

# THE PUBLIC SECTOR IN FINANCIAL FLOW STATEMENTS: JAPAN'S CASE

BY TATSUYA SAMUKAWA

Statistics Department, The Bank of Japan

One of the most characteristic features of Japan's public sector is the predominant role of the Treasury system, which operates not only budgetary funds of the central government but also various other funds such as Postal Savings Funds and surplus funds of public corporations.

Among the general account and 45 special accounts of the Treasury system, the Foodstuff Control, the Foreign Exchange Fund and the Trust Fund play important roles, both through their intra-governmental transactions and through their transactions with private sectors. Particularly noticeable is the role played by the Trust Fund Bureau, which serves as a financial institution for government agencies. Surplus and accumulated funds in the Postal Savings and other special accounts of the Government are deposited in the Trust Fund Bureau, which employs these funds for intra-governmental ways and means loans, and for government loans and investment programs.

Another feature of Japan's Treasury system is that it deposits all the Treasury funds solely with the Bank of Japan.

The activities of local authorities and local public enterprises are also largely financed by Treasury funds, and are intertwined with the Treasury system.

The statistical systems for monetary and financial flow analysis developed by the Bank of Japan, therefore, place stress on the analysis of flows of Treasury funds, and are based on an institutional sectoring to reflect the flows of funds as they actually take place. One exception is the Monetary Survey compiled in accordance with the IMF formula, which adopts a kind of functional sectoring for international comparison purposes.

In the last three years, Japan's public sector, which had long stood rather neutral in the financial patterns of the economy, has begun to show an increasing financial deficit. With the increasing financial deficit of the sector, the financial patterns of the nation as a whole are undergoing remarkable changes.

## I. INTRODUCTION

This brief note introduces the characteristics of Japan's public sector and its relationships with other sectors of the economy in financial flow statements, particularly in the Bank of Japan's Flow-of-Funds Accounts.

One of the most characteristic features of Japan's public sector is the predominant role of the Treasury system, which operates not only budgetary funds of the central government but also various other funds such as Postal Savings Funds and surplus funds of public corporations. The budget of the central government consists of a general account and 45 special accounts. Among the special accounts, the Foodstuff Control, the Foreign Exchange Fund and the Trust Fund play important roles both through their intra-governmental transactions and through their transactions with private sectors.

The Foodstuff Control Special Account is a kind of government enterprise which buys and sells foodstuffs (rice, wheat and barley) for demand-supply control. The Foreign Exchange Fund is a government fund for the concentration of foreign exchange and deals in foreign exchange transactions with private financial institutions. The Trust Fund Bureau serves as a financial institution for government agencies. Surplus and accumulated funds in the Postal Savings and other special accounts of the government are deposited in the Trust Fund

Bureau, which employs these funds for intra-governmental ways and means loans, and for government loans and investment programs. The funds of these special accounts also form a part of Treasury funds.

Another feature of Japan's Treasury system is its depository system. It deposits all the Treasury funds solely with the Bank of Japan.

The activities of local authorities and local public enterprises are financed in part by private funds but also largely by Treasury funds, and are intertwined with the Treasury system.

The statistical systems for monetary and financial flow analysis developed by the Bank of Japan, therefore, place stress on the analysis of Treasury fund flows and are based on an institutional sectoring to reflect the flows of funds as they actually take place. One exception is the Monetary Survey compiled in accordance with the IMF formula, which adopts a kind of functional sectoring for international comparison purposes.

The Bank of Japan's Flow-of-Funds Accounts as a social accounting system should, in my personal opinion, be reviewed from various points of view. Two examples to be cited are international comparison and integration with an extended system of national accounts, such as the one proposed by the United Nations Statistical Office. As this is not the theme of this report, however, I should like to discuss this problem at another opportunity.

As revealed in the Bank of Japan's Flow-of-Funds accounts, the public sector stood rather neutral in the financial flow patterns of the economy until quite recently, showing almost negligible financial surpluses or deficits. In the last three years, the financial deficit of the public sector has grown rapidly, becoming the economy's largest net borrower. With the increasing financial deficit of the sector, the financial patterns of the nation as a whole are undergoing remarkable changes.

## II. CHARACTERISTICS OF JAPAN'S PUBLIC SECTOR AND ITS FINANCIAL RELATIONSHIPS WITH OTHER SECTORS

The term "public sector" in this paper refers to the combination of two sectors of the Bank of Japan's flow-of-funds accounts, "the central government" and "public corporations and local authorities". This sectoring is very significant, in part because its scope as an institutional sector is almost equal to the "Government" sector of the National Income Statistics compiled by the Economic Planning Agency of the Japanese Government. More significant in this regard, however, is the fact that the sectors belonging to the "public" sector are intertwined in their financial relationships.

### A. CENTRAL GOVERNMENT AND PUBLIC CORPORATIONS

#### 1. *Treasury system*

In Japan, in contrast to other countries, the Treasury funds, as a rule, are deposited only with the Bank of Japan which is also charged with the

internal accounting of Treasury funds, and all receipts and payments of Treasury funds are made through this account. In the U.S.A., a substantial part of Treasury funds (tax and loan receipts) are deposited with commercial banks, while in England, accounting officers maintain accounts with commercial banks in addition to the Treasury account with the Bank of England. In France, a substantial part of the Treasury funds is kept in the “caisses” of the accounting officers (comptables publiques) and the Banque de France is the depository of only a part of the government money.

The Bank of Japan designates a large number of private financial institutions as its agencies in handling Treasury funds. In practice, therefore, dealings in receipts and payments of Treasury funds with the general public are made largely at the windows of private financial institutions. These financial institutions are also entrusted with a part of internal accounting of Treasury funds. They engage in such business, however, as Bank of Japan agents, while their counterparts in the U.S.A. and England do such business as a part of their general banking business.

## 2. *Scope of Treasury funds*

The scope of Treasury funds varies according to country. In Japan, Treasury funds cover, as mentioned, a wide scope of funds, which also include non-budgetary funds. The principal components of Treasury funds are as follows.

### a. Revenue and expenditure

In accordance with the government budget, revenue is money received and expenditure is money used for payment. The government budget is composed of a general account and 45 special accounts, each containing its revenue and expenditure. For some special accounts (such as Foreign Exchange Fund Special Account, Trust Fund Special Account and Postal Savings Special Account), however, the budget only lists their respective surpluses or deficits, with their daily transactions being classified as extra-budgetary receipts and payments.

### b. Accounting officer deposits

The funds advanced and put in charge of government accounting officers are, as a rule, deposited with the Bank of Japan for the account of the Treasury.

### c. Funds in custody

Funds in custody is the money which is held by ministries and is not related to the government budget. These funds include surety money for contracts with the government and honest money for participation in auctions, and are deposited with the Bank of Japan.

### d. Deposits of the Trust Fund Bureau

Deposits of the Trust Fund Bureau are the surpluses and reserves of the special accounts and Treasury surpluses deposited with the Trust Fund Bureau. The main part of the deposits consists of postal savings. The Trust Fund Bureau employs these funds in loans and investments in Government organizations, public corporations, special juridical persons, local public authorities, and other

similar institutions and projects. Treasury loans and investments are generally used for (1) the development of key industries, (2) assistance to underdeveloped sectors such as agriculture, forestry, fishery and small enterprises, (3) promotion of public works, and (4) social welfare. Treasury loans and investment programs thus aim at qualitative supplementation of private finance. The funds available in the private banking system are, however, insufficient to accomplish these aims, and must be supplemented also quantitatively by Treasury loans and investments. The Trust Fund Bureau may be considered a kind of government-operated financial institution. The Bank of Japan is charged with the handling of the deposits.

e. Deposits of Public Corporations

The public corporations, including government financial institutions (with a few exceptions), are required to deposit their cash with the Treasury. These deposits are called "deposits of public corporations". The funds of these institutions are Treasury funds only so far as they are deposited with the Treasury. The reasons for requiring these public enterprises to deposit their cash with the Treasury are as follows:

(1) These public enterprises are all operated with government capital and their budgets and settlement of accounts are submitted to the Diet for approval.

(2) Their profits are paid to the government, their losses are covered by the government, and they may also borrow money from the government.

(3) A number of them had been special accounts before they became public enterprises.

Among the government financial institutions, the following are exempt from the above requirement for deposits. The Japan Development Bank, the Export-Import Bank of Japan, the Peoples' Finance Corporation and the Local Public Enterprises Finance Corporation are allowed to deposit their cash with the Bank of Japan or commercial banks.

g. Other Treasury funds

Other Treasury funds include receipts and payments of the Foreign Exchange Fund, and the issue and redemption of government short-term bills.

3. *Treasury accounting and fund management*

As stated above, government deposits are maintained only with the Bank of Japan. All receipts and payments of Treasury funds handled by agencies are transferred to the Bank of Japan where they are ultimately entered as debits and credits to the government deposits.

The balance in the government deposits changes with the movements of receipts and payments of Treasury funds, especially with cash transactions with the public. When the deposits have surplus funds in excess of the amount required for necessary payments, these surplus funds are generally employed for redemption of government securities and are also lent on ways and means to those special accounts which are short of funds. Some of these special accounts can finance their fund needs by issuing short-term securities, which, however,

necessitate payment of interest. To economize these costs, they borrow Treasury surplus funds without payment of interest.

The Treasury can issue bills, but it seldom does so except in case of temporary deficits. Some special accounts issue bills for their own accounts (Food bills, Foreign Exchange bills, Cocoon bills, etc.). These short-term bills are issued for public subscription and discounted at 60 days maturity.

The ultimate responsibility for the government fund management lies with the Ministry of Finance, assisted by the Bank of Japan which prepares estimates of receipts and payments. These estimates serve as the basic data for government fund management and are prepared weekly.

When the estimates forecast a surplus balance in the government deposits, the surplus funds, as mentioned, will be lent on ways and means to such special accounts as the Foodstuff Control or the Foreign Exchange Fund. These special accounts will either use these borrowings for covering their fund deficits or for redemption before maturity of the short-term bills they have issued.

