



## Inflation

## 28 years later

KUMAMOTO

**After decades of stagnation, wages in Japan are finally rising**

**K**ASAHARA YOSHIHISA, boss of Higo Bank, a lender in Japan's south, beams with pride as he explains plans to lift wages. The firm's workers will see a 3% boost, as well as regular increases for seniority. But a sheepish look crosses his face when asked about the last time staff saw such a rise. "Twenty-eight years ago," he admits.

Higo Bank is no outlier. Annual nominal wages in Japan rose by just 4% from 1990 to 2019, compared with 145% in America, according to the OECD, a rich-country club. Unions emphasise job stability over raises; bosses are reluctant to lift pay amid poor productivity growth. This has hampered efforts to escape deflation or low inflation. Thus the Bank of Japan (BOJ) has maintained a dovish policy stance despite headline inflation topping 4% this year.

But recent data suggest change may be on the way: this year's wage negotiations point to the fastest pay growth in 30 years. Daniel Blake of Morgan Stanley, an investment bank, calls it "the biggest macro development in Japan in a decade". For Ueda Kazuo, who took over as BOJ governor on April 8th, the data will be a crucial factor in deciding whether to tighten policy.

Parsing Japanese wage figures requires understanding local quirks. Wages are set when firms and unions meet for yearly negotiations known as *shunto* or "the spring offensive". Headline figures consist of two parts: scheduled seniority-based increases and "base pay". The latter has more impact on household spending, and thus potential to influence inflation.

**"TEAM AMERICA: WORLD POLICE"**, a comedy puppet film, pokes fun at American self-importance. The theme song boasts of the things the country has created: McDonald's, the NFL and rock-and-roll; also, less plausibly, liberty, Christmas and books. New work by David Rozado of Te Pukenga–New Zealand Institute of Skills and Technology suggests something else that Americans did not invent: the "woke" phenomenon.

The term refers to a loose constellation of ideas that have changed how educated, left-leaning folk view the world. It says all disparities between racial groups are proof of structural racism; that norms of free speech, individualism and universalism are camouflage for discrimination; and that injustice will persist until systems of privilege are dismantled. The conventional wisdom says that woke ideas began in the social-science departments of American universities, migrated to the country's newspapers and spread elsewhere.

This was always a partial story. The godfathers of woke ideas, including Michel Foucault and Jacques Derrida, philosophers who argued all social relations were really about power, were based largely in France. Mr Rozado's new paper takes things further. He analyses 98m news articles, tracking words such as "transphobic", "racist" and "sexist". The phenomenon, it seems, did not begin in America (see chart). Countries such as Australia, Canada and Sweden in fact led the charge.

According to figures released by Japan's confederation of labour unions on April 5th, base pay will rise by 2.2% and headline wages by 3.7% this year, compared with 0.5% and 2.1% last year. Blue-chip firms have been particularly generous. Fast Retailing, a clothing giant which owns brands including Uniqlo, gave its regular workers increases of as much as 40%. More data will trickle in until July, as medium- and smaller-sized firms report results. Goldman Sachs, a bank, reckons the final figure will settle at 2% growth in base pay, the highest since 1992.

Consumer prices have risen at a pace not seen in four decades. Although most of the rise comes from cost-push factors, such as imported food and energy, higher headline numbers have raised expectations and placed pressure on bosses. As Mr Kasahara puts it: "Companies have a re-

Why did America lag behind? Maybe genuine prejudice suddenly became worse outside America, though this seems unlikely. Another possibility relates to the economy. America's recovery from the global financial crisis of 2007-09 was faster than elsewhere. Anger at the system may have been more acute in other places. A third possibility concerns politics. America has historically been less receptive to left-wing ideas. It is perhaps no surprise that woke ideas were slower to take hold.

Researchers will have quibbles with the methodology: it is hard to rigorously quantify something as slippery as woke-ness. Nonetheless, the phenomenon is undoubtedly global. Wherever you go, it is hard to escape social-justice warriors. World police, indeed.

## It's the dream that we all share

Index of words expressing concern with prejudice\*, 2008=100



\*Featured in news coverage †Sample of 35 countries

Source: "The great awakening as a global phenomenon", by D. Rozado, April 2023

sponsibility to provide wages that match inflation—and not just big firms in Tokyo." Tight labour markets have also played a role: Japan has compensated for its shrinking, greying population by bringing more women and elderly into the labour force in recent years, but these opportunities are close to being maxed out.

For both workers and the BOJ, the question is whether the raises are a one-off event or a step change. Even this year's big gains may not be enough to assuage policymakers. Kuroda Haruhiko, the BOJ's former governor, has said that still higher wage growth will be needed to hit the 2% inflation target. At his final press conference as governor, Mr Kuroda said that although wage negotiations were encouraging, easing should continue. At his first press conference on April 10th, Mr Ueda sounded much the same note. ■