

Special Dialogue

“Toward a Sustainable Capitalism” A Series of Dialogues between Business and Philosophy

Aware of the need to move away from excessive reliance on market principles, the 21st Century Public Policy Institute analyzes the impact that changes in the international situation, technological innovation, and the spread of infectious diseases are having on capitalism and democracy. As part of these efforts, we carry out dialogues on these issues between project leader and philosopher Takahiro Nakajima and Keidanren executives and representatives of member companies. One such dialogue has already taken place between Professor Nakajima and Keidanren Chairman Masakazu Tokura, the content of which was published in the January 2022 issue of the monthly *Gekkan Keidanren*.

For this edition, we feature a wide-ranging conversation focused on “the next generation of human resources and their training and education” between Project Leader Professor Nakajima and Keidanren Vice Chair Koichiro Watanabe, who serves as chairman of the Central Council for Education.

(Date of discussion: March 18)



Vice Chair, Keidanren (Chairman of the Board, and President, East Asian Academy for New Liberal Arts, The University of Tokyo)

Koichiro Watanabe

■ Moderator (Makoto Ota, Secretary, 21st Century Public Policy Institute)

At the 21st Century Public Policy Institute, we believe that Japan stands at a major turning point in the history of capitalism and democracy. How should we think about this turning point? And what is likely to lie beyond it, once we have turned the corner? Today, in the VIP lounge at the



Project Leader, 21st Century Public Policy Institute, and Professor, Institute of Advanced Studies on Asia and President, East Asian Academy for New Liberal Arts, The University of Tokyo

Takahiro Nakajima

headquarters of Dai-Ichi Life Holdings, Inc., which US General Douglas MacArthur used as a reception room after World War II, our two speakers will engage in a wide-ranging dialogue, with a particular focus on training and educating the next generation of human resources, who will need to be able to respond to global conditions that are changing dramatically and rapidly leaving traditional frameworks behind.

What is social common capital? What kind of values can we find outside the market economy, and how can we use them to achieve happiness?

■ Koichiro Watanabe, Vice Chair, Keidanren

We are living in an age that can be described by the acronym VUCA (volatility, uncertainty, complexity, and ambiguity). We can see evidence of this in the ongoing crisis in Ukraine and in the antagonism and frictions between the United States and China. My view for some time has been that in a rapidly fragmenting world, the future of capitalism and democracy will be increasingly threatened unless we can redefine and strengthen them both from a Japanese perspective. So from my perspective, today's topic has come at the perfect time.



In the January issue of *Gekkan Keidanren*, Chairman Tokura discussed the book *Shakai-teki kyotsu shihon* (Social Common Capital) by Hirofumi Uzawa. One thing that particularly reverberated with me was his discussion of how the Japanese word for the economy, *keizai*, originally came from a Chinese phrase meaning “to govern the empire well and save the people from hardship.” As I read the book, I found ideas on education as an example of social common capital coming into focus. In particular, I identified with the part where the author argues that “education means making the most of the innate and acquired qualities in each individual child, extending and developing their abilities as much as possible, and helping the child to grow into a human being who can enjoy a fruitful and happy life.” This, I think, summarizes the essence of education quite accurately, and draws on the philosopher John Dewey's three principles of education: 1) social cohesion, 2) equality, and 3) human development.

Another subject that has been discussed in recent issue of *Gekkan Keidanren* is the future of capitalism. In that context, I would like to say a few words about my thoughts on Milton Friedman's ideas of shareholder capitalism. Friedman's fundamental thinking on shareholder capitalism is based on 1) the theory of shareholder primacy and the idea that the manager is an agent of the individuals who own the corporation, and 2) profit maximization. These ideas are still alive and well today, and often come up in discussions about market principles and corporate governance theory. But I think the reality is that executives, even while holding their own management philosophies and depicting an idea to themselves of how things should be, actually run their businesses in the face of massive contradictions that emerge as soon as they step out into the market. Katsuhito Iwai wrote an article in the *Nikkei* (March 17) arguing that Friedman was mistaken on these points, and I find myself broadly in

agreement with Iwai's arguments. I have always believed that a company answers to a diverse range of stakeholders, including its business partners, clients, and employees, and so I have always felt somewhat uncomfortable with the idea of shareholder primacy. The idea that the manager is an agent of shareholders is not quite right either. They are entrusted with responsibility within the organizational body of the company, but are not simply there to represent shareholders alone. There's the idea of fiduciary duty—and I think that as executives, this fiduciary duty is one of our main responsibilities. Profit is important, but I believe that capitalism needs to be supported by ethics as well. I think that's the correct way of looking at it.

