

Q&A...

with Shigeru Fujita, an economist and economic advisor here at the Philadelphia Fed.



Shigeru Fujita

Among the Philadelphia Fed's research economists, economic advisor and economist Shigeru Fujita is unique in that he has worked at two central banks: the Bank of Japan from 1993 to 1999, and, since 2004, the Federal Reserve. In between, he earned a doctorate in economics from the University of California, San Diego (UCSD). He's particularly interested in understanding the causes and consequences of unemployment for individual workers and the economy as a whole.

Where did you grow up?

I'm from a small town in the west part of Japan where my parents ran a bakery there.

How did you come to study economics?

In Japan, you have to apply to a certain department when you apply for college. I was interested in philosophy, but I did not get into my first-choice college, so I ended up studying economics and really liking it. After college, I got a job at the Bank of Japan. Although I wanted to do economic research, the Bank of Japan, like most Japanese companies, rotates employees around the whole organization. I was initially assigned to the Bank Supervision Department. Then I was at a local branch, asking businesspeople about local business conditions. Finally I was transferred to the Research and Statistics Department. That's when I got more serious about economic research. The Bank of Japan didn't have specialist economists like the Fed does, but they did have a scholarship to study economics in the U.S. My first year at UCSD was supported by the Bank of Japan. I had a very strong will to pursue a PhD because I was not really happy being moved around the departments. I thought, if I don't get a PhD, I will never develop my specialized human capital. But at the end of that first year, the Bank of Japan told me to come back. I didn't know which department I was going to return to, so, in the end, I decided to quit the Bank of Japan and stay at UCSD.

Did your work at the Bank of Japan shape your interest in labor economics?

Yes. As I said, large Japanese organizations tend to move their employees around the organization. This is a very different practice from the one in the U.S., where your career tends to be defined by your occupation or specialty. This stark difference is one of the reasons why I was so interested in labor economics. But I was also interested in the macro aspect of the labor market. In Japan, the unemployment rate is currently less than 3 percent, and it's never been much higher than 5 percent. In the U.S., on the other hand, you've had sharp recessions where the unemployment rate spiked above 10 percent. People suffered. I was curious about those differences, too.

In this issue, you write about how well-paying jobs for Americans without a college degree are disappearing, leaving a gap between high-paying, highly educated workers and low-paid, less-educated workers. Does Japan have this problem too?

This issue has been a big problem in the U.S. In Japan—although some measures, such as the unemployment rate, are lower—I think the situation is actually worse, because there is even less opportunity for some workers to improve their situation. If you graduate from a good college and land a full-time job at a big corporation, you have job security, even though your salary tends to grow only slowly. But if you graduated from college in, say, the late '90s, when the Japanese economy was doing really poorly, it was very hard to get that type of job. And if you don't get that job when you graduate, you'll never get it. There's a stigma against hiring those workers. Those unfortunates tend to switch between similar short-term contract jobs. So, your lifetime income depends heavily on when you enter the labor market, no matter what else you do. This is an unfair system in my opinion.

What led you to become such a big fan of Manchester United? And has soccer taught you anything about economics (and vice versa)?

I became a Manchester United fan because of the club's history and culture. Manchester United has traditionally promoted young players they train themselves, rather than buying expensive players from other clubs. You can invest a hundred million pounds in a particular player, or you can invest that hundred million pounds developing young players. So, running a big football club like Manchester United involves serious investment and labor market decisions accompanied by huge financial risks. Also, Manchester United had a legendary football coach for a long time, and he was an excellent manager of talented players. As a labor economist, I have been fascinated by this management aspect of the team's performance as well. 