

THE JAPANESE ECONOMY AND THE COVID-19 PANDEMIC

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ABSTRACT

This study aims to elaborate on how the COVID-19 pandemic has affected Japan, particularly focusing on the country's economic sector. In this study, we present the overall picture of the impact of the COVID-19 pandemic on Japan, focusing on why the country's countermeasures against COVID-19 have been delayed. As per our findings, it would be safe to say that the Japanese government has failed to contain the COVID-19 pandemic by failing to provide sufficient medical support. This is because of its refusal to change from the conservative policies it has implemented since the 1990s. Half-hearted countermeasures against infectious diseases and economic promotion measures that are inconsistent with the countermeasures against infectious diseases have not slowed down the spread of the pandemic. A change in direction from conservatism is essential not only for the containment of the coronavirus but also for the prospect of a long-term sustainable society.

Keywords: Japanese economy, COVID-19, gender, conservatism.

JEL Classification: Z0.

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RESUMEN

Este estudio tiene como objetivo explicar cómo ha afectado la pandemia de COVID-19 a Japón, enfocándonos especialmente en el sector económico del país. Presentamos el panorama general del impacto de la pandemia de COVID-19 en Japón, centrándonos en las razones por las que se han retrasado las medidas contra la pandemia. Según nuestras conclusiones, se puede afirmar que el gobierno japonés ha fracasado en la contención de la pandemia de COVID-19 al no proporcionar suficiente apoyo médico. Esto se debe a su negativa a cambiar las políticas conservadoras que ha aplicado desde la década de 1990. Las medidas poco entusiastas contra las enfermedades infecciosas y las políticas de promoción económica que no son coherentes con las estrategias contra las enfermedades infecciosas no han frenado la propagación de la enfermedad. Un cambio de rumbo de esas políticas es esencial no sólo para la contención del coronavirus, sino también para la perspectiva de una sociedad sostenible a largo plazo.

Palabras clave: economía japonesa, COVID-19, género, conservadurismo.

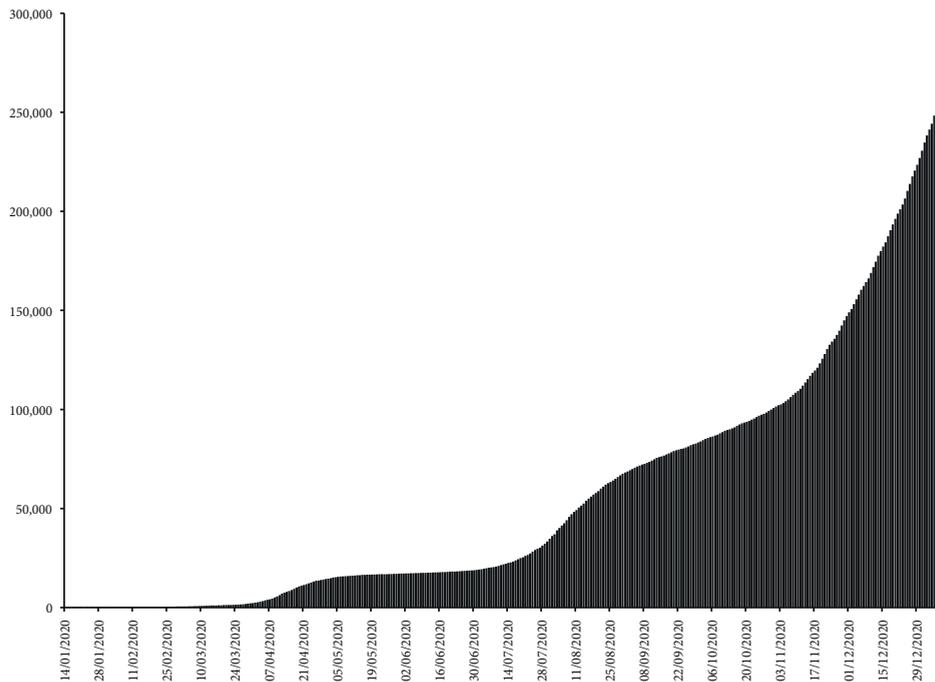
Clasificación JEL: Z0.

1. INTRODUCTION

This study aims to elaborate on how the COVID-19 pandemic has affected Japan, particularly focusing on the country's economic sector. Japan's management of COVID-19 infection is considered better compared to that of the United States, Europe, and other countries, and most Japanese citizens see it the same way because the number of deaths is relatively low.

