



Journal of Economic Perspectives

ISSN 0895-3309 (Print) | ISSN 1944-7965 (Online)

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Japan's Financial Crisis and Economic Stagnation

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JOURNAL OF ECONOMIC PERSPECTIVES

VOL. 18, NO. 1, WINTER 2004

(pp. 3–26)

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Article Information

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Abstract

We survey the macroeconomic stagnation and financial problems in Japan. The financial sector assessment includes separate analyses of the commercial banks, the life insurance companies and the government's fiscal investment and loan program (FILP). We estimate that the Japanese taxpayer will have to pay at least another 100 trillion yen (20% of GDP) to cover financial system losses. We explain how the current dysfunctional Japanese banking system misallocates funds by keeping many insolvent

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Hoshi, Takeo, and Anil K. Kashyap. 2004. "Japan's Financial Crisis and Economic Stagnation ." *Journal of Economic Perspectives*, 18 (1): 3–26.

DOI: 10.1257/089533004773563412

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