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**Economic growth and real income production and consumption of goods and services**

Japan is one third largest economy globally and highest industrialized country. Over the years, it has experienced steady economic growth almost from all of its economic sectors. According to Asheghian (23), the economic development of Japan is due to real income production and consumption of goods and services. Japan is one of the countries, which had a good population and highly educated and skilled human power and therefore, these factors have high contributed to its high economic growth. It is therefore, evident that the Japanese economic growth has been driven by several factors since 1960s (Dynan and Sheiner 43). This paper therefore, investigates the relationship between economic growth (GDP) and human per capital, real income production and consumptions of goods and service. In the beginning of the 21st century, the Japanese economy was at heart beat and made several gains but later slowdown. It was then by passed by China to become the 2nd largest economy. From 2010, Japan economy started to make some gains increasing real income production, opening of the market and more foreign direct investment. Dynan and Sheiner (32) pointed that economic growth of a country is based on several factors and historical the growth of Japanese were slowed by post World War and also trigger by the industrial revolution, which engulfed the world during the 19th and early 20th century. It is therefore, important to understand factors, which influence the economic development of a nation.

**Description of the study**

Though economic analysts have pointed that most countries with higher population have high growth domestic product (GDP) and therefore, it is important to analyze the situation of Japan to understand the drive behind its high economic growth since 1960s. The purpose of this study is to investigate whether there is a direct relationship between economic growth of Japan and human per capital, real income production and consumption of goods and services. According to the data from the World Bank, the Japanese economy has been growing at the rate of 3.7% closely followed China. Since the beginning of the 21st century, the economic growth of Japan has been steady and this is attributed to the reform the government has taken. It is therefore, important to analyses the effect of real income production, human per capital, and consumption of goods and services. However, the study is design to test various four hypotheses to determine the factors, which influence the economic growth of Japan. It investigates whether real income production, human per capital, consumption of goods and services are some of the factors, which triggered the economic growth of Japan since the early 2000.

In the study, the dependent variable is economic growth (GDP) and the independent variable human per capital, real income production and consumption of goods and services. It is to determine the extent, which these factors affect the economic growth of a country. It also looks into how these four factors influenced the economic growth based on the data from the World Bank and other economic determiners. It also indicated the economy demands on the demand of goods and services. The higher the demand the higher the economic growth index and therefore, Japan economic growth relied on the high demand of products from customers. The analysis of the data from the Word Bank indicates that when the demand is high the country register high revenue and therefore, result to high economic growth. It is therefore, evident that

**Human capital**

It is believed that the growth of human capital is the reason behind Japan economic growth after the Second World. The analysis of data from the World Bank indicates that the increase of economic growth is directly proportional to the economic growth. First, the employment status survey indicates only three groups of education and classification of data towards educated under complex per education. The data also indicates that education standard index after the Second World War improved significantly and Japan had many graduates taking jobs in the industrial sectors. It is established that 65% of Japanese have high skills and experience in various sectors after the World War. This could be due to the strategies laid out by the Japanese government, which focused on education of citizens. It established that between 1970 and 1990 the economic growth of Japan was at steady growth.

It indicates a growth of almost 10%, which could be the highest time of economic growth experienced by Japan. In the same period, the education standard was high and there were several graduates from various institutions in technologies, economics and engineering. This indicates an important role which human power plays in the economic growth of a country and especially its contribution to the economic growth of Japan. The interpolation of the employment rate and economic growth based on the data indicates that the workforce index is directly reflecting the economic growth. The data indicates that the period, which Japan had the highest employment rate based on gender, age and education, the economic growth was significantly high. The rate of employment reflects the economic growth and during the same period between 1970s and 1990s Japan an escalating economic growth and the highest rate of employment. According to some analysts this period could be the time when Japan industrial sector was absorbing several people and the number of graduates was high as well. As stated by Kensuke 23, human capital is significant for industrial growth and therefore, the economic growth of a country depends on its human capital. Feldstein (150) further pointed that no country can experience significant economic growth with poor human capital because every industry requires experienced and skilled human force.

