

2015 EWC/KDI Conference on

JAPANIZATION: Causes and Remedies

SYNOPSIS

More than a half-dozen years have passed since the global financial crisis in 2008. Yet, many advanced countries—with the arguable exception of the U.S.—have not achieved meaningful recoveries. Employment remains low and economic activities are weak. While interest rates have been lowered to zero-bounds in most advanced countries, inflation does not pick up, inviting quantitative easing. ‘New-normal,’ a term that emerged to stipulate the state of the post-crisis economy, is now moving to ‘Japanization,’ which refers to long-term stagnation and deflation.

The causes of Japan’s ‘lost decades’ have been extensively discussed. Some economists emphasize aging and structural inefficiencies, while others stress improper macroeconomic policy responses. Thus structural reforms coupled with bold macroeconomic policies have been recommended, and ‘Abenomics’ earnestly reflects these recommendations. How much can Abenomics relieve Japan’s economic problems? What lessons should other advanced countries learn from the experiences of Japan?

Korea is of particular interest in this regard because it tends to lag Japan in many respects by about two decades. For example, the current age structures of Korea are very similar to those of Japan 20 years ago and will evolve following the aging trend of Japan. Both growth and inflation rates of Korea are slowing down to produce a declining trend of nominal growth almost identical to that of Japan 20 years ago. That is, the current Korean economy resembles the Japanese economy in the 1990s when Japan began to plunge into the lost decades. Does this indicate that Korea is doomed to become another Japan? Or, what should Korea do to mitigate the downward trend of growth?

The 2015 joint KDI/EWC conference is organized in order to discuss these important issues, in both the global and the Korean contexts. Although many of these questions will not be clearly answered, intellectual discussions are deemed helpful for better understanding the problems and designing future policies.

10 August 2015

SESSION I. AGING, INDUSTRY MATURIZATION AND JAPANIZATION

Chair: **Andrew Mason**, University of Hawaii at Manoa

09:00–9:30 a.m. Paper 1: *Japanization: A Comparative Analysis for Advanced Economies*
presented by **Takatoshi Ito**, Columbia University

09:30–10:00 a.m. Paper 2: *Aging and Growth: Will Korea Become Another Japan?*
presented by **Kyooho Kwon**, Korea Development Institute

10:00–10:30 a.m. Paper 3: *Trade Dynamics of Japan, Korea, and China*
presented by **Kyu-Chul Jung**, Korea Development Institute

10:30–10:45 a.m. Coffee break

10:45–11:10 a.m. Commentaries: **Barry Eichengreen**, University of California, Berkeley
(Paper 1), **Sang-Hyop Lee**, University of Hawaii at Manoa (Paper 2),
Theresa Greaney, University of Hawaii at Manoa (Paper 3)

11:10–11:50 a.m. Open discussion

11:50–12:00 a.m. Group photo

12:00–1:00 p.m. Lunch

SESSION II. RESOURCE ALLOCATIONS AND TFP

Chair: **Denise E. Konan**, University of Hawaii at Manoa

1:00–1:30 p.m. Paper 4: *Product Market Efficiencies and TFP: Comparative Analyses*
presented by **Keiko Ito** and **YoungGak Kim**, Senshu University

1:30–2:00 p.m. Paper 5: *Misallocation in the Manufacturing Sector of Korea: A Micro-Data
Analysis*
presented by **Dongseok Kim** (on behalf of **Jiyoon Oh**), Korea Development
Institute

- 2:00–2:30 p.m. Commentaries: **Kyu-Chul Jung** (Paper 4), **Keiko Ito** (Paper 5)
2:30–3:00 p.m. Open discussion
3:00–3:15 p.m. Coffee break

SESSION III. ROLES OF FINANCIAL MARKET

Chair: **Dongseok Kim**

- 3:15–3:45 p.m. Paper 6: *Financial Market Efficiency: A Comparative Perspective*
presented by **Mitsuhiro Fukao**, Keio University
3:45–4:15 p.m. Paper 7: *Adverse Effects of Zombie Firms: The Case of Korea*
presented by **Daehee Jeong**, Korea Development Institute
4:30–4:50 p.m. Commentaries: **Seongtae Kim**, Korea Development Institute (Paper 6),
Baybars Karacaovali, University of Hawaii at Manoa (Paper 7)
4:50–5:30 p.m. Open discussion
5:30 p.m. Board bus to return to the hotel

11 August 2015

- 8:00 a.m. Pick-up at the hotel by bus to the East-West Center
8:30–9:00 a.m. Continental breakfast at the East-West Center

SESSION IV. ASSET PRICES AND MONETARY POLICY

Chair: **Byron Gangnes**, University of Hawaii at Manoa

- 9:00–9:30 a.m. Paper 8: *Deflation and Monetary Policy*
presented by **Barry Eichengreen**, University of California, Berkeley
9:30–10:00 a.m. Paper 9: *Aging and Housing Prices: The Case of Korea*
presented by **Inho Song**, Korea Development Institute
10:00–10:30 a.m. Paper 10: *Lessons for Korea from Japan's Monetary Policy*
presented by **Dongchul Cho**, Korea Development Institute

10:30–10:45 a.m. Coffee break

10:45–11:20 a.m. Commentaries: **Daehee Jeong** (Paper 8), **Andrew Mason** (Paper 9), **Sumner La Croix**, University of Hawaii at Manoa (Paper 10)

11:20–12:00 a.m. Open discussion

12:00–1:00 p.m. Lunch

SESSION V. JAPANIZATION AND FISCAL POLICY

Chair: **Sumner La Croix**

1:00–1:30 p.m. Paper 11: *Avoiding Japanization: What Role for Fiscal Policy?*
presented by **Jerald Schiff**, American University

1:30–2:00 p.m. Paper 12: *Lessons from Japan's Fiscal Policy for Korea*
presented by **Seongtae Kim**, Korea Development Institute

2:00–2:30 p.m. Commentaries: **Byron Gangnes** (Paper 11), **Jerald Schiff** (Paper 12)

2:30–2:45 p.m. Open discussion

2:45–3:00 p.m. Coffee break

SESSION VI. MAJOR FINDINGS AND POLICY IMPLICATIONS

3:00–5:00 p.m. Convened by **Takatoshi Ito**, **Dongchul Cho**, and **Andrew Mason**

5:00–5:15 p.m. Closing remarks by EWC and KDI organizers