



# Taking a Microeconomic Approach to Analyzing “Corporate Behavior” and Determining its Impact on the Economy.

## Do American theories apply to Japanese companies? Studying the system of “outside directors” to explore a “world without proper nouns.”

In recent years, an increasing number of Japanese companies have been appointing outside directors. As is well known, this practice emerged from American concepts of corporate governance. Quite naturally, the theories underpinning this practice were born in the United States. It is true that adopting global standards has come to represent a basic direction in Japanese corporate strategies. Even so, can American theories be used to explain the behavior of Japanese companies, which is an important factor affecting the economy? I am engaged in empirical research on this question with a group of graduate students. Our approach is to examine our subject from a microeconomic perspective.

When using empirical research to verify microeconomic theories, one of the most important tasks is to properly select and structure the panel data, a tool used for time-series analysis of cross-sectional data. We employ a wide range of published data in our analysis of corporate behavior as observed from the perspective of the appointment of outside directors. Our data set draws extensive-

ly on securities reports, annual reports, and a wide range of IR materials. Using this enormous volume of microeconomic data, we attempt to analyze and answer the following questions. Why did a company decide to adopt, or not to adopt, a system of outside directors? How did the company choose its outside directors? How did the appointment of outside directors affect the company's behavior? Interviews with outside directors and the companies appointing them can reveal information that cannot be obtained from published data. However, we have decided not to directly include interview information in



our studies. This is partly because not so many companies are willing to be interviewed. But more importantly, the elimination of all forms of bias is of crucial importance in microeconomic analysis. We strive to explore a “world without proper nouns,” and this is where our approach differs significantly from the case-study approach taken in the field of business management.

**Good researchers must be experts in the fields of both “theory and empirical analysis.” Making the best use of our excellent research environment to contribute to society.**

Microeconomic statistical analysis is all about discovering the essential facts that are hidden in tens and hundreds of thousand pieces of information. This approach has attracted a great deal of attention worldwide and has become a standard methodology for research. But why take this approach? The simple fact is that contemporary society has become so complex that it is no longer possible to grasp its workings from a macroscopic approach. In Japan, theory is emphasized in the study of economics, and empirical research tends to be focused on macroeconomics. Following this pattern, my own studies were previously focused on macroeconomic theory. I had two reasons for switching to microeconomic empirical research. First of all, when I was studying in the United States during the mid-1990s, I often heard it said that to be a “good researcher in economics, you must have expert knowledge in the fields of both theory and empirical analysis.” This really was a case of the scales falling from my eyes, and I found the argument very convincing. The second impetus came from coming into contact with the outstanding empirical research being produced by Hitotsubashi University's Institute of Economic Research. As an economist, the pioneering work that had been done at Hitotsubashi University in the empirical analysis of the Japanese economy was extremely attractive and interesting. There was good reason that this research had gained an international reputation for its long-standing

tradition and superb output.

The “data” used in Japanese Microeconomic statistical analysis should be shared freely throughout the global community of empirical economic research. That is, I strongly believe that the data we have accumulated must be treated as a common good. Researchers everywhere in the world are readily able to read and understand the data, and the research product will steadily gain greater depth as researchers make new discoveries by looking at the same data from unique and different perspectives. For this reason, whenever our contractual obligations allow it, I make a point of sharing our database with anyone that is interested. Of course, many other researchers are doing the same throughout the world, which means that we now have access to an ever-growing body of micro data. I am certain that economic research will continue to produce a veritable tide of dynamic and interesting studies. In this sense, these are very exciting times for anyone aspiring to do research in microeconomics. It is because of this awareness that I have been accepting graduate students as co-researchers in my projects. For these graduate students, the papers they produce based on our joint projects and their participation in academic conferences will provide a firm foundation for their future careers as researchers.

The fact is that “data-oriented” microeconomic research requires a tremendous amount of energy and painstaking effort. For example, take our project for “corporate behavior analysis” that I described. The project currently covers publicly traded companies, but in the future I am hoping to extend the coverage to include small- and medium-sized enterprises as well. There are so many questions that can be answered through empirical research based on economic theory. And the answers we find are often very significant and can make a real difference in society. I look forward to making the best use of the excellent research environment at Hitotsubashi University to grow and develop together with my young graduate students and to contribute to society through the results of our research.

(Transcribed from interview)



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