Japan - Past and Future of Abenomics

What is the issue?

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- Japan’s economy is witnessing a healthy condition which was absent nearly for the last two decades.
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- The success is mainly attributed to the economic agenda called Abenomics.
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What is Abenomics?

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- It refers to the multi-pronged economic program of the Japanese prime minister Shinzo Abe.
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- It seeks to remedy the two decades of economic stagnation faced by Japan.
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- The plan focussed primarily on money supply, government spending and industrial competitiveness.
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- It went on for printing additional currency to make Japanese exports more attractive and generate modest inflation.
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- Additionally, government embarked on spending programs to stimulate demand.
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- There was also a range of regulations to make Japanese industries more competitive, including making it easier for companies to fire ineffective workers.
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- The plan also aimed to restructure the utility and pharmaceutical industries and modernize the agricultural sector.
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What were the results?

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- **Unemployment** has significantly been addressed and the overall labour force participation was raised.
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- Everyone in Japan who wanted a job now has a job.
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- Notably, a majority of this is achieved by bringing **women** into the Japanese **workforce** in huge numbers.
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- Also, growth is driven not just by big company profits but increasingly by **small and midsize businesses**.
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- Considerably, this growth is not due to the external demand; as the Chinese growth slows and Europe and the U.S. remain sluggish.
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- It is evidently, a result of the various domestic reforms and measures under Abenomics.
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What challenges lie ahead?

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- The **rapid aging** presents a huge challenge in terms of productivity.
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- Also, **population decline** discourages companies from investing in the country.
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- There is still a difference between good full-time jobs and dead-end part-time jobs.
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- This makes the demand for making growth more inclusive, as **wage growth** has been **inconsistent**.
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- Above all **poverty** still remains a problem.
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What should be done?

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- Japan needs to take measures to continue improving the productivity of Japanese businesses.
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- To keep productivity rising, there is a need to reform the labour market.
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- One important change is to do away with long, unproductive work hours and encourage companies to reward efficiency and results instead.
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- Companies must be incentivized to put systems in place for the regular hiring of midcareer employees.
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Source: BusinessLine

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