

Index

- Abe, S. 19, 42–4, 50, 282, 301
- Abenomics
 - approach characterizing 282
 - as economic policy package 42
 - fiscal policy under 280–82
 - getting economy out of deflation 53
 - and inflation rates 36
 - inflation targeting as goal of 44, 218
 - as lesson in avoiding Japanization 50
 - most important step of 45
 - three arrows of 11, 43, 45, 280
 - three years into 99, 274
- absolute stagnation 17
- accounting firms 152–4
- advanced economies
 - age-related declines in labor forces 272–3
 - aging affecting housing prices 251
 - asset-price inflation 144–5
 - declining potential growth 264–5
 - determinant of decline in investment 270
 - export basket composition 86
 - female LFPR 64
 - fiscal adjustment 266–8
 - government average borrowing cost 266
 - growth and inflation 12, 19
 - health service expenditure 272
 - inflation rates 23–4
 - interest rates falling to zero 194
 - Korea emulating technology of 79
 - large capital flows from 191
 - learning from Japan 263–4, 282–3
 - “lowflation” infecting much of 183
 - maintaining QE with ZIRP 52
 - monetary policy at around ZIRP 20
 - monetary policy pushed to limits 263
 - public and private pension expenditure 271
 - reaction to global financial crisis 1–2, 10
 - real estate price inflation followed by deflation 143
 - real GDP per-capita growth 275
 - real interest rates downward trend 23, 188–9
 - share of economic projects to total expenditure 311
 - shortage of attractive investment projects 190
 - slowdown in productivity growth 187–8
 - turning Japanese 29, 34
- aggregate TFP
 - efficiency 108
 - and firm-level distortions 109–15
 - of manufacturing firms in Japan and Korea 100
 - methods of increasing 121
 - potential effect of resource misallocation on 127
- aging establishments 124–5
- aging population *see* population aging
- allocative efficiency
 - concept of 126–7
 - data 102–5
 - differences between Japan and Korea 100, 110–11, 116, 130
 - in Japan
 - as cause of productivity slowdown 101
 - trend changes 129–30, 135
 - worsening 115–16
 - of manufacturing sector in Korea 127–35
 - measurement 105–9, 117–18
 - relation to TFP 105–9, 118, 121, 126–7, 129–31, 135

- Asian financial crisis
 - advanced economies at time of 143–7
 - declining public investment to GDP ratio 272
 - deleveraging in aftermath of 183
 - in Japan 7, 140–45, 147–50, 157–60, 290
 - in Korea 73, 111, 114, 128–9, 133
 - see also* global financial crisis (GFC)
- asset-price bubble 18, 139–40, 142–3, 152, 160, 163
- asset-price deflation 148, 197
- asset-price inflation 141, 143–7
- asset purchases
 - additional alternatives to 195–6
 - by Federal Reserve and Bank of England 41
 - Japan 41, 43–4, 275
- baby boomers 69
- bad-loan problem
 - causes of slow response to 150–57
 - pros and cons of slow resolution of 157–60
- Bank for International Settlements (BIS) 46, 84, 145, 147, 153, 156, 171, 173, 219
- Bank of Japan (BOJ)
 - auditing 153
 - balance sheet 42–3
 - degree of insolvency 160
 - financial stability objective 46
 - future predictions 280
 - increased asset purchases 44
 - independence trap 9, 206, 212–13
 - inflation rates 36–7, 44, 193–4
 - inflation target 42–6, 193, 197
 - interest rates 205, 251
 - as involved in Japan's financial crisis 7, 140
 - lending 142–3, 148–50, 157, 160
 - monetary policy 9, 183
 - on nominal zero bound 18, 275
 - policies in response to stagnation and deflation 39
 - policy support 275
 - possible reasons for persistent conservatism 205–7
 - quantitative easing 18, 39, 41, 44, 193, 275
 - and ZIRP 39–40
- Bank of Korea (BOK)
 - as bank-type public institution 178
 - call rate targets 207
 - capital stock 74
 - data supply 59, 80, 118, 122, 203–4, 207, 212, 215–17, 231, 239, 290, 295, 304
 - Governor's comments 223–31
 - inflation target 9
 - risk-weighted assets 174
- bankruptcies 38, 139, 148–50, 153–4, 160, 172, 204, 213
- banks
 - banking crisis 17–18, 36–42
 - banking reform 176–7
 - buying government debt 266, 280
 - debentures 150
 - and deflation 184, 186, 191–5, 197, 274–5
 - deleveraging 187
 - evergreening 139, 163, 171–2, 175, 177
 - failures 140, 148–9, 159, 161
 - financial crisis in Japan 140–41, 158
 - incentive for procrastination 151–2
 - intermediation relative to GDP 142–3
- in Korea
 - capital ratio and troubled asset ratio 173
 - insolvency 173–4
 - public 8, 168, 173–4, 176–7
 - support 164
- large firms hampering stability of 169
- lending 35, 140–43, 147–9, 163
- and “lowflation” 183
- maintaining financial market efficiency 160–61
- maturity extensions 172–3
- moving into “middle market” 140
- and pension plans 147–8
- profitability in Japan 155
- regulator-regulated nexus 151
- relationships with accounting firms and MOF 152–7
- and rising housing prices 251–2, 258

