Abenomics – Promises and Results
An Interim Evaluation of the Japanese Economic Policy after 2013

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1. Introduction

In the past more than two decades, several attempts were made to explain the causes of the "lost decade"—the long lasting paralysis of economic development—in Japan. The Japanese government launched several reform programs, but without much success. The country struggled with the liquidity trap for decades, and the inflations rates have been hovering around zero since the stock market and property market bubble burst in the 1990s. This was coupled with very slow economic growth explained by the end of the catching up period. Some experts blamed the inappropriate monetary policies, while others emphasized the unsuccessful and half-hearted structural reforms.

For a couple of years after the turn of Millennium, the robust growth and demand of the Americans and the Chinese, the favorable international conditions helped Japan and generated sufficient boost for Japanese products and services in East Asia. Despite the favorable external conditions, however, domestic economic policy tools did not prove to be effective.

Interestingly enough, after the Global Financial Crisis (2008-2009) a number of countries faced similar problems globally. Deflation and structural issues have been one of the biggest challenges economic policy-makers faced all around the world and especially in the most advanced countries. Traditional monetary policy tools usually proved to be inefficient in increasing price levels and they failed to give significant growth impulses to the slumping economy. When the Global Financial Crisis struck in 2008 and 2009, the Japanese economy struggled in the same shadows again.

As a response to the new liquidity trap, in 2013 the Japanese Prime Minister launched his new economic policy, dubbed 'Abenomics'. This set of economic policy measures tries to combine and harmonize structural reforms, a new monetary policy, and a flexible fiscal policy. After five years and the reelection of the prime minister, there are certainly tangible results of this policy, however, the extent of the success, sustainability and long-term effectiveness of Abenomics is heavily debated by researchers.

This paper seeks to evaluate the interim results of this new economic policy by looking at macroeconomic indicators and reviewing the available literature in this field of research. It must also be underlined, that since the start of the economic program the external environment—world politics and the world economy—has undergone significant changes, and the maneuvering room of this policy has altered significantly. Some of the most important differences (1) the change in the American foreign and trade policy approach to East Asia; (2) the economic and political emergence of China; (3) and along with that, the launch of the Belt and Road Initiative modified the political and economic frameworks of Abenomics completely. It must also be added that the Trump administration not only withdrew from the TPP (Trans-Pacific Partnership), but it also started a trade dispute with China with the potential to ignite a trade war between the leading economies of the world economy; the US and China. The outcome of this dispute will be decisive for the Japanese economy, because of the importance of international trade linkages. It must also be underlined, that in most cases, the Chinese partners or subsidiaries of Japanese firms in China assemble Japanese intermediate goods exported to China. If Chinese export to the US will be damaged by the trade disputes, this model of cooperation will be questioned, and Japanese firms might be forced to rethink and reshape their local and global strategies.

To sum up, changes with far-reaching consequences are underway in both the global economy and politics. This paper tries to refer to these changes if it is necessary, however, it does not intend to give a comprehensive overview of these political and economic changes; the focus is the implementation and results of Abenomics. It must also be emphasized that the endeavors and framework conditions of Abenomics cannot be understood properly without recalling the development model of Japan from an economic historical perspective and the new challenges emerging in the nineties.

2. Japan's Economic Development Model and its Limits after World War II

Although the 'Japanese miracle' is already deemed in the past, the special features of the post world war Japanese economic development still shape the maneuvering room for economic policy, particularly for the long term structural reforms. The transition from a rapid catching up to shift of a moderate but rather sustainable economic growth period proved to be difficult in several countries, and from among the most advanced countries, it happened to be Japan probably first facing this challenge. It is also interesting, that although several decades have passed by, competing and different explanations still exist with reference to the rapid economic development, and still no theoretical consensus has come into view among the researchers and analysts. In fact, there are two powerful theoretical attempts most credibly explaining the neck-breaking pace of the economic growth in Japan in the 1960s, 1970s, and 1980s.

According to the firs model, the so-called 'flying geese', the main driver of industrial change is the leader's—in this case, that is of Japan—need to minimize labor costs, based on shifts in comparative advantages. This concept suggests that industrialization and internationalization of production spread from one low wage country to another. It also implies that the mechanism only sets in when the competitive advantages of the first low wage country have been fully exploited. On the other hand though, recent technological changes pose new threats by diminishing the importance of wages, having a look at the fact that more and more labor phases and processes can be carried out by automation that constrains economic policies exploiting wage differences. This model was successful and known for explaining how and why the hub of industrial production was reallocated repeatedly through the Asian region.