When it is estimated that the balance in the current deposits account is insufficient for necessary payments, those funds lent on ways and means to special accounts will be called back. The special accounts which lose money through the call will issue bills to cover the deficit.

#### 4. *Treasury funds and the money market*

Treasury transactions, which are closely connected to money and banking, play an important role in the demand-supply relationships of the national economy, and exercise strong influences on the money market. The money market eases when Treasury transactions show a net payment, while it tightens when Treasury transactions indicate a net receipt.

##### a. *Seasonal fluctuations*

Japan's Treasury transactions are subject to violent seasonal fluctuations. They usually show a small amount of net payments in the first fiscal quarter (April–June) and a small amount of net receipts in the second fiscal quarter (July–September). In the third fiscal quarter (October–December) when government payments for rice purchases converge, Treasury transactions record a large net payment, and in the fourth fiscal quarter (January–March) a large net receipt is registered due chiefly to tax revenue.

##### b. *Other fluctuations*

Chief among other factors responsible for fluctuations are (1) tax receipts which depend sensitively on the business cycle, and (2) transactions in foreign exchange which reflect the nation's balance of payments position.

## B. LOCAL AUTHORITIES AND LOCAL PUBLIC ENTERPRISES

### 1. *Ordinary accounts*

Like the central government budget which consists of the general account and special accounts, the budget of local authorities is divided into the ordinary account (which relates to the general administration expenditure) and special

accounts (which relate to enterprises operated by local authorities, such as electricity, gas and water supply, transportation services, hospitals, etc.).

For each fiscal year, the central government in its "Local Public Finance Program", which is formulated in parallel with the general Budget of the central government, gives its estimate of the revenue and expenditure in the ordinary account budgets of local authorities together with its general policy and financial measures for local public finance. This program serves as the central government's promise of financial aids to individual local public bodies, while serving as the government's guide-line concerning their activities throughout the fiscal year concerned.

Another aim of this program is to achieve consistency between the local public fiscal policies and the fiscal and financial policies of the central authorities, a must for the sound development of the economy.

Approximately half of the ordinary account expenditure of local public authorities is financed by central government funds, such as tax transfers and subsidies. Local public authorities finance their budgetary deficit (nearly 5% of their total expenditure) by local bond issues, which are however subject to the central government's licence and largely financed by Treasury funds under the "Government Investment and Loans Fund Program."

## *2. Special accounts*

Local public enterprises cover their business expenses mainly with earnings from their operations, and fund deficits with local bond issues and borrowings. As mentioned, the major part of financial sources for local bond subscriptions consists of government funds or funds under Government control. However, local public enterprises have to depend in part upon loans from private banks and other financial institutions for financing their expenses, the reason being that the above mentioned central government funds are usually inadequate to meet their financial requirements.

## *3. Depository system of local public finance*

Whereas Treasury funds are deposited solely with the Bank of Japan, the funds of local public authorities are placed on deposit with private commercial banks, and their financial deficits are, in part, directly financed by the credit of private financial institutions.

### III. PUBLIC SECTOR IN FINANCIAL FLOW STATEMENTS

#### A. FINANCIAL FLOW STATEMENTS OTHER THAN FLOW OF FUNDS ACCOUNTS

Other than the Flow-of-Funds Accounts, the Bank of Japan employs various systems of statistics for financial flow analysis.

Among them, the following three are considered useful for the study of the public sector's role in the fund flows of the economy: (1) Factors for Changes in Bank Notes Issued; (2) Money Supply; and (3) Monetary Survey.

In the statistical systems (1) and (2) above, the fund flows of the public

sector cover only movements of Treasury funds, with those of local authorities included in those of the private sector.

The statistical system (3), "Monetary Survey", is the system compiled under the recommendation of the International Monetary Fund. As this system is designed for international comparison with countries having different fiscal and financial systems, a great deal of adjustment is made in compiling figures. Adjustment is made both in sectoring and classification of financial claims. For example the Foreign Exchange Fund Special Account, which is institutionally included in the central government, is classified in the central bank sector; and the Postal Savings System (Postal savings and the assets of the Trust Fund Bureau corresponding to postal savings), which is also institutionally included in the central government, is classified in the Deposit Money Banks sector.

As the IMF formula of Monetary Survey is well-known, the statistical systems (1) and (2) are briefly described as follows:

1. *Factors for Changes in Bank Notes Issued*

The Bank of Japan note issue, recorded in the balance sheet of the Bank of Japan, represents the major part of its liabilities. The intensive analysis of the Bank of Japan accounts, therefore, indicates the factors for bank note issue. In compiling "Factors for Changes in Bank Notes Issued", those Bank of Japan accounts which do not reflect any factors for changes in bank-note issue are disregarded, and only those reflecting such changes are taken into consideration. Factors for bank note issue and retirement are classified into the following two major items, "Treasury Funds" (which is further sub-divided into "General Funds", "Foodstuff Control Special Account", "Foreign Exchange Funds" and "Newly Issued Long-Term Securities"); and "Bank of Japan Credit" (which is sub-divided into "Lendings", "Sales and Purchases of Securities", "Bills Sold on Condition of Repurchase", and "Sale and Purchase of Short-term Securities"). (See Table 1.)

In other words, this statistical system is based on the following formula:

$$\begin{array}{rcl}
 \text{Increase (or} & & \text{Net Payments (or} \\
 \text{decrease) in} & = & \text{receipts) in} \\
 \text{Bank of Japan} & & \text{Treasury trans-} \\
 \text{Notes} & & \text{actions with the} \\
 & & \text{private sector} \\
 & & + \\
 & & \text{Increase (or} \\
 & & \text{decrease) in} \\
 & & \text{Bank of Japan} \\
 & & \text{credit to} \\
 & & \text{the private} \\
 & & \text{sector}
 \end{array}$$

The above equation indicates that changes in bank-note issue reflect net payments or receipts in Treasury transactions with the private sector and changes in Bank of Japan credit to the private sector. As already mentioned, local public authorities are included in the private sector in this analysis. Changes in bank-note issue in practice are, however, determined largely by real economic factors, although monetary or fiscal policy can alter these factors. In this sense, the above described equation may be developed into the formula given below, which indicates that fund surpluses or deficits resulting from Treasury net

TABLE 1  
FACTORS FOR CHANGES IN BANK NOTES ISSUED

(billions of yen)

| Calendar Year | Bank Notes Issued | Treasury Funds |               |                                   |                       |        | Long-term National Bond Issue | Bank of Japan Credit |
|---------------|-------------------|----------------|---------------|-----------------------------------|-----------------------|--------|-------------------------------|----------------------|
|               |                   | Total          | General Funds | Foodstuff Control Special Account | Foreign Exchange Fund |        |                               |                      |
| 1957          | 52.3              | -337.2         | -63.9         | -46.5                             | -226.8                | —      | 412.1                         |                      |
| 1958          | 53.9              | 242.4          | 58.6          | -19.0                             | 202.8                 | —      | -172.6                        |                      |
| 1959          | 138.5             | 220.8          | 31.8          | 15.3                              | 173.7                 | —      | 41.4                          |                      |
| 1960          | 204.6             | 53.6           | -185.3        | 50.1                              | 188.8                 | —      | 162.2                         |                      |
| 1961          | 246.0             | -361.0         | -242.1        | 26.8                              | -145.7                | —      | 784.4                         |                      |
| 1962          | 265.8             | 125.8          | -30.5         | 64.5                              | 91.8                  | —      | 0.6                           |                      |
| 1963          | 311.5             | 136.5          | 51.7          | 11.7                              | 73.1                  | —      | -129.5                        |                      |
| 1964          | 241.5             | 452.8          | 335.0         | 149.6                             | -31.8                 | —      | -45.3                         |                      |
| 1965          | 264.9             | 245.6          | 57.1          | 165.4                             | 23.1                  | —      | 517.3                         |                      |
| 1966          | 349.6             | -103.7         | 396.4         | 236.7                             | -36.7                 | -700.1 | 113.3                         |                      |



TABLE 2  
MONEY SUPPLY

(billions of yen)

|      | Money Supply                               |  |  | Factors for Changes in Money Supply               |   |                                      |   |                            |   |  |  |               |
|------|--|--|--|---|---|--------------------------------------|---|----------------------------|---|--|--|---------------|
|      | Increase or decrease (—) in cash currency* | Increase or decrease (—) in deposit currency** | Increase or decrease (—) in total money supply | Net receipts (—) or payments of Treasury Funds*** | Changes in Accounts of Financial Institutions |                                      |   |                            |   |  |  |               |
|      |  |  |  |   | Total   | Increase or decrease (—) in lendings | Increase or decrease (—) in securities holdings | Government Securities only | Increase (—) or decrease in time deposits | Increase (—) or decrease in bank debentures issued | Increase (—) or decrease in capital accounts | Other factors |
| 1957 | 29.5                                       | 76.1   | 105.6  | -332.7  | 438.3   | 1,205.5                              | 166.0   | -7.3                       | -804.3                                    | -48.0  | -119.5                                       | 39.1          |
| 1958 | 45.0                                       | 276.3  | 321.3  | 250.4   | 70.9  | 1,046.9                              | 173.1   | -4.9                       | -979.3                                    | -64.1  | -141.1                                       | 35.4          |
| 1959 | 129.4                                      | 367.7  | 497.1  | 234.4   | 262.7   | 1,378.6                              | 300.8   | -0.3                       | -1,162.0                                  | -113.3   | -178.0                                       | 36.6          |
| 1960 | 175.2                                      | 545.6  | 720.8  | 62.5  | 658.3   | 1,944.2                              | 520.7   | -0.4                       | -1,495.3                                  | -128.4   | -227.4                                       | 44.5          |
| 1961 | 225.0                                      | 528.1  | 753.1  | -354.5  | 1,107.6                                       | 2,392.8                              | 850.9   | -0.2                       | -1,938.8                                  | -124.5   | -272.2                                       | 199.4         |
| 1962 | 179.9                                      | 653.0  | 832.9  | 131.8   | 701.1   | 2,648.1                              | 358.0   | -1.1                       | -1,906.9                                  | -110.7   | -252.8                                       | -34.6         |
| 1963 | 219.9                                      | 1,804.6  | 2,024.5  | 149.6   | 1,874.9                                       | 4,305.3                              | 484.9   | -0.9                       | -2,398.3                                  | -178.3   | -419.2                                       | 80.5          |
| 1964 | 256.4                                      | 753.7  | 1,010.1  | 484.4   | 525.7   | 3,176.2                              | 399.6   | -5.3                       | -2,183.2                                  | -197.5   | -556.3                                       | -113.1        |
| 1965 | 276.8                                      | 1,311.0  | 1,587.8  | 259.5   | 1,328.3                                       | 3,720.7                              | 332.2   | -10.7                      | -2,427.7                                  | -212.6   | -453.6                                       | 369.3         |
| 1966 | 324.6                                      | 1,129.9  | 1,454.5  | -85.2   | 1,539.7                                       | 4,278.6                              | 1,262.6   | 576.8                      | -3,048.8                                  | -461.6   | -561.7                                       | 70.6          |

Notes: \*Adjusted for holdings by financial institutions.

