

Zombies, Again? The COVID-19
Business Support Programs in Japan
by Takeo Hoshi

Discussion

by Yingyi Qian

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The Impacts of COVID-19 Business Support Programs

- Various government support programs
 - Job losses low
 - Corporate failures low

The Impacts of COVID-19 Business Support Programs

- However

- Jobs

- Shinnosuke Kikuchi, Sagiri Kitao, and Minamo Mikoshiba (2020a, b)
 - Less protection for non-regular, non-flexible, social industries, women, young workers

- Firms

- Takeo Hoshi, Daiji Kawaguchi, and Kenichi Ueda (2021)
 - More help for low credit score firms, which apply more for help

Low Credit Score Firms Got More Help

- Employment subsidies, continuation grants, rent subsidies
- Concessional loans from government financial institutions and private sector banks

Worry about the Zombies Problem

- The zombie problem
 - Unprofitable firms do not exit, because of the subsidies from creditors or the government
 - They crowd out more productive firms
 - Evidence of the zombie problem in Japan (Ricardo Caballero, Takeo Hoshi, and Anil Kashyap (2008))

Worry about the Zombies Reserves Problem

- Not all low credit score firms (before COVID-19) are zombie firms
- Inverted U-shaped
- But they could be “zombies reserves” and the government support programs saved them during the COVID-19 pandemic
- Imply a long term restructuring problem

Why Low Credit Score Firms Received More Help?

- Many low credit score firms were not zombies before the COVID-19 pandemic
- Perhaps low credit score firms are more vulnerable during the COVID-19 pandemic so they need more help, other things being equal
- Perhaps low credit score firms employ more non-regular, non-flexible, social industries, women, young workers (the first and second findings are linked)

What are the better alternatives?

- Private banks behavior
 - Different in standard loans vs. concessional loans
 - Concessional loans are 100% guaranteed by the government
- Government full guarantee for concessional loans may be a problem

What are the better alternatives?

- Public banks behavior
 - Applications for concessional loans from Shoko Chukin Bank seem lower from the low credit score firm compared to Japan Finance Corp.
- Japan Finance Corp vs. Shoko Chuko
 - Japan Finance Corp: the central government owns 100%
 - Shoko Chukin Bank: the central government owns 50%
- Government full ownership may be a problem