5
The Japanese balance sheet recession 20 years on

Abenomics – economic revival or corporate financialisation?

Konstantin Bikas, Ewa Karwowski and Mimoza Shabani

1 Introduction

The Japanese economy has remained in poor health since the 1990s crisis the country experienced in the aftermath of the stock exchange and real estate market collapse. While the whole economy was hit hard by the crisis, the non-financial corporate (NFC) sector, in particular, witnessed a so-called balance sheet recession (Koo, 2011), which is characterised by high levels of debt and low investment rates. The latest reform package to tackle Japan's malaise was introduced in 2012 by the Japanese Prime Minister Shinzo Abe. Taking as a starting point that Japanese growth during its heyday was primarily driven by corporate investment, this chapter assesses the impact of Abenomics on the balance sheets of Japanese NFCs. Loose monetary policy, an important cornerstone of recent reforms, should tackle this problem, ensuring cheap credit for Japanese corporations. Hence, Abenomics could be the solution to the protracted stagnation in Japan. However, Abenomics has also been identified as an intrinsically neoliberal policy package, for instance, in its efforts to privatise state institutions (such as the Japanese Post Office [Robinson, 2017]). Thus, the suspicion arises that Abenomics might be contributing to corporate financialisation rather than a solution to the Japanese balance sheet recession.

We argue that the balance sheet recession is indeed over in Japan. Corporate liabilities have decreased since their peaks during the mid-1990s. But Abenomics has not achieved as much as hoped in bringing up private investment rates. While we do not find evidence for a US-style financialisation among Japanese corporations because financial assets make up a very small share of NFC's assets, cash holdings have sharply increased. Thus, Japanese firms are 'over-capitalised', i.e. they hold liquid assets beyond their needs. This trend has been reinforced since the introduction of Abenomics and is a symptom of firms' unwillingness to invest, which is at the root of corporate financialisation.

We begin by briefly describing some key facts in Japan's economic history with a focus on NFCs, the measures pursued as part of Abenomics in order to stimulate investment and their theoretical grounding. We then review the balance sheets of Japanese NFCs and show that they are no longer in a 'balance sheet recession' yet continue to hold a large amount

of cash. Finally, we discuss whether the policies pursued can bring about corporate financialisation.

2 The lost decade in Japan and Abenomics

First, we will briefly provide some context to Japan's growth trajectory leading up to the 1990s crisis. It is argued that a significant contributing factor to the prolonged stagnation faced by the Japanese economy, often referred to as 'the lost decades', has been the drop in investment by NFCs after the said crisis. Finding a remedy for this problem has been a key focus of the policies pursued under Abenomics.

The early 1990s crisis came after what is commonly referred to as the 'miracle years' of the Japanese economy (1950–1973) when the annual average growth exceeded 9% (Iyoda, 2010). This was followed by more moderate growth rates of around 4% between the mid-1970s until the late 1980s leading to the early 1990s crisis which heralded more than two decades of stagnation (1992–2016) characterised by anaemic growth, hovering at around 1% of GDP (Figure 5.1).

