

Japans lost decade (what parallels can we draw from japans situation to that of t...

[Literature](#), [Russian Literature](#)



Task Lessons from Japan's Economic Situation in the 1990s During the 1980s, the economy of Japan was widely regarded as a model economy that was full of technology, bubbling asset prices as well as innovation. However this came to change in the 1990s during the period that is widely known as the Lost Decade. The economy faced a downfall that hugely impacted on the country. Though the country was able to rise from this situation ten years later, the economic growth remained generally stagnant. Proper analysis of the state of the economy of Japan before the fall reveals that it experienced extra ordinary investment growth coupled with asset price bubble.

Figure 1

From the graph, it is clear that the economy of Japan stagnated for a long time during the "Lost Decade"

When the recession hit Japan, the policy makers decided to counter it and the Bank of Japan responded by cutting the interest rates. The fiscal situation of the government deteriorated sharply as the economy of Japan collapsed.

The policy makers in Japan were not sensitive to the recession and they responded slowly and erratically in the face of an already deteriorating economy. In addition to that, non cooperation from some sectors hindered proper response to the fight against inflation and recession. This therefore led to the country taking a very long time to recover from the recession.

Lack of anticipation on how rapidly the inflation could assert itself in Japan also made the country to be hit badly by the recession (Davis, 3). When Japan was finally able to emerge from this economic crisis, it experienced a stagnant economic growth due to the effect of the recession. Adherence to

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certain economic doctrines in Japan also made the recovery process slowly leading to a stagnant economy. An example of such a policy or doctrine is stress cautious policy where the country avoided doing anything that could cause inflation (Davis, 3).

The graph below shows the difference in government outlays between the two countries.

The USA policy makers can learn from the Japan situation to avoid such a scenario. The policy makers should develop well-thought and effective recovery policies and implement them rapidly. In addition to that, there should be cooperation from all sectors to ensure that the policies developed are implemented well. Finally, precarious doctrines like stress cautious doctrine should be avoided to help the economy recover well.

Works Cited

Davis, Mathew. "Fighting the Deflation in the USA and Japan" The Digest. May 2014. Print

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