

Can the Japanese economic jubilee work in America?

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Opinion Article

The concept of the Jubilee springs from the bible with the concept of cancellation of debt after a period of time “to set the prisoners free” from their debt. There have been discussions about how it could be applied to a nation’s economy after countries like the US became burdened with debt from personal credit card excesses but also at a national level of debt to finance the social programs of social security, Medicare and so on that have contributed to run-away debt on a national scale.

Surprisingly, a limited and specific type of Debt Jubilee is currently in process in Japan with a highly structured central bank approach that is working well and not causing a panic in the economy as some had predicted if the concept were applied on a broad scale to the American (US) environment.

So how does it work and could it be applied here in US? According to Brown [1], the Japanese government is reducing its government debt by US \$720 billion per year by buying back the government debt at the central government and returning the interest to the Japanese government. Contrast that with the American (US) system proposed of raising fed interest rate by some 3 % and selling US government securities to the marketplace [1]. The US at this rate could be looking at \$830 Billion debt annually by the year 2026 or \$1 trillion owed by US taxpayers every year [1].

In comparison, the Bank of Japan is currently owning 40% of it’s debt [1]. On national balance sheets, it shows as a way of owning the debt or even “paying it off”. While the Bank of Japan leadership is under pressure to tighten the money supply, the Kuroda leader has resisted this move [1]. Moreover, the inflation has not risen above 2% [1]. While a high percentage (40%) of Japanese workers lack steady full-time employment, secure pensions and health care coverage (sounds like America?), their economy is on much more stable ground than the US one.

Many people sound alarms on the rising national debt in the US [2]. According to Brown [1], the US current income tax incoming receipts are at an all-time high of \$1.6 trillion annually in 2017. However, this is an illusory income as \$830 billion goes annually to bondholders of our national debt from

our personal income tax payments to the federal government [1,3].

According to Stiglitz [4], the Japanese economy has done a better job than the US one at creating income equality, longer lifespan, lower unemployment and low inflation. Their GDP is actually better than ours despite low growth historically even considering an aging population [3,4]. They even have better investment in children’s education [4].

While the author admits, there is no “one size fits all” when it comes to national budgetary and financial management, the US economy is heading towards serious trouble in spite of what is considered increases in growth. However, the “debt service” is a serious matter with the large loans our national government takes on to endanger the future livelihood of American citizens. The US national debt currently stands at \$20 trillion! It cannot be maintained or sustained without a modification. I suggest the Japanese model of economic jubilee may be worth considering.

References

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