The SDGs are steadily becoming established, as people become more and more aware of urgent problems like climate change and the growing inequalities in society. In the United States, the Business Roundtable has touched on the need to rethink shareholder capitalism, while the subject of stakeholder capitalism has even been raised at Davos. A change is certainly taking place in the way the world is thinking about these issues, and I think it is essential for us to take stock and organize our ideas in way that takes heed of these changes. In some ways, discussions on governance and ROE management in Japan are lagging behind these global developments. So in that sense too, I think it's important to have discussions like today's in a frank and serious way, and work to build a shared awareness of the issues within Japanese society.

■ Takahiro Nakajima, Project Leader, 21st Century Public Policy Institute

There's something that comes to mind as I listen to what you're saying. In his book *Shakai-teki kyotsu shihon* (Social Common Capital), Professor Uzawa emphasizes the term “fiduciary,” and makes the following comments.

“Social common capital is managed and operated within specific areas by professional experts based on their specialist knowledge and professional norms, and is not run according to the standards and rules of the government or market. This principle is of fundamental importance when considering the problem of social common capital. This is because social common capital is managed and operated based on a fiduciary basis.”

Uzawa defines “fiduciary” as a duty of trust for things that are important for society. If we think of companies not in terms of shareholder primacy but in terms of the stakeholder model, then companies too can be seen as associations based on a fiduciary sense of responsibility.



At the same time, a company must of course work to increase its profits in line with market economy. This is certainly true, but at the same time I think that companies also have a responsibility with regard to other issues that lie outside the market as well. One thing that is interesting about the idea of social common capital is that it warns against thinking about things only through the lens of an excessive focus on the market, and reminds us that many aspects of human societies cannot simply be left to the market. One of the most important of these is education. If you think about it, this is true of companies too, and in that sense, I think it's symbolic that Dai-ichi Life Insurance Company started out as a mutual corporation. People come together to build an association. And through that they contribute to society and increase profits too. I think probably that's the kind of philosophy under which companies started.

■ Makoto Ota, Secretary, 21st Century Public Policy Institute

Looking around the “MacArthur Room” that is the venue for our conversation today, it occurs to me that postwar education in Japan could be said to have started from here in the Dai-ichi Life Headquarters Building. If I may, I'd like to get you to talk a bit about how you see education today, looking back on the path that education in this country followed in the postwar years.

Rethinking Japanese education from the starting point of postwar education

■ Koichiro Watanabe, Vice Chair, Keidanren

You're visiting us here in the MacArthur Room today. In Japan, the postwar period arrived at a time when the country was entering the Society 3.0 era, or the industrial society. At that time, the Government Section of GHQ worked to put together a draft constitution, while the Civil Information and Education Section worked to formulate the Basic Act on Education, following a United States Education Mission to Japan that came and carried a survey on Japanese education and following deliberations with the president of the University of Tokyo among other figures. There are various opinions today on the policies of GHQ, but there's no doubt that a leading role was played by people who had been instrumental in promoting New Deal policies back home in the United States and had strongly social democratic views. I think there's no question that the Japanese Constitution and Basic Act on Education that were drawn up at this time helped establish postwar education in this country on a sound footing.

Specifically, a single-track American-style 6-3-3-4 system was introduced. In terms of administering education too, the basic system for Japanese education took shape in these years. To ensure that the system was not influenced by government policy as it had been in the prewar years, education committees were established in local governments, and community centers (*kominkan*) were established throughout the country to separate education from religion.

But I think one issue that has left a long shadow since those times was the decision to carry out an extreme separation between academia and industry. The original aim behind emphasizing the independence of academia was to separate it from the armaments industry and other aspects of the military



industrial complex, but the result was a much more thorough-going separation between academia and industry than we find in other countries. I don't think there's a problem with the idea that it's important for education and research to be pure and uncompromised. But if we then ask ourselves, did other countries separate academia from industry in the same way—well, the answer is that they did not. The United States, for example, bolstered collaboration and coordination between academia and industry, centered on the graduate schools that were established on top of the college-based university system that was introduced from Britain.

