

Review of Socio - Economic Development of Japan: A G-20 Nation

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Abstract

Socio-economic development means the state of continuous improvement in society through economic activity. The socio-economic development of any nation can be measured by indicators like GDP, life expectancy, health, education, employment & physical environment. This study aims to analyze the socio-economic development of Japan, a G-20 nation, by examining the performance of all key indicators over a span of 15 years. Japan is regarded as a unique Far East nation for its remarkable transformation from a backward agriculture based economy to the industrial technology rich nation. Japan understood the importance of international integration and became a member of G-5 which later expanded to G-8 and present day G-20 regarded as the premier forum of international cooperation at economic front. In the process, Japan had to encounter great challenges but learning from the past when Japan experienced defeat in 1945 and setbacks in the mid-19th century, Japan eventually managed to emerge as a remarkably successful economy. This study reveals the state of economy and social indicators in Japan by reviewing the performance on key dimensions over the span of 15 years and conclusions have been drawn on the basis of analysis of data. Chief among these conclusions is the wide gender gap in employment, education sector especially less enrollment in tertiary education and carbon dioxide emissions from domestic consumption which has been maintained at a consistent rate.

Keywords: *Socio-Economic Development, G-20, G-5, G-8, Economy*

1. Introduction

Socio-economic development means the state of continuous improvement in society through economic activity. The socio-economic development of any nation can be measured by indicators like GDP, life expectancy, health, education, employment & physical environment. This study aims to analyze the socio-economic development of Japan a G-20 nation by examining the performance of all key indicators over a span of 15 years. Japan is regarded as a unique Far East nation for its remarkable transformation from a backward agriculture based economy to the industrial technology rich nation. The development

process of Japan can be understood by two systems, domestic and external, in dynamic interaction. Japan's domestic forces stood resiliently and managed to give appropriate response to external forces which began the dynamic revolution in the country. Japan understood the importance of international integration and became a member of G-5 which later expanded to G-8 and present day G-20 regarded as the premier forum of international cooperation at economic front. In the process, Japan had to encounter great challenges but learning from the past when Japan experienced defeat in 1945 and setbacks in the mid-19th century, Japan eventually managed to emerge as a remarkably successful economy. This study reveals the state of economy and social indicators in Japan by reviewing the performance on key dimensions over the span of 15 years and conclusions have been drawn on the basis of analysis of data. Chief among these conclusions is the wide gender gap in employment, education sector especially less enrollment in tertiary education and carbon dioxide emissions from domestic consumption which has been maintained at a consistent rate.

2. Historical Background

Collapse of Britton Woods's system of fixed exchange rates in 1971 followed by oil crisis situation in 1973, gave rise to the need for having a central system for coordination amongst nations related to economic policy at the international level. Heads of five developed nations – France, Japan, Germany, US & UK formed Group of Five or G-5 and began to conduct annual meetings to discuss economic policies. Later on, with the addition of Canada and Italy, G-7 was formed. Russia joined G-7 in 1998 making it Group of 8 or G-8. The role of developing nations started to grow on financial front by 1990s but it was not given due importance till the occurrence of Asian crisis in 1997-1998 which had a huge impact on economies of many nations. The cascading effect of economic crisis in developing nations was experienced in developed countries too. It was then, that the need for inclusion of developing nations in the discussion related to economic and other matters of importance was felt and recognized. As a result G-8 was expanded to promote coordination amongst developing and developed nations in financial matters and G-20 was formed in 1999. In the year 2008, with the outbreak of Global financial crisis, developing nations were made full participants in all international economic discussions as many nations pushed for G-20 summits instead of G-8 summits.

