

Newsletter

Contents

February 2003, No.5

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 do joint research with members of CIRJE.

Within CIRJE, we have many research projects on various aspects of the Japanese economy, including macroeconomic policy, banking, information technology, regulation of network industries, corporate governance, inter-firm relationships, production systems, human resource management, and public finance. CIRJE'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, the Tokyo Electric Power Company, and Mr. Ryojiro Kojima (the chairman of Kojima Press Industry).

The Tokio Marine Chair was established by a donation from the Tokio Marine and Fire Insurance Company. Over the past five years this chair has supported research in the fields of finance, insurance, and social security. Associate Professor Kazuhiko Ohashi of Hitotsubashi University occupied the chair this academic year. The Chair also has provided support for two research projects, (1) "Statistical Aspects of Insurance and Finance" and (2) "A Comparative Study of the East Asian Financial and Economic Systems." Finally, the chair helped foster international exchanges and cooperation among scholars by supporting international conferences and visits of scholars from abroad.

A donation from the Tokyo Electric

Power Company supports three on-going research projects, (1) "Earnings Information and Stock Prices in Rate Regulated Industries" (2) "The Role of the Government in Network Industries" and (3) "Economic Analysis about Transaction Law in Network Industries."

The Ryojiro Kojima Chair established in June 2002 supports empirical research on the Japanese economy and industry. The Kojima Chair is providing funding for a new research initiative on the long-term development of Japanese inter-firm relationships and corporate governance since the Meiji-era. The principal investigator for this project is Professor Kazuo Wada of the University of Tokyo. The Kojima Chair is also funding visits to CIRJE by Professors Yoichi Kobayakawa and Tsuneo Suzuki who are participating in this research initiative.

Fumio Hayashi, a CIRJE member, has received a sizable grant from the Ministry of Education 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 Fumio Hayashi leads the coordinating committee, which oversees research in the six project areas. This grant supports research activities at CIRJE by assembling and organizing data needed for empirical research on the Japanese economy and by providing partial funding for international conferences sponsored by CIRJE.

Last year CIRJE welcomed "The IT Society and Market Economy" Project, headed by Masahiro Okuno-Fujiwara of the Graduate School of Economics. This project which is co-sponsored by the Japan Society for the Promotion of Science, started in 1998. The goal of this project is

to apply tools from economics and business administration to carry out theoretical and empirical analyses of ongoing changes in economic systems. The output of this project will be a set of policy recommendations that can be used to develop good policies and institutional arrangements in the 21st century.

CIRJE also has a new partnership with the International Business and Markets Research Center, which is directed by Professor Daniel Spulber of Northwestern University's Kellogg School of Management. This partnership hopes to promote information and research exchanges between the two Centers on variety of fronts.

One of the major tasks of CIRJE is to facilitate interaction with visitors from abroad. This year we welcomed many distinguished visitors with a broad range of research interests including: Haider Khan, Douglas Joines, Michael McAleer, Reiko Aoki, Kenneth Kim, Dominique Barjot, Ruilin Zhou, Irina Koznova, Shinichi Nishiyama, Jonathan Morduch.

CIRJE also fosters international exchanges by hosting international conferences. This year CIRJE hosted four international conferences; (1) The NBER/CIRJE/EIJS/CEPR Japan Project Meeting; (2) A conference on "Statistical Problems of Insurance and Finance"; (3) The 4th CIRJE-TCER Macro Conference; and (4) The TRIO 2002 Conference.



Hugh Patrick, CIRJE Advisor and Yoshiro Miwa, Director of CIRJE

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Conferences

NBER/CIRJE/EIJS/CEPR Japan Project Meeting

September 13-14, 2002

The Asian Development Bank, Institute in Kasumigaseki Building, Kasumigaseki, Tokyo

Sponsored by: The Japanese Government Ministry of Education Grant-in-Aid for Scientific Research on Priority Areas
Organizers: Magnus Blomström, Jennifer Corbett, Fumio Hayashi and Anil Kashyap



The fourth 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 13 and 14, 2002, at the Asian Development Bank Institute in the Kasumigaseki Building. More than 80 academics, private-sector economists, journalists, and policymakers from within and outside Japan participated. Mr. Haruhiko Kuroda, Vice Minister of International Affairs of the Japanese Ministry of Finance, gave a lunchtime speech. Ten papers covering current economic issues as well as historical events were presented. There was also a lively panel discussion on Japanese monetary policy.

PROGRAM

Session 1

Chair: Magnus Blomström (Stockholm School of Economics)

Joe Peek (University of Kentucky), Eric Rosengren (Federal Reserve Bank of Boston)
Corporate Affiliations and the (Mis) Allocation of Credit
Discussant: Kaoru Hosono (Nagoya City University)

Patrick McGuire (Bank for International Settlements)
Bank Ties and Bond Market Access: Evidence on Investment-Cash Flow Sensitivity in Japan
Discussant: Kazuyuki Suzuki (Meiji University)

Session 2

Chair: Hugh Patrick (Columbia University)

John Sutton (London School of Economics)
Market Share Dynamics in Japanese Manufacturing
Discussant: Thomas Hubbard (University of Chicago)

Lunch Speaker: Haruhiko Kuroda (Vice Minister for International Affairs, Ministry of Finance of Japan)

Session 3

Chair: Anil Kashyap (University of Chicago)

Rasmus Fatum (University of Alberta), Michael Hutchison (UC, Santa Cruz)
Is Foreign Exchange Market Intervention an Alternative to Monetary Policy? Evidence from Japan
Discussant: Linda Tesar (University of Michigan)

Takatoshi Ito (University of Tokyo)
Is Foreign Exchange Intervention Effective? The Japanese Experiences in the 1990s
Discussant: Linda Tesar (University of Michigan)

Session 4

Chair: Masaru Yoshitomi (Asian Development Bank Institute)

Panel Discussion on *Monetary Policy*
Speakers: Robert Feldman (Morgan Stanley Japan Ltd.), Takatoshi Ito (University of Tokyo), Nobuyuki Nakahara (Former Member, BOJ Policy Board)

Session 5

Chair: Jennifer Corbett (Australian National University)

Kazuo Ogawa (Osaka University)
Financial Distress and Employment: The Japanese Case in the 90s
Discussant: Hidehiko Ichimura (University College London)

Tokuo Iwaisako (Hitotsubashi University)
Household Portfolios in Japan: Interaction between Equity and Real Estate Holdings over the Life Cycle
Discussant: Luigi Guiso (Universita di Sassari)

Yasushi Hamao (University of Southern California), Jianping Mei (New York University), Yexiao Xu (University of Texas)
Idiosyncratic Risk and Creative Destruction in Japan
Discussant: Jessica Wachter (New York University)

