

# May 2016 – the Year of the Monkey – Be a Fruitful One

By Kazumasa Kusaka

The early months of the New Year saw a stormy start both in economic and geopolitical developments. In the Oriental zodiac, the year 2016 is the “Year of the Monkey”, whose character represents agility. In addition, we can trace the original meaning of “the year of the monkey” in the corresponding Chinese character as “grow to bear fruit”. Can we be agile and enjoy the benefits of past efforts this year?

I have been thinking about this question in the context of our work at the Japan Economic Foundation (JEF) and what have we focused on recently in our seminars with partner think tanks overseas. First, the theme has been how to realize growth under this uncertainty in North America, Europe and Japan as developed regions, with China and India representing emerging economies. Faced with economic recessions and mid-term structural impediments, each region has chosen a different set of prescriptions probably based on different diagnoses. We try to learn lessons from both successes and failures.

Secondly, we know the policy resources in the macroeconomic tool box are limited and almost exhausted. Therefore, as is seen in “Abenomics”, many countries have identified structural reforms as the source of growth. However, how governments can realize these reforms against the resistance of some stakeholders is the major question. Some governments have found that FTA negotiations work as peer pressure in fighting against strong domestic opposition groups. Here again, we can learn from each other how to proceed with domestic structural reforms by containing strong domestic opposition to them. Unlike border measures such as tariffs, domestic policy measures in investment, in service sectors or in labor mobility affect the broader aspects of daily public life and business, and because of that the domestic political process in achieving structural reforms has become complicated.

Given these challenges, I am convinced that experts in specific fields cannot make effective and applicable policy decisions in government or in business without getting out of the silos of economics, politics or national security. Geopolitical developments closely and gravely affect economic developments and vice versa. Increasingly, recent developments in the Middle East, and especially incidents involving Islamic State, as well as security-related developments involving Russia and China, necessitate literacy in both economics and geopolitics for a complete picture of these events to be grasped. This year of the monkey calls for making the most of our intelligence and carefully rearing fruit.

During the winter holiday, I had the opportunity to think about the applicability of modern economics by reading *Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street* by Tomas Sedlacek. The author argues that “Even the most sophisticated mathematical model is, de facto, merely a story, a parable and a way to grasp the world around us. Only in the late 18th century did today’s concept of economics emerge as a mathematical science. Before then, economics lived within myths, religion, theology and philosophy.”



Photo: Aflo

His point is that although modern economic theory pretends to be free from moral judgments, it is based implicitly on the belief that the growth of GDP is the foremost value, even when developed countries have already reached a stage of affluency. As an alternative to growth, he proposes we return to a “Sabbath economy” in which we can enjoy both work and life. With a knowledge only of pure economic theory, we would fail to get the whole picture of reality. Mr. Sedlacek’s call for a holistic approach is very stimulating for us in tackling our current challenges.

More concretely, in trying to develop an understanding of the whole picture, this year’s theme is the issue of income disparities. This is a risk that is coming to the surface in both OECD countries and emerging economies. It requires a multi-disciplinary analysis of its implications.

In an economy itself, how does this polarization between the rich and the poor affect the level of aggregated consumption and investment as well as growth potential? In politics, how does the shrinking or collapse of the middle class affect established political parties and the political decision-making process? As we watch the US primaries for the presidential election, how can we interpret the phenomenon of fading trust in professional career politicians as newcomers emerge from other career paths? In society, how does this rich-poor polarization affect the identity and stability of a community? These are some of the questions we will be asking ourselves.

The three wise monkeys, such as those seen here at Toshogu Shrine in Nikko, embody the proverbial principle of “see no evil, hear no evil, speak no evil”. But as I have mentioned, this year we are facing complicated and intertwined challenges in economics and geopolitics. We will need to be agile as monkeys in working hard to grasp the whole picture of these difficult challenges, and to see everything critically, hear everything carefully and talk about everything freely. Then we will reap the dividends from our efforts.

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