However, among the Asian countries, Japan has been identified as one of the countries that has failed the most in dealing with the spread of the infection. As of January 2021, the infection had already exploded, and the future remains unpredictable. Most of the country's medical institutions have insufficient capacity to receive patients, thus leaving a number of people dying in their homes since they cannot be hospitalized.

Figure 1. Total number of infected people

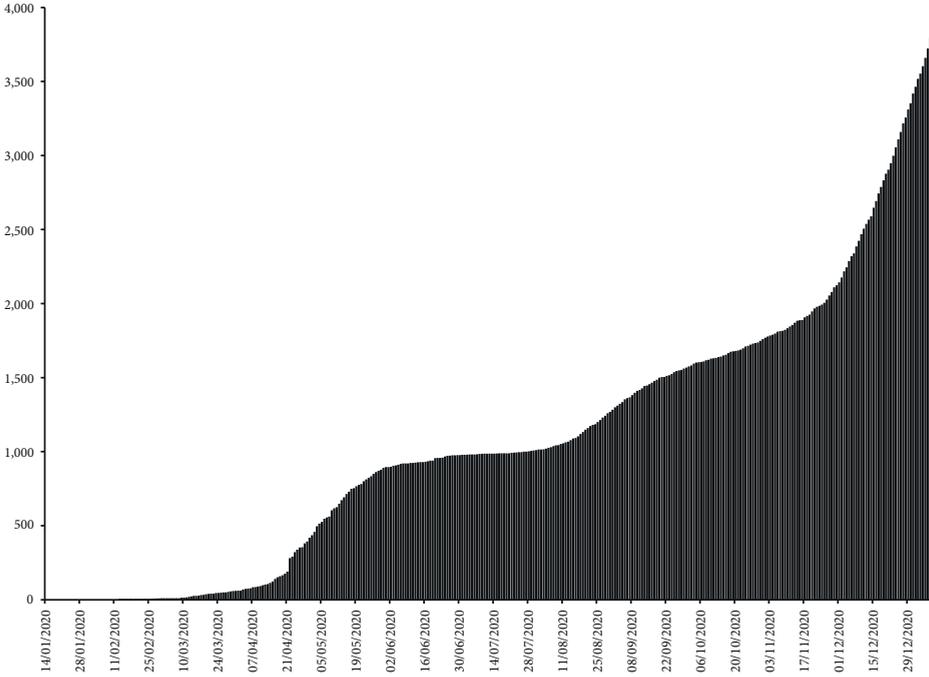


Source: COVID-19 Report. Available at: <<https://jpmarket-conditions.com/COVID-19/ja/Japan/>>.

As of mid-January 2021, Japan's total number of COVID-19 infections has reportedly risen to about 250,000 cases, and the total number of deaths exceeded 3,500. Further, Figures 1 and 2 indicate that the starting points for the increase in infections and deaths were observed in early April, late July, and mid-November of 2020. In this study, we present the overall picture of the impact of the COVID-19 pandemic on Japan, focusing on why the country's countermeasures against COVID-19 have been delayed.

This paper is organized as follows. Section 2 focuses on how the pandemic has affected Japan's economy and the society at large. Section 3 discusses the policies the government has executed in response to the COVID-19 pandemic, hand in hand with the economic measures and policy features implemented. Lastly, Section 4 presents the summary.

