

**Public Policy 475 / 750**

**Lessons from the Japanese Economy**

Josh Hausman

**Course Information and Procedures**

Location and time

Class meets Tuesday and Thursday 2:30-3:50pm in Weill 1210 from 1/10-2/26.

Description

This course will provide an overview of recent Japanese economic history and the current state of the Japanese economy. We will consider what economic policymakers around the world can learn from Japan. In particular, we will examine Japan's monetary policy response to two decades of slow economic growth (so-called Abenomics), the economic implications of Japan's declining population, and the consequences of Japan's large government debt.

Course requirements

There will be two 30-minute in-class quizzes, a 500 word policy memo, and an in-class final.

Grades will be weighted as follows:

- Two 30-minute in-class quizzes: 15% each, total 30%.
- Policy memo (see next page): 30%
- Final: 35%.
- Class participation: 5%

Key dates:

- Quizzes: 1/24 and 2/7.
- Policy memo due: 2/21.
- Final: 2/26.

Contact information and office hours (in Weill 3309)

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Office hours: Mondays, 4:00-5:00pm; Thursdays, 4:00-5:00pm.

Course prerequisites: None, but please consult with me if you have no economics background.

Learning Objectives: Students taking the course will acquire a basic knowledge of the Japanese economy and key questions facing economic policymakers in Japan. In addition, they will learn how understanding economic policy in one country (in this case, Japan) can inform policy in other countries.

Workload: We will be covering a lot of material in a short period of time. As is typical for a class meeting for three hours per week, students will be expected to spend roughly six to nine hours a week outside of class on readings and assignments.

**Policy memo**

The goal of this project is to give students the chance to consider in more detail an aspect of Japanese economic policy. The assignment is to write a 500 word policy memo on one of the following two topics:

1. Suppose you were advising prime minister Abe on economic policy. What advice would you give him? For the purposes of this policy memo, you can assume that prime minister Abe has complete control over all aspects of economic policy, including monetary policy.

In your memo, you should focus on either one or two areas of policy (e.g. fiscal and labor market policies).

2. Suppose you were advising president Trump on economic policy. What is one lesson from Japan that you think could improve U.S. economic policy? In your policy memo, you should both explain the Japanese experience that leads to your recommendation, and explain what leads you to believe that the U.S. could benefit from the policy that you recommend.

Note that this is NOT a research paper assignment. Good policy memos require only reference to class readings, though of course you are welcome to do additional readings as well.

I will provide further details about this assignment when we discuss writing in economics on 31 January.

### Ford School Inclusivity Statement

Members of the Ford School community represent a rich variety of backgrounds and perspectives. We are committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask all members to:

- share their unique experiences, values and beliefs
- be open to the views of others
- honor the uniqueness of their colleagues
- appreciate the opportunity that we have to learn from each other in this community
- value one another's opinions and communicate in a respectful manner
- keep confidential discussions that the community has of a personal (or professional) nature
- use this opportunity together to discuss ways in which we can create an inclusive environment in Ford classes and across the UM community

### Students with Disabilities

If you believe you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, I can work with the Office of Services for Students with Disabilities to help determine appropriate accommodations. I will treat any information you provide as private and confidential.

### Student Mental Health and Wellbeing

The University of Michigan is committed to advancing the mental health and wellbeing of its students. We acknowledge that a variety of issues, such as strained relationships, increased anxiety, alcohol/drug problems, and depression, directly impacts students' academic performance. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available. For help, contact Counseling and Psychological Services (CAPS) and/or University Health Service (UHS). For a listing of other mental health resources available on and off campus, visit: <http://umich.edu/~mhealth/>.

### Use of technology

- Please do not blog or tweet anything that I say in class without my consent.
- Please talk to me before recording or photographing any of class.
- While I do not ban electronics in class, I encourage you to take notes by hand. Research suggests that this improves learning (<https://www.nytimes.com/2017/11/22/business/laptops-not-during-lecture-or-meeting.html>).

Ford School Academic Expectations: I expect all students to review and abide by the Ford School academic expectations given here, <http://fordschool.umich.edu/academics/expectations>. I am happy to discuss any questions you may have.

## Readings

### Required books

David Flath (2014), [\*The Japanese Economy\*](#), Oxford University Press.

Deirdre N. McCloskey. 2000. [\*Economical Writing\*](#). Long Grove, IL: Waveland Press (2<sup>nd</sup> edition).

### Other readings

All other readings are linked to below or on Canvas. Many readings are from a textbook manuscript by Takeo Hoshi and Takatoshi Ito, referred to below as Hoshi and Ito (2018).

**Daily schedule. All listed readings are required. With the exception of the first day (1/10), all readings should be done before class.**

### I. Japanese economy history

**1/10:** Introduction and overview of macroeconomic concepts

- Hoshi and Ito (2018), chapter 1.
- Flath, chapter 1.

**1/15:** Japan before 1945 - overview

- Hoshi and Ito (2018), chapter 2.
- Flath, chapter 2.

**1/17:** Japan in the Great Depression and World War Two

- Flath, chapter 3.

**1/22:** Growth: 1945-1990.

- Flath, chapter 4.
- Hoshi and Ito (2018), chapter 3.

**1/24:** Asset prices and the post-1990 growth slowdown. QUIZ 1.

- Stone, Douglas and William T. Ziemba. 1993. "[Land and Stock Prices in Japan](#)." *Journal of Economic Perspectives*, 7:3, pp. 149-165.
- Krugman, Paul. 1994. "The Myth of Asia's Miracle." *Foreign Affairs*, 73:6, pp. 62-78.

**1/29:** Japan's financial system and the 1990s financial crisis

- Hoshi and Ito (2018), chapter 5.
- Flath, chapter 14.
- Takeo Hoshi and Anil K. Kashyap, "[Japan's Financial Crisis and Economic Stagnation](#)," *Journal of Economic Perspectives* 18 (Winter 2004): pp. 3-26.

**1/31:** Special topic: Writing in Economics.

- Deirdre N. McCloskey. *Economical Writing*. (Entire book – it's short!.)

## II. The current Japanese economy

**2/5:** Public finance and Japan's government debt.

- Hoshi and Ito (2018), chapter 7.
- Flath, chapters 10 and 11.

**2/7:** Japan's demographics and their economic implications. QUIZ 2.

- Feyrer, James, Bruce Sacerdote, and Ariel Dora Stern. 2008. "[Will the Stork Return to Europe and Japan? Understanding Fertility within Developed Nations](#)." *Journal of Economic Perspectives*, 22:3, pp. 3-22.
- Hoshi and Ito (2018), chapter 8.

**2/12:** The labor market.

- Hoshi and Ito (2018), chapter 10.
- Flath, chapter 16.
- Kambayashi, Ryo and Takao Kato. 2016. "Long-term employment and job security over the past 25 years: A Comparative Study of Japan and the United States." *Industrial Labor Relations Review*, 70, pp. 359-394.

**2/14:** Monetary policy in Japan.

- Kazuo Ueda, "[Deleveraging and Monetary Policy: Japan Since the 1990s and the U.S. since 2007](#)," *Journal of Economic Perspectives* 26 (Summer 2012): pp. 177-202.

**2/19:** "Abenomics."

- Reading by Joshua Hausman, Takashi Unayama, and Johannes Wieland (details to be determined).
- Nagaso, Nobuko. 2018. "Has Abe's Womanomics Worked?" *Asian Economic Policy Review*, 13, pp. 68-101.

**2/21:** Current issues facing the Japanese economy and review. POLICY MEMO DUE.

- Readings to be determined, depending on current economic news in Japan.

**2/26: FINAL.**