Subject Index

acts. See statutes
aging of Japanese society, 289

bad loans, 281
as a percentage of GDP in the late 1990s, 283
classification of loans that the FSA uses in bank examinations, 281
government capital injection, 280
level of bad loans at all banks by the various definitions in the late 1990s, 282
risk management loans, 281
bailouts. See bank interventions
bank asset composition
bank profitability and assets composition, 1955–75, 128
bank profitability and assets composition, 1911–36, 45
structure of bank assets and deposits, 1975, 248
structure of bank assets and deposits, 1996, 249
bank-centered financing. See bank-centered system
bank-centered system, 1, 290
bank consolidation, 31, 58
“one prefecture, one bank”, 57
bank debt as a percentage of firms assets, 247, 251, 256
bank-dominated financial system. See financial system
bank failures
capital injections, 277
Chuo Trust, 280
first wave of banking troubles, 272
Fukutoku Bank, 273
Hanwa Bank, 272
Hokkaido Takushoku Bank, 276
Hyogo Bank, 268
in the 1920s, 92
Iyo Bank, 272
Kofuku Bank, 273
Kyoto Kyoei Bank, 273
Midori Bank, 268
Namihaya Bank, 273
Naniwa Bank, 273
nationalization, 279
Nippon Credit Bank, 279
Taiheiyo Bank, 272
Toho Sogo Bank, 272
Tokyo Watanabe Bank, 29
Toyo Shinkin, 272
Wakashio Bank, 272
Yamaichi Securities, 276
bank interventions, 145, 181
bankers on the boards of directors, 126, 257
bank rescues, 93, 198
Daishowa Paper, 164–168
inefficient rescues, 198
Japan Line, 159–163
Maruzen Oil, 146–152
Mazda, 153–158, 168–179
Nihon Menka, 48–49
Sankō steamship, 159–163
Sogo, 180–181
Bank of Japan, 22, 28, 29, 55, 58, 77, 96, 197, 225, 226, 267, 308
origins, 22
low interest rate policy, 226
Bank of Tokyo Mitsubishi, 280
bank rescues. See bank interventions
banks, 18
bankers on the boards of directors, 126, 257
capital injection, 280
banks (cont.)
cleaning up of balance sheets, 72
compensating balances, 225, 252
competition over size, 197
composition of assets of ordinary banks, 1911–1936, 45f
definitions of, in the early 1970s, 131
effective lending rate with compensating balances, 225
fee-based activities, 285
fee income, 286t
foreign deposits, 314
gradual loss of market power, 252
long term lenders, 108
mega-mergers in commercial banking, 317
nationalization, 279
non-interest income, 284t
ordinary banks (futsu ginko), 23, 45
portfolio shifts of banks in the 1980s, 288
postwar bank relations, 78
profitability, 45t, 119, 123f, 283, 286t
profitability of major US banks, 284t
reasons why they were not broken up in the 1940s, 72
reconstructing financial institutions, 73
restrictions on private foreigners lenders in the 1950s, 94
structure of assets and deposits as of 1975, 248
structure of assets and deposits as of 1996, 249t
subsidiary, 253, 254t, 321
bank services, 41, 86, 118, 285, 318
bankruptcy, 203. See also corporate restructuring and bank interventions
Big Bang, 275, 288, 289, 311
comparison to 1986 British Big Bang, 289–290
initial corporate responses to, 295
key elements of, 292–293t
scope of business open to banks after the Big Bang, 294t
stated goals, 289
substance of the Big Bang, 289
bonds. See corporate bonds and government bonds
bond markets. See also corporate bonds and government bonds
bond financing, 238–239t
changes in restrictions, 229
collateral principle, 30, 102, 229
collateral restrictions imposed by the Bank of Japan, 96
designated rating agencies, 230
drive for purifying the bond market, 30
issuers in 1964, 120t
new products, 231, 233
bridge bank plan of June 1998, 277
budgets. See fiscal policy
business group, 8. See also zaibatsu, keiretsu
capital injections, 277
certificate of deposit (CDs), 232, 233
China War, 55
city banks, 301
defined, 131
identities over time, 301–305
number in the high growth era, 128
number in, 2000, 298
return on assets, 1976–97, 286t
return on equity, 1976–97, 286t
collateral. See bond markets
combines. See business groups
Commercial Code, 26, 231, 324
commercial paper (CP), 233