\*\*Adjusted for checks and bills in process of collection.

\*\*\*Adjusted for changes in subsidiary coins in circulation.

payments or receipts and changes in bank-note issue are absorbed or covered by changes in Bank of Japan credit to the private sector:

$$\begin{array}{rcl} \text{Increase (or} & & \text{Increase (or} & & \text{Net payments (or} \\ \text{decrease) in} & & \text{decrease) in} & & \text{receipts) in} \\ \text{Bank of Japan} & = & \text{Bank of Japan} & - & \text{Treasury} \\ \text{credit to the} & & \text{notes issued} & & \text{transactions with} \\ \text{private sector} & & & & \text{the private sector} \end{array}$$

## 2. *Money Supply*

The “money supply” analysis is designed to clarify the factors for changes in the total money supply of cash currency and deposit currency. This analysis is based on the consolidated accounts, which show the combined total of the accounts of the Bank of Japan and private financial institutions, with overlapping and per contra accounts being offset. (See Table 2) Computation is based on the following equation.

$$\begin{array}{rcl} \text{Increase (or} & & \text{Increase (or} & & \text{Net payments} \\ \text{decrease) in} & + & \text{decrease) in} & = & \text{(or receipts)} \\ \text{cash currency} & & \text{deposit} & & \text{of Treasury} \\ & & \text{currency} & & \text{Accounts} \\ & & & & \text{Increase (or} \\ & + & \text{Increase (or} & - & \text{decrease) in} \\ & & \text{decrease) in} & & \text{time deposits} \\ & & \text{credit by} & & \text{etc. (time deposits,} \\ & & \text{private} & & \text{bank debentures,} \\ & & \text{financial} & & \text{capital accounts,} \\ & & \text{institutions} & & \text{etc.)} \end{array}$$

This equation indicates that the increase of money supply is equal to the net payment of Treasury funds to the private sector, plus the increase of credit by financial institutions to private sectors, minus withdrawals of money due to the increase of saving deposits and the net issue of bank debentures. This analysis, too, includes local public authorities in the private sector.

## B. FLOW OF FUNDS ACCOUNTS

As already mentioned, “Factors for changes in the Bank Notes Issued”, “Money Supply” and “Monetary Survey” are designed to clarify the financial relationships between the central bank and other sectors, or between the monetary system and other sectors, through the analysis of the central bank’s accounts or the accounts of the central bank and other financial institutions belonging to the monetary system. In this regard, the flow-of-funds accounts are designed to clarify the overall intersectorial financial relationships of the economy, i.e., those among the non-monetary system as well as those among the monetary system and other sectors.

The Bank of Japan Flow-of-Funds Accounts consist of two types of accounts: (1) accounts of flows entitled “Financial Transactions Accounts”; and (2) accounts of stocks entitled “Financial Assets and Liabilities Accounts” (see Tables 6 and 7).

### 1. *Sectors*

Both accounts are based on institutional sectoring (see Table 3). Five main sectors are distinguished for the domestic economy: (1) financial institutions; (2) central government; (3) public corporations and local authorities; (4) private corporate business and (5) personal (households and unincorporated enterprises). Of these five main sectors, financial institutions, central government and private corporate business are further divided into sub-sectors. Financial institutions are first divided into (1) the Bank of Japan and (2) banks and others. The latter is further divided into: (i) banks; (ii) financial institutions for small business; (iii) financial institutions for agriculture, forestry and fisheries; (iv) insurance companies; (v) trust accounts; and (vi) others (in the accounts, the former five are presented as subsectors of “banks and others”, so that figures for “others” can be obtained as residuals). The central government is divided into: (1) Foreign Exchange Fund; (2) Trust Fund Bureau; (3) government financial institutions; and (4) central government branches and agencies not elsewhere classified.

The sectors of both the “Financial Transactions Account” and the “Financial Assets and Liabilities Accounts” are identical, but the latter does not include the “Rest of the World” sector, while the former does. Instead, the latter indicates in footnotes gold and foreign exchange reserves.

### 2. *Classification of transactions*

In the former accounts, financial transactions are recorded on a net flow basis; i.e., for each sector, net acquisition of financial assets (uses of funds) and net acquisitions of liabilities (sources of funds) are recorded. In the latter accounts, outstanding balances of both financial assets and liabilities are listed.

In the Financial Transactions Accounts, financial transactions are, as mentioned, recorded in terms of net acquisitions of financial assets and liabilities. They, in turn, are classified into 29 categories, according to various criteria such as the degree of liquidity, the kind of market and circumstances in which they are traded, the type of instrument involved and the character of the debtor.

The classification of claims in the “Financial Assets and Liabilities Accounts” is the same as that of the “Financial Transactions Accounts”, with the exception of foreign claims.

### 3. *Data available and method of estimation*

Generally speaking, flows of funds for each sector recorded in the “Financial Transactions Account” are obtained as increases or decreases in the balances of claims, both those as assets and those as liabilities of each respective sector recorded in the “Financial Assets and Liabilities Accounts”, with the exception of fund flows with the “Rest of the World”.

TABLE 3  
EXPLANATORY NOTES ON FLOW-OF-FUNDS ACCOUNTS

(I) Division of Sectors

1. Financial Institutions Sector

- (1) The Bank of Japan
- (2) Banks and Other Financial Institutions
  - (i) Banks . . . commercial banks, long-term credit banks, banking accounts of trust banks
  - (ii) Financial Institutions for Small Business . . . mutual loan and savings banks, the Central Bank for Commercial and Industrial Cooperatives, credit associations, National Federation of Credit Associations, credit cooperative associations, National Federation of Credit Cooperative Associations, labor credit associations.
  - (iii) Agriculture, Forestry and Fishery Financial Institutions . . . The Central Co-operative Bank of Agriculture and Forestry, prefectural credit federations of agricultural cooperatives, agricultural cooperative associations, prefectural credit federations of fishery cooperatives, fishery cooperative associations.
  - (iv) Insurance Companies . . . life insurance companies, non-life insurance companies.
  - (v) Trust Accounts of All Banks
  - (vi) Other Financial Institutions . . . call loan brokers, securities finance corporations, yen accounts of foreign banks

2. Central Government Sector

- (1) Foreign Exchange Fund
- (2) Trust Fund Bureau . . . Trust Fund Bureau, Postal Savings System, Post-Office Life Insurance and Postal Annuity Fund
- (3) Government Financial Institutions . . . The Japan Development Bank, The Export-Import Bank of Japan, The Small Business Finance Corporation, The Agriculture, Forestry and Fishery Finance Corporation, The People's Finance Corporation, The Hokkaido and Tohoku Development Finance Corporation, The Local Public Enterprise Finance Corporation, The Housing Loan Corporation, The Small Business Credit Insurance Corporation, The Medical Care Facilities Finance Corporation
- (4) All Branches of the Government not elsewhere classified . . . General Accounts, Special Accounts excluding those above-mentioned

3. Public Corporations and Local Authorities Sector

4. Corporate Business Sector . . . corporate businesses excluding financial institutions "Securities Companies" are separately shown under the Corporate Business Sector.
5. Personal Sector . . . consumers, non-corporate businesses, farmers, private non-profit organizations
6. Rest of the World Sector . . . foreign governments, enterprises and households, etc.

(II) Classification of Transactions

- A. Money
- B. Cash Currency . . . Bank Notes, coins
- C. Current Deposits . . . current deposits, postal transferable deposits
- D. Short-Term Deposits . . . ordinary deposits, deposits at notice, special deposits
- E. Government Current Deposits . . . government current deposits with the Bank of Japan
- F. Time and Savings Deposits . . . time deposits, installment savings, installments of mutual loans and savings banks, deposits for tax payments, postal savings

- G. Trust . . . money in trust, loans investment trust
- H. Insurance . . . insurance contract reserves, post-office life insurance, postal annuity
- I. Securities
- J. Government Short-Term Securities . . . Treasury Bill, Food Bill, Foreign Exchange Fund Bill, etc.
- K. Government Bonds . . . excluding Notes in substitution for Currency of the International Monetary Fund and International Bank of Reconstruction and Development
- L. Local Government Bonds
- M. Public Corporate Bonds
- N. Bank Debentures
- O. Industrial Bonds
- P. Stocks
- Q. Securities Investment Trust
- R. Bank of Japan Loans
- S. Call Loans and Money
- T. Loans . . . including bills discounted
- U. Loans by Private Financial Institutions
- V. Loans by Government
- W. Loans by Securities Companies
- X. Trade Credit
- Y. Equity other than Stocks
- Z. Gold and Foreign Exchange Reserves
  - a. Foreign Claims and Debts, Short-Term
  - b. Foreign Claims and Debts, Long-Term
  - c. Others . . . other financial items not elsewhere classified, including valuation of adjustment of securities
  - d. Financial Surplus or Deficit . . . the difference between increases (and/or decreases) in financial assets and those in liabilities

As to the rest of the world sector, financial surplus (or deficit) (d) is derived from deficit (or surplus) in the current account of balance-of-payments, and the discrepancy between current account and capital account is included in "others" (c).

