

McGILL UNIVERSITY
DEPARTMENT OF ECONOMICS
ECONOMICS 335
CRN 15423
THE JAPANESE ECONOMY

Fall 2017

Professor J. Kurien

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Course Prerequisites Economics 154-208 & 209 or 230D or 250D

MW 2.35 -3.55

Leacock 14

IMPORTANT NOTE: SOME LECTURES COULD BE MOVED TO FRIDAYS AT THE SAME TIME. IF THAT HAPPENS A WEEKS NOTICE WOULD BE GIVEN IN MY COURSES. PLEASE DO CHECK.

Course Objectives This is a survey course on the Japanese economy. The text, David Flath, The Japanese Economy, 2005, Oxford University Press is very strongly recommended. It should be available at McGill Book Store located at 3544 Parc Avenue. The book focuses on Japan's post war development and the recent difficulties facing the Japanese economy, provides good analytical perspectives on such difficulties, but does not provide a full discussion of Japanese economic institutions. For such a discussion of institutions, Takatoshi Ito, The Japanese Economy, MIT Press, 1992 is very useful and will be placed on the reserves at Redpath Library. The Ito book predates the economic crisis in Japan and hence is obsolete in dealing with the modern difficulties facing Japan; therefore I do not recommend its purchase. Similarly Japan since 1980 by Thomas Cargill and Takayuki Sakamoto updates much of the macroeconomic material and is very useful as a supplement; it is also on reserve. As of last year, the whole book was available on the web as a PDF. For explanations of the crisis, the MIT Press book Japan's Great Stagnation edited by Michael M Hutchison and Frank Westermann (2006) as well as a book edited by Takatoshi Ito, Hugh Patrik and David Weinstein, Reviving Japan's Economy: Problems and Prescriptions 2005 are very informative. Contrasting the Japanese economic structure with those of its major competitors and understanding the role these structures have played in the rapid post-war growth as well as the current difficulties facing the Japanese economy would be the major focus of the course. After a brief introduction to the post War performance of the Japanese economy, a few lectures will give an introduction to Japanese economic history. Thereafter an attempt would be made to explore the institutions and performance of the Japanese Economy. The course will end with an evaluation of how the Japanese economy is coping with quarter century long difficulties. Lectures would cover ground and provide perspectives that are not in the readings. Additional required readings will be assigned as the course proceeds.

Course Evaluation A midterm on October 16, 2017 in class will count for 20% of the course

grade and the final examination in the examination period for the remaining 80%. Students who fail to take the midterm for permitted reasons (reasons of health and family affliction) should provide documentary evidence within two weeks of the midterm date; if so final would count for 100% of the grade for students in that situation. Failure to take the midterm for reasons that are not accepted or failure to provide documentation as above would result in a grade of zero for the midterm.

The supplementary examination in May will count for 100% of the grade for those who are eligible to take it. The midterm is later than normal because of the late start of classes this year.

McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see <http://mcgill.ca/integrity> for more information). According to Senate regulations, instructors are not permitted to make special arrangements for final examinations. Please consult the Calendar, section 4.7.2.1, General University Information and Regulations at www.mcgill.ca.

In accord with McGill University's Charter of Student Rights, students in this course have the right to submit in English or in French any written work that is to be graded.

COURSE OUTLINE AND SUGGESTED READINGS

(* indicates very useful readings in addition to the textbook. Additions to this list may be made as the course progresses. AOL stands for "available on line")

The introduction on Incomes and Welfare in Japan takes 2 lectures

I. HISTORICAL BACKGROUND (3 lectures)

Flath, Chapters 1, and 2.

* Ito, Ch. 1 and 2.

II. POSTWAR GROWTH AND FLUCTUATIONS (5 lectures)

This section will include some review of elementary macroeconomics

Flath, Ch.4 & 6

*Ito, Ch. 3 and 4

Ito, Takatoshi, and Hugh Patrick, "Problems and Prescriptions for the Japanese Economy: An Overview", in Ito, Patrick and Weinstein (eds.), Reviving Japanese Economy, MIT Press, 2005.

Paul Krugman, "Its Baaack: Japan's Slump and the Return of the Liquidity Trap," Brookings Papers on Economic Activity, 2: 137-87. [AOL]

Ito, Takatoshi and Frederic C. Mishkin, "Two Decades of Japanese Monetary Policy and the Deflation Problem", NBER Working Paper No. 10878 [AOL] is an excellent survey of Japanese Monetary Policy and the related theoretical issues for the two decades starting in 1984.

III. SAVINGS AND INVESTMENT (2 lectures)

*Ito, Ch. 9.

Flath, Ch.5.

*Fumiyo Hayashi, "Explaining Japan's Savings: A Review of Recent Literature", Monetary and Economic Studies, Bank of Japan, Vol. 10, No.2, November 1992, pp. 63- 78.

Charles Yuji Horioka, "The (Dis)saving Behaviour of the Aged in Japan", in Japan and the World Economy, 2010, pp 151-158 [AOL- available online].

IV. THE JAPANESE INDUSTRIAL STRUCTURE (2 lectures)

Flath , Chs. 9 and 13.

*Ito, Ch.7

V. THE LABOUR MARKET (2 lectures)

Flath, Ch. 16.

*Ito, Ch. 8. Thomas Cargill and Takayuki Sakamoto, Japan Since 1980, Cambridge, 2008, Chapter 10, pp. 235-279

VI. THE FINANCIAL SYSTEM AND PUBLIC FINANCE (4 lectures)

Flath, Chs. 10,11, and 14

*Ito, Ch. 5 and 6

Charles Yuji Horioka, "Japan's Public Pension System in the Twenty-First Century", In Blomstrom, Gangnes *et. al.* (eds.) Pp. 99-119.

*Robert Deckle, "The Deteriorating Fiscal Situation and an aging population", in Blomsrom, Corbett, Hayashi and Kashyap (eds.), Structural Impediments to Growth in Japan, Chapter 3, pp. 71-87.

Takeo Hoshi, "The Convoy System for Insolvent Banks: How it originally Worked and Why it Failed in the 1990's", Japan and the World Economy, Vol. 14(2002), pp.155-180. [AOL]]

VII. INTERNATIONAL TRADE AND FINANCE (4 lectures)

*Ito, Chapters 10, 11 and 12.

Flath, Chs. 7 and 8.

VIII. ASSET PRICES, BUBBLE ECONOMY, THE CRASH AND THE AFTERMATH(2 lectures)

*Ito, Ch. 14.

Tim Callen and Martin Muhleisen, "Current Issues Facing the Financial Sector", in Tim Callen and Jonathan Ostry (eds.) Japan's Lost Decade, IMF, 2003.

IX.. MARKETING AND THE DISTRIBUTION SECTOR (2 lectures)

*Ito, Chapter 13

Flath, Ch. 15.

X. ENVIRONMENTAL ISSUES. Flath Chapter 12 (If time permits).