- share of deferred tax assets 153–4, 156
- undercapitalized 139, 157
- zombie 7, 139, 158, 175–7
- see also* bad-loan problem
- Basic Survey of Japanese Business Structure and Activities (BSJBSA) 102–5, 119
- Bernanke, B.S. 18, 20, 22, 47, 53, 73, 184, 190–91, 194, 197, 219
- big push *see* Abenomics
- Bohn's test 307–8
- Brainard Corollary 195
- bubble
 - asset-price 18, 139–40, 142–3, 152, 160, 163
 - bank stock portfolios 147–8
 - in chronology of Japanization 35–8
 - housing price 239, 251–2
 - investment activities 140–42
 - Korea's housing market 218
 - land price 48
 - as lesson in avoiding Japanization 45–6
 - overkilling 3
 - reverse 47, 60
 - savings and investments 62
- burst bubble
 - aftermath as crucial for Japan 77, 99
 - banks reluctant to issue loans 101
 - as cause of Japan's stagnation and deflation 18, 99, 216, 273–4
 - in chronology of Japanization 35–8
 - collapse of domestic demand 61
 - decline of investment ratio 62
 - housing price 163, 216–17
 - information technology 204
 - Japan's nominal GDP growth rate 289–90
 - as lesson in avoiding Japanization 46–7
 - negative demand shocks associated with 186
 - nonperforming loans problem after 49
 - in real estate market 216–18
 - repercussions today 263–4
 - slow monetary response to 204–6
- capital distortion 108–10, 113–17, 128–30
- catch up *see* export catch up
- China
 - allocative efficiency 6, 128
 - comparative advantage 91, 93–5
 - deflation 191–2
 - FTA with Korea 79
 - global export market shares 80–84
 - impact on Japan's export market shares 87–9
 - impact on Korea's export market shares 89–92, 94
 - manufacturing industries 132–5
 - risk of Japan-like deflation 183
 - savings rates 189
 - slower economic growth 1
 - support for Japan's export sector 158
 - TFP gains in 128
- Cho, D. 204, 215, 220
- chonsei* 214–16, 220
- co-integration approach 240, 243, 246–51, 257
- Cobb–Douglas production function 74, 119
- comparative advantage 84–7, 90–91, 93–5
- consumer price index (CPI) 36–7, 40, 43–4, 147, 202–3, 205, 207–11, 213, 215–17, 233–4, 273, 291
- CPI *see* consumer price index (CPI)
- credit crunch 149–50, 157
- deferred tax asset (DTA) 153–6
- deflation
 - additional alternatives to asset purchases 195–6
 - advanced economies 143
 - bad versus good 183, 185–7, 192
 - countries in danger of 264, 282–3
 - emerging market economies 52–3
 - in euro area 18–19
 - in Japan
 - adverse effects of 273–4, 277, 309
 - asset-price 148
 - characteristic of Lost Decades 202
 - hypotheses to explain 18, 21, 51–2, 216, 273
 - implications for 196–7
 - and inflation rates 36, 46

