

**Request for Research Proposals for an International Collaboration Project Concerning
“Japan’s Bubble, Deflation and Long-term Stagnation”**

June 2007

Economic and Social Research Institute
Cabinet Office, Government of Japan

The Economic and Social Research Institute (the ESRI), Cabinet Office, Government of Japan, is initiating a research project, “The Japanese Economy and Macroeconomic Policies over Last Twenty-Five Years.” One component of this project will be an international collaboration project. This component is aimed at helping Japanese economic policy management in the future by drawing lessons from the experience of Japan’s bubble, deflation and long-term stagnation.

Accordingly, the ESRI is issuing a request for proposals, that meet the following criteria:

1. Research Issue

The research shall be an analytical study of the generation of the bubble in Japan, its bursting, and subsequent deflation and long-term stagnation. A list of more specific topics is given below, but this list is not meant to be exhaustive and other relevant proposals are also welcome.

2. Submission of a Research Plan

Those wishing to participate in this International Collaboration Project are asked to prepare a research plan in English and submit it to the ESRI (qcentury.ga@cao.go.jp) by e-mail no later than August 15, 2007. The last page of this request gives the format that is to be used for proposals. Please direct any questions to qcentury.ga@cao.go.jp.

3. Time Table for the Project:

The Editorial Committee will examine the research plans that have been submitted. The applicants will be notified of the committee’s decisions before October.

A total of 10 research plans (upper limit) is to be selected from Japan and abroad.

At this moment, the members of the Editorial Committee are as follows.

Professor Koichi Hamada (Yale University); Professor Anil Kashyap (University of Chicago); Professor David Weinstein (Columbia University)

Participants who are selected for research are asked to present and submit the research results in English in accordance with the schedule below.

March 2008

Submit and present the first version of the paper at a Pre-Conference.

First version paper: Frame the issues to be analyzed, review prior research, outline research methodology, and provide initial results.

(Projects that do not meet these standards may be discontinued at the discretion of the Editorial Committee.)

March 2009

Submit and present the second version of the paper at an International Symposium. Subsequently, revise as required and submit a final paper.

Second version paper: Revise (and expand) the first version taking into account the comments and discussion from the Pre-Conference in March 2008.

A round-table discussion on the lessons that the world learned from the experience of Japan's bubble, deflation and long-term stagnation is scheduled to be held on the occasion of the symposium in March 2009.

Of the final papers, those outstanding will be included in an English publication, by decision of the Editorial Committee.

4. Fees

Payment for this project will be spread into three lump sum payments: one payment coming upon acceptance of the proposal, a second payment upon successful delivery of the Pre-Conference draft and a final payment upon receipt of the completed paper. These payments include both a stipend and compensation for travel and other expenses related to the project.

1) Researchers residing in Japan

Researchers that have given presentations at both the Pre-Conference and the International Symposium and submitted a final paper will be paid a fee totaling 2.6 million yen. The first disbursement will be 0.65 million yen, the second 1.3 million yen, and the final payment will be 0.65 million yen.(*)

2) Researchers residing abroad

A fee totaling 3.86 million yen will be paid for research that has been presented in both the Pre-Conference and the International Symposium and for which the final paper has been submitted. The first disbursement will be 0.97 million yen, the second 1.92 million yen, and the final payment will be 0.97 million yen.(*)

* Notes: 1. Under certain conditions, a part or the whole sum of the paid fee may be withdrawn.

2. No other payments will be made for participation in this project. The ESRI will negotiate a discounted price at a hotel near the conference locations, but authors have full discretion and responsibility for making their own travel and lodging arrangements.

3. Those who may wish to use the micro-data of Japanese Statistics compiled by the Government of Japan are advised to contact earliest possible time with the ESRI. The ESRI will make best effort to assist them to apply for those highly restricted data by the Japanese Statistical Law and hence publicly unavailable ones, however, it is essential for the applicants to conform the conditions of the said law for the acceptance.

Possible issues to be researched in this project

1. Bubble

- 1) Was it a bubble?
- 2) Was it avoidable?
- 3) Did policies cause it or burst it?
- 4) Was the policy response to deal with it afterwards sufficient?

2. Monetary Policy since 1985

- 1) Could the Bank of Japan have taken steps to prevent the price level from falling?
- 2) Could the BOJ policy have been reasonably expected to have prevented deflation?
- 3) Could the BOJ have prevented the slowdown?
- 4) Did the actual BOJ policy contribute to the slowdown?

3. Real Side Explanations of Long-term Stagnation

- 1) Examination of barriers to capital or labor accumulation
- 2) Examination of factors affecting TFP growth
 - 1) Labor market factors
 - 2) Bankruptcy law and legal barriers to restructuring
 - 3) Mergers/takeovers/corporate governance
 - 4) Banking problems/NPLs
 - 5) Information technology adoption
 - 6) International competition?
 - 7) Regulation impeding TFP growth (industrial organization factors)

4. Institutional factors affecting Japanese economy since 1985

- 1) Monetary policy framework
- 2) Fiscal policy framework
- 3) Restructuring rules: legal, financial, etc
- 4) Other relevant topics are also welcome

Project Summary

1. Title of the research

2. Name(s) of the researcher(s)

(If there are co-researchers, mark the name of the leader with an asterisk.)

3. Affiliation and post (each researcher)

4. Postal Address and telephone/fax number (research leader)

5. E-mail Address (research leader)

6. Objectives of the research (100 words or less)

7. Main results of existing studies by other researchers in the field (200 words or less)

8. Abstract of the research (600 words or less, emphasizing the novelty of the approach and data or models to be used in the analysis)