

Newsletter

CIRJE
Center for
International Research on
the Japanese Economy

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Introduction

The Center for International Research on the Japanese Economy (CIRJE) was established in April 1998 to pursue international joint research on the Japanese economy and to collect and disseminate data and historical material on economic activities in Japan. It is located in the Graduate School of Economics at the University of Tokyo, and many faculty members of the School participate in its research activities in conjunction with the Center members.

Within CIRJE, we have many research projects on various aspects of the Japanese economy, including macroeconomic policy, banking, information technology, regulation of network industries, production systems, human resource management, and public finance. The Center's research projects receive funding from a variety of sources. Much of the funding is obtained directly by project members. We also gratefully acknowledge financial support from the Tokio Marine and Fire Insurance Company and the Tokyo Electric Power Company.

The Tokio Marine Chair was established by a donation from the Tokio Marine and Fire Insurance Company to support research in the fields of finance, insurance, and social security. Professor Y. Iwamoto of Kyoto University occupies the chair this year. The Chair also supports two research projects, (1) "Statistical Aspects of Insurance and Finance" and (2) "The East-Asian Crisis". Finally, the chair fosters international exchanges between members of the Center, the Graduate School of Economics and foreign scholars by supporting international conferences and visits to the Center by foreign scholars.

The donation from the Tokyo Electric

Power Company supports three research projects, (1) "The Role of Accounting Information in Regulated Industries", (2) "The Role of the Government in Network Industries", and (3) "Law and Economics in Network Industries".

Fumio Hayashi, a CIRJE member, has received a sizable grant from the Ministry of Education (Grant-in-Aid for Scientific Research on Priority Areas) for a research project entitled "Empirical Analysis and Design of Economic Systems". This research initiative is divided into six groups and includes researchers from the four leading Japanese national universities. Faculty members at the University of Tokyo serve as area coordinators for three of the groups and Prof. Hayashi leads the coordinating committee, which oversees research in the six project areas. This grant supports research activities at the Center by assembling and organizing data needed for empirical research on the Japanese economy and by providing partial funding for international conferences sponsored by CIRJE.

This has been an exciting year for CIRJE. CIRJE welcomed a new project entitled The "IT Society and Market Economy" Project, that is headed by M. Fujiwara of the Graduate School of Economics. This project, which is sponsored by Japan Society for the Promotion of Science, started in 1998 and uses tools from economics and business administration, to provide theoretical and empirical analyses of ongoing changes in economic systems and studied policies and institutional arrangements for the 21st century.

This year the Center also formed a new partnership with the International Business and Markets Research Center directed by Professor D. Spulber at the Kellogg School of Management, Northwest-

ern University. Upon this partnership through information exchange and mutual understanding two Centers will develop joint research activities on various fronts.

One of the major tasks of the Center is to facilitate interaction with visitors from foreign countries. This year we welcomed many distinguished visitors with a wide range of research interests including: Professors M. Ramseyer, E. Rasmusen, L. Punzo, V. Kondrashin, M. Margairaz, M. Aoki, R. Ramaswamy, Y. Kitamura, E. Prescott, D. Abreu, R. Rob, R. Belderbos, K. Matsuyama, J. Moenius, M. Di Matteo, K. Wei, J. Driffill, Z. Eckstein and M. Gillman.

The Center held 6 international conferences this year, (1) "Asian Crisis III: The Crisis and Recovery", (2) "The NBER/CIRJE/EIJS/CEPR Japan Project Meeting", (3) "The CIRJE-TCER Conference on Economic Theory", (4) "The 3rd CIRJE-TCER Macro Conference", (5) The conference on "Enterprises, Labor Markets and Institutions in Italy Facing the Challenge of the XXI Century" and (6) "TRIO 2001 Conference".

Finally, we wish to congratulate Prof. Fumio Hayashi, a CIRJE member, for receiving the Imperial Prize and the Japan Academy Prize for the Year 2001.



Torio 2001 Conference on December 14, 2001

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Conferences

Asian Crisis III The Crisis and the Recovery

July 17-18, 2001

Sanjo Conference Hall, University of Tokyo

Sponsored by: The Japanese Government Ministry of Education Grant-in-Aid for Scientific Research on Priority Areas (B), CIRJE, City University of Hong Kong, and University of Washington

Organizers: Shin-ichi Fukuda (University of Tokyo), Kar-yiu Wong (University of Washington), Richard Y. K. Ho (City University of Hong Kong), and Eiji Ogawa (Hitotsubashi University)

The purpose of this conference was to provide a set of tools for analyzing the events and policy responses in East Asian countries before and after the Asian crisis. Since the Asian financial crisis, several alternative views have emerged about the source of the crisis. The conference assessed these alternative perspectives on the basis of their ability to explain the events both before

and after the crisis and their implications for which policies are most likely to promote a sustained recovery in the East Asian countries. The conference invited a large number of notable scholars from all over the world. There were many fruitful discussions and the conference was a success.



Professor Lawrence Lau, Stanford University, USA



Professors A.B. Deolalikar and Kar-yiu Wong, Washington University, USA



The Swedish Ambassador K. Kumlin and his wife



Economics Minister Heizo Takenaka



Professor A. Horiuchi (University of Tokyo) and the participants

NBER/CIRJE/EIJS/CEPR Japan Project Meeting

September 14-15, 2001

Swedish Embassy, Roppongi, Tokyo

Sponsored by: The Japanese Government Ministry of Education Grant-in-Aid for Scientific Research on Priority Areas (B)

Organizers: Magnus Blomström, Jennifer Corbett, Fumio Hayashi and Anil Kashyap

The third annual CIRJE Japan Project Meeting, co-organized with the NBER (National Bureau of Economic Research, based in the U.S.), the EIJS (European Institute for Japanese Studies, based in Sweden), and the CEPR (Center for Economic Policy Research, based in England), was held on September 14 and 15, 2001, at the Swedish Embassy. Despite the terrorist attack, which occurred immediately before the conference, more than 60 academics, private-sector economists, and policymakers from within and outside Japan participated. Economics Minister Heizo Takenaka gave a

lunchtime speech. Eight papers were presented. The topics covered included monetary policy, the bad debt problem, the Japanese growth slowdown, and the aging of the population.

<Presented Papers>

Taefun Jung, Yuki Teranishi and Tsutomu Watanabe (Hitotsubashi University), "Zero Bound on Nominal Interest Rates and Optimal Monetary Policy"

Hiroshi Fujiki and Shigenori Shiratsuka (Bank of Japan), "Policy Duration Effect under the Zero Interest Rate Policy in 1999-2000: Evidence from Japan's Money Market Data"

Panel Discussion on “The Looming Social Security Crisis in Japan”, Chair: Charles Horioka (Osaka University/NBER), Panelists: Tatsuo Hatta (University of Tokyo), Marten Palme (Stockholm School of Economics), Toshiaki Tachibanaki (Kyoto University)

Ralph Bryant (Brookings Institution), and Warwick McKibbin (Australian National University), “Incorporating Demographic Change in Multi-Country Macroeconomic Models: Some Preliminary Results”

Gavin Cameron (Oxford University), “The Sun Also Rises: Productivity Convergence between Japan and the USA”

Charles Horioka (Osaka University/NBER), “Are the Japanese Selfish or Altruistic?”

Masaharu Hanazaki (Hitotsubashi University) and Akiyoshi Horiuchi (University of Tokyo), “Can the Financial Restraint Hypothesis Explain Japan’s Postwar Experience?”

