

KEN FIREMAN: I'm Ken Fireman, the Managing Editor for Sage Business Researcher, and I'm speaking with Rachel Premack, a journalist who has written our report on Japan's economy. Thanks for joining, Rachel.

RACHEL Thanks for having me.

PREMACK:

KEN FIREMAN: Let me begin with this question. Japan, at one time, in the 1980s, was viewed as a real powerhouse that would soon rival the United States as the dominant economy in the world. What happened?

RACHEL Well, after Japan's economy grew in the '60s, '70s, and '80s, there was an asset bubble that began from the late '80s to the early '90s. And then that bubble popped in the early '90s. And afterwards, there was basically a freefall of the Japanese economy, which is what economists call the Lost Decade. So the Japanese government tried to make this better. They tried a variety of different tactics, especially quantitative easing and new fiscal stimulus packages. But these initiatives didn't quite work. So now we continue to see the effects of the early '90s today.

KEN FIREMAN: Right, right. So Japan's current Prime Minister, Shinzo Abe, came into office in 2012, promising to revitalize the economy with what he called his Three Arrows. What are those arrows?

RACHEL So the first arrow is quantitative easing, which is also sometimes called easy money. That involves the central bank buying government bonds and using the money that the central bank created itself. And then, it buys those bonds from other banks or financial institutions.

And in turn, that creates more money in the economy, which should spur banks to lend more money to people and businesses. And as a result, the economy, theoretically, grows. And quantitative easing is actually a very new policy that Japan piloted in the 1990s. And they're still using it today, but to a much higher pace than they did before.

And the second arrow is fiscal stimulus. And that involves the stimulus packages being injected into the economy. And those, usually buy the state a certain sector of the economy, such as child care or education.

And the third and final arrow is economic restructuring. So that involves addressing issues in the labor market, or addressing how businesses govern themselves, and restructuring parts of the economy that were ignored in the 1990s, parts that economists say need to be addressed in order for Japan to achieve any sort of meaningful economic growth again.

KEN FIREMAN: OK, that was nearly six years ago, when Abe came into office and promised these changes. How is it working?

**RACHEL
PREMACK:** Economists are giving it mixed reviews. On one hand, they've managed to increase employment. So [the] unemployment rate is much lower than it was beginning of Abenomics. And they've managed to deflate the Japanese yen. So that allows Japanese businesses to have larger foreign assets than they did before, due to the fact that the Japanese yen is very, very low.

On the other hand, one of the main targets of Abenomics was to boost the inflation rate, which has been in the negatives or 0%. And they wanted to achieve 2% inflation rate a few years ago. And still, not at all, that's not quite happening nowadays. So the main purpose of Abenomics, which was to increase the inflation rate, has not been achieved.

KEN FIREMAN: What about the future? What do the experts foresee in the near future for the Japanese economy?

**RACHEL
PREMACK:** The experts are very confused about what can happen. They say they have basically no idea what could happen next. The fact that business leaders and consumers are now much more optimistic about the economy, that's very positive. They're more optimistic than we've seen in decades.

On the other hand, Japan has a massive, massive government debt. They have tried to increase sales tax to address this debt. That hasn't quite worked. They haven't been able to continue to increase the sales tax.

There is a massive amount of retired people who are taking their pensions, rather than contributing to the tax base. So the debt that's been created by all these factors continues to worry economists. And that could cause a crisis at any point. But economists have no idea when that crisis could come. So that's a bit worrisome.

KEN FIREMAN: OK. Well, I've been speaking with Rachel Premack, who has written our report on Japan's

economy. And thanks again, Rachel.

RACHEL

Thank you.

PREMACK: