

Japan Logs Longest Economic Growth – But People Not Really Feeling Benefits –

by Okabe Hiroshi

Photo: Kyodo News

Like “The Phantom of the Opera” musical that keeps setting a long-run record on Broadway, the Japanese economy is lengthening its boom period. But unlike the stage performance that continues to captivate a theater audience, no joy is heard from people even though the economy has been expanding constantly for a record 58 months. They heave a sigh, saying they have failed to get any tangible feeling of the economic boom. That is where challenges confronting the Japanese economy at present are squeezed.

In its monthly economic assessment report in November 2006, the government concluded that the economy was still in an “expansionary” phase, saying: “The economy is recovering despite some weakness in personal consumption.” Officially, a group of academic experts in the Cabinet Office will make a formal decision on economic “peaks” and “troughs” a few years from now. However, according to the government’s latest judgment, the current upswing, which started in February 2002, continued uninterrupted for the 58th month last November to mark a post-war record, apparently exceeding the previous unbroken span of the “*Izanagi* boom” that lasted from November 1965 to July 1970.

What is causing people to think they do not gain a “real sense of economic expansion?” Firstly, there is a low economic growth rate. During the period of prosperity and rapid economic development brought about by the *Izanagi* boom, the inflation-adjusted growth rate came to an annual average of 11.5%. However, the real growth rate amounted to 2.4% in the current phase of economic expansion, showing a five-fold gap between the two booms.

The *Izanagi* boom sparked the consumer price index to ascend 27% in contrast to a 0.4 percent fall recorded during the present upsurge. The nominal growth rate, which does not allow for inflation and is said to closely reflect the consumer sense of living, remained short of the real growth rate because of the deflation. While the government trains its sights on achieving about 3% in the nominal growth rate, it is indispensable

for it to steadily press ahead with a “growth strategy” being put up by Prime Minister Abe Shinzo’s administration to realize its goal and enhance the country’s growth potential.

Another reason for the lack of real feelings of economic expansion is that while workers’ wages almost doubled during the *Izanagi* boom, they dropped more than 1% this time. Corporate earnings performance is robust largely due to cutbacks on personnel costs through such measures as restructuring, reductions in the number of full-time employees and employment of part-timers and moonlighters. Corporations listed on the Tokyo Stock Exchange earned record-high profits for the fourth consecutive year. In contrast, the benefit of economic growth did not extend to the household sector.

The 2006 edition of a white paper on labor compiled by the Ministry of Health, Labor and Welfare pointed out the number of non-full-time employees, including moonlighters, part-timers and temp staff, spread with the younger generation leading the way, and widened an income disparity between those in full-time employment and others such as part-timers.

Its data showed that in the case of men in their early 30s, 59% of full-time workers were married but only 30% of their counterparts working on a part-time basis were wed. The report analyzed that such a fact was a cause accelerating the fall in the birthrate in the country. Its analysis may be said to signal that the wage gap has gone beyond the question of how people simply feel about economic expansion and that it is sending a warning the matter has become an underlying cause of decline in the nation’s population, the fountainhead of future economic growth.

The Abe administration has listed as one of its policy priorities “the creation of a second chance” in an attempt to prevent social divide from taking root. It is scheduled to lay down a “comprehensive second-chance support plan” to encourage the unemployed and those who have had business failures to take up a second challenge. It will also work out a variety of policy measures on taxation, pensions and loans to assist job-hopping part-timers and other



Prime Minister Abe Shinzo attends a meeting of economic ministers.

workers not on the full-time payrolls, multiple debtors, and those who have gone bankrupt.

How much these measures on a second chance will permeate will become the key to an economic expansion that will make people really feel its benefits and to steady economic growth in the future.

COMING UP

What does Japan’s latest fashion trend look like? This will be the theme of the next issue of *Japan SPOTLIGHT*. It will cover from policy aspects to some examples of Internet business, including its potentiality and development. It will also carry an interview with the president of a world-famous Japanese fashion brand company. On the basis of new initiatives such as “Japan Fashion Week in Tokyo,” you will get an insider’s view of Japan’s burgeoning fashion industry.

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