Session 6

Chair: Fumio Hayashi (University of Tokyo)

Colin Mayer (University of Oxford), Koen Schoors (University of Ghent), Yishay Yafeh (Hebrew University)
Sources of Funds and Investment Activities of Venture Capital Funds: Evidence from Germany, Israel, Japan and the UK
Discussant: Seki Obata (Hitotsubashi University)

Donald Davis and David Weinstein (Columbia University)
A Search for Multiple Equilibria in Urban Industrial Structure
Discussant: Takatoshi Tabuchi (University of Tokyo)



Conference on “Statistical Problems in Insurance and Finance”

February 15, 2002
venue: the Faculty of Economics,
University of Tokyo
Organizer: Naoto Kunitomo

The second conference on “Statistical Problems in Insurance and Finance” was held in the new economics building at the University of Tokyo on February 15, 2002. The goal of this conference was to provide a forum for developing and applying tools from statistics and actuarial sciences to current issues and problems in the insurance and finance industries. Syuji Tanaka (NLI Research Institute) gave a talk on current issues of risk management in the life insurance industry. Then Kuniyoshi Saito presented some results from an empirical analysis of risk attitudes of consumers towards casualty and property risks. Also Naoto Kunitomo (the project leader) gave a short presentation on statistical problems in risk management and finally Kazumitsu Nawata talked about the statistics of risk analysis of automobile accidents in Japan. These presentations

produced some intense discussions and even controversy about the relative merits of alternative methods of statistical risk measurement in practical business applications in the insurance industry. Some fundamental economic questions were raised about how well current product lines of insurance policies match up with the risks that consumers are most concerned about. The next conference plans to focus on research activities in stochastic analysis, statistics, and their applications to finance.

The 4th CIRJE-TCER Macro Conference

September 28, 2002
venue: the Kyoto Kangyo Kaikan
Organizers: Kenn Ariga, Charles Yuji Horioka,
Fumio Hayashi

The fourth annual CIRJE-TCER macroeconomics conference was held at the Kyoto Kangyo Kaikan on September 28th, 2002. Kenn Ariga, Charles Yuji Horioka, and Fumio Hayashi organized the conference. About 30 economists from leading universities and the Bank of Japan participated. Six papers were presented. These

papers were selected after a competitive review of submissions in response to a call for papers. Two major topics covered by those papers are: household saving and recent Japanese bank behavior.

TRIO 2002 Conference

December 10-11, 2002
venue: the International House of Japan
Co-organized by Research Institute of Economy,
Trade and Industry (RIETI)
Organizer: Motoshige Itoh

The theme of the conference was New Developments in Empirical International Trade. It was held at International House in Roppongi on the 10th and 11th of December 2002. Participants supported by the NBER included David Weinstein and Donald Davis (Columbia University), James Harrigan of Federal Reserve Bank of New York and John Ries of the University of British Columbia. CEPR supported the visit of Stephen Redding of the London School of Economics and Simon Evenett of the World Trade Institute.

Ryojiro Kojima Chair of the Japanese Economy and Industry

The Ryojiro Kojima Chair (June 2002-May 2007) was established by a donation from Mr. Ryojiro Kojima, Chairman of the Board of Directors of the Kojima Press Industry Co. Ltd., to support empirical research on the Japanese economy and industry. This academic year the Chair funded a new research initiative to investigate the long-term development of Japanese inter-firm relationships and corporate governance since the Meiji-era, and the development of the Japanese automobile industry, focusing on the automobile-parts manufacturing industry. Professor Kazuo Wada along with two CIRJE visiting professors, Youichi Kobayakawa of Chubu University and Tsuneo Suzuki of Gakushuin University are leading the research initiative.

Standing from right to left: Yoshiro Miwa, Yoichi Kobayakawa,
Ryojiro Kojima, Tsuneo Suzuki and Kazuo Wada
venue: the Red Gate of the University of Tokyo



Research Projects

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

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 initiative 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 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 (CIRJE and University of Tokyo). The research activities of these six groups are coordinating committee, which consists of the six group leaders. CIRJE administers the budgets of the groups headed by University of Tokyo faculty members and maintains the project's website.

The ultimate objective of this research initiative is to provide policy recommendations that can be used to re-engineer the Japanese economic system to face new challenges in the 21st century. The project has 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, conferences, both domestic and international, will be organized so that affiliated researchers can present their research in progress and also benefit from the feedback of other conference partici-

pants. In particular, the international conference series that the CIRJE organizes 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 Hayashi.

Evaluation and Design of Japanese Monetary and Fiscal Policies

Group Members

Fumio Hayashi (Group Leader, CIRJE and University of Tokyo)
Toshihiro Ihuri (Economic and Social Research Institute, Cabinet Office, Government of Japan)
R. Anton Braun (CIRJE and University of Tokyo)
Etsuro Shioji (Yokohama National University)

This group which is part of the research initiative: "Empirical Analysis and Design of Economic Systems" focuses on evaluating current and past Japanese fiscal and monetary policies and evaluating the welfare consequences of alternative policies. Since its inception in fiscal year 2000, this group has conducted the following research. R. Anton Braun and Etsuro Shioji have developed an identification technique suitable for use in a vector autoregression model. They have been working on the identification of monetary policy and other macro economic shocks using this technique and now have results that can be used to quantify the response of the Japanese yield curve to innovations in Bank of Japan monetary policy and identify the role of alternative macroeconomic shocks in explaining the rise and fall of the Japanese bubble economy. Toshihiro Ihuri has been on leave at the Economic and Social Research Institute of the Cabinet Office of the Japanese government. While

there, he has examined the interaction between the central government and local governments and the sustainability of the deficit. Fumio Hayashi has completed his analysis (in collaboration with Edward C. Prescott of the University of Minnesota) on the implication of the productivity slowdown for the Japanese macroeconomy.

Comparative Institutional Analysis

Group Members

Masahiro Okuno-Fujiwara (Group Leader, University of Tokyo)
Kiyohiko G. Nishimura (University of Tokyo)
Kazuya Kamiya (University of Tokyo)
Tetsuji Okazaki (University of Tokyo)
Hitoshi Matsushima (University of Tokyo)
Akihiko Matsui (University of Tokyo)
Noriyuki Yanagawa (University of Tokyo)
Mamoru Kaneko (Tsukuba University)
Takashi Shimizu (Hitotsubashi University)

This group is using funding from the research initiative: "Empirical Analysis and Design of Economic Systems" to conduct theoretical and empirical analyses of institutions and to propose desirable institutional arrangements for society. To wit, we have been working on a theoretical analysis of social conventions and their coordination, a study of long-run relationships, research on money, a historical analysis of regulatory regimes and worker organizations, a study of the Japanese economic system since 1975, as well as an empirical analysis of labor productivity. A more detailed discussion of each of these research topics follows.

