

Japan economic growth

Economics



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Introduction Deflation in Japan or The Lost Decade Japan's economic development of the sass ended at the start of the sass. At the end of sass, irregularities inside the Japanese economic organization had qualified a hypothetical asset price bubble of massive scale by Japanese enterprises, banks and securities corporations. The mixture of extremely high land prices and low interest rates temporarily caused sharp liquidity of the market. This led to enormous borrowing and strong investment mainly in domestic and global stocks and securities. Realizing that this bubble was unsupportable, the Finance Ministry of

JAPAN precisely increased interest rates in late sass's. This severe course of action metaphorically pursued the bubble, and the SSE Pan stock exchange) market collided. A debt crisis trailed and the Japanese banks and insurances were now burdened with uncorrectable bills, uncorrectable loans and had to write off many debts as bad debts. The financial associations were bailed out from the government, credits from the reserve bank or known as central bank and the ability to delay the acknowledgement of losses, eventually turning them into the banks whose net worth s less than or so called Zombie banks.

Zombie banks are considered to be one of the important causes for the Japan economic stagnation. Michael Schuman (Asia business correspondent for Time Magazine) said that Japan's economy would not have started to improve until this practice had terminated, he also indicated that these banks kept inserting more capitals into loss-making " Zombie firms" to keep them floating, arguing that they were too huge to fail. Banks kept insolvent

firms alive by continuing to deliver them with credits, often at low-market interest rates.

These so-called "zombie" firms regularly suffered from low productivity and lagging technology, but were kept moving because the banks were loath to show loan defaults on their balance sheets. Most of these technically insolvent firms were protected from foreign competition and many were small. And they were often better at lobbying local politicians for forbearance than producing what consumers wanted at competitive cost. Most of these enterprises were too much in debt to do much more than stay alive on bail-out funds.

Finally, most of those weakening companies became unsupportable, and merging of companies started to take place, turning the four important national banks in Japan. Several Japanese businesses were loaded with huge debts, and it turned out to be very difficult to take loans or credit from the bank. Therefore during the time from 1990 till 2010 was known as "lost decade", this was when the economy slowed down or grew at a miserable rate. Unemployment rates were on the rise, but not at a threatening level.

Pan economic growth By Safes-Khan workers, who had little or no job security and very few aids. Japan's economy has not been fully recovered yet and is still making efforts to overcome from this situation. Japan Policies

Fiscal policy and Monetary easing The "Lost decade" was there for more than 20 years and Japan was trying hard to get back on track. To end the era, it used aggressive monetary easing to depreciate the value of their currency Yen in the global market. The Bank of Japan had retained short-term interest rates somewhere around zero ever since 1999.

With quantitative easing, commercial banks were flooded with surplus liquidity to promote private owning, giving them large stocks of excess capitals, and hence little risk of shortage of liquidity. The BOJ achieved this by purchasing many government bonds than would be essential to fix the interest rate to zero. The Bank of Japan allowed the commercial bank current account balance to increase from trillion yen to trillion for a 4-year period beginning in March 2001. Bank Of Japan made three times the amount of long-term Japan government bonds it could purchase on a monthly basis.

In 2010, the BOJ declared that it would scrutinize the purchase of *5 trillion in assets. This was an effort to bring down the value of yen against the U. S. Dollar to motivate the local economy by making their exports cheaper. " While supporting a rise in exports, a further impact of a weaker currency was to raise the price of imported raw materials. Latest data showed that average input costs rose for the fourth month in succession, and at the sharpest rate in over a year- and-a-half.

Margins subsequently remained under pressure as a net fall in output charges was recorded for the twenty-first month in a row. " (A statement in the latest Japan manufacturing PM report) ([http://www. Architectonics. Com/Survey/Parallels. MFC/ 135f604ae2ab42cfbaaf1 f518dd225eb](http://www.Architectonics.Com/Survey/Parallels.MFC/135f604ae2ab42cfbaaf1f518dd225eb)) It did not achieve the results which was expected but still had positive figures. Monetary easing was not the only method used to improve the economy but strategies like expansionary fiscal policies and a wide range programmer of structural reforms.

Kara Mari, Japan's economic minister, put it in simpler terms: " Almost all economic indicators are pointing upwards. " Expansionary fiscal policies Is when there is a rise in government buying, a fall in taxes, and a growth in transfer expenditures are used to undo or erase the faculties of a business-cycle contraction. The main motive of introducing expansionary fiscal policy is to reduce a recessionary gap, motivate the economy, and lower the unemployment and its rate. Expansionary fiscal policy is frequently agreed by expansionary monetary policy.

