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Abenomics and Japanese Monetary Policy: A Path to Economic and Ethical Recovery

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Abenomics is a term that encapsulates the current fiscal, monetary, and structural policies that the Central Bank of Japan and the Japanese Government are jointly pursuing in an effort to reinvigorate the economy under the tenure of Prime Minister Shinzo Abe. This research paper is dual-focused. First, it will layout the policies that Japan is undertaking in pursuit of these measures. Towards that end, it will delve into the specific methodologies that the Central Bank of Japan and the Japanese Government are pursuing to stimulate the economy. The paper will explain the specific measures that are being pursued, and explain the dramatic implications of such pursuits. We will then opine on both the results and the broader implications going forward from an economic point of view. After the financial implications are explained, we will shift to the ethical implications of such policy measures. Evaluating Abenomics under Normative, Utilitarian, and Rights-based Approaches will lead to varying conclusions as to the ethicality of such pursuits. The findings on both of these fronts will be evaluated, and the implications going further will be assessed. Given the relatively new implementation of Abenomics, there has not been extensive research done on the economic significance of the policy, although there has been some that is still in its working-paper stages. With respect to the ethical implications, there have not been any substantive academic papers published. This research attempts to explore what has, up to now, been unchartered territory. The central research question that this paper intends to answer is to what extent Abenomics can impact substantive economic change and to what extent are the measures being pursued ethical.

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Abenomics and Japanese Monetary Policy: A Path to Economic and Ethical Recovery

The nature of Abenomics is one that has fundamentally shifted the course of the Japanese economy. Under Prime Minister Shinzo Abe, the Japanese economy has entered a new phase in its history. Abe has centered both his monetary and fiscal policy approach to target the core economic problems that the country faces and to address the structural demographic problems that have plagued Japan for many decades. This paper will address how Japan's monetary and fiscal policies have changed since the implementation of Abenomics. It will delve deeper into the specific assets that the Central Bank of Japan will purchase, and alternatively will avoid, in its pursuit of Quantitative Easing. The paper will then analyze the ways in which Japanese financial markets have reacted, study whether those reactions have been the ones intended by the Central Bank of Japan, and assess the future sustainability of the program, both from a monetary and a fiscal policy approach. We will then shift to address the ethical implications of the policy, and who specifically stands to benefit and lose from the policy, both at a domestic level, as well as at an international level. The paper will approach the study from Normative, Utilitarian and Rights-based perspectives to understand the ethical implications. Finally, the paper will conclude with an assessment of Abenomics, and an evaluation of whether the policy will stimulate the long-term economic growth and demographic change that the Central Bank of Japan intends. Beginning the research, our initial predisposition had been that much like the positive outcomes achieved by the Quantitative Easing measures pursued by the United States Federal Reserve, so to would the measures undertaken by the Central Bank of Japan be foundational to impacting change. Additionally, while the actions undertaken by the US government to alter demographics had both ethical and unethical elements to them, on the whole, the greatest good for the greatest number has been achieved. The research presented in this paper confirms both of these initial hypotheses, and aims to offer elucidating and insightful conclusions with respect to the forthcoming effects of Abenomics on the Japanese economy.

At its core, Abenomics is a policy measure that includes a joint pursuit between the Japanese government and the Central Bank of Japan. While the policy measures that both of these institutions are pursuing are independent from each other, the goals are parallel. Abenomics' three arrows include a massive fiscal stimulus with the intention to increase GDP, Quantitative Easing to allow greater access to systemic liquidity, and structural economic reforms that include changing the tax structure and composition of the work force, among several other elements. These three arrows are part of a dual effort between the Japanese government and the Central Bank of Japan, but include a common purpose. Prior to the start of Abenomics Monetary Policy, the Central Bank of Japan undertook conventional monetary policy practices, which included targeting a zero percent overnight lending rate between banks (Grimes). The Central Bank has also engaged in Quantitative Easing, much like the United States Federal Reserve, whereby it has attempted to keep interest rates artificially low in an effort to stimulate the economy. Previous accommodative monetary policy measures, however, were grossly unsuccessful, as deflation and unhealthily low GDP growth have continued to plague the economy. This is why Shinzo Abe decided to undertake entirely new measures within the Japanese economy, and hence the emergence of Abenomics.