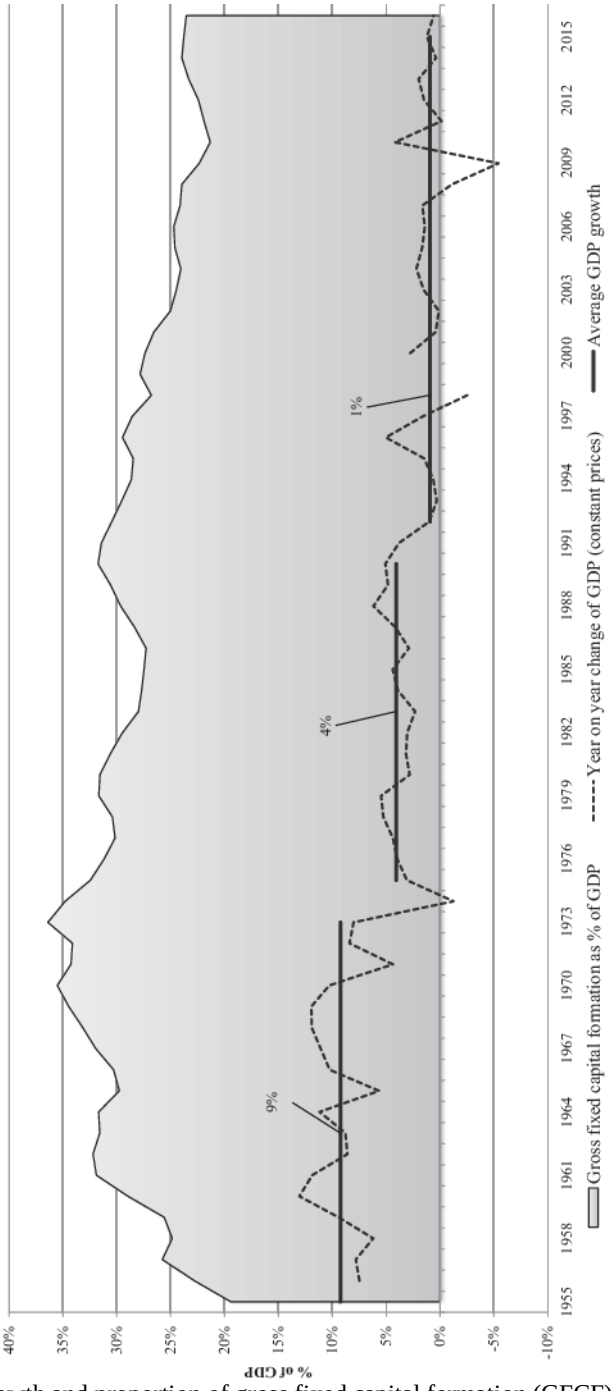

Figure 5.1 GDP growth and proportion of gross fixed capital formation (GFCF) to GDP

The movements of the GDP indicator distinctly show the booms and busts of the Japanese economy along with the reduced amplitude describing the years of stagnation. Correspondingly, the shaded area shows the contribution of gross fixed capital formation as a proportion of GDP. Starting from the mid-1950s, the 'Jinmu boom'[1] (1956–1957),

mainly driven by high private investment (Sadahiro, 1991), set the stage for the 'Iwato2 boom' (1959–1961), which has largely been attributed to new technologies and the investment demand that they generated. This was followed by the 'Olympic boom' (1962–1964), credited to the constriction projects required for the 1964 games held in Tokyo. The 'Izanagi3 boom' started in 1965 and is attributed to consumer demand, rise in exports, housing and capital investment and the demand generated by US procurements for the Vietnam War (Nagata, 2016). This was followed by Tanaka's 'remodeling the archipelago' boom starting in the early 1970s, driven by public investment and excessive money growth, which ended with the first oil crisis in 1973. Finally, the 'Heisei boom' beginning in the late 1980s and leading into the early 1990s crisis is attributed to financial deregulation, which led to aggressive behaviour by financial institutions, the expansion of the monetary base and an overall climate of overconfidence and euphoria (Shiratsuka, 2005). These factors led to a hike in equity and land prices with the capital gains of land and stocks, reaching a staggering 452% of nominal GDP (Okina et al., 2001). A peculiar result of this process was that on the eve of the economic downturn, the aggregate market value of all land in Japan was four times that of the US according to a number of estimates (Cargill et al., 1997).

The beginning of the crisis is often traced to the Plaza Accord in 1985 (Wakatabe, 2015), which ensured the depreciation of the US dollar against the yen and the West German mark, in large to control the US trade deficit. As Japan is classified as an "export-led mercantilist type" economy (Dodig et al., 2015, p. 6), the fact that their exports became less competitive had important implications especially for NFCs and their investment decisions. In the three years after the Plaza Accord, the yen appreciated dramatically from around ¥238 to ¥128 per US dollar (OECD, 2019). The economic impact can be seen in Figure 5.1 as a small slump in GDP growth before the last bubble, which eventually pushed the economy into stagnation. As to the causes of the bubble, it is best explained as an outcome of multiple factors. Some of the most significant being (Okina et al., 2001): the progress of financial deregulation leading to the decline of the main bank system and the liberalisation of deposit interest rates along with the removal of restrictions in firm fundraising regulations. This resulted in banks becoming more aggressive in their search for profit and clients, leading to an increase in the supply of credit, which was used for the purchase of assets in the hope of their appreciation and consequent capital gains. This was coupled with a loose monetary policy by the authorities in their effort to limit the effects of the Plaza Accord and a tax and regulatory framework, which incentivised certain types of investment.

