

Education key to better addressing inequality

Tremors have been running through the world's political landscape due to events such as the inauguration of Donald Trump as U.S. president, Britain's decision to leave the European Union and the rise of far-right political parties in Europe. The reasons vary from country to country, but such developments



INSIGHTS
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By Motoshige Itoh

have been commonly fueled by globalization and economic inequality.

Globalization has directly affected Americans living in the Rust Belt, north and northwest of the Appalachian Mountains, as it has caused the steel, automobile and other manufacturing industries in the region to decline.

Author J.D. Vance's 2016 bestselling book, "Hillbilly Elegy: A Memoir of a Family and Culture in Crisis" distinctly articulates the unfortunate circumstances surrounding the Rust Belt, where he grew up. The poverty and despair of life in a region deprived of its once-booming industries are beyond imagination. Voters in the Rust Belt played a large role in enabling Trump to become the 45th president of the United States.

Market economy-inequality clash

Globalization is the process in which a market economy expands beyond national boundaries. As such, the clash of globalization and protectionism can be also referred to as the clash of a market economy and the growth of inequality.

A market economy often exacerbates the issue of income and wealth inequality. As reflected in the notion of "winner take all," free economic activities in a market result in dividing society into winners and losers. In such a situation, more and more wealth goes to a handful of people in the world while the masses can be left in relative poverty.

Democracy ensures universal suffrage, with every adult having one vote. This means that when a majority of the electorate is unhappy with a market economy, a party or

candidate advocating protectionism or trade restrictions that impede market economy activities can emerge as the winner in a given election. The victory of Trump apparently reflects the fact that voters in a majority of U.S. states think protectionism is better than a market economy. The perpetuation of inequality thus has a strong political impact.

Nonetheless, holding a democratic vote does not automatically bring good results to society. This viewpoint was cogently expressed by Yale University Prof. Amy Chun in her 2003 book, "World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability."

In Southern African countries, a large majority of non-white people had long harbored resentment toward the white minority for dominating wealth. Then, black leaders were elected on a common promise to "win back our wealth." However, many of the new presidents turned out to be dictators, dismaying those who had cast ballots to put them in office. In other words, democracy and people's discontent had been politically exploited.

I am afraid that the chances are low that Trump's campaign pledges will lead to the improvement of the lives of Americans living in the Rust Belt. It is unlikely that his proposed protectionist measures to raise tariffs on imports or dissuade U.S. businesses from investing abroad will help create jobs in the Rust Belt. Today, the global economy is too complicated to be controlled by a simple policy.

China and Europe

Lately, China seems to be in a better position to develop a market economy at full speed.

In China, there have been reports about various riots and demonstrations in protest of spiraling inequality. Those social events are a form of democracy on their own in the absence of the right to vote. Once a large number of people become discontented with inequality, they are likely to take action — other than voting — in protest.

However, given China's political system, people's dissatisfaction with a market economy is hardly expected to spread across society. This is because the country's undemocratic political system is very likely to prevent such

widespread uprisings from happening. It is telling, indeed, that the development of a market economy infrastructure is gathering momentum in China, which is not a democracy.

For their part, European countries have continued efforts for a long time to rectify the discrepancy between democracy and the enlargement of a market economy.

In Britain, when its economy grew dramatically due to the Industrial Revolution, many workers resorted to protest rallies and riots. Such events prompted an effort to devise certain schemes as a way of keeping workers' discontent from igniting social unrest. To redress inequality, Britain adopted a policy for income redistribution and launched a social insurance system.

Countries in continental Europe commenced their respective employment insurance programs to offer temporary financial aid to unemployed people and provided tuition-free education. They also established social security systems covering health care and pensions. Progressive taxation was introduced to redistribute income from high-income earners to low-income individuals.

Such systems were designed primarily to protect the population of each of the countries concerned and improve social welfare benefits. At the same time, they subsequently proved to be an effective social safety net when the market economy was accelerated drastically.

Japan's mission hinges on education

Education is a particularly important part of the social safety net. Providing education to the poor, too, is a solution to create a society that can prevent poverty and inequality from being perpetuated.

"Hillbilly Elegy" clearly shows that, for young people, an even more serious problem than poverty in the present is a bleak outlook for future. Once it becomes possible to avert a situation where people have no choice but to inherit poverty and inequality for generations, many people will be able to strongly feel the merits of globalization.

In the Rust Belt, Pittsburgh, Pa., is regaining prosperity by transforming itself from a steel city to a high-tech hub. The main driving force behind the city's turnaround is Carnegie Mellon University, a private research university that serves as one of the world's artificial intelligence devel-

opment centers. This is a case that shows us how important education is for fostering people who are better able to cope with globalization.

The issue of market economy-caused inequality has profound implications for Japan, too, when thinking of its future economic policies. Japan has universal health insurance providing everyone in the country with a sense of security as to health care services. It also has public schools ensuring an excellent and low-cost opportunity to learn. Compared with the Rust Belt, those Japanese systems look better.

Nevertheless, it is said that many Japanese lack confidence in the future sustainability of their social security systems.

Japan's health care, pension and nursing care services are already under pressure from fiscal constraints. The drawbacks of the existing education system are apparent amid the worsening of the problem of poverty involving children. Further, higher education is lagging behind technological innovations and social changes.

The Japanese labor market's weaknesses became glaring in hard times for new university graduates seeking jobs. The "employment ice ages" from 1993 to 2005 and from 2010 to 2013 saw a steep rise in the number of graduates left with no choice but to become part-time workers.

To enable people to benefit sufficiently from a market economy and globalization, it is indispensable for our country to prevent the perpetuation of inequality and enhance social security.

For many years now, the government has been exerting itself to get rid of deflation. To realize this agenda-topping mission, Japan has considered it imperative to take full advantage of a market economy and resolutely pursue globalization. To continue this trend, the country will have to improve the safety net that must be in place for the smooth development of a market economy.

Japan's education system should be thoroughly revamped and strengthened with a view to enabling many more young people and children to become hopeful about their futures. Likewise, more drastic approaches are essential to establish a principle to ensure "equal pay for equal work" and to improve the social security system to better suit an aging society with fewer children.

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**Holding a
democratic vote
does not
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bring good results
to society**