

The Japanese economy

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Abstract

The Japanese economic behavior is modeled. GDP evolution is represented as a sum two components: economic trend and fluctuations. The trend is an inverse function of GDP per capita with a constant numerator. The growth rate fluctuations are numerically equal to two thirds of the relative change in the number of eighteen-year-olds. Inflation is represented by a linear function of labor force change rate. The models provide an accurate description for the poor economic performance and deflation separately. Using the models, GDP per capita is predicted for the next ten years and recommendations are given to overcome deflation.

Key words: economic growth, inflation, modeling, Japan

JEL classification: O11, E32, J21