Heather Montgomery (The Asian Development Bank Institute), “The Effect of the Basel Accord on Bank Portfolios in Japan”

Takatoshi Ito (Hitotsubashi University/NBER) and Kimie Harada (Daito Bunka University), “Japan Premium and Stock Prices: Two Mirrors of Japanese Banking Crises”

CIRJE-TCER Conference on Economic Theory

July 24, 2001, at the Economics Building, University of Tokyo

Organizers: Fumio Hayashi and Michihiro Kandori

CIRJE invited leading scholars to discuss the latest developments in economic theory for a wide range of pressing real world issues: financial markets and bubbles, capital accumulation and development, liquidity and macroeconomic fluctuations, and the conduct of monetary policy.

<Presented Papers>

Dilip Abreu (Princeton University), “Bubbles and Crashes” (joint with Markus Brunnermeier)

Rafael Rob (University of Penn.), “Vintage Capital, Distortions and Development” (joint with Samuel de Abreu Pessoa)

Nobuhiro Kiyotaki (LSE), “Liquidity, Asset

Price, and Monetary Policy” (joint with John Moore)

Michael Woodford (Princeton University), “A Neo-Wicksellian Framework for the Analysis of Monetary Policy”

The 3rd CIRJE-TCER Macro Conference

September 29, 2001, at OSIPP Senri Extension

Organizers: Fumio Hayashi, Charles Yuji Horioka, Kenn Ariga

The third annual CIRJE-TCER macroeconomics conference, organized by Fumio Hayashi of CIRJE, Charles Horioka of Osaka University, and Kenn Ariga of Kyoto University, was held on September 29, 2001. About 30 economists from universities and the Bank of Japan participated. Five papers were presented. These papers were selected after a competitive review of submissions in response to a call for papers. The topics covered included: the role of the value of land in Japanese economic growth, an empirical examination of bank lending using micro data, history-dependent monetary policy, the stability of money demand, and resolving asset pricing anomalies.

Conference on “Enterprises, Labour Markets and Institutions in Italy Facing the Challenges of the XXI Century”

(To Be Included in the Initiatives for “Italy in Japan 2001”)

October 23-24, 2001 at the University Museum, University of Tokyo

Organizer: Italian Chamber of Commerce

The aim of the conference was to promote the diffusion of information and qualified opinions on the evolution of the Italian social and economic framework. The conference is a part of a joint research initiative sponsored by foundations

in Italy and the Department of Economics of the University of Siena. In recent years this initiative has also sponsored joint research with Japanese scholars at the University of Tokyo, including the CIRJE- Siena project.

CIRJE Participants: Hiroshi Yoshikawa, Katsuhito Iwai (University of Tokyo), Lionello Punzo, Massimiliano Di Matteo (CIRJE / University of Siena)

TRIO 2001 Conference

Theme: “Fiscal Adjustment”

December 13-14, 2001,

at the International House of Japan

Organizer: Shin-ichi Fukuda

The 14th TRIO conference, which was jointly held by TCER, NBER and CEPR, took place on December 13-14, 2001 in Tokyo. The conference addressed issues in fiscal adjustment such as: What are the long-run economic implications of different ways to reduce the fiscal surplus in the U.S? How have countries in Europe reduced their fiscal deficits? What are the characteristics and economic implications of specific fiscal policies pursued in different countries? Is Japan’s fiscal policy sustainable? If not, how should Japan proceed with consolidation?

In total, eight papers were presented, three each from Japan and Europe and 2 from the United States. Thirty researchers, including economists from the Ministry of Finance and Bank of Japan participated in the conference.



“Italy in Japan 2001” Conference

Research Projects

Ministry of Education Grant-in-Aid for Scientific Research on Priority Areas (B)

Empirical Analysis and Design of Economic Systems

The Ministry of Education has awarded a large research grant (Ministry of Education Grant-in-Aid for Scientific Research on Priority Areas) to a research project headed by Fumio Hayashi, a CIRJE member. The funding is for six years starting from October 2000, subject to an interim review at the end of the second year. The title of the project is "Empirical Analysis and Design of Economic Systems". It is organized into six sub-projects or groups, each of which has its own research agenda. Group leaders are Charles Horioka (Osaka University), Kenn Ariga (Kyoto University), Jota Ishikawa (Hitotsubashi University), Shin-ichi Fukuda (University of Tokyo), Masahiro Okuno-Fujiwara (University of Tokyo), and Fumio Hayashi (University of Tokyo/CIRJE). The research activities of these six groups are coordinated by a parent group, which consists of the six group leaders. CIRJE is administering the budgets of the groups headed by University of Tokyo faculty members and will maintain the project's website.

The project's objective is to provide insights into the design of the Japanese economic system in the 21st century. The project consists of three stages. The first stage is to assemble and organize data. The second stage is to perform an empirical analysis of the data. The third and final stage is to design a system that provides the right incentives to various economic agents. At each stage, various conferences, both domestic and international, will be organized so that affiliated researchers can present their work in progress and benefit from comments of other conference participants. In particular, the international conference series that the CIRJE has organized in collaboration

with the NBER (National Bureau of Economic Research) and the annual macro conference with the TCER (Tokyo Center for Economic Research) are partially funded by this grant. Members of this project will submit their research results to academic journals and also disseminate them to the general public in a series of books to be edited by Professor Hayashi. A summary of the activities of each of the three sub-projects of University of Tokyo follows below.

Evaluation and Design of Japanese Monetary and Fiscal Policies

<Project Members>

Fumio Hayashi (CIRJE / Faculty of Economics, University of Tokyo)
Toshihiro Ihori (Economic and Social Research Institute, Cabinet Office, Government of Japan)
R. Anton Braun (Faculty of Economics, University of Tokyo)
Etsuro Shioji (Yokohama National University)

This sub-project focuses on the evaluation of Japanese fiscal and monetary policies and the design of desirable policies. In addition to Hayashi, who is the program leader, this sub-project is staffed by Toshihiro Ihori, R. Anton Braun and Etsuro Shioji. Since its inception in fiscal year 2000, the project has conducted the following research. Braun and Shioji have completed their analysis of the effects of monetary policy on financial markets and the macroeconomy using a structural Vector Autoregressive framework. Ihori's research covers three areas. The first is a comprehensive evaluation of postwar Japanese fiscal policy, focusing on the general government's budget deficits. The second is an analysis of the interaction between the central government and local governments. Third, he has analyzed the budget deficits of the 1990s.

Comparative Institutional Analysis

<Project Members>

Masahiro Okuno-Fujiwara (Faculty of Economics, University of Tokyo)
Tetsuji Okazaki (Faculty of Economics, University of Tokyo)
Kiyohiko G. Nishimura (Faculty of Economics, University of Tokyo)
Kazuya Kamiya (Faculty of Economics, University of Tokyo)
Akihiko Matsui (Faculty of Economics, University of Tokyo)
Noriyuki Yanagawa (Faculty of Economics, University of Tokyo)
Takashi Shimizu (Faculty of Economics, University of Tokyo)
Mamoru Kaneko (Tsukuba University)

This sub-project's goal is to provide a positive analysis of institutions and describe desirable institutions using theoretical and empirical economic methods. For this purpose, we have been working on a theoretical analysis of money, a theoretical analysis of regulation, an economic analysis of liquidity, an historical analysis of the financial system, and an empirical analysis of labor productivity.

Concerning money, Akihiko Matsui and Takashi Shimizu wrote a paper titled "A Theory of Money with Market Places". In this paper they develop a basic model of the monetary economy, introducing "market places" into a search model. At present they are working on a theoretical analysis of institutions and conventions in their monetary economy. Kazuya Kamiya, in joint work with Takashi Saito, is also analyzing the role of money, but in situations where all trade is bilateral ("Equilibrium Price Dispersion in a Matching Model with Divisible Money"). Professors Kamiya and Saito have established, for the first time, the generic existence of an equilibrium with price dispersion in Green and Zhou's [1998] matching model with divisible money. At the same time they confirm that price dispersion enhances welfare.

