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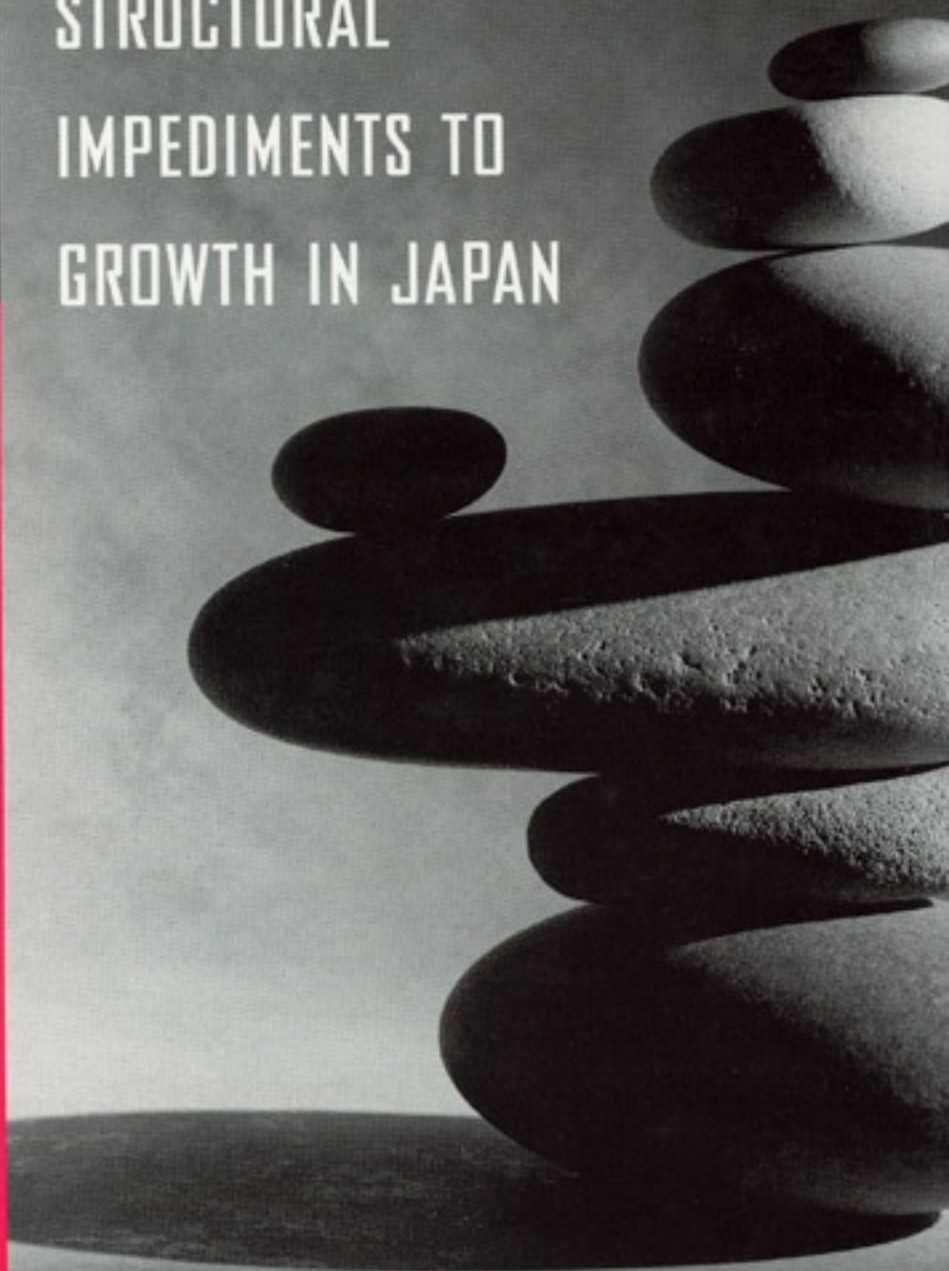
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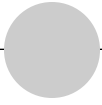


Edited by Magnus Blomström,
Jennifer Corbett, Fumio Hayashi, and Anil Kashyap

Structural Impediments to Growth in Japan



**A National Bureau
of Economic Research
Conference Report**



Structural Impediments to Growth in Japan

Edited by

**Magnus Blomström, Jennifer Corbett,
Fumio Hayashi, and Anil Kashyap**

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In memory of Albert Ando

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8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.

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Preface

There has been an immense amount of research on Japan's decade-long economic stagnation. This book differs from most prior work by taking a longer term view of the challenges facing Japan. Some of these, such as the possible impediments associated with business groups and the distribution system, have been discussed for years. Others, such as the Fiscal Investment Loan Program, are only now getting attention. While others, such as the role of women in the workforce and the aging of the population, have been almost pushed off the front pages by the current slowdown. Our goal was to gather all the leading conjectures about what might be relevant over the next decade or so and take a fresh look at them.

We have structured the papers so that they not only provide an introduction to the basic issues and literature associated with each topic, but also offer new analysis that will be relevant for experts on the Japanese economy. There is no simple conclusion that emerges from our work; some of the commonly thought barriers to growth appear to us to be overstated, while others seem to be extremely serious. We believe the standard by which we should be judged is whether our analysis still appears relevant once an economic recovery begins and when the immediate problems strangling the economy have been addressed.

This project could not have been completed without the help of many people and organizations. The idea for the book grew out of the series of annual conference meetings that the editors had organized under the auspices of the National Bureau of Economic Research (NBER), the European Institute of Japanese Studies (EIJS), the Center for International Research on the Japanese Economy (CIRJE), and the Centre for Economic Policy Research. The lively discussion and high quality of the papers being presented

led us to believe that a themed book, with submissions invited from among the participants at those meetings, would make a contribution to economic debate in Japan. The authors had planned to gather for a first meeting in Tokyo on September 12, 2001. The tragic events of the day before prevented several people from arriving in Tokyo, but everyone was able to produce first drafts of their papers by the following March, in time for a second workshop in Tokyo. We thank Brett Maranjian at the NBER, Emiko Otsubo at the CIRJE, and Atsushi Hasegawa and Miki Futugawa of the Tokyo office of the EIJIS for helping coordinate these meetings.

The Toshiba International Foundation provided critical and timely financial support. The Asian Development Bank Institute and the Swedish Embassy in Tokyo hosted the meetings that preceded the publication. We thank all three of them. The editors also acknowledge the support of their home institutions: the University of Chicago (Kashyap), University of Tokyo (Hayashi), Stockholm School of Economics (Blomström), and the University of Oxford and the Australian National University (Corbett).

The manuscript was copyedited by Larry Meissner. Larry helped bring consistency and clarity to the various chapters. Aileen Teshima at the CIRJE, Luda Mangos at the Asian Studies Faculty of the Australian National University, and Jennifer Williams at the University of Chicago all helped with the production of the final drafts of the chapters.

Finally, we wish to record our debt and gratitude to Albert Ando. This project was inspired by Albert. He was a regular participant in the meetings jointly organized by our four organizations and he encouraged the idea of producing a book bringing together the ideas of the group. Albert was diagnosed with leukemia in August 2002 and died a month later. We all miss him dearly, and we dedicate this book to him.