Japan has been an important member of G-5 when it was first formed and today's G-20. Japan's record economic development post world war – II period has impressed the entire world and emphasized the importance of systematic interaction and balancing of domestic and foreign forces. Development has been a huge challenge for any country owing to the huge presence of globalizing pressure and external influences playing in the global arena. Japanese economy however, has successfully shown its resilience to crisis posed due to external forces. Japan experienced high economic growth from the mid-1960s through the 1970s due to the emergence of huge consumption market. Innovations in technology led to the expansion of manufacturing sector and demand of consumer durables like television sets, refrigerators and automobiles. This scenario changed the shape and direction of

Japanese economy from the one driven by traditional industries to the new Japan of high tech and electronic industries. By the mid-1980s, Japan gained the reputation of a major player in the global financial market. Early 1990s saw sudden collapse of land and stock prices in Japan which had been on a steady rise till then. This completely destroyed the economy and plunged it into recession. Japan coped up with the situation by expanding money supply internally to affect expectations of inflation which yielded results by the late 2005 and economy again started to grow. As the economy grew in Japan, pressure started to build up to improve living conditions and quality of life of people. The term development is not restricted to economy only. While economic development is hugely motivated by external forces but it's always internally driven. Japan has played a pivotal role in the formation of G-20 and as a G-20 nation it has always ranked higher among other member countries with regards to economic growth and human sustainability index. Compared to other nations with similar history, it can be observed that Japan absorbed continuous external shocks brilliantly and was able to transform them in its favour for change and growth. This paper aims to study the economy and wellbeing of Japan by examining various factors affecting economy in the past decades.

3. Literature Review

- 1) Vittorio Valli, in "Growth and crisis in Japan's economy", has highlighted many areas of Japan's journey through crisis and era of rapid growth.
- 2) Kenichi Ohno, in "The Economic Development of Japan" has given a detailed account of economic history of Japan covering various socio-economic changes that have taken place in Japan over the years. Kenichi has shown Japan's internal capability caused by interactions between domestic and external elements as the main element in explaining the rapid growth era of the country.
- 3) Rebecca M. Nelson, in "The G-20 and international economic cooperation: background and implications for congress" has highlighted the history and need for formation of G-20 and debated on the issue of effectiveness of G-20 in the light of outcomes of G-20 summits. The author has debated on three scenarios of effective, ineffective and effective on some instances only with pressing arguments.
- 4) Gordon S. Smith and Peter C. Heap in "Canada, The G-8 , and the G-20 : A Canadian approach to shaping global governance in a shifting international environment" has taken stock of recent G-8 and G-20 meetings and given series of recommendations on key areas to influence rapid changes in international decision making.

4. Objectives

1. To study the performance of various important factors in the economy of Japan.
2. To understand the social well-being in Japan with relation to economic factors.

5. Research Methodology

This paper is predominantly aimed to study the socio-economic web of Japan by studying and analyzing the performance of various important factors contributing to it. This study is based on the data collected from secondary sources given under each table of data. All the collected data points are analyzed and conclusions have been drawn from them.

6. Research Design

The study is based upon secondary data and descriptive research design has been used. Various statistical and data analysis techniques were applied depending upon nature and availability of data. The collected data was statistically analyzed by using descriptive stats and graphs.

7. Empirical Findings

Secondary data on various dimensions of economy of Japan was taken from various sources. In the following pages, performance of various socio-economic factors of Japan has been analyzed.

Table 1 reveals the state of economy and finance in Japan over the years which shows that many important factors governing financial and economy of Japan like inward FDI, GDP per capita, contribution of Primary and secondary industries in GDP have been on a declining trend while govt. revenue increased and Japan was able to maintain steady inflation rate with minor changes till 2010 however by 2015 inflation rose for the first time by +0.8.