- lessons for other countries 282–3
- period of 17
- responses to 42–5, 53, 196, 204–7, 275
- wage-price spiral 48–9
- worsening 50
- Japanization
 - as characteristic of 21–3, 53
 - in chronology of 39–42
 - and disinflation 49
- in Korea
 - and China 191–2
 - future monetary policy responses to 203–4
 - implications for 196–7
 - lesson from Japan's experience 218–19
 - similarity to Japan's experience 202–3
- and monetary policy 51–2, 183–97
- monetary responses to 192–5
- as problem 184–7
- in United States
 - coming close to 18–19, 49, 53
 - implications for 196–7
- deflationary trap 3, 21, 23, 31–2, 35, 41–3, 48, 50, 52
- Democratic Party of Japan (DPJ) 41–2
- demographic change
 - in age groups, impact of housing market 232–58
 - female labor market participation from perspective of 64–8
 - investment and saving from perspective of 63, 68–74
 - Japan 50–52, 57–60
 - Korea 57–60
 - long-term GDP growth rate projection from perspective of 74–7
 - pension system reform 278–9
- demographic structure
 - affecting savings rate of economy 68–70
 - by age group 232–4, 240, 242–51, 257
 - by average number of household members 242–9
 - caution in estimating impacts of changing 256
 - estimated house prices in response to future changes 252–5
 - similarity between Japan and Korea 3, 57, 63, 68, 257
 - variables acting on housing demand 240–42
- demographics
 - addressing adverse 264, 271–3
 - Korea and Japan sharing similar 10, 232, 257
- disinflation
 - and deflation 49
 - emerging market economies having experienced 53
 - in Japan 38, 205
 - in Korea 52–3, 202, 207, 209, 211, 213–14, 218
 - in process of “turning Japanese” 23
 - in relationship between inflation rates and interest rates 22
- distortions
 - capital 108–10, 113–17, 128–30
 - firm-level 105, 109–15, 117–18, 127
 - market 99, 101–2
 - output 105, 108–10, 112–13, 115, 117–18, 128–30
 - tax 140, 144–5, 270, 281
 - types of 127
 - zombies 163–4
- economic dynamism
 - in Japan 163–4
 - in Korea 77, 79, 121, 310–11
- efficiency
 - allocative 100–11, 115–18, 126–35
 - financial market 139–61
 - investment 269
 - market 100–102
- Eichengreen, B. 20, 23, 186, 190–91, 197–8
- emerging market economies
 - China's heavy debt load 192
 - concerns about indebtedness 187
 - dollar appreciating against currencies of 41
 - increase in savings among 23, 50, 189–90
 - inflation rates 24
 - interest rates 20–21
 - Japanization 19, 52–3

- reaction to global financial crisis 1
 - slowdown in 188, 191
- endogeneity test 245–7
- equilibrium interest rate 209–11, 215, 218, 220
- euro area
 - adoption of common currency 143, 146
 - asset-price inflation 146–7
 - banking crisis 18–19
 - collapse of Lehman Brothers 38–40
 - in danger of long-term low inflation and stagnant growth 264
 - FTA with Korea 79
 - global financial crisis 18–19, 40–41, 49, 265
 - growth rates 25–6
 - inflation rates 23–4
 - interest rates 27–32
 - Japanization index 33–5
 - long-term government bond interest 146
 - lower saving rates 189
 - quantitative easing 19
 - real estate boom and bust cycle 143
 - renaissance of manufacturing industry 122
 - at risk of Japanization 53
 - strong foreign demand from 158
 - support for Japan's export sector 158
 - unemployment 265
 - on verge of deflation 49
 - welfare spending at central government level 302
 - ZIRP 20
- European Central Bank (ECB) 18, 41–2, 147, 178, 192–3, 198, 225
- evergreening loans 7, 18, 38, 139, 163, 171–2, 175
- exchange traded funds (ETFs) 43, 194
- export catch up 4, 87–94
- export dynamics
 - of China, Japan and Korea 79–83
 - of Japan in 1990s 83–9
 - of Korea through lens of Japanese experience 89–94
 - policy implications 94–5
- export potential 87–95
- Federal Reserve 18, 41–2, 47, 186–7, 204, 264
- female labor force participation rate 64–7
- financial crisis *see* Asian financial crisis; global financial crisis (GFC)
- financial market efficiency
 - bad-loan problem 150–60
 - factors affecting 139
 - financial crises episodes 140–47
 - financial crisis dynamics in Japan 147–50
 - maintaining 160–61
- financial supervision 175–6
- Financial Supervisory Agency (FSA) 8, 153, 156, 175
- firm-level distortions
 - in Japanese and Korean manufacturing firms 109–15
 - measurement of 117–18
 - unrelated to productivity 127
- fiscal policy
 - addressing adverse demographics 271–3
 - case for increased infrastructure investment 268–9
 - and demographic weights on demand and supply declines 51–2
 - fiscal adjustment 266–8
- Japan
 - Abe applying flexible 43
 - addressing fiscal costs of aging 283
 - advanced economies learning from 263–4, 282–3
 - dealing with aging 278–9
 - downturn of activities not corrected by 41
 - favored for deflationary trap 50
 - fiscal policy under Abenomics 280–82
 - helpfulness of policy 275
 - importance of fiscal institutions 283
 - Korea learning from 288–311
 - Lost Decades 273–4
 - over-reaction versus under-reaction 282
 - role of fiscal stimulus 275–8

