

Article 2

Read the article and answer the questions.

In 2024, important elections were held around the world, but the governing party lost in many countries, including the UK, France, Japan, and the US. In the background is global inflation. Wages did not rise in line with rising commodity prices, and real wages fell, hitting low-income households with few assets, which amplified political dissatisfaction.

In the U.S., dissatisfaction was particularly strong, resulting in the Republican Party winning the presidency and control of both the House and Senate of Congress. One of the factors that have contributed to this level of political dissatisfaction is the division of society, which is more serious than in other industrialized countries.

When dividing the U.S. population into two groups, college graduates and non-graduates, and comparing their life expectancy (= life expectancy of a 25-year-old adult) with that of other developed countries, the life expectancy of college graduates (38%) is among the highest in the world, while that of non-graduates (62%) is 10 years shorter than that of college graduates, significantly less than in all other developed countries.

A major cause of premature deaths among non-college graduates is the increase in “deaths of despair” due to heroin and alcohol addiction, suicide, and other causes. The autobiographical novel by J. D. Vance, who was elected the next vice president of the United States, became a bestseller when he described the miserable lives of the white, undereducated population. If we consider that non-college graduates, who are mostly Republican supporters, are “unhappy” and college graduates, who are mostly Democratic supporters, are “happy,” it is not surprising that the unhappiness of the former, who account for 60% of the population, was the cause of Trump's overwhelming victory this time.



Many studies propose expanding social security policies as a response to the desperate death of the less-educated in the United States. However, Trump's policy direction is the exact opposite, as he promises to cut taxes. Elon Musk, who has been nominated to head the new “Department of Government Efficiency,” says he can cut spending by 30%, but it is unlikely to be possible without cutting Social Security spending. **The disproportion between the high expectations of the less-educated for Trump and his proposed policies is astonishing.**

The decline of the manufacturing industry is believed to be a key cause of the collapse of the lives of the less-educated in the U.S., and Trump aims to revive the manufacturing industry by raising tariffs. However, a study by David Autor, a professor at the Massachusetts Institute of Technology, and his colleagues, which analyzed **the effect of the tariff policies of the first Trump administration** on manufacturing employment, concluded that the effect of the tariff hikes since 2006 on manufacturing employment was zero or even negative if China's retaliatory tariffs are taken into account.

However, the study finds **a political effect**, as Republican support increased in the areas where products were produced after tariffs were raised. Although tariffs will not solve the impoverishment of the less-educated, Trump will continue to focus on tariffs as a magic trick to convert their anger into his political power.

A study by the Peterson Institute for International Economics in the U.S. analyzed the effects of Trump's promised economic policies, even taking into account international spillovers.

The three policies analyzed are (1) deportation of illegal immigrants, (2) tariff policy, and (3) violation of central bank independence. Estimates using a global macro model linked to other economies also incorporate effects such as “capital flows based on changes in the rate of return on capital and

risk premiums” and “exchange rate fluctuations due to changes in the current account balance.

The deportation of illegal immigrants will have a small negative effect on Japan because it will reduce the U.S. labor force and shrink the U.S. economy in terms of both supply and demand.

The “tariff policy” will bring about a U.S. current account surplus through reduced imports, which will cause the dollar to appreciate. In response, **U.S. exports will also decline**. A 10% flat tariff on all imports would have a negative effect on Japan, but a 60% additional tariff on China would have **a positive effect on the Japanese economy** because it would cause the U.S. to shift its imports from China to Japan. Furthermore, if China implements a 60% retaliatory tariff on the U.S., the return on capital in both the U.S. and China will decline, which will lead to a shift of investment to Japan, further increasing Japan's profits.

The “central bank independence violation” would be the most profitable for Japan. Under the model's assumptions, the increased investment risk from this scenario would lead to a flight from the U.S. to Japan.

This estimate provides a clear clue. As the U.S.-China economic war intensifies and both economies head toward self-destruction, the externally neutral Japanese economy will benefit from the diversion of world trade toward Japan and the flight of risk-averse international investment to Japan, creating a **“fisherman’s benefit.”**

Given these possibilities, the policy that Japan should adopt under the Trump administration is to maintain an open economy and continue to pursue a rules-oriented economic policy. Japan should aim to become an “oasis in the storm.

Questions

1. What are the results of the national elections taking place

in major countries?

2. What is the cause of Trump's overwhelming victory in the US presidential election?
3. Why is there a large disproportion between the high expectations of the less-educated for Trump and his proposed policies?
4. What is the political effect of the tariff policies of the first Trump administration?
5. Why will the tariff reform of the second Trump administration have a positive effect on the Japanese economy?
6. What is the "fisherman's benefit"?