

[Home](#)

# Idiosyncratic Risk and the Creative Destruction in Japan

Yasushi Hamao, Jianping Mei & Yexiao Xu

SHARE       

WORKING PAPER 9642

DOI 10.3386/w9642

ISSUE DATE April 2003

The dramatic rise and fall of the Japanese equity market provides a unique opportunity to examine market-and firm-specific risks over different market conditions. The price behavior of Japanese equities in the 1990s is found to resemble that of U.S. equities during the Great Depression. Both show increasing market volatility and a prolonged large co-movement in equity prices. What is unique about the Japanese case is the surprising fall in firm-level volatility and turnover in Japanese stocks after its market crash in 1990. This large decrease in firm-level volatility may have impeded Japan's capital formation process as it has become more difficult over the past decade for both investors and managers to separate high quality from low quality firms. Using data on firm performance fundamentals and corporate bankruptcies, we show that the fall in firm-level volatility and turnover in Japanese stocks could be attributed to the sharp increase in earnings homogeneity among Japanese firms and the lack of corporate restructuring.

[Download a PDF](#)

## Acknowledgements and Disclosures



## Download Citation



## Related

### TOPICS

Financial Economics  
Financial Institutions

### PROGRAMS

Asset Pricing  
Economic Fluctuations and Growth  
International Finance and Macroeconomics

## More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025  
**The Fiscal Future**

N. Gregory Mankiw, Harvard University and NBER  
July 10, 2025

**2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"**

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025  
**Uncovering Causal Mechanisms:  
Mediation Analysis and  
Surrogate Indices**

Raj Chetty, Harvard University and NBER  
Kosuke Imai, Harvard University  
July 24, 2025



**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms: Mediation Analysis and Surrogate Indices"**

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs...

A blue rectangular poster with three circular headshots of panelists on the left. The text on the right reads: "International Trade and Macroeconomics, Summer Institute 2025", "Panel on The Future of the Global Economy", "Oleg Itskhoki, Harvard University and NBER", "Paul Krugman, City University of New York and NBER", "Linda Tesar, University of Michigan and NBER", and "July 8, 2025".

International Trade and Macroeconomics, Summer Institute 2025  
**Panel on The Future of the Global Economy**  
Oleg Itskhoki, Harvard University and NBER  
Paul Krugman, City University of New York and NBER  
Linda Tesar, University of Michigan and NBER  
July 8, 2025

**2025 International Trade and Macroeconomics, "Panel on The Future of the Global Economy"**

PANEL DISCUSSION

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

**National Bureau of Economic Research**

[Contact Us](#)

1050 Massachusetts Avenue

Cambridge, MA 02138

[617-868-3900](#)

[info@nber.org](mailto:info@nber.org)

[webaccessibility@nber.org](mailto:webaccessibility@nber.org)

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW



© 2025 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.