Waking up to changing reality

Abe's womenomics campaign necessary as the country faces ageing, declining population

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Come join the workforce: *If women's participation rate were raised to that of men, Japan's workforce would grow by more than seven million people, boosting national output by some 13%.* PHOTO: BLOOMBERG

WHERE do the apparent feminist impulses of Japanese prime minister Shinzo Abe – as manifested by his "womenomics" campaign – spring from? He is better known for his conservative and hawkish stance on many issues and he heads a political party that is hardly renowned for progressive tendencies.

They stem from "sheer necessity", says Kathy Matsui, chief Japan equity strategist for Goldman Sachs and pioneer of the use of the phrase *womenomics*. Without more female participation in its workforce, Japan faces a "crisis" and that's what drives Mr Abe's concerns and policy, she says.

Such crisis is already upon some sectors of the country's business and industry, it appears. Airlines, retail chains, trucking companies and restaurants are being forced to rethink expansion plans and even close because they cannot fill jobs at any wage, Reuters reported last week.

Ms Matsui (who is married to another well-known investment banker here, Jesper Koll of JP Morgan) is better qualified than most to comment on womenomics because she claims to have coined the phrase back in 1999 when she wrote a book on what was then a novel issue.

A series of Liberal Democratic governments thereafter (including Mr Abe's first short-lived administration in 2007) and that of "progressive" LDP leader Junichiro Koizumi, and even three years of less conservative Democratic Party governments, failed to promote womenomics in earnest.

It was only when the more activist and apparently supercharged Abe administration took power at the end of 2012 that the issue of women's role in the society took on the status of an official priority – alongside more "masculine" issues such as reasserting Japan's international prowess.

It is true that Mr Abe does have an activist wife – Akie (who tends to get involved in social rather than political causes) – and it is tempting to think that she might have been the "power behind the throne" in getting the prime minister to take up the cause of womenomics.

But the truth is rather more prosaic. It all comes down to simple arithmetic and economics, according to Ms Matsui, although it may perhaps have taken a woman's common sense to grasp this fact rather than the supposedly powerful intellects of Mr Abe's close (male) economic advisors. While they were poring over how to squeeze more growth out of the economy (by injecting more financial and fiscal stimulus and by so-called structural adjustments to open the country's markets, to deregulate and to increase efficiency), Ms Matsui was looking at more basic issues.

Everyone acknowledged that Japan has one of the fastest ageing and declining population among advanced nations, and that the workforce is set to decline at a rapid rate. And, most people knew (even if they didn't admit it) that mass immigration to compensate for this is not acceptable in Japan.

What to do about it. Some leaders talked of raising the flagging fertility rate to a level where the population was at least able to replace itself. A few of them were even progressive enough to raise child allowances and to encourage more day-care centres for working mothers.

Some male members of Japan's national and legislative assemblies were content to make derisive and jeering comments in public about their female counterparts who could not, or did not wish to, raise children (as recent incidents in the Tokyo municipal assembly and elsewhere have shown).

Ms Matsui looked at things from a broader macro-economic perspective and duly wrote a report for Goldman Sachs on her findings. Women, she suggested, are a great unused resource in Japan and one that needs to be exploited (in the positive sense) rather than suppressed.

The labour force participation rate of women is 62.5 per cent, still far behind that of men at 80.6 per cent, she found. If women's participation rate were raised to that of men, the workforce would grow by more than seven million people, boosting national output by some 13 per cent.

"Japan can no longer afford not to leverage half its population," Ms Matsui wrote (a lesson South Korea, Malaysia and Indonesia, which have lower participation rates than Japan, might also usefully learn, although China and Vietnam make more use of woman power, according to the International Monetary Fund).

Mr Abe and his advisors seized on this and decided to embrace womenomics under the broader rubric of "Abenomics" – good for the reformist image which the Abe government likes to present to the world, as well as for the 2 per cent annual growth in the GDP which Mr Abe is targeting.