As the Prime Minister of Japan, Shinzo Abe and the Central Bank of Japan have committed themselves to loosening business regulations and increasing government support to assist Japanese industry as part of a three-pronged strategy to stem deflation and revive economic growth. The government has committed itself to this strategy through monetary and fiscal stimulus measures. The Central Bank of Japan's monetary measures include a 2% inflation target over the course of two years in order to reverse the long-term deflationary expectations of consumers and encourage them to increase consumption. Higher inflationary expectations will also increase the nominal tax revenues that the government receives, and shrink the growing national debt (Hugh). Additionally, the Central Bank intends to double the monetary base over the next two years, increasing the base at the start of Abenomics from 135 trillion Yen to 270 trillion Yen (see Appendix 1), which will involve an alteration in the average maturity of assets held by the Central Bank of Japan. Next, the Japanese government will scale back the short-term debt asset purchase program introduced under the previous Central Bank of Japan governor in 2010, and consolidate asset purchases into a single program in order to increase the transparency of the monetary policy implementation. The Japanese government has recognized the need for flexibility, and therefore the Central Bank of Japan has suspended the rule of keeping the number of bond holdings equal to the number of banknotes currently in circulation. This is a shift in monetary policy and is part of Shinzo Abe's primary three arrows, which focus on aggressive monetary expansion, supportive fiscal policy, and structural economic changes that include private sector industry reforms focused on enhancing private investment.

The implementation of Abenomics is one that has dramatically changed the actions and composition of the Central Bank of Japan. For one, the Central Bank of Japan abandoned the policy of capping the maturity of assets and has focused its efforts on increasing the average maturity of assets held from three years to seven years (Harjani). The maximum maturity securities that are available for purchase are forty-year government bonds. This policy is intended to flatten the term structure of interest rates at the long end of the maturity spectrum, thereby encouraging investors to purchase riskier assets in search of higher returns. In addition, the Central Bank of Japan will cease further purchases of corporate securities and will continue to reduce the amount of investment risk to which it exposes itself. As a result, the Central Bank of Japan will begin reducing the amount of foreign asset purchases in order to avoid international accusations of intentional direct currency devaluation. Finally, Shinzo Abe has made a mission for more unity on policy issues, and has argued in favor of achieving unanimity in the monetary policy voting process.

In November 2013, the Central Bank of Japan announced a shift in monetary policy, and the Japanese Yen weakened against the US dollar substantially, eliciting a positive response by equity markets, and a subsequent flattening of the interest rate yield curve. As a result, investors sold Yen and purchased stocks with the expectation that future economic revival and continued asset purchases by the Central Bank of Japan would continue to stimulate equity markets. The data presented in this paper indicates that the Yen has slid upwards of 20% relative to the U.S. dollar (see Appendix 2a), which is in line with the Central Bank of Japan's objectives. For example, the Nikkei 225, which is Japan's broadest equity market index, has increased upwards of 50% (see Appendix 2b), reaching intra-day highs not previously achieved since the early 1990s. Certain classes of stock, however, have underperformed others, particularly in sectors that are economically sensitive like industrials and automobiles. Sectors that have fared much better are consumer products, retail goods, and pharmaceuticals. As a result, one possible analysis of this phenomenon is that the market is not entirely convinced that the monetary policy being pursued by the Central Bank of Japan will feed through to real economic growth and permanent economic change. Another interesting phenomenon that has occurred is that the bond market also rallied upon the November announcement of future low interest rates and Quantitative Easing, which is consistent with the Bank of Japan's monetary policy initiatives. One possible analysis for the fact that the yield curve has flattened is that the market confidently believes that the Central Bank of Japan is committed to keeping interest rates low through Quantitative Easing for an extended period of time, which means that bond prices will increase (see Appendix 2c). All of these initiatives—and resultant outcomes—are in line with the Central Bank of Japan's expectations and will continue to have positive ramifications on the Japanese economy.

