場はいわばふぐのようなものであり、きちんと調理されればすばらしい味覚を楽しむことができるが、取り扱いを間違えれば死に至ると述べて、カンファレンスを締めくくった。

カンファレンス後の懇親会では、古川元久国家戦略担当大臣が冒頭で挨拶し、時宜を得た重要な問題について充実した討議が行われたことに対して講演者や聴衆に謝意を示すとともに、コロンビア大学が日本を焦点に据えた学問や研究の長年の伝統を育んできたこと、CJEBが四半世紀にわたって日本の企業・経済システムの理解を深めるべく努力してきたことに感謝を表明した。そして、東日本大震災後の復興努力が続くなか、日本は社会・経済両面で臆することなくフロンティアを開拓する必要があると述べた上で、日本の明るい将来を願って乾杯の音頭を取った。