If two communities are socially and/or economically integrated, members of a minority group may have an incentive to adopt behavior of the majority group even if it is at odds with their own preferred behavioral patterns. This force for coordination which, is referred to as a strategic complementarity, has been studied extensively elsewhere. Typically, only gains from

trade and coordination are mentioned, and the focus is on how a particular set of arrangements can produce coordination on a desirable outcome. A formal welfare analysis is typically absent. Matsui & Okuno-Fujiwara (2002, JER) and Katz & Matsui (2002) extend the previous literature by performing formal welfare analyses in models of economic and societal integration.

It is a widely known that in a long-term relationship collusion may be possible as a self-enforcing non-cooperative equilibrium. This result, however, depends on the assumption that players can commonly observe public signals that have information about their action choices. In many situations such as price setting oligopoly with demand fluctuations, this assumption is unlikely to hold; economic agents may only observe private signals. Matsushima (2002) shows that, under a weak condition, the Folk Theorem holds even if players only observe private signals.

Kamiya & Shimizu (2002) show that, in any matching model with perfectly divisible media of exchange, stationary equilibria are generically indeterminate. They also show that appropriate tax-subsidy systems can select an efficient equilibrium and make it determinate. They present a new technique to prove the existence of stationary equilibria as well.

Tetsuji Okazaki has been studying the effects of institutions on economic efficiency. He has compiled a Japanese database of bank exits and bank financial data in the prewar and postwar periods, and analyzed the ability of different regulatory regimes to eliminate inefficient banks. He is also analyzing how wartime organizations of shop floor level workers (*sangyo hokokukai*) influenced productivity and labor disputes.

Okuno-Fujiwara (2002) analyzes the effects of the "1975 regime" on the Japanese economy in 1980's and 90's from a political economy perspective. The expression "1975 regime" refers to the fact that long-term employment as well as long-term relationships became institutionalized and the so-called Japanese economic system became fixed in people's mindset in 1975,

when labor unions, firms and the government struck an implicit social contract to respond to the stagflation created by the first oil crisis. The 1975 regime is important, for understanding the performance of the Japanese economy in the 1980's and 90's, because it provided different incentives to industries subject to international competition, on the one hand, and domestic industries producing non-traded goods and regulated industries on the other hand.

Kiyohiko Nishimura is conducting an empirical analysis of labor productivity. Recently he has been concentrating his efforts on compiling a comprehensive database of labor inputs and wages covering the period of 1980-98. The most attractive feature of this database is that it disaggregates the labor force by age. He is using this information to investigate the extent to which advances in information and communication technology can offset declines in the number of old and young workers. His preliminary results indicate that advances in information and communication technology in conjunction with higher human capital can be effective in offsetting the labor input declines these demographic groups. He is now preparing to extend the data set into 1970s. After that he plans to update it to include more recent data.

The Construction of Comparative Theories and Data Bases in International Finance

Group Members

Shin-ichi Fukuda (Group Leader, University of Tokyo)

Shinji Takagi (Osaka University and IMF)

Eiji Ogawa (Hitotsubashi University)

Cooperative Members

Kiminori Matsuyama (Northwestern University)

Takeo Hoshi (University of California, San Diego)

Kar-yiu Wong (Washington University)

This group is using funding from the research initiative: "Empirical Analysis and Design of Economic Systems" to develop new theories of international finance and to examine their empirical relevancy using international data. Ultimately, it is expected that these results will be used to identify the characteristics of a successful financial system in the current international finance environment. The Asian crisis that occurred in 1997 has produced a large number of papers that offer prescriptions for reducing the risks of future crises. We have, however, not yet reached a definitive conclusion on what system is best for East Asian economies. Some researchers have constructed excellent theoretical models. But these models are usually too abstract to be applied to actual policy making. In contrast, other researchers have performed excellent empirical studies using rich data sets. The theoretical underpinnings of these analyses though are sometimes rather vague. Relatively little research to date has sought to reconcile the predictions of theoretical models with the empirical facts using unified analytical framework.

One goal of our group is to promote research that combines theory with measurement. Two areas of current interest are exchange rates and international capital flows. With respect to exchange rates we are developing and applying state of the art theories of exchange rate movements to answer the policy question of what is a

Available on the web
<http://www.e.u-tokyo.ac.jp/cirje/index>

Details of conferences hosted by CIRJE can be found at our website.

desirable exchange rate arrangement in East Asia. We are also investigating what the nature and pattern of current international capital flows to East Asia and current exchange rate regimes in this region imply about the need for rules that restrict international capital flows. From 2002 to 2003, the group will focus on the analysis of “a desirable exchange rate system in East Asia”.

This group stresses the importance of joint research between domestic and foreign scholars. We have already organized three international conferences that provide a forum where theoretical and empirical economists can present their research and exchange ideas. Our most recent conference was held at National Taiwan University in Taipei, Taiwan on July 24-25 2002. The title of this conference was “The Asian Crisis IV: Road to Recovery.” At this conference papers were presented that examined the causes and effects of the Asian crisis and the recent recovery of affected countries. We plan to hold another international conference with the NBER, CEPR, and the University of Washington in 2003.

CIRJE Discussion Paper Series

Most discussion papers from the past five years can be downloaded from our website.

The CIRJE Discussion Paper Series also contributes to RePEc (<http://ideas.uqam.ca/>), one of the largest databases dedicated to Economics.

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 Transaction Type and Corporate Law System for Information Technology”
Leader: Katsuhito Iwai (University of Tokyo)

Subproject (2): “Information Technology and Industrial Policy and Regulation”
Leader: Masahiro Okuno-Fujiwara (University of Tokyo)

Subproject (3): “System Design for Digital Government”
Leader: Yoshitsugu Kanemoto (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)

Subproject (5): “Case Study on the Effects of Information Technology in Corporate Organization”
Leader: Noriyuki Yanagawa (University of Tokyo)

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)

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

Leader: Junjiro Shintaku (University of Tokyo)

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

Leader: Takahiro Fujimoto (University of Tokyo)

This project has been carried out by the faculty of economics of the University of Tokyo as a sub-project of the Electronic Society System under the auspices of the Japan Society for the Promotion of Science (JSPS). The output of this project is documented in over 100 research papers that can be accessed through the Information Technology and the Market Economy (ITME) home page (<http://www.e.u-tokyo.ac.jp/itme>).

