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Abenocalypse: the perceived fall of Japan

by Martin King

OPINIONS DEC. 13, 2014 - 06:04AM JST (19) Recommend 25

TOKYO — Japan often takes a bashing. An island, quietly xenophobic, inward-facing and steeped in tradition, Japan often has a disapproving finger waved at it from Western media and this is particularly true with regards to the administration of its fiscal and monetary policies.

The world looks at Japan daily with an intense morbid curiosity to gauge the progress of Abenomics- the remedy to Japan's deep-seated economic woes. Alas, if you were to conduct a cursory Google search of the terms "economy" and "Japan," then you are certain to return headlines containing the words "recession".

The economy DID indeed contract 1.9% in annual terms from July to September. This is a fact. However, the term "recession" often wrongfully draws about connotations of a prolonged economic downturn and a struggling populace, similar to a wild animal being mortally wounded by a car, only to steal away back into the wilderness to meet its slow agonizing death.

Is this not to be expected considering the increase in sales tax last April? Was there not an increase in capital expenditure before the tax hike? Did capital expenditure not rise a seasonally adjusted 3.1% versus a 1.5% decline in April-June? This would however make a less emotive headline, and detract from the ground-shaking connotations of a fully-blown drawn out Japanese "recession."

As I write this, the yen is 120 to the dollar. Part of the Abenomics plan was to depreciate the yen and encourage inflation. The increase in consumption tax and implementation of aggressive "Quantitative Easing" in such close proximity to itself is both remarkable and historic. About \$712 billion in Japanese government bonds every year being purchased by the Bank of Japan shows notable conviction, regardless of them still not achieving the 2% inflationary target by 2015.

This, alongside recent announcements that the GPIF (Government Pension Investment Fund), which is the second largest state retirement fund in the world, would reduce its bond holdings from 60% to 35% and increase its stock holdings from 12% to 25% shows a monumental aggressive paradigm shift in Japan at government level with the BOJ

the least easy part to implement by rolling out new legislation and would seem to require a more longitudinal approach and I think we can expect to see movement to this effect once inflation is sustained over a fiscal year.

Many argue that less strict immigration policies and the globalization of Japan's workforce are of imperative importance to make Japan a truly competitive global economy. Any foreigner living in Japan over the past few years has probably already noticed reform of the immigration system with the dissolution of the "re-entry permit" system and new resident cards, along with talk of the social security, pensions and health systems being centralized in coming years.

You can even look to domestic media to see increasing portrayals of foreign people in a positive light. Public broadcaster NHK—a deeply entrenched societal monolith—a couple of weeks back started a new morning drama, "Massan", which casts American Charlotte Kate Fox as the heroine. This is the first time that a foreign person has had the starring role in an NHK drama.

Unarguably, Japan has been a slow mover decades. Perhaps even centuries. However, what you can see now, if you take the time to look through the headlines, is that a lot of monumental changes are being made to the historically change-averse structures that underpin Japan and its economy. On paper we may be amidst a recession, but it is important to remember that it is impossible to accurately gauge somebody's health by holding the back of your hand to their forehead.

AUTHOR INFORMATION MARTIN KING Martin King is a British investor and Tokyo based financial planner at Tyton Capital Advisors.

19 Comments (LOGIN TO COMMENT)

Order by Time Order by Popularity

arcieres DEC. 13, 2014 - 07:55AM JST I dont like changes neither, thats why I admired Japan: "technology+tradition"

Nessie DEC. 13, 2014 - 08:53AM JST

Just plain false.

gaijinfo DEC. 13, 2014 - 10:37AM JST The increase in consumption tax and implementation of aggressive "Quantitative Easing" in such close proximity to itself is both remarkable and historic. Sheesh man, get over yourself. Raising and taxes and printing money is NOT remarkable, and it is certainly NOT historic. It's what every soon-to-collapse economy has done since the dawn of time. Right before they go bust.

crustpunker DEC. 13, 2014 - 12:15PM JST This is the first time that a foreign person has appeared in an NHK drama. This may seem inconsequential to overseas readers but for the sake of comparison, it's the equivalent of having a Western TV drama where the lead role is played by a hologram, or a robot, or a unicorn. Not true. Not even kind of true. Also, cheers for comparing the foreign community to illusionary non-corporeal wisps, a programmed automaton and a mythical beast.

Yubaru DEC. 13, 2014 - 12:45PM JST This is the first time that a foreign person has appeared in an NHK drama. The writer has to be a "Japanophile". This may seem inconsequential to overseas readers but for the sake of comparison, it's the equivalent of having a Western TV drama where the lead role is played by a hologram, or a robot, or a unicorn. I highly doubt the actress on the series appreciates being equated to a hologram, robot, or mythical character.

jerseyboy DEC. 13, 2014 - 01:27PM JST However, what you can see now, if you take the time to look through the headlines, is that a lot of monumental changes are being made to the historically change-averse structures that underpin Japan and its economy

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Horse manure. All they have done is a much bigger version of what LDP-led economic policy has been for decades -- massive government spending and manipulating the yen to the benefit of the exporting companies. Putting that strategy on steroids is hardly "monumental". About the only thing that can be classified as monumental is the level of public debt to GDP.



