

A socially sustainable economic growth: The example of Japan

Kelsey O'Connor*, Hiroshi Ono†, and Francesco Sarracino‡

ABSTRACT

The Japanese economy experienced a prolonged period of stagnation and modest growth from 1990 to 2010. However, during the same period, life satisfaction increased. In contrast, the period 1981-1990 was marked by strong growth and stagnant well-being. This outcome appears to be paradoxical, but is consistent with the view that economic growth per se does not improve well-being over time. In the case of Japan, the expansion of the social safety net and greater government involvement in social policy led to higher well-being during the period 1990-2010. Over this period, Japan responded to the ongoing demographic crisis of low fertility and aging population by transitioning from a familial/corporatist welfare state model to a social-democratic/state-sponsored model. Public social expenditures more than doubled and a number of policy measures were implemented which were specifically targeted to raise the well-being of women and the elderly.

We use 20 years of data issued from the World Values Survey and Blinder Oaxaca decomposition to analyze what changes explain the positive trend of life satisfaction in Japan, and we illustrate the policies that made this trend possible. In particular, we focus on the trend of life satisfaction of elderly people and women, two social groups that have attracted the attention of Japanese policy makers. The results are consistent with our expectations: well-being of these policy-targeted groups increased during the period of observation. Economic growth per se is not sufficient to promote long-term well-being, but it is possible to design policies to make the two compatible.

* Institut national de la statistique et des études économiques du Grand-Duché du Luxembourg (STATEC). Email: kelsey.o'connor@statec.etat.lu

† Graduate School of International Corporate Strategy Hitotsubashi University, Japan. Email: stdhono@gmail.com.

‡ Institut national de la statistique et des études économiques du Grand-Duché du Luxembourg (STATEC) and LCSR National Research University Higher School of Economics, Russian Federation. Email: Francesco.Sarracino@statec.etat.lu