

Outlook for Growth and Fiscal Stability in Japan and the United States: Perspective a Decade On

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A Decade On

- ▶ The United States and Japan still confront challenges in long-term growth and fiscal stability
- ▶ Near-term performance has seen positives in the United States (relative recovery from the financial crisis, particularly because of aggressive monetary policy) and in Japan (Hausman and Wieland (2014) estimate that Abenomics — particularly monetary expansion — raised 2013 growth by 0.9-1.7 pct pts)
- ▶ *Continuing challenge:* Monetary policy alone can't eliminate the output gap or restore fiscal sustainability
- ▶ *Other pressure points:* Economic rise of China; possibility of fiscal crisis

Reform and Lessons from a Decade Ago

- ▶ That reforms are difficult doesn't make them impossible.
- ▶ Both the United States and Japan have implemented financial reforms with productivity gains.
- ▶ Japan's financial reforms and pro-competitive reforms in retail and telecommunications ushered in productivity gains.
- ▶ Will Japan channel that success to translate high political approval into reform? The states on following through equate to a doubling of the potential growth rate in the medium term.