

# What Kind of a Society Do We Aim to Be in?

*“The binary of the 20th century was right versus left. In the 21st century, it is open versus closed.”*

— Alec Ross, author of *The Industries of the Future*

By Kazumasa Kusaka

In May and June, the Japan Economic Foundation held its annual Europe Forum and US Forum, with the German Council on Foreign Relations and Stanford University respectively. Discussions centered on three topics — growth strategies; populism, globalism and trade regimes as social disparities grow; and innovation as a result of technological advances — and two questions: Is globalization really the root of all evil, as it has been called? Is technological innovation a solution or disruption?

It seems that Europe is beginning to ask itself the very question of what kind of Europe people there really want to see, and is also seeking to find how it can strike the right balance between *Gemeinschaft* (community) and *Gesellschaft* (society), i.e., institutions such as the European Union and the nation-state.

Faced with the challenges of globalization and technological innovation such as IT, AI and robotics, established parties such as social democratic parties in Europe or the Democratic Party in the United States, which historically have favored big government to extend a helping hand to the weak and provide trade adjustment assistance for losers in the market, have apparently stopped playing these roles and have failed in communicating with the weak. Disillusioned with the established and elite-led parties, the energy of the frustrated has run beyond the control of vested politicians. As Alec Ross points out, the axis of conflict is not left or right, but has changed to “open” — defined as upward mobility being open to the non-elite — and “closed” — defined as the “exclusiveness” of small policy discussion groups with a lack of transparency in information sharing and decision-making processes.

How to produce a new social contract fully reflecting the wishes and energy of the empowered public is a challenging task. If we step into the sensitive “inter-generational fairness” issue, such as cutting social welfare to finance investment in the younger generation, it would certainly invite repulsion. And the lesson of such a political failure would further discourage other leaders from making painful decisions.

Also, new types of leaders who seek support from a broader spectrum, usually not politically noisy and different from powerful specific interest groups, tend to keep their distance from established organizations such as government agencies, ministers and bureaucracy. They might end up listening to family members and friends who think in the same way and are not necessarily being endorsed by political office. Then that process itself could be regarded as “closed”, disappointing their original supporters. New leaders elected by enthusiastic public voters, such as in Indonesia,

the Philippines and South Korea, also face the challenge of establishing a legitimate policy decision-making process, as well as the contents of particular policies. What people seek is not just a product or policy, but a process in which their voice can be heard — in other words, the issue of ownership.

In the US, people will start to pay attention to the consequences of “America First” when the slogan is translated into actual policy measures in this already globalized world. Such slogans may be politically correct anywhere in the world, but the question is what the effective prescription is. It is not national isolation, nor straightforward protectionist measures. If the decisions are taken among friends in a closed situation without all views being heard, there would be a mismatch between objective and tools.

The US has provided international public goods in the form of human resources, finance and experience, which make global governance function. Its departure from the Paris climate accord undermines US leadership in other critical areas, inviting other powers to form independent alliances challenging the US. This will accelerate a decline in US leadership and certainly more than the environment is at stake. Once this happens it would require herculean efforts to recover its original leadership status.

The same applies to the trade and investment regime. Reluctance to respect multilateral trade and investment rules and a return to bilateralism or unilateralism would not benefit either US business, consumers or workers in this global supply and value chain.

Political scientist Professor Sota Kato points out that should populism really represent the enlightened self-interest of the public beating the powerful vested interests of smaller stake holders, as history has often proved, it could lead to a big political and social reform. In other words, it could be the “friend of free trade”.

Historically, when social discrepancies underlie social frustrations, equal opportunity was the answer from market capitalism, gradually complemented by affirmative action and social democratic policy measures. Again, Alec Ross captured the *zeitgeist*, defining “open” as “upward economic mobility not confined to elites; social and cultural and religious norms not set from a central authority.”

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