

The Enlightenment of Japan's Long-Term Economic Recession on China

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ABSTRACT. *In the 1990s, Japan experienced a particularly serious economic crisis. This long-term economic recession has had a great impact on Japan's economic development. This paper starts with the performance of Japan's long-term economic recession, compares China's economic development, and draws on the lessons of Japanese economic experience on this basis, which is of enlightenment for China's economic development.*

KEYWORDS: *Japanese economy, Long-term recession, Economic development*

1. Introduction

After 30 years of rapid economic growth, Japan in the early 1980s has already leapt to the ranks of developed countries. But since 1991, the Japanese economy has entered a long-term recession. There is a deteriorating international environment, and there are also reasons for the government to use policy mistakes. But the most important thing is the huge impact of the bubble economy on the Japanese economy, marked by soaring asset prices such as stock prices and land prices. Therefore, this paper starts an analysis of the long-term recession of the Japanese economy, aiming at China's ability to learn from the lessons learned to achieve good economic development.

2. A Brief Review of the Long-Term Recession in Japan

The Japanese bubble economy is a Japanese economic phenomenon that emerged in Japan from the late 1980s to the early 1990s. This is the second major development period after the post-war war in Japan after the rapid economic development in the late 1960s. This economic wave was supported by a large number of speculative activities. As a result of the bursting of the bubble in the early 1990s, the Japanese economy experienced a major setback, and it entered the period of the Great Depression [1]. At that time, the Japanese government began to implement a financial easing policy in order to subsidize the export industry that was hit by the appreciation of the yen, thus generating excess circulating funds. Due to the superposition of the above factors, there has been a boom in speculation in Japan, especially in the stock exchange market and the land trading market. The volume of land transactions for the purpose of resale increased, and land prices began to rise. Banks, with the continual appreciation of land as collateral, borrowed heavily from debtors, stimulating consumer desires, which led to an increase in domestic consumer demand and further stimulated economic development. As land prices have also fallen sharply, loans secured by land have also shown significant risks. At that time, non-performing loans from major Japanese banks were exposed, and Japanese finance suffered a serious blow.

3. Japan's Economic Recession Performance

3.1 Stock Prices Skyrocketed and Plummeted

After the 1990s, Japan's share price began to fall sharply, reaching its lowest point in 20 years in 2004, and has lost 80% of its market value compared to its highest point. The size of the Tokyo stock market in 1995 was only one-third of the size of the New York stock market.

3.2 Real Estate Prices Skyrocketing

Land prices have more than tripled between 1985 and 1990[2], and new home prices are close to 10 times the

annual income of residents. However, this momentum did not last long. In the autumn of 1990, house prices began to plummet. In particular, major cities such as Tokyo, Osaka, and Kyoto fell the most. By 1994, they had fallen by more than half. Compared with the highest peak, property prices have fallen by 70%, and as a result, a large number of real estate companies have gone bankrupt.

4. Reasons for the Long-Term Decline of the Japanese Economy

The bubble economy is the result of a multi-faceted factor, including the impact of domestic and foreign environments, such as the deterioration of the international environment, which has caused a sharp drop in exports, which is undoubtedly not a blow to a country with high foreign dependence, but By studying all aspects of it, we can see that the changes in the domestic environment are the direct cause.

4.1 Individual Market Speculation Caused by Excess Market Economy

Because Japan was forced by US pressure to embark on the path of financial liberalization, the financial derivatives market developed rapidly, and bank competition became increasingly fierce. However, the financial regulatory system was immature[2], banks' risk management awareness was weak, and the situation of economic downturn and survival pressures Under the bank, the bank expanded its lending to enterprises, and after the company got the loan, it invested it in the real estate and stock market, causing the asset price to rise sharply. It can be said that the bank is the chief culprit of the bubble economy, but it is also the biggest victim.

4.2 Japanese Government over-Expansion Macro Policy

After the Plaza Agreement, the yen appreciated sharply. In order to ease the impact of appreciation on domestic exports, the Japanese government adopted an expansionary fiscal and monetary policy. Banks have lowered interest rates several times, and the government has also cut taxes substantially. As a result, there is a large amount of liquidity in the country, and these funds have flowed to the real estate and stock markets, laying the foundation for the bubble economy.