Todd Topolski DEC. 13, 2014 - 01:31PM JST

🗨️ 1

Politicians are exactly the same everywhere. They just can't keep their hands off other people's money. Abe was doing useful things, mainly getting government out of the way. But as with every other member of the political class, they start raising taxes and fooling around with money and they never learn, economic problems occur because everything politicians do is a drag on economies and scanning too much money out of the economy, kills it. This is a constant repeat of history in nearly every country going back thousands of years

You talking Abe was the same when you come across as the dumbest retarded. Really a terrible relationship with the guy huh.



warispeace DEC. 13, 2014 - 02:24PM JST

🗨️ 10

There is informed opinion and then there is this type of lazy opinion piece. Others have pointed out some of the inaccuracies. Also, the writer just talks around the key issue of demographics. No major capitalist economy, which basically depends on population growth for sustained economic growth, has ever faced a rapid decline in the birthrate. More women in the workforce will likely only exacerbate the problem. As for immigrants, the UN predicts Japan would need to accept about 500,000 per year to offset the decline--a highly improbable scenario. The country is going to have to get used to a lower standard of living and more selective welfare system. Expect a lot of hurt over the next several decades as the class divide increases and the welfare state withers.

The writer, however, is correct that Abenomics has been successful, just not in the way he thinks. It was always intended to shift public money to the elite investing class and to friendly corporations. Unfortunately, a good chunk of the public and this writer drank the Kool-Aid, so instead of policy that faces up to the reality of economic decline, we'll get 4 more years of Abe and his cohorts dipping their hand into our cookie jar.



Peter Payne DEC. 13, 2014 - 05:00PM JST

🗨️ 4

"It's the equivalent of having a Western TV drama where the lead role is played by a hologram, or a robot, or a unicorn." Laughed heartily at this, thanks.

Warispeace, good thoughts. I will sadly not be able remain in Japan for the harder times. As Japan finds reasons to raise the tax rate on anyone with a high-ish income (I have a business), I will be moving my business outside of Japan and living elsewhere. (Tax is already at 55% and going higher all the time.)



sangetsu03 DEC. 13, 2014 - 06:13PM JST

🗨️ 2

As I write this, the yen is 120 to the dollar. Part of the Abenomics plan was to depreciate the yen and encourage inflation. The increase in consumption tax and implementation of aggressive "Quantitative Easing" in such close proximity to itself is both remarkable and historic. About \$712 billion in Japanese government bonds every year being purchased by the Bank of Japan shows notable conviction, regardless of them still not achieving the 2% inflationary target by 2015. They are closer now than when they started - and this is the definition of progress.

So the amount of assets being "purchased" each is 50% more than the tax revenue annually collected, and this is supposed to be seen as a positive thing? People seeing their labor and savings devalued is "the definition of progress"?

Unarguably, Japan has been a slow mover decades. Perhaps even centuries. However, what you can see now, if you take the time to look through the headlines, is that a lot of monumental changes are being made to the historically change-averse structures that underpin Japan and its economy. On paper we may be amidst a recession, but it is important to remember that it is impossible to accurately gauge somebody's health by holding the back of your hand to their forehead.

I can gauge Japan's economic health by looking at the declining population. Adam Smith said that the rate of a country's population growth was the best measure of economic success. From this perspective, Japan rates as having one of the worst economies of any nation, developed or otherwise. Not one single policy implemented by Abe addresses the problem of population decline. In fact, every policy implemented so far has only increased the cost of living of ordinary Japanese, which decreases the amount of money they have to raise children, which further drives down the population. This further drives down growth and tax revenue.

I "don't look at the headlines", because news is not objective. In economic matters, I look at only one line, the bottom line, as that is the only one which matters. It cannot be spun or massaged, it represents the fundamental truth. Lose the headlines report that Japanese companies have reported "record profits" this



Ilyas DEC. 13, 2014 - 06:16PM JST

🗨️ 1

Not true. Not even kind of true. Also, cheers for comparing the foreign community to illusionary non-corporeal wisps, a programmed automaton and a mythical beast.

It's called hyperbole, and was meant to be humorous.



Serrano DEC. 13, 2014 - 06:33PM JST

🗨️ 0

"Abenocalypse"

This is foreboding...



edojin DEC. 13, 2014 - 07:12PM JST

🗨️ 2

Concerning the morning serial drama, "Massan", which casts American Charlotte Kate Fox as the heroine ... I have seen almost every program so far. Ms. Fox is doing a remarkable performance considering that she does not speak much Japanese in real life. If you haven't been following "Massan," why not give it a try. The main part of the drama has been completed, but there is much more to go. At this point, you would have to pick it up in the middle. It is a true story about the Japanese man who was the first local to introduce Scottish-made whiskey to Japan back in the 1920s. His wife, played by Ms. Fox (an American), was from Scotland.

As for the main part of the article above, I sort of dig the term "Abenocalypse." It goes well with "Abenomics." Both terms are scary.



Thunderbird2 DEC. 13, 2014 - 09:28PM JST

🗨️ 2

The world looks at Japan daily with an intense morbid curiosity to gauge the progress of Abenomics- the remedy to Japan's deep-seated economic woes.

No it doesn't. The only time I see it on the BBC is when they do a business news piece and may occasionally mention Japan's economic downturn. I don't suppose other western media are that interested either.



Alex80 DEC. 14, 2014 - 01:25AM JST

🗨️ 1

it's the equivalent of having a Western TV drama where the lead role is played by a hologram, or a robot, or a unicorn.

More simply, played by an Asian, uh.



Russell Leisenheimer DEC. 14, 2014 - 02:08AM JST

🗨️ 0

"the term "recession" often wrongfully draws about connotations of a prolonged economic downturn and a struggling populace..."

I've literally never heard anyone say this....a "recession" is two [or more] consecutive quarters of negative gdp...



turbotsat DEC. 14, 2014 - 09:03AM JST

🗨️ 1

An island, quietly xenophobic

"quietly"? Bullhorns set to "min"?

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