

**CAN ABENOMICS REINVIGORATE
JAPAN'S ECONOMY?:
A PRELIMINARY ASSESSMENT**

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Executive Summary

1. The economic policy formulated by the second Abe Cabinet is often referred to as “Abenomics.” Abenomics consists of three platforms: monetary relaxation, fiscal stimulus, and structural reforms for new economic growth.
2. In terms monetary relaxation, Abe persuaded the Bank of Japan (BOJ) to target a 2 percent inflation rate. Haruhiko Kuroda, who agreed on monetary policy with Abe and was appointed governor of the BOJ in March 2013, promised to take different measures to meet the target.
3. For the second platform, Abe launched a large number of public construction works, which were mainly financed by issuing government bonds.
4. On the third platform, Abe occasionally describes structural reform targets but remains unclear about how to achieve them.
5. A May 2013 public poll shows that Abenomics has worked well. After the second Abe Cabinet formed in December 2012, the yen depreciated sharply, improving corporate profits in Japan’s major exporting industries. Accordingly, the Nikkei Stock Price Index rose, too.
6. The exchange rate between the yen and US dollar and the Nikkei Stock Price Index became volatile in the later half of May 2013. Now, the Japanese economy seems to be at a crossroads: will the economic boom under Abenomics end as a short-lived bubble or will it endure?
7. Appraisals of Abenomics differ among academicians. Supporters of Abenomics appraise Abe’s dauntless attitude on policymaking; however, critics compare Abenomics to a dangerous drug that damages the fiscal condition of the Japanese government as well as that of neighboring countries.