collateral. See bond markets
convertible bonds, 103
equity-linked bonds, 237
in, 19th century, 26
new products, 231
rating criteria, 229
unsecured bonds, 229, 230
warrant bonds, 231
corporate financing patterns
in the early 20th century, 33, 36, 43
in the war years, 84, 85
in the high growth era, 115, 118, 119
in the last quarter of the 20th century, 241, 244, 245
in the 21st century, 314
corporate governance, 44, 87, 124, 254
in the early 20th century, 44
in the war years, 87
in the high growth era, 124
in the last quarter of the 20th century, 254
in the 21st century, 322
of zaibatsu, 47–48
stock market-based system of, 258
corporate restructuring, 74, 182. See also
bank failures and bank interventions
bank involvement, 182
Daishôwa Paper, 164–168
decoconcentration in late 1940s, 68
economic purge of key officials, 71
inefficient rescues, 198
Japan Line, 159–163
Maruzen Oil, 146–152
Mazda, 153–158, 168–179
Nihon Menka, 48–49
recapitalization of frims after the war, 74
rescue operations led by banks, 93
Sanko steamship, 159–163
Sogo, 180–181
credit crunch of 1949, 65
crisis
of 1927, 27
of 1929, 30
of 1990s, 267, 276
role of Kataoka, N., 29
crony capitalism, 199
cross-shareholdings, 124, 126, 322
of council members of the six largest
keiretsu, 257, 258
unwinding of, 323
daihyo-ken, 155, 165, 167
dainyo (local lords), 20
Daishowa Paper, 164–168
Daishôwa Aitaka, 167
Tamai, E., 165
Marubeni, 167
Saito, R., 164
delistings, 202, 204–205
Deposit Insurance Corporation (DIC), 181,
271, 272
deposits. See banks
deregulation of financial markets, 227, 311
completion of, 289
deregulatory period, 219
effect on bank profits and portfolios, 283
piece-meal approach to, 311
slow and uneven deregulation that
preceded the Big Bang, 288
specifics of, 275
Dodge stabilization. See fiscal policy
double taxation of dividends, 103
Earthquake of 1923. See Kanto earthquake
economic crisis. See crisis
economies of scale, 207
economy, general conditions
in the 1870s, 21
in the 1890s, 23
in the 1910s, 27
in the 1930s, 30
in the late 1940s, 64–65
in the 1950s, 94
in the 1970s, 220–225
in the 1980s, 226
in the 1990s, 267–268
demanda. See yen appreciation
end of high growth, 311
equity financing. See stock market
equity premium, 104
external funds. See corporate financing
patterns
fear of foreign domination, 94
financial assets
in the early 20th century, 32, 34–35
in the war years, 81, 82–83
in the high growth era, 112, 116, 117
in the last quarter of the 20th century,
241, 242–243
in the 21st century, 313, 313
Financial Crisis Management Committee
(Kin'yô Kôkai Kanri Iinkai), 277
financial debentures, 43, 44, 108. See also
bond markets and corporate bonds
financial distress, 145, 190, 194. See also
corporate restructuring
distressed companies, 48
reducing the real costs of distress, 194
financial group, 326. See also kereitsu and zaibatsu
financial holding company, 291, 320
financial intermediaries, 262. See also banks
Financial Reconstruction Commission (FRC), 279
Financial Services Agency (FSA), 280
Financial Supervisory Agency, 275, 279
financial system, 1, 185
after deregulation (early 1990s), 221
bank-dominated, 311
changing patterns, 306
during the rapid economic growth period, 92, 128
during the War years and Occupation, 52, 66, 87, 308
from the early 1950s to mid–1970s, 91
future of, 313
in the 21st century, 306
in the Tokugawa period, 17
in, 2000, 298
market-based, 275, 290
prior to the military build-up in the 1930s, 16
reform of, 289
stability of, 293
financial theory
adverse selection, 186, 213
arm’s-length investors, 199
asymmetric information, 186
debt overhang, 218
demandable debt, 189
keiretsu and information problems, 191
lemon premium, 186
limited liability, 188
moral hazard, 187, 216
Myers-Majluf problem, 213
potential problems with arm’s length financing, 213
risk shifting problem, 218
role of debt holders, 188, 194
role of equity holders, 188, 194
shirking, 187
Fiscal Investment and Loan Program (FILP), 102