The purpose of the project is to analyze the influence of information technology on firms and the market economy. Our project has analyzed changes in the economic system, evaluated alternative policy responses to these changes and proposed how institutions should adapt to these changes in the 21st century.

Words such as “IT revolution” or “digital economy” are frequently used to emphasize the advantage of IT. It is true that IT advances have increased transmission speeds and lowered transmission costs and thereby produced a tremendous increase in the size of information flows. However, these gains are limited by the ability of humans to absorb and process all of this information. One aspect of this is an increase information asymmetries between individuals, enterprises, and government. These information asymmetries can produce bad outcomes because decision makers are often lacking relevant information.

This project is divided into the following 3 groups.

1. Performance change in the economic system caused by IT

This group conducts research on how changes in IT affect the efficiency of firms and the market allocation mechanism. A large body of research has been produced

and used to make suggestions on appropriate policy responses to changes in IT.

2. Changes in the private section and firm's strategy, structure caused by IT

This group is investigating changes in the nature of firm structure and activities and also creating an index of firm activities.

3. Economic analysis of policy and institution

This group applies the tools of institutional analysis to investigate how government institutions and policy should respond to changes in IT. This group has produced a large number of recommendations for policy makers.

Our empirical research indicates that IT advances have a nonlinear effect on both firm strategies and the economy more generally. This result is novel because most previous research has found that the relationship is linear. Some of our more detailed findings are listed below.

- (1) The effect of adopting IT is not always positive.
- (2) The magnitude of IT changes on firms and the economy depends on the economic system and enterprise system.
- (3) Reforms of organizational structures, corporate culture, commitment degree of top managers, and the type of interrelation between firms is essential to realize the gains from advances in IT. That is to say our research indicates that the market system and firms' structure and strategies have to be consistent with IT tools.

This year is the final fiscal year of the project. One of our most important research achievements relates to digital broadcasting (see the URL listed above for more information). Our research in this area was documented in a book entitled "Electronic society and the market economy-digitalization and the change of market economy" that was published by Shinseisha in December 2002.

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

Statistical Aspects of Insurance and Finance

Project Members

Naoto Kunitomo (Project Leader, University of Tokyo)
 Yoshihiro Yajima (University of Tokyo)
 Yasuhiro Omori (University of Tokyo)
 Nakahiro Yoshida (University of Tokyo)
 Akihiko Takahashi (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 been concentrated in the areas of extreme value theory, continuous time stochastic jump processes, and their applications to insurance and finance.

We have invited a number of guests to give seminars in the Applied Statistics Workshop within the Graduate School of Economics, University of Tokyo. The guests and abbreviated titles of their talks follow.

Cheng Hsiao (University of Southern California) "*Aggregate versus Disaggregate Data Analysis*"
 Teruo Nakatsuma (Keio University) "*Bayesian Analysis of the Correlated Sequential Probit Model*"
 Yong-Jim Kim (Tokyo Metropolitan University) "*Option Pricing Performance under Stochastic Volatility*"
 Atsushi Inoue (North Carolina State University and CIRJE) "*In-Sample or Out-of-Sample Tests of Predictability*"

We also organized a research conference on "Statistical Problems of Insurance and Finance" that was held on February 15, 2002 at the Graduate School of Economics, University of Tokyo (*cf.* p.3). The main speakers and the titles of their talks were discussed above.

A Comparative Study of the East Asian Financial and Economic Systems

Project Members

Akiyoshi Horiuchi (Project Leader, University of Tokyo)
 Shin-ichi Fukuda (University of Tokyo)
 Weiyang Zhang (Beijing University)
 Sang-Kee Min (Seoul National University)
 Baekin Cha (Korea Institute of Finance)

CIRJE has sponsored a comparative study of East Asian financial systems that is jointly organized by scholars from three universities. Akiyoshi Horiuchi from the University of Tokyo, Min Sang Kee from Seoul National University and Weiyang Zhang from Beijing University are organizers of the research project. The purpose of this research project is to undertake a comparative study of financial systems and macroeconomic policies in Japan, Korea, and China and to derive policy implications. A conference entitled "Pursuing Financial Stability and Regional Cooperation" will be held in February 2003 in Tokyo to present results of research undertaken at the three universities. Participants will include scholars from Seoul National University and Beijing University. In addition, Japanese scholars conducting research on East Asian economies and financial economics will also participate in the conference.

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

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 activities.

Earnings Information and Stock Prices in Rate Regulated Industries

Project Members

Takashi Obinata (Project Leader, University of Tokyo)

Shizuki Saito (University of Tokyo)

This project investigates the usefulness (value relevance) of accounting information in rate-regulated industries. Though prior studies have investigated the linkage between the rate setting of utilities and accounting information, this information has been primarily for internal use. In Japan, the usefulness of publicly disclosed accounting information, has not been investigated for a long time. When accounting academicians study the usefulness of accounting information their major interest is on non-regulated business companies. Many empirical studies exclude public utilities (and also financial institutions) from the sample.

However, because listed utilities issue securities (stocks and bonds) in the capital market, the association between accounting information and security prices in the market warrants investigation. In general, accounting information is produced for public disclosure. Regulating agencies only use this information for convenience. Therefore, it is meaningful to research how regulation affects the usefulness of public accounting information. For these reasons, we are investigating the association between accounting earnings information and stock prices.

In fact, the empirical results of our research support the hypothesis that earnings information is value-relevant in the electric utilities industry. However, it is not still clear whether earnings in electric utilities are value-relevant in the same fashion as in non-regulated industries. The importance of earnings reports depends on the persistence of the earnings reports, which is determined by the competitive environment that the firm faces. Therefore, in order to clarify the difference in relevance across industries, it is necessary to investigate how the competitive environment affects the relevance of

earnings.

To establish a benchmark in understanding the relevance of earnings in rate-regulated industries, we first examine the relevance of earnings in industrial firms. After those preparatory studies, we investigate and report the usefulness of accounting information by testing empirically the association between stock prices and earnings, while controlling for the regulation climate in the regulated industry.

Regulation in Network-type Industries

Project Members

Yoshiro Miwa (Project Leader, CIRJE and University of Tokyo)

Tatsuo Hatta (CIRJE and University of Tokyo)

Yoshitsugu Kanemoto (University of Tokyo)

Kazuo Wada (University of Tokyo)

Takashi Obinata (University of Tokyo)

Noriyuki Yanagawa (University of Tokyo)

Toshihiro Matsumura (University of Tokyo)

Yukihiro Kidokoro (University of Tokyo)

The goal of this project is to carry out an economic analysis on the role of government policies in network-type industries, such as electric power, natural gas, telecommunications, and transportation. The main focus of our research is the energy industry, which is experiencing fundamental changes in the regulatory environment. Many of our members are actively involved in the formation of new regulatory policies in the electric and natural gas industries in Japan and the research outputs the project are a valuable input into the policy deliberations.

