

Why was Japan not engulfed by the antiglobalist tide? By Takashi Miwa

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Origins of antiglobalization

- (1) Real economic aspects: globalization a supply shock → various negative effects on employment and income conditions in developed countries
- Important point, well established in the literature
- Large emphasis is placed on the relative decline of goods to services prices, arguing that increased relative price of services can reduce purchasing power
- Comment: the impact on purchasing power depends on the relationship between the overall price level and income developments

Origins of antiglobalization

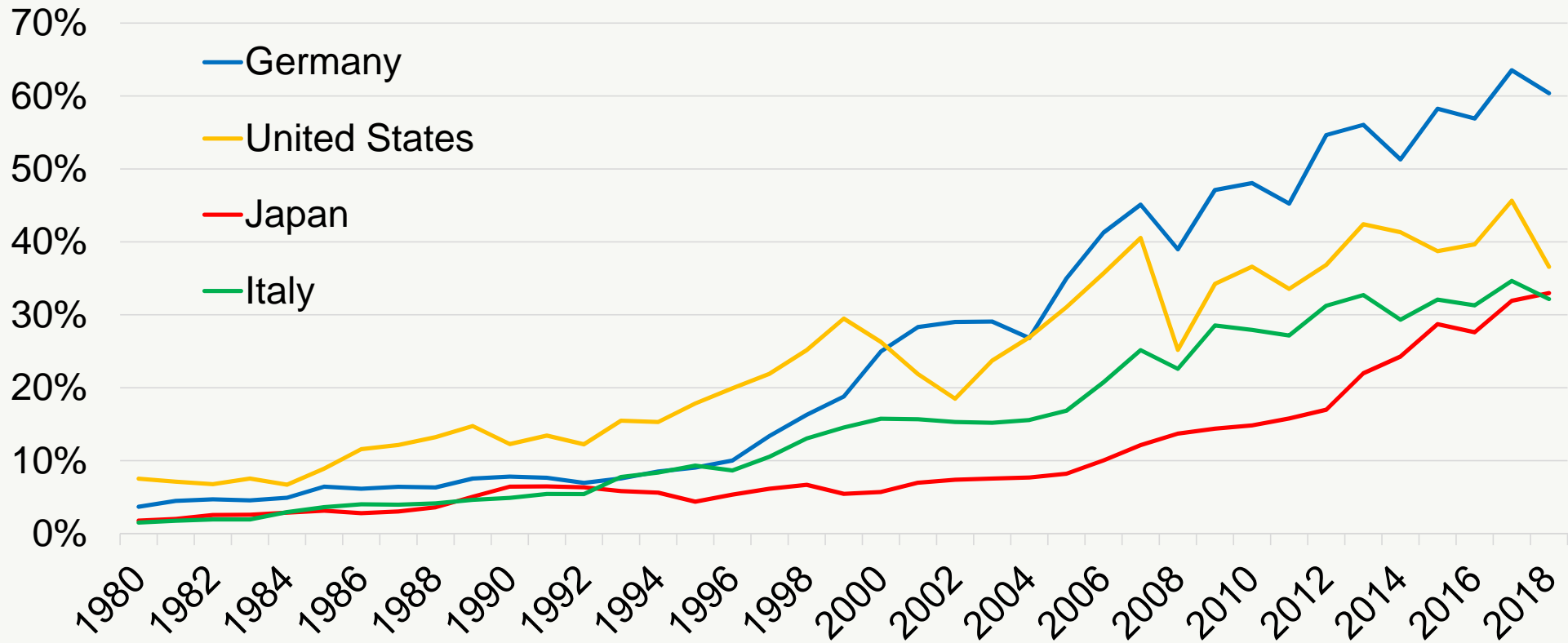
- (2) Financial aspects: offshoring production from advanced to emerging countries → income transfer from advanced to emerging countries → current account surplus of emerging countries → accumulation of US dollar assets by emerging countries → downward pressure on US interest rates + emerging countries became more dependent on US monetary policy
- How does the financial aspects lead to antiglobalization and where (in emerging countries?)
- The share of US debt in total emerging country debt declined from 18% in 2005 to 11% in 2019, which is more “de-dollarization” than “dollarization”