TABLE 1
ECONOMY AND FINANCE

Parameters	Source	Description	Change
GDP per capita, current prices (US \$)	IMF-WEO	GDP per capita has gone down over the years in Japan from 37,301 in 2000 to 32,479 in 2015	↓
General govt. revenue (% GDP)	IMF-WEO	Data shows that govt. revenue was at 29.2 in 2000 and increased very little upto 29.6 till 2010 but after that revenue jumped to 34.2 in 2015.	↑
General govt. expenditure (% GDP)	IMF-WEO	Govt. expenditure has been on a rise over the years from 37.1 in 2000, 34.1 in 2005, 38.9 in 2010 to 39.3 in 2015	↑
Inflation rate (%)	IMF-WEO	Percentage change in Inflation was -0.7 in 2000, -0.3 in 2005, -0.7 in 2010 and +0.8 in 2015.	↑
Inward FDI (Bn US \$)	UNCTAD	There has been a huge decline in inward FDI from 8.3 in 2000 to -2.3 in 2015	↓
Outward FDI (Bn US \$)	UNCTAD	There has been a sharp rise in outward FDI from 31.6 in 2000 to 128.7 in 2015.	↑
Gross Value Added:			
a. Agriculture, Forestry, Fishing (% GDP)	WB-WDI	1.5 in 2000, 1.2 in 2005, 1.1 in 2010, 1.1 in 2014	↓
b. Industry (% GDP)	WB-WDI	30.0 in 2000, 27.0 in 2005, 26.5 in 2010, 25.5 in 2014	↓
c. Services (% GDP)	WB-WDI	68.5 in 2000, 71.9 in 2005, 72.4 in 2010, 73.4 in 2014	↑

Source: IMF-WEO, UNCTAD, WB-WDI

Table 2 to table 6 in following pages show the performance of well-being indicators of Japan. Data on various dimensions has been taken and analyzed to depict the performance.

Following data in Table 2 shows the population stats of Japan over the span of 15 years. The data given below clearly show a trend of increased life expectancy in both men and women while overall population has shown a declining trend from 2010 to 2015.

TABLE 2
Population

Population	Unit	Source	2000	2005	2010	2015
Population	1000	WB-WDI	1,26,843	1,27,773	1,28,070	1,26,958
Population (aged under 15)	% of total population	WB-WDI	14.6	13.8	13.3	12.9
Population (aged under 15 to 64)	% of total population	WB-WDI	68.2	66.3	63.8	60.8
Population (aged 65 and older)	% of total population	WB-WDI	17.2	19.8	22.9	26.3
Fertility rate	births per woman	WB-WDI	1.36	1.26	1.39	1.42
Life expectancy at birth (men)	years	WB-WDI	77.7	78.5	79.6	80.5*
Life expectancy at birth (women)	years	WB-WDI	84.6	85.5	86.3	86.8*
* 2014						

Source: WB-WDI

Data in Table 3 shows the health & education status of people in Japan. From the data given in the table its evident that Japan has gradually increased overall expenditure in health sector whereas there is no significant increase in expenditure in education sector.

TABLE 3
Health

Health and Education	Unit	Source	2000	2005	2010	2015
Total expenditure on health	% GDP	WHO	7.5	8.2	9.6	10.2
Infant mortality rate	per 1000 live births	UN-IGME	3.3	2.7	2.4	2.1
Total expenditure on education	% GDP	UNESCO	3.6	3.5	3.8	3.8

Source: WHO, UN-IGME, UNESCO

Data in Table 4 shows the employment status of people in Japan which shows a considerable decline in unemployment in the age group of 15 to 24 and a steady trend in long term unemployment in age group of 15+ years. There is no significant change in employment rate of women while employment rate of men has shown a declining trend.

TABLE 4
Employment

Employment	Unit	Source	2000	2005	2010	2015
Labour participation rate (aged 15+)	%	ILO-KILM	62.4	60.5	60.2	59.3
Employment rate (aged 15+)	%	ILO-KILM	59	58	57	57
Employment rate men (aged 15+)	%	ILO-KILM	72.6	70	67.8	67.7
Employment rate women (aged 15+)	%	ILO-KILM	47.1	46.4	47.3	47.6
Self employed rate (aged 15+)	%	ILO-KILM	16.6	14.7	12.3	11.5*
Unemployment rate (aged 15 to 24)	%	ILO-KILM	8.7	8.7	9	5.3
Long term unemployment (aged 15+)	% of unemployed	ILO-KILM	25.5	33.3	37.6	37.6**
* 2013, **2014						

Source: ILO-KILM

Data in Table 5 shows the gross national income and consumer price index of Japan over the span of 14 years. Both the dimensions have shown increasing trend.

