Japanese economy continues to stagnate

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In the wake of last month's dramatic fall in the stock market to a 27-month low, recently released figures show that the decade-long stagnation of the Japanese economy shows no signs of abating, and could even be worsening.

Revised figures for the third quarter show that the economy contracted by 0.6 percent—an annualised rate of 2.4 percent—compared to the initial estimate of 0.2 percent growth.

With the US economy in a downturn, the continued Japanese slump has worrying implications for the world economy as a whole. As the *International Herald Tribune* commented: “Last week's scariest global headline didn't come from post election Israel or a recession prone United States but from an exhausted Japan.”

The downturn in the Japanese economy goes across the board. Net exports were reported to have dropped 3.5 percent between the second and third quarters of last year, with analysts pointing to the US slowdown as one of the main reasons.

Machinery orders, which are seen as a crucial indicator of future capital expenditure, fell by 2.9 percent in November after rising 8.3 percent the previous month.

Household spending fell in November by 1.3 percent. The stock market index fell last month to its lowest level since October 1998, putting further pressure on Japanese banks because a sizeable portion of their loans are secured by what many consider to be overpriced share portfolios.

The currency is also falling. The yen has lost nearly 10 percent against the US dollar in recent months and up to 20 percent against the euro.

The plunging stock market and the continuing economic woes are increasing the concern of Japanese consumers over the state of the economy. Since the mid 1990s, consumer spending has either remained stagnant or fallen as a result of job insecurity, the threat to pensions and concerns over the financing of the burgeoning public debt accumulated through spending measures aimed at trying to kick-start the economy and the bailing out of failed banks and corporations.

Most economic analysts believe Japanese economic revival is contingent upon a massive increase in consumer spending—something that is highly unlikely given the state of the economy and the increased job insecurity resulting from the corporate and economic restructuring being demanded by the international money markets.

Alongside the release of statistics pointing to the continuing slump, figures have been published revealing the mounting social crisis confronting working people in Japan.

Japanese workers' wages fell 0.2 percent in December, the first fall in a year, with workers' bonuses also down by 1.5 percent. According to Mikihiro Matsuoka, senior economist at Jardine Fleming Securities, the drop in wage and bonus levels is attributable both to the general economic slowdown and the cuts associated with restructuring.

The unemployment rate for December was 4.8 percent, just slightly lower than the post World War Two high of 4.9 percent recorded in February 2000.

Homelessness is on the increase as a result of rising unemployment. A recent report in the *International Herald Tribune* pointed to the growing number of homeless men inhabiting some of the parks in Japan's largest cities.

“Through 10 years of economic crisis,” it said, “Japan has clung tightly to a number of cherished national myths, from the idea that an economy that rose to greatness so quickly after World War Two could not possibly be fundamentally broken to the notion that all Japanese people are essentially middle class.

“In Osaka, where the number of homeless—the largest

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in Japan—is increasing swiftly, belief in those myths is becoming strained. The homeless are taking over public parks and straining the prefectural budget. City officials officially estimate the number of city homeless at 10,000—modest by the standards of some US cities—but recognise that the real figure may be much higher. The number of makeshift tents for the homeless in Osaka rose to 458 in the summer from 159 a year earlier."

The article noted: "Layoffs as a result of Japan's prolonged economic downturn have hit middle aged men particularly hard. In a society where lifetime employment was the post war standard in many industries, the loss of a job at that age leaves people with little chance for starting over.

"Osaka may have the largest number of homeless, but they are now present and visible in every major Japanese city. According to city estimates, there were 5,700 homeless in Tokyo as of late last year. But people who work with the homeless say the true number is likely twice or even triple that figure."

One homeless 53-year-old unemployed laborer summed up the hopelessness of his situation and that confronting many more. "I've been able to survive as a day laborer for 13 years, but in the last two years, there just haven't been any more jobs. Now I am living in a city shelter and am down to two meals a day. People think there is something wrong with us, but if there were work we would do it. With nothing to do, all that's left for us is to wander around."

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