

# Japan in Global Context 2024: In Search of New Systems

Amidst a rapidly shifting global landscape, nations must find new ways to navigate an increasingly uncertain world. For Japan, the situation is complicated by issues ranging from a demographic deficit and fiscal constraints to digital transformation and environmental concerns.

This collection of 21 short essays from leading experts examines current global trends, offering actionable proposals for the future. Their insights provide a diverse range of perspectives on the challenges faced by both Japan and countries around the world in this era of uncertainty.

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# Why We Need Viable Opposition Parties



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The word “opposition,” refers to dissent or objection. In politics, it denotes “actors within the political system who oppose the conduct of the government”. While the term ‘opposition’ encompasses various actors, including civil society associations, social movements, and political parties, in this paper I focus on the function of opposition parties that respect the fundamental values of liberal democracy. Over the past decade in Japan, the term ‘opposition party’ has become a pejorative word- they are seen as entities that do nothing but criticize the government without any kind of reasonable expectation of taking power.

Against this grave backdrop of almost anathema to the opposition, it is worth restating that our political system cannot remain democratic without a viable opposition. This is because opposition embodies fundamental principles of liberal democracy such as equality of political participation and freedom to raise public objections. Thus, the degree to which opposition can freely challenge the government and represent dissenting voices indicates whether a system remains democratic or is sliding toward autocracy.

What, then, is the expected role of the main opposition party in a majoritarian democracy? Looking at the United Kingdom as a prominent example, the main opposition party should: scrutinize and demand accountability from the government, represent sections of public opinion that the government does not, and ensures that politics does not become out of touch with the will of voters. Above all, it must be a strong enough competitor to be a viable alternative to the current governing party. In majoritarian systems, the ability of opposition parties to restrain government power is, by design, limited. Thus, for a majoritarian system *to be democratic*, requires at least a reasonable possibility that a change in the governing party may occur. Even if a given election does not result in such a transfer of power, the mere possibility that it could happen brings about the self-restraint of those in power. This is why the United Kingdom has institutionalized various ‘positive action’ measures to reduce the asymmetry between the main opposition and ruling parties. In Japan however, those who oversaw reforming the political system in the early 1990s completely overlooked this factor, and this continues to negatively impact opposition parties in Japan to this day.

According to a survey of Japanese public opinion jointly conducted by Waseda University and the Yomiuri Shimbun, while around 60 percent of respondents believe periodic changes in government are necessary, 80 percent consider such change unlikely in the foreseeable future. As we approach the end of 2024, a year of elections worldwide, we must continue to question: just how democratic are our political systems?

# Reducing the Social Security Burden Is Key for Addressing Japan's Low Birthrate



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Japanese Prime Minister Fumio Kishida declared in his 2023 New Year's press conference that addressing Japan's declining birthrate was an urgent challenge requiring "unprecedented measures." However, the phrase "urgent measures to address declining birthrates" was first used in the 2009 Declining Birthrate White Paper. The fact that we're still calling it "urgent" 14 years later reveals a striking lack of genuine urgency and suggests instead a rather complacent approach.

The "Children's Future Strategy Policy" compiled in June of 2023 state that "without increasing the income of the younger and child-rearing generations, we cannot reverse the declining birthrate." While that observation in and of itself is correct, the proposed solutions unfortunately head entirely in the wrong direction.

The main obstacle hindering the growth of disposable income for the younger and child-rearing generations is the increasing burden of social security costs. Unfortunately, this already severe issue is set to persist for an extremely long time and is likely to worsen due to the continued progression of population aging and the low birthrate. For example, Japanese Government projections for social security costs extend only as far as 2040, when the elderly population is expected to peak, however the working-age population supporting both children and the elderly will continue to decline even after that point. As long as the current structure of social security benefits and burdens is maintained, the burden on these generations will continue to increase. Even if greater economic growth can be achieved there is a limit to how much it can realistically offset the burden of social security premiums on disposable income.

The uncomfortable reality is that raising income for the younger and child-rearing generations can only be achieved and made sustainable through social security reforms that control the burden of social security contributions. This will require restructuring the social security benefits that the elderly receive so that the program is no longer dependent on the younger generations, necessitating a review of the benefits the elderly receive, and an increase in the burden that the elderly themselves are expected to bear.

# Modernizing Japan's Financial Systems for the 21<sup>st</sup> Century



**Naoyuki Iwashita**  
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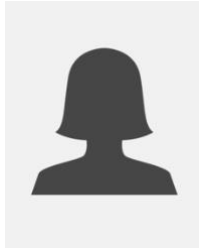
In the early morning of October 10, 2023, the Zengin System—Japan's primary interbank clearing system and the core of its payment infrastructure—experienced a system failure that prevented the processing of many interbank transfers. In its 50-year operational history, the Zengin System had never before experienced a serious system malfunction impacting end users and thus seamless interbank transfers were something hitherto taken for granted in Japan. This unprecedented incident, in which millions of transactions went unprocessed for more than two days, shocked the country, impacting almost every Japanese financial institution and creating widespread confusion that effectively paralyzed the country's payment network.

The primary takeaway from this system failure was how fundamentally outdated Japan's financial sector information systems, including the Zengin System, have become when compared to standards of almost any other industry. The core banking systems of Japan's financial institutions, including the Zengin System itself, are built on mainframe computer technology dating back to the 1960s. While the financial industry trusts this technology due to its long track record of stability, the maintenance costs are so enormous that its use outside of Japan's financial industry is almost unheard of. Even more problematic, the number of people with the technical expertise to service these systems is rapidly declining, raising further concerns about the technology's long-term sustainability. Despite all of these issues, very few banks are actively attempting to break free from this technology, with most simply patching new feature upon new feature onto these aging systems, slowly accruing an iceberg of technical debt and exacerbating the already unsustainable trend in complexity and maintenance costs these systems face.

This technological stagnation stands in stark contrast to the generational handover payment systems outside of Japan have undergone over the past decade. Well-known examples include the UK's FPS (Faster Payments Service) and India's UPI (Unified Payments Interface). These systems not only enable secure, reliable 24/7/365 payments but also represent sustainable payment infrastructures built from the ground up on modern information technology, rather than simply patching legacy infrastructure.

A country's payment systems represent some of the most basic and essential economic infrastructure. Japan must learn from the partial system outage suffered by the Zengin System, review how its most critical economic infrastructure is constructed, and revise the system with modern technology and insights from international trends. Breaking free from the constraints of outdated technology and modernizing Japan's financial systems would unlock new possibilities for innovation in the banking sector and beyond.

# The Impact of AI on Education and Democracy



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Today, all the talk about AI seems to be about whether it will become better than human brains, and whether businesses can succeed in putting it to good use financially. But the question is not whether AI will surpass human brains, but whether AI will degrade human brains. We need to be thinking about where we might be in 10 to 20 years' time, from the point of view of education and democracy.

Educators are becoming increasingly aware of an imminent danger; soon it may become impossible to teach students to think on their own because of AI. This means that in the not-too-distant future, we may be faced with a society of individuals who cannot think without AI.

Soon, from the very moment a child learns to communicate and faces his or her first question, generative AI will be at the fingertips. Assume for the sake of argument that this child uses generative AI to answer every question encountered along the way to adulthood. What would happen to this child's brain, having never been trained to answer questions on its own? They would likely have become unable to answer questions without using AI, and therefore dependent on, or one could even say addicted to, AI.

That said, we can become addicted to AI at any age. It has already become difficult to convince university students that generative AI making their homework easier is not actually helping them, but rather, harming them. "Graduating by asking AI to do all the assignments is like participating in a match without a day of practice or asking a robot to go to the gym while you lie on the couch", we tell them. Even if students only use AI to find a preliminary answer, they must evaluate it critically, check the logic, verify the sources and be ready to take full responsibility for every word they write in their paper. But leaving it all up to AI is tempting when there are so many other things to do in life. And unlike more traditional forms of plagiarism, AI use is difficult if not impossible to detect.

We do not yet know the longer-term effect on our brain if we quit spending the time and effort needed to think on our own; select relevant information, thread together different pieces of information into our own ideas and compose comprehensive yet original responses to questions we face. If a large number of people end up becoming unable to think on their own, we might even need to establish AI rehabilitation centers for recovering AI addicts.

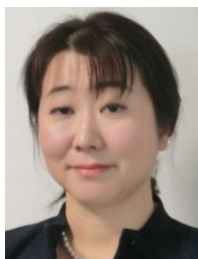
It has been said that AI will unlock human productivity, but that assumes we maintain our existing capacity to think. If the human capacity to think degenerates through dependence on AI, there may be no productivity left to unlock. Furthermore, this could imply an additional threat to democracy. Democracy depends on active and informed citizens. If the voting public becomes a collection of zombies that cannot think without AI, we will be extremely vulnerable to

manipulation by a dictator, or whoever else controls the AI. The consequences will be even more serious than those social media have had for democracy today.

Perhaps ironically, what we learn about our brain while creating and improving AI may be instructive in figuring out the effects of AI on our brain and the potential methods to prevent or cure AI dependency.

We need to be aware of the impact AI is having on the human brain, and prepare educational, legal and institutional frameworks to stop the dark side of technological progress from further damaging democracy.

# Updating Japanese Work-Life Balance for a New Generation



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While the term 'academic achievement gap' has become widely recognized in Japanese society in recent years, there remains limited societal awareness of educational inequality as a problem, let alone momentum to address and correct these disparities. Here I focus specifically on academic achievement gaps stemming from socioeconomic status - circumstances of birth beyond an individual's control. In Japan, parents' socioeconomic status is associated with their educational expectations for their children - the higher their status, the more likely they are to invest in cram schools, extracurricular activities, and diverse cultural experiences and opportunities for their children's development. This creates clear disparities in academic achievement that can be traced to the socioeconomic standing into which one is born.

While Japan's working-age population began declining in the late 1990s, the total number of employed workers continued to inch upward until recently. Nonetheless, Japan is now entering an era of true labor scarcity. This modest growth was sustained primarily through increased participation of elderly workers and women, particularly in non-regular employment. However, with the population of older adults aged 65-74 now beginning to shrink and female employment rates approaching their ceiling, further labor force expansion appears unlikely.

Looking ahead, the balance between the supply of labor and the demand for it is inevitably shifting in favor of workers' having greater bargaining power and expectations. Employers will soon face a dual challenge: creating workplaces compelling enough to attract scarce labor while demonstrating management capable of maximizing productivity and innovation with limited human resources.

