

# Evolving Capitalism Under the Pandemic

By Naoyuki Haraoka

More than one year has passed since the outbreak of the pandemic. We do not know yet when we can completely emerge from it. With the increase in mortality and a depressed economy, uncertainty is rising. The history of pandemics is very long – as long as human life itself. We have gone through a number of challenges with this pandemic so far. As economic activities continue and businesses blossom, human interactions become closer and more frequent, but we then see virus infections spreading more seriously. Thus progress in human civilization has made the pandemic more disastrous. But this challenge can also strengthen human capacities. Modern civilization based on reason and science developed after the great plagues of the medieval age in Europe, and medical science has also achieved significant progress since this pandemic emerged.

The pandemic we face today could also benefit human beings, despite the tragedies involved. In the next issue, we will talk about its possible impact on innovation. This issue's Cover Story focuses on its possible impact on the economic system. Capitalism and democracy have been the principal sources of peace and prosperity for human beings, and will continue to be so under the pandemic. The issue introduces a number of ways in which capitalism could evolve and be strengthened in responding to the challenges of the pandemic. We may also see evolving capitalism responding to existing challenges like the global environment or the increase in inequality, which would be consistent with the relevant response to the pandemic. For example, decentralization to achieve efficient utilization of renewable energy sources for a sustainable global environment would be consistent with the policy of reducing the concentration of population in urban areas as a precautionary measure for preventing the pandemic.

We have seven articles in our Cover Story in this issue.

My article on “The Authoritarian Challenge to Democracy – a View from an Economist” discusses the excellence of capitalism and democracy over opposing authoritarian regimes during the pandemic today. In an interview with Dr. Jonathan Haskel, co-author of the book *Capitalism Without Capital*, we introduce various economic and social implications of the enhanced role of software services in the economy driven by IT during the pandemic, while in another article Prof. Ulrike Shaede talks about a possible change in capitalism towards one balanced between shareholders and stakeholders – which is urgently needed in an age of increasing inequality.

In the next article, Miwa Yamada discusses the importance of protecting human rights in current business activities, which would be a key factor in supporting stakeholder capitalism. We then have an interview article with Prof. Fuhito Kojima, who has started “market design” in Japan, which introduces progress in the economic theory of supplementing the role of price mechanism, an essential part of classical capitalism, and its practical application to real issues. Policies to achieve coherence between the economy and the global environment are certainly crucial elements for evolving capitalism to respond to the challenge of the pandemic. Prof. Kazuhiko Takeuchi, president of the Institute for Global Environmental Strategies (IGES), talks about the recently published IGES report on Social & Economic Reforms for Net-Zero Emissions in another interview article. Finally, Prof. Sayuri Shirai, a distinguished economist and former member of the Bank of Japan Policy Board, talks about the new role of central banks facing challenges such as climate change, aging societies and economic bubbles.

**(Brief Introductions)****COVER STORY 1****The Authoritarian Challenge to Democracy – a View from an Economist**

By Naoyuki Haraoka

“Better globalization” to achieve inclusive growth must be the answer to counteract authoritarian regimes starting to increase their influence in global governance under the pandemic.

**COVER STORY 2**

Interview with Dr. Jonathan Haskel, Professor of Economics, Imperial College Business School, co-author of the book *Capitalism Without Capital*

**What Does “Capitalism Without Capital” Look Like?**

By Japan SPOTLIGHT

The rise of intangible investment transforms the shape of the economy, and its impacts on the macroeconomy, technological progress, income inequality, education and politics are diverse and significant and thus deserve further examination.

**COVER STORY 3****Toward a System of Balanced Capitalism – Can Japan Avoid the Dangers of “Financialization”?**

By Ulrike Schaede

How can Japanese capitalism avoid the dangers of “Financialization” that the US could not? We can learn lessons from the phenomenon of financialization in the US, where shareholder capitalism is at the extreme.

**COVER STORY 4****Human Rights as Foundation of Stakeholder Capitalism – Policy Measures to Promote Corporate Responsibility to Respect Human Rights**

By Miwa Yamada

Human rights should be rigorously protected everywhere from possible violation by the private sector as well as by national governments. This is a key to evolving capitalism.

**COVER STORY 5**

Interview with Prof. Fuhito Kojima, Director of the Market Design Center, University of Tokyo

**Economic Theory Supplementing Price Mechanism**

By Japan SPOTLIGHT

The theory of “Market Design” would be a useful supplement to price mechanism and help the economy to achieve better capitalism for meeting social goals.

**COVER STORY 6**

Interview with Prof. Kazuhiko Takeuchi, President of the Institute for Global Environmental Strategies

**Evolving Capitalism Supports Sustainable Economy & Environment**

By Japan SPOTLIGHT

Decentralization of the economy and society would be a way to achieve efficiency in the utilization of environment-friendly renewable energy sources, which would respond well to the pandemic challenges.

**COVER STORY 7****Central Banks Face Mounting Challenges Including Aging, Bubbles & Climate Change**

By Sayuri Shirai

In monetary policy, there is a growing awareness of the risk of stock price bubbles, inequality and corporate restructuring under the pandemic, as well as climate risks.

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