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Data on financial assets and liabilities in balance sheet form are used for (1) financial institutions; (2) three sub-sectors of the "central government" ("Foreign Exchange Fund", "Trust Fund Bureau" and "government financial institutions") and (3) "securities companies".

As for non-financial "private corporate enterprises", "personal" and "central government branches and agencies not elsewhere classified", claims receivable and payable to financial institutions are calculated from the above-mentioned data in balance sheet form for financial institutions. In allocating these claims among sectors, various statistical data and methods are used. As for the data on other financial assets and liabilities of these non-financial sectors, statistical data on corporate stock issues, corporate debentures, business credit, etc. are used in the same way as above.

As for the "Rest of the World sector", data on its financial transactions are derived from the capital accounts of "Balance of Payments" statistics compiled by the Bank of Japan. As for the financial surplus or deficit of the sector, however, the balance on current account of the balance of payments is shown for the purpose of reconciling it with the national income statistics (the surplus of

TABLE 4

## SECTOR STATEMENTS OF MAIN FINANCIAL TRANSACTIONS

(billions of yen)

|  | 1957    | 1958    | 1959    | 1960    | 1961    | 1962    | 1963    | 1964    | 1965     |
|--|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| <i>Bank of Japan Sector</i>  |         |         |         |         |         |         |         |         |          |
| I Securities   | -199.5  | 148.8   | 108.8   | -75.7   | -281.4  | 190.2   | 374.3   | 364.2   | -129.3   |
| R Bank of Japan Loans  | 409.0   | -172.6  | -41.5   | 162.3   | 784.4   | 0.5     | -129.5  | -45.5   | 517.4    |
| B Bank Notes   | 52.2    | 53.9    | 138.5   | 204.7   | 245.9   | 265.9   | 311.4   | 241.5   | 264.9    |
| C Financial Institutions' Deposits                                   | -0.2    | -1.5    | 34.2    | -1.1    | 123.0   | -117.8  | 67.8    | 5.4     | -25.5    |
| <i>Banks and Others Sector</i>                                       |         |         |         |         |         |         |         |         |          |
| B Cash Currency  | 29.2    | 16.4    | 26.7    | 36.5    | 31.6    | 94.1    | 108.8   | 25.0    | 16.2     |
| I Securities   | 229.1   | 290.6   | 430.9   | 719.5   | 1,056.7 | 492.0   | 362.4   | 757.0   | 1,289.2  |
| U Loans  | 1,311.4 | 1,217.7 | 1,591.5 | 2,214.6 | 2,825.6 | 3,207.4 | 4,808.6 | 3,980.6 | 4,690.1  |
| C Current Deposits   | -66.1   | 41.6    | 39.8    | 92.8    | 0.4     | -53.0   | 623.5   | 113.2   | 190.7    |
| D Short-Term Deposits  | 177.5   | 259.6   | 378.9   | 524.3   | 610.6   | 827.9   | 1,273.0 | 852.7   | 1,264.5  |
| F Time and Savings Deposits  | 730.2   | 894.8   | 1,038.4 | 1,172.8 | 1,380.8 | 1,825.6 | 2,394.1 | 2,281.8 | 2,816.4  |
| G Trust  | 57.7    | 81.4    | 120.0   | 139.1   | 184.7   | 250.8   | 329.3   | 351.2   | 348.9    |
| H Insurance  | 64.0    | 80.2    | 101.1   | 125.8   | 153.7   | 185.6   | 223.2   | 274.2   | 458.9    |
| N Bank Debentures  | 73.5    | 148.4   | 191.7   | 230.6   | 210.6   | 268.8   | 373.2   | 410.4   | 567.7    |
| Q Securities Investment Trusts                                       | 69.2    | 73.1    | 121.6   | 275.4   | 572.5   | 80.7    | 67.1    | 31.3    | -184.5   |
| <i>Central Government Sector</i>                                     |         |         |         |         |         |         |         |         |          |
| I Securities   | 93.4    | 58.5    | 49.4    | 113.6   | 133.3   | 82.7    | 278.7   | -101.6  | 139.7    |
| V Loans  | 246.5   | 306.4   | 317.3   | 341.4   | 432.3   | 572.2   | 588.1   | 882.6   | 882.3    |
| CFH Postal Savings, Post-Office Life Insurance<br>and Postal Annuity | 187.9   | 177.0   | 247.7   | 269.2   | 293.7   | 362.1   | 382.4   | 423.4   | 533.2    |
| J Short-Term Securities  | -151.8  | 180.7   | 136.1   | 25.6    | -267.6  | 89.0    | 115.6   | 213.5   | 307.3    |
| d Financial Surplus or Deficit (-)                                   | 228.1   | 109.2   | 34.1    | 249.1   | 481.9   | 336.6   | 299.1   | 113.6   | 114.5    |
| <i>Public Corporations &amp; Local Authorities Sector</i>            |         |         |         |         |         |         |         |         |          |
| L Local Government Bonds   | 23.9    | 9.9     | 15.3    | 21.3    | 32.1    | 30.0    | 49.9    | 69.4    | 150.8    |
| M Public Corporate Bonds   | 26.0    | 43.9    | 47.4    | 103.8   | 149.2   | 193.3   | 269.0   | 289.1   | 513.3    |
| U Borrowings from Financial Institutions                             | -0.9    | 4.0     | 6.7     | 11.0    | 18.9    | 52.3    | 79.4    | 62.2    | 74.3     |
| V Borrowings from Government   | 81.5    | 118.4   | 107.0   | 104.4   | 162.2   | 244.7   | 228.9   | 362.0   | 332.9    |
| d Financial Surplus or Deficit (-)                                   | -140.3  | -142.6  | -132.5  | -160.5  | -315.1  | -544.7  | -607.0  | -766.8  | -1,017.4 |

TABLE 4—*Concluded*

|                                  | 1957                                   | 1958     | 1959    | 1960    | 1961     | 1962     | 1963     | 1964     | 1965     |          |
|----------------------------------|--|----------|---------|---------|----------|----------|----------|----------|----------|----------|
| <i>Corporate Business Sector</i> |  |          |         |         |          |          |          |          |          |          |
| C                                | Current Deposits                       | -61.7    | 40.8    | 36.3    | 74.2     | -9.1     | -55.1    | 567.7    | 106.6    | 175.1    |
| D                                | Short-Term Deposits                    | 92.0     | 155.1   | 152.6   | 215.6    | 253.9    | 424.2    | 753.7    | 349.4    | 792.5    |
| F                                | Time and Savings Deposits              | 231.4    | 305.9   | 350.3   | 379.7    | 527.4    | 871.0    | 1,180.5  | 812.4    | 1,045.9  |
| X                                | Trade Credit Granted                   | 553.8    | 580.5   | 1,759.7 | 1,180.4  | 2,957.2  | 2,124.2  | 3,408.7  | 1,629.9  | 1,212.0  |
| O                                | Industrial Bonds                       | 52.1     | 57.9    | 144.7   | 152.8    | 385.8    | 133.0    | 163.8    | 152.5    | 219.9    |
| P                                | Stocks                                 | 347.7    | 273.3   | 283.9   | 550.0    | 964.4    | 772.3    | 587.1    | 739.8    | 270.7    |
| U                                | Borrowings from Financial Institutions | 1,137.0  | 1,038.2 | 1,295.8 | 1,771.9  | 2,316.8  | 2,584.7  | 4,007.4  | 3,051.8  | 3,773.2  |
| V                                | Borrowings from Government             | 98.2     | 98.2    | 125.5   | 147.0    | 166.9    | 207.3    | 245.0    | 369.7    | 391.1    |
| X                                | Trade Credit Received                  | 365.9    | 332.2   | 1,552.1 | 930.6    | 2,531.3  | 1,447.2  | 2,615.5  | 1,478.5  | 556.2    |
| d                                | Financial Surplus or Deficit (—)       | -1,072.6 | -521.9  | -947.7  | -1,409.4 | -2,429.5 | -1,692.2 | -1,843.1 | -2,169.9 | -1,276.9 |
| <i>Personal Sector</i>           |  |          |         |         |          |          |          |          |          |          |
| B                                | Cash Currency                          | 16.9     | 41.2    | 106.2   | 152.4    | 198.3    | 138.5    | 163.6    | 233.5    | 264.5    |
| C                                | Current Deposits                       | -4.0     | 1.3     | 4.8     | 21.6     | 9.3      | 7.0      | 57.4     | 8.3      | 15.3     |
| D                                | Short-Term Deposits                    | 66.1     | 108.0   | 203.1   | 267.3    | 353.7    | 387.5    | 469.5    | 479.0    | 414.3    |
| F                                | Time and Savings Deposits              | 593.4    | 661.8   | 825.5   | 905.4    | 960.1    | 1,151.7  | 1,478.2  | 1,807.4  | 2,189.4  |
| GH                               | Trust and Insurance                    | 169.5    | 221.3   | 278.1   | 327.5    | 392.7    | 467.3    | 523.8    | 588.6    | 893.6    |
| I                                | Securities                             | 217.2    | 238.7   | 313.3   | 536.8    | 998.9    | 587.7    | 530.0    | 605.1    | 272.1    |
| U                                | Borrowings from Financial Institutions | 175.3    | 175.5   | 289.0   | 431.7    | 489.9    | 570.4    | 721.8    | 866.7    | 842.6    |
| V                                | Borrowings from Government             | 66.8     | 89.8    | 84.8    | 90.0     | 103.2    | 120.2    | 114.2    | 150.9    | 158.3    |
| X                                | Trade Credit Net Received              | 187.9    | 248.3   | 207.6   | 249.8    | 425.9    | 677.0    | 793.2    | 151.4    | 655.8    |
| d                                | Financial Surplus or Deficit (—)       | 761.6    | 714.1   | 1,176.2 | 1,372.4  | 1,909.0  | 1,882.8  | 1,870.9  | 2,650.3  | 2,515.0  |
| <i>Rest of the World Sector</i>  |  |          |         |         |          |          |          |          |          |          |
| Z                                | Gold and Foreign Exchange Reserves     | -150.1   | 121.3   | 140.8   | 180.7    | -121.7   | 127.8    | 13.3     | -21.2    | 38.9     |
| d                                | Financial Surplus or Deficit (—)       | 223.2    | -158.8  | -130.1  | -51.6    | 353.7    | 17.5     | 280.5    | 172.8    | -335.2   |

Note: (1) The "code" of each transaction item corresponds to the "code" of the same item in "Financial Transactions Accounts" tables.