Concerning the second, 'developmental state' model, it was rather to emphasize the internal causes of the rapid development after World War II, however it lacked the aptitude to reflect the growing internationalization of the economies from the 1980s onward. It was Chalmers Johnson, who first conceptualized the term 'developmental state' emphasizing the competent and far-sighted bureaucracy as a determinate feature of the Japanese economic miracle, which shaped the Japanese path quite different from other capitalist countries. The purpose of making a distinction among capitalist economies was to call attention to the differences and not to the similarities in these economic systems. Johnson claimed that: "One of my purposes in introducing of the "capitalist developmental state" into a history of modern Japanese industrial policy was to go beyond the contrast between the American and Soviet economies" (Johnson, 1999, p. 32). Later, the concept of 'developmental state' became popular in terms of macroeconomics, and major contributions were made by Robert Wade (Governing the Market, 1990), Alice Amsden (Asia's Next Giant, 1992), among others. However, the emphasis was shifted in some cases, some analysts highlighted infrastructure, policy tools (i.e. saving and credit giving schemes, foreign investments, export zones, government interventions to spread technology etc.), history, and culture.

From the nineties onward, the economic policy of Japan was forced to face the challenges of grinding deflation and weak domestic demand in an ageing population. These trends and structural issues come to be more and more crucial causing the need to completely rethink the developmental model. When the bubble burst in the 90s and Japan was caught in a devastating deflationary spiral under the new conditions, none of the earlier concepts could be applied successfully, neither could give any point of reference to policymakers to boost the Japanese economy. The threats and weaknesses of the Japanese path was emphasized by Berger and Lester (2005). They claimed that Japan—ineptly—did not change its strategy when it was necessary (and possible) in the early 1990s, as facing a slowdown. Japan created big internationally competitive firms, and at the same time, it protected small businesses. This policy resulted in a dual economic structure, in which investments in other Asian countries were preferred over domestic reforms. The embedded mercantilism of Japan embodies a model where interests of large firms overwrite those of small firms and the majority of the population (Berger – Lester, 2005, p. 27). The analyses shall also call attention to the fact that the Japanese banking sector was at the root of the crisis in the 1990s, which gave no help to Japanese policymakers to set a new, sustainable development path. Originally, the structure of the Japanese banking sector was highly influenced by the approach of the American Glass-Steagall legislation (1933) that separated commercial and investment banking, which approach was adopted after the war by Japanese policymakers. Investment banks could accept deposits, but they were not as tightly regulated as the commercial banks, which, though,—in case of a bank failure—were protected by the state. Furthermore, long-term banking was uncoupled from short-term banking in Japan, which is considered to be another important difference that distinguishes the Japanese banking sector from that of the entire Asian region. The keiretsu groups found broad attention in literature. The keiretsu groups—maintained dominance over the Japanese economy particularly for the second half of the 20th century—were a set of companies, which were built around a bank. The advantage of keiretsu groups has been a long-term connection with banks, however, it created a strong relationship between government and business that led to the increased risk of the heavy extension of easy credit by government-guaranteed banks to closely allied companies. This business environment was among the main causes of the Japanese financial crisis of the early 1990s (Krugman, 2009, pp. 56-76).

Nonetheless, the reasons for the step up of the Japanese growth in the early 2000s, was mostly the favorable external conditions, i.e. cheap loans as a result of the global fall of interest rates. Although the economic activity picked up speed, deflation was fixed, and unemployment rates improved, but no remedy was found for the core problems of the economy. The unsolved structural problems were masked by the misleading, improved macroeconomic data. Soon after the economic crisis in 2008, the earlier problems reappeared right away, however this time in an even worse external framework conditions. Under these circumstances, the Abe program was launched in 2012, with the aim of striving to find long-term solutions to the problems of the Japanese economy.

