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## Mr. Abe. This is not the way!

Yesterday's joint statement by the Japanese government and Bank of Japan was pointless. The announcement of "a 2% inflation target and open-ended asset purchases starting in 2014" simply says that everything will stay the same throughout 2013. The 2% figure without a target date is almost meaningless since the government has failed even to reach its previous 1% target.

This superficial announcement was described as "groundbreaking" by Prime Minister Shinzo Abe and "historic" by Minister of State for Economic and Fiscal Policy Akira Amari. The behavior of the Abe administration is equally shocking. As concerned, the prime minister has put on hold a commitment to produce results by using a bureaucratic statement for avoiding a revision to the Bank of Japan Law. Disappointment in financial markets caused a return to a stronger yen and weaker stock prices. But the disappointment will not stop there. It is inconceivable that the Abe administration could be so easily fooled and attempt to take the easy way out! These events create a strong feeling that the prime minister is very likely to simply go on repeating his empty slogans. Investors now have started to worry a lot about the beginning of the loss of faith in the Abe administration.

If this happens, investors will have to focus their attention on the next Bank of Japan governor and revisions to the Bank of Japan Law. The difference between Japan and the United States is the resolve of the leaders of the two central banks. Fed Chairman Ben Bernanke has said that "deflation is an evil that can be avoided by using financial initiatives. There is no limit to what can be done." The Fed has continued to stimulate the public's animal spirit by staying ahead of investors' expectations by taking actions that go beyond what everyone anticipates. As a result, Mr. Bernanke's beliefs are moving both the markets and the economy.

However, Bank of Japan Governor Masaaki Shirakawa does not view deflation as evil and does not believe that deflation can be avoided. How can financial markets embrace expectations to end deflation if the central bank governor himself thinks that this cannot be accomplished? In other words, if Prime Minister Abe really has a strong desire to bring deflation to an end, the Bank of Japan needs a leader who believes that monetary policies can be used to end deflation, and also determines to do whatever is needed to achieve the goal. At this time, investors will shift their attention to focus on the resolve of Prime Minister Abe.

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