# Financialization in Japan

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Abstract

Since the 1980s, neoliberal economic policies have promoted financialization throughout the global economy. While Japan has not been entirely untouched by this phenomenon, financialization there is not typical. It is certain that big business has been accumulating excess money, rather than reinvesting it, but financial institutions have not grown in terms of financial assets. Moreover, Japan’s financial system is a traditional bank-based system, even today. Certainly, foreign investors now hold more stock in large Japanese companies than was previously the case and in doing so have imposed the rules of shareholder capitalism. Nevertheless, in the 2000s, large Japanese companies have offered only modestly increasing dividends. In the midst of these events, total remuneration of the directors of those companies has been declining.

Since the financial crisis of 1997–98, big businesses in Japan have cut wages to increase profits in times of slow economic growth. However, financial institutions have neither the will nor the capability to use excess money. Additionally, households in Japan have avoided assuming home mortgages and credit loans that would otherwise make them a part of financialization as borrowers. These events have prevented Japan from realizing full-fledged financialization. Instead, in the 2000s, the Japanese economy grew through an expansion of exports; since then, under Abenomics, the old export-led model has come to an end. This does not mean, however, that Japan’s model reflects the American model.

Keywords: financialization, Japan, wage stagnation, financial system, financial explosion, shareholder capitalism