fiscal policy
budget deficits, 222, 223t
consumption tax, 268
Dodge stabilization, 65, 103
fiscal conservatism, 267
fiscal expansion, 221
government spending, 1965–83, 223t
fixed exchange rate, 95. See also yen
fixed-income investments, 100
Foreign Exchange Council, 290
foreign direct investment (FDI), 13
foreign lending. See lending funding patterns. See corporate financing
gensaki, 232
gold standard. See yen
government bond comprehensive accounts, 253
government bonds. See also bond markets and corporate bonds
secondary market for, 229
underwriting syndicate, 225
repudiation, 66t
government bond time deposits, 229, 253
government spending. See fiscal policy
Hashimoto, R., 275, 289
history. See origins
hollowing out of the Tokyo financial market, 289
household savings. See savings
Industrial Bank of Japan (IBJ), 24, 55, 57, 159
industrial policy, 205
industry protection, 209
infant industry protection, 206
market failure, 206
recession cartel, 165
interest rates
interest income for Japanese city banks, 286t
liberalization of, 236, 252
on, 30 April 1973, 105t
short-term prime rate, 104
International Digital Communication (IDC), 323
investment trusts, 97, 319
Japan Bond Research Institute, 230
Japan Credit Rating Agency, 230
Japan Development Bank, 102, 159, 208
Japan Line, 159–163
shipping industry, 159
Japan premium, 271, 274f
Japan Trustee Services Bank, 296
Japanese Archipelago Rebuilding Boom, 285
Subject Index 355

Ju-sen, 268–271
Resolution Corporation (JRC), 271
scandal, 268
Kanto earthquake, 28
keiretsu, 8, 10
and competition, 12
bankers on the boards of directors, 257
cost of financing, 185
finance, 94, 185, 310
Friday Club (Kinyo-kai), 11, 77
General Trading Companies (sōgo shōsha),
120–121, 246
industrial policy and, 205
kigyo-shu-dan, 8, 11
kontserun, 8
membership, 13
Presidents’ Council (shacho-kai), 11, 77,
122, 124, 255
profitability, 200, 203
R&D Investment and, 193
risk aversion, 200, 202
Second Thursday Club (Ni-moku-kai), 11
White Water Club (Hakusui-kai), 11
Korean War, 94
labor conflict, 65
laws. See statutes
lending, 124
consortia, 124
foreign lending, 288
to small and medium enterprises, 250
shift into property-based lending, 288
life insurance, 100
liquidity constraint, 191
loans, 283. See also bank asset composition
bank loans by type of collateral, 41f
distribution of loans by borrower and
duration, 251f
from Japan Development Bank, 159
to small enterprises as a percentage of all
loans, 287f
to the real estate industry as a percentage
of all loans, 287f
loan trusts (kasubitsuke shintaku), 109
Long-term Credit Bank (LTCB, choki
shin’yo ginko), 108, 110–111, 277, 278
macroeconomic developments. See
economy, general conditions
main bank system, 93. See also bank-
centered system
dependency, 255
relation to the wartime designation, 80t
manufacturing firms
changing financing patterns, 125f, 256t
large manufacturing firms’ bank debt,
315f
small manufacturing firms’ bank debt,
316f
market for corporate control, 324. See also
corporate governance
maruqī system, 101
Maruzen Oil, 146–152
international oil companies, 147
Union Oil Company, 146, 147
Wada, K., 147
Matsukata deflation, 21
Matsukata, M., 22
Mazda, 153–158, 168–179
Chrysler, 158
Fields, M., 179
Ford, 157, 168
Matsuda, J, 153
Matsuda, K., 153
Miller, J., 178
Murai, T., 155
Sumitomo Bank and, 153–158, 171–172,
177–178
Tatsumi, S, 171
Toyo Kōgyō, 153
Wallace, H.DG, 174
Wankel rotary engine, 153
Yamasaki, Y., 155
Meiji economy, 17. See also economy,
general conditions
fukoku kyōhei (“rich nations, strong
army”), 17
Ito, H., 19
Samurai as investors, 20
shokasan kōgyō (“develop industry and
promote industry”), 18
wakan yosai (“Japanese spirit, Western
technology”), 18
Meiji Restoration, 16, 305
military expansion, 55
February, 26 Incident, 53
Hamaguchi, O., 30, 53
Inukai, T., 53
Japanese government in 1931–45, 53–54
Ketsuken, 53
Kwantung Army, 55
Manchurian Incident, 55
March Incident, 53
military expansion (cont.)