Experts frequently refer to Abenomics as a completely new economic policy mix with the objective of "putting Japan back of its feet". Supporters expected that this mix would be the proper response to the model questions emerged from the beginning of the nineties and touch all the relevant and difficult problems of the economy. Others argued that this policy, most importantly the new monetary approach would lead to "Abegeddon" because of its inflationary implications. These diverging views were based on the lack of consensus about the origins of the Japanese economic problems. Some argued that from the beginning of the nineties, the inadequate monetary policy with its slow and cautious reactions caused the long term deflationary spiral in the country. Others believed that the long-term structural problems were the major causes of the economic hardships. Thus, the focus should be on structural reforms, and without implementing it, no other policies can be successful in managing economic challenges. When Abenomics was initiated, this debate about the causes of the economic difficulties was not yet resolved. (For competing views see: Yoshino – Taghizadeh-Hesary, 2017; Krugman, 1998). This contradiction was reflected in the program design that tried to manage structural problems and deflation at the same time. At the same time, it needs to be added that in the nineties, mostly the short-term issues, like monetary policy were blamed for the unsatisfactory performance of the economy. Over time, however, the long-term structural problems, more precisely the lack of structural reforms were increasingly thought to be the major reason of the problems. Exactly because of these diverging explanations for the roots of the economic problems, Abenomics tried to strike a balance and thus it became a mixture of short and long-term objectives. This approach was new, because it did not intend to prioritize economic policy fields over one another (Lechevalier – Monfort, 2017).

3. The Instruments of the Abe Program

Against this backdrop, the program was launched in early 2013, the comprehensive economic program aimed at reviving the Japanese economy in a sustainable way. The program comprises instruments in three main policy fields. These fields are monetary policy, fiscal policy and structural reforms. These are often called as three arrows of Abenomics (Botman – Danninge –Schiff, 2015, pp. 3-6).

The novelty of this policy mix is its innovative approach, since it seems to be realizing the importance and need for a good economic policy, which must include a new monetary policy; a stabilization oriented fiscal policy and structural measures simultaneously, not giving priority to any of them over the others. In addition, the harmonization of these policies and the coordination among them became an explicit objective, which had not been frequently emphasized earlier. This approach had a major impact on the overall government policy: economic policy became the main priority. This prioritization was also confirmed by institutional arrangements, too, such as the establishment of important economic advisory bodies like the Council of Economic and Fiscal Policy, the Council of Industrial Competitiveness and the Council of Regulatory Reform. This did not mean that political considerations are always subordinated to economic interests; this is clearly proved by the several compromises made during the whole period, although economic perspectives were always high on the agenda (Lechevalier – Monfort, 2017).

The importance of harmonization and coordination among these "arrows" cannot be overemphasized. Earlier, for example, in most cases structural reforms were thought to be implemented first that could be followed by more active monetary steps. According to this approach, monetary policy cannot be effective if structural weaknesses prevent the monetary transmission to work properly. The same was true for fiscal policy: although fiscal consolidation had long been discussed, the policy makers generally did not want to give up the large scale fiscal stimulus programs, because they feared the further deceleration of growth. As a result, the public debt spiraled without delivering the expected growth dynamics. The coordination between fiscal and monetary policies was made easier also by the change of the governor of the Bank of Japan (BoJ), not long after Abe became prime minister. The understanding between most important policymakers in both monetary and fiscal fields is a prerequisite for the smooth operation of the economic policy.

Regarding the monetary policy, the major objective was without doubt to break the vicious circle of deflation, which poisoned the business environment for decades. The policy to achieve this objective combined quantitative and qualitative easing. At the same time, an important feature of this policy was cautiousness, explained by the earlier failures of zero interest rate policy applied in Japan for several years (the zero interest rate policy was the quantitative easing in 1999-2006). The cautiousness was also explained by the belief that deflation was basically caused by structural problems, which could not be managed by monetary policy instruments successfully, but which could supplement and strengthen the positive impact of restructuring. It was also feared that an overly active monetary policy would lead to rapid inflation, further exacerbating the economic difficulties.

On the other hand, international examples and growing consensus among Central Banks globally after 2010 indicated that a more active, non-conventional monetary policy was probably the best response to alleviate the hardships and consequences of the economic crisis and manage the risk of deflation. As a result, BoJ committed itself to a quantitative easing to be implemented through multiple channels by using reduced long-term interest rates, increased lending and investment in risky assets and altered expectations for inflation. Based on this approach, the monetary policy was regularly updated and new instruments were introduced as the situation changed.