Japan's persistently low ranking in the Global Gender Gap Index reflects deeply rooted social norms that have long dictated gender-based divisions of labor at home and work. However, attitudes are evolving: approximately 60% of adult men and women now believe that "women should continue working after having children." This shift is even more pronounced among unmarried individuals aged 18-34, a majority of whom, when asked about the "ideal life courses for women," favor combining career and family over traditional paths such as that of the full-time housewife or returning to work after children reach school age, which have seen a marked decrease in favorability.

Yet Japanese institutions—both governmental and corporate—have failed to keep pace with these changing societal norms and generational expectations, contributing to the country's declining birthrate. There is now urgent need to reimagine work-life balance in Japan, including the implementation of universal and comprehensive childcare support systems, to align with a new generation that views women's continued employment as the norm.

# Japan Needs Open Innovation and Creative Destruction to Drive Wage Growth



**Yuka Koga**  
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For six decades, Cabinet Office surveys have shown that most Japanese consistently view their own standard of living as “middle class.” Yet while wages have been rising steadily across the OECD, Japan has bucked this trend, with wages stagnating or declining until recently and real wages still in negative territory. Many Japanese may still see themselves as middle class, but by OECD standards, their living standards have fallen relatively behind.

This decline in prosperity, combined with a weakening yen, is having tangible consequences: Japanese consumers are increasingly priced out of goods and services in global markets, while domestic assets - from prime real estate to excellent companies - are being snapped up by foreign buyers. To reverse this trajectory, Japanese firms - both large and small - must focus on two key priorities: raising wages and increasing added value of the firms through structural reform.

Large corporations often find themselves trapped by rigid systems and routines, becoming less receptive to external ideas and defaulting to risk-averse behavior typical of established companies. This is precisely why they need to actively pursue open innovation through startup partnerships and M&As. The key is to avoid stifling these partnerships by imposing corporate bureaucracy, traditional evaluation systems, and conventional thinking that could undermine the very innovation they seek. Success requires embracing flexible, multi-standard approaches.

For the SME sector, what is needed is organizational revitalization. Tokyo Shoko Research reports that over 60% of Japanese companies are operating in the red. It is unsustainable for chronically unprofitable SMEs with no growth prospects to survive purely on government support. Wage increases are simply impossible under these conditions - indeed, a November 2023 survey by the Kioicho Strategy Institute found fewer than one-third of business owners planning raises for spring 2024. While digital transformation might help, efficiency gains alone cannot solve fundamental business model problems. Many of these companies can't even properly support basic employee benefits like parental leave. It is unfortunately necessary for such unsuccessful businesses to exit the market appropriately. At the same time, policy makers should strengthen support for successful firms facing closure due to succession issues, helping preserve valuable, productive businesses.



# Closing Japan's Gender Gap: A Call for Immediate Action



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Of all the shared challenges facing nations around the world, Japan's lack of progress on gender equality stands out amongst its peers. According to the Gender Gap Index in the World Economic Forum's Global Gender Gap Report 2023, Japan ranks 125th out of 146 countries in equality between men and women.

This pitiful result can be attributed to outdated notions of a gendered division of labor in Japan. In a society where only a small percentage of men take paternity leave, the heavy burden of domestic and caregiving responsibilities inevitably falls hardest on working women. Clearly much work remains to be done to revise institutions and create a cultural environment that supports real gender equality.

Not only do systemic and institutional barriers hinder women's career development, but unconscious bias also contributes to the low representation of women in management positions and limits their opportunities in STEM fields. Japan needs a sustained public awareness campaign to change the mindset of its people through an ongoing national dialogue. However, the country currently lacks the essential data needed to fully understand these disparities, communicate them to the public, and propose concrete solutions. Nonetheless, neuroscience has debunked many outdated beliefs still prevalent in Japan, such as the “three-year-old myth”—the idea that children must be raised by their mothers until age three—and the supposed biological differences between male and female brains.

In an increasingly diverse world, it is only natural that workforce diversity is becoming increasingly important. As rapid advances in technology reshape our social landscape, our institutions and business models must be empowered to quickly adapt. This is where collective intelligence comes into play. When people with diverse experiences and viewpoints are able to engage in an open discussion, our collective intelligence is able to grow, enhancing society's capacity for problem-solving and driving innovation. If women, who comprise half the population, are given equal opportunity, full responsibility and authority equal to men, our collective intelligence will grow, drastically transforming our capacity for innovation.

Clearly, gender equality is essential for building a sustainable, healthy, and prosperous society. However, Japan's current policy framework for promoting gender equality and women's workplace advancement is moving at a glacial pace - at this rate, it will take over 100 years to eliminate gender discrimination. We cannot wait that long - Japan must take bold and decisive action now through “affirmative action” (temporary special measures and targeted policies) to accelerate gender equality and sustained public engagement to accelerate the elimination of discrimination against women.

# Once-in-a-Century Syndrome



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In 2020, I wrote a book in Japanese called “The Reverse Time Machine Management Theory.” The book’s core idea was that you should try reading newspapers and magazines 10 years after they were first published. Almost inevitably, the timelier the topic, the more heavily it tends to be influenced by the stereotypical viewpoints of that particular moment in time. This is what I call the “Trap of Contemporaneity.”

One manifestation of this is what I call the “Once-in-a-Century Syndrome.” In 2020, when COVID-19 emerged and caused widespread disruption, certain people simply couldn’t resist declaring it a “once-in-a-century crisis.” These “crisis merchants” immediately reach for grandiose pronouncements, declaring each new challenge “the greatest crisis since World War II.”

