

Preface

Despite the time that has passed since the global financial crisis in 2008, many advanced countries—with the arguable exception of the United States—have not achieved meaningful recoveries. Employment remains low, and economic activities are weak. While interest rates have been lowered to zero-bounds in most advanced countries, inflation does not pick up, inviting quantitative easing. “New-normal,” a term that emerged to stipulate the state of the post-crisis economy, is now moving to “Japanization,” which refers to long-term stagnation and deflation.

The causes of Japan’s “lost decades” have been extensively discussed. Some economists emphasize aging and structural inefficiencies, while others stress improper macroeconomic policy responses. For this reason, the recent movement of Japan’s post-crisis economic policy, “Abenomics,” emphasizes structural reforms coupled with bold macroeconomic policies. Can Abenomics relieve Japan’s economic problems to a substantial degree? What lessons should other advanced countries learn from the experiences of Japan?

Korea is of particular interest in this regard because it tends to lag behind Japan in many respects by about 20 years. For example, the current age structures of Korea are very similar to those of Japan 20 years ago and will evolve following the aging trend of Japan. Both growth and inflation rates of Korea are slowing down to produce a declining trend of nominal growth that is almost identical to that of Japan 20 years ago. That is, the current Korean economy resembles the Japanese economy in the 1990s when Japan began to plunge into the lost decades. Does this indicate that Korea is doomed to become another Japan? What should Korea do to mitigate the downward trend of growth?

This book addresses these important issues, in both the global and the Korean contexts. Although many of these questions cannot be clearly answered in this book, intellectual discussions are deemed helpful for better understanding the problems and designing future policies.

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