

**BENITO, Fernando and CARRASCOSA, Antonio**

### **The Collapse of the Nikkei Index**

**Abstract:** The present article attempts to explain the reasons for the persistent and progressive collapse of the Nikkei index and its impact on the Japanese and world economies. It identifies the key factors to be the malfunction of closely interconnected international stock exchanges, the substantial change in the composition of the index due to the incorporation of technological securities, trends in the yen-dollar exchange rate and the measures to rehabilitate the banking system. The low price of listings, unknown prior to the beginning of the speculative bubble of the late eighties, has had an adverse impact on banking and the effectiveness of monetary policy measures, giving rise to an excess of liquidity in the system, which has in turn prompted anomalous behaviour on the part of the weakened domestic economy. It is consequently concluded that the deflationary cycle must be broken if the index, sluggish for the last 12 years, is to recover.

**Key words:** securities market, stock exchange crisis, Japan, Nikkei Index.

**JEL Classification:** G12, O53.

**DOI, Takero**

### **Precautionary Saving and Employment Risk in the 1990s**

**Abstract:** This article analyses why the Japanese household savings rate rose in the nineties. Unemployment and saving rates increased throughout the period, whereas the growth rate of available income did not dip until the end of the decade. There is evidence to suggest that savings grew in response to uncertainty about income levels or the household employment situation. As the risk of variations in income rises, household economies' expectations about future income decline. This article explores this issue and reaches the conclusion that the correlation between household savings in Japan (based on the Family Income and Expenditure Survey) and the risk of income variations was significantly positive during the period 1976-1998, but not in recent years. It is thus concluded that the increase in household savings in Japan in the nineties cannot be explained by this factor.

**Key words:** savings, employment, household income, Japan, 1976, 1998.

**JEL Classification:** D12, E21, O53.

**HORIUCHI, Aikyoshi**

**A Bank Crisis in a Bank-centered Financial System. The Japanese Experience since the 1990s**

**Abstract:** In the early nineties Japan began to feel the effects of a banking crisis from which it has still not recovered. The author of this article addresses the question of why the problem of non-performing loans has persisted for such a long time in Japan and why the Japanese government was unable to re-establish banking stability swiftly. He explores this question with an analysis of the Japanese financial system, characterised by the close links between banks and their commercial customers that diminishes the role of capital markets. He studies the advantages and drawbacks to this system, the role it has played in the years of crisis and its inter-relationship with government policy.

**Key words:** financial system, financial institutions, financial crisis, bankruptcy, Japan.

**JEL Classification:** G21, G28, G33, O53.

**IWATA, Kazumasa**

**China and Combating Deflation in Japan**

**Abstract:** This article focuses on the deflation problem presently afflicting Japan. A presentation of the opinions expressed by the US Federal reserve on the subject is followed by a review of the theory that explains this deflationary situation on the grounds of the «equalisation of the cost of production factors» in Japan to those prevailing in other countries, in particular China. Both historical patterns and the present situation are reviewed in this regard, and attention is drawn to the need for structural readjustment in the production sector. Finally, emphasis is placed on the importance of taking account of the lessons that can be learnt from deflationary experiences in other countries in the thirties, specifically Sweden, the United States and Japan itself, and the measures adopted at the time.

**Key words:** deflation, price stabilization, IS curve, LM curve, Japan, China.

**JEL Classification:** E31, O53.

**KOLL, Jesper**

**Embracing Deflation. Lessons from Japan and the Threat of a Federal Reserve Bank Inflation Regime Forcing more Global Deflation**

**Abstract:** Considering deflation to be a threat currently hanging over all the world's economies, the author of this article first studies the different anti-deflationary measures

adopted in Japan in recent years, considering this country to be a «global deflation pioneer». He then proposes a series of measures which, in his opinion, should be adopted by Japanese authorities, and finalises by including an analysis of future trends in the United States economy, the foreseeable measures to be adopted by the Federal Reserve to combat deflation and the impact that they may have on the rest of the world.

**Key words:** deflation, antidepressive policy, reactivation policy, Japan, United States.

**JEL Classification:** E31, E58, O51, O53.

**KWAN, Chi Hung**

#### **Overcoming Japan's «China Syndrome»**

**Abstract:** In this article the author poses the question of whether the rapid growth of the Chinese economy actually represents a threat to Japan. In his reply, he begins by analysing China's recent economic growth, comparing it to patterns in neighbouring countries under similar circumstances and the situation prevailing in Japan itself in the sixties, as well as the economic relations between China and the major developed countries. He concludes that the economies of the two countries do not compete with, but rather complement one another and that Japan is better served with opulent and peaceful than poor and unstable neighbours.

