WORLD KNOWLEDGE FORUM

# Abenomics: Success or Failure?

Speakers:
Koichi Hamada (Yale University, Tuntex Professor Emeritus of Economics)
Dr. Wondong Cho (Chung-ang University, Chaired Professor)
Richard Koo (author and Nomura Research Institute, Chief Economist)
Kazumasa Iwata (Japan Center for Economic Research, President)
Dr. Danny Leipziger (Growth Dialogue, Managing Director; Professor at George Washington University)
William Pesek (Syndicated Columnist)

Evaluations of Abenomics, the current Japanese monetary policies championed by Japanese Prime Minister Shinzo Abe, differed widely at a session titled "Abenomics: Success or Failure," held on October 21, 2015, at the 16th World Knowledge Forum. At the forum, participants offered their assessments of Abenomics, with some praising its achievements and others lamenting its failures.

The "architect of Abenomics," Koichi Hamada, Yale University Tuntex Professor Emeritus of Economics, opened the discussion by explaining that important questions cannot simply be answered with a simple 'yes' or 'no.'

"There is no question that it [Abenomics] was a success," he proclaimed.

Among the successes of Abenomics, Professor Hamada identified the way it increased job opportunities and employment in Japan. He also said that it was unfair to blame Prime Minister Abe too harshly for any shortcomings regarding structural reform.

"It is unfair to ask only of Shinzo Abe for structural reform," he said. "Look at Mr. Obama."

Kazumasa Iwata, President of the Japan Center for Economic Research, agreed with Professor Hamada. Although he admitted that Abenomics had not fully achieved its two macroeconomic goals, a 2 percent medium-term growth rate and a 2 percent inflation rate, he said it nevertheless had done well in the area of employment.

Danny Leipziger, Managing Director of Growth Dialogue and Professor at George Washington University, had a less positive view of Abenomics, giving the overall performance of Abenomics a "C" grade. One positive result of Abenomics was the way deflation in Japan stopped, he said, but he went on to tally a series of its negative results. Prof. Leipziger listed zero rise in investments in plants and equipment, a substantial fiscal deficit, weak demand coupled with low consumer confidence, and a widening gap between expenditures and revenues as factors that mitigate the positive gains of Abenomics.

Also troubling to Prof. Leipziger was the dependency ratio of Japan, which measures the number of workers per retiree and child.

"Demographics are a killer for for long-term growth," he said, "and the dependency ratio will continue to drop and hamper future efforts to revitalize the Japanese economy."

Dr. Wongdong Cho, Chaired Professor at Chung-ang University, also had a critical eye toward Abenomics. He said that he felt sorry that the previous speaker had given Abenomics a 'C' grade, but added, "My score is lower than that." The main reason for his harsher judgment of Abenomics is because of the way it encouraged domestic investors to purchase government debt in Japan. This reflects badly on economic confidence in contemporary Japan and Abenomics.

Syndicated columnist William Pesek presented an even sharper judgment of Abenomics. He encouraged one to consider Abenomics "through the lens of China," which he said is changing everything. Because of its magnitude and the rapid pace of its economic growth, he said that any evaluation of an Asian economy's performance should be measured by the standards set by China.

As a result, he gave Abenomics an 'F.' He was particularly critical of the devaluation of the yen, which Japan seems to think will lead it to prosperity. But this devaluation has instead led us to "no longer have a Japanese yen. We have a Japanese peso," he said. Instead of devaluing the yen, he insisted that Japan should concern itself with its aging population problem, strive to empower women, seek to raise competitiveness, and explore options like creating jobs in new industries.

"I cannot disagree more with the previous speaker," said Richard Koo, Chief Economist at the Nomura Research Institute. He said that problems with the Japanese economy stemmed from people and businesses paying down debt rather than taking out loans.

"For money to enter the real economy, banks cannot give away money," he said. "They have to lend money." To Mr. Koo, continuing fiscal stimulus in Japan will be necessary for the nation to emerge from its economic difficulties.