In the first round of QE, the Bank of Japan doubled its balance, however, when the inflation rate remained below 1 percent, the central bank started the second phase. This phase is supposed to last until the 2 percent inflation rate is achieved; at least that has been the communication of the central bank recently. In this framework, the central bank buys long-term government bonds from the commercial banks. Beside the purchases of bonds, additional measures have also been implemented, and the bank introduced a negative interest rate policy in January 2016. Despite the very strong measures, and messages from the central bank, there are already signs for the termination of this aggressive phase of QE, since 2018 was the first year after launching Abenomics, the balance sheet of the Bank of Japan declined.

As a second arrow, the fiscal policy must be analyzed. This is a mixture of fiscal consolidation and budgetary stimulus. The objective of the flexible fiscal policy is to achieve better budget discipline in order to manage the very high public debt, while maintaining certain level of fiscal stimulus as an offset of deficit financing. The target to be reached is a primary surplus by 2020. In order to achieve this, on the revenue side, the key tool of consolidation was the increase of consumer tax. The first phase—raising the rate from 5 percent to 8 percent—was implemented in 2014, but the second step—the raise from 8 percent to 10 percent—was postponed twice due to the unsatisfactory GDP growth figures. (This tax raise now is scheduled for the fall of 2019.) In order to alleviate the negative growth impact of tax increase, the government implemented several fiscal stimulus packages during the Abe program, and year by year a smaller and smaller amount was allocated for this purpose. In 2013, the fiscal stimulus totaled USD 210 billion (USD 116 billion direct government spending); in 2014, USD 48.5 billion, in 2015, USD 31 billion, which was equal to 2.1 percent, 1.2 percent, 0.7 percent and 0.5 percent of the GDP, respectively. Overall, this decreasing trend clearly indicates the consolidation oriented approach of the fiscal policy. On the other hand, the pace of the fiscal consolidation proved to be slower and smaller than it had been in several other indebted advanced countries. This again proves the cautions of the government in implementing the new budget policy. To sum up, although the government advertised and talked a lot about fiscal stimulus programs, at the same time, it implemented a consolidation program much more successfully than the earlier governments. In international comparison, the pace of consolidation has not been outstanding, but compared to Japan's own earlier experiences, the results are remarkable (Krugman, 2018).

When it comes to structural reforms, the objective was to achieve faster economic growth (improve and strengthen the basis of potential growth), while managing the problems concerning the demographic trends and the challenges of the fiscal consolidation path. This structural reform oriented approach borrows a lot from standard reform programs introduced in several countries earlier, and the dominant view was that it should trigger a chain reaction: structural reforms improve productivity; they also focus on trade liberalization with new free trade agreements, as a tool to boost the economy; and lead a higher labor participation rate.

As a part of structural policies, the emphasis on female participation rates was emphasized as an alternative to immigration. The labor market reform and instrument to be used for managing demographic challenges was especially focused on the mobilization of the domestic labor force. In recent times, the two basic characteristics of Japanese society were the aging and the dwindling population. A crucial element of the efforts is to increase the employment rates of women significantly in the Japanese economy. This part of the Abenomics is often called 'womenomics' (along with aim to bring more women into decision making positions). According to plans, the female employment rate should increase by 5 percent, from 58 percent to 63 percent by 2020. There are references made by the government to experience in the Scandinavian countries, Sweden and Norway, where high female labor participation rates can be aligned with relatively high fertility rates. However, this analogy fails to point out the very flexible labor market in these countries, which is not the case in Japan. McBride and Xu (2018) states that until now the efforts of the Japanese government focused on "culture of overwork", leading to mental and physical problems among the laborers. In the second round of the Abenomics, the Japanese government announced a platform that focuses on birth rates and social security. What is a fact, however, is that during the past five years the population declined by about 0.2 percent annually. These indicators and the forecasts point towards a further worsening of the demographic situation, the solution of which is more and more difficult to see.