(2) The italicized codes represent liability items.

TABLE 5

SECTOR STATEMENTS OF MAIN FINANCIAL ASSETS AND LIABILITIES  
(Amounts Outstanding at End of Year)

(billions of yen)

|  | 1957    | 1958    | 1959    | 1960     | 1961     | 1962     | 1963     | 1964     | 1965     |
|--|---------|---------|---------|----------|----------|----------|----------|----------|----------|
| <i>Bank of Japan Sector</i>  |         |         |         |          |          |          |          |          |          |
| I Securities   | 387.2   | 536.0   | 644.8   | 569.1    | 287.7    | 477.9    | 852.2    | 1,216.4  | 1,087.1  |
| R Bank of Japan Loans  | 552.0   | 379.4   | 337.9   | 500.2    | 1,284.6  | 1,285.1  | 1,155.6  | 1,111.4  | 1,627.8  |
| B Bank Notes   | 837.1   | 891.0   | 1,029.5 | 1,234.2  | 1,480.1  | 1,746.0  | 2,057.4  | 2,298.9  | 2,563.8  |
| C Financial Institutions Deposits                                    | 4.1     | 2.6     | 36.8    | 35.7     | 158.7    | 40.9     | 108.7    | 144.1    | 88.6     |
| <i>Banks and Others Sector</i>                                       |         |         |         |          |          |          |          |          |          |
| B Cash Currency  | 124.6   | 141.0   | 167.7   | 204.2    | 235.8    | 329.9    | 438.7    | 462.7    | 479.9    |
| I Securities   | 1,195.9 | 1,486.5 | 1,917.4 | 2,636.9  | 3,693.6  | 4,203.0  | 4,565.4  | 5,327.3  | 6,688.6  |
| U Loans  | 7,056.9 | 8,274.6 | 9,866.1 | 12,080.7 | 14,906.3 | 18,061.2 | 22,869.8 | 26,817.9 | 31,451.8 |
| C Current Deposits   | 280.8   | 322.4   | 362.2   | 455.0    | 455.4    | 402.4    | 1,025.9  | 1,139.1  | 1,322.3  |
| D Short-Term Deposits  | 1,932.1 | 2,191.7 | 2,570.6 | 3,094.9  | 3,705.5  | 4,533.4  | 5,806.4  | 6,659.1  | 7,902.5  |
| F Time and Savings Deposits  | 3,795.5 | 4,690.3 | 5,728.7 | 6,901.5  | 8,282.3  | 10,107.9 | 12,502.0 | 14,783.8 | 17,485.1 |
| G Trust  | 302.4   | 383.8   | 503.8   | 642.9    | 827.6    | 1,078.4  | 1,407.7  | 1,758.9  | 2,098.3  |
| H Insurance  | 240.6   | 320.8   | 421.9   | 547.7    | 701.4    | 887.0    | 1,110.2  | 1,384.4  | 2,411.2  |
| N Bank Debentures  | 483.3   | 631.7   | 823.4   | 1,054.0  | 1,264.6  | 1,533.4  | 1,906.6  | 2,317.0  | 2,884.7  |
| Q Securities Investment Trust  | 136.9   | 210.0   | 331.6   | 607.0    | 1,179.5  | 1,260.2  | 1,327.3  | 1,358.6  | 1,174.1  |
| <i>Central Government Sector</i>                                     |         |         |         |          |          |          |          |          |          |
| I Securities   | 379.6   | 438.1   | 487.5   | 601.1    | 734.4    | 817.1    | 1,095.8  | 996.6    | 1,136.3  |
| V Loans  | 1,756.0 | 2,062.4 | 2,379.7 | 2,721.1  | 3,153.4  | 3,725.6  | 4,313.7  | 5,196.3  | 6,078.6  |
| CFH Postal Savings, Post-Office Life Insurance<br>and Postal Annuity | 1,134.3 | 1,311.3 | 1,559.0 | 1,828.2  | 2,121.9  | 2,484.0  | 2,866.4  | 3,289.8  | 3,823.0  |
| J Short-Term Government Securities                                   | 337.3   | 518.0   | 654.1   | 679.7    | 412.1    | 501.1    | 616.7    | 830.2    | 1,137.5  |
| <i>Public Corporations and Local Authorities Sector</i>              |         |         |         |          |          |          |          |          |          |
| L Local Government Bonds   | 101.7   | 111.6   | 126.9   | 148.2    | 180.3    | 237.5    | 287.4    | 356.8    | 507.6    |
| M Public Corporate Bonds   | 129.5   | 173.4   | 220.8   | 324.6    | 473.8    | 667.1    | 936.1    | 1,225.6  | 1,738.5  |
| U Borrowings from Financial Institutions                             | 68.2    | 72.2    | 78.9    | 89.9     | 108.8    | 161.0    | 240.4    | 302.6    | 376.9    |
| V Borrowings from Government   | 744.5   | 862.9   | 969.9   | 1,074.3  | 1,236.5  | 1,481.2  | 1,710.1  | 2,070.2  | 2,403.1  |



TABLE 5—Concluded

|                                  | 1957                                   | 1958    | 1959    | 1960    | 1961     | 1962     | 1963     | 1964     | 1965     |          |
|----------------------------------|--|---------|---------|---------|----------|----------|----------|----------|----------|----------|
| <i>Corporate Business Sector</i> |  |         |         |         |          |          |          |          |          |          |
| C                                | Current Deposits                       | 258.5   | 299.3   | 335.6   | 409.8    | 400.7    | 345.6    | 939.0    | 1,045.6  | 1,213.8  |
| D                                | Short-Term Deposits                    | 735.7   | 890.8   | 1,043.4 | 1,259.0  | 1,512.9  | 1,965.1  | 2,718.8  | 3,068.2  | 3,851.0  |
| F                                | Time and Savings Deposits              | 1,232.8 | 1,538.7 | 1,889.0 | 2,268.7  | 2,796.1  | 3,772.8  | 4,953.3  | 5,765.7  | 6,766.7  |
| X                                | Trade Credit Granted                   | 3,793.4 | 4,373.9 | 6,133.6 | 7,314.0  | 10,271.2 | 12,395.4 | 15,804.1 | 18,946.3 | 21,264.0 |
| O                                | Industrial Bonds                       | 337.1   | 395.0   | 539.7   | 692.5    | 1,078.3  | 1,211.3  | 1,375.1  | 1,529.1  | 1,748.6  |
| P                                | Stocks                                 | 1,641.8 | 1,943.7 | 2,252.4 | 2,827.4  | 3,767.5  | 4,574.7  | 5,192.7  | 6,046.5  | 6,354.8  |
| U                                | Borrowings from Financial Institutions | 5,983.1 | 7,021.3 | 8,317.1 | 10,089.0 | 12,405.8 | 14,910.8 | 18,918.2 | 21,806.4 | 25,533.4 |
| V                                | Borrowings from Government             | 684.8   | 783.0   | 908.5   | 1,055.5  | 1,222.4  | 1,429.7  | 1,674.7  | 2,222.6  | 2,613.7  |
| X                                | Trade Credit Received                  | 2,900.1 | 3,232.3 | 4,784.4 | 5,715.0  | 8,246.3  | 9,693.5  | 12,309.0 | 14,718.5 | 10,268.6 |
| <i>Personal Sector</i>           |  |         |         |         |          |          |          |          |          |          |
| B                                | Cash Currency                          | 630.2   | 671.4   | 777.6   | 930.0    | 1,128.3  | 1,262.5  | 1,426.1  | 1,659.6  | 1,924.1  |
| C                                | Current Deposits                       | 28.3    | 29.6    | 34.4    | 56.0     | 65.3     | 72.3     | 104.0    | 112.3    | 127.0    |
| D                                | Short-Term Deposits                    | 1,073.4 | 1,181.4 | 1,384.5 | 1,651.8  | 2,005.5  | 2,365.0  | 2,834.5  | 3,313.5  | 3,717.2  |
| F                                | Time and Savings Deposits              | 3,229.0 | 3,890.8 | 4,716.3 | 5,621.7  | 6,581.8  | 7,627.8  | 9,106.0  | 10,913.4 | 13,034.5 |
| GH                               | Trust and Insurance                    | 806.8   | 1,028.1 | 1,306.2 | 1,633.7  | 2,026.4  | 2,493.7  | 3,017.5  | 3,606.1  | 5,067.6  |
| I                                | Securities                             | 1,171.4 | 1,445.4 | 1,764.4 | 2,307.8  | 3,283.0  | 3,895.6  | 4,608.9  | 5,328.5  | 5,557.4  |
| U                                | Borrowings from Financial Institutions | 1,005.6 | 1,181.1 | 1,470.1 | 1,901.8  | 2,391.7  | 2,989.4  | 3,711.2  | 4,708.9  | 5,541.5  |
| V                                | Borrowings from Government             | 326.7   | 416.5   | 501.3   | 591.3    | 694.5    | 814.7    | 928.9    | 903.5    | 1,061.8  |
| X                                | Trade Credit Net Received              | 893.3   | 1,141.6 | 1,349.2 | 1,599.0  | 2,024.9  | 2,701.9  | 3,495.1  | 4,227.8  | 4,995.4  |
| <i>Rest of the World Sector</i>  |  |         |         |         |          |          |          |          |          |          |
| Z                                | Gold and Foreign Exchange Reserves     | 188.7   | 310.0   | 475.9   | 656.6    | 535.0    | 662.8    | 676.1    | 719.6    | 758.5    |

Notes: (1) The "code" of each transaction item corresponds to the "code" of the same item in "Financial Assets and Liabilities Accounts" tables.