The prime minister set a target for raising the number of women in senior management positions from under 10 per cent now to 30 per cent by 2020, something even Ms Matsui thinks is ambitious. Women are making headway in Japan's financial sector, as her own case proves, but elsewhere it is slow. Closer to home for Mr Abe, the ratio of women in Parliament is second lowest only to Myanmar among Asian countries, Ms Matsui noted in an address to the Foreign Correspondents Club of Japan. And, in the private sector, many more women wish to find work than firms are prepared to employ.

Firms need more women directors on their boards, she says, arguing that the issue is one of "diversity" rather than gender balance, and that "diversity breeds innovation". She also cites the fact that on average women are paid 30 per cent less than men in Japan for equal work.

Ms Matsui's critics (many male) sneered that if she had her way and more women were put to work in Japan, the population decline would get even worse. She countered by producing data showing that elsewhere women actually bear more children when they have an enlightened working environment.

She herself is perhaps one of the best advertisements for the womenomics campaign. She is highly intelligent and attractive as a person while retaining a charm that belies the image of the tough woman who "wears the trousers". Japanese males need to wake up to a changing reality.

LETTER TO THE EDITOR

Joint efforts needed to attract retail investors

I REFER to the article "Attracting retail investors: mindset change needed" by R Sivanithy (BT, July 2). The current slump in retail participation in our stock market is not solely the result of last October's penny stock fiasco but the accumulated outcome of a gradual reduction in retail interest over the past 15 years. There are various causes of the current state of rapidly diminishing retail participation. Poor-quality listings, misdirected regulations, undermining of the remisier salesforce and unavailability of stock prices are seen by The Society of Remisiers (Singapore) as the main contributing factors. Poor-quality listings in the past decade is the primary reason for the withdrawal of retail participation. For example, S-chips (China stocks) significantly wiped off a huge chunk of hard-earned monies from our retail clients. Relying on a philosophy of "caveat emptor" or "buyer beware" while leaving so many potholes exposed in the market is a grave mistake. It is the duty of the authorities to bring in quality companies with listing potential rather than just going for quantity.

Secondly, over-regulation and the failure to strike a regulatory balance may be the next root cause of the current stockbroking slump. We have the habit of questioning every surge in share prices, suppressing market momentum and hence interrupting market vibrancy. Yet, we miss preventing major market collapses. Regulatory manpower resources for the former should be more appropriately shifted to pre-empt significant market fiascos such as the recent Asiasons, Blumont and LionGold crises.

We seem to have misdirected our regulatory resources to areas that are related not so much to market well-being but to operational convenience. For example, clients are threatened with a minimum of $1,000 fine if their accidental oversold positions cannot be closed during the buying-in process; and a $5,000 penalty per day after several buying-ins fail. Complex or Specified Investment Products (SIPs) such as exchange-traded funds, covered warrants and contracts for difference complement the trading of ordinary stocks and shares and add value in daily trading. We have over-reacted to the mini-bond crisis by excessively regulating these products via exams to the extent that they are no longer on the radar screens of retail investors.

Even now, remisiers who have cleared their Module 6A exams for dealing in SIPs find that some of their clients are put off from trading these products as they feel offended by being asked to sit for a test as a new client.

Thirdly, when it comes to giving financial advice, the remisier's hands are tied, regardless of the number of courses he or she may sit, be they of technical or fundamental analysis, options, futures and/or extended settlement. By virtue of the rules and regulations which prohibit remisiers to offer advice, to say that they can offer their personal opinion is a case of playing with semantics. Perhaps the authorities should review and remove these restrictions to avoid any ambiguity, so that retail clients can be guided by these professionals again. Finally, the removal of stock prices on Teletext by MediaCorp and in *The Straits Times* dealt a big blow to retail volumes. Almost all elderly clients rely on such channels for price discovery. Yet, we do not see any conscious efforts to rectify this pressing issue. In our view, we suggest that the Monetary Authority of Singapore, Singapore Exchange, the Securities Association of Singapore and The Society of Remisiers (Singapore) meet on a regular basis to resolve the ever-changing issues facing the stockbroking industry. Hopefully, we can arrive at solutions to boost retail participation once again.

