Japanification of World Capitalism

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It has been observed by some economists that the world capitalist economy may be undergoing a process of Japanification. Japan once had an economy that was viewed as the quintessence of capitalism -- near perfection. Then at the end of the 1980's it began a shocking, irreversible (proving that entropy has no place in social science), decline from which it has never recovered. But the nation known as Japan did not disappear. It and its people exist and interact with all the other peoples of the world. It still has the third largest economy in the world. Proof positive that the lingering death of an economic system is not congruent with the death of a society or a people.

The issue of Japan has obtained current relevance because what has happened in Japan seems to be on the horizon for the remainder of the capitalist world. Shouldn't we study Japan so we can be well prepared for Japanification? In January 2019 Japanese industrial was 9.3% less than it was in May 1991 when the long slump was a couple of years old. But Japan has a very positive negative going for it -- its population has been in decline since 2005. In the long run that would be disastrous, but for the present it has a critical positive feature. In the five years to 2007 it had a per capita annual GDP of 2.1% while in the it was only 1.9% in the US and 1.4% in Germany. Its slow and then no growth in population has kept the nation in a nice, comfy, malaise without too much social turmoil.

Can the rest of the capitalist world duplicate Japanese conditions? No. Its population is shrinking because of its had a history of not welcoming other peoples into their country. Japan must be de-Japanified if it is to continue be among the prominent nations of the world. As for the rest of us, the horrors of wars and disease to increase our per capital GDP rate are not an investment most are willing to make in order to save capitalism. It will just have to be replaced.

Recent Economic Data

-- Stocks and profits have risen in recent years. How about labor's share of the wealth? According the Bureau of Economic Analysis worker pay and benefit as a percentage of GDP was 59% in 1970 and still as high as 57% in 2001. It is currently down to 52.7%. If workers still earned at the 2001 rate they would be $800 billion richer which amounts to $5100 per employed worker.

-- According to the International Institute of Finance, aggregate debt (that is, sovereign, corporate and domestic debt) now stands at 320% of global GDP, compared to 270% on the eve of the global financial crisis in 2007.

-- Following the 2008 slump China was able to avoid much of its social effects by having its state sector increase infrastructure development. But over the past decade the country has made rapid progress toward a private, capitalist, economy. According to the National Bureau of Statistics China's state industries now employ only 8% of the workers in urban centers. There is concern among capitalist roaders that having the state boost the economy will not only partially reverse the drive toward full capitalism but also the already huge government debt to GDP ratio.

-- The US Treasury inverted yield curve (the yield being less on 2, 5, and 10 year bonds then 3 month) was altered on Friday with 10 year rising above 3 month.

-- German industrial production fell to 44.7 in March according to Markit. That's the first time it was below 45 since the 2012 recession within a recession. For Europe as a whole manufacturing was 47.7, a 71 month low. Japan manufacturing 48.9. French composite PMI 48.7. Below 50 means down.

-- The US budget deficit widened to $234 billion in February, the most on record. The budget deficit in the first 5 months of the fiscal year is $544 billion. Corporations paid $59.2 billion in taxes so far compared to $73.5 billion over the same period the previous fiscal year. In fiscal 2017, the year before Trump's gift 2018 can no longer be said to have had the best annual GDP growth since the slump. 2015 retains that honor. The following year the US barely managed to avoid a technical recession. Perhaps a repeat?

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