But in Japan, academia and industry were separated from each other at the starting point of the immediate postwar years. An emphasis was placed on academic independence, and a vertical structure was established based on academic departments, with only rather weak connections horizontally between different departments. I think this accounts for what became one of the weaknesses of postwar education.

■ Nakajima

I think what you've said is quite suggestive. There is a strong tradition of social democratic values in the United States. And young people from that country, burning with passion for those values, created Japanese postwar education from this very room—I think that's very symbolic. This education system marked a 180-degree turnaround from the system that had been in place before the war. But I think we need to take pause and reconsider just how deeply these ideas took root.

In the prewar education system, there was a kind of liberal approach to education, centered on the system of elite numbered schools—the First Higher School and so on, the so-called Number Schools. After the war, there was an opening of university education to the masses, and that meant the development of a kind of liberal arts in all universities in the form of “general education.” However, in my own personal view, this was never really a very thorough-going system.

The term “general education” was sometimes used cynically, and ultimately, as the national universities were turned into educational corporations, this led to the loss of the concept of “general education” itself as part of that trend. At universities in the United States, meanwhile, many students are exposed to a liberal arts education in the form of the “general education” courses during their freshman and sophomore years. There are also many smaller colleges that specialize in liberal arts education

and produce some excellent students. This kind of college hardly exists in Japan.

Mr. Watanabe, I'd be interested in hearing about how you see the general education in the postwar years and liberal arts education.

The importance of the “human co-becoming” perspective: Redefining what it means to be human

■ Watanabe

In 2002, the Central Council for Education issued a report on the aims for a system of general education for a new era. As reference materials, the report lists some of the problems in the previous model of general education. These included a tendency for the education provided in lessons to drift away from the principles of general education. Another problem was that because all universities were established according to the same standards, general education was not adapted to the reality of universities as they diversified.

An even more unfortunate history, I think, lay with the student movement. Because the main centers of the movement were in the liberal arts departments and in student dorms, this led to a strong animus in public opinion against liberal arts departments, and a wish to downplay them and minimize their importance. A form of public discourse opinion quite different to essentialism came into being, and I think this had a major impact on general education. Meanwhile, the United States, while still based on systematized general education, developed a system of liberal arts colleges and specialized graduate schools on top of these.

Even at the time, people in Japan were aware of the problem, and in fact there were steps to try and correct these imbalances. But as the percentage of people going on to further study increased and student numbers rose, it became difficult to implement sweeping reforms across the board. As a result, the reforms to education systems in 1991 that involved changes to the university establishment standards and other parts of the education system led to a reduction in the role of general education. At the same time there was an attempt to improve and enhance the country's graduate schools. But in fact, graduate schools are so independent that they make collaboration between academia and industry more difficult, and this has made them less than ideal partners from the perspective of businesses.

In recent years, we've seen increasing digitalization and globalization. And as trends like digitalization and globalization continue, unless we place people at the center of education, with general education and ethics on either side, these developments could easily progress in an undesirable direction. If we treat the digital transformation as an aim in itself, this will inevitably lead to growing disparities and inequalities in society. I think we can already see this happening in Europe and North America. Correcting these imbalances is another reason why Society 5.0 needs to be “for SDGs,” and I think our ideas need to be built on a human-focused kind of capitalism.

Recently, people have started to talk about the concept of “well-being.” I think if we are going to move into a super-

smart society, then this concept of well-being will only become more important in the years to come. A lot of people seem to think that well-being means placing learners in a relaxed, easy-going environment, a little like the “*yutori kyoiku*” idea of a more relaxed approach to school education. But that is not what it's about. In order to make well-being a reality, what is important is optimistic thinking that is focused on looking ahead to the future.

■ Nakajima

I think “well-being” is an important concept. Makoto Gonokami, previously the president of the University of Tokyo, once discussed the idea of Society 5.0 with Hiroaki Nakanishi, the previous Chairman of Keidanren. I was present at the meeting. The word “humanity” is included within Society 5.0, and the idea is to aim for a new society centered on humanity. I think this is the first time that “humanity” has been included this way in this kind of concept. What it boils down to is that we have to redefine what it means to be human. We need to reconsider how we want human societies to be. I took it as a strong message along those lines.