- role of higher public investment 282–3
 - shift in tax policy 280–81
 - too tight, as cause of stagnation 21
- macroeconomic context 264–5
- overview 10–12
- role in recovery from global financial crisis 265–73
- strengthening fiscal credibility 269–70
- supporting weak private investment 270
- fiscal reform
 - to ensure sustainable fiscal condition 288
 - Japan's policy actions taken for 288, 299
 - Korea's need for 308
 - pro-growth 282
- fiscal sustainability 196, 264, 306–11
- foreign investment 191
- France
 - asset price inflation 144
 - average female labor participation rates 65
 - government average borrowing cost 266
 - government expenditure 303
 - health service expenditure 272
 - pensions expenditure 271
 - Plaza Accord 80
 - real estate price inflation 143
- free trade agreement (FTA) 79
- Fukao, M. 154, 161–2
- GDP growth rate
 - Japan 40, 56, 58–61, 63, 202, 204, 206, 289–92, 294, 297
 - Korea 56, 58–60, 72–3, 121, 202
 - declining trend in 209–10, 310
 - long-term projection 74–7
 - manufacturing 122–3
 - nominal 204, 292–4, 298, 310
- Germany
 - asset price inflation 144
 - average female labor participation rates 65
 - deflation 185
 - export market share 81, 86
 - government average borrowing cost 266
 - government expenditure 302–3
 - growth rates 25–6
 - health service expenditure 272
 - inflation rates 23–4, 147
 - interest rates 27–32
 - Japanization index 3, 33–5
 - largest current-account surplus 189
 - long-term government bond interest 146
 - pensions expenditure 271
 - Plaza Accord 80
 - at risk of Japanization 53
 - zombie firms and asset ratios 170–71
- global financial crisis (GFC)
 - European economies 18–19
 - impacts
 - general 1–2, 26, 40–41, 187–9
 - in Japan 40–41, 296, 299, 308
 - in Korea 164, 169, 174, 208, 288, 292, 295–6, 298
 - Japan, prior to 18
 - moving toward Japanization prior to 22
 - painfully slow recovery from 263
 - role of fiscal policy in recovery from 265–73
 - spread of ZIRP 20
 - tax revenue decline in Japan 289
 - United States 18–19
 - see also* Asian financial crisis
- global savings glut 22–3, 189, 191
- government average borrowing cost 266
- government expenditure
 - age-related 12, 228, 271–3, 300, 304, 310–11
 - Bohn's test 307–8
 - causes of Japan's increase in 299–302
 - central, in Japan 299
 - comparison of Korea's recent with Japan's in 1990s 302–5
 - lessons for Korea 310–11
 - proportional electoral system 305
 - responsible for worsening fiscal situation 309–10
 - rising with political inertia 202
- Great Depression 17, 21, 184–5

- growth rate
 during 2014 44
 effect of aging population 51
 effect of banking crisis 39
 effect of decline in stock prices and
 real estate markets 37
 effect of economic recovery 40
 effect of fiscal stimulus 38
 in emerging market economies 19,
 52
 and GDP gap 33
 during Great Depression 17
 in Korea, Japan, United States and
 euro area 25–7
 resting on third arrow of Abenomics
 45
 stagnant growth 20–21
 see also GDP growth rate
- health expenditure 271–2, 279, 281,
 283, 304–5, 311
 “helicopter money” 9, 195, 197–9
 Hodrick-Prescott filter 58–9
 Hokkaido Takushoku Bank 38, 148–9,
 160–61
 household size 235–7
 household wealth portfolio 237–8
 housing market
 in Japan
 conditions and policies at time of
 overvaluation 251–2
 housing permits 250
 move with inflation 233–4
 population aging 250, 253, 257
 in Korea
 bubbles 216, 218
 chonsei system 214–16, 220
 move with inflation 233–4
 population aging 232, 247, 250,
 253, 257–8
 housing permits 245–8, 250, 253–4
 housing prices
 analysis of trend 240–52
 burst bubble 163, 216–17
 effects of aging on 232, 239–40,
 247–54, 256–8
 estimating in response to future
 demographic changes 252–5
 in Korea 216–18
 overview 10, 13
 projected trajectory of 252–8
 see also long-term housing price
 model
- independence trap 9, 206, 212–13, 219
 industry
 allocative efficiency 102–9
 distortions and aggregate TFP
 109–15, 117–18
 money-market 193
 zombie firms in Korea by 167–8, 177
 see also manufacturing sector
- inflation rate
 Abe’s interventions 43–5, 50
 after global financial crisis 1, 18,
 40–41
 after second exit from ZIRP 40
 in chronology of Japanization 35–8
 CPI 36–7, 40, 44, 46, 147, 202–3, 291
 and disinflation 49
 during economic recovery 40
 effect of banking crisis 39
 effect of demographic changes 51–2
 in emerging market economies 19, 52
 Governor Kuroda’s interventions
 50, 193
 in Korea
 decline of 310
 expected 214–18
 and Japan, United States and euro
 area 23–5
 monetary policy 207–14
 and target range 203
 negative equals deflation 2
 part of GDP gap 3, 31–3
 relationship with interest rates 21–2,
 29–31
 Taylor Rule coefficient 208
 and ten-year government bond
 yields 188
- inflation targeting
 in Japan 3, 36, 39, 42–6, 49–50, 193,
 195
 in Korea 9, 202–3, 206, 211, 213–14,
 218
- infrastructure
 bottlenecks 276–7
 case for increased investment in 264,
 268–9
 renewed focus on public 281