In addition to the aforementioned monetary policy initiatives, central to the BoJ's objectives is to target inflation at a fixed rate—this objective pervades all of the other objectives that the BoJ intends to pursue. The 2.0% inflation target is meant to target both the public and private sectors. This research suggests, however, that while devaluing the Japanese currency will make Japanese goods less expensive relative to those of other countries and thereby boost exports in the process, there can also potentially be some negative ramifications. Some of the potentially negative consequences include higher inflation and as a result, a higher cost of living (which can pose a particularly significant burden to the lower and middle classes of Japanese citizens) as well as higher labor costs, which will in turn reduce the number of laborers employed. As of now, however, Japanese automobile manufacturers like Honda and Toyota have significantly benefitted from the policy. They were beginning to become less competitive relative to their international rivals (Koide). As a result of this currency devaluation, Japanese companies will be able to offer more competitive prices internationally, and therefore regain some of the earnings that were lost overseas. Furthermore, the inflation target will continue to allow the Japanese government to reduce the real value of their outstanding debt obligations. As aforementioned, the Japanese public debt is upwards of 250% of current National GDP, putting it at the highest in the world. Devaluing the Yen will implicitly allow the government to reduce its debt obligations by inflating part of them away. This policy will also benefit borrowers in specific industries including the housing and crisis prevention sector, the medical sector, and the energy and infrastructure development sector. Along with Quantitative Easing, which will help to stimulate these industries on its own, Japan will allocate additional funds to its direct lending program to these sectors by 14.7 Trillion Yen over the next few years. Increasing the access to loanable funds will, in turn, allow borrowers to pay significantly lower interest rates and obtain loans that are much less burdened by restrictive covenants (Misawa). Finally, we believe that all of these policies will help Japanese companies more effectively raise equity because investors will be searching for yield, and therefore be more inclined to invest in industries and equities, which will produce the yield that they desire. Investors will have greater confidence to provide capital because of these pro-growth Japanese policies and the Central Bank of Japan's commitment to Quantitative Easing, thereby keeping a large number of reserves accessible and in the banking system. The data indicates that this year alone, Japan has singlehandedly raised more equity capital than in any other Asian country (Misawa). Moreover, foreign investors have increased their investment in the Japanese economy, and as a result the net purchase of Japanese equities has reached record highs.

The overarching purpose of Abenomics and Japanese fiscal policy is to raise per-capita real GDP, which is an indicator of the country's standard of living. Achieving this goal, however, is extraordinarily complex and will have a variety of different outcomes in the near term; the long-term effects, however, are a bit more controlled. The Japanese Yen is a world reserve currency. As a result, the implications within the Japanese economy can have more global ramifications because of the number of investments that are predicated on the exchange rate between a foreign currency and the Japanese Yen (Jakobsen). For instance, if investors are short the Yen, they may see their trades turn against them if negative global events cause investors to flock to safety. Various debt crises throughout Europe, for example, pose risks to foreign investors. Additionally, weaker economic data globally, including the United States, could see further currency weakening in an effort to stimulate global growth. Within Japan specifically, importers have become the notable loser of this massive currency devaluation (the ethical implications of which this paper will discuss further along). This phenomenon has occurred because a weaker currency, in this case the Japanese Yen, makes foreign goods relatively more expensive, thereby hurting firms that import goods from abroad. The results from the trade imbalance that this currency devaluation is intending to create will impact most commoditized and utility markets, like electricity and raw materials. Price controls limit the corporate players within these industries from sufficiently raising prices in order to fully absorb the cost increases (Stiglitz). Additionally, we believe that private Japanese banks also will not fare well with some of the policies being implemented under Abenomics. For one, we expect the interest rates that Japanese banks will earn on their domestic lending will substantially decrease, reducing their interest income. As a result, private banks will be forced to increase their lending in more proprietary and foreign business ventures in pursuit of the yield that they desire. We expect this to result in Japanese banks assuming more risk in order to enhance their return. Lower interest income from domestic lending and the pursuit of alternative investment vehicles in search of yield mirrors some of the actions that the United States Federal Reserve and other U.S. private banks took in order to combat the systemic economic changes that they were facing.