In spring 1989 the Bank of Japan changed its accommodative monetary stance. The discount rate was raised by 3.5% to 6% and new regulations on loans were put in place (Grabowiecki and Dabrowski, 2017), both critical factors contributing to the burst of the bubble. As a result, the stock market depreciated by around 60% within the next two years and continued to decline up to June 1995 (Cargill et al., 1997). This was accompanied by 87% deflation of commercial real estate prices (Koo, 2011).

As stated previously, our focus is on the implications of the crisis and subsequent stagnation on NFCs and their role. The views presented here are in line with those of Koo and the balance sheet recession theory. Fundamental tenets of this theory are that in a balance sheet recession, "the private sector . . . is minimizing debt instead of maximizing profits following the bursting of a nation-wide asset price bubble . . . reduc[ing] aggregate demand and throwing the economy into a very special type of recession" (Koo, 2011, p. 19).

A primary consequence of this debt minimisation and repayment following a crisis is investment expenditure as the private sector, i.e. both financial institutions and non-financial companies, seek to reduce their debts and exposures. This can then lead to a protracted period of trauma, where expenditures and borrowing fail to pick up. A look at the investment expenditure by NFCs along with their net lending or borrowing position (Figure 5.2), re-affirm Koo's position:

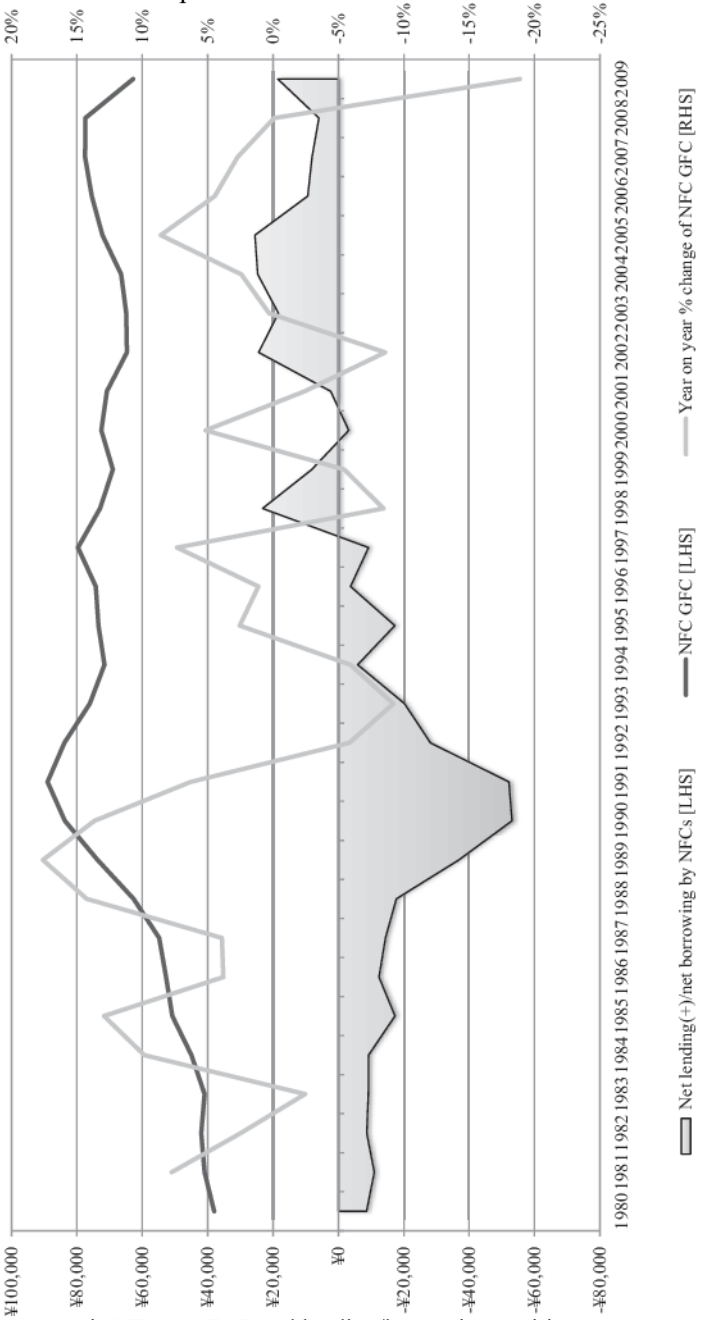

Figure 5.2 Movements in NFCs' GFCF and lending/borrowing position

Aramaki (2018) separates the stagnation in four periods, 'the initial adjustment period' after the burst of the bubble (1991–1997), 'the financial crisis and its impacts' (1998–2002), 'the long recovery period' (2003–2007) and 'the global financial crisis and after' to argue that it is likely that the reasons for the sustained restraint when it comes to investment by companies might be different for these four periods. According to him, it can be attributed to "the hangover of excessive assets and liabilities" for the first two periods (ibid., p. 249) following the burst of the early 1990s bubble and the financial crisis, in line with Koo's argument. However, given that for the third and fourth periods of stagnation a large part of the difficulties that followed the bubble and the subsequent financial crisis had been overcome, the reasons for this restraint can perhaps be found in a mixture of two factors. On the one hand, it can be attributed to irrational defensiveness by companies, sort of as a remaining trauma from the events in the early to mid-1990s. On the other, it may be due to the stagnant expectations for the prospects of the domestic economy in relation to the opportunities to be found overseas. Regardless of the reason, the lack of investment in conjunction with its implications on the potential growth rate and wage restraint as part of the defensiveness exhibited by Japanese corporations has induced grave consequences for domestic demand and therefore for economic growth.

3 The aims of Abenomics measures concerning promoting investment