The trade policy indicates a departure from earlier approaches, which is best reflected in the intention to participate in TPP, and the negotiations on the EU-Japan free trade agreement. Trade policy is partly aimed at supporting the exchange rate policy, too. In the region, Japan has had the most liberal exchange regime among the regional competitors over the past decades. When in 1971 Nixon announced that the US dollar would not be convertible into gold, Japan immediately switched to a managed floating system. However, free floating exchange systems were legalized only in 1975, at the Jamaica conference of the International Monetary Fund. During the late 1970s and early 1980s, the Japanese Yen was under appreciation pressure as the Plaza Accord was adopted by the United States, Germany, the United Kingdom. Japan triggered a new wave of appreciation of the Yen in 1985, which probably contributed to the Japanese property bubble in 1991 and the subsequent slowdown of economic growth. Since then, the Japanese monetary policy has attempted to depreciate the Yen several times (e.g. after the Asian financial crisis, and after the Global Financial Crisis), but its impact on trade performance remained limited. The new Japanese economic policy (Abenomics) has also included depreciation of the Yen, but much more emphasis has been put on trade liberalization measures. According to the government assessments, the program is successful, which is confirmed by the following data:

The nominal GDP could grow from 439 trillion yen in 2011 to 549 trillion by 2017. The aim is to reach 600 trillion by 2020.

- The number of total employed persons rose significantly: in 2012 the figure was 62.8 million, and at the end of 2017, 65.4 million.

- A similar positive trend can be observed as for the female workers: during the same period, the number of female workers increased from 26.6 to 28.1 million. According to the Ministry of Health, Labor and Welfare, the women in management positions reach 10 percent in the private sector.

- Consequently, the unemployment rate declined significantly, shrinking from 4.5 percent (2012) to 2.8 percent (2017).

- To ease labor scarcity problems, there are more and more foreign workers in the economy. Though the number is still insignificant for the size of the labor market, the number of foreign workers almost doubled from 2011 to 2017.

- The government underlines that both the corporate ordinary profits and tax revenues could rise significantly between 2011 and 2017. Corporate profits rose by around two-third and tax revenues by almost one-fifth.

- The Japanese government emphasizes its commitment to speeding up international economic co-operations. Japan concluded its free trade agreement with the EU in 2017; it also reached an agreement in principle in the TPP11 in November, 2017. Both agreements entered into force in 2019, and it may contribute to increasing international trade in the coming years (European Commission, 2018; The Diplomat, 2018).

4. Criticism and Evaluation

Although the government reports significant results and successes, comparing the ex-ante predictions of the Abe program and the actual outcome after the first five years of the program operation (2013-2017), one is bound to be more skeptical. Important macroeconomic targets have not been reached. The most important data target set at the beginning of the program, namely the 2 percent inflation rate, originally forecast by 2015, was not achieved. The other important macroeconomic target, the 2 percent GDP growth dynamics was also missed.

But before declaring the program unsuccessful because of these shortcomings of key macroeconomic targets, we must point out that Japan was pulled out from deflation, and only the more ambitious inflation target could not be reached. After several years of deflation, except for temporary and short periods, the price development has remained positive in the past 5 years. When analyzing the inflation trend, one must point out two distortive factors having an impact on it. The first distortion was related to the consumer tax increase in 2014 resulting in a temporary strong inflatory pressure. The second impact came from the price fall of imported energy. Although the inflation rate during the period varied from slight increase to close to zero rates, the economy did not sink into a constant deflation which is no doubt a remarkable result given the disappointing result in the previous two decades. The central bank could not achieve its two percent inflation rate target, but it was able to maintain a slow, but persistent price increase path. Moreover, as a further new development, when the Central Bank observed the problems in reaching its inflation target, it introduced further monetary easing measures throughout the period. In other words, the BoJ maintained its proactive strategy in managing inflation by introducing new monetary policy instruments as required by the circumstances (Council on Foreign Relations, 2018).