Meanwhile, a research group organized by Noriyuki Yanagawa has been working on

an economic analysis of liquidity. They held a conference in September 2001, the results of which will be published in a book tentatively entitled *An Economic Analysis of Liquidity*.

Concerning the historical analysis of the financial system, Tetsuji Okazaki, in joint research with Kazuki Yokoyama, is investigating the relationship between banks and non-banking companies ("Governance and Performance of the Banks in Prewar Japan: Testing the 'Organ Bank' Hypothesis Quantitatively", CIRJE-F-111). They measure the extent of the interlocking quantitatively for the first time and test the "organ bank" hypothesis of banking — non-banking company relationships.

Kiyohiko G. Nishimura participated in our project this year and is conducting an empirical analysis of labor productivity. He has compiled a comprehensive database of labor inputs and wages. Nishimura is also a member of a project that examines the effects of information technology (IT) on market performance. This project also receives financial support from the Japan Society for the Promotion of Science (*cf.* p. 6).

The Construction of Comparative Theories and Data Bases in International Finance

<Project Members>

Shin-ichi Fukuda (Faculty of Economics, University of Tokyo)

Shinji Takagi (Graduate School of Economics, Osaka University)

<Cooperative Members>

Kiminori Matsuyama (Department of Economics, Northwestern University)

Takeo Hoshi (Graduate School of International Relations and Pacific Studies, UC San Diego)

Kar-yiu Wong (Department of Economics, Washington University)

The purpose of this sub-project is to construct new theories of international finance and to examine their empirical relevancy based on international data from various countries. The project provides both theoretical and empirical analyses on the features of a desirable financial system, taking as given the current international financial environment. From 2001 to 2002, the project particularly focused on an analysis of "crises in East Asian money markets". The Asian crises in 1997 have produced a large number of papers that provide alternative prescriptions of how to prevent and/or react to possible crises in the future. We have, however, not reached a definitive conclusion on what type of financial system is most desirable for the current East Asian economy. Some researchers have constructed excellent theoretical models. But they are usually too abstract to be applied to actual policy making. In contrast, other researchers have produced excellent empirical studies based on detailed data sets. The theoretical background of these analyses was, however, sometimes not very clear. There were relatively few attempts to reconcile theoretical models with empirical facts using a unified analytical framework.

One purpose of our project is to promote such attempts. In particular, we try to examine what is a desirable exchange rate arrangement in East Asia and to what extent we need to restrict international capital flows.

The project stresses the importance of joint research between domestic and foreign scholars. We have already organized the following three international conferences that provide forums where both theoretical and empirical economists can exchange perspectives and ideas. We plan to hold additional international conferences in conjunction with the National Bureau of Economic Research, and the University of Washington in 2002.

Conferences sponsored by this project:

(1) TRIO2000 Conference

Theme: "Unemployment"

Place: The International House of Japan, Roppongi, Tokyo, Japan

Date: December 15th (Friday) and 16th (Saturday) in 2000

(2) The Asian Crisis III: The Crisis and the Recovery

Theme: the causes and effects of the crisis, and the recent recovery of these countries

Place: Sanjo Kaikan, University of Tokyo, Tokyo, Japan

Date: July 17th (Tuesday) and 18th (Wednesday) in 2001

(3) TRIO 2001 Conference

Theme: "Fiscal Adjustment"

Place: The International House of Japan, Roppongi, Tokyo, Japan

Date: December 13th (Thursday) and 14th (Friday) in 2001

Papers presented at the "TRIO 2000 Conference" and "TRIO 2001 Conference" will be published in *Journal of the Japanese and International Economies* after the refereeing process is completed.

Available on the web

<http://www.e.u-tokyo.ac.jp/cirje/index>

Details of the project "Empirical Analysis and Design of Economic Systems" can be found at CIRJE's website (provisionally in Japanese only).

Details of conferences hosted by CIRJE projects are also available on the website.

**Japan Society for the
Promotion of Science
Research for the Future Program
Information Technology
and the Market Economy
(ITME)**

Project Leader: Masahiro Okuno-Fujiwara
(University of Tokyo)

**Research Organization (A):
“An Economic Analysis on Public System
and Policy for Information Technology”**

Leader: Akimichi Takemura (University of
Tokyo)

**Subproject (1): “The Measures of Transac-
tion Type and Corporate Law System for
Information Technology”**

Leader: Katsuhito Iwai (University of
Tokyo)

Members: Toshihiro Ihori (Economic and
Social Research Institute, Cabinet Office,
Government of Japan), Kazuhito Ikee
(Keio University), Masahiro Okuno-
Fujiwara (University of Tokyo), Koichiro
Hayashi (Keio University), Noriyuki
Yanagawa (University of Tokyo)

**Subproject (2): “Information Technology
and Industrial Policy and Regulation”**

Leader: Masahiro Okuno-Fujiwara (Univer-
sity of Tokyo)

Members: Shin Yasunobe (Stanford Japan
Center), Kenichi Imai (Stanford Japan
Center), Hajime Oniki (Osaka Gakuin
University), Kenji Kohiyama (Keio
University), Jiro Kokuryo (Keio Univer-
sity), Nobuo Ikeda (Research Institute of
Economy, Trade and Industry(RIETI))

**Subproject (3): “System Design for Digital
Government”**

Leader: Yoshitsugu Kanemoto (University of
Tokyo)

Members: Kei Takeuchi (Meiji Gakuin
University), Takeshi Hiromatsu (Univer-
sity of Tokyo), Tatsuo Hatta (University
of Tokyo), Akimichi Takemura (Univer-
sity of Tokyo), Masahiko Kunishima
(University of Tokyo)

**Research Organization (B):
“Information Technology and Change of
Performance in Economic System”**

Leader: Kiyohiko G. Nishimura (University
of Tokyo)

**Subproject (4): “Information Technology
and Change of Economic Performance”**

Leader: Kiyohiko G. Nishimura (University
of Tokyo)

Members: Toshiaki Watanabe (Tokyo
Metropolitan University)

**Subproject (5): “Case Study on the Effects
of Information Technology in Corporate
Organization”**

Leader: Noriyuki Yanagawa (University of
Tokyo)

Members: Junjiro Shintaku (University of
Tokyo), Tatsuo Tanaka (Keio University)

**Research Organization (C):
“Information Technology and Change of
Consumer and Corporate Behavior”**

Leader: Junjiro Shintaku (University of
Tokyo)

**Subproject (6): “Change of Consumer
Behavior”**

Leader: Hotaka Katahira (University of
Tokyo)

Members: Yutaka Hamaoka (Keio Univer-
sity), Makoto Abe (University of Tokyo)

**Subproject (7): “Self-generating Change in
Electronic Commerce”**

Leader: Junjiro Shintaku (University of
Tokyo)

Members: Jiro Kokuryo (Keio University)
Kazuhito Ikee (Keio University), Yoko
Takeda (Yokohama National University),
Koichi Shimokawa (Tokai Gakuen
University), Takahiro Fujimoto (Univer-
sity of Tokyo), Kiyohiko G. Nishimura
(University of Tokyo)

**Subproject (8): “Information Technology
and Change of Corporate Organization”**

Leader: Takahiro Fujimoto (University of
Tokyo)

Members: Akira Takeishi (Hitotsubashi
University), Masanori Yasumoto (Shinshu
University), Yoko Takeda (Yokohama
National University), Yaichi Aoshima
(Hitotsubashi University), Kentaro
Nobeoka (Kobe University)

The research objective of this project is to
analyze the influence that IT has on firms
and the market economy.