What is well-being? In one of my recent pieces, I used the English coinage “human co-becoming.” The idea of the “human being,” backed up by European existentialism, is important of course, but with this term I feel it is difficult to escape the tone of anthropocentrism. And an anthropocentric approach in a context when there is so much attention on the environment isn't going to work. I think we need to redefine humanity again in the context of the wider environment. And if we do that, we end up not with a human “being” but a “human becoming.” This is the kind of discussion that is going on at the moment.

What will this become? It will become something human. But since no person can become human alone, what we have instead is a human co-becoming: in other words, becoming, growing into something together with others. I believe this is the kind of thing we need for our redefinition of what it means to be human. I feel that the ability to transform and change is a major strength of humanity. Unlike other animals, human beings are capable of change. Of course, change sometimes brings us in a good direction, but sometimes there can be change for the worse as well. It is important for society, therefore, to do what we can to ensure that things change for the better. I think well-being in a sense is a kind of platform that can help to ensure that people and human societies change in the right direction, for the better.



Realizing Society 5.0: Building imaginative power in society through a collaboration between industry and academia

■ Watanabe

When Professor Gonokami and former Chairman Nakanishi brought up the topic of Society 5.0, they discussed the subject in depth. I think it was extremely significant for industry, government, and academia to collaborate together and reach a shared awareness of what Society 5.0 should be. This concept of Society 5.0 for SDGs was our foundation when we were drawing up our medium-term growth strategy at Keidanren, and we were also conscious of the ideals of Society 5.0 for SDGs when formulating our report at the Central Council for Education.

I think the main reason why the education reforms during the time of Society 4.0 did not go well was that industry, government, and academia did not have a shared understanding of the issues, and tried to carry out reforms separately. In helping to turn that back, I think that the way in which the concept of Society 5.0 for SDGs has brought the three sectors together is quite significant.

■ Nakajima

Looking back on my own student days, it was a time when you used to see lines of placards saying: “We will not allow a coordination of industry, government, and academia.” And that was the mood of society at the time.

What we didn’t realize at the time is that capitalism is not just a simple economic system. It is something fundamental, that defines the creative power of our society. But the problems that arise from that cannot be resolved simply by separating industry, government, and academia. That doesn’t solve anything. Would it be possible for universities to exist in peace and tranquility somewhere beyond the reaches of capitalism? No. Because the universities themselves occupy a position within capitalism. The question then becomes: What role should they perform within that context? If you were going to apply a brake, what kind of brake should be applied? I feel that this role was discarded, without anyone being able to give an answer to that question.

I also think that industry was guilty of not asking opinions from the universities. They were basically happy to just sit back and let the universities educate young people for four years and then they would recruit their future employees from that pool of talent. But that era is gone now. Today, people



still study for four years in a university, but how long does that knowledge stay current? It’s basically out-of-date and obsolete almost immediately. So now it is essential to improve our graduate schools, and for people to study more than twice as much as what they learn during those initial four years. Knowledge acquired not only at university but at graduate school too will remain current and usable for slightly longer. Those are the kinds of human resources that are needed now. Even so, that knowledge will not last ten years. I think we really need as a society to work to create ways to revitalize that knowledge, using universities again, in the form of recurrent education.

The importance of liberal arts: Intellectual, moral, physical, and aesthetic education too

■ Nakajima

There are a couple of things I would like to ask Mr. Watanabe. The first is about the role of the arts within a liberal arts education. I’d be very interested to hear your thoughts on that. The other question concerns the issue of global education. What do you think about this subject?

On the question of art, in the United States in particular, but in other countries too, arts education is included as an essential part of the liberal arts. But in Japanese universities this doesn’t work as well. There are a few arts universities, but the programs in those institutions are focused on training specialists in the various fields of the arts. I think, conversely, it would be precisely these places that would benefit from a liberal arts education.

In terms of global education, I think we are getting to the point when it would be better to abandon the model that has been in place to date, whereby professors at Todai (The University of Tokyo) teach Todai students. Instead, we want an international pool of talented teachers from around the world teaching Todai students. Or maybe they don’t even have to be Todai students anymore. I feel that maybe that’s the kind of new model we need to aim for within global education.