On the other hand, the evaluation of the growth performance is much less clear. Comparison with earlier years' performance may help us to evaluate the results and the implications of the Abe economic policy. In full agreement with several authors (e.g. Levalicher – Monfort, 2017), this comparison must be undertaken very carefully. It is not justifiable to compare the 2013-2017 five year performance directly with the preceding five years (2008-2012), due to the distortive impacts of the economic crisis. Compared to the performance of the pre-crisis period, however, one can conclude that the Japanese economic development has improved, even if the external conditions became worse and the population started to decline (in the early 2000s, the population, albeit modestly, still expanded). The GDP growth proved to be volatile depending on the size of fiscal stimulus programs and tax measures, especially in the first years of Abenomics. The GDP growth speeded up in 2013, not least because of the fiscal stimulus program introduced that year. However, the volatility was very significant, and, in 2014, the consumption tax raise hit the economic performance significantly. In addition, the slowdown proved to be much more marked than it had been anticipated, which then canceled the second wave of the tax increase. In early 2015, growth picked up again, but only temporarily. Finally, the GDP accelerated in 2016 and 2017, but remained under the targeted 2 percent growth rate. On the other hand, the GDP growth rate seemed to be much less volatile in that period. We can point out that even if several indicators delivered a favorable performance (including stock prices, or unemployment) and the Yen also devaluated considerably supporting the trade performance, these favorable indicators could not be translated into stable economic growth performance.

Table 1

Macroeconomic indicators for Japan

	2001-2007 average	2008-2012 average	2013-2017 average
GDP	1.3	-0.2	1.2
Private consumption	1.2	0.5	0.5
Private investment	1.8	-1.8	3.0
Export	7.3	1.0	3.9
Core inflation	-0.5	-0.4	0.5
Population growth	0.1	0.0	-0.2
Unemployment	4.6	4.5	3.5
Public debt	171	217	240

Note: The idea of this comparison was taken from Japan Forum 2017, p. 290.
Source of data: IMF

Referring to structural patterns, Abenomics does not seem to depart fundamentally from earlier efforts in the past two decades. According to a popular approach, the most important reason why the economic growth failed to deliver the expected results was that the third arrow could not fly high (Lechevalier – Monfort, 2017). Several structural reforms were initiated by Abe, but the same was true for earlier governments, especially in the years after the turn of Millennium. One effort, the liberalization of the economy both internally and externally, however, was probably the strongest during the Abe government and compared to the previous decades. TPP, the EU-Japan free trade agreement, changes in agriculture and state subsidy policies are the indicators of the liberalization efforts. At the same time, it also became clear that the potential positive impacts of trade liberalization today are much more fragile, as the global trade disputes are intensifying. In fact, the list or (catalog) of reforms is very similar those mentioned by earlier governments, or by textbooks.

On the other hand, it is rather problematic that there was no clear timetable and consistency among the reform steps. The other shortcoming is related to the very limited progress in certain reform areas, where more rapid advancement has been anticipated. It is probably most evident in the case of womenomics, which has been on the reform agenda from 2002. The next problem that can be observed is the discrepancy between the financial performance and productivity. As it was cited above, the government was most proud of the financial performances (like stock exchange, monetary policy) the financial markets benefitted most from. On the other hand, much less revolutionary attempts have been initiated in the field of innovation and productivity growth. According to several analyses (Lechevalier, 2014), the government still continues to support the Silicon Valley model (described in detail for example in: Castells – Himanen, 2014). This is problematic, because in the meantime several new policies and innovative solutions have been adopted by other countries or innovation centers, which overall serve better to satisfy the needs of contemporary technology development and human needs.

The trends of labor market reform and economic deregulation as sources of strengthening potential growth are important to be highlighted. Herrero argues: "In the labor market, little progress has been made to reform the life-time employment system, which has arguably been a bottleneck of the Japanese economy. In fact, employees under permanent employment contracts are highly protected by law and their wages are based on seniority and length of service. While the system established employment stability, it has limited efficient resource allocation through labor mobility, which is essential for an economy undergoing structural change such as Japan's" (Herrero, 2017, p. 8). At the same time, he underlines that the meaningful structural reforms, especially in the labor market, have not been implemented by the government, and the monetary policy is losing steam, thus the opportunity to push through labor market reforms, essential for the increase of the potential output, is bound to be missed.

Others also point out to the unsuccessful deregulation efforts of the Japanese government. According to the World Bank's latest report, Japan is ranked 39 among 190 economies in the ease of doing business, which is not only below the regional average but it is the worst ranking Japan has received until now. The regional competitors surpass Japan (Hong Kong, Korea, Taiwan, China, Malaysia, Thailand, Australia), and the relevant global competitors (United States, United Kingdom, Canada, Germany, France) are ahead of Japan (World Bank, 2019, p. 5).