The perspective of the project is that
information asymmetries are increasing and
that this is a problem. Though IT produces a
tremendous increase in the amount of
information, due to high speed and cost
reductions in information transmission and
storage, there still remain important limita-
tions in the ability of humans to process and
understand these information flows. As the
problem of asymmetric information between
individuals, enterprises, and government
rapidly increases, this creates problems in
decision-making. The project has started to
make theoretical and practical contributions
toward the above-mentioned problem. The
project, which began in 1998, uses methods
and theories from both economics and
business administration to analyze the effects
of innovations in IT on firm and market
structure.

According to empirical research on
market economies and product development
of firms, the influence of IT is not linear. Our
research results indicate that particular
market structures and firm organizational
structures are needed for firms to realize
significant gains from recent advances in IT.

This project is composed of 3 sections,
which divide the various influences of IT
into the following categories:

**1. An economic analysis of policies,
institutions, and IT**

An analysis of institutions and govern-
ment policy has been conducted from the
perspective of institutional economic
analysis. Some policy recommendations
have already emerged. The principal
research results to date are summarized in
the following papers: [The prospect of
electronic money (ITME Discussion Paper
NO.36)], [Suggestions on the electric wave
policy (DP NO.76)], [Present condition and
effects of IT on government statistics (DP
NO. 11, 30, 68)].

2. Effects of IT on the performance of the economic system

This section considers the effects of IT on the economic system. The focus here is on how IT alters the market system and firm behavior. Analyses have been conducted and policy recommendations have been offered. Research papers in this area include: [Imperfection of information and price formation (DP NO. 1, 23, 25)], [Measuring of productivity and technological progress rate (DP NO. 37, 58, 83)], [An economic analysis of the video game industry and research on the industry condition (DP NO. 45, 47)].

3. Changes in the private sector and firms' strategies induced innovations in IT

Research on changes in firms' activities and structure in response to advances in IT has been conducted and an index about the activities of firms in the IT sector has been created. Research output in this area includes [Product development and introduction of CAD (DP NO. 15, 16, 33, 50)], and [Case studies in the automobile industry (NO. 52, 63, 65)].

Research results of this initiative are available through the project's home page (<http://www.e.u-tokyo.ac.jp/itme>). A summary of the project's activities and discussion papers (92 in total) are available at the homepage. The full results of our theoretical and empirical research are not available at the homepage but can be obtained at the homepage.

Visit ITME website at
<http://www.e.u-tokyo.ac.jp/itme>

You can directly download the ITME Discussion Papers. Summaries of each subproject's activities are also available.

CIRJE Research Projects sponsored by Tokio Marine and Tokyo Electric Power Company

Statistical Aspects of Insurance and Finance

<Project Members>

Naoto Kunitomo (Leader, Faculty of Economics, University of Tokyo)
Yoshihiro Yajima (Faculty of Economics, University of Tokyo)
Nakahiro Yoshida (Graduate School of Mathematical Sciences, University of Tokyo)
Akihiko Takahashi (Graduate School of Mathematical Sciences, University of Tokyo)

<Research Activities>

This is the second year of our interdisciplinary project on statistical aspects of insurance and finance. Our research activities have focused on applying state of the art tools from statistics to analyze questions in the fields of insurance and finance. Recent working papers from group participants apply methods from extreme value theory, the statistics of continuous stochastic jump processes and applications of the Watanabe-Yoshida theory of Malliavin Calculus to derive optimal dynamic portfolio allocation strategies. In other research new statistical financial risk management methods have been developed using non-linear time series methods.

<Workshops and Conferences>

We have invited several guests in related fields to give seminars. The seminars, which are partly supported by our project, are given in the Applied Statistics Workshop in the Graduate School of Economics at the University of Tokyo (*cf.* p.10). The presenters and abbreviated titles of their talks are as follows.

Cheng Hsiao (Department of Economics, University of Southern California),

“Panel Data Analysis”

Shigeo Kusuoka (Graduate School of Mathematical Sciences, University of Tokyo), “On Coherent Risk Measures”
Hideatsu Tsukahara (Faculty of Economics, Seijo University), “Estimation of Copulas and its Applications”
Yuichi Kitamura (Department of Economics, University of Wisconsin / CIRJE), “Empirical Likelihood”
Yasuhiro Omori (Faculty of Economics, University of Tokyo), “MCMC and Bayes”

We also organized a research conference on “Statistical Problems of Insurance and Finance” in March 23, 2001 at the Graduate School of Economics, University of Tokyo. The theme of the first research conference was recent trends in research in life and non-life insurance. The main speakers and the titles of their talks are as follows.

Naoto Kunitomo (Faculty of Economics, University of Tokyo), “On Insurance Risk Theory”
Toshihiko Aizawa (Tokyo Marine and Fire Insurance), “Recent Problems in Non-life Insurance”
Syuji Tanaka (NLI Research Institute), “Recent Problems in Life Insurance”

The next research conference will focus on basic research and is scheduled to be held on February 15, 2002.

Asian Crisis The Crisis and the Recovery

<Project Members>

Shin-ichi Fukuda (Leader, Faculty of Economics, University of Tokyo)
Eiji Ogawa (Faculty of Commerce and Management, Hitotsubashi University)
Kar-yiu Wong (Department of Economics, University of Washington, USA)

This project held the conference “Asian Crisis III” on July 17-18, 2001 (*cf.* p. 2).

The Role of Accounting Information in Regulated Industries

<Project Members>

Takashi Obinata (Leader, Faculty of Economics, University of Tokyo)
Shizuki Saito (Faculty of Economics, University of Tokyo)

This project investigates the role (value relevance) of accounting information in regulated industries, especially as relates to rate regulated industries. Though prior studies have investigated the links between rates of return of utilities and accounting information, the focus of this has been on internal applications by utilities. In Japan, research on the disclosure of accounting information as a communication device with outsiders has been dormant for a long time. More generally, academic research in the U.S. on the disclosure of accounting information focuses on unregulated industries. For instance, many empirical studies exclude public utilities from their samples.

However, many utilities issue securities (stocks and bonds) and are listed in capital markets. It is our perspective that the disclosure of accounting information is an important communication device with outsiders in regulated industries as well. In most cases accounting information is produced primarily for public disclosure. Regulated industries may be an exception to this rule. Therefore, it is useful to research how regulation interacts with public accounting disclosure policies. For these reasons, we are investigating the association between accounting earnings information and stock prices in regulated industries.

As regulated industries are deregulated, disclosure policies will have to adjust. Consequently one cannot exclude regulated industries, when researching the usefulness of accounting information. It is an important issue to consider how market discipline affects the behavior of regulated companies.

We consider the details of regulation in the electric, gas and transportation industries and investigate the usefulness of accounting

information disclosures by testing empirically the relationship between accounting disclosures and stock prices.

The Role of the Government in Network Industries

<Project Members>

Yoshiro Miwa (Leader, CIRJE, Faculty of Economics, University of Tokyo)
Tatsuo Hatta (CIRJE/Center for Spatial Information Science, University of Tokyo)
Yoshitsugu Kanemoto (Faculty of Economics, University of Tokyo)
Yukihiro Kidokoro (Center for Spatial Information Science, University of Tokyo)
Toshihiro Matsumura (Institute of Social Science, University of Tokyo)
Takashi Obinata (Faculty of Economics, University of Tokyo)
Kazuo Wada (Faculty of Economics, University of Tokyo)

The aim of this project is to carry out an economic analysis of the role of government policies in network-type industries, such as electric power, natural gas, telecommunication and transportation. The main focus of our research is the energy related industries. These industries are experiencing fundamental changes in their regulatory structure. Competition is now being introduced to the electric power and natural gas industries. Previously these industries were subject to classic cost-based regulation. The scope of our research is broad and also includes other network industries.