The reasons Japan has remained largely free of antiglobalization

1. The decline in the price of goods relative to services has been gentle and has more or less trended sideways since 2012 → the decline in real purchasing power as a result of the relative increase in service prices have been gentle.
Zero services inflation and declining goods prices (as in Japan) increases purchasing power, especially if there is wage growth
2. Outsourcing of manufacturing to other countries happened earlier than in other advanced countries – **yet data shows a different picture, see next slide**
3. Extensive and prolonged deflationary pressure from an increasingly negative output gap – **I would be interested to see potential output estimates leading to this conclusion**
4. Monetary policy of the Bank of Japan since the end of 2012 may have been more effective than in other economies – **What indicator to assess effectiveness?**

Little Japanese FDI investment abroad

Foreign Direct Investment assets (% GDP)



The share of foreign-born is very low in Japan

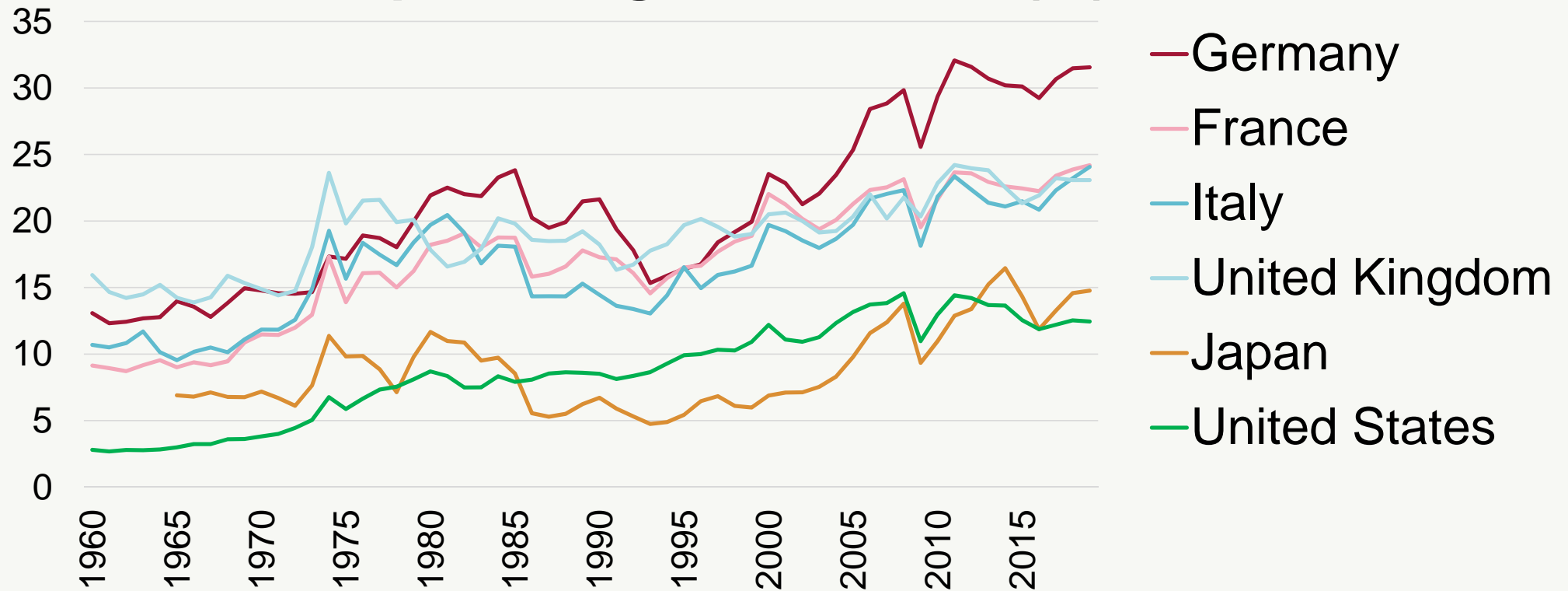
Share of foreign born in total population (%)

Australia	27.7
Canada	20.0
United States	13.1
Germany	12.8
United Kingdom	12.3
France	12.0
Italy	9.5
Japan	1.0

Source: OECD; 2013 for most countries, 2000 for Japan

Japan's import share is similar to the US

Share of imports of goods in GDP (%)



Japanese income inequality is on the rise, but well below US values

Gini coefficient of income inequality

