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Preface

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This special issue "Understanding Today's Capital Investment in Japan" centers on the recent trend of capital investment and on its research forefront in Japan. Based in principle on the microeconomic panel data of firms, four papers as a whole explore several hypotheses and establish, from both microeconomic and macroeconomic view points, notable evidence of investment behavior. We will take up as well the historical development of investment research in Japan, parts of which may have not been noticed worldwide as some are specific to the Japanese firms and thereby have been told only in the Japanese language. Brief introduction of four papers follows.

The leading paper by Asako, Nakamura, and Tonogi, "The Development of Investment Research and Multiple q in Japan," surveys in the first half the historical development of capital investment research in Japan by emphasizing both theoretical and empirical pitfalls and deadlocks many studies have confronted and dealt with to overcome in explaining universal investment behavior. In the second half, Multiple q model that is an extension of the Tobin's single capital q model to the multiple heterogeneous capital goods is applied with reasonable goodness of fit to the Japanese data.

In the second paper "Market Structure and Investment," Shima explores the empirical relationship between market conditions and capital investment by utilizing the panel data of Japanese firms. He extends the standard q investment model to the circumstances of oligopolistic market competition and investigates the possible difference between firms with large and small market shares to support the preemptive investment hypothesis. Shima also examines the investment bandwagon hypothesis and finds that firms with smaller market shares are more likely to “hop on the investment bandwagon”.

The third paper by Tanaka "Industrial Characteristics and the Investment-Uncertainty Relationship: A Panel Study of Data on Japanese Firms" examines the relationship between the effect of uncertainty on fixed investment and industrial characteristics based on a set of panel data for Japanese manufacturing firms. He finds that a lower degree of competition in product markets is associated with a greater negative effect of uncertainty on investment. Tanaka also finds that the effect of uncertainty on investment is significantly negative for industries with more irreversible capital goods with a low possibility of resale in a secondhand market or diversion to other industries.

In the fourth paper "Empirical Research on Depreciation of Business R&D Capital," Tonogi, Kitaoka, and Li estimate research and development (R&D) depreciation rates for 20 Japanese industries. They do this because, starting from 2016, R&D expenditures have begun to be counted as investments by the Japanese System of National Accounts. Then R&D capital stock must be capitalized from R&D expenditures and in that process the knowledge of R&D depreciation is essential. The authors conclude that the obtained estimates are consistent with the results of prior studies.