

**Are Domestic Fairness Standards Compatible
with International Contribution?**

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Evidence-Based Policy

My research addresses an issue on social security pensions. I've been engaged in this research for half of my life. The Japanese pension system is complex and difficult for people to understand. It is a hodgepodge of many past adjustments and compromises among groups with conflicting interests.

When taking steps to reform the pension system, politicians tend to treat lightly the needs and concerns of future generations. Complicating the matter, Japanese Ministers in charge of pensions often get away with inserting their own zealous preferences into the system. The recent case that suddenly surfaced with regard to disguised operations of the Category 3 insurers is a salient example. After a draw-out Diet debate on the legitimacy, the issued official letter was determined inappropriate and had been withdrawn. This confusion was triggered by Japan's politician-led policy making.

When planning pension policies, major countries of Europe and North America first compile as much objective data and evidences as possible and, based on them, acquire a quantitative grasp of both positive and adverse effects that any policies would exert if implemented. The results of such studies are used as important reference when deciding upon policies. This process is called "evidence-based" policy.

Japan, on the other hand, has not yet made a meaningful use of evidence-based policy in its social security domain. The above-mentioned disguised Category 3 problem reflects the lack of evidence-based decision making when implementing policy. Much the same problem is seen in policy formulation on child benefits.

Why almost no evidence-based policy has been utilized to date in Japan's social security sector? In answer, I would suggest two reasons: (1) the lack of progress in amassing data—both micro-data (individual data before tabulation) and panel-data (data recorded upon continuous observation of the same individuals, households, or corporations), and (2) restrictions imposed on using micro- or panel-data even when they have been collected. The thrust of political deliberations tends to rely on statistics already released to the public, while causal arguments and policy simulations are taking a back seat.

I've personally been blessed with having been able to use both Grants-in-Aid and micro-data in my work from a relatively young age. I've reported as many results of my analyses as possible using the micro-data at academic conferences both in Japan and overseas. I've also been able to write papers in prestigious journals and author monographs from publishers recognized worldwide, while generating an international network of cutting-edge researchers in the pension field. I regard these things as gifts bestowed upon me by Grants-in-Aid and micro-data use.

Several Thoughts on Grants-in-Aid while Conducting Large-Scale Research Projects

Since FY 2000, I have carried out research on inter-generational issues including pensions through large-scale projects supported by Grants-in-Aid categorized as Scientific Research on Priority Areas and Specially Promoted Research, in which I have served as the principal investigator. Over the course of carrying these projects, several thoughts occurred to me.

First, it is often said that research projects in the humanities and social sciences do not require large budgets. While this may generally be true, exceptions exist. In carrying out the above-mentioned Specially Promoted Research project, we conducted the Japanese version of Health and Retirement Study, which started in the US from 1992, proceeded to the UK from 2002, and thence to continental Europe from 2004. In the US alone, about 20,000 people were surveyed each time. Millions of US Dollars were invested in each wave of the survey. To implement it, a huge budget was also required in Japan. The demand was increasing year by year both in and outside Japan in order to create panel data that would allow international comparisons. Actually there are research fields of the humanities and social sciences that do require large-scale funding.

Second, there is a strong need for Japan to place high priority on international contribution by continuing to carry out panel surveys that are of a high international

value. In Japan, however, there is a loud call for “decentralizing” research funds not to centralize to specific prominent or highly reputed researchers and research teams. To do so would make it virtually impossible for them to collect working data in Japan over periods of more than five years. Domestic fairness and international contribution are not always compatible. One wonders if it would be wise to abort surveys that receive broad international support and whose results are ever-more widely applied in Japan and abroad, merely because they don’t conform to domestic strong standards of grant distribution.

Third, operating a large-scale research project requires a program coordinator who directs its secretariat, and a number of staff who are capable of administering the project’s proper accounting. There is also a need to hire young researchers with high future potential and to employ for a certain periods overseas researchers engaged at the cutting edge of global initiatives so as to bolster the vitality and expertise of the research cohort. Of course, facilities must also be used. Indirect funding is applied to cover these various vital expenses and thus is indispensable in maintaining and enhancing the research environment. I would like to emphasize that indirect funding under Grants-in-Aid should not be reduced or eliminated in the future.

Fourth, under large-scale projects, annual international conferences can be held in Japan. Needless to say, many significant outcomes are born out of periodic large-scale conferences that cannot be achieved by smaller, sporadic meetings. Interest in China is rising on a global scale, while the demand is still high for Japan to disseminate germane information to the world. However, there is a problem when it comes to holding international conferences in Japan: alcoholic beverages served in connection with them must be paid for out of pocket by the organizers and/or Japanese participants. Finding it difficult to bear this financial burden, there are more than a few researchers around me who are not willing to convene international meetings in Japan. I would think that there may be leeway within the Grants-in-Aid Program to allow as an exception the funding of alcoholic beverages in certain international conferences where it would promote collegueship.