The first part of our research activities is to study changes in the electricity market after the liberalization of the retail market for 'large' customers. We have also been studying the evolution of the European and the U.S. markets, especially the California power crisis that occurred in the summer of 2000.

Each group member is carrying out research on more specific topics, some of which have already resulted in original scientific articles.

(1) A regulatory shift from cost-of-service regulation to price-cap regulation alters two categories of service quality: investment-related and effort-related. In the case of investment-related service quality, the regulatory shift lowers both price and service quality. The total social surplus is higher under a hybrid form of price-cap and cost-of-service regulation than under pure price-cap regulation. In contrast, in the case of effort-related service quality, the regulatory shift to price-cap regulation lowers price and upgrades service quality, and thus increases the total social surplus. (Yukihiro Kidokoro)

(2) In a model of two-way communication, the first best optimal policy is shown to have two-part pricing where the unit price equals the marginal cost of communication services and the access charge is half of the access cost. In the second best optimum with a balanced budget constraint, the unit price exceeds the marginal cost but the access charge is not higher than in the first best optimum. (Yoshitsugu Kanemoto)

(3) The effects of nuclear decommissioning costs and back-end costs (nuclear recycle costs) on stock prices of electric power companies in an empirically investigation. Major results are: (a) recognizing decommissioning costs and back-end costs in financial reports raises the quality of earnings information; (b) off-balance sheet regulations, which prevent electric power companies from recognizing some portion of back-end costs in financial reports, distorts the quality of earnings and lowers the values of the companies; and (c) decommissioning costs and back-end costs are value relevant, but the contents of information differ between them: decommissioning costs are positively associated with stock price levels but back-end costs are not. (Takashi Obinata)

Economic Analysis about Transaction Law in Network Industries

<Project Members>

Noriyuki Yanagawa (Leader, Faculty of Economics, University of Tokyo)
 Yoshitsugu Kanemoto (Faculty of Economics, University of Tokyo)
 Yoshiro Miwa (CIRJE, Faculty of Economics, University of Tokyo)
 Toshihiro Matsumura (Institute of Social Science, University of Tokyo)

<Issues for Research>

This is a two-year research project, 2000 - 2001, to study legal issues on transactions in network-type industries. Developments in information technology have had a big impact on transactions in network-type industries. Electric Commerce is now growing, for example, but some insist that there is insufficient legal protection for privacy or individual rights. Moreover, it is still unclear whether current liability rules are sufficient for promoting net trade. We examine optimal legal systems in these new environments. In this research project, we are conducting a theoretical analysis of the Japanese legal system, especially as relates to Japanese transaction law and Japanese contract law.

<Plans of the Project>

A research meeting is held every month and important issues, for example optimal liability rule or information disclosure, are discussed. An academic conference will be held at the end of this academic year, and the results of this project will be published. Many famous legal theorists participate in our seminar and most of the final papers will be joint research projects of economists and legal theorists.

<Participation Members>

Mariko Fujii (University of Tokyo)
 Tomotaka Fujita (University of Tokyo)
 Kaori Hatanaka (National Graduate Institute for Policy Studies)
 Kenichi Inoue (Musashi University)
 Kazuaki Kagami (Meikai University)

Takayasu Kamiya (Hosei University)
 Hideki Kanda (University of Tokyo)
 Soichiro Kozuka (Sophia University)
 Motonari Kurasawa (Yokohama National University)
 Osamu Morita (University of Tokyo)
 Wataru Ohta (Nagoya University)
 Hiroyuki Seshimo (Senshu University)
 Hiroo Sono (Kyushu University)
 Wataru Tanaka (Seikei University)

List of CIRJE Research Projects

1. International Comparative Study Department

1-1. The Field of International Comparative Study of Japanese Economy

Information Technology and Market Performance (Kiyohiko G. Nishimura)
 Electric Commerce and Financial System; The Potential of Electronic Money (Akiyoshi Horiuchi)
 Regulation in Network-type Industries (Yoshiro Miwa)
 International Conference on the Japanese Economy (Fumio Hayashi)
 The Tokyo/Siena Project on Comparing the Japanese and Italian Economies (Hiroshi Yoshikawa)
 The Tobin Project on the Japanese Economy (Hiroshi Yoshikawa)
 Econophysics in Macroeconomics (Hiroshi Yoshikawa)
 Workshop on the Japanese Macroeconomy (Fumio Hayashi and Charles Horioka)
 TORIO2001 (Shin-ichi Fukuda)
 The Role of Accounting Information in Regulated Industry: The Case of Electric Utilities (Takashi Obinata)
 3-University Conference: University of Tokyo, Seoul National University and Beijing University (Shin-ichi Fukuda)
 Asian Crisis (Shin-ichi Fukuda)

1-2. The Field of International Comparative Studies of Japanese Firm

International Collaboration Study on the

International Comparison of Car Distribution System with e-Commerce (Kiyohiko G. Nishimura)

Electronic Society and the Marketing Research/Strategy (Hotaka Katahira)
 Human Resource Management and the Post-Modern Workplace – A Comparative Study of Japan and the United States – (Kazuro Saguchi)
 Factors Determining New Economic Growth: Industrial and Entrepreneurial Analysis of Technological Progress in France and Japan (Kiyohiko G. Nishimura)

1-3. The Field of International Comparative Study of History and Institution

Economic Analysis of Law (Yoshiro Miwa)
 Comparative Research on Fiscal Institutions (Naohiko Jinno)
 Comparative Study on Urbanization and Local Public Administration in German and Japan (Nobuki Mochida)
 Research on Governance in the Information Society (Masahiro Okuno-Fujiwara)
 A Comparison of the Evolution of Financial Institutions in the United States and in Japan (Tokutaro Shibata)
 Law and Economics in Network Industries (Noriyuki Yanagawa)

2. Statistical and Historical Material Department

2-1. The Field of Statistical and Historical Material of Japanese Economy

Studies on Economic History of Modern Japan (Haruhito Takeda)
 Historical Study on Minami Yamashiro (Southern Part of Yamashiro District) (Masayuki Tanimoto)

2-2. The Field of Joint Research of Statistical and Historical Material Analysis

On Statistical Foundations of Insurance and Finance (Naoto Kunitomo)

Workshops

Workshop schedules are posted on the CIRJE's website (<http://www.e.u-tokyo.ac.jp/cirje/index>).

Microeconomics Workshop

We invite a broad range of speakers to discuss the latest research topics in microeconomics. The workshop is held every Tuesday from 4:50pm to 6:30pm throughout the academic year. Both faculty members and graduate students of the University of Tokyo regularly attend the workshop, but it is also open to all economists who are interested in the topic. The latest seminar schedule can be found on the homepage of CIRJE.