Shinzo Abe was elected for a second time as prime minister in December 2012, after having stepped down in 2007 just a year after assuming office due to "illness, policy setbacks and a slew of scandals" (Nakamoto et al., 2012, para. 5).

The primary aim of Abe, as with many of his predecessors, has been to end decades of stagnation and deflation, returning to sustainable economic growth. The policy package launched, dubbed 'three arrows of Abenomics', was composed of fiscal stimulus, massive monetary expansion and structural reforms in line with a growth strategy, which to a large extent aimed at promoting private investment. The combined aim of the three arrows was to achieve "a vibrant economy that will register over 2% labor productivity in the medium- to long-term, and around 3% nominal gross domestic product (GDP) growth and around 2% real GDP growth, on average, over the next ten years" (Prime Minister of Japan and His Cabinet – Kantei, 2013, p. 2).

The monetary arrow

By far the most pronounced measures have been those taken on the monetary front. In this pursuit, Prime Minister Abe needed a strong ally in the key position of the central bank's governor, which he found when Kuroda assumed his current office in March 2013.

Soon after, in April 2013 the Bank of Japan introduced Quantitative and Qualitative Monetary Easing (QQE): the monetary base became the main operating target instead of the uncollateralised overnight call rate, an inflation target of 2% was introduced and large-scale asset purchases at a rate of ¥60–70 trillion per year was initiated (Bank of Japan, 2013).

Governor Kuroda summarised the main channels through which he expected the stimulus to be transmitted in a speech to the Yomiuri International Economic Society in Tokyo in April 2013. First, he argued the purchase of Japanese government bonds (JGBs), exchange-traded funds (ETFs) and Japanese real estate investment trusts (J-REITs) would create downward pressure on long-term rates and decrease risk premia, stimulating

demand for credit. Second, the continuation of asset purchases from investors and private institutions would eventually lead them into switching their portfolios to holding riskier assets and stimulating lending activity. The last transmission channel he mentioned was the impact that the commitment to generate inflation would have on the expectations of markets and economic entities.

In a further pursuit to instigate investment either by increasing the availability of credit, pushing investors to riskier assets (away from government bonds) and changing market expectations, QQE was increased to ¥80 trillion in 2014. A negative interest rate of -0.1% on a portion of financial institutions' deposits held at the Bank of Japan was introduced in 2016 in addition to other measures such as lengthening the maturity of JGB eligible for purchase (2015). Finally, in 2016, the target of monetary policy was changed from monetary base control to maintaining the short-term and long-term interest rates at -0.1% and around 0% respectively. The former rate applied to "policy-rate balances in current accounts held by financial institution at the Bank" and the latter by ensuring through purchases that the 10-year JGB maintain their yield at the said level (Bank of Japan, 2016, pp. 1–2).