- interest rates
 - adjusted Taylor Rule to trend of equilibrium 209–11, 218
 - after global financial crisis 18–19, 263, 265–6
 - burst bubble 46–7
 - deregulation of deposit 151
 - as determinant of housing prices 238, 241–4, 247, 251
 - effect of aging population 51–2
 - of emerging market economies 20–21, 52
 - in euro area 27–32, 146–7
 - and financial stability consideration 46
 - and fiscal policy 263, 265, 267–74, 280
 - floor 18
 - in Japan 17–18, 22, 27–32, 205
 - in Korea 27–32, 207–11, 213, 215, 218, 226–30
 - as main tool of monetary policy 17, 50
 - in manufacturing firms 108, 118
 - monetary responses 192–6
 - as part of Japanization 23
 - as possible component of
 - Japanization index 32–3
 - and quantitative easing 39
 - raising prematurely 18
 - relationship with inflation rate 21–2, 29–31
 - removal of ceiling on deposits 140, 143
 - and secular stagnation 20
 - trend of declining 22–3, 188–90
 - in United States 27–32
 - and zombie banks 139
 - of zombie firms 166–7
 - see also* zero interest rate policy (ZIRP)
- investment
 - case for increased infrastructure 263–4, 268–9
 - effect of deflation 184, 187, 191–2, 196
 - in Japan's Lost Decades 273–4
 - positive role of higher public 282–3
 - public, in Japan 275–7, 281–3
 - real estate 140–42, 144–5, 147 and saving 22–3, 61–3, 68–74, 196–7, 270
 - and secular stagnation 189–91
 - securities 149–50
 - supporting weak private 270
 - investment efficiency 269
- Ito, K. 99–100
- Ito, T. 37, 39–40, 219, 284
- Japan
 - Asian financial crisis 7, 140–45, 147–50, 157–60, 290
 - bad-loan problem 150–60
 - banking crisis 38–9
 - comparative advantage 86, 90–91, 93–5
 - composition of export basket 83–6, 89–90, 94
 - demographic transition 50–52, 57–60
 - global financial crisis 40–41, 296, 299, 308
 - government average borrowing cost 266
 - growth rates 25–6, 51
 - importance of manufacturing sector 122–3
 - inflation rates 23–5, 35–8, 50, 193
 - interest rates 17–18, 22, 27–32, 205
 - Japanization index 3, 33–5
 - Korea catching up with 79, 93–4, 99
 - Plaza Accord 80
 - productivity growth and market distortions in 101–2
 - stagnation 17–18, 206
 - stock market capitalization in 142
 - supply side view of economy 60–64
 - zombie firms in 7, 139, 158, 163–4, 170–71
 - see also* Japan and Korea; Lost Decades
- Japan and Korea
 - aging and housing prices
 - analytical limitations 255–6
 - co-integration regression results 246–51
 - decreasing household size 235–7
 - dependency ratio 234
 - endogeneity test for housing