Kotaro Tsuru (RIETI), Hiroyuki Ozaki (Tohoku Univ.), Kiyohiko G. Nishimura, Kazuya Kamiya (Univ. of Tokyo), Dolf Talman (Tilburg Univ.), Akihiko Matsui (Univ. of Tokyo), Yuichi Noguchi (Hitotsubashi Univ.), Ayumu Yasutomi (Univ. of Tokyo), J. Mark Ramseyer (Harvard Law School), Roberta Romano (Yale Law School), Masanao Aoki (UCLA/CIRJE), Hiroshi Yoshikawa (Univ. of Tokyo), Eric Rasmusen (Indiana Univ./CIRJE), Ryo Kambayashi (Tokyo Metropolitan Univ.), Mitsuhiro Kaneda (Georgetown Univ.), Hiroshi Ohashi (UBC), Shigehiro Serizawa (Tohoku Univ.), Johannes Moenius (Northwestern Univ./CIRJE), Ken-ichi Shimomura (Osaka Univ.), Koichi Futagami (Osaka Univ.), Hideki Konishi (Gakushuin Univ.), Atsushi Tsuneki (Osaka Univ.), Yoshiro Miwa (CIRJE, Univ. of Tokyo), Shinsuke Kambe (Gakushuin Univ.), Shingo Ishiguro (Ritsumeikan Univ.), Zenichi Shishido (Seikei Univ.), Tatsuhiko Nariu (Kyoto Univ.), *etc.*

Macroeconomics Workshop

This workshop's main focus is macroeconomic theory and macroeconomic empirical analysis. However, it has a broader scope than most macroeconomic workshops. Research from the fields of money and banking, public finance, industry analysis, and labor economics, is also included as long

as it has a macroeconomic perspective. The workshop is usually held on Thursday from 4:50pm to 6:30pm throughout the academic year. The participants are mainly faculty members and graduate students from the University of Tokyo, but the workshop is open to all economists who are interested in the topic. A bulletin of the workshop schedule is routinely circulated among other universities and research institutions. In addition to Hiroshi Yoshikawa and Fumio Hayashi, who are the organizers, Shin-ichi Fukuda and Toni Braun are regular faculty participants of this year's workshop. Speakers are invited from various universities in Japan and from abroad. The latest seminar schedule can be found on the homepage of CIRJE.

Ramana Ramaswamy (IMF/CIRJE), Yuka Ohno (Rice Univ.), Shin-ichi Fukuda (Univ. of Tokyo), Toni Braun (Univ. of Tokyo), Hideki Takayasu (SONY), Makoto Saito (Hitotsubashi Univ.), Keiichiro Kobayashi (RIETI), Shigenori Shiratsuka (BOJ), Ichiro Uesugi (METI), Takashi Kamihigashi (Kobe Univ.), Hiroshi Fujiki (BOJ), Richard Blundell (Univ. College London), Avinash Dixit (Princeton Univ.), Edward Prescott (Univ. of Minnesota/Federal Reserve Bank of Minneapolis/CIRJE), René Belderbos (Maastricht Univ.), Kiminori Matsuyama (Northwestern Univ.), Ayako Yasuda (Univ. of Pennsylvania), Yasushi Iwamoto (Kyoto Univ./CIRJE), Kotaro Tsuru (RIETI), Been-Lon Chen (Academia Sinica, Taiwan), Yukinobu Kitamura (Hitotsubashi Univ.), Masanao Aoki (UCLA/CIRJE), Hideo Akabayashi (Keio Univ.), Kazuhito Ikeo (Keio Univ./CIRJE), Mototsugu Shintani (Keio Univ.), *etc.*

The Workshop on Modern Business Organizations

The goal of this workshop is to promote communication among researchers in the areas of corporate strategy and organizational behavior. The workshop accomplishes this goal by providing researchers with a place where they can present and discuss their research. The workshop is designed to

complement professional conferences, which typically focus on works at an advanced stage of development. The workshop provides, in contrast, a forum where researchers can present work in early stages of development, exchange ideas, and develop a mutual understanding of research through intense discussions between presenters and attendees. These workshop activities enhance our understanding of strategy and organizational behavior.

The workshop was organized in June 1995, and is held on average twice a month during the academic year. The workshop normally meets from three to six o'clock on Wednesday.

Recent presentations are "Three flows in the field of organizational learning" (Fumie Ando, Nanzan University), "A prospect of EMS business model" (Masanobu Kita, Japan Bank for International Cooperation), "A stickiness of knowledge in the global product development" (Yasuo Sugiyama, Kyoto University), "New leadership theory and leadership development" (Toshihiro Kanai, Kobe University).

The Applied Statistics Workshop

Applied Statistics including Econometrics, Financial Econometrics, and Economic Statistics

The main purpose of this workshop is to promote communication among researchers in the area of applied statistics. We interpret applied statistics to broadly include research from the areas of econometrics, financial econometrics and economic statistics. Also several seminars on spatial statistics and spatial econometrics are jointly organized by this workshop and the Center for Spatial Information Science (CSIS) at the University of Tokyo.

<Recent Speakers>

Cheng Hsiao (Univ. of Southern California/Bank of Japan), Shigeo Kusuoka (Univ. of Tokyo), Naoto Kunitomo (Univ. of Tokyo), Genshiro Kitagawa (Institute of Statistical

Mathematics), Hideatsu Tsukahara (Seijyo Univ.), Yuichi Kitamura (Univ. of Wisconsin/CIRJE), Makoto Shimizu (Univ. of Tokyo), Keunkwn Ryu (Seoul National Univ.), Yasuhiro Omori (Univ. of Tokyo)

Urban Economics Workshop

This workshop is organized by faculty members and graduate students at the University of Tokyo, who are interested in urban economics, economic geography, transportation economics, and the economics of regulation. The workshop occasionally invites outside researchers working urban economics and related fields such as environmental economics and public economics. The workshop usually meets on a monthly basis during the academic year.

The Research Group on The Contemporary World Economy

The purpose of this research group is to promote cooperative research on structural change in the contemporary world economy. It has five small research groups: (1) international trade and finance, (2) the US economy, (3) the European economy, (4) the Japanese economy, and (5) the world economy and business cycle. Nihon Keizai Hyoronsha Ltd. has plans to publish the results of our research.

<Recent Speakers>

Tsuneo Mori, Atsushi Shimizu (Musashi Univ.), Masaki Takenouchi (Univ. of Tokyo), Masao Yokouchi (Hosei Univ.)

Political Economy Workshop

The purpose of this workshop is to promote communication among researchers in the area of political economy. The participants are mainly faculty members and graduate students of the University of Tokyo, but the

workshop is open to all political economists who are interested in this topic. Professors Michiaki Obata and Tokutaro Shibata are coordinating this year's workshop. The speakers are invited from various universities in Japan and from abroad.

Research Meeting on Economic History

The purpose of this meeting is to promote communication among researchers, mainly faculty members and graduate students of the University of Tokyo, specializing in economic history. The meeting invites outside researchers of this subject in Japan and the foreign countries. The meeting is normally held on Friday morning every week during the semester. A list of recent presenters is as follows.

Michel Margairaz (Univ. of Paris 8/CIRJE), Ken Ishikawa, Hidetoshi Miyaji, Daisuke Suzuki, Jaehuang Han, Yuzuru Miki, Koki Sakai, Takahiro Oba (Univ. of Tokyo, Graduate Students), Miki Sugiura (Research Fellow of JSPS), Eijiro Enomoto, Takuya Ishikawa, Eiji Hotori, Keiichiro Nakagawa, Jaehuang Han (Univ. of Tokyo, Graduate Students), Inman Yeo (Univ. of Tokyo), Akira Itagaki, Shuichi Takashima, Ken Kaneko, Eri Hirota (Univ. of Tokyo, Graduate Students), Yoshiki Morimoto (Kurume Univ.)

The Research Group on the Asian Automobile Industry

The year 2001 was another very active year for the Research Group on the Asian Automobile Industry. We held nine regular meetings in 2001. The geographical distribution of the topics was broad including 2 on China, 1 on Korea, 3 on ASEAN, 1 on Taiwan, 1 on Japan and 1 on a global issue. The speakers included business practitioners, industry analysts, academic researchers, and graduate students. Reflecting our growing interests in China's industrial competitiveness, we had seminars relating to China more often than average this year. There were also

some sessions about parts supplier systems in Japan, Korea, and ASEAN areas, reflecting our academic focus on this issue. Mr. Konno and Ms. Ma, doctoral students at the University of Tokyo Graduate School of Economics, continued to serve as organizers of this group. Some of the core members of this research group (including Prof. Takahiro Fujimoto) started a project on the impact of changes of product architecture on industrial performance in China and other Asian countries. Our research on this particular industry is as active as ever.