Jimmy Ho Kwok Hoong
President
The Society of Remisiers (Singapore)

BRICS should forge a 'Rio Consensus'

By **KEVIN P GALLAGHER**

CONVENIENTLY scheduled at the end of the World Cup, leaders of the BRICS countries travel to Brazil this week for a meeting that presents them with truly historic opportunity. While in Brazil, the BRICS hope to establish a new development bank and reserve currency pool arrangement.

This action could strike a true trifecta – recharge global economic governance and the prospects for development as well as pressure the World Bank and the International Monetary Fund (IMF) – to get back on the right track. The two Bretton Woods institutions, both headquartered in Washington, with good reason, originally put financial stability, employment and development as their core missions.

That focus, however, became derailed in the last quarter of the 20th century. During the 1980s and 1990s, the World Bank and the IMF pushed the "Washington Consensus" which offered countries financing, but conditioned it on a doctrine of deregulation.

With the benefit of hindsight, the era of the Washington Consensus is seen as a painful one. It inflicted significant economic and political cost across the developing world.

What is more, the operations of the World Bank and the IMF are perceived as rigged against emerging markets and developing countries. The unwritten rule that the head of the IMF is always a European and the World Bank chief is to be an American is only a superficial but no less grating public expression of that. Worse still is the fact that the voting structure of both institutions is skewed toward industrialised countries – and grants the United States veto power to boot. It wasn't always that way.

As Eric Helleiner shows in one of his two new books *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*, China, Brazil, India and other countries wanted development goals to remain a core part of the Bretton Woods institutions. Some of their proposals eventually made it into the policy mix of the World Bank and the IMF, including short-term financing, capital controls and policy space for industrial policy.

When these institutions failed to predict the global financial crisis of 2008, however, the BRICS and other emerging market and developing countries said enough is enough. First, they tried to work inside the system by proposing reforms that would grant them more say in voting procedures.

However, the US Congress has failed to approve the small stepwise reforms of that process – even though the United States would have maintained its veto power. BRICS and other emerging market nations also joined the G-20 in hopes that it would be a more pluralistic venue for global cooperation. The G-20 did hold a landmark 2009 meeting where a new vision was articulated for global economic governance, but none of the promises – especially the coordination of macroeconomic stimuli to recover from the crisis and comprehensive reform to prevent the next one – were realised. Now the BRICS are taking matters into their own hands. Their governments have been diligently putting together two new institutions that hold great promise – a new development bank and a new reserve pooling arrangement.

The development bank would provide financing to BRICS and other emerging market and developing countries for infrastructure, industrialisation and productive development. The reserve pool would allow BRICS and other nations to draw on pooled reserves in the event of balance of payments crises or threats to their currencies. When these institutions are launched in Rio this week, BRICS could and should forge a "Rio Consensus" – provided they do not make the same mistakes of other, mostly Western-inspired "models" in the past. The key is to make it a model for global economic governance in the 21st century. The key elements of a Rio Consensus are a definite step in that direction.

At its core is a commitment to financial stability and productive development in a manner that is inclusive, honours human rights and is environmentally sustainable. Organisations carrying out such a mission should also have a more equitable organisational structure with open and transparent rules. This crucially includes the mechanism for picking leaders and a more equal voting system for existing and new members.

Not only will such a framework and structure enable more appropriate finance for development and stability, it can also serve as a moral model of reform that can someday be achieved in the two Washington-based institutions themselves. This will give BRICS more leverage – and an opt-out if the industrialised countries stay set in their ways.