In addition to the aforementioned effects that currency devaluation can bring about, further potential disadvantages include negative financial impacts on any people collecting fixed income payments, like those receiving defined benefit pension plans, investors in fixed income products receiving coupon payments, and even employees earning salaries can be at risk if the currency devaluation causes inflation to exceed the 2% benchmark targeted by the Central Bank of Japan. Additionally, all of the preliminary data suggests that the Japanese government and Central Bank of Japan policies could turn on themselves because the government at large will be obligated to finance larger debt burdens at higher nominal interest rates as a result of the abnormally high inflation, which will be priced into interest rates (Xu). Moreover, the Central Bank of Japan may also risk taking a loss on it current bond holdings as interest rates spikes as a result of the exaggerated inflation rates. Therefore, Shinzo Abe and the various government leaders with which he is working must be aware of the sensitive balance that they face, and recognize that if investors sense a lack of discipline by the Central Bank of Japan or a sensible fiscal plan (or both for that matter), then those investors can cause the Central Bank's Quantitative Easing measures to fail by refusing to purchase the debt issuances and therefore demanding higher yields.

Aside from the country-specific issues that Japan faces with respect to devaluing the currency, there are potentially more global negative implications that such a measure can have. First and foremost, shifting the balance of trade by weakening the Japanese Yen can potentially lead to a currency war. While the G20 has consented to avoiding a target for the value of their currencies, there is also the chance that as more countries become disadvantaged by the currency manipulation, that a global currency war can ensue. As the Central Bank of Japan continues to purchase roughly three quarters of monthly government debt purchases, the yield on these securities will continue to fall, and investors will continue to seek alternative methods of investment in pursuit of yield. Some of the alternative investments that Japanese investors have looked favorably upon include debt security issuances with similar risk in European countries, including Germany and France, as well as Australia. This has created multiplier effects within these international regions (Wieland). The greater access to liquidity has caused the long-term interest rates on those government debt securities to decrease, and as a result the interest rate yield curve has begun to flatten, similar to what has happened in Japan. The difference remains, however, that Japan had intended for this to occur by pursuing Quantitative Easing measures; the other countries, however, do not have those same ambitions, and this has resulted in some international controversy. For instance, equity indices in emerging markets have not benefited at all, and one result of the huge capital influx into these emerging economies has been depressed yields. The data suggests that emerging market equities have not performed favorably since the start of Abenomics (it is important to remember here, though, that correlation does not imply causation). Continued investment in these economies has made the risk-return profile unfavorable to investors, and has forced them to assume more and more risk, and get less and less return (Rappleye). Therefore, this paper posits that at an international level, while Abenomics may tend toward having positive ramifications for the Japanese economy, more broadly it may not have those same positive results, and in fact may even have negative results. The ethical implications of such policy will be discussed in the second half of the research findings.