We have recently setup a homepage for the project. Its URL is: <http://www.e-u-tokyo.ac.jp/cirje/network/index.html>. The homepage contains the output of our research as well as links to institutions and researchers throughout the world who are active in the field. The project also sponsors workshops where project members and outside guest speakers present their own

research. Workshops held this year are as follows.

Toru Hattori and Mika Kitamura (Central Research Institute of Electric Power Industry), *Performance Comparisons of the Electric Industry*, June 26, 2002

Yoshitsugu Kanemoto, *Technological Characteristics of Electricity Supply and the Market Design*, September 24, 2002.

Takashi Obinata, *Discretionary Determination of Nuclear Power Related Costs*, November 20, 2002.

Economic Analysis about Transaction Law in Network Industries

Project Members

Noriyuki Yanagawa (Project Leader, University of Tokyo)

Yoshiro Miwa (CIRJE and University of Tokyo)

Yoshitsugu Kanemoto (University of Tokyo)

Toshihiro Matsumura (University of Tokyo)

This research project studies legal issues on transactions in network-type industries. Advances in information technology have drastically changed transactions in network-type industries. Rapid growth in e-commerce has created new problems in guaranteeing the legal protections of privacy and individual rights. It is still unclear whether or not current liability rules are sufficient for promoting Net Trading. Moreover, there is little research on the economic effects of Japanese transaction law. This motivates our research into how the legal system should respond to these changes in the business environment. In this research project, we are providing a theoretical evaluation of the Japanese legal system, especially as relates to Japanese transaction law and Japanese contract law.

We hold a monthly seminar to discuss important issues such as optimal liability rules or optimal information disclosure. Plans are also being made to publish our

research results in a book and we have already held an academic conference to coordinate the various contributors' activities. A remarkable feature of our monthly seminar is the participation of many famous legal theorists. Most of the final papers will be joint work between economists and legal theorists.

Seminar Participants

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)

TRIO2002 (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 (Tokutarō 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)

Available on the web

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

Current workshop schedules and presentation material

Details of conferences and other forthcoming events

CIRJE Discussion Papers

Details about CIRJE Research Staff

Updates on CIRJE research initiatives

Workshops

Current workshop schedules can be found on CIRJE's website (<http://www.e.u-tokyo.ac.jp/cirje/index>).

Macroeconomics Workshop

This workshop's main focus is macroeconomic theory and macroeconomic empirical analysis, but it has a wider scope than many other 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 in Lecture Hall No.4 on the 3rd floor of New Economics Building throughout the academic year. Most participants are either faculty members or 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. Shin-ichi Fukuda and R. Anton Braun are the current organizers of the macroeconomics workshop. Speakers are invited from various universities in Japan and from abroad. The following is a partial list of speakers who presented in the macroeconomics workshop during the 2002 academic year.

Recent Speakers

Nobuyoshi Yamori (Nagoya University), Yoshiyasu Ono (Osaka University), Cheng Hsiao (University of Southern California), Takanobu Nakajima (Keio University), Shumpei Takemori (Keio University), Shinsuke Ikeda (Osaka University), Laurence Ball (Johns Hopkins University), Kwanho Shin (University of Korea), Masao Ogaki (Ohio State University), Giorgio Brunello (University of Padova), William Roberds (Federal Reserve Bank of Atlanta and CIRJE), Kenneth Kim (State University of New York at Buffalo and CIRJE), Kiminori Matsuyama (Northwestern University and CIRJE), John Sutton (London School of Economics), Hidehiko Ichimura (University College London),

Tsutomu Watanabe (Hitotsubashi University), Paul Beaudry (University of British Columbia), Chris Telmer (Carnegie Mellon University and CIRJE), Radim Bohacek (Charles University and CIRJE), Michal Kejak (Charles University and CIRJE), Ruilin Zhou (Federal Reserve Bank of Chicago and CIRJE), Yuko Hashimoto (Keio University), Shinichi Nishiyama (Congressional Budget Office, USA and CIRJE), Katsuya Takii (Osaka University), Douglas Joines (University of Southern California and CIRJE), M. S. Eichenbaum (Northwestern University and CIRJE) and Sergio Rebelo (Northwestern University and CIRJE), Haider Khan (University of Denver and CIRJE)

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. 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 CIRJE's website. Recent guest speakers in the Microworkshop are listed below.

Recent Speakers

Motohiro Sato (Hitotsubashi University), John Sutton (London School of Economics), Yasuhiro Omori (University of Tokyo), Bill Sandholm (University of Wisconsin, Madison and CIRJE), Joseph Hofbauer (Universität Wien and CIRJE), Hitoshi Matsushima (University of Tokyo), In-Koo Cho (University of Illinois, Urbana-Champaign and CIRJE), Jay Wilson (Michigan State University), Kazuya Kamiya (University of Tokyo), Takashi Shimizu (Hitotsubashi University), Fumio Takahashi (Chuo University and CIRJE), Ronald W. Jones (University of Rochester), Yiting Li (National Tsing Hua University

and CIRJE), Yasuyuki Miyahara (Kobe University), Masaki Aoyagi (Osaka University), Seki Obata (Hitotsubashi University), Masayuki Tanimoto (University of Tokyo), Hiroyuki Ozaki (Tohoku University), Yoshiro Miwa (University of Tokyo), Hajime Kobayashi (Osaka Prefectural University), Johannes Moenius (Northwestern University and CIRJE), Dan Sasaki (University of Tokyo)

The Workshop on Modern Business Organizations

The goal of this workshop is to promote communication among researchers in the area of corporate strategy and organizational behavior. The workshop accomplishes this goal by providing researchers with a forum where they can present and discuss their research. The workshop is designed to complement professional conferences, which typically focus on work at an advanced stage of development. The workshop provides, in contrast, a forum where researchers can present work that is in early stages of development, exchange ideas, and develop a mutual understanding of research through an intense discussion between the presenter and attendees. These workshop activities help to 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 is normally held in Lecture Hall No.3 on the 3rd floor of the Economics building from three to six o'clock on Wednesday.