Figure 2. Total number of deaths

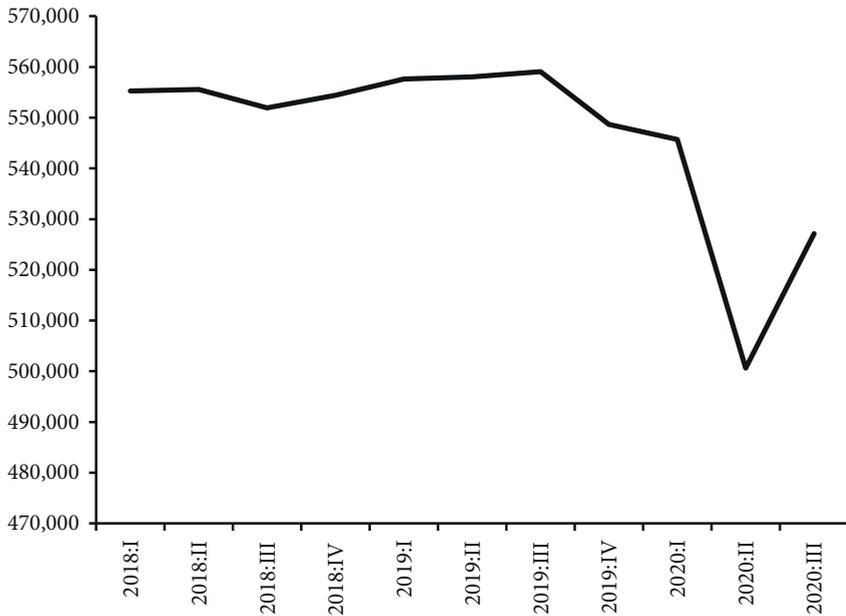


Source: COVID-19 Report. Available at: <<https://jpmarket-conditions.com/COVID-19/ja/Japan/>>.

2. IMPACT ON THE ECONOMY AND SOCIETY

Figure 3 presents the performance of Gross Domestic Product (GDP) from 2018 to 2020. As per the data provided, the GDP was observed to have fallen sharply from April to June 2020 because of the lockdown following the declaration of a state of emergency, which was an added burden as there was already a significant downward pressure brought about by the impact of the consumption tax hike implemented in October 2019. From July to September 2020, there was a slight pickup from the previous period but not as high as before the Coronavirus shock. Among the sectors that have been severely affected are food and beverage, accommodation, as well as medical and nursing care.

Figure 3. Real GDP (Thousands of yens)



Source: Cabinet Office, Government of Japan.

According to a survey by the Tokyo Shoko Research (2021), the number of recorded corporate bankruptcies in 2020 (January-December) with debts of less than 10 million yen increased to 630 (23.0%), exceeding 600 for the first time. This surpasses that of 2010 (537), the year with the highest number of annual bankruptcies since 2000. The service industry and others, including the restaurant and accommodation sectors, had the highest number of bankruptcies, which was 300 (an increase of 37.6%). These sectors were severely affected by the spread of the COVID-19 infection, accounting for 47.6% (almost half) of bankruptcies with debts of less than 10 million yens (Bankruptcies with liabilities of less than 10 million yen' survey 2020, January-December 2021).

According to an additional report released on June 5, 2020, by the Japan Hospital Association, All Japan Hospital Association, and Japan Medical Corporation Association on the "Emergency Survey of Hospital Management Status Due to the Spread Of New Coronavirus Infection," medical institutions are facing extremely difficult management condi-

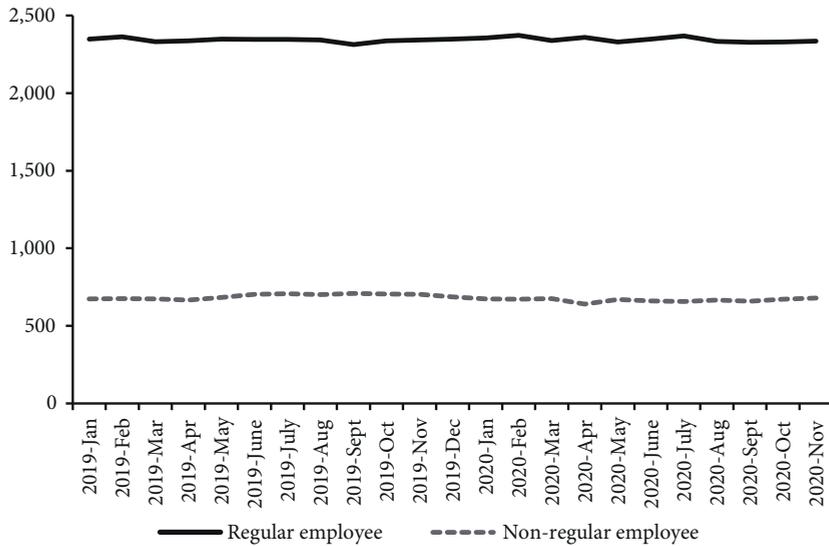
tions because the number of patients visiting hospitals has declined as a measure to prevent the spread of the infection (not only patients are refraining from visiting a hospital but are also postponing scheduled hospitalizations). Hospitals are facing a decrease in revenues because of the postponement of scheduled surgeries, on the one hand, and an increase in costs because of the thorough implementation of infection prevention measures (facility maintenance and equipment purchases), on the other. Two-thirds of hospitals nationwide fell into red numbers due to the current pandemic, and 90% of hospitals receiving coronavirus patients in Tokyo are in the red (Gem Med, 2020).