From a purely financial standpoint, Abenomics at its core could drastically alter and enhance the Japanese economy, especially in the long-term. Creating systemic changes to the core governing principles of the economy can dramatically improve what has been lackluster performance over the past two or so decades. Before Shinzo Abe assumed office, Japan had seen seven prime ministers throughout the previous decade, retarding any government attempts to establish effective fiscal stimulus measures that align with the actions of the Central Bank of Japan to aggressively pursue Quantitative Easing in an effort to keep interest rates low and stimulate growth and investment in the economy. Shinzo Abe and the president of the Central Bank of Japan Haruhiko Kuroda have committed their platforms to remaining consistent and effective throughout their tenure, providing the market with continued forward guidance so as to allow it to react efficiently and rationally. Furthermore, each of these government officials have built teams of people who are committed to their initiatives, and as a result the majority of Japanese policymakers are likely to remain avidly committed to policies that enhance the likelihood of cohesion and economic revival. This commitment, however, requires dedication from more than just the Japanese policymakers. The research indicates that if investors and various other market participants are not supportive of the measures, then no substantive change can be effected because they will remain unsure of the equity and debt markets, and as a result be less willing to invest in what may be speculative markets. The only way that investors will feel secure investing in these markets is if they put a relatively high probability on the government's commitment to both short-run and medium-run economic stability and support (Misawa). To the extent that the government is sufficiently able to overcome this burden and meet the demands of investors, then market concerns ranging from excess inflation to monetizing the debt will subside. On the other side of the coin, however, while the artificial stimulus may be good for the Japanese economy in the short and medium run, it is, in fact, artificial. Therefore, Japanese policymakers must have a strategic and believable exit from the massive quantitative easing in order to quell fears that markets will be shocked by aggressive rises in interest rates as the

Central Bank of Japan eventually begins tapering its asset purchase program. As the Central Bank buys less and less debt securities on the open market, there will be more and more investors who need to make up for those purchases, and they may require higher and higher yields to purchase those debt instruments. Japan will only be sought after as a place for capital investment to the extent that the government sustains its fiscal and monetary policies.

Another important insight that this research reveals is that going forward, the Japanese Yen is likely to depreciate less and less given its rapid and immediate decline following Abe's assumption of office at the end of 2012. As a result, the currency tool that was being used to parallel the fiscal and monetary stimuli will now no longer be as effective because most of its value has been depleted (Hugh). Now, economic success will be derived solely from fiscal and monetary policy measures. This will include supportive tax policy that enables the private sector, pro-growth government policies that enhance the current workforce and allow for continued hiring, and finally consistent actions by the Central Bank of Japan that offer forward guidance to the markets and do not bloat them with reserves beyond control. Shinzo Abe's "three arrows," namely his tenets for reviving the Japanese economy include monetary easing, fiscal stimulus, and underlying structural reforms. Thus far, the research indicates that Abe has been balanced in his pursuit of each of these measures, and that the economy has reacted and responded relatively well. Going forward, there will need to be continued private-sector reforms. Japan's progress continues to be impeded by underlying structural issues that fiscal and monetary policies will not fix. At the forefront of those systemic issues include an extraordinarily low rate of female employees in the labor force, and an exceptionally high rate of very senior-aged employees in the labor force (Harjani). Moreover, Japan exhibits an aggressively harsh limit on immigrants who can be legally employed in the economy.

Overcoming these structural impediments will be extremely important to Japan's economic recovery, but it will be a difficult process. Much like its stagnant economy, Japan is heavily predicated on tradition – it is a homogenous society that is not very open to change. There are pros and cons to this homogeneity, but with respect to implementing change, there needs to be consensus among the community, and it needs to come from the top down. Japan is a society that respects the "elder tradition," so to the extent that a particular sect of the population can be persuaded to change, then these underlying structural reforms will become more and more feasible. The research indicates that progress has been made, but much more continues to be done in order to implement dynamic change.

Overall, the policies being implemented under Abenomics have the potential to impact radical economic and fiscal change on the Japanese economy, but the measures must be implemented with caution. The systemic changes that Shinzo Abe is pursuing can revive what has been up to now a dull and lackluster economy, and can fundamentally shift the course of Japanese private sector industry. Moreover, changing what many people would refer to as cultural dysfunctions in 21^{st} century society, including a lack of women in the workforce, can have a major impact on some of the root causes that have stymied Japanese economic growth. We predict, however, that these radical changes will positively impact the Japanese economy and that over the course of the next five years, the foundation will be laid for a stronger economy that can compete globally and be more dynamic. Providing a strong foundation over these next five years will then allow the economy to prosper thereafter.