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India budget overlooks macro issues

By **SHAHID JAVED BURKI**

FOR a macroeconomist with a strong interest in development economics, the recently released Indian Budget has several troubling aspects. Most of the commentary that has appeared since the Budget was announced last Thursday has focused on what I will call micro details. There are many wonderful ideas about the projects the government will like to undertake. Every state will have an institute of technology of the type that ushered in India's information technology revolution. The budget calls for the "rurban" approach. There will be focus on making many small urban areas located in the countryside into small smart cities. There is an expectation that the 100 billion rupees (S$2.06 billion) startup fund that will be set up will give opportunities to thousands of well-trained entrepreneurs in the modern sector of the economy to set up shop in these cities.

Before the Union Budget was presented, the government announced the budget for the railways. As was to be expected, this placed emphasis on the construction of a high speed network of railways. This will start with a line that will connect Mumbai with Ahmadabad. Since the railways will not be able to raise the needed capital, it will invite private participation in this endeavour.

Many of these new initiatives will be done in partnership with the private sector. This way of doing business has acquired an acronym of its own – PPP. This stands for public-private-partnership. What worries me is not the promise to build a sky-high statue of Sardar Vallanbahi Patel, a hero of the Indian independence movement. What is of concern is the implicit macroeconomic model that underlies the Budget.

The model the Bharatiya Janata Party (BJP) has adopted is simple. It sees a reduced government focusing on some of the critical areas such as the care of the poor. The state would pull back from the areas in which it was traditionally engaged, leaving space for private enterprise. Within this framework the Modi government using the Budget to deliver a set of policies has made at least four moves which may produce results very different from those intended.

The first of these relates to fiscal compression. Some of the tax measures announced and some that will come later are intended to reduce the budgetary deficit from the current 4.1 per cent of GDP to 3.6 per cent in 2015-16 and 3 per cent in 2016-17. It is not a good policy to apply squeeze on the Budget when the economy has slowed down. This is something that Nobel Prize winning economist Paul Krugman has been pointing out in his *The New York Times* columns ever since the beginning of the "great recession" in 2007. Taking the Keynesian approach, Mr Krugman has been appealing to the policymakers in the US and in Europe to not opt for fiscal austerity when the economy is suffering from constrained demand. His arguments were made for developed economies, but they apply with even more force to the emerging world.

One consequence of the 1.1 percentage point contraction in the fiscal deficit is to shave off 0.25 per cent from the rate of GDP growth by 2016-17. This is perhaps one reason why Finance Minister Arun Jaitley lowered his government's sights about the projected rate of GDP increase. It will take the rest of the Modi term to reach 7 to 8 per cent GDP growth.

If the state will constrain its expenditure to narrow the budgetary gap, there is the assumption that the private sector will step in with additional capital for investment. This is the second consequence of the Modi approach. That is likely to happen. One large private group – the Ambani conglomerate – has already announced its intention to invest US$30 billion of its own capital in the economy. But there may not be a perfect match between public and private capital. The impact of the two may be very different. Large enterprises are likely to put money in capital intensive projects with very limited job creation. India needs to aggressively expand job opportunities for the 10 million or so new entrants into the workforce. In other words, by turning to the private sector for providing the additional capital needed by the economy, the Modi economic model may end up further widening the income gap between the upper and lower economic classes.

There is another feature of the Budget that might sharpen another divide. This is the fourth troubling consequence of the Modi approach in my list. The Budget has indicated that the shares of the states in the "large plan expenditure component of the Budget", which is 5 per cent of GDP, will increase significantly. This will go up from 25 per cent in 2013-14 to 60 per cent of the total in 2014-15. Since the states will need to come up with resources of their own to augment those provided by New Delhi, the richer states will be able to do it more easily than those that are poor. Two of the Budget's unintended consequences will, therefore, be to further widen the personal and regional income disparities.

The Modi model, therefore, assigns the private sector a great deal of responsibility in working the economy out of its present low rate of growth. It is prepared to opt for a slower pick-up in the growth rate to reduce the fiscal deficit. It will not generate as many jobs for the middle class as this group of voters expected when they gave the BJP such a large majority. And the ruling party seems willing to tolerate a further widening of the income and regional income gap. The BJP supporters were probably looking for a different deal.

The writer is former vice-president of the World Bank and also former Pakistan finance minister