May, 15 Incident, 53
October Incident, 53
Takahashi, K., 28, 53, 55
Ministry of Finance, 24, 53, 54, 77, 101, 267, 268, 271, 272, 275, 290
Financial System Planning Bureau, 280
Foreign Exchange Council, 290
guidance, 271
Trust Fund Bureau, 102, 308
Ministry of Posts and Telecommunications (MPT), 101
Ministry of International Trade and Industries (MITI), 148, 169
Mitsui Trust, 280
Mizuho Financial Group, 295
Modigliani-Miller theorem, 187, 210. See also financial theory
assumptions, 211
numerical example, 212
Moody’s, 230
moral hazard. See financial theory
mitigation of 1923, 29
munitions companies, 60, 308. See also wartime economy
designated financial institutions system, 60, 78, 80
mutual funds. See investment trust
New York Exchanges, 204–205
1940 system, 51
Nippon Credit Bank, 273, 279
Nippon Investors’ Service, 230
non-bank financial institutions, 136
Obuchi, K., 279
Occupation, 64, 87
auction of zaibatsu stocks, 70
economic purge, 71
Far Eastern Commission (FEC), 64
General Headquarters (GHQ), 64
Holding Company Liquidation Commission (HCLC, Mochikabu-Kaisha Seiri Iinkai), 68
MacArthur, D., 64
repudiation of war debts, 66, 309
Supreme Commander of the Allied Powers (SCAP), 64
oil shock, 159, 221
one-stop-shopping (OSS), 320–321
ordinary banks. See banks
organ banks (kikan ginko), 31
origins
First National Bank (Dai-Ichi Kokuritsu Ginko), 18
ginko, 18
gold standard, 27
Hypothec Bank of Japan (HBJ, Nihon Kangyo Ginko), 24
Industrial Bank of Japan (IBJ, Nihon Kogyo Ginko), 24
joint-stock companies, 21
Mitsui Ginko, 21
ordinary banks (futsu ginko), 23
Osaka Stock Exchange, 25
Tokyo Stock Exchange, 25
over-banking, 325
over-loan, 111
over-the-counter markets, 291
Postal Savings System (PSS), 101, 138, 206, 314
postwar inflation, 64
postwar restructuring. See also Occupation
cleaning up of balance sheets of munitions companies, 72
special account companies (tokubetsu keiri gaisha), 74
special managers (tokubetsu kanrinin), 75, 87
predictable technological progress, 207
Presidents’ Council (shacho–kai). See keiretsu
private savings. See savings or financial assets
Prompt Corrective Action (PCA), 275, 277
provision of funds to business. See corporate financing patterns
public offering, 103, 237
Rating and Investment Information, Inc., 230
Reconstruction Bank, 148
regulations. See also statutes
50/50 principle, 95
for borrowers, 102–104
for financial intermediaries, 106, 197
for savers, 96
low interest rate policy, 76
real demand principle, 234
Three Bureaus Agreement of 1975, 234
repo. See repurchase agreement
repurchase agreement, 233
rescues. See bank interventions
Resolution and Collection Bank (RCB), 273
return on assets for banks. See bank profitability
revaluation of corporate assets, 86. See also postwar restructuring

Sankō Steamship, 159–163
Komoto, T., 159
shipping industry, 159
Sanwa Bank, 146, 147, 272
Sanyo Securities, 276
Satsума Rebellion. See Seinan War savings, 260. See also financial assets financial surpluses, by sector, 1965–1996, 224
second oil shock, 226
securities firms-owned trust subsidiaries, 254
securities investment trusts (shoken toshi shintaku). See investment trusts securities markets, 308. See also stock market and bond markets
in 19th century, 25
limits on the role of, 75
segmentation of financial markets, 91 among types of banks, 249
basic logic for, 106
between banks and non-banks, 252
geographical, 106
reduced, 249
Seinan War, 21
shacho--kai. See Presidents’ Councils shareholder, 61
activism, 97
derivative lawsuits, 324
military government’s view of, 61
original shareholders for funding, 307
share-ownership survey, 323
shite groups, 97
Shōwa depression, 30. See also economy, general conditions
social security system, 222
Sogo, 180–181
sokaiya, 97
Specific Allowance for Loan Losses, 283
Standard & Poor’s, 230. See also corporate bonds