It affects aggregate demand, the distribution of wealth among the people, and the economy's capability to manufacture goods and services. In the short run, changes in expenditure or taxing can change both the level influences the allocation of resources and the productive capability of an economy wrought its influence on the returns to elements of manufacturing, the development of human capital, the distribution of capital expenditure, and investment in technological inventions.

Tax rates, through their effects on the net returns to labor, saving, and investment, also has a great impact on both the magnitude and the allocation of productive capacity. Bionics " Japan's economy is on a steady path of recovery and it will gradually gather strength," and financial markets will calm down, Bank of Japan Governor Harrumph Kurd All the recent economic policies developed and implemented to fight from fellatio by Japan are called Bionics.

Bionics involves 3 specific policies to bring inflation in Japan, and is trying to pull themselves up from deflation since the past 20 years. These policies are

developed mainly by the current prime minister of Japan " Shinso Abe". It includes an enormous rise in fiscal stimulus through government expenditure, a massive rise in monetary motivation through exceptional central bank policy, and an improved package focused at making structural improvements to the Japanese economy.

In brief, " Bionics" sums up to one of the important economics experiments the modern world has ever seen. The results achieved by the country have been more than satisfactory; the Nikkei has gone 25 % this year. Japan's economy grew 3. 5 % in the first quarter, outpacing that of the U. S. But there are critics who are opposing against the policies and predicting that it may harm the domestic and international economy in the short and long run.

" A few days or weeks of market turbulence are no reason to believe that Bionics is doomed to fail. Said Grant Lewis, head of research at Data Capital Markets Europe Ltd. N London. The black side of Bionics can be seen. Stock prices have begun to show unpredictable variations. Organized investors have made returns, but normal citizens are in no place to take advantage from the stock market. The sensibly reduced yen, compared with the level mainly throughout the days of the Democratic Party of Japan government, has aided in the development of the act of export businesses.

But the rise in price of imported fossil fuel and raw materials are transforming into expensive electricity charges which also increases the prices for food items. The government must give importance to stabilize people's lives and must flexibly manage with unpredictable economic conditions. The " third bullet" of the Abe management's growth and development strategy has also upset the market. The Nikkei index fell more

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than ¥843 recently to come down to a level prevalent before the Bank of Japan gigantic monetary easing. Fluctuation in the overseas exchange market is incredible.

The yen which had dropped to more than ¥100 against the dollar forte to a level little lower than at one point. The variation means that the active market participants have faith in the Abe f the Bank of Japan) had wished that its immense monetary easing would manage to a drop of interest rates in long term. On the opposing, interest rates have increased upward. The follow-on effect is a skyward trend in interest rates for home loans and loans for enterprises and businesses. Mr. Kurd clearly failed to precisely forecast the movement in the domestic bond market.

According to critics the biggest loss will suffer the neighboring countries due to depreciation of yen specially South Korea. With nearly 60% of South Korea entire GAP deriving from net exports, every % drop in TTS trade balance result in a more than 0. 5% hit to GAP: more than any nation in the world. And since South Korea and Japan compete for the same export end markets, there would be no bigger loser in a zero trade sum world than Seoul. " The point is that these monetary policies are having quite a negative impact," Mr. Hymn told the Financial Time. South Korean Finance minister. Not only South Korea, but other countries have been affected a lot by bionics in a negative way. Bionics effects on Nikkei stock average and yen vs. Dollar Source: Thomson Reuters Datagram As you can see in the above the diagram that the red line shows the Nikkei 225 stock exchange and blue line indicates the depreciation of yen compared to dollar. Both the graph line is going upwards

which indicates that the economy is recovering and stabilizing. It is a positive start after a 20 year long deflation.

Source: Thomson Reuters As you can see in the above graph that since the time Bionics has been implemented there has been a positive change in the Nikkei, which has been increasing day by day. Japan's government debt is so excessive that, one way or another, many think it will eventually default. But there's a way Japan can begin sloughing off its debt and growing its economy: by propagating government assets. In fact, the nature of its debt means that it can't fix its debt problem without doing that says Michael Pettish, a finance professor at Peking University Gangu School of Management. Resource JAPAN MINISTRY OF FINANCE As one can see in the above graph that Japan has been leading the race in the debt. Conclusion The BOX and the government must pay severe consideration to the genuine economic conditions people are encountering. The country's 10 main power companies and our most important city gas companies will increase their rates in July (2013) for the fourth straight consecutive month because the prices of imported liquefied natural gas and crude oil have increased.

There is no vision that employees' wages will increase. The Abe management's policy to attain 2 % inflation in two years is expected to end in rise in price without wage increases, and could even form economic bubbles in the economy. Mr. Abe and other government representatives should be aware that their economic strategy could create financial chaos on many initiative that will generate more Jobs and increase wages.