The fiscal arrow

On the fiscal front, in January 2013, the Cabinet Office of Japan announced a ¥20.2 trillion financial package (just under $207 billion) of which ¥10.3 trillion was for government expenditure, as part of its 'Emergency Economic Measures for the Revitalization of the Japanese Economy'. Around 27% of the total amount was aimed at disaster prevention and reconstruction following the 2011 Tohoku earthquake and tsunami, 60% predominately for the stimulation of private investment and measures for small and medium-sized enterprises (SMEs), with the remaining amount targeting regional revitalisation and "ensuring a sense of security in daily life" (Cabinet Office, 2013a). This was followed by the 'Economic Measures for the Realization of Virtuous Cycles' package in December of the same year which totalled approximately ¥18.6 trillion (¥5.5 trillion by central government) of which 70% was aimed at measures to "strengthen competitiveness" by targeting the promotion of investments, innovations, infrastructure, energy efficiency and SMEs amongst others (Cabinet Office, 2013b). In December 2014, the 'Immediate Economic Measures for Extending Virtuous Cycles to Local Economies' was announced, totalling ¥3.5 trillion – all government expenditure, mostly aimed at stimulating consumption, job creation and reconstruction (Cabinet Office, 2014). Another package of ¥28.1 trillion was announced in August 2016, titled 'Economic Measures for Realizing Investment for the Future'. The fiscal component accounted for ¥13.5 trillion, primarily aimed at infrastructure developments (38% of total), 39% was aimed mitigating risks due to Brexit with a focus for SMEs and microenterprises and measures supporting the dynamic engagement of the population (such as boosting income and consumption through working-style reform, shortening of pensionable period and other items) accounted for about 12% of the total package (Cabinet Office, 2016).

The growth strategy arrow

In June 2013, the Abe administration set off its third arrow titled 'Japan Revitalization Strategy – Japan is Back', which had three action plans: measures to revitalise the industry, a strategic market creation plan and a strategy for global outreach. It was the beginning of

a series of annual announcements, which have since fine-tuned policies and implemented a plethora of measures aimed at structurally reforming the Japanese economy and society. As part of this strategy, it was recognised early on that for the fiscal and monetary arrows not to be temporary, "the vast quantity of funds which lie idle in companies must be directed towards investments that generate future values" (Prime Minister of Japan and His Cabinet – Kantei, 2013, p. 3).

In light of this and in line with Aramaki (2018), part of the reforms in this third arrow has aimed at corporate governance in Japanese firms to induce risk-taking on a management level (Kojima, 2014). Measures have been implemented to introduce external board members in corporations such as the Companies Act of 2015 along with a reduction on the corporate tax rate (Aramaki, 2018, pp. 292–293), in an effort to change the prevailing defensive mindset.

4 The balance sheet recession among Japanese NFCs

As mentioned earlier, the prolonged Japanese recession in the aftermath of the crisis the country experienced in the early 1990s has been labelled as a "balance sheet recession" (Koo, 2011). Even though the Japanese economy has since recovered, albeit at a slow pace, the behaviour of Japanese corporations remains a topic that receives a significant amount of attention, by both academics and policymakers. The key issue is that even though corporate liabilities have decreased, private investment remains an ongoing concern. Indeed, using the Corporate Financial Statements for all industries, excluding finance and insurance, available from the Ministry of Finance, Japanese NFCs appear to have continued the deleveraging process, which started in the mid-1990s. Figure 5.3 shows the leverage ratio, defined here as total liabilities as a share of total assets for all Japanese NFCs, by size.4