statutes
Act Concerning Foreign Investment of 1950, 94
Anti-Monopoly Act, 125, 255. See also Occupation
Article, 65 of the Securities and Exchange Act (1948), 107
Banking Act, 29, 275, 290
Commercial Code, 26, 231, 324
Convertible Bank Notes Act of 1884, 23
Corporate Accounting Temporary Measures Act, 73. See also postwar restructuring
Corporate Reconstruction and Reorganization Act, 73. See also postwar restructuring
Earthquake Bill Discounting Loss Guarantee Act, 28
Excessive Concentration of Economic Power Act, 69. See also Occupation
Financial Institutions Accounting Temporary Measures Act, 73. See also postwar restructuring
Financial Institutions Reconstruction and Reorganization Act, 73. See also postwar restructuring
Financial Reconstruction Act, 279
Financial System Reform Act of December 1998, 290
Financial System Reform Act of 1992, 253
Foreign Exchange Act Reform of 1998, 290
Foreign Exchange Act, 275, 290
Insurance Business Act, 290
Investment Trust Act of 1998, 291
Long-Term Credit Bank Act of 1952, 108
Munitions Companies Act of 1943, 60, 62. See also wartime economy
National Bank Act, 18, 20
National General Mobilization Act (NGMA) of 1938, 55. See also wartime economy
Rapid Recapitalization Act, 279
Oil Industry Act, 148
Savings Bank Act of 1893, 24
Secured Debenture Trust Act (SDTA), 26
Securities and Exchange Act of 1948, 73, 86, 290
Securities Investment Trust Act of 1951, 98
Stock Exchange Act of 1878, 25
Temporary Funds Adjustment Act (TFAA) of 1937, 54. See also wartime economy
Temporary Interest Rate Adjustment Act of December 1947 (TIRAL), 104
statutes (cont.)
Transfer of Administrative Authority Act, 62. See also wartime economy
stock financing by listed firms, 1972–98, 240f
Stock Issuance Adjustment Roundtable (Zoshi Chosei Kondankai), 76, 103
stock market. See also corporate financing patterns
bubbles, 226
capitalization, 40f
in prewar Japan, 38
issuance criteria, 103
reforms in the 1980s and 1990s, 236
restrictions on equity financing in the high growth era, 96, 103
returning the premium of market relative to book, 104
stock-collateralized financing, 307
Sumitomo Mitsui Banking Corp., 295
Swiss Banking Corporation (SBC), 278
takeover threat, 324
tax deduction of insurance premiums, 100
Tokyo offshore market, 234
Tokyo Stock Exchange, 204–205f. See also stock market
importance of, prewar, 38
size of, 1920–40, 39f
Toyo Kogyo. See Mazda
trade surplus in the early 1980s, 226
transparency of financial system, 293
Trust Banks (shintaku ginko), 108, 109, 231
trustee bank, 231
UFJ Group, 296
wartime economy
Bank Funds Utilization Ordinance of 1940 (BFLO), 57
Control of Corporate Finance and Accounting Ordinance, 61
Corporate Profits, Dividend, and Fund Raising Ordinance of 1939, 57, 61
Emergency Cooperative Lending Consortium, 56f
financial controls, 54, 58–59
Financial Enterprises Reorganization Ordinance of 1942, 58
Japan Savings Bank, 59
Munitions Ministry, 60
National Financial Control Association, 56
neighborhood association, 81
war’s end, 63, 69
wartime financial control, 56–57f
World Bank, 94
World Wars, 30. See also economy, general conditions
World War I, 27
wrap accounts, 291
Yanagisawa, H., 280
yen
adoption of gold standard, 23
Bretton Woods system, 220
fixed exchange rates, 95
internationalization of the Yen, 236
Joint US-Japan Ad Hoc Group on the Yen-Dollar Relationship, 234
Louvre Accord, 226
Nixon shock, 220
Plaza Accord, 226
return to gold, 30
Smithsonian system, 220
Yen appreciation, 226
zaibatsu
dissolution, 9, 68
dissolution, 9, 68
families, 62
honsha, 8, 62
Mitsubishi, 9
Mitsui, 8
monitoring, 47
scale of the major Zaibatsu at War’s end, 69
Shinko (New) zaibatsu, 9
stockholdings of zaibatsu holding companies, 70
Sumitomo, 8
taisho zaibatsu, 9
Yasuda, 9
zaitech, 166
zero bank borrowing, 257f