- permits variables in regression 245–6
- estimated housing prices
 - in response to future demographic changes 252–5
- household wealth portfolio 238
- housing market 233–4
- Japan's housing market conditions and related policies at time of overvaluation 251–2
- population growth and size by age group 234–5
- relevant studies 238–40
- selection of variables for long-term equilibrium model of housing prices 242–3
- similarities 232, 257
- study conclusions 256–8
- theoretical grounds of long-term housing price model 240–42
- unit root test for data 243–5
- comparative study of firms
 - aggregate productivity levels 99–101
 - allocative efficiency 102–9
 - firm-level distortions and aggregate TFP 109–15, 117–18
 - policy agendas 100–101
 - productivity growth and market distortions in Japan 101–2
 - study conclusions 116
- fiscal policy
 - evaluation of fiscal sustainability 306–9
 - evaluation of government expenditure 299–305
 - evaluation of tax revenue policy 289–99
 - lessons for Korea 309–11
 - maintaining financial soundness 288–9
 - political economics 305–6
- monetary policy
 - Bank of Korea Governors' comments 223–31
 - conservatism of Korea's recent 207–14, 218
 - expected inflation and asset prices 214–18
 - future considerations for Korea 218–19
 - Japan in 1990s 204–7
 - Korea of today and Japan 20 years ago 202–4
- population growth rates 57–8
- resemblance
 - aging and housing prices 232
 - composition of export basket 94
 - demographic structure 3, 57, 63, 68, 257
 - economies in export markets 94
 - population growth 58
 - with time lag 1, 3, 52–3, 56, 63–4, 77, 202–4, 218–19
- Japanization
 - chronology 35–42
 - definition and characteristics 19–23, 53
 - demography 50–52
 - disinflation and deflation 49
 - emerging market economies 52–3
 - escape from deflation 42–5
 - evolution of 17–19
 - facts 23–35
 - lessons drawn to avoid 45–50
 - in other economies 22–3
 - overview 2–3, 12–13
 - use in two different contexts 2
- Japanization index 31–5
- Japan's real estate investment trusts (J-REITs) 43
- Jeong, D. 166, 168, 172
- Jung, K.-C. 87–90, 92–3
- Kim, Y. 99–100
- “kiting” technique 149–50
- Korea
 - Asian financial crisis 73, 111, 114, 128–9, 133
 - asset prices 214–18
 - bank capital ratio and troubled asset ratio 156
 - catching up with Japan 79, 93–4, 99
 - comparative advantage 93–5
 - composition of export basket 89–90, 94
 - demographic change 57–60
 - economy and population aging 64–77

- exports as major engine of growth 79
- global financial crisis 164, 169, 174, 208, 288, 292, 295–6, 298
- government average borrowing cost 266
- growth by adoption of technology 79
- growth rates 25–6
- inflation rates 23–5, 203, 207–18, 310
- interest rates 27–32, 207–11, 213, 215, 218, 226–30
- Japanization index 3, 33–5
- “low growth era” 60
- productivity growth in 71, 77, 123
- public banks 8, 168, 173–4, 176–7
- sandwiched between China and Japan 94–5
- state-owned bank 176–7
- zombie firms 165–71
- zombie lending 171–7
- see also* Japan and Korea; manufacturing sector
- Korea Development Institute (KDI) 59–60, 71, 212
- Korea Information Service (KIS) 103–5, 119, 164, 166–9, 172
- Kuroda, H. 42–3, 45, 50, 193
- Kwon, K. 204
- labor market participation 64–8, 272–3
- land prices 35, 37–8, 48, 141–2, 216–17
- Lehman Brothers 1, 18, 20, 36, 38–41, 160, 204, 213
- Liberal Democratic Party (LDP) 41–2
- life-cycle hypothesis 68, 258
- liquidity trap 50, 196
- long-term housing price model
 - analytical limitations 255–6
 - co-integration regression results 246–51
 - endogeneity test 245–6
 - estimations in response to future demographic changes 252–5
 - methodology 232–3
 - previous studies 239–40
 - selection of variables for 242–3
 - study conclusions 257–8
- theoretical grounds of 240–42
- unit root test 243–5
- Lost Decades
 - allocative efficiency not improved during 5, 102
 - avoiding another 282–3
 - consequences of 17
 - deflation characterizing 202
 - fiscal policy 273–4
 - loss of gains from urban land prices 35
 - per capita growth during 51
 - period of 26, 37
 - “lowflation”
 - definition 183
 - reasons for 187–92
- manufacturing sector
 - in Japan
 - aggregate TFP 100, 109–18
 - firm-level distortions 109–18
 - firms providing variety of services 103
 - observations by industry 105–6
 - summary statistics 104–5
 - in Korea
 - aggregate TFP 100, 109–18
 - aging establishments 124–5
 - allocative efficiency 126–7
 - benefits 121–2
 - empirical results 127–31
 - entry and exit rates 123–4
 - firm-level distortions 109–18
 - importance of 122–3
 - observations by industry 105–6
 - policy implications 135
 - possible reasons for misallocation 131–5
 - reallocation index 126
 - sum of sales for 103
 - summary statistics 104–5
 - misallocation
 - deepening in Korea 128–9
 - within-industry 129–30
 - pervasive with pressure of distortions 126–7
 - possible reasons for 131–5
 - potential effect on aggregate TFP 127