Yet, despite all the platitudes in 2020 that COVID-19 was the “greatest crisis since World War II,” just two years later Russia’s invasion of Ukraine had somehow become yet another “greatest crisis since World War II.” So what does this tell us? The answer is simple: this is the reality of human society. We have numerous people and groups with varied interests all moving about within a limited space and time. In such a society, true stability is impossible. Think about it, have you ever seen an article declaring “Now is truly a period of stability”? Instead, it’s always a “once-in-a-century crisis” and a “watershed moment” after which “the old ways won’t work anymore.”

Logically speaking, if such “crises” are truly “once-in-a-century” watershed moments, they cannot happen continuously. In other words, instability and uncertainty are the norm. Society cannot achieve anything resembling stability. In fact, if human society were somehow able to achieve long-term stability, that in and of itself would likely be considered a once-in-a-century achievement. This is the fundamental premise of my social perspective.

When you ask these crisis merchants in management and executive positions “What are you going to do?” in response to almost anything, they inevitably respond, “Well, it’s difficult to make decisions.” “Why?” “Well, you know, these are such unstable times.” Yet the very job of management is to make difficult decisions under conditions of uncertainty. It is precisely because the world is always changing that we need unchanging foundational principles. People who can say “Despite everything going on, this is what it comes down to” have developed their own well-thought-out logic. Such logic doesn’t change easily.

For managers, hiding behind claims of “once-in-a-century” instability leaves them adrift; logic remains their only reliable anchor.

# From US-China Decoupling to Japan-China Decoupling



**Chi Hung Kwan**

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The U.S.-China economic conflict, which began with trade tensions in 2018, has since expanded and deepened, becoming a new normal in international relations. Both countries have prioritized their responses to these issues as part of their economic security strategies, implementing comprehensive measures to address them. Consequently, the decoupling of goods, people, capital, technology, and information between the U.S. and China is progressing rapidly. Meanwhile, Japan is aligning with the United States to bolster its economic security strategy to deter China.

To cope with the economic security enhancement measures being pursued by governments in different countries, Japanese companies must focus on strengthening their compliance and risk management systems. This includes enhancing information gathering, conducting risk assessments in the supply chain, and improving internal information management, particularly concerning their business operations with China. However, the complexity of cross-border supply chains and the frequent changes in trade restrictions involving a wide range of goods, services, and counterparties necessitate significant investments in resources such as personnel and funds to implement these measures effectively.

Furthermore, many Japanese companies are restructuring their supply chains to reduce dependency on China by diversifying procurement sources and export destinations, as well as re-evaluating their global R&D and production systems. As a result, China's share of Japan's trade and direct investment has been declining since 2021.

Thus, alongside U.S.-China decoupling, signs of decoupling are also emerging between Japan and China. Given that China is Japan's largest trading partner, and their economies are deeply intertwined through supply chains, further decoupling between them could significantly impact the Japanese economy through reduced export markets and increased import prices.

# Accelerating the Digital Transformation: An Urgent Necessity for the Future of Japanese Healthcare



## Sunao Manabe

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The digital transformation of healthcare will dramatically reshape our future, enabling advancements in medical technology, innovation through the use of big data in medicine and health and the modernization of healthcare delivery systems, while transforming both the scope and our very conceptions of what we consider to be healthcare.

We're already witnessing remarkable progress, including AI imaging analysis with high diagnostic accuracy and robots capable of performing advanced surgeries safely. There have even been reports that ChatGPT has “passed the medical licensing examination” and can “provide more accurate diagnoses for complex cases than human doctors.” As AI continues to be trained on ever more specialized medical data, we can expect it to become even more accurate for medical purposes.

However, the COVID-19 pandemic revealed the extent to which the digital transformation of healthcare has failed to take root in Japan. According to a survey by Japan's Ministry of Internal Affairs and Communications, the healthcare and welfare industries had the lowest rate of digital transformation among 24 industries, with 78.7% of respondents saying they “are not seeking to take advantage of the digital transformation and have no plans to do so.”

Yet, the digital transformation of healthcare will be key if Japan is to build a more sustainable society. It can help optimize the provision of services covered by national health insurance, such as diagnostics, surgeries, and the dispensing of pharmaceuticals to better address issues of limited healthcare resources and personnel shortages. The efficiency gained could lead to a reevaluation of resource allocation for areas of growing demand, such as elderly care, and a reconsideration of what should be covered by Japan's national health insurance.

Parallel to developments in the provision of healthcare, the pharmaceutical industry has taken advantage of the digital transformation to improve the efficiency of pharmaceutical research and development, drug manufacturing, and the dissemination of information for the appropriate use of pharmaceuticals. The digital transformation of healthcare promises to fundamentally reshape both how we allocate social security spending and how healthcare professionals' work.

I believe that we face an urgent need to embrace the digital transformation of healthcare, and in doing so, improve health outcomes and quality of life across society. We should strive to realize a society in which everyone can lead a healthy and prosperous life. However, achieving this vision will require committed, collective engagement from all stakeholders: government, healthcare workers, insurers, pharmaceutical companies, and citizens to create a truly patient-centered healthcare system.