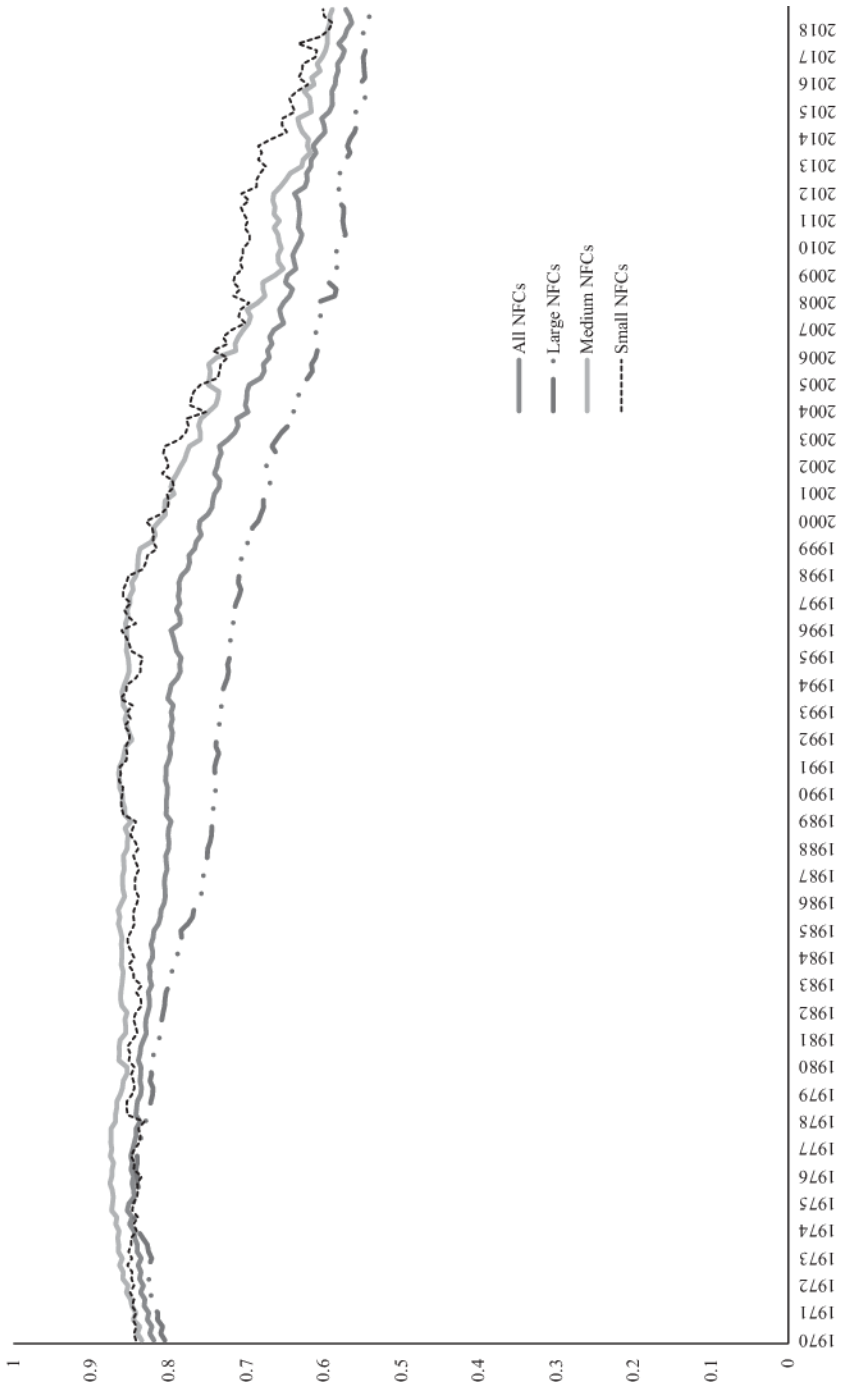

Figure 5.3 Total liabilities as a share of total assets, by size, 1970–2018(Q3)

It is evident that large NFCs have historically had lower levels of debt, with their share of total assets showing a decrease of more than 30% by 2018 compared to the 1970s. A similar trend is observed for all NFC sizes. This suggests that Japanese NFCs have been reluctant to borrow despite interest rates being at a historically low level, as shown in

Figure 5.4. Interest rates on borrowing for all NFCs have declined substantially from around 7% in the early 1990s to 1% in the most recent years.