■ Watanabe

You mentioned just now that the “arts” in liberal arts education refers literally to things like painting and so on. I think, whether it’s an individual or a company or other organization, the question of balance is important. In promoting digitalization, if digitalization itself becomes an aim in itself, then inevitably this will lead to inequalities and will make it easier for a distorted society to come into being. Consequently, it is essential to have culture or the arts on one side as well. If we bring things down to the level of the individual, I think this is also the question of a balance between the left and right sides of the brain.

On an individual level, some aspects of life use the right side of the brain and others the left, but if a person skews too much to one side, it is easy to lose balance as an individual. The same thing happens to companies as organizations. I think the same is true of the structure of society.

I think global education has stumbled in the era of Society 4.0. Rather than focusing on individual subjects like English and programming, I believe that a broad education in the form of something like a liberal arts education

would be more effective at nurturing young people capable of thinking deeply about things.

Looking around the world, the percentage of people going on to higher education in China has increased and the number of students is now 10 times that of Japan. Just before the pandemic, the number of Chinese students studying abroad was also 10 times higher than the equivalent figure for Japan, with some 600,000 students. This is as if the first-year students in all Japan's universities were all studying abroad. That's the scale of it. And these foreign students come back to China charged and energized by what they have learned overseas. The energy that has transformed Shenzhen from a fishing village into a megacity of more than 10 million people also comes from this collaboration between industry and the academic sector. China has succeeded in doing something that Japan was not able to do in the Society 4.0 era. Unless a more dynamic system is put in place for a more globalized style of education in Japan, I worry that this failure might become irreversible.

■ Nakajima

Cai Yuanpei, who was president of Peking University in its early years, said something interesting. He said that intellectual, moral, and physical education alone were not enough. You also needed an education in aesthetics. But he also stressed that including art in university curricula was not sufficient—he believed it was necessary to start from secondary education. You can't suddenly introduce university students to art and tell them to do this or that in response to it. It's too late by that stage. I think the time has come to consider how we can incorporate art education from the elementary and secondary level.

In the case of globalization too, students who study abroad do not receive proper support when they return to Japan. When you talk to students, they often say that studying abroad actually puts them at a disadvantage. They claim that companies don't want to hire students who have spent time overseas. I always tell them that's not true, but this belief has spread as a kind of urban legend among students. You mentioned the example of Shenzhen just now. But things like that are harder to achieve in Japan. How can we utilize our global human resources? I think we need to set out an answer to this, and make sure that it is done in a visible form.

Otherwise, we will struggle to produce human resources who will be successful in the long term. Collaboration with overseas universities will be essential in the future. The question for us now is which universities to work with and what form our collaboration will take.

■ Watanabe

I think this issue is not one that is limited to the universities alone. In industry, the hiring system that was a success model in the age of Society 3.0 is still alive today. Because the reforms in Society 4.0 were insufficient, the hiring and employment regulations have become ever more unsuited to the needs of the age. I think the whole corporate employment and hiring system itself needs to change.

■ Ota

This is something related to the history of Dai-Ichi Life. The company's founder, Tsuneta Yano valued mutualism, the importance of numbers, and public health. I feel as

though liberal arts might be embodied in these things, and further that some hints toward the direction we might take in the future might be found there too.

Lessons of the founder: "Try to become the best rather than the largest."

■ Watanabe

Our company's founder, Tsuneta Yano, was a doctor and an actuary who was well versed in statistics, and a pioneer in establishing the Insurance Business Act, in dialogue with legal experts.

Alongside running the business, he was also gifted in calligraphy and the arts. In a sense, I think he was the kind of person who today might be described in human resource terms as STEAM (Science, Technology, Engineering, Arts, and Mathematics). He brought Taizo Ishizaka, who later became chairman of Keidanren, from the Ministry of Communications to be his successor. And Ishizaka was also an excellent manager and executive. The business made steady improvements, until one day Ishizaka went to report to Yano and told him he was ready to aim to become the number one company in the industry. But Yano apparently told him, "That's no good. This company should try to become the best rather than the largest." If we interpret this in modern terms, I think we can take it that he was saying that the essence of management is to continue to seek not the relative value of the "largest" but the absolute value of the "best." I think it was because he was a STEAM person, equally at home in the arts and the sciences, that he was able to develop this kind of discernment.