# Socioeconomic Disparities among Schools in Japan's Compulsory Education



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Japan's compulsory education system is nationally standardized, ensuring that every child receives an ostensibly uniform level of education, regardless of the region where they attend elementary or junior high school. The nationwide standardization is often regarded as a strength of Japanese society, particularly when compared to countries like the United States, which grapple with significant disparities across states or school districts. However, this conventional narrative in comparative education literature risks underestimating the extent of socioeconomic disparities within Japan. In reality, even in elementary education—where 98% of children are enrolled in public schools in their neighborhoods—not all schools are the same. Families with higher socioeconomic status (SES)—characterized by white-collar occupations, higher household incomes, and parents holding university degrees—tend to concentrate in certain areas. This pattern of socioeconomic residential segregation results in significant disparities among public schools, including differences in students' average academic performance and the proportion aspiring to attend college.

Socioeconomic disparities between schools are also evident in how they respond to national policies. Nationwide data from elementary and junior high schools reveal pronounced SES-based disparities in the adoption of information and communication technology (ICT) and the implementation of classroom practices emphasizing “proactive, interactive, and deep learning,” as outlined in Japan’s national curriculum guidelines. Specifically, schools with a higher proportion of students from high-SES families tend to utilize ICT more frequently and engage more actively in “deep learning” practices. Compared to their socioeconomically disadvantaged counterparts, these higher-SES schools exhibit several advantageous characteristics, including stronger academic performance, longer study hours outside class, and greater parental support, particularly in facilitating ICT use during the COVID-19 pandemic. In essence, schools with concentrations of high-SES families hold a significant edge in implementing “desirable” educational practices.

Addressing the challenges of implementing educational practices that vary depending on the average SES of students within a school requires more than the traditional administrative approach of showcasing exemplary cases for replication across schools or municipalities. Such strategies are insufficient to effectively address disparities between schools serving students from different socioeconomic backgrounds. To bridge these gaps, it is crucial to enhance the capacity of the Ministry of Education, Culture, Sports, Science and Technology (MEXT) by increasing budgets and expanding staff resources. This strengthened capacity would allow for the delivery of tailored, evidence-driven support to socioeconomically disadvantaged schools, accompanied by systematic outcome assessments and the continuous refinement of methods through an iterative process of trial and error, aiming to achieve substantial, measurable reductions in SES-based disparities between families and schools in Japan’s so-called egalitarian society.

# Educating and Supporting Foreign Students: Developing Multicultural Citizens



**Chikako Mise**

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University

Amidst an aging and shrinking population, the acceptance of foreign workers across Japan as increasingly important in supporting local economies is expected to increase. The children of these workers are invaluable future members of Japanese society who will help shape the country's future. While government efforts to ensure their education have thus far focused primarily on Japanese language education and instruction, there is an urgent need to develop a more multicultural education, that respects a diversity of linguistic and cultural backgrounds, promotes the development of a multicultural society and empowers students to grow into truly global citizens.

As Japan has reopened in the aftermath of the COVID-19 pandemic, following nearly two years of strict border controls that severely limited foreign entry, the number of non-Japanese children arriving at schools in Japan is increasing. Simultaneously, there is a growing number of children born and raised in Japan who have non-Japanese roots (with one or both parents being non-Japanese). While many these Japan-born children have no issues with everyday conversation in Japanese, they often struggle with reading comprehension, particularly for complex material such as textbooks, and or written expression, particularly longform essays. The unfortunate reality is that many of them lack the age-appropriate language skills necessary for academic success in both Japanese and their native language. This is a disaster as language ability is the foundation of both cognitive development and personal growth. There is thus an urgent need for enhanced education, beginning at the pre-school level, that leverages these children's multilingual environment to build strong language skills in both Japanese and their native languages.

Another critical juncture requiring immediate attention is additional support for these students at the junior high school level, where education is geared toward high school admission. For students without Japanese citizenship, high school enrollment and graduation are crucial factors not only for their future employability, but also in maintaining their visa and residency status, making them a practical necessity for achieving a stable life in Japan. However, high school entrance examinations pose a significant hurdle for non-native Japanese speakers, and while some high schools have special admission quotas for foreign students, these policies vary significantly between regions, as such programs are implemented at the discretion of local governments. Even for those admitted to high school, some students drop out or repeat years due to difficulties with Japanese language and insufficient academic support. Furthermore, many high schools are inadequately equipped to provide such students with adequate career and higher education counseling, which must be remedied. Thus, at the high school level as well, the development of adequate educational support systems for foreign students is an urgent issue.

In an increasingly complex and diverse world, both non-Japanese and Japanese students

alike must be empowered to develop the civic awareness and skills needed to succeed in a multicultural society and pursue career advancement aligned with their aspirations. This will require a coordinated effort across Japanese society—from early childhood education through higher education, involving cooperation between schools, industry, government, and local communities—to ensure equal educational opportunities for all.

# Now Is the Time for Research and Development that Contributes to Economic Growth



**Hiroyuki Morikawa**  
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Seeking to enhance the country's capacity for value creation, Japan's science and technology policy has fostered numerous research and development projects emphasizing broad adoption across society. The goal has been to translate technological research into real-world solutions that generate economic, social, and societal value, thereby spurring economic growth. Unfortunately, the number of projects that actually succeed in achieving broad adoption remains far from ideal. However, we should be able to increase the success rate of these ventures if we are willing to change the system in two key ways.

First, we should seek to accumulate knowledge by analyzing why certain initiatives failed to create value, and use the lessons learned for future projects. In Japan, there is a strong cultural desire for infallibility, creating a perverse imperative for research and development to “succeed.” The result is that when something goes wrong, there is little appetite for the kind of post-mortem analysis of the root cause of failure that could eventually pave the way for future successes.