The recent presentations include: "Social construction of management theory: The development process of resource-based view of the firm" (Hisanaga Amikura, Sophia University); "Value differentiation: Organizing innovation of product concept" (Ken Kusunoki, Hitotsubashi University); "Economics of modularity" (Kotaro Tsuru, The Research Institute of Economy, Trade and Industry (RIETI)); "A transfer of the Japanese style production system to an overseas subsidiary: An independent sub-

sidiary and an international joint venture” (Juhn, Wooseok, Chukyo 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 seminars on spatial statistics and spatial econometrics are often jointly organized by this workshop and the Center for Spatial Information Science (CSIS) at the University of Tokyo.

Recent Speakers

Cheng Hsiao (University of Southern California and Bank of Japan), Yoshinori Kawasaki (Institute of Statistical Mathematics), Teruo Nakatsuma (Keio University), Yong-Jim Kim (Tokyo Metropolitan University), Atsushi Inoue (North Carolina State University and CIRJE), Hiroshi Tsuda (NLI Research Institute), Takashi Omori (Economic and Social Research Institute, Cabinet Office), Nobuaki Hoshino (Kanazawa University)

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.

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. Michiaki Obata and Tokutaro Shibata are coordinating this year's workshop. The speakers are invited from various universities and institutions.

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.

Research Meeting on Economic History

The purpose of this workshop is to promote communication among researchers, mainly faculty members and graduate students of the University of Tokyo, specialising in economic history. The workshop also invites outside researchers from Japan and the rest of the world. The workshop is normally held on Friday morning every week during the semester.

Recent Speakers

Masahiro Ogiyama (University of Tokyo), Natsuki Natake (University of Tokyo), Masayuki Tanimoto (University of Tokyo), Tomoji Onozuka (University of Tokyo), Naoki Odanaka (Tohoku University),

Dominique Barjot (Paris-Sorbonne University and CIRJE), Akinobu Numajiri (Sizuoka University), Naoki Fukuzawa (Nagoya University).

The Research Group on the Asian Automobile Industry

This has been a very busy year for the Research Group on the Asian Automobile Industry. The number of attendants also had been very large (in some of the meetings over 40 people participated), and we have had a hard time finding a room that is large enough for the audience. Yoshinori Konno, Ma Jia and Ku Seunghwan continued to work as organizers for the group. We held regular meetings 9 times in 2002. The speakers included business practitioners, industry analysts, academic researchers, and graduate students. The topics included three on China, three on ASEAN, one on Korea, one on Japan and one worldwide issue. Reflecting our growing interests in China's industrial competitiveness, we had seminars relating to China more often than average this year. In addition, some of the core members of this research group including 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 the automobile industry is as active as ever. Recent speakers in the workshop are listed below.

Recent Speakers

Nguyen Phuc Khang (Foreign Trade University, Vietnam), Yoshitarou Iiyama (AMACS Consulting Inc.), Koichi Shimokawa (Tokai Gakuen University), Takahiro Fujimoto *et al.* (University of Tokyo), Shu-ei (Atomi University), Masanobu Kita (Nomura Research Institute Ltd.), Hiroko Takekawa (Yokohama National University), Toyoharu Fujimoto and Takashi Shimizu (Thailand Automotive Institute and JICA), Yasuo Sugiyama (Kyoto University) and Jyun Ohtahara (Toho University).

Research Staff



Yoshiro Miwa



Fumio Hayashi



Tatsuo Hatta



R. Anton Braun

Director

Yoshiro Miwa

(University of Tokyo)
April 1, 2001-

Areas of special interest: Industrial Organization, Regulation, Law and Economics

Professors

Fumio Hayashi

(University of Tokyo)
October 1, 1999-

Areas of special interest: Macroeconomics and Applied Econometrics

Tatsuo Hatta

(University of Tokyo)
August 1, 1999-

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

Associate Professor

R. Anton Braun

(University of Tokyo)
April 1, 2001-

Monetary Economics and Fiscal Policy

Visiting Professors

Fumio Takahashi

(Chuo University)
April 1, 2002-September 30, 2002

Fumio Takahashi's main research fields are corporate finance, investment management and venture investment. Recently, he has been engaged in research on how Japanese firms should change their corporate objective from expansion of business to value creation. He is also doing research on

the process of individual investors' investment activity, especially for defined contribution plans. While visiting CIRJE, he is engaged in a comparative study between Japanese and U.S. venture capital with regard to investment style and performance. Based on this research, he has written a paper to describe the current situation and problems facing Japanese venture capital. In this paper, he insists that most of Japanese venture capital firms have to change their business style if they are to create value of their portfolio of companies.

Atsushi Hyodo

(Senshu University)
October 1, 2002-March 31, 2003

Atsushi Hyodo is researching the labor union movement in Japan, a mainly in the early post World War II period. His current research interests extend to more modern issues too. He is engaged in research on "The Changing Employment System and the New Labor Movement," which is a part of the large project on "The Influence of the IT Revolution on the Labor Market and the Social Safety Net" headed by Professor Kunio Hisano (Kyushu University). In CIRJE, Atsushi Hyodo investigates the labor movement and industrial relations in medium and small enterprises from the start of the post World War II high speed growth period to the 1970's in Japan.

Kazuhiko Ohashi

The Tokio Marine Chair

(Hitotsubashi University)

April 1, 2002-September 30, 2002

Kazuhiko Ohashi's main research topic is called "security innovation," which analyzes the design of new financial products, such as securitized products and/or derivative securities, that enable investors to trade risks that are not been traded by existing securities. He has published several theoretical papers that model the effects of asymmetric information among market participants (*e.g.*, issuers versus investors and/or different investors) on the design of payoffs from newly created securities. The focus of his research this academic year is on catastrophe (CAT) index futures that were introduced by the exchanges in Chicago and Bermuda in 1990's (but were never successful) in order to enable the investors in the capital markets to trade the insurance risks caused by catastrophic natural disasters. The purpose of this study is to analyze conditions under which CAT index futures would be more successful.

Yoichi Kobayakawa

The Ryojiro Kojima Chair of the Japanese Economy and Industry

(Chubu University)

June 1, 2002-March 31, 2003

Yoichi Kobayakawa has been mainly doing research in two areas. One is *Zaibatsu* business history. This is mainly an empirical analysis of the Yasuda and the Asano *Zaibatsu*. The goal of the second project is to identify the factors which drove the industrialization of modern Japan, by



Fumio Takahashi



Atsushi Hyodo



Kazuhiko Ohashi



Yoichi Kobayakawa



Tsuneo Suzuki



Haider A. Khan



Douglas H. Joines



Michael J. McAleer

creating a new procedure for detecting and analyzing groups of capitalists and entrepreneurs—so to speak “groups of network-types”—. The data source for this research is a new electronic data base of the National Directory of Corporate Executives (1898, 1907, 1921 and 1937). It contains data on which groups were actually formed and traces the developments of these groups.

