ABENOMICS AND THE JAPANESE ECONOMY IN 2013

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Executive Summary

1. Shinzo Abe returned to power at the end of 2012. Almost simultaneously, Japan's economy started flourishing. Abe proclaims that his new economic policy called Abenomics is responsible for this economic boom and opening up a new era of strong economic growth for Japan.

2. Abenomics consists of three elements: monetary relaxation, fiscal stimulus, and structural reforms for new economic growth. Abe calls them "three arrows." The term Abenomics has become so popular among the Japanese mass media that it has been listed in the "Top Ten Buzzwords of the year 2013".

3. Abe has implemented aggressive measures for the first arrow (monetary expansion) and the second arrow (fiscal stimulus). However, he has done nothing substantial for the third arrow (structural reforms), while repeatedly announcing his desire for reform.

4. Since many factors account for the current economic boom, it is uncertain how much comes from Abenomics. It is, however, quite certain that Abenomics has worsened the financial condition of the government, which is already struggling with dangerous budgetary problems.

5. Abenomics can be seen as a set of large demand-side policies. Without effective supply-side measures, today's economic boom will be short-lived, and Abenomics will leave a huge burden for future generations in the form of debt owed to national bonds.