The financial objectives and implementations targeted by Abenomics are very aggressive. Balancing the effects of currency depreciation, with a specific inflation target, and coupling those measures with fiscal, monetary, and structural reforms has proven to be a difficult, yet surmountable feat that if the Japanese policymakers can successfully accomplish, will massively restructure the Japanese economy (Grimes). The focus of this research paper will now shift to the ethical implications of Abenomics. It will assess the broader array of consequences that dramatically changing the economy can have, and provide insight into some of the ethical—and not so ethical—practices that will occur. This ethical assessment will be done in light of Normative, Utilitarian, and Rights-based perspectives and make a claim from several different viewpoints whether or not Abenomics is ethical.

Normative ethics is a sect of philosophical ethics that attempts to understand the ways in which a morally ethical person should act. Within this sect of ethics, there are three primary branches, namely Virtue ethics, Deontological ethics, and Consequentialism. Virtue ethics focuses on the character of the individual (Robertson). Deontological ethics focuses on the action or rule itself in light of people's duties and rights. Within Deontological ethics, Immanuel Kant on the one hand argued for the Categorical Imperative, which assesses humanity with regard to how well it follows certain moral laws. On the other hand, John Locke argued for a Natural Rights Theory and believed that human beings have certain, inalienable, natural rights. Finally, Consequentialism focuses on the action or rule itself and postulates that an action's morality is dependent upon the action's outcome or result. There are various sects within Consequentialism, but we will not attempt to explain the intricacies of each of the different sects as we analyze Abenomics.

The first area of analysis involves the Virtue Ethics approach. From the most traditional Virtue Ethics perspective possible, we will evaluate each of the substantive changes that Abenomics is making to the Japanese economy, and will make an assessment on a case-by-case basis as to its ethicality. To begin, Shinzo Abe has argued for an increase in fiscal spending, thereby raising the government deficit and shifting the debt burden from the current generation to future generations. By doing this, younger Japanese generations will have to deal with more severe economic problems than today's generation. From a Virtue Ethics perspective, we posit that Abe's character is in fact virtuous and his intentions are positive and optimistic. Abe's goal is to structurally reform and stimulate the Japanese economy, and towards that end there will be some bumps along the road. The end goal, however, will create more positives for the country as a whole. Furthermore, as economic activity and output within the economy expands, that creates a multiplier effect that both current and future generations will be able to benefit from. While in the short-term there may be some increased government deficit and an overall greater debt burden, this will actually turn out to mitigate the deleterious consequences that future generations will have to face. Having a stronger underlying economy that produces greater output, employs more workers, and dramatically enhances the economy will serve to benefit the younger generations of Japan, even if it comes at a slight cost in the short-run. From a deep evaluation, Abe's initiatives indicate that Abe is in fact a moral individual who espouses virtues such as commitment to the poor, optimism, ambition, courage and perseverance. Moreover, the specific ends that Abe is seeking further allow his initiatives to be deemed ethical. Therefore, analysis of these actions allows us to conclude that from a Virtue Ethics perspective, Abenomics is in fact ethical.

Evaluating Abenomics from a Utilitarian standpoint, there are some important considerations. To begin, an act is ethical under Utilitarianism if it results in the greatest good for the greatest number of people. By all accounts, Abenomics is ethical from a Utilitarian perspective. First and foremost, as alluded to earlier, pursuing these fiscal and monetary policies will result in a stronger underlying economy, which will have positive implications for all