Compare this to SpaceX, where, when their large rocket “Starship” failed to launch, CEO Elon Musk tweeted, “Congratulations! We learned a lot.” In a similar vein, Thomas Edison once said, “I have not failed. I've just found 10,000 ways that won't work.” Clearly, it is critical that Japan has the courage to abandon the unproductive notion of infallibility and accept that failure itself is a valuable outcome that will inform future success.

Second, we must come to understand the value of forming multidisciplinary teams and allocating resources more broadly, rather than focusing on technical development alone. It is virtually impossible to bring innovations to market with teams composed solely of engineers. While the Science Council of Japan has called for more industry-oriented research and development in information and communications, success requires a diverse pool of talent spanning business development, marketing, intellectual property, standardization, public relations, and finance. We will also require neutral intermediary organizations that can shepherd projects all the way from conception to market deployment and bring diverse perspectives to bear throughout the process.



# Japan's Academic Achievement Gap: The Mechanism and Role of Education



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While the term 'academic achievement gap' has become widely recognized in Japanese society in recent years, there remains limited societal awareness of educational inequality as a problem, let alone momentum to address and correct these disparities. Here I focus specifically on academic achievement gaps stemming from socioeconomic status - circumstances of birth beyond an individual's control. In Japan, parents' socioeconomic status is associated with their educational expectations for their children - the higher their status, the more likely they are to invest in cram schools, extracurricular activities, and diverse cultural experiences and opportunities for their children's development. This creates clear disparities in academic achievement that can be traced to the socioeconomic standing into which one is born.

Some may ask 'What makes these gaps in academic achievement so problematic in Japan?' The answer lies in the Japanese education system, which is heavily reliant on standardized testing as the primary metric for selection - determining not only a student's academic trajectory but ultimately heavily influencing their future career prospects and position in society. This system is popularly perceived to provide a level playing field upon which everyone has a fair shot at competition. Yet it is precisely this perception of fairness that makes it problematic when academic performance is largely shaped by one's socioeconomic background. A society that fails to provide children from low socioeconomic backgrounds with adequate opportunities for upward mobility risks becoming increasingly fragmented, ultimately leading to social polarization and division.

Why does Japanese society continue to turn a blind eye to these educational inequalities? First, the Japanese government does not collect longitudinal data to accurately monitor and track educational inequality. Second, an entrenched belief that 'equality' means treating all students and schools identically actually serves to obstruct targeted support for children from disadvantaged socioeconomic backgrounds - a paradox where pursuing formal equality perpetuates real inequality. Third, Japan's high school system effectively sorts students not only by academic ability but also by socioeconomic background, creating schools with limited internal diversity. This segregation results in few opportunities for students to develop empathy for those from different backgrounds or to personally engage with issues of inequality.

We must recognize that educational inequality and achievement gaps are not the result of individual student shortcomings, but rather manifestations of our broader social structures and educational systems. What's needed is a strong commitment to breaking the cycle that results in the intergenerational reproduction of inequality, and a recognition that this too, is a core responsibility entrusted to education.

# Affordable Housing for All Citizens



**Shigeaki Oba**  
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Osaka City University

Ensuring affordable housing, that is, quality housing at a reasonable cost for all citizens is a core objective of modern housing policy. However, it is so hard to achieve this goal. We see that in the way that housing supply and demand dynamics vary significantly across different regional markets. For instance, even in Germany, which has long focused on providing social housing (primarily quality rental units), Hamburg, a growing metropolitan area, is experiencing severe housing shortages, with a vacancy rate of only 0.27% as of July 2022, and a similar situation can be seen in the other metropolises. The situation has now deteriorated into a serious crisis where even middle-income households struggle to relocate, further exacerbating the housing crisis.

Meanwhile, the situation in Japan is completely different, albeit also highly problematic. While the number of housing units in Japan significantly exceeds that of households, this abundance of housing stock is far from being effectively utilized. Many units are either investment properties that don't reflect actual housing needs, or vacant houses that cannot be put on the market due to issues such as, but not limited to, having fallen into disrepair. Furthermore, because Japanese housing policy prioritizes home ownership, public sector involvement in rental housing remains minimal, forcing residents in urban areas to rely primarily on the private sector for housing supply. Real estate agencies could potentially help address these issues by facilitating more transactions in the existing housing market. However, when revising housing policy, the interconnected nature of the market means that the impact of interventions in other areas, including restrictive measures such as rent control, could risk deterring real estate investment altogether. To address these challenges, we should focus on improving the quality of the rental housing sector by introducing direct assistance to low-income households through housing allowances.

Housing allowances, which guarantee benefits to all eligible recipients, represent the most effective approach to redistributive policy. Additionally, rent subsidies serve as an effective means of simultaneously ensuring the profitability of rental housing management and housing affordability. This approach benefits both tenants and small-scale landlords: it provides direct support to tenants while helping landlords maintain stable rental business and invest in property maintenance, ultimately leading to better housing conditions across the sector.

# Empowering Women and Immigrants: Harnessing Diversity



## Iwao Osaka

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Over the past two years, I conducted research while based in Dublin, the capital of the Republic of Ireland, during which I experienced European politics firsthand, traveling to observe national elections across the continent - from France and Sweden in the west to Estonia in the east, and Italy, Turkey, and Greece in the south. One of my key observations was the prominent role of women in politics. Among these countries, we saw Le Pen advance to the presidential runoff in France, and female prime ministers emerge in Estonia and Italy. In Ireland, the leader of Sinn Féin, the largest opposition party aiming to take power in this year's election, is also a woman. When contrasted against the politically powerful women of Europe, the stark reality of the marginalization of women in Japan's politics, underscored by its pitiful ranking in the World Economic Forum's Gender Gap Index, becomes painfully obvious. Through my observations in Europe, I've gained a deeper appreciation for how women in positions of political leadership not only bring essential diversity to decision-making spaces but are fundamental to maintaining social fairness and driving national dynamism.

