

Light at the End of the Tunnel – the Scenery After the Pandemic

By Kazumasa Kusaka

“The train came out of the long tunnel into the snow country” is the famous opening sentence of the novel *Snow Country* by Nobel Prize winner Yasunari Kawabata. Likewise, “We can see the light at the end of tunnel” is an expression of hope after a long period of difficulties. We are still living with Covid-19, but it is time for us to delineate an outlook for a post-Corona era and to proceed with hope.

After the Great Hanshin-Awaji Earthquake claimed over 6,000 lives in 1995, the philosophy behind the 10-year recovery plan was that the first five years would be for restoration to the original state and the second five years for reconstruction to a new level. Regions and residents hit by great disasters suffer numerous casualties and the destruction of the foundation of their livelihoods, including local industries and jobs. Therefore it is natural to feel determined to restore things to their original state. In 2011, the Great East Japan Earthquake and subsequent tsunami hit a vast region in Northeast Japan. This time it included regions suffering from depopulation even before the disaster and the challenge of maintaining services for local communities such as hospitals, schools and trains. In such situations, is restoring things to their original state the only or ideal choice?

Now, let us reflect on the experiences of the two oil shocks in the 1970s. Facing a halved growth rate, double-digit rates of inflation and doubled unemployment rates, then the Japanese government, through policy coordination among OECD countries, adopted longer term structural measures. That is, energy conservation and the development of alternative energy sources to oil were the means to totally change demand and supply in the energy market. Even after the oil crises and through the reverse oil shocks of extremely low prices, the effects of energy efficiency improvement through technological breakthroughs as well as radically sharpened management skills to monitor the input of key resources have remained and dramatically improved competitiveness, as a ratchet effect. And now the lessons learned are serving as the foundation of efforts to cope with global warming, this time to develop alternatives to CO₂ emitting sources.

This means that when societies receive great shocks, not only does restoration work, but so too does the will to evolve dynamically under the changed circumstances. A challenge is the mother of social innovation. We are familiar with the allegory of the boiled frog placed in a pot of cold water that is gradually heated and never realizing the danger. It takes extraordinary leadership and energy to deconstruct established systems and

customs, but the ongoing pandemic has revealed the existing weaknesses and problems of each society.

In Japan, the delay in digital transformation is one of them. Electronic health records have not been used widely yet, and quality data which includes causal relationships has not been shared among health sector professionals. This leads to mismatches of demand and supply in medical services in specific areas or regions, even if in total supply is abundant. The number of hospitals, beds, medical doctors, nurses, and state-of-the-art medical equipment in Japan per population are rated among the highest. The official number of patients with Covid-19 and the number of casualties per population are less than 5% of those in Europe and North America. For all that, news of a medical collapse makes the headlines. The reason is that the system cannot switch into an emergency/wartime mobilization mode from its ordinary mode.

The pandemic has forced a change in ways of working from the office to remote work. The myth of the long-standing practice that a shared large office guarantees the sharing of business situations vertically and among colleagues without explicit communication of information by management is now being challenged. The reason is that working remotely clarifies job descriptions and contents – who needs to know what and who is responsible for making decisions. It is not a clear-cut digital divide, but the issue is whether “office workers” can adapt to a hybrid combination of office and remote work that could realize higher productivity. Furthermore, the decline in male-dominated office customs and relationships opens the door more widely to diversity, including the elevation of women to higher positions.

The imminent challenge of “inclusive growth” has been brought to the surface by the pandemic. The reason is that those who become infected, access good medical care and sustain their livelihoods are asymmetric among social groups. Ensuring that no one is left behind is now a common agenda among OECD countries, and emerging and developing nations. We are at a point where we look ahead to brighter scenery, and hope the light we see at the end of the tunnel is not the headlight of an oncoming locomotive.

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