**Result of the analysis**

**Hypothesis testing**

The analysis of the data indicates that human capital, real income production and consumption of goods as services are directly related to the economic growth. The regression analysis shows the residual is 0 (zero), and this indicates that there is a direct linked between the factors and the economic growth of Japan. The test also indicates that the p-value is higher than 0.05 and therefore, the null hypothesis is therefore, accepted. The significant value is higher than the p-value and therefore, the null hypothesis is accepted. It means that the three factors are directly linked to the economic growth of the country. The test GDP growth and real income production shows a p - value of above 0.05 and the same to consumption of goods and services. This could mean that there is high possibility that real income production, consumption of goods and services affect the growth of the economic. According to Ironmonger (28), when a country has high level of production, it is highly likely to experience high economic growth. The goods and services produced are sold either locally or internationally and the government earns in terms of levies. The employment rate also increases and this increases the consumption rate. These factors are therefore, positively influence the economy.

The consumption of goods and services depends with the population and the higher the population the higher the rate of consumption. The data indicates that Japan has had a high population since 1940s and between 1970 and 1990 it was one of the countries with a higher population. Though its population has decline drastically, but the analysis of its economic growth in the early days shows a significant contribution of its population to the drastic economic growth. The dependent variable is economic growth (GDP) and the independent variable human per capital, real income production and consumption of goods and services. It is to determine the extent, which these factors affect the economic growth of a country. It also looks into how these four factors influenced the economic growth based on the data from the World Bank and other economic determiners. It also indicated the economy demands on the demand of goods and services. The higher the demand the higher the economic growth index and therefore, Japan economic growth relied on the high demand of products from customers. The analysis of the data from the Word Bank indicates that when the demand is high the country register high revenue and therefore, result to high economic growth.

**Policy Implications**

The study established that human capital, real income production and consumption of goods and services have direct impact to the economic growth. The study established that human capital influence, the economic growth. The rate of economic growth is directly related to the human capital of a country. The data shows that the periods when Japan had high human per capital, its economic growth was also high. This is significant signs of the relations between the economic growth of a country and the human capital. Therefore, the government must restructure the policy to support the economic growth by increasing human per capital. This could positively influence government to invest in education. The high skilled employees are needed in all industries and therefore, it could influence the government to have proper framework focusing on the education to improve skills and knowledge of workforce. Since the population is also an essential factor in the economic growth. Besides increased population, the factors influenced the government to seek for market of its products and services from other countries. It could make the government to open its market and seek other markets outside.

Since 1960s the Japanese products have penetrated the global market. This could be as the result of business partnership with other countries joining trade unions as well. Japan is a member of the World Trade Organization (WTO) and Asia pacific trade, and several others and the decision could have been influenced by the need for market for its goods, which are essential for the economic growth. It is therefore, important to state that policies are influenced by these factors, which determine the economic growth of the country. Due to the demand of market for the produce goods and services, the government has sought for alternative market for its produce in other regions outside Japan. This is one of the significant of these factors to the policies. It is also important to state that the factors, which influenced economic growth, are essential and therefore, the education policy was design to reflect the demand in the workforce. It is the reason several studies have indicated that Japan is one of the countries with the best education system. It produces highly skilled human power in technology and therefore, it could be the reason of steady industrial growth in Japan.

**Summary**

The economic growth is influenced by several factors. And based on the statistical analysis the Japanese economy between 1960 and 1990 was influenced by the human per capital, real income production and consumption of goods and services. The human capital is regarded as the workforce needed for industrial production. Without skilled and experienced workforce the economic growth could be retardant and therefore, Japan early high economic growth was driven by human capital and real income production. The real income production was also realized because of the highly skilled and experienced manpower, which Japan had during the early days. The analysis of the data from the World Bank also indicates that during the periods when Japan had a highly skilled labor, its economy was also performing better than even China. Japan was the second largest economy was the United States. The performance was steady until the early 20th century during economic meltdown and since then it has never catch-up with China. But its economy has improved fairly since 2010 and it is growing at 3.7% to be on the list of the countries whose economic is growing despite the global economic challenges.

It can therefore, be stated that economic growth depends on the consumption of goods and services, goodwill of the country, human capital, real income production. The income production is based on the demand of goods and services by the population. It could be reason why countries with the highest population experienced steady and high growth. India and China are some of the examples of countries, which are experiencing steady growth due to the high population. This therefore, confirmed the hypothesis that economic growth is determined by the demand of the produce and when the population is high the demand is also high. The hypothesis is therefore, right and the Japan steady and high growth could be as a result of its population and the market which it created outside in the United States, China and other nations. It is therefore, evidence that there is relationship between economic growths, real income production and consumption of goods and services.

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