(2) The italicized codes represent liability items.

TABLE 6

## FLOW-OF-FUNDS ACCOUNTS—FINANCIAL TRANSACTIONS ACCOUNTS FOR 1966

(billions of yen)

|   | Financial Institutions |             | Bank of Japan |             | Banks & Others |             | Banks   |             | Others  |             |
|---|------------------------|-------------|---------------|-------------|----------------|-------------|---------|-------------|---------|-------------|
|   | Assets                 | Liabilities | Assets        | Liabilities | Assets         | Liabilities | Assets  | Liabilities | Assets  | Liabilities |
| A Money                                   | 42.4                   | 1,737.4     |               | 350.6       | 43.3           | 1,387.7     | 32.6    | 904.4       | 134.4   | 607.0       |
| B Cash Currency                           | 42.4                   | 349.7       |               | 349.7       | 42.4           |             | 33.5    |             | 8.9     |             |
| C Current Deposits                        |                        | 211.1       |               | 0.9         | 0.9            | 211.1       | -0.9    | 146.0       | 10.4    | 73.7        |
| D Short-Term Deposits                     |                        | 1,176.6     |               |             |                | 1,176.6     |         | 758.4       | 115.1   | 533.3       |
| E Government Current Deposits             |                        | -14.8       |               | -14.8       |                |             |         |             |         |             |
| F Time and Savings Deposits               |                        | 3,245.6     |               |             |                | 3,245.6     |         | 2,000.9     | -12.6   | 1,232.1     |
| G Trust                                   |                        | 470.7       |               |             |                | 470.7       | -24.9   |             | 10.3    | 456.1       |
| H Insurance                               |                        | 568.3       |               |             |                | 568.3       |         |             |         | 568.3       |
| I Securities                              | (a) 1,911.5            | 497.8       | (b) 131.5     |             | (a) 1,780.0    | 497.8       | 829.6   | 504.7       | 950.4   | -6.9        |
| J Government Short-Term Securities        | -290.1                 |             | -293.8        |             | 3.7            |             | 0.5     |             | 3.2     |             |
| K Long-Term Government Bonds              | 625.1                  |             |               |             | 625.1          |             | 523.1   |             | 102.0   |             |
| L Local Government Bonds                  | 204.6                  |             |               |             | 204.6          |             | 46.1    |             | 158.5   |             |
| M Public Corporation Bonds                | 546.5                  |             | 313.0         |             | 233.5          |             | -34.0   |             | 267.5   |             |
| N Bank Debentures                         | 417.0                  | 570.9       | 162.9         |             | 254.1          | 570.9       | 41.9    | 447.9       | 212.2   | 123.0       |
| O Industrial Bonds                        | 199.0                  |             | -50.6         |             | 249.6          |             | 119.7   |             | 129.9   |             |
| P Stocks                                  | 215.9                  | 73.5        |               |             | 215.9          | 73.5        | 138.5   | 56.8        | 77.4    | 16.7        |
| Q Securities Investment Trusts            | -6.5                   | -146.6      |               |             | -6.5           | -146.6      | -6.2    |             | -0.3    | -146.6      |
| R Bank of Japan Loans                     | 113.4                  | 113.4       | 113.4         |             |                | 113.4       |         | 220.9       |         | -107.5      |
| S Call Loans and Money                    | -24.4                  |             |               |             | -24.4          |             | -42.0   | -110.4      | -147.5  | -64.7       |
| T Loans                                   | 4,876.2                |             |               |             | 4,876.2        |             | 2,844.5 | -61.9       | 1,959.8 | -10.0       |
| U Loans by Private Financial Institutions | 4,876.2                |             |               |             | 4,876.2        |             | 2,844.5 | -61.9       | 1,959.8 | -10.0       |
| V Loans by Government                     |                        |             |               |             |                |             |         |             |         |             |
| W Loans by Securities Companies           |                        |             |               |             |                |             |         |             |         |             |
| X Trade Credit                            |                        |             |               |             |                |             |         |             |         |             |
| Y Equity other than Stocks                |                        | 29.5        |               |             |                | 29.5        |         |             |         | 29.5        |
| Z Gold and Foreign Exchange Reserves      |                        |             |               |             |                |             |         |             |         |             |
| a Foreign Claims and Debts, Short-term    | -42.1                  | -98.3       |               |             | -42.1          | -98.3       | -42.1   | -98.3       |         |             |
| b Foreign Claims and Debts, Long-term     | 0.1                    |             |               |             | 0.1            |             |         |             | 0.1     |             |
| c Others                                  |                        | 327.5       | 90.9          |             |                | 418.4       |         | 237.4       |         | 181.0       |
| d Financial Surplus or Deficit (—)        |                        |             |               |             |                |             |         |             |         |             |
| e Total                                   | 6,877.1                | 6,877.1     | 335.8         | 335.8       | 6,633.1        | 6,633.1     | 3,597.7 | 3,597.7     | 2,884.9 | 2,884.9     |

TABLE 6—Concluded

|   | Central Government |             | Trust Fund Bureau |             | Public Corporations and Local Authorities |             | Corporate Business |             | Personal |             | Rest of the World |             | Total    |             |
|---|--------------------|-------------|-------------------|-------------|---|-------------|--------------------|-------------|----------|-------------|-------------------|-------------|----------|-------------|
|   | Assets             | Liabilities | Assets            | Liabilities | Assets                                    | Liabilities | Assets             | Liabilities | Assets   | Liabilities | Assets            | Liabilities | Assets   | Liabilities |
| A | -6.1               | 18.8        | -7.6              | 0.4         | 46.4                                      |             | 648.3              |             | 1,025.0  |             |                   |             | 1,756.2  | 1,756.2     |
| B | -3.1               | 18.4        | -3.1              |             |   |             | -22.1              |             | 350.9    |             |                   |             | 368.1    | 368.1       |
| C | 1.5                | 0.4         |                   | 0.4         | 0.5                                       |             | 183.4              |             | 26.1     |             |                   |             | 211.5    | 211.5       |
| D | -4.5               |             | -4.5              |             | 46.1                                      |             | 487.0              |             | 648.0    |             |                   |             | 1,176.6  | 1,176.6     |
| E | -14.8              |             |                   |             |   |             |                    |             |          |             |                   |             | -14.8    | -14.8       |
| F |                    | 565.7       |                   | 565.7       | 93.3                                      |             | 1,131.7            |             | 2,586.3  |             |                   |             | 3,811.3  | 3,811.3     |
| G |                    |             |                   |             | 5.7                                       |             | 50.5               |             | 414.5    |             |                   |             | 470.7    | 470.7       |
| H |                    | 165.6       |                   | 165.6       |   |             |                    |             | 733.9    |             |                   |             | 733.9    | 733.9       |
| I | 314.6              | 893.2       | 340.8             |             | -4.2                                      | 897.6       | 127.0              | 584.3       | 475.0    |             |                   |             | 2,823.9  | (c) 2,872.9 |
| J | 298.3              | 8.6         | 335.2             |             | -3.7                                      |             | -2.4               |             | 1.7      |             |                   |             | 8.6      | 8.6         |
| K | 89.4               | 797.1       | 88.3              |             | -0.5                                      |             | 2.7                |             | 71.1     |             |                   |             | 787.8    | 797.1       |
| L | 2.4                |             | 2.4               |             |   | 205.0       | -0.1               |             | -1.9     |             |                   |             | 205.0    | 205.0       |
| M | 89.8               | 87.5        | 89.8              |             |   | 692.6       | 34.2               |             | 109.6    |             |                   |             | 780.1    | 780.1       |
| N | -169.1             |             | -169.1            |             |   |             | 32.3               |             | 290.7    |             |                   |             | 570.9    | 570.9       |
| O | -5.8               |             | -5.8              |             |   |             | 12.1               | 225.1       | 19.8     |             |                   |             | 225.1    | 225.1       |
| P | 9.6                |             |                   |             |   |             | 56.8               | 359.2       | 110.7    |             |                   |             | 393.0    | 432.7       |
| Q |                    |             |                   |             |   |             | -13.4              |             | -126.7   |             |                   |             | -146.6   | -146.6      |
| R |                    |             |                   |             |   |             |                    |             |          |             |                   |             | 113.4    | 113.4       |
| S |                    |             |                   |             |   |             |                    |             | -24.4    |             |                   |             | -24.4    | -24.4       |
| T | 1,026.8            |             | 924.2             |             |   | 404.4       |                    | 3,915.4     |          | 1,583.2     |                   |             | 5,903.0  | 5,903.0     |
| U |                    |             |                   |             |   | 56.3        |                    | 3,445.5     |          | 1,374.4     |                   |             | 4,876.2  | 4,876.2     |
| V | 1,026.8            |             | 924.2             |             |   | 348.1       |                    | 469.9       |          | 208.8       |                   |             | 1,026.8  | 1,026.8     |
| W |                    |             |                   |             |   |             |                    | -83.2       | -39.4    |             |                   |             | -83.2    | -83.2       |
| X |                    |             |                   |             |   |             | 2,326.4            | 1,612.8     |          | 713.6       |                   |             | 2,326.4  | 2,326.4     |
| Y | 13.6               |             |                   |             | 9.4                                       | 18.7        | 9.6                | 33.2        | 48.8     |             |                   |             | 81.4     | 81.4        |
| Z | -                  |             |                   |             |   |             |                    |             |          |             |                   |             | -11.9    | -11.9       |
| a |                    |             |                   |             |   |             | 3.7                | -99.3       |          |             |                   | -97.4       | 55.7     | -135.8      |
| b | 54.4               | -25.2       |                   |             |   | 36.9        | 196.1              | -56.3       |          |             |                   | -36.7       | 258.5    | 213.9       |
| c |                    | 24.1        |                   | 525.7       | 12.9                                      |             | 101.4              |             | 282.7    |             |                   |             | 14.4     | 397.0       |
| d |                    | -253.7      |                   |             |   | -1,193.9    |                    | -1,414.8    |          | 3,313.2     |                   |             | -450.8   | -           |
| e | 1,388.5            | 1,388.5     | 1,257.4           | 1,257.4     | 163.7                                     | 163.7       | 4,511.5            | 4,511.5     | 5,566.2  | 5,566.2     | -134.1            | -134.1      | 18,372.9 | 18,372.9    |

