

Interest rates, prices, tax incentives and user cost of capital: Experiences of Japanese firms in the high-growth era

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This Version: April 2019

Abstract

In this paper, we create the data series for the use cost of capital during the high-growth era of Japan drawing on firm-level data. Throughout the process, it turns out that the user cost of capital varied across firms. The tax incentives for investment, which was actively applied during high-growth era of Japan, had effects to reduce the use cost of capital as intended. Reductions in corporate tax rate had the same effects with less magnitude, while non-taxable allowances and reserves had small effects though their amounts were thought to be considerable.

JEL classification: E22, E30, E62, E40, H25, O23

Keywords: capital investments, user cost of capital, corporate taxes, prices, interest rate

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