Japanese citizens. Therefore, utility is maximized and the greatest good for the greatest number of people is achieved. Secondly, Abe's policies intend to shrink the gap between the rich and the poor, or at a minimum, reduce the rate at which it grows. Given that a large portion of Japanese citizens are poor, this will maximize the utility of the greater Japanese citizenry. Additionally, Abe hopes to massively rearrange the composition of the workforce, and in that regard he intends to increase the number of female employees in the labor force. Japan, however, has a very traditional way of thinking. As a result, adapting that culture and introducing new ideas to the populace with which younger generations can grow accustomed and espouse as they raise families is an effective method by which Abe can generate the greatest good for the greatest number of people. Finally, diversifying the industries within the Japanese economy, and amending laws such that they are favorable to corporate enterprise is another factor that will maximize the utility in Japan. Currently, the economy consists of too many companies that make the same things, and this had led to a massive non-diversification in industry, as well as intensely competitive profit-squeezing initiatives by the major corporate players within these industries. Diversifying industry within Japan, and providing tax incentives for companies that choose to diversify and eliminate overlapping operations, will be a huge positive for the Japanese economy, and will ultimately maximize the greatest good for the greatest number of Japanese citizens. For these reasons, we conclude that from a Utilitarian perspective, Abenomics is ethical. By all accounts, many more people benefit from the initiatives of Abe than are hurt by them, and as a result utility is maximized.

From Virtue Ethics and Utilitarian perspectives, the research indicates that Abenomics is ethical. Evaluating the Japanese fiscal, monetary, and economic reforms from a Rights-based Approach, however, leads to a different conclusion. First and foremost, a Rights-based

Approach posits that every person, regardless of race, religion, age, sexual preference, or any other factor is entitled to certain inalienable rights as outlined in the Universal Declaration of Human Rights and the International Bill of Rights. These rights include the right to life, liberty and equality. First and foremost, the ethicality of Japan's decision to depreciate the Yen in an effort to create a competitive advantage with respect to trade terms is questionable. While the trade imbalance helps importers because they now have comparatively cheaper goods, it hurts exporters, who now must charge more because of the depreciated currency, and it also hurts laborers and Japanese citizens, as their currency is relatively less valuable and therefore they must expend a greater amount of currency for the same quantity of goods. Secondly, changing the underlying structure of the economy such that there are less elderly, tenured employees in the workforce is a violation of those workers' rights. These people have worked hard to earn their status in society, and for a governmental policy to scope out one group of people and single-handedly target their forced retirement is unethical according to the Rights-based Approach because it fundamentally denies these individuals their basic right to employment. Next, having overly restrictive immigration laws impedes two aspects of society. First, it prevents individuals from immigrating to Japan in pursuit of a higher quality of life. Secondly, it inhibits Japan from gaining access to a broader labor force, and thereby impedes the growth of the wider Japanese economy. While this research does not advocate for overly liberal immigration laws, which could hurt the Japanese economy, certainly opening the border a bit more to diversify the workforce could lead to greater, more diverse output. Currently, however, the closed border policy that Japan espouses violates the Rights-based Approach on the two aforementioned fronts, and as a result, Abe's actions are not ethical under this analysis. Finally, increasing the consumption tax rate from eight percent to ten percent in an effort to raise some additional tax revenue will marginalize the poor even more. This increased tax will make it more expensive to purchase goods, and therefore the poor will have to allocate more of their earnings and savings in order to fund this tax. As a result, the poor will have a greater burden to meet in order to exercise their basic human rights. This paper, therefore, argues that Abenomics is unethical from a Rights-based Approach for the aforementioned reasons. While there are, of course, positive and negative implications from the fiscal, monetary, and economic reforms that are being pursued, by mere fact of the matter that it violates the rights of a sizeable portion of the Japanese populace, it is unethical by analysis under the scope of the Rights-based Approach.