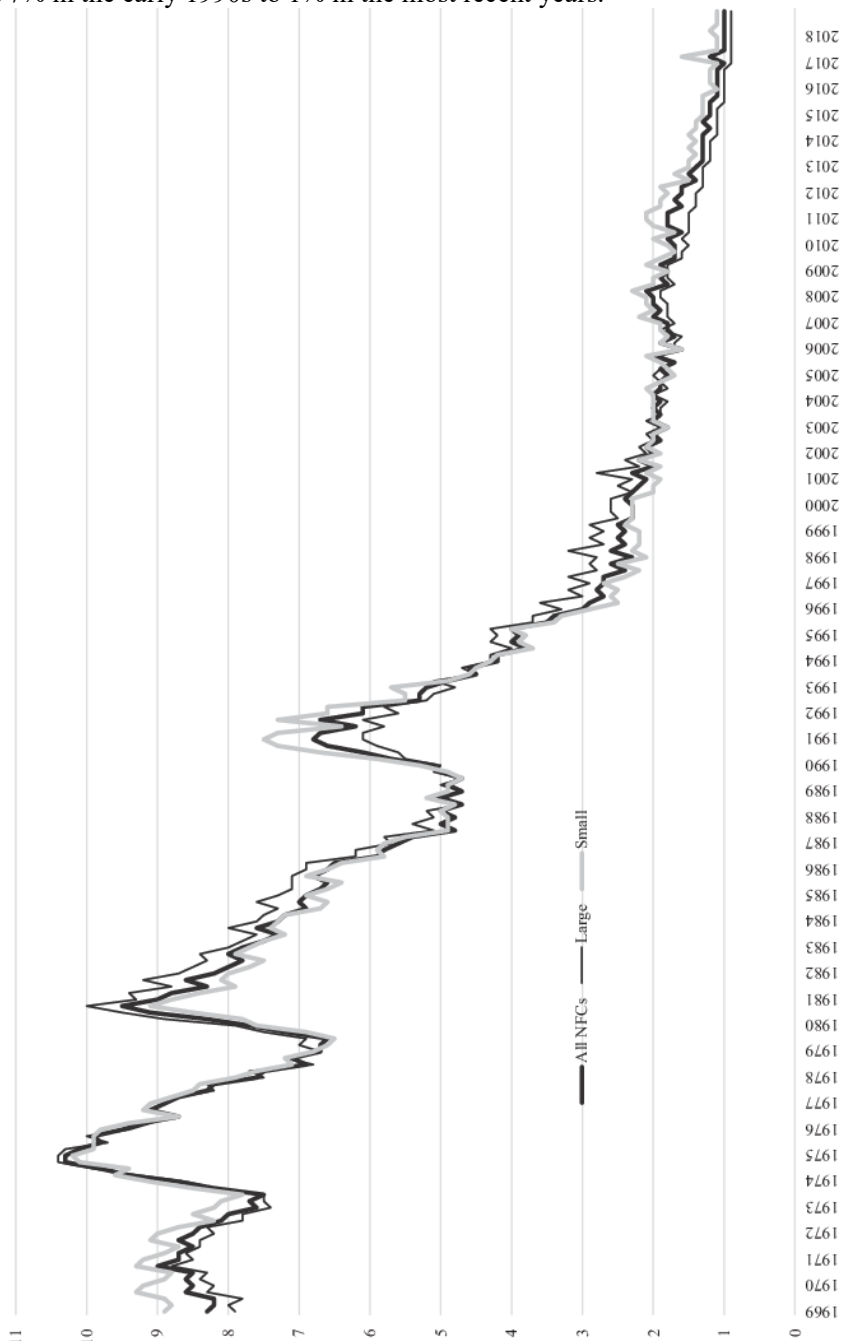

Figure 5.4 Interest rate payments on all NFCs borrowing 1968–2018(Q3)

This particular trend, low levels of debt despite falling interest rates, is associated with low investment growth and has been a concern since the 1990s crisis. More specifically, the issue concerns private investment, which has largely been the main contributor to the

reduction of total investment in Japan since the early 1990s (Kang, 2014). As shown in Figure 5.5, total investment constituted more than 30% of GDP in the early 1990s, reaching its lowest level, 20% of GDP, in 2009, during the global financial crisis. Even though investment has picked up since then, it remains at moderate levels.

Although the reforms under Abenomics were overall deemed "successful" by the IMF in 2017, private investment levels were still an ongoing concern (IMF, 2017). Indeed, the report states that reforms to boost private investment needed to be a continued priority. More particularly, "further corporate governance reforms could help deploy cash reserves and boost investment" (IMF, 2017).