TABLE 5
Living Conditions

Living conditions	Unit	Source	2000	2005	2010	2014
Gross national income	US \$ per capita	WB-WDI	34,980	39,140	42,010	41,920
Consumer price index for food	2000=100	FAO	100	98	101	104

Source: WB-WDI, FAO

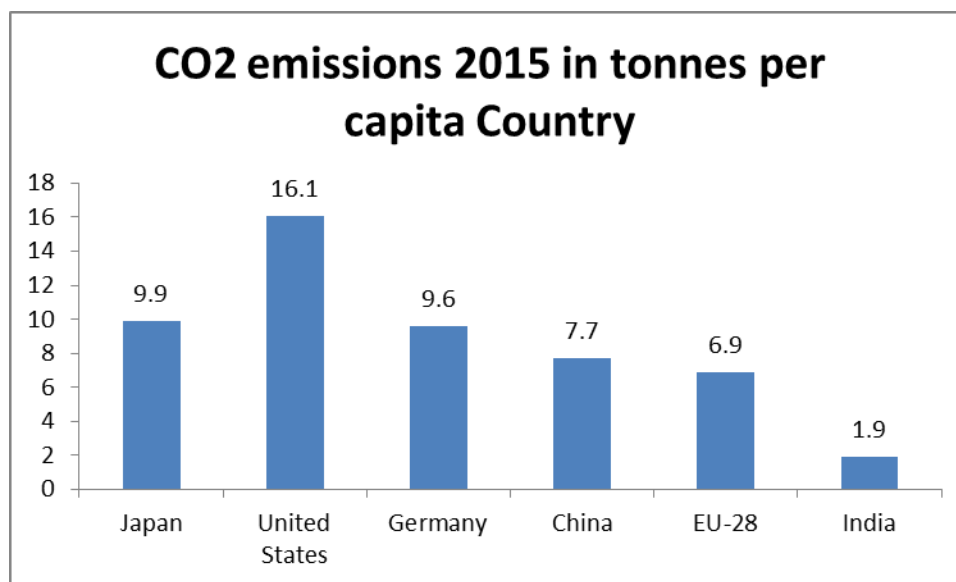
Data in Table 6 shows the performance of environment and energy related factors over the span of 14 years. There is no significant change in CO2 emissions from fuel combustion, energy consumption has shown a decreasing trend while net energy imports have been on a rising trend.

TABLE 6
Environment and Energy

Environment and energy	Unit	Source	2000	2005	2010	2014
CO2 emissions from fuel combustion	tonnes per capita	EDGAR	10.0	10.2	9.6	10.1
Gross electricity combustion	kWh per capita	WB-WDI	7,975	8,213	8,337	7,836
Energy consumption	Kg oil equivalent per capita	WB-WDI	4,093	4,074	3,896	3,470
Net energy imports(+) / exports(-)	% of energy consumption	WB-WDI	+79.6	+80.7	+80.1	+94.0

Source: EDGAR, WB-WDI

Graph 1 shown below compares the CO₂ emissions of Japan with other G-20 nations.



Source: EDGAR

8. CONCLUSIONS OF THE STUDY

The re-integration of Japan globally in the mid-19th century followed by the journey to industrialize and grow has been truly remarkable. In this study some important dimensions of Japan's socio-economic state have been analyzed. Japan's performance across various socio-economic factors is mixed. Health & education is the most important dimension defining social development of any nation. Although Japan has increased its expenditure in health which has yielded results also in terms of increase in the rate of life expectancy at birth and stable trend in percentage of people under good health category. However, more efforts are required in education sector. Tertiary education is an area that needs major improvement. Major reason could be the negligible wage difference between secondary education holder and tertiary educated person as compared to other countries. Study reveals that overall population of Japan is on decreasing trend with imbalance in various age groups. Population in all age groups up to 64 is on decline while above 64 age group has shown an increase of 14% between 2010 and 2015. In terms of employment, the wide gender gap in Japan is an important area of concern. However, Japan has been successful in reducing the job strain and unemployment rate coupled with steady increase in gross national income of the country. Japan has been able to arrest CO₂ emissions from fuel combustion within the range of 10 tonnes per capita over the period of 15 years. However, if compared with other G-20 nations it ranks at number 2 in terms of CO₂ emissions. On the basis of the socio-economic indicators given in the study it can be safely concluded that Japan has shown a mix performance on various fronts affecting social and economic web of the country.

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