If he'd been running the company with the idea that profits were the most important thing, I think he would have told Ishizaka: "Go for it. Aim to become the top company in the industry." But in that case, managing the business would have stirred up all kinds of contradictions. I think it was the mixed training and balanced background and education of the founder of the company that made it possible for him to decide to be the best in this way.

■ Nakajima

I think it's wonderful that the founder of the company said you should aim to be the best. An economist once told me that economics doesn't consider value. What does it consider, I asked. The answer was "not value, but price." Since the value of goods traded in the market appears as price, all economics can do is to think in terms of price. But this means that the discipline lacks any ideas about value itself.

Capitalism does not equal the market economy. It is not something that consists of the market alone. There are many important things besides and beyond the market. This is what Karl Polanyi meant when he warned against making all aspects of society subject to the market. There are many things in our society that cannot be commercialized and turned over to the market. I feel that this provides us with a foundation from which to think about value. If you put profits above everything else and rush to grow your company as quickly as possible in the market, that will not be welcomed or accepted as something positive from a society-wide point of view. I think this is a wonderful kind of discernment.

■ Ota

What would be the message that the two of you would want to convey to the next generation: to students or new employees joining a company for the first time?

Message to the younger generation: Young people today are great. Develop a spirit of challenge.

■ Nakajima

I know Mr. Watanabe has spoken highly of young people, and has said that in terms of their talent and creativity they're far ahead of where we were at their age. I strongly agree. Rather than having us teach young people something, my hope is that we can come together and work to create something together. In that context, I hope our experiences can be a help. Of course, we've had good experiences, but we've had plenty of bad experiences too, and had our share of failures. I hope that by showing that and being open about it, we can help young people to change in the right direction.

I feel that what's important is imagination. This means the imaginative ability to think of systems, and what I hope is that the young generation will bring lots of rich ideas to the table. We teach a class based on the idea of looking ahead 30 years into the future. What will our present moment look like when people look back on it in 30 years' time? Imagining what the world might look like in 30 years' time is not as easy as it might seem at first. But that's what I want young people to do. What would a better society look like? And what kind of contributions can they make? I want young people to be thinking about these questions on a daily basis. Thirty years into the future—it feels far away, but it comes around in an instant. I want to say to young people: make sure the future is one that you made.

■ Watanabe

When I was company president, in the speeches I would give to welcome new employees who had joined the company in the spring each year, I always made a point of expressing my admiration for young people today. People often talk about "the young people of today" in a negative tone. There are various stories claiming that similar complaints can be found carved in stone from ancient Rome, or ancient Assyrian inscriptions, that Plato himself complained about the same thing, and so on. It certainly goes back a long way. Ever since history began, at every stage in history, the phrase "young people today" has always tended to be used with negative



connotations. But it's those people who have gone on to create the future in each of those periods. In the present era, and particularly during the time when I was company president, I would see young people performing extraordinary feats in the Olympics, coming up with scientific inventions, and becoming champions in the world of shogi, and in all cases there were far more gifted and ambitious young people than there were when I was young. So for me, it felt only natural to say that young people really are amazing.

At the same time, various surveys have shown that today's young people tend to be stability-oriented. This suggests a gap, and it may be part of the difference that comes from looking at the average rather than individuals. If it is true that this desire for stability is strongly embedded in Japan today, that will make it harder to carve out a new future. Today we are in the midst of major changes, and I really hope that young people will have the spirit and determination to take on the challenges and try new things.

The well-being I spoke about earlier is not something that is born out of conditions of ease. I want young people to think of it as something that becomes a reality when people take on challenges, and have a forward-looking optimistic mindset—this is what leads to feelings of happiness and this is what produces well-being.

But if you take on a challenge, you're sure to come up against a big wall. Since my time as company president, my personal motto has always been, "Change creates friction, and friction creates progress." This is something I felt as a manager, but I also think that this is something that is true of life itself. If you try to change things, it will produce friction, which can cause you difficulties. But if you overcome those difficulties, that's when progress happens. My hope is that young people will keep this thought strong in themselves, and will take on the various challenges that will help them to make the changes we need for a better future.