This reshaping of political leadership is not limited to gender. Ireland's current Prime Minister Leo Varadkar is the openly gay son of Indian immigrants. Coincidentally, Britain also saw Rishi Sunak, also of Indian descent, become Prime Minister last year. Ireland is a historically white nation that endured centuries of British colonial rule. It's a remarkable historical turn that both Britain and its former colony Ireland are now led by descendants of those who were once colonized by the British Empire in India.

While such changes represent progress, tensions surrounding immigration, racial identity, and religious differences continue to shape European politics. These fault lines were evident in the elections I observed, with anti-immigration parties winning in countries like Sweden and Italy. However, Europe is also making a determined effort to embrace and maintain diversity and inclusion. As Japan grapples with its own demographic challenges, the successful integration of women and immigrants into positions of leadership may well determine its future prosperity.

# The Digital-Enabled Era Calls for an Analog Touch



## Makoto Oshima

Executive Industry Strategist,  
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Following the COVID-19 pandemic, the United States has seen a growing polarization amongst consumers, exacerbated by inflation. The middle class has shrunk while the lower-income bracket has grown, leading to an increase in petty crime. Retail stores continue to face an epidemic of shoplifting that occasionally escalates into outright robbery. The sheer number and brazenness of these crimes has meant simply increasing the number of security personnel has proven both insufficient and ineffective, forcing some stores to close.

When self-checkout systems were introduced, they were a symbol of retail's progress toward digitalization, now they are at the center of a rise in fraudulent activities where customers pretend to scan barcodes without actually paying. While technologies such as surveillance cameras have been introduced to deter these activities, they have proven largely insufficient at stopping them, ultimately forcing stores to increase the number of personnel as an anti-theft measure. This is ironic, as self-checkout was initially sold as a way to reduce personnel costs, leading some stores to begin removing these systems entirely.

Similar trends can be seen in Japan. While self-checkout systems have been widely adopted across the industry, both at major retailers and even local supermarkets, self-checkout related crime is on the rise. Notable in Japan however is that the rise in crimes facilitated by self-checkout has been accompanied by a corresponding reduction in traditional shoplifting. Furthermore, surveillance data has revealed an unexpected trend: a significant portion of these crimes are being committed by the elderly. While staff are stationed at self-checkout areas to deter theft and intervene when suspicious activity occurs, they often hesitate to speak up. This hesitancy reflects a broader cultural tendency in Japan to avoid direct confrontation, particularly when it might imply questioning a customer's integrity.

While digital technology has undoubtedly streamlined our lives, it may also have inadvertently reduced our capacity for meaningful human interaction, making it easier for crimes like retail theft to go unchallenged. Rather than pursuing efficiency through digital technology alone, what we need is a thoughtful fusion of innovative, digital technologies along with more “analog” methods centered around human interaction. Technology should enhance, rather than replace, the human oversight that make retail spaces function effectively.

# Gender Equality: Opening the Door Toward a New Future for Japan's Aging Society



**Sawako Shirahase**  
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Achieving gender equality is a challenge shared by nations around the world. According to the World Economic Forum, if perfect gender parity is represented as a score of 100, the world, as whole, fails to reach a score of even 70. The situation is even worse in East Asia and the Pacific, where it is estimated that it could take 190 years to reach gender parity. Japan is no exception, in 2023 it ranked 125 out of 146 countries, marking its lowest position ever. The question of why the gender gap remains so firmly entrenched in Japan lies at the heart of the country's future.

Japan distinguished itself as an early economic success story, rapidly industrializing and joining the ranks of advanced economies by the early 1960s. Today, Japan's position has eroded - its nominal GDP now ranks only fourth globally and its growth rate has turned negative. The country remains unable to break free from a rigid, conservative set of postwar gender norms, and its failure to take bold steps toward gender equality stands out as one of the key areas where it has clearly fallen behind global trends.

In Japan today, it is a sad and undeniable fact that many people have seen their choices in life limited simply because of their gender. The current system remains rigidly divided: caregiving and breadwinning are treated as mutually exclusive roles, assigned strictly by gender. Rather than viewing people as individuals, their expected roles are predetermined based on whether they are men or women, fathers or mothers. This artificial division is reflected and reinforced throughout Japan's institutional frameworks, making meaningful change difficult to achieve.

As Japan's population decline accelerates due to low birthrates and an aging society, achieving a new form of inclusive growth requires unprecedented innovation and human resource development. To secure its future, Japan must unleash the full potential of all its people, regardless of gender or sexual orientation. We can no longer afford to unnecessarily limit individual talents and strengths based on preconceptions about gender. The future of our super-aged society depends on nurturing and developing each person's unique strengths beyond the constraints of gender.

# Two Types of Risk-Sharing for Innovation



**Hiroshi Shimizu**  
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Innovation inevitably involves risk. Setbacks and failures are bound to occur when trying to do something that has never been done before. That is precisely why risk-taking is so important. However, if people are to take risks, there must also be systems for risk sharing. Someone who claims to take risks without risk sharing is either a sage or a swindler.