- market distortions 99, 101–2
middle income trap 52, 54
Ministry of Finance (MOF) Japan 151, 153, 158, 160
misallocation
 by plant age 124–5, 131–2, 135
 by plant size 127–8, 131–5
 policy options to curb zombie banks' 175–7
 and productivity 121, 123, 126–7, 132–5
monetary policy
 and deflation 51–2, 183–97
 failure of, in Japan 18, 273–8, 291
 Korea and Japan 202–31
 overview 8–10
multiplier 267–9, 276–7, 281, 283
nominal zero bound 18, 20–21, 275
nonperforming loans (NPLs) 18, 37–8, 49, 101, 115, 140, 175–6, 184
Oh, J. 100, 119, 127–33
output distortion 105, 108–10, 112–13, 115, 117–18, 128–30
over-reaction 282
overproduction 131–4
pension reform 267, 272–3, 278–9, 281, 283, 311
pensions expenditure 12, 50–51, 271, 278–9, 283, 300, 304, 310–11
“pessimistic scenarios” 4, 75–6
Phillips curve 52
physical productivity (TFPQ) 105, 108–9, 112–14, 118
Plaza Accord 59, 80, 83, 251
political economics 305–6
population aging
 addressing fiscal costs of 283
 advanced economies 263
 effects on housing prices 232, 239–40, 247–54, 256–8
 fiscal policy for 278–9
 generationally fair revenue source 282
 Japan 50–52, 56–8, 62–3, 77, 278, 290
 Korea 56–8, 64–77, 121, 216, 218, 288
 overview 3–4, 10
 and social welfare expenditure 275, 281, 300, 302–4, 310–11
 transition periods from aging to hyper-aged society 236
population growth
 rates in Japan and Korea 57–8
 and size by age group 234–5
private investment 270
product market efficiencies 99–119
productivity and misallocation 121, 123, 126–7, 132–5
productivity growth
 in advanced economies 187–8
 in Japan 101–2
 in Korea 71, 77, 123
 role in long-term growth 59
 total factor 60–63, 75–6
productivity stagnation 99
public banks 8, 168, 173–4, 176–7
public infrastructure spending
 case for increased 268–9
 as fiscal stimulus 263
 playing positive role, with safeguards 282–3
 renewed focus on 281
public investment 275–7, 281–3
quantitative and qualitative easing (QQE) 42–5, 50
quantitative easing (QE)
 adoption
 in Japan 39
 in United States and euro area 19
 advanced economies maintaining with ZIRP 52
 central banks buying government debt under 266
 in chronology of Japanization 39–41
 decline in borrowing costs due to 265
 expectation of 50
 Federal Reserve 47
 and helicopter money 198–9
 little impact on output or prices 18
 security purchases 193
 timid, as cause of stagnation 21

- real estate prices 35, 45, 47, 140, 143, 147, 152, 216, 218, 257
- reallocation effect 99–100, 102
- reallocation indexes 124–6
- reallocation of resources 99–101, 116, 118
- reallocation, within-industry 125, 133
- recession
 - 1920–1921 186–7
 - banks exacerbating 171–2
 - causes of prolonged 61, 163
 - consumption tax hike 290
 - CPI deflation materializing with onset of 273
 - debt-free public investment hikes during 268
 - expansion of public work projects 301
 - factors reinforcing 39, 41
 - fall in nominal growth resulting from 309
 - Japan's long-term 4, 47–8, 61, 76, 81, 83, 163, 290, 301, 309
 - Korean industries experiencing 177
 - stagnant growth indistinguishable from 20
 - weakening competitiveness 81
- regulator-regulated bank nexus 151
- Resona Bank 39–40, 154–7
- resource allocation
 - and government expenditure 303
 - in Japanese and Korean firms 99–102, 105–11, 115–18
 - in Korean manufacturing firms 126–35
 - overview 5–6
- restructuring
 - business, after financial crisis 114
 - corporate 8, 164–5, 167, 169, 171, 176
 - delayed 8, 166–9
 - distressed firms 170
 - sham, by Japanese banks 163–4
- revealed comparative advantage (RCA) 84–5, 87–8, 90
- revenue productivity (TFPR) 108–10, 118, 128
- Saito, I. 281–2, 284
- Sanyo Securities 38, 148–9
- saving
 - glut 22–3, 189, 191
 - increase among emerging market economies 23, 50, 189–90
 - and investment 22–3, 61–3, 68–74, 196–7, 270
- secular stagnation
 - and banking system 193
 - as combination of stagnation and deflation 23
 - debate 189–91
 - global economy experiencing 263
 - as Japanization characteristic 20
 - Japan's recessionary state as 48
 - possible reasons for 21
 - questioning validity of 183
 - use of real interest rates 29–30
- social welfare expenditure 12, 300, 302–4, 310–11
- Song, I. 258
- stagflation 51–2
- stagnant growth
 - euro area in danger of 264
 - as Japanization characteristic 2, 20
 - prolonged period of 20, 264
- stagnation
 - absolute 17
 - aging and decreasing population in explaining 51
 - early action for countries in danger of 264
 - factors for 18, 51, 163, 184
 - falling inflation rate 21–2
 - in Japan
 - becoming clear and fully recognized 206
 - prolonged period of 17
 - as unique to 18
 - Japanese-style
 - as epidemic 19
 - low probability of Korea falling into 227
 - in Korea 29
 - policy response to 39
 - productivity 99
 - rapid aging playing role in 3