Tsuneo Suzuki

The Ryojiro Kojima Chair of the Japanese Economy and Industry
(Gakushuin University)

June 1, 2002-March 31, 2003

Tsuneo Suzuki has two primary research areas. One is to study the development of the Japanese chemical and synthetic fiber industries between the wars and the post World War II period from the view points of a technology transfer, the role of engineers and industrial policies, based on an expanding world market and a changing competitive structure. He develops a new approach that stresses how changes in the global competitive environment affected Japanese industries. The other project, which is joint with Yoichi Kobayakawa, seeks to identify the factors which drove the industrialization of modern Japan, by creating a new procedure for detecting and analyzing groups of capitalists and entrepreneurs—so to speak “groups of network-types.” The data source for this research an electrical database of the National Directory of Corporate Executives (1898, 1907, 1921 and 1937).

Haider A. Khan

(University of Denver, USA)

March 1, 2002-August 15, 2002

Haider Khan’s work spans several different areas. He is perhaps best-known for his books and articles on technology, growth and distribution, and the theory of POLIS (positive feedback loop innovation systems). In recent years he has been working in the areas of information technology, corporate governance and global financial architecture. Two of his recent papers are on a Schumpeterian model of innovation, and Digital Development. The first paper which was completed at CIRJE will be published in Oxford Development Studies. His book, “Innovation and Growth in East Asia: The Future of Miracles” and “A Theory of the Financial Crises for the 21st Century”, will be published by the Palgrave Macmillan.

After completing his Ph.D. and teaching at Cornell, Haider Khan moved to the Graduate School at Denver where he has been since 1985. He has also held visiting positions at Tilburg University, Liaoning University and the University of Tokyo. He was at the Asian Development Bank during the Asian financial crisis.

Douglas H. Joines

(University of Southern California, USA)

September 1, 2002-November 30, 2002

In recent years Douglas Joines has worked primarily on issues related to consumption and labor supply over the life cycle. This research, most of which is joint with Ayse Imrohoroglu and Selahattin Imrohoroglu, began with a paper published in 1993 that added various sources of uncertainty to the

Auerbach-Kotlikoff overlapping generations model. In a series of subsequent papers, these authors used this framework to study the effects on both economic behavior and welfare of public policy toward saving. Specific policies studied include tax-favored retirement accounts (*American Economic Review*, 1998) and public pensions (*Economic Theory*, 1995; *Review of Economic Dynamics*, 1999; *Quarterly Journal of Economics*, 2003). Current projects include: (1) a detailed examination of the labor-market distortions of public pension systems like that in the United States, with particular emphasis on the labor supply of the elderly, (2) the welfare effects of social security in models in which individuals lack the self-control to save adequately for their retirement, and (3) the “optimal tax” implications of replacing the current U.S. system with a system of individual accounts while leaving unchanged the intergenerational tax burden arising from payments to the initial generations of retirees.

Michael J. McAleer

(University of Western Australia, Australia)

December 1, 2002-February 28, 2003

Michael McAleer has been Professor of Economics (Econometrics) at the University of Western Australia since 1991. He was an Adjunct Professor at the Centre for Resource and Environmental Studies, Institute of Advanced Studies, Australian National University from 1992-2001, and has been an Adjunct Professor in the Department of Economics, University of Canterbury, New Zealand since July 2002. His principal

research interests are in theoretical and applied econometrics, financial econometrics, macroeconometrics, theoretical and applied statistics, methodology and the philosophy of science, environmental modelling, intellectual property, and tourism research. He has 147 publications in refereed journals, 97 chapters of books, and 44 books, edited books and edited special issues of journals. His entry appears in *Who's Who in Economics: A Biographical Dictionary of Major Economists 1700 to 1995* (third edition), Edward Elgar, 1999, pp.748-749.

Short Term Visitors

Reiko Aoki

(University of Auckland, New Zealand)
June 10, 2002-July 10, 2002

Reiko Aoki has studied the economic implications of various patent systems. During her stay at CIRJE, she focused on the relationship between the "utility requirement", basic research and social levels of innovation. Utility requirement is one of the three requirements for patentability of technology. Basic research does not necessarily satisfy this criterion and as result, patentability varies across countries and also has varied through time. Basic research may not be developed further without information dissemination and protection of a patent. The resulting work with Professor Sadao Nagaoka of Hitotsubashi University will be published as a chapter in a book from University of Tokyo Press.

Kenneth A. Kim

(State University of New York at Buffalo, USA)
July 11, 2002-July 18, 2002

Kenneth Kim specializes in Japanese corporate finance practices and Japanese financial markets. While he was in Japan, he gave a workshop on the behavior of Japanese individual investors. This paper was also presented in Mannheim, Germany in

December 2002 as part of a special conference on behavioral finance. During the rest of his stay in Japan, Kenneth Kim conducted research on the institutional and legal environments pertaining to Japanese stock repurchases. Japanese firms were first allowed to repurchase their stocks in the mid-1990s. As such, he hopes to provide some important initial insights into this market activity.

Dominique Barjot

(Université de Paris IV, France)
October 15, 2002-November 5, 2002

Dominique Barjot is Professor of Modern Economic History and Director of the Doctoral School of Early Modern and Modern History at Paris-Sorbonne University. He is working today on: Americanization of industrial countries; global electrification; globalization of the French firms in comparative perspectives; history of the French business; history of the French labor market. He presented a conference on "Americanization: cultural transfers in the economic sphere: the case of Europe" as a result of an important session of the recent XXth Congress of Economic History (Buenos Aires, July 2002)

Ruilin Zhou

(Federal Reserve Bank of Chicago, USA)
October 28, 2002-November 1, 2002

Ruilin Zhou specializes in the study of monetary theory. During her visit, she gave a seminar in the macroeconomics workshop on the validity of the famous Friedman rule, which states that deflation is optimal. She demonstrated that an expansionary monetary policy can be welfare improving due to its risk-sharing potential. She also gave a guest lecture in Professor R. Anton Braun's course, "Topics in Growth Theory". During the lecture, she introduced advanced graduate students to recent developments in random-matching models of money, a relatively new

area in the field of micro-foundations of money.

Irina E. Koznova

(Russian Academy of Sciences, Russia)
October 30, 2002-November 7, 2002

Irina Koznova started her academic career with a study of the history of Russian peasant communes in the 1920s, which developed afterwards into a construction of a general theory of the 20th century based on the full-fledged study of "social memory" of the Russian peasantry. She also belongs to one of the working groups headed by Egor S. Stroevev, one of the leaders of present agrarian policy in Russia. During her stay in Japan she made a report on her major field of study on "social memory", and took part in the Japanese-Russian conference entitled "the History of the Russian Peasantry in the 20th century."