(a) includes 118.1 billion yen held by securities investment trusts

(b) includes net purchase of 280.9 billion yen by the Bank of Japan

(c) includes Government guaranteed bonds of 316.7 billion yen

TABLE 7

## FLOW-OF-FUNDS ACCOUNTS—FINANCIAL ASSETS AND LIABILITIES, DECEMBER 31, 1966

(billions of yen)

|   | Financial Institutions |             | Bank of Japan |             | Banks & Others |             | Banks    |             | Others   |             |
|---|------------------------|-------------|---------------|-------------|----------------|-------------|----------|-------------|----------|-------------|
|   | Assets                 | Liabilities | Assets        | Liabilities | Assets         | Liabilities | Assets   | Liabilities | Assets   | Liabilities |
| A Money                                   | 522.3                  | 13,526.0    |               | 3,030.0     | 611.8          | 10,612.5    | 464.9    | 7,969.0     | 905.3    | 3,401.9     |
| B Cash Currency                           | 522.3                  | 2,913.5     |               | 2,913.5     | 522.3          |             | 382.2    |             | 140.1    |             |
| C Current Deposits                        |                        | 1,533.4     |               | 89.5        | 89.5           | 1,533.4     | 82.7     | 1,155.9     | 72.6     | 443.3       |
| D Short-Term Deposits                     |                        | 9,079.1     |               |             |                | 9,079.1     |          | 6,813.1     | 692.6    | 2,958.6     |
| E Government Current Deposits             |                        | 27.8        |               | 27.8        |                |             |          |             |          |             |
| F Time and Savings Deposits               |                        | 20,730.7    |               |             |                | 20,730.7    |          | 12,720.1    | 212.2    | 8,222.8     |
| G Trust                                   |                        | 2,569.0     |               |             |                | 2,569.0     | 96.6     |             | 88.0     | 2,753.6     |
| H Insurance                               |                        | 2,979.5     |               |             |                | 2,979.5     |          |             |          | 2,979.5     |
| I Securities                              | (a) 9,689.1            | 5,024.4     | 1,220.5       | 0.1         | (a) 8,468.6    | 5,024.3     | 4,666.2  | 3,184.6     | 3,802.4  | 1,839.7     |
| J Government Short-term Securities        | 441.1                  |             | 434.4         |             | 6.7            |             | 0.5      |             | 6.2      |             |
| K Long-term Government Bonds              | 859.1                  |             | 203.7         |             | 655.4          |             | 551.4    |             | 104.0    |             |
| L Local Government Bonds                  | 695.9                  |             |               |             | 695.9          |             | 361.7    |             | 334.2    |             |
| M Public Corporation Bonds                | 1,644.6                |             | 377.0         |             | 1,267.6        |             | 639.4    |             | 628.2    |             |
| N Bank Debentures                         | 2,099.0                | 3,455.6     | 204.7         |             | 1,894.3        | 3,455.6     | 1,227.5  | 2,750.6     | 666.8    | 705.0       |
| O Industrial Bonds                        | 1,721.6                |             | 0.7           |             | 1,720.9        |             | 1,116.6  |             | 604.3    |             |
| P Stocks                                  | 2,173.5                | 541.3       |               | 0.1         | 2,173.5        | 541.2       | 750.7    | 434.0       | 1,422.8  | 107.2       |
| Q Securities Investment Trusts            | 54.3                   | 1,027.5     |               |             | 54.3           | 1,027.5     | 18.4     |             | 35.9     | 1,027.5     |
| R Bank of Japan Loans                     | 1,741.2                | 1,741.2     | 1,741.2       |             |                | 1,741.2     |          | 1,411.4     |          | 329.8       |
| S Call Loans and Money                    | 20.6                   |             |               |             | 20.6           |             | 299.5    | 880.2       | 1,435.5  | 834.2       |
| T Loans                                   | 36,328.0               |             |               |             | 36,328.0       |             | 22,044.3 | 388.2       | 14,838.0 | 166.1       |
| U Loans by Private Financial Institutions | 36,328.0               |             |               |             | 36,328.0       |             | 22,044.3 | 388.2       | 14,838.0 | 166.1       |
| V Loans by Government                     |                        |             |               |             |                |             |          |             |          |             |
| W Loans by Securities Companies           |                        |             |               |             |                |             |          |             |          |             |
| X Trade Credit                            |                        |             |               |             |                |             |          |             |          |             |
| Y Equity other than Stocks                |                        | 229.2       |               |             |                | 229.2       |          |             |          | 229.2       |
| c Others                                  |                        | 1,473.4     | 69.2          |             |                | 1,542.6     |          | 1,018.0     |          | 524.6       |
| d Difference                              |                        |             |               |             |                |             |          |             |          |             |
| e Total                                   | 48,301.2               | 48,301.2    | 3,030.9       | 3,030.9     | 45,429.0       | 45,429.0    | 27,571.5 | 27,571.5    | 21,281.4 | 21,281.4    |

TABLE 7—Concluded

|   | Central Government |             | Trust Fund Bureau |             | Public Corporations & Local Authorities |             | Corporate Business |             | Personal    |             | Total        |             |
|---|--------------------|-------------|-------------------|-------------|---|-------------|--------------------|-------------|-------------|-------------|--------------|-------------|
|   | Assets             | Liabilities | Assets            | Liabilities | Assets                                  | Liabilities | Assets             | Liabilities | Assets      | Liabilities | Assets       | Liabilities |
| A | 40.9               | 175.3       | 37.8              | 23.1        | 356.8                                   |             | 5,988.0            |             | 6,793.3     |             | 13,701.3     | 13,701.3    |
| B | 15.1               | 152.2       | 15.1              |             | 0.5                                     |             | 252.8              |             | 2,275.0     |             | 3,065.7      | 3,065.7     |
| C | 3.1                | 23.1        |                   | 23.1        | 3.1                                     |             | 1,397.2            |             | 153.1       |             | 1,565.5      | 1,565.5     |
| D | 22.7               |             | 22.7              |             | 353.2                                   |             | 4,338.0            |             | 4,365.2     |             | 9,079.1      | 9,079.1     |
| E | 27.8               |             |                   |             |   |             |                    |             |             |             | 27.8         | 27.8        |
| F |                    | 3,161.6     |                   | 3,161.6     | 373.1                                   |             | 7,898.4            |             | 15,620.8    |             | 23,892.3     | 23,892.3    |
| G |                    |             |                   |             | 24.8                                    |             | 693.8              |             | 1,850.4     |             | 2,569.0      | 2,569.0     |
| H |                    | 1,370.0     |                   | 1,370.0     |   |             |                    |             | 4,349.5     |             | 4,349.5      | 4,349.5     |
| I | 1,450.9            | 2,706.1     | 1,286.4           |             | 8.5                                     | 3,143.7     | 2,684.3            | 8,713.2     | 6,106.3     |             | 19,939.1 (d) | 10,587.4    |
| J | 678.0              | 1,146.1     | 621.6             |             | 8.5                                     |             | 13.0               |             | 5.5         |             | 1,146.1      | 1,146.1     |
| K | 91.8               | 1,177.0     | 90.1              |             |   |             | 5.2                |             | 207.3       |             | 1,163.4      | 1,177.0     |
| L | 5.1                |             | 5.1               |             |   | 712.6       | 3.8                |             | 7.8         |             | 712.6        | 712.6       |
| M | 377.8              | 383.0       | 377.8             |             |   | 2,431.1     | 401.7              |             | 390.0       |             | 2,814.1      | 2,814.1     |
| N | 92.4               |             | 92.4              |             |   |             | 249.0              |             | 1,015.2     |             | 3,455.6      | 3,455.6     |
| O | 99.3               |             | 99.3              |             |   |             | 31.7               | 1,973.7     | 121.1       |             | 1,973.7      | 1,973.7     |
| P | 106.5              |             | 0.1               |             |   |             | (b) 1,948.5        | 6,739.5     | (c) 3,417.6 |             | 7,646.1      | 7,280.8     |
| Q |                    |             |                   |             |   |             | 31.4               |             | 941.8       |             | 1,027.5      | 1,027.5     |
| R |                    |             |                   |             |   |             |                    |             |             |             | 1,741.2      | 1,741.2     |
| S |                    |             |                   |             |   |             |                    | 20.6        |             |             | 20.6         | 20.6        |
| T | 7,105.4            |             | 5,870.6           |             |   | 3,184.4     |                    | 32,062.5    |             | 8,186.5     | 43,433.4     | 43,433.4    |
| U |                    |             |                   |             |   | 433.2       |                    | 28,978.9    |             | 6,915.9     | 36,328.0     | 36,328.0    |
| V | 7,105.4            |             | 5,870.6           |             |   | 2,751.2     |                    | 3,083.6     |             | 1,270.6     | 7,105.4      | 7,105.4     |
| W |                    |             |                   |             |   |             | 149.6              | 27.5        |             | 122.1       | 149.6        | 149.6       |
| X |                    |             |                   |             |   |             | 24,234.4           | 18,514.1    |             | 5,720.3     | 24,234.4     | 24,234.4    |
| Y | 170.5              |             |                   |             | 49.4                                    | 200.6       | 128.8              | 505.8       | 586.9       |             | 935.6        | 935.6       |
| c | 17.4               |             |                   | 2,640.1     | 19.0                                    |             | 819.0              |             | 266.3       |             | 1,121.7      | 1,473.4     |
| d |                    | 1,379.9     |                   |             |   |             |                    |             |             | 21,544.6    |              |             |
| e | 8,812.9            | 8,812.9     | 7,194.8           | 7,194.8     | 831.6                                   | 831.6       | 42,596.3           | 42,596.3    | 35,573.5    | 35,573.5    | 136,115.5    | 136,115.5   |

(a) includes 829.5 billion yen by securities investment trusts.