- taxonomy 21
 - see also* secular stagnation
- supply side view of economy 60–64
- Takenaka, H. 158–9, 175
- Takenaka plan 175
- “taper tantrum” 194
- tax distortion 140, 144–5, 270, 281
- tax policy revamp 280–81
- tax revenue policy
 - causes of Japan’s tax revenue decline 289–92
 - comparison of Korea’s recent with Japan’s in 1990s 292–8, 310
 - lessons for Korea 310–11
 - responsible for worsening fiscal situation 309
- Taylor Rule
 - adjusted 209–11
 - standard 208–9
- TFP *see* total factor productivity (TFP)
- Tinbergen Principle 195
- total factor productivity (TFP)
 - decomposition in Korea 130–31, 192
 - fall in growth in China 191–2
 - gains in selected countries 128–30 and GDP growth 60–63, 74–7
 - Japan–Korea comparison 99–102, 103–5, 108–14, 118–19, 122
 - overview 5–6
 - potential growth rate contingent on 121
 - relation to allocation efficiency 105–9, 118, 121, 126–7, 129–31, 135
- under-reaction 282
- underproduction 115, 131–4
- unemployment
 - in advanced economies 265
 - following global financial crisis 1
 - in Korea 74
- unit root test 243–6, 248–9
- United Kingdom
 - asset price inflation 144
 - average female labor participation rates 65
 - escaped Japanization 53
 - government average borrowing cost 266
 - government expenditure 303
 - growth rates 25
 - health service expenditure 272
 - inflation rates 23–4
 - interest rates 27–32
 - Japanization index 33–5
 - pensions expenditure 271
 - Plaza Accord 80
 - ratio of debt to GDP 187
 - real estate price inflation 143
- United States
 - aging and asset prices trends 251
 - average female labor participation rates 65
 - deflation 49, 53, 185–6, 196–7
 - escaped Japanization 53
 - export market share 81, 86
 - foreign investment 191
 - FTA with Korea 79
 - global financial crisis 18, 40–41, 47, 49
 - government average borrowing cost 266
 - government expenditure 303
 - Great Depression 17, 184–5
 - growth rates 25–6, 264
 - health service expenditure 272
 - inflation rates 23–4, 264
 - interest rates 27–32, 188–9
 - Japanization index 33–5
 - land price bubbles 48
 - manufacturing industry 122, 132, 134–5
 - need for increased public infrastructure spending 268
 - nominal GDP 26–7
 - pensions expenditure 271
 - Plaza Accord 80
 - quantitative easing 19
 - ratio of debt to GDP 187
 - real estate price inflation 143–4
 - real GDP 27
 - real interest rates downward trend 188–9
 - recovery from severe capital shortages 157
 - slowdown in productivity growth 187

- support for Japan's export sector 158
 - TFP gains in 128
 - unemployment 265
 - ZIRP 20
 - zombie firms and asset ratios 170–71
- wages
- in advanced economies 265
 - and deflation 184–5
 - downward flexibility of 47–9, 284
 - downward pressure on 281
 - as main determinant of female labor supply 64
 - and risk aversion in labor market 274
 - taxes on 280
- Yamaichi Securities 7, 38, 140, 148–50, 160–61
- yen
- appreciation 36, 38, 40–41, 50, 59, 83, 251, 274
 - depreciation 40, 42–3
 - overvaluation 50
 - real effective exchange rate 84
- zero interest rate policy (ZIRP) 17–18, 20, 28, 31, 39–42, 52
- zero lower bound 2, 184, 189
- ZIRP *see* zero interest rate policy (ZIRP)
- zombie banks 7, 139, 158, 175–7
- zombie firms
- in Japan 7, 139, 158, 163–4, 170–71
 - in Korea 165–71
- zombie loans in Korea
- policy options to cope with 175–7
 - reasons for increasing 171–5
- zombies
- asset-weighted ratios 168–9
 - defining 166
 - as emerging from bankruptcy procedure gone wrong 172
 - as firms with earnings before interests and taxes below minimum interest payment 166
 - impact of increase 163–4
 - large firms turning into, through support of public banks 174
 - as nonviable firms 273
 - overview 6–8
 - as problematic, insolvent companies 18
 - as unprofitable borrowers 163