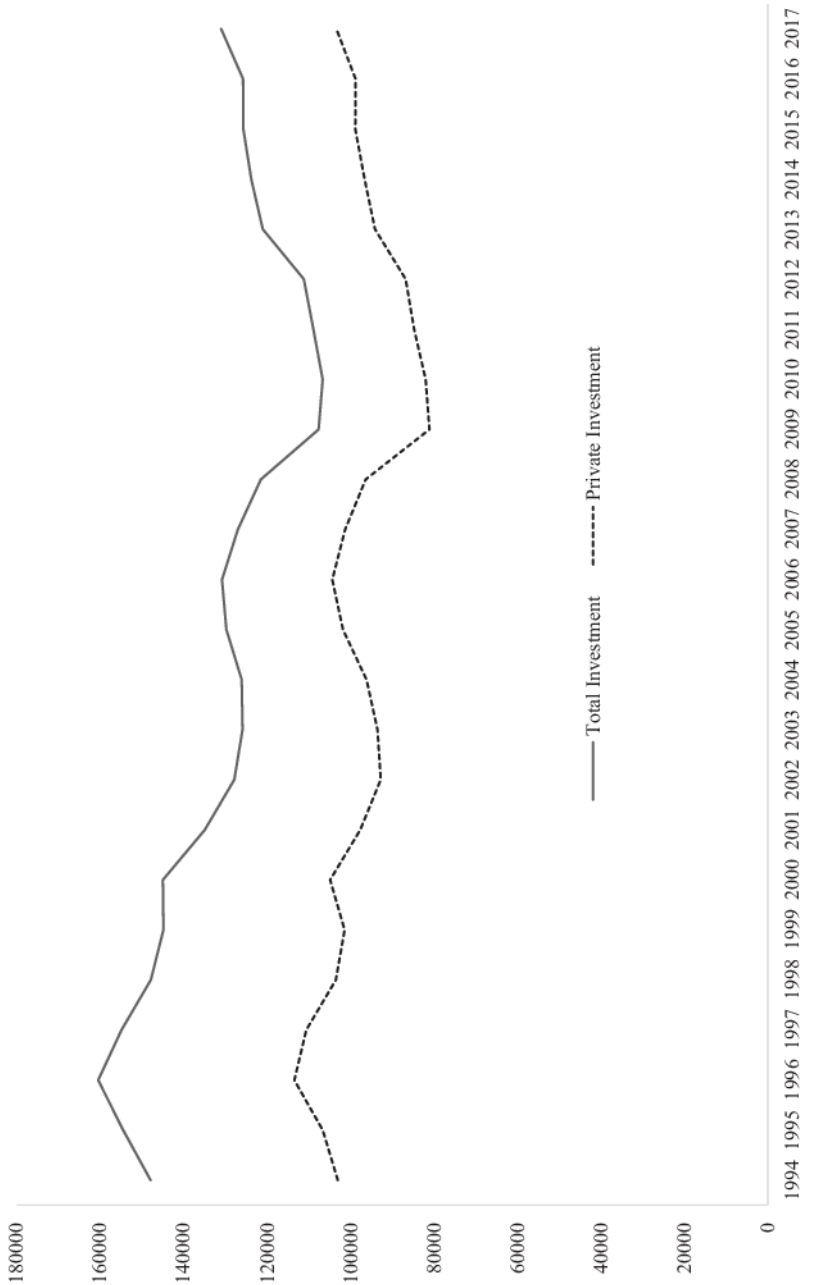

Figure 5.5 Total and private investment as a % of GDP (¥ billions)

Historically, Japanese corporations have had large cash holdings. The 1990s crisis left corporations with mounting debt levels. Consequently, they began paying back their debt using their cash and deposits throughout the decade following the crisis. However, even after servicing their debt obligations, they continued to retain a large amount of cash on their balance sheet. Kang (2014) notes that by early 2000, Japanese corporation holdings of cash were at the same level as during the 1980s, at a time when investment levels were also high. Similarly, Sher (2014) also points to the high levels of Japanese corporation of

cash holdings. The amount of cash assets in 2013 was 50% of GDP and 250% of total investment, which is a significant difference to the cash holdings for 1995, which were 40% of GDP and 130% of total investment (Sher, 2014).

In line with these arguments, the corporate survey data used in this section reveals the high ratio of cash and deposits to total assets, shown in Figure 5.6, associated with all Japanese NFCs. Between the early 1990s and 2008, cash and deposit holdings have declined steadily; however