The core principle of risk sharing is dispersed investment. With the development of efficient capital markets for startups and deregulation of pension investments, investors can now disperse their capital across a wide range of sectors. This enables startups and other new ventures to confidently take risks and innovate. Meanwhile, established companies can leverage their diverse portfolio of successful businesses to invest in highly innovative fields.

However, financial risk is not the only kind of risk innovation entails. There is also the risk that innovation will destroy the value of existing skills. Just as the advent of the steam engine rendered the horse obsolete for long-haul transit, technologies like artificial intelligence now threaten to make many human skills obsolete. Unfortunately, due to the finite nature of human lifespans, we inevitably tend to invest in relatively narrow skillsets. This makes individuals inherently vulnerable when their skills become obsolete, and this risk is primarily borne by individuals. While it's easy to say people should continuously reskill to keep pace with technological change, this is far more challenging in practice, particularly when one's livelihood is at stake, and ultimately insufficient on its own. The challenge for societies going forward will be how well they can develop systems to share the risks of skill obsolescence, enabling individuals to confidently take risks in developing their capabilities.

# The Road to Hell Is Paved with Good Intentions



**Yasuhiro Suzuki**  
President, International  
University of Health and Welfare

April 2024 will mark the implementation of new labor regulations for physicians under Japan's Labor Standards Act. The reasoning behind these reforms is understandable: doctors are human too, and with more women entering the profession and younger physicians prioritizing work-life balance, we cannot maintain quality healthcare or attract talented professionals when over 40% of doctors are forced to work beyond hours that would legally qualify for a death from overwork claim under Japanese law.

Unlike factory workers, physicians - similar to lawyers and accountants - are traditionally supposed to have considerable autonomy in managing their work patterns and hours. So why aren't doctors eligible for the kind of discretionary working system that gives other professionals flexibility in determining their hours? The answer lies in the "duty to respond" requirement under Japan's Medical Practitioners Act, which mandates that physicians cannot refuse requests for medical examination or treatment without legitimate reason. This obligation effectively prevents doctors from having meaningful control over their working hours.

This requirement made sense when the Medical Practitioners Act was established in 1948. At that time, there was no emergency medical system, and most private practice physicians lived adjacent to their clinics - refusing to provide care at any hour could literally mean the difference between life and death. Today's reality is markedly different: Japan has a comprehensive emergency medical system, and most physicians no longer live near their practices. While it remains sensible to require emergency-designated hospitals to maintain this duty to respond, applying the same obligation to individual physicians no longer reflects modern healthcare delivery.

However, the unintended consequences of attempting to limit overtime work by physicians are already visible. Urban hospitals can attract physicians by advertising reduced overtime hours, while rural areas face an increasingly dire situation - elderly hospital directors and administrators are forced to cover multiple night shifts due to worsening physician shortages. Unless something is done, the gap in healthcare access between urban and rural areas will only continue to widen.

This is a perfect example of how well-intentioned policies can paradoxically worsen the very problems they aim to solve.

## Embracing Missteps and Detours as Pathways to Success — Institutionalizing Second Chances



**Katsuji Yamada**

Principal, Osaka Prefectural  
Nishinari High School

The fact that in Japan today, more than 290,000 students are chronically absent or have stopped attending school entirely should be seen as a dire warning about our society's excessive reliance on a rigid, scholastic approach to education.

Japanese schools have persistently fixated on “ aptitude, “ “sorting” children and young people based solely on their perceived academic ability and achievements. In that sense, I believe education in Japan hasn't even gone through “postmodernism,” yet, and thus the idea that we are somehow on the verge of “Society 5.0” is, at least from an education standpoint, deeply disconnected from reality.

While the 2016 “Act on Securing Opportunities for Education Equivalent to General Education at the Compulsory Education Stage” brought attention to alternative educational opportunities like free schools, these seem to merely orbit the traditional school system like satellites, following the same path with the same drawbacks.

The result is revealed in a survey conducted by the OECD revealing a disturbing trend: Japan is the only member of the OECD in which suicide ranks as the leading cause of death among young people aged 15-34, across all age brackets. What drives Japanese youth to such despair and unhappiness? I suspect the root cause is undoubtedly the same as that driving the 290,000 children away from school. As educators responsible for preparing young people for life after school, how should we address this crisis?

For over 20 years, I have worked with high school dropouts, those who live in the shadows of Japan's “universal” high school education. I've spent a great deal of time contemplating what is truly necessary to nurture these students, who drop out for a diverse range of reasons, so they can successfully integrate into society.

While conventional wisdom might suggest that the solution lies in intensive academic support and remedial programs, I disagree with this approach. Remedial 'support' that attempts to guarantee 'capability' invariably devolves into controlling systems focused on a narrow definition of 'achievement' that ultimately leads students to flee from learning altogether. Instead, we should seek to foster a social climate which accepts that sometimes failure is a prerequisite for growth, and, through partnerships between education and social welfare services, prioritizes supporting and validating each individual. I firmly believe that institutionalizing second chances will create a stronger, broader base of informed citizens supporting a stable, inclusive and prosperous society. By bringing together education and social welfare, we can enhance both individual happiness and collective well-being. This approach transcends mere job preparation - it's about empowering people with the skills and agency they need to become active, engaged



participants in society.

We should strive to create a society that recognizes that sometimes what appears to be a misstep, or detour often contains the seeds of future success, and embraces second chances!