According to the report, out of 339 hospitals accepting patients infected with this new strain of coronavirus, 54.6% were in the red in April 2019, whereas 78.2% were in the red in April 2020. Moreover, out of the 864 hospitals that do not accept COVID-19-infected patients, 41.8% were also in the red in April 2019, whereas 62.3% were in the red in April 2020. Furthermore, 180 hospitals have been forced to temporarily close their wards. The deficit ratio in April 2019 was 50.6% and further ballooned to 79.4% in April 2020. In addition, as per the results of a survey conducted by the Tokyo Shoko Research (2021), the number of bankruptcies in the “welfare and nursing care for the elderly” sector was 118 in 2020, the highest number ever recorded.

Next, we look at the employment situation. Figures 4 and 5 show the number of male and female employees, respectively. These figures indicate that the impact on female non-regular workers was significant. According to the Ministry of Internal Affairs and Communications, the number of non-regular workers decreased by 1.07 million from January to July 2020, of which 900,000 were women.

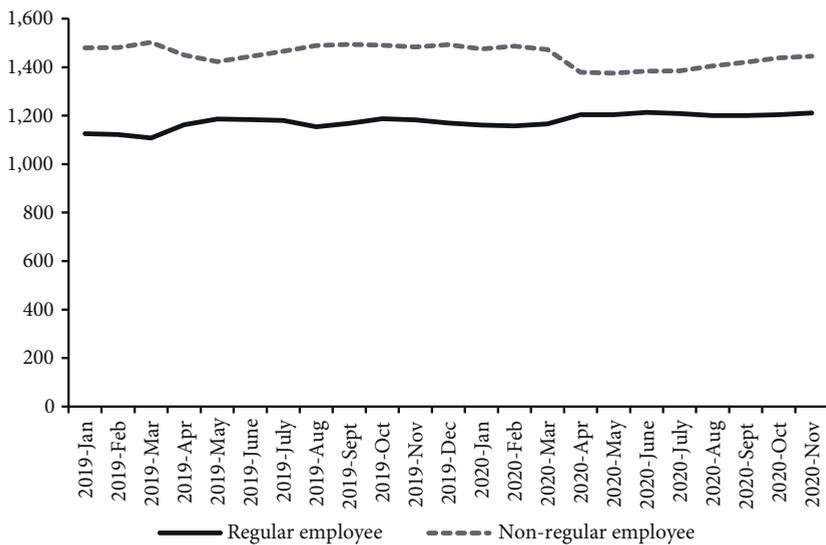
A survey conducted by the Nomura Research Institute reveals the predicament of women. Specifically, 61.8% said they were “struggling to make ends meet,” 78% said they were “worried about the future of their family finances,” 70.6% said they were “feeling depressed because of the economic situation,” and 62.8% said they would “[find] it difficult to survive in the future for financial reasons.” The percentage of respondents who said their anxiety levels had “decreased” was in the 1% range (more than 60% of women ‘find it difficult to live’ due to the COVID-19, women forced into real unemployment 2021). Unemployment was originally defined as those who did not work at all in the last

Figure 4. Number of employees (Male: Ten thousand)



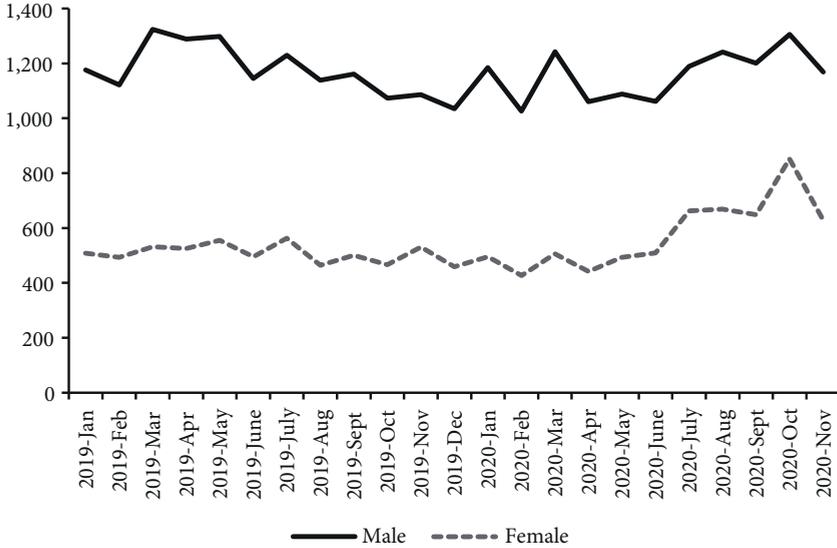
Source: Ministry of Health, Labour and Welfare of Japan.