Shinichi Nishiyama

(Congressional Budget Office, USA)
November 11, 2002-November 15, 2002

Shinichi Nishiyama is a fiscal policy analyst at the Congressional Budget Office of the U.S. Congress, specializing in dynamic general equilibrium models with heterogeneous agents. His research topics include intergenerational transfers, income and estate taxes, and Social Security reform. During his stay at CIRJE he presented a paper on the macroeconomic and welfare effects of Social Security reform plans. He also discussed the solution algorithm of dynamic models for equilibrium transition paths with Professor R. Anton Braun, Professor Douglas Joines (University of Southern California and CIRJE), and graduate students.

Edward John Driffill

Birkbeck College, University of London, UK
2002.3.25- 4.21

Johannes Moenius

Northwestern University, USA
2002.4.1- 4.10, 11.1-12.19

Masanao Aoki

University of California, Los Angeles, USA
2002.4.15- 6.13, 10.1-12.21

W. Elliot Brownlee

University of California, Santa Barbara, USA
2002.5.5- 5.12

Atsushi Inoue

North Carolina State University, USA
2002.5.23- 8.18

Josef Hofbauer

Universität Wien, Austria
2002.6.3- 6.7

William H. Sandholm

University of Wisconsin-Madison, USA
2002.6.3- 6.7

In-Koo Cho

University of Illinois, USA
2002.6.17- 6.21

William Roberds

Federal Reserve, Bank of Atlanta, USA
2002.7.3- 7.5

Yiting Li

National Tsing Hua University, Taiwan
2002.7.22- 7.28

Kiminori Matsuyama

Northwestern University, USA
2002.8.27- 9.17

Jonathan J. Morduch

New York University, USA
2002.10.1- 2003.2.28

Christopher I. Telmer

Carnegie Mellon University, USA
2002.10.13 - 10.27

Radim Bohacek

Charles University, Czech Republic
2002.10.20- 10.30

Michal Kejak

Charles University, Czech Republic
2002.10.20- 10.30

Douglas H. Joines

University of Southern California, USA
2002.12.1 - 2003.5.31

Haider Ali Khan

University of Denver, USA
2002.12.9- 12.27

Sergio Tavares Rebelo

Northwestern University, USA
2002.12.7- 12.15

Martin Stewart Eichenbaum

Northwestern University, USA
2002.12.7-12.15

Research Associates**Ikuo Ishibashi**

(University of Tokyo)

April 1, 2002-March 31, 2003

Ikuo Ishibashi's major fields of research are industrial organization and game theory. He is currently conducting an analysis of price leadership in a long-term relationship. Price leadership works as an effective collusive device to sustain monopoly outcomes under reasonable conditions. He also has a great interest in the analysis of differentiated markets and mixed markets.

Toru Fujiwara

(University of Tokyo)

April 1, 2002 - March 31, 2003

Toru Fujiwara's major fields of research are public economics and environmental economics. He is currently conducting a quantitative analysis of environmental policies that utilize taxes levied on automobiles. He also has a great interest in the analysis of the supply of local public goods focusing on the case that consumers' tastes are heterogeneous.

Discussion Paper Series**F-Series (in English)**

- CF-186.** Matsuyama, Kiminori, "Financial Market Globalization, Symmetry-Breaking, and Endogenous Inequality of Nations", December 2002.
CF-185. Matsushima, Hitoshi, "Mechanism Design with Side Payments: Individual Rationality and Iterative Dominance", December 2002.
CF-184. Kunitomo, Naoto, "Improving Small Sample Properties of the Empirical Likelihood Estimation", November 2002.
CF-183. Nishimura, Kiyohiko G. and Hiroyuki Ozaki, "An Axiomatic Approach to ϵ -contamination", November 2002.
CF-182. Fujimoto, Takahiro, "Architecture, Capability, and Competitiveness of Firms and Industries", November 2002.
CF-181. Fukuda, Shin-ichi, "Post-crisis Exchange Rate Regimes in East Asia", November 2002.
CF-180. Kubokawa, Tatsuya and M. S. Srivastava, "Prediction in Multivariate

Mixed Linear Models", October 2002.

- CF-179.** Matsushima, Hitoshi, "Finitely Repeated Games with Small Side Payments", October 2002.
CF-178. Matsushima, Hitoshi, "Honesty-Proof Implementation", October 2002.
CF-177. Miwa, Yoshiro and J. Mark Ramseyer, "Capitalist Politicians, Socialist Bureaucrats? Legends of Government Planning from Japan", October 2002.
CF-176. Nishimura, Kiyohiko G. and Hiroyuki Ozaki, "Irreversible Investment and Knightian Uncertainty", September 2002.

J-Series (in Japanese)

- CJ-85.** Obinata, Takashi, "Relevance of Earnings Levels and Surprises: Evidence from Manufacturing Firms in Japan", December 2002.

- CJ-84.** Kunitomo, Naoto and Akihiko Takahashi, "On Recent Developments in Mathematical Finance", November 2002.
CJ-83. Obinata, Takashi, "Relevance of Earnings, Losses and Book Value of Equity: Evidence from Manufacturing Firms in Japan", November 2002.
CJ-82. Obinata, Takashi, "Permanent Earnings of Industrial Firms in Japan—Part II Analysis by Industry (1)—", September 2002.
CJ-81. Wi, John H. and Junjiro Shintaku, "The Analysis of Formation Process on Korean On Line Game Industry", August 2002.

Discussion Papers are available on CIRJE's website.
<http://www.e.u-tokyo.ac.jp/cirje/index>

Director

Yoshiro Miwa (Professor, CIRJE and Faculty of Economics, University of Tokyo)

Advisors

Yonosuke Hara (Professor, Institute of Oriental Culture, University of Tokyo)

Yutaka Kosai (Chairman, Japan Center for Economic Research)

Masahiro Kuroda (Professor of Business and Commerce, Vice President of Keio University)

Hugh Patrick (Professor, Director of Center on Japanese Economy and Business, Columbia Business School)

Juro Teranishi (Professor, Institute of Economic Research, Hitotsubashi University)

The Steering Committee

Chair

Naoto Kunitomo (Professor, Faculty of Economics, University of Tokyo)

Members

Tokutaro Shibata (Professor, Faculty of Economics, University of Tokyo)

Michihiro Kandori (Professor, Faculty of Economics, University of Tokyo)

Tatsuya Kubokawa (Professor, Faculty of Economics, University of Tokyo)

CIRJE Newsletter

No.5 February 2003

Formerly: RIJE Newsletter

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