WEBINAR SUMMARY:

Is Abenomics Back under Takaichi?

Talk by Professor Noriko Hama

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Presentation by Professor Noriko Hama

Thank you to everyone, and my thanks to the Daiwa Foundation for inviting me back to this event; it is very much appreciated. The title of my talk today is "Is Abenomics Back under Takaichi?" to which I have added a subtitle of my own: "How could it be more back?" It is a depressing thought, but I am afraid that is our current reality.

There are three talking points on our agenda today: First things first: getting the names right, then the tale of three poisonous tentacles, and the economic consequences of these tentacles.

Getting names right is a very important step in arriving at the truth, so I would like to begin here.

Abenomics is "Ahonomics"

I am not sure how many of you are familiar with the Japanese term *"Aho"*, which means silly or stupid. Thus, *"Ago"* people are silly people. I have been calling Abenomics *"Ahonomics"* since the very start of the late Shinzo Abe's administration back in 2012 because of how I felt about his policy-making. But *"Aho"* also stands for arrogant and self-serving. The late "Captain Ahonomics" was a typical example, he conducted economic policy for his own purposes. Ultimately, his goal was to bring pre-war imperial Japan into the 21st century, using Abenomics to build a massive, untouchable economic base to support that vision. He wanted to take Japan out of the post-war regime and return it to the pre-war era in which imperial Japan prevailed.

Takaichi is "Takoichi"

Next, let us look at the new Prime Minister, Sanae Takaichi, whom I call *"Takoichi"*. In Japanese, *"Tako"* means octopus. So, *"Tako"* people are octopus people. Why call her *"Takoichi"* instead of Takaichi? Because an octopus sends out poisonous tentacles everywhere, which is precisely what she

has done since the start of her administration, encroaching into people's lives, rights, and the entire economic setup.

Sanae is "Ahoe"

Her first name is Sanae, but it is much better to call her *"Ahoe"*. What people are starting to call "Sanae-omics" is actually Abenomics reborn with a vengeance. That is how the name "Ahoe Takoichi" (my name for her) was born. I hope you will agree with this naming and help spread the word.

The Tale of Three Poisonous Tentacles

The three poisonous tentacles of Takoichi are reaching into different key areas of Japanese society:

The First Tentacle: Bank of Japan Independence

Even before she was formally nominated as Prime Minister, Takaichi referred to the relationship between the government and the Bank of Japan (BOJ) in a highly aggressive manner. She forcefully asserted that "Takoichi dictates monetary policy" and that both fiscal and monetary policies are strictly the purview of the government. She claims all policy responsibilities lie with the government, with monetary policy being no exception, and that the BOJ's only role is to execute her policies without asking questions.

This is a clear violation of the Bank of Japan Law, but she does not care. She is adopting the line of her mentor, Captain Ahonomics, who always described the relationship between the government and the BOJ as that of a parent company and a subsidiary. The BOJ Governor, Kazuo Ueda, is going to have his work cut out for him. I have great sympathy for him and hope he holds out to make sensible policy decisions despite her interference.

The Second Tentacle: Working Hours and Overtime Regulations

This has become a major controversy in Japan. Takoichi wants to relax regulations on working hours, allowing people to work longer hours by removing the current thresholds and ceilings on annual overtime. Amusingly, she claims this is out of concern for workers' health. Her logic is that if you restrict overtime, workers will seek unfamiliar second and third jobs to maintain their income, which might make them ill. She also argues that small and medium-sized businesses will go bankrupt due to labor shortages if they cannot make existing workers work more.

These excuses are merely a front to justify her deregulation policy. Her real agenda is to extend working hours to force a more productive and strong Japanese economy into existence. Relaxing working hours is a core element of her economic growth strategy, not a measure of concern for worker health or small

businesses. She wants a strong economic foundation to assert Japan's strength and place it at the center stage of global affairs, echoing Captain Ahonomics' power-grabbing ambitions.

The Third Tentacle: Civil Society

Simply put, Takoichi wants to put the state before the nation, the state before the people. In her first address to parliament as Prime Minister, she repeatedly referred to the "state and nation," promising to stabilise politics for their sake. For her, the state always comes first, and the nation is treated as an optional extra. In a modern democracy, the state is supposed to serve the people, who should come first. Takoichi, however, is determined to put the state before the nation, which is deeply worrying. Just like Captain Ahonomics, she wants to return us to a pre-war state of affairs where the people served the state.

If she is allowed to proceed, we will see even more poisonous tentacles. For instance, I suspect she will intervene next in education policy, making school curricula more right-wing and suppressive of free speech. We must watch her next steps very closely.

The Economic Consequences of the Tentacles

Where will these tentacles lead the Japanese economy?

To create a large, profitable economy, Takoichi is accommodating the needs of big businesses. She has singled out strategic sectors, including semiconductors, AI, aerospace, transportation, and cybersecurity for massive government support. Plenty of public money is going to go to these sectors.

This spending will occur despite the terrible state of Japan’s public finances. Ignoring this reality, she has proposed a supplementary budget for fiscal year 2025 that far exceeds previous supplementary budgets. She plans to finance this through bond issuances, calling it "responsible fiscal enlargement." There is no responsibility in throwing money at everything that suits her purpose while ignoring public finance realities. In response, investors have already begun pushing up long-term interest rates. Many are actively discussing whether Japan is about to experience its own "Truss moment" (referring to the UK fiscal crisis).

Consequently, the yen will get weaker. It has already weakened considerably over the past few days due to her policy statements and fears about her fiscal extravagance. While stock markets initially welcomed her spendthrift policies in strategic sectors, they are now growing skeptical of how she will juggle these pressures without creating a mess. A weaker yen means worsening inflationary pressures and a direct erosion of Japan's purchasing power.

While it is satisfying to see Takoichi lose credibility, a total loss of confidence in the Japanese economy would be disastrous. If people turn away from Japan's economy, the most vulnerable and displaced sectors of society will suffer the most. A decent, proper economic policy should never allow this to happen. This creates a difficult situation for me: I want her to fail, but I do not want her failure to ruin the livelihoods of ordinary Japanese people.

Ultimately, under her logic, the weak will get left behind. To build a massive, profitable economy, the weak are viewed as a mere burden. Helping them simply does not enter her "Takoichi Capital Economics" logic. Nowhere in her speeches or interviews is there a single reference to income disparity, inequality, or helping the weak. She shows no sympathy for these growing segments of our population. This is the reality of the "Takoichi-ism" we face.

In conclusion, Takoichi's tentacles must be clipped as soon as possible. Thank you, and I will stop here