<Recent Speakers>

Etsuji Yokota (Kuroda Precision Industries Ltd.), Chen Jin (Univ. of Tokyo), Koichi Sugimoto, Ryuichi Hayashi (Nomura Securities Co.), Ichiro Sato (Senshu Univ.), Ko Ki-yong (Institute of Business History), Toshiyuki Baba (Univ. of Tokyo), Isao Kanie (Denso Co.), Kenichiro Nakayama (Sapporo Univ.), Yoshinori Konno (Univ. of Tokyo)

Available on the web

<http://www.e.u-tokyo.ac.jp/cirje/index>

Details of workshops updated frequently

Details of conferences and other forthcoming events

Discussion Papers you can directly download

Details of CIRJE research staff

Details of CIRJE Research Projects and the project supported by Ministry of Education

Research Staff



Yoshiro Miwa



Fumio Hayashi



Tatsuo Hatta

Director

Yoshiro Miwa

(Faculty of Economics, University of Tokyo)
April 1, 2001-

As an author, co-author, or co-editor of over a dozen books and numerous articles, Professor Miwa has written widely on economic issues, from industrial organization and regulation to the field of law and economics, primarily focusing on Japan. Most of his early works are, however, in Japanese. A notable exception is *Firms and Industrial Organization in Japan*, 1996 London: Macmillan. Most recently he has been interested in corporate finance, corporate governance, corporate law, and government regulation. He is currently collaborating with Professor J. Mark Ramseyer of Harvard Law School on a series of books and articles exploring the ties between corporate governance and corporate finance in Japan. A graduate of the University of Tokyo (B.A. and Ph.D.). He taught at Shinshu University before joining the University of Tokyo faculty in 1986.

Professors

Fumio Hayashi

(Faculty of Economics, University of Tokyo)
October 1, 1999-

Areas of special interest: Macroeconomics and Applied Econometrics

Tatsuo Hatta

(joint appointment with Center for Spatial Information Science, University of Tokyo)
August 1, 1999-

Areas of Special Interest: Public Economics, Urban Economics and Trade Theory

Associate Professor

R. Anton Braun

(Faculty of Economics, University of Tokyo)
April 1, 2001-

Professor Braun's current research areas are monetary economics and fiscal policy. His previous research on these two topics has appeared in *The Journal of Political Economy*, *the Journal of Monetary Economics* and *the NBER Macroeconomics Annual*. Professor Braun's recent research has focused on Japan. He is currently investigating the effects of government capital on labor productivity using Japanese prefecture level data. Professor Braun also has several projects that investigate the effects of Japanese monetary policy and other identified macroeconomic shocks on financial and goods markets. He is also embarking on several new projects. One considers the relationship between demographics and asset prices using long-run Japanese data and a second project investigates the welfare consequences of alternative international reserve management policies in an optimizing model of money.

Visiting Professors

Kazuhito Ikeo

(Faculty of Economics, Keio University)
April 1, 2001-March 31, 2002

Professor Kazuhito Ikeo has a longstanding interest in the Japanese financial system from the viewpoint of applied microeconomics and has written a number of books and academic papers on the subject. He was awarded the degree of Ph. D. in Economics for a thesis entitled

"Financial Markets and Organizations in Japan" by Kyoto University in 1987.

Professor Ikeo is also interested in policy issues and is an active member of the Japan's Financial Council. He has produced many proposals for reforming the Japanese financial system. Recently, he engaged in a comparative study of the Korean and Japanese economic systems with some of his colleagues and published a book (in Japanese) on the topic.

At CIRJE, he plans to reconsider how the current harrowing situation of the Japanese financial system came about by conducting a chronological analysis of the financial system of post-war Japan. Since Professor Ikeo is a member of the "Information Technology and the Market Economy" (ITME) Research Project, he also joins the sub-project on the "Measures of Transaction Type and Corporate Law System for Information Technology" headed by Professors Okuno-Fujiwara and Iwai (*cf.* p.6).

Yasushi Iwamoto

Tokio Marine Chair

(Institute of Economic Research, Kyoto University) April 1, 2001-March 31, 2002

Professor Yasushi Iwamoto's main research fields are public economics and macroeconomics. He has published many scientific papers on social security, infrastructure investment, and macroeconomic policy. While visiting CIRJE, he is engaged in research projects that are a part of the project on "Empirical Analysis and Design of Economic Systems" headed by Professor Fumio Hayashi (*cf.* p.4). His first project at CIRJE is to analyze the fiscal relationship



R. Anton Braun



Kazuhito Ikeo



Yasushi Iwamoto



J. Mark Ramseyer



Eric B. Rasmusen



Lionello F. Punzo

between national and local governments. A gradual reform cannot solve the current problems, which interact with each other in a very complicated manner. This project aims to design a new overall system, which overhauls subsidies and national and local tax rules. His second project is on reforms of the Fiscal Investment and Loan Program and special public institutions. The incentive effects of the FILP agency bonds and the adequate level of social infrastructure are examined.

J. Mark Ramseyer

(Harvard Law School, USA)

September 1, 2000–April 30, 2001

Areas of special interest: Law and Economics

Eric B. Rasmusen

(Kelley School of Business, Indiana

University, USA)

May 25, 2001–August 25, 2001

Professor Rasmusen's work spans several different areas. He is perhaps best-known for his book on game theory, *Games and Information*, which was translated into Japanese by Moriki Hosoe, Shozo Murata, and Yoshinobu Arisada. In recent years he has been working in the areas of industrial organization and law-and-economics. One of his recent papers is on optimal bidding in auctions in Internet auctions. These auctions often have surprising numbers of new bidders appearing in the last few minutes, and he explains this as a strategic response to the uncertainty some bidder's have over their values for the object being sold. Another current project is a book coauthored with J. Mark Ramseyer on political influences on

the Japanese judiciary, which uses statistical analysis to try to determine under what circumstances judges' careers have been hurt when they decided cases against the government. This book, *Judicial Independence: Economic Theory and Japanese Empirics*, will be published by the University of Chicago Press.

At Indiana University since 1992, Professor Rasmusen earlier taught at UCLA's business school, and has held visiting positions at the University of Chicago's Stigler Center, Yale Law School, and Harvard Law School.

Lionello F. Punzo

(Department of Political Economy,
University of Siena, Italy)

October 16, 2001–January 16, 2002

Professor Punzo in recent years has focused on a new method of dynamic analysis. This method integrates growth and fluctuations into a unified framework whereby growth cycles are generic and structural change is defined as a regime change, a regime being a region of values in a two-coordinate state space of dynamic variables. This framework has already been applied to a number of countries, and to industrial level data. In particular, within the recently finished project named "Industrial Development and European Employment", it has been implemented for the member states of the European Union on the eve of monetary unification, to explain their markedly different employment performance vis-à-vis that of the US; in the project "Mexico beyond NAFTA", the focus is on the impact of that treaty on the country's

industrial and regional dynamics. Out of these two projects emerged, on the one hand, the possibility of applying the same framework to the analysis of convergence issues when countries have entered into a free trade agreement (or other stronger forms of integration); and on the other hand, the need to analyze more disaggregated, firm level data. Building on previous joint work, Professor Punzo is collaborating with Professor Kiyohiko G. Nishimura in the development of a framework for the comparative analysis of firms' dynamics in three countries (Japan, France and Italy).