Japan is an extraordinarily homogenous society. Japanese citizens espouse a traditional way of thinking. They defer to their elders for advice, wisdom and mentorship. They also have a culture that is predicated on respect and following the dictates mandated by those in authority. This way of thinking can be a strength because it is easier to reach consensus – with parallels in thinking and similar cultural values, people will tend to be on the same page. Therefore, if the substantive changes that Abe is proposing can start from the top and be carried down the hierarchy, there is a greater chance for the policy implementations to be successful. This is a double-edged sword, however, because while having homogeneity has many benefits, it also has many weaknesses. Some of those weaknesses include the inability to implement change effectively. Having a populace that is so single-minded and has not been exposed to alternative methods of thinking can make successfully introducing new ideas a very difficult feat. However, while the task at hand may be difficult, it could be done. Japan is a systemically stagnant nation, both financially and culturally. As Abe continues his reign, an important part of his legacy will be whether or not he was able to successfully shake up the system because changing the system will require substantive reform, and may make different parts of the Japanese population uneasy at any given moment. To the extent that he is able to do this by integrating his current ideas into the system, while also remaining cognizant of the various sensitivities that exist, his policy can be effective both from a financial policy perspective, as well as from an ethics perspective. It remains to be seen at this point whether or not his policies will have long-standing impacts on the economy, but all of the research thus far indicates that he has made more successful progress than any other Japanese Prime Minister has made in the past, and as a result, we conclude that Japan is on a strategic path to recovery.

Overall, we believe that Abenomics is in fact ethical. Under Normative and Utilitarian evaluations, we found Abenomics to be ethical, and under a Right-Based approach we found it to be unethical. We believe, however, that the overwhelming ethicality under the first two evaluations outweighs the unethicality under the latter evaluation. This is because under our analysis, we place the greatest weight on maximizing the greatest good for the greatest number of people. Given that a large portion of Japan's population is in the lower class, we believe that mobilizing this population and helping them advance socially and financially to the upper echelons of society is a healthy objective for Japan to pursue because the health of a nation will be measured by how well the weakest members of society are performing. Therefore, on the whole, we believe Abenomics to be ethical because it will help advance the lower members of society into statuses where they will be able to enjoy a higher quality of life.

This paper presented research findings on the financial and ethical implications of Abenomics monetary policy in Japan. We believe, however, that these two distinct aspects of our research are not mutually exclusive because the financial aspects impact the ethical aspects, and vice versa. As alluded to earlier, a healthy economy predicated on sound fiscal and monetary policy will lead to a more highly performing nation, which will fare well for society at large. If financial measures are strong and aimed at impacting positive economic change, then that is in fact an ethical objective. Moreover, if positive change does in fact result, then all members of society are better off, and can benefit socially and economically, which will in turn advance the people who may be poorer into the higher echelons of society. This, in turn, is an ethical action. As a result, we chose to pursue this dual-focused research study because we recognized the inter-twined element that these two seemingly separate aspects of society contained. And as a result, these research findings allude to the fact that financial objectives aimed at stabilizing and growing the economy, more likely than not will be ethical, because all aspects of society will in turn benefit.

Appendices

Appendix 1 – Central Bank of Japan Balance Sheet and Targets

Fig. 1: Monetary base target and balance sheet outlook

(¥trn)

	End-CY12 (actual)	End-CY13 (forecast)	End-CY14 (forecast)
Monetary base	138	200	270

(Balance sheet breakdown)

	End-CY12 (actual)	End-CY13 (forecast)	End-CY14 (forecast)
Long-term JGBs	89	140	190
Commercial paper, etc	2.1	2.2	2.2
Corporate bonds, etc	2.9	3.2	3.2
ETFs	1.5	2.5	3.5
REITs	0.11	0.14	0.17
Loan support program	3.3	13	18
Total assets (including other)	158	220	290
Bank notes	87	88	90
Current account deposits	47	107	175
Total liabilities and net assets (including other)	158	220	290

Source: Data from Central Bank of Japan

Appendix 2 – Data from Financial Markets

2a) Currency Exchange Rate

Source: Yahoo Finance Data

2b) Nikkei Index Performance

Source: Yahoo Finance Data

2c) Japanese Government Bond Prices

Source: Yahoo Finance Data

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