THE SECOND PHASE OF ABENOMICS

by

Dale W. Jorgenson
Samuel W. Morris University Professor, Harvard University

http://scholar.harvard.edu/jorgenson/

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For future growth, for future generations, and for a future Japan that is robust.

We should look to the future, rather than worry about the present. Japan may be aging. Japan may be losing its population. But, these are incentives for us.

– Prime Minister Shinzo Abe

THE GOVERNMENT OF JAPAN
THREE MAJOR ISSUES CONFRONTING JAPAN


Government Revenues Will Rise in Relation to the GDP to Finance Needed Expenditure and Support an Aging Population.
FIRST PHASE OF ABENOMICS

First Arrow: Aggressive Monetary Policy

Second Arrow: Flexible Fiscal Policy

Third Arrow: Growth Strategy
GROWTH STRATEGY

The Traditional Approach to Growth Strategy in Japan Is to Subsidize Favored Industries.

When Industries Mature They Try to Block Competition through Government Regulations.

The New Industrial Policy Is to Drill through “Bedrock” Regulations to Stimulate Competition.
IMPLEMENTING THE GROWTH STRATEGY

Reform Agriculture by Diminishing the Influence of Agricultural Cooperatives and Participating in Free Trade Agreements

Increase Competitiveness for Current Energy Sources While Exploring New Energy Sources

Stimulate Competition by Eliminating “Bedrock” Regulations for Wholesale and Retail Trade, Other Services, and Finance and Insurance
PRODUCTIVITY GAPS BETWEEN JAPAN AND THE U.S.

Closing the TFP Gaps
- Closing the gaps in five nonmanufacturing industries would eliminate the gap of 15% in the aggregate level for 2015

Source: Jorgenson, Nomura and Samuels (2017)
Deregulation of entry in trade and services is necessary to stimulate innovation and investment in information technology.

Japan already has the highest quality labor force in the world in terms of workplace skills measured by literacy and numeracy.

Japanese labor laws for employment protection have resulted in an inefficient allocation of a shrinking labor force.

Trade agreements reduce protection and increase incoming and outgoing foreign investment.
A PRODUCTIVITY REVOLUTION AND JAPAN’S REVITALIZATION

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Harvard University

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Presentation at the Agenda for the Second Stage of Abenomics Productivity Improvement and Working Style Reform: Key Policy Measures to Realize “the Dynamic Engagement of All Citizens”

Tokyo, Japan – March 16, 2016
GROWTH STRATEGY 2017
Adopted June 9, 2017

1. Boost Productivity.
2. Drive Innovation and Trade.
3. Energize Corporate Activities
PRODUCTIVITY GAPS BETWEEN JAPAN AND THE U.S.

Japan-US Productivity Level Indices at the Aggregate Level, 1955–2015

U.S. TFP level in 1955 = 1.0

Source: Jorgenson, Nomura and Samuels (2017)
PRODUCTIVITY GAPS BETWEEN JAPAN AND THE U.S.

Source: Jorgenson, Nomura and Samuels (2017)
BOOST PRODUCTIVITY

Reform the Traditional Work Style

Invest in Human Resources

Embrace Diversity in the Labor Force
DRIVE INNOVATION AND TRADE

Provide Personalized Medical Care

Provide Faster Distribution Services for Business

Increase Productivity in the Infrastructure Business

Promote Development of Financial Technology in Japan
ENERGIZE CORPORATE ACTIVITIES

Corporate Tax Reduction

Strengthen Investor Confidence in Corporate Governance

Drive Inward Foreign Direct Investment
SUMMARY OF THE SECOND PHASE OF ABENOMICS

How Abenomics 2.0 works

In order to achieve sustainable growth and reach a nominal GDP of 600 trillion yen, we will accelerate our efforts towards comprehensive reforms in three vital areas: ① boosting productivity, ② driving innovation and trade, and ③ energizing corporate activities. Through these efforts, we will strive to create a positive environment for the private sector to boost their creativity and speed in economic activities, and to keep the virtuous economic cycle going.