Short Term Visitors

Viktor V. Kondrashin

(Division of History, Penza Belinsky State
Pedagogical University, Russia)

March 20–31, 2001

Professor Kondrashin is a young historian, specializing in the peasant uprisings on the Volga in 1918–1922, and the famine in the course of collectivization in 1932–1933. During his stay in Japan he made two reports on his major field of study in Tokyo and Osaka, one of which has been translated in the Japanese academic journal *Studies on Russian History*. He began a Japanese-Russian joint project on the theme "20th Century Russian Agricultural History" with Professor Hiroshi Okuda (University of Tokyo) as its leader, covering the period from the peasant revolution (at the beginning of the 20th century) up to the devastation of the countryside and the present reforms.

Michel Margairaz

(University of Paris VIII)

March 28-April 21, 2001

Professor Margairaz is investigating the role of public enterprises in the transport, energy and banking sectors. This is part of a broader research initiative on the historical relationship between government and the socio-economic system in the Twentieth Century. While at CIRJE he discussed his research with many Japanese Economic Historians. Results of this research will be used to prepare an international conference on "History of the Economic Public Sector in the First Twentieth Century" which he will organize at Paris in 2003.

Masanao Aoki

(Department of Economics, University of California, Los Angeles, USA)

April 13-June 20, 2001

October 5-December 21, 2001

Ramana Ramaswamy

(The International Monetary Fund, USA)

April 12-13, 2001

Yuichi Kitamura

(Department of Economics, University of Wisconsin, USA) June 14-29, 2001

Edward C. Prescott

(Department of Economics, University of Minnesota, USA) July 23-25, 2001

Dilip Abreu

(Department of Economics, Princeton University, USA) July 23-25, 2001

Rafael Rob

(Department of Economics, University of Pennsylvania, USA) July 23-25, 2001

René Belderbos

(Faculty of Economics and Business Administration, Maastricht University, The Netherlands) July 25-August 7, 2001

Kiminori Matsuyama

(Department of Economics, Northwestern University, USA) August 2-23, 2001

Johannes Moenius

(Kellogg Graduate School of Management, Northwestern University, USA) September 25-December 4, 2001

Massimo Di Matteo

(Faculty of Economics, University of Siena, Italy) October 17-25, 2001

Kwok-Kei Wei

(Department of Information Systems, School of Computing, National University of Singapore, Singapore) December 5-12, 2001

Edward John Driffill

(Department of Economics, Birkbeck College, University of London, UK) December 17, 2001-January 4, 2002

Zvi Eckstein

(Department of Economics, Tel Aviv University, Israel) January 28-February 7, 2002

Max Gillman

(Department of Economics, Central European University) February 1-11, 2002

Research Associates**Naoki Shimoi**

(CIRJE, Faculty of Economics, University of Tokyo) April 1, 2000-March 31, 2002

Naoki Shimoi's major fields of research are econometrics and international economics. He is currently conducting an econometric analysis of trade that focuses on the influence of trade patterns. Trade patterns can be shown to be an important determinant of economic growth. He also has a great interest in the analysis of the relationship between trade blocs and global welfare.

Kazuki Yokoyama

(CIRJE, Faculty of Economics, University of Tokyo) April 1, 2001 - March 31, 2002

Kazuki Yokoyama's major fields of research are financial economics and economic history. He is currently conducting a criometric (econometrics and historical) analysis of corporate governance that focuses on managerial incentive mechanisms in pre-war Japan. His other research interests include market efficiency in pre-war Japan, and financial crises.

CIRJE NEWS**Partnership with the Center of Kellogg School of Management, Northwestern University**

CIRJE has formed a partnership with the International Business and Markets Research Center at the Kellogg School of Management directed by Professor Daniel Spulber. This partnership will deepen informational ties between the two research centers and explore possibilities of future joint research. It intends to generate increased mutual interest and understanding of research topics at the partnering centers and their home universities.

The partnership was formed in October 2001, while Professor Johannes Moenius stayed at the CIRJE as a short-term visitor. This visit facilitated the formation of the partnership engineered by the directors of the two centers. As a result of the new partnership, a first joint research project on industry coordination in Japan was established. Mutual visits of faculty and additional joint research projects are expected in the future.

CIRJE Discussion Paper Series

Most of the papers of past 5 years are downloadable from the website.

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Discussion Paper Series

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<http://www.e.u-tokyo.ac.jp/cirje/index>

F-Series (in English)

- CF-142.** Punzo, Lionello F., "The Look of Stagnation: Romania's Erratic Transition", December 2001.
- CF-141.** Kobayashi, Takao, Akihiko Takahashi and Norio Tokioka, "Dynamic Optimality of Yield Curve Strategies", November 2001.
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- CF-134.** Horioka, Charles, "Are the Japanese Selfish, Altruistic, or Dynastic?", October 2001.
- CF-133.** Iwami, Toru, "'Advantage of Latecomer' in Abating Air-Pollution: Experience in East Asia", September 2001.
- CF-132.** Miwa, Yoshiro and J. Mark Ramseyer, "Directed Credit? Capital Market Competition in High-Growth Japan", September 2001.
- CF-131.** Miwa, Yoshiro and J. Mark Ramseyer, "The Myth of the Main Bank: Japan and Comparative Corporate Governance", September 2001.
- CF-130.** Hanazaki, Masaharu and Akiyoshi Horiuchi, "Can the Financial Restraint Hypothesis Explain Japan's Postwar Experience?", September 2001.
- CF-129.** Kunitomo, Naoto and Yong-Jin Kim, "Effects of Stochastic Interest Rates and Volatility on Contingent Claims", September 2001.
- CF-128.** Matsushima, Hitoshi, "Stable Implementation", August 2001.

- CF-127.** Rasmusen, Eric B., "Strategic Implications of Uncertainty Over One's Own Private Value in Auctions", August 2001.
- CF-126.** Ramseyer, J. Mark and Eric B. Rasmusen, "When are Judges and Bureaucrats Left Independent? Theory and History from Imperial Japan, Postwar Japan, and the United States", August 2001.
- CF-125.** Abe, Makoto, "Investigating Behavioral Explanations for Asymmetric Price Competition", July 2001.
- CF-124.** Kitamura, Yuichi, Gautam Tripathi and Hyungtaik Ahn, "Empirical Likelihood-Based Inference in Conditional Moment Restriction Models", July 2001.
- CF-123.** Matsushima, Hitoshi, "The Folk Theorem with Private Monitoring", July 2001.
- CF-122.** Kunitomo, Naoto and Seisho Sato, "A Generalized SSAR Model and Predictive Distribution with an Application to VaR", July 2001.
- CF-121.** Fujimoto, Takahiro and Akira Takeishi, "Automobiles: Strategy-based Lean Production System", June 2001.
- CF-120.** Marsh, Terry and Takao Kobayashi, "The Contributions of Professors Fischer Black, Robert Merton, and Myron Scholes to the Financial Services Industry", June 2001.
- CF-119.** Arbatskaya, Maria, Kaushik Mukhopadhyaya and Eric B. Rasmusen, "The Parking Lot Problem", June 2001.
- CF-118.** Lyon, Thomas P. and Eric B. Rasmusen, "Option Contracts and Renegotiation in Complex Environments", June 2001.
- CF-117.** Janssen, Maarten and Eric B. Rasmusen, "Bertrand Competition Under Uncertainty", June 2001.
- CF-116.** Okazaki, Tetsuji, "The Role of the Merchant Coalition in Premodern Japanese Economic Development: An Historical Institutional Analysis", May 2001.
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