(b) 3,484.5 billion yen at market prices.

(c) 6,389.3 billion yen at market prices.

(d) includes 1,42.8 billion yen of Government-guaranteed bonds.

nation on current account). On the other hand the difference between current account transactions and capital account transactions is recorded under the item "others" for the rest of the world, in order to reconcile the financial surplus or deficit of the sector (in terms of current account transactions) to other entries for the sectors (in terms of capital account transactions).

#### IV. THE PUBLIC SECTOR'S FLOW-OF-FUNDS PATTERN

As pointed out in Chapter II, the Treasury system acts as the financial core of Japan's public sector. The table below indicates that, for the past 10 years, the "Central Government" sector continuously recorded financial surpluses except for 1966, while the "Public Corporations and Local Authorities" sector showed annual financial deficits. When these two sectors are combined as the public sector, however, "the Public Sector" records almost negligible surpluses or deficits through the first seven years, with the deficits of the "Public Corporations and Local Authorities" sector covered by the surpluses of the "Central Government" sector.

FINANCIAL SURPLUSES OR DEFICITS  
OF NON-FINANCIAL-INSTITUTIONS SECTORS (billions of yen)

| Year | Public Sector      |   | Total    | Corporate Business | Personal | Rest of the World |
|------|--------------------|---|----------|--------------------|----------|-------------------|
|      | Central Government | Public Corporations and Local Authorities |          |                    |          |                   |
| 1957 | 228.1              | -140.3                                    | 87.8     | -1,072.6           | 761.6    | 233.2             |
| 1958 | 109.2              | -142.6                                    | -33.4    | -521.9             | 714.1    | -158.8            |
| 1959 | 34.1               | -132.5                                    | -98.4    | -947.7             | 1,176.2  | -130.1            |
| 1960 | 249.1              | -160.5                                    | 88.6     | -1,409.4           | 1,372.4  | -51.6             |
| 1961 | 481.9              | -315.1                                    | 166.8    | -2,429.5           | 1,909.0  | 353.7             |
| 1962 | 336.6              | -544.7                                    | -208.3   | -1,692.2           | 1,882.8  | 17.5              |
| 1963 | 297.1              | -607.0                                    | -309.9   | -1,841.2           | 1,870.9  | 280.1             |
| 1964 | 113.6              | -766.8                                    | -653.2   | -2,169.9           | 2,650.3  | 172.8             |
| 1965 | 114.5              | -1,017.4                                  | -902.9   | -1,276.9           | 2,515.0  | 335.2             |
| 1966 | -253.7             | -1,193.9                                  | -1,447.6 | -1,414.8           | 3,313.2  | 450.8             |

For the simplification of analysis, we may compare the financial surpluses or deficits of domestic sectors excluding the "Financial Institutions" sector, which functions as a financial intermediary. As the above table shows, the Public Sector's neutral position in earlier years resulted in the financial deficits of the Corporate Business sector being largely covered by the financial surpluses of the Personal sector.

This trend, however, underwent a remarkable change in recent years. For 1962 the Public Sector began to show a substantial financial deficit, which has since grown at a rapid pace to a record 1,447.6 billion yen in 1966, or seven times the figure for 1962.

With this deficit in the Public Sector, noticeable changes began to be seen

in the financial flow patterns of other domestic sectors. In 1965, the financial deficit of the Corporate Business sector, despite constant increases in the financial surplus of the Personal sector, fell sharply to 1,276.9 billion yen, down 41.2% from 1964. In 1966, with same factors holding true, the financial deficit of the Corporate Business sector registered an increase of 10.7%.

For 1966, the financial surplus of the Personal sector (3,313.2 billion yen) covered the financial deficits of both the Public sector (1,447.6 billion yen) and the Corporate Business sector (1,414.8 billion yen). It is also to be noticed in this connection that the deficit of the Public sector has surpassed that of the Corporate Business sector, becoming the largest net borrower of the economy.

Chief among the factors responsible for this increase is the recent rapid expansion in the sector's expenditure, particularly for fixed capital formation. Government gross fixed capital formation as a percent of gross national expenditure increased from 7.9% for 1960 to 9.9% for 1965, while the comparable ratio of government current expenditure decreased for the same period from 8.5% to 7.7%. As a result, the Public sector's expenditure on fixed capital formation, which had long been smaller than its current expenditure, exceeded the latter. In 1966 (preliminary figures) the ratio of the Public sector's gross fixed capital formation to gross national expenditure reached 10.6%, while the comparable ratio of the sector's current expenditure also increased to 9.6%.

The implementation of a new means of financing its expenditure, issue of long-term national bonded debt, has been the basic factor which has allowed such rapid expansion in the Public sector's expenditure and the resultant increase in its financial deficit. Subject to the Finance Law of 1949, which prohibited in principle the issue of long-term national bonds and their undertaking by the Bank of Japan, no long-term national bonds had been issued to cover budgetary deficits. Fiscal 1965, however, saw the enactment of special legislation providing for the issue of red-ink bonds for construction of public works. Public finance in Japan has thus reached what is considered to be a new phase of development, as the issue of such bonds is expected to continue to increase in the years ahead, though it may be a little hasty to conclude that the Japanese economy, the growth of which has long been led by private equipment investment, is becoming an economy propelled by the Public sector's investment.

Another element to be noticed in the patterns of fund flow is that the Corporate Business sector's rate of self-financing in its total loans and investments showed a large increase. According to the Bank of Japan's "Analysis of Financial Statements of Main Industrial Corporations in Japan", which covers major 520 corporations in Japan, the major corporations' ratio of self-financed investment to total loans and investments increased from 27.3% for the latter half of 1964 to 41.7% for the first half of 1966. This is not only due to a reduction in their rate of investment, but also to their increased saving, which is in turn attributable to the increased sales to the public sector as well as a business upturn in 1966.

On the other hand, increased expenditure by the public sector worked to increase personal income, which in turn served to increase personal consumption and saving.

Changes in the relative proportions are also noticed in the components of credit by financial institutions. As shown in Table 4, holdings of securities by financial institutions increased remarkably (78.4% up) during the period 1965-66, while their loans showed a relatively moderate increase (30.1% up). Among these securities holdings, long-term national and public debt (national bonds, local bonds and public corporation bonds) showed a 150.6% increase during the same period. Of that part of net long-term national and public debt issue which was absorbed by the private sector during the same period (87% of the total net issue including the part absorbed within the public sector), 84.7% was absorbed by the Financial Institutions sector and the rest by the Personal sector. This shows that the public sector's financial deficit was largely financed through a financial intermediary (the Financial Institutions sector), though the final creditor was the Personal sector. Of the Personal sector's total financial assets at the end of 1966, 77.4% was held as claims against the Financial Institutions sector.

As described above, the increased financial deficits of the public sector have so far been covered by the financial surplus of the Personal sector, in part thanks to the reduced financial deficits of the Corporate Business sector. When business turns active and fund demand from business grows larger, however, Japan will enter a new phase where a new type of fund adjustment will be required to balance the financial demand both from the public and the private sectors, though it is not the theme of this paper to discuss that matter in detail.

Un des traits les plus caractéristiques du secteur public au Japon est le rôle essentiel que joue le système de Trésorerie. En effet, celui-ci ne contrôle pas seulement le budget du gouvernement central mais aussi diverses autres fonds, telles que la Caisse d'Épargne Postale et la caisse des excédents des opérations publiques.

Dans l'ensemble que constituent le compte général et les 45 comptes spéciaux du système de Trésorerie, le "Foodstuff Control", le "Foreign Exchange Fund" et le "Trust Fund" jouent des rôles importants aussi bien par leurs transactions intragouvernementales que par leurs transactions avec le secteur privé. Particulièrement remarquable est le rôle joué par le "Trust Fund Bureau" qui sert d'institution financière pour les agences gouvernementales. Les excédents et les fonds accumulés dans l'Épargne Postale et les autres comptes spéciaux du gouvernement sont déposés dans le "Trust Fund Bureau", qui emploie ces fonds pour des prêts de voies et moyens intra-gouvernementaux et pour des prêts et programmes d'investissements du gouvernement.

Un autre trait du système de Trésorerie japonais est que tous les fonds du Trésor sont déposés uniquement dans la Banque du Japon.

Les activités des autorités locales et des entreprises publiques locales sont aussi largement financées par les fonds du Trésor et s'entrecroisent avec le système de Trésorerie.

Les systèmes statistiques développés par la Banque du Japon pour l'analyse des flux monétaires et financiers mettent l'accent sur l'analyse des flux des fonds du Trésor et sont basés sur un découpage institutionnel pour refléter les flux des fonds tels qu'ils ont réellement lieu. Une seule exception est l'Étude Monétaire élaborée en conformité avec les normes du F.M.I. qui adopte un type de découpage fonctionnel dans le but de procéder à des comparaisons internationales.

Dans les trois dernières années, le secteur public japonais, qui longtemps était resté sans intervenir dans les patterns financiers de l'économie, a commencé à accuser un déficit financier croissant. De ce fait, les patterns financiers de la nation considérés dans son ensemble sont en trains de connaître de sérieux changements.