

The Japanese Economy: Growth and Stagnation

Section 1

Instructor	Kazuo Ogawa/ Professor
Office/Building	614/ Main building
Office Hours	Monday 11:00-12:00 Wednesday 13:30-14:30

【Course Outline / Description】

We analyze the high-growth period in the 1950s and 1960s, the bubble period in the late 1980s and the "lost decades" in the 1990s through 2000s of the Japanese economy from the viewpoint of Japanese financial system. In particular we focus on how the Japanese financial system has evolved in the postwar period and how it has affected the performance of the Japanese economy by way of changing the behavior of banks, firms and households.

Specifically, we examine how the bank's lending and portfolio behavior as well as bank-firm relationship changed after financial liberalization in the 1980s. We also examine how the firm's investment and borrowing behavior was affected when the bank-firm relationship changed. Finally, we analyze the household behavior in terms of consumption and saving choice in the course of a sharp rise and then plummet of the asset prices in the late 1980s to the early 1990s.

We pay special attention to the "lost decades" and describe the characteristics of the "lost decades" and then explain why it took so long to wipe out the aftermath of the "lost decades." We also evaluate Abenomics critically and discuss whether the Japanese economy has finally overcome the long stagnation. Finally, we touch upon the effects of coronavirus disease (COVID-19) on the Japanese economy.

Section 2

【Course Objectives/Goals/Learning Outcomes】

The students will understand how the Japanese economy attained high economic growth in the 1950s and 1960s, why the bubble emerged in the late 1980s and collapsed in the early 1990s and then why the Japanese economy was stagnant so long after the bubble burst in the 1990s and 2000s. The students can explain the causes and consequences of the bubble and the "lost decades" and the roles played by banks, firms and households. The students will also be able to do simple empirical analysis by collecting and analyzing economic data by statistical tools for themselves.

2023 Fall Semester

Section 3

【Class Schedule/Class Environment, Literature and Materials】

1	Introduction to the course
2	Overview of the Japanese economy
3	Brief history of the postwar Japanese economy (1)
4	Brief history of the postwar Japanese economy (2)
5	Why did the Japanese save so much in the high-growth period? (1)
6	Why did the Japanese save so much in the high-growth period? (2)
7	The financial system in the high-growth period
8	The main bank system (Keiretsu financing) (1)
9	The main bank system (Keiretsu financing) (2)
10	Firm behavior in the high-growth period: Investment and finance (1)
11	Firm behavior in the high-growth period: Investment and finance (2)
12	The causes of high economic growth
13	The end of high economic growth: Deregulation of financial system (1)
14	The end of high economic growth: Deregulation of financial system (2)
15	Review for Mid-term examination and Mid-term examination
16	The asset bubble (1)
17	The asset bubble (2)
18	Bank's behavior in the bubble period (1)
19	Bank's behavior in the bubble period (2)
20	Firm's behavior in the bubble period (1)
21	Firm's behavior in the bubble period (2)
22	Household's behavior in the bubble period (1)
23	Household's behavior in the bubble period (2)
24	The bubble burst and the Lost Decade (1)
25	The bubble burst and the Lost Decade (2)
26	Bank's behavior in the Lost Decade
27	Firm's behavior in the Lost Decade (1)
28	Firm's behavior in the Lost Decade (2)
29	Household's behavior in the Lost Decade
30	Policy actions: way out of the Lost Decade

2023 Fall Semester

【Textbooks/Reading Materials】

Reading materials will be available on *the course Blackboard*. In addition, handouts will be made available in the class, as appropriate.

Reference books

1. David Flath, *The Japanese Economy*, 3rd edition, Oxford University Press, 2014.
2. Ito, Takatoshi and Takeo Hoshi, *The Japanese Economy*, 2nd edition, MIT Press, 2020.
3. Mitsuo Saito, *The Japanese Economy*, World Scientific Pub Co Inc., 2000
4. Takeo Hoshi and Anil Kashyap, *Corporate Financing and Governance in Japan: The Road to the Future*, MIT Press, 2004.

Section 4

【Learning Assessments/Grading Rubric】

Evaluation criteria

Final exam 30%

Midterm exam 30%

Writing assignment and presentation 30%

Discussions in class 10%

Section 5

【Additional Information】

Some simple mathematics and statistics are used in class for interpreting empirical evidence.