4.3 Optimistic Expectations Caused by Asset Price Self-Expansion

The Japanese have fewer land, the land is in short supply, and a large amount of idle money is invested in land and real estate, resulting in the so-called land price myth; the stock market is small, and the stock price less stock price myth has also emerged[3]. A large number of investors are constantly tempted to invest their money in these virtual economies under the temptation of huge appreciation expectations, which has intensified the economic bubble.

5. The Japanese Economy Has Enlightened China

5.1 Japan's Economic Comparison with China

In contrast, China's economy has also seen a situation very similar to the Japanese bubble economy. China has maintained a 10% rapid economic growth in the past decade; stock prices reached a maximum of 6,124 points in 2007, and then fell to the lowest recent 1664 points; property prices have risen sharply since 2004, far higher than per capita disposable income The level of growth, especially in Beijing, Shanghai, Guangdong and other regions, is rising at an alarming rate.

However, there are differences between the two. First of all, the development background of the two countries is different. The Japanese bubble economy is a phenomenon of overproduction in developed countries, and China is only a phenomenon of economic growth in developing countries. Second, Japan has a high degree of capital liberalization [4], and the yen is freely convertible, but the degree of internationalization of the renminbi is still low. Finally, the two governments have different understandings of the bubble economy. The Japanese government has neglected the impact of the bubble economy on the real economy. However, in the early stage of the bubble economy, the Chinese government strengthened its governance and adopted timely policy responses.

5.2 Revelation

(1) The Government Bears the Correct Guidance of the Economy

In the past 30 years of reform and opening up, in order to pursue the rapid development of the economy, the development of construction that is not too particular about the means of quick success and instant benefit has made China face serious environmental pollution problems. Haze has become a killer of people's health, and environmental pollution is imminent. Through the reform and opening up and the economic construction, the real estate industry has developed rapidly. At present, ordinary people in China are also facing high housing prices. In 2008, the global economic crisis broke out in response to the crisis, ensuring sustained and rapid economic growth. The government promulgated a 4 trillion package plan to drive investment and boost economic growth. This has led to serious problems in China. Overcapacity problem. At a time when economic development is facing many problems, the Chinese government should learn from the mistakes of the Japanese government in miscalculating the situation, look at the overall situation, assume the responsibility of correctly guiding economic development, and not blindly pursue a high level of economic growth. It is to formulate a practical long-term development policy.

(2) Strengthen Environmental Pollution Control and Protection

Japan has also experienced serious environmental pollution problems during the period of rapid economic growth, which is exactly the same as the environmental pollution problems currently facing China. In the early days of seeking rapid economic development, China and Japan brought the rapid growth of GDP at the expense of the environment without exception. China should adopt legislation, strict law enforcement, and aggravating punishment measures to deal with environmental pollution. In addition to government efforts, the people should also participate more actively in the process of environmental governance, and resolutely and environmentally pollute through legal means such as reporting and litigation. Act to fight. At the same time, the government should also actively promote the promotion of clean energy, encourage investment in clean energy through tax cuts and other policies, so that technological innovation can better protect the environmental pollution.

5.2.3 Actively Solve Overcapacity

Due to the excessive stimulus of the Japanese government's investment demand and the impact of the oil crisis, Japan has also experienced serious overcapacity problems. In order to solve the problem of overcapacity, it is undoubtedly a way for Japanese companies to transfer excess and backward production capacity to countries with relatively backward development [5]. Although this is a quick solution, it will also be affected and interfered by the national policy of capacity receiving. . The Asian Infrastructure Investment Bank, which was led by China this year, and the Belt and Road Initiative, which the government advocated and implemented, are all key ways for China to solve the problem of overcapacity. Therefore, we must firmly grasp the advantageous resources of our country, avoid waste of resources caused by factors such as imperfect systems and collusion between government and business, or disrupt market order. The government's policy guidance should also be timely retreated to market demand and guided to avoid Excessive market intervention in order to achieve short-term economic benefits. Continuously improve China's industrial structure, gradually eliminate backward low-end production capacity, and develop progressive production capacity with high technology content and environmental friendliness.

6. Conclusion

In short, based on the understanding of the main situation of Japan's economic recession, compared with China's comparison, we draw on our experience and grasp China's economic advantages to achieve long-term and sound development of China's economy.

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