Other critics refer to other disadvantageous effects of Abenomics as well. Inoue starts his line of reasoning with positive features of the economic development after World War II. He highlights that along with other developmental states of Asia, Japan could be characterized by having a strong middle-class. Probably it was one of the important distinctive elements of the Japanese model that provided stability to the Japanese political system. However, he states, from the 90s, this formerly egalitarian society became a society in which incomes are more unequally distributed than in other advanced economies. Though the growing gap between the haves and have nots fits into a global pattern described by Thomas Pikkety, in this case we must add that while the gap was opening in the 90s and the early 2000s, the economy spent years in a slump in contrast to other advanced countries that could grow rapidly during this period until the Global Financial Crisis.

The second Abe government started its economic program in 2013, and the government put the growth in nominal GDP on the top of the list of achievements. Inoue draws our attention to the fact that the GDP is not end in itself, rather the means to improve the life of the Japanese. He points to a survey that shows the disappointment of citizens with the economic program. 85 percent of the respondents claim that they did not benefit from Abenomics at all (Inoue, 2018. p. 2). The same paper recalls the statement of the government, according to which corporate profits reached a record high level. Inoue underlines the importance of the declining earnings of Japanese workers', and their real salaries/wages index that reached its peak in 1997! Others go even further, stating that the outcome of Abenomics will depend on finding a compromise and harmonization of a new growth model and an adequate social model. The latter considers mostly the management of growing inequalities, which partly should focus on wage increases and the improvement of working conditions. These are necessary to decrease the poverty rate, too. Here we must mention that the income inequality measured by the Gini coefficient is not worse than those of the USA or the EU but compared to previous decades it has shown a considerably worsening trend (OECD Database).

As we could see above, one of the main achievements of the Abe program is the improvement of labor market conditions referred to by the government. The positive changes are measured by the increase in the number of employed persons. However, other experts point out that the main increase lies in the number of irregular workers, which makes the improvement less favorable. There are two aspects that can be stressed here: irregular workers earn much less than regular ones, and the majority (around 90 percent) of irregular workers are women. In other words, the changes in the labor market were detrimental to income equality and gender equality. As for improving unemployment rates, it is often argued that the members of the postwar baby boomers are about to retire and this pushes up the employment level. The last but not least important argument for the failure of the Abenomics is that the rise in stock prices could be only achieved because of the heavy investments of the Bank of Japan and the Government Pension Investment Fund. Thus, the boom in the stock market is being generated by public, not private investors.

5. Conclusions

To conclude, Abenomics has to be regarded as a new policy mix, which tries to implement three fundamental objectives in parallel, not giving priority to any of them. Fiscal policy, monetary policy and structural issues are managed and harmonized in order to achieve better results, which is an innovative approach compared to previous economic policy constructions. The government emphasizes the results achieved to date, but there are several indicators, which fall short of the original expectations. GDP growth or inflation dynamics were worse than expected.

On the other hand, we must acknowledge that the GDP growth returned to a more balanced path and after significant volatility after the beginning of the program, a relative stabilization can be observed. Regarding the inflation, it seems that the country could exit the dangerous trap of deflation. This is a significant achievement, even if the targeted 2 percent inflation has not been reached yet. These results are important, especially if we take into account the rapidly worsening demographic situation and the very fragile international environment (the most important of which for Japan are the trade disputes and failed trade arrangements).

Regarding the future perspectives, it must be noted that the private sector will play a key role after the macroeconomic stability—low, but existing inflation, consolidation of the public finances, sustainable GDP growth rate—has been achieved, creating a stable framework for corporate investments. Given the rising tax rates, which impacts the income position of the consumers negatively, rising nominal wages should play an important role in managing income inequalities and poverty in the next phases of Abenomics.

In short, to summarize the results of Abenomics so far, one must conclude that it is favorable, especially if it is compared with other possible scenarios, or previous experiences with past policies. It has also become clear that fighting deflation in Japan again is very difficult, even if the monetary policy tried to use every available instrument of quantitative easing. The same difficulty can be observed when it comes to economic growth. Even if the exchange rate developments supported better growth performance through improved trade figures, the real sector seems to react only slowly. Based on this analysis, probably the fairest conclusion is that Abenomics has contributed in several fields to stabilize economic processes. Its outcome, however, will depend on the future steps of the government in the next phases of policy implementation.

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