**Key words:** economic development, international trade, Japan, China.

**JEL Classification:** F14, O53.

**NOGUCHI, Yukio**

#### **Japan's Nineteen Forties Economic System: Crisis and Reform**

**Abstract:** In this paper the author first describes the economic system that has been in place in Japan since the forties, which he calls «socialism segregated by barriers». He goes on to analyse the problems encountered by this system to adapt to the changes taking place in today's economy, reviews the consequences of these rigidities and stresses the need for in-depth reform of the way companies operate, are financed and assume risks, as well as the mechanisms to surmount the crisis. In his opinion, without such structural reforms, Japan's economy will not be able to overcome its difficulties.

**Key words:** economic systems, enterprise reform, financial reform, Japan.

**JEL Classification:** G32, L20, O53.

**OKINA, Kunio and SHIRATSUKA, Shigenori**

**Is It a Case for Inflation Targeting?: Japan's Experience of Asset Price Bubbles**

**Abstract:** Japan's economy has experienced an extremely large swing against the backdrop of the emergence, expansion, and bursting of asset price bubbles. After the bursting of asset price bubbles in the early 1990s, the trend growth rate of Japan's economy shifted downward and low growth continued during the 1990s. In the meantime, the Bank of Japan (hereafter, BOJ) eased monetary conditions considerably and revisited a long forgotten situation not experienced since the 1930s, namely, a liquidity trap. In this paper, we examine Japan's monetary policy in the following three phases in turn. The first is when asset price bubbles were generated, the second the bursting of these bubbles and subsequent adjustment, and the third when the economy faced a liquidity trap.

**Key words:** monetary policy, inflation, price stabilization, monetary stability, Japan.

**JEL Classification:** E52, E64, O53.

**SUZUKI, Hitoshi and ONO, Koichi**

**Medium-term Economic Forecasts for Japan**

**Abstract:** This article presents a series of forecasts for the Japanese economy in the period 2002-2008, computed with the help of an economic model developed by the Daiwa Institute of Research. The analysis focuses on adjustments undertaken in the private sector over the last ten years, while also discussing different features of the structural reforms proposed by the Koizumi Administration. These proposals focus primarily on the public sector, with the ultimate aim of eliminating the public deficit by the decade beginning in 2010. In the authors' opinion, the private sector has proved able to adjust to change and blanket generalisations to the effect that Japanese industry is losing ground both at home and abroad cannot be sustained. They also feel that future economic results will depend largely on the way beneficial factors are turned to advantage and how the unfavourable ones are dealt with.

**Key words:** economic forecasts, structural reform, economic adjustment, economic situation, Japan, 2002-2008.

**JEL Classification:** O53.

**WATANABE, Hiroyasu**

**Fiscal Reform and Japanese Economy**

**Abstract:** This article discusses the reasons why tax reform is indispensable in Japan. With respect to how such a reform should be implemented, the author believes that each

category of expenditure should be thoroughly reviewed, since it would be advisable to first cut expenses and then increase the tax burden as little as possible. The aim of such tax reforms would be to eliminate the primary deficit by 2010 to keep the ratio of the national debt to GDP from growing. The article concludes with an analysis of the possible effects of reform, which are compared to those recorded in the nineties.

**Key words:** tax reform, public deficit, deflation, treasury bonds, Japan.

**JEL Classification:** E31, E62, H62, H63.

**YAMADA, Hisashi and ISHIKAWA, Makoto**

### **The Meaning of the Sharp Fall in the Current Account Surplus: Resolving Japan's High Cost Structures and Preventing an «Undesirable» Fall in the Current Account Surplus**

**Abstract:** The current account surplus in Japan's balance of payments has fallen drastically in the last five years, due primarily to the decline in the country's trade surplus. Some authors find this to be beneficial, considering that it can have a favourable impact on Japanese industrial exports and overall economic growth, as well as additional benefits. Others, on the contrary, believe that the existence of such smaller surpluses is indicative of a loss of export competitiveness and, therefore, a hollowing-out of the nation's industry. This article discusses the two positions and reports on a simulation performed to determine the effect that the absence of a surplus in the balance of trade would have on the Japanese economy.

**Key words:** balance of payments, balance of trade, trade surplus, simulation model, Japan.

**JEL Classification:** F13, F14, O53.

**YAMAMOTO, Tadashi**

### **What Diagnosis for Declining Land Prices?**

**Abstract:** The present article analyses the reasons for the decline in land prices in Japan, highlighting the differences observed when attributed use and location are considered. The structural factors that prompted this situation are identified and measures are discussed that could be adopted to halt the slide, which is having an adverse effect on the Japanese economy and lies at the root of the deflationary crisis that has been afflicting the country for the past eleven years.

**Key words:** land prices, land use, deflation, Japan.

**JEL Classification:** O53, Q15.



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