Figure 5. Number of employees (Female: Ten thousand)



Source: Ministry of Health, Labour and Welfare of Japan.

Figure 6. Total number of suicides



Source: National Police Agency of Japan.

week of the month, but the researchers have also considered those who worked “less than half the workload and without absence benefits” as the coronavirus pandemic has left them “practically unemployed,” which is close to being unemployed; it was estimated that approximately 900,000 in this category are women (Atsumi, 2021).

Figure 6 shows the number of suicides by gender. The increase in the number of female suicides is conspicuous, and it is so considered because of gender-related issues, such as the high percentage of female non-regular workers (over 50%) and the increase in domestic violence because of longer stay at homes.

3. GOVERNMENT POLICIES

In this section, we will be discussing policies the government has implemented in response to the COVID-19 pandemic. Table 1 shows the major events that have occurred in the period.

In the following subsections, countermeasures against the COVID-19 pandemic, economic measures, and policy features will be discussed.

Table 1. Major events

March 14, 2020. Enactment of the revised Special Measures Law enabling the declaration of a state of emergency.
April 7, 2020. Declaration of a state of emergency: Tokyo, Osaka, seven prefectures.
April 7, 2020. Cabinet approved economic countermeasures of 108 trillion yen for the COVID-19 pandemic.
April 16, 2020. The first state of emergency was declared nationwide.
May 25, 2020. The state of emergency was fully lifted.
July 22, 2020. “Go To Campaign” began.
September 16, 2020. Kan administration inaugurated.
January 7, 2021. The second state of emergency was declared mainly in the Tokyo metropolitan area.
February 3, 2021. The Act on Special Measures against Pandemic Influenza, etc. was amended.

3.1. Measures against the COVID-19 infections

The Japanese government declared the first state of emergency in April 2020 and lifted it in late May 2020. Then, in January 2021, Japan has declared another state of emergency mainly in the Tokyo metropolitan area. However, the basis of such declaration was unclear, which got the people confused.

Since the beginning of the pandemic, the budget prepared by the government for healthcare was meager. Out of the 108 trillion-yen emergency economic countermeasure against the COVID-19 pandemic approved by the cabinet in April 2020, the “Emergency Comprehensive Support Grant for New Coronavirus Infections” for the improvement of the medical care delivery system is 149 billion yen, which even including the provision of masks and cost of developing therapeutic drugs, the amount is only about 800 billion yen (Niki, 2020).

In the third supplementary budget passed in January 2021, out of a total of 21.8 trillion yen, 4.4 trillion yen was earmarked for measures to prevent the spread of the coronavirus, which is less than the 11.7 trillion yen to be spent on economic structural transformation, mainly digitalization, focusing on the post-coronavirus era. In addition, there is no compensation for the loss of revenue for medical institutions, and most

of the subsidies are limited to institutions that accept patients infected with COVID-19. Furthermore, there was no intended national budget for PCR (polymerase chain reaction) testing, with half of the cost of PCR testing borne by local governments.

According to Worldometer, as of August 5, 2020, Japan ranked 155th out of 215 countries and regions in the world in the number of people tested for COVID-19 infection relative to the population, which is deemed low (Oda, 2020).

3.2. Economic measures

Although the government has declared a state of emergency and asked people to stay at home, it has not provided sufficient income compensation, leading to various economic problems.

The “Go To campaign¹” launched in July 2020 has been designed to support the food and beverage and travel sectors, but since the subsidies for this project are at a fixed rate, the demand is concentrated on companies with larger scale; smaller businesses cannot benefit from it. This project was then cancelled because of a new wave of infections. Reports indicate that a leading politician of the ruling party, who is on the board of directors of a travel sector organization, was behind this project, and there are personal interests involved (Abe, 2020).

Only businesses whose sales decreased by 50% or more compared with that of the same month in the previous year are eligible for this benefit. However, there is an upper limit of 2 and 1 million yen for corporations and individual businesses, respectively, which does not commensurate with the magnitude of the shock (Fujita, 2020). In addition, since it was limited to online applications, it resulted in confusion and delays. Furthermore, the payment process was outsourced to large corporations without transparency, thereby significantly cutting off taxpayer funds, which then became a major issue in the Diet.

There is also an employment adjustment subsidy system that subsidizes employers who take a leave of absence, but this system has been changed

¹ One of the measures under the “Go To travel” is that the government will cover up to 50% of the cost of travel within the country.

and altered so often that it is seen as a waterfront operation. Meanwhile, the state of emergency declaration issued on January 7, 2021, included a request to shorten business hours to 8:00 p.m. and to refrain from going out after 8:00 p.m. for nonessential reasons. However, the government provided only 60,000 yen per day to restaurants that responded to the shortened hours; this amount is deemed insufficient.

The entertainment and other cultural sectors have also been severely affected by the shock, but the support measures of the Agency for Cultural Affairs have remained to subsidies and assistance for new projects and events. Many people in the cultural sector have not received any support.

3.3. Characteristics of the policies

So far, the government's policies have not been successful. It is not clear whether the measures against infectious diseases are based on objective scientific findings. Although they request people to stay at home, they failed to provide sufficient income compensation, and instead, the Go To campaign and other policies have contributed to the spread of the COVID-19 infection.

Another major problem is the lack of financial support dedicated to medical institutions that are suffering from financial difficulties. This is probably because the government is afraid of creating a trend that is contrary to the conservative policies it promoted before the Coronavirus shock. The number of healthcare centers has been reduced from 845 in 1994 to 472 in 2019, which is another reason why the number of PCR tests has not increased (Okada, 2021). In addition, in the past 20 years, the number of beds for infectious diseases has been reduced by less than one-fifth; the same thing was implemented for the number of beds for non-infectious diseases, which was also reportedly reduced by 250,000. In addition, plans are currently underway to consolidate and eliminate more than 400 public and private hospitals nationwide. Under such circumstances, as of January 2021, the number of people receiving treatment at home has exceeded 30,000; further, some people are expected to die at their homes without being hospitalized.

What stands out in the government's policies is its industrial policy, which treats this shock as an oddity. The policies include an attempt to reduce the number of small- and medium-sized enterprises (SMEs)

because of their low productivity, the use of big data as a new business opportunity, and the establishment of a digital agency to promote the use of the My Number system, which is a national identification number. The focus of the government is not on controlling infectious disease or income compensation, but on using this opportunity to strengthen the power of large corporations and the wealthy. As of the end of March 2020, a total of 250 trillion yen was retained in the earnings of large corporations, which demonstrates the effects of cutting labor cost and corporate tax. The government's policies are consistent with this trend (Oguri, 2020).

4. CONCLUSION

As per our findings, it would be safe to say that the Japanese government has failed to contain the COVID-19 pandemic by failing to provide sufficient medical support. This is because of its refusal to change from the conservative policies it has implemented since the 1990s. Half-hearted countermeasures against infectious diseases and policies of economic promotion that are inconsistent with the said countermeasures have not slowed down the spread of the disease.

The revised Act on Special Measures against H1N1 Influenza and other laws enacted on February 3, 2021, imposed administrative penalties, *i.e.*, civil penalties, on businesses that do not respond to the closure or reduction of business hours and on infected persons who refuse to be hospitalized. It appears that the government is attributing the ultimate responsibility for the control of the pandemic to individuals. The government continues to ignore calls for medical support and income compensation while defending conservative policies as the government continues to focus on supporting large corporations by eliminating SMEs and promoting digitalization. Conventional policies have strengthened the vulnerability of the society to shocks, such as the COVID-19 shock, including the increase in the number of non-regular workers.

However, under the pressure of the voices of many citizens, the government has provided 100,000 yen per person, extended the deadline for employment adjustment subsidies, and withdrew the termination of subsidies for sustainability and rent support. It was also through the power of citizenry that the criminal penalties imposed on infected people who

refuse to be hospitalized were withdrawn. A change in direction from conservatism is essential not only for the containment of the COVID-19 but also for the prospect of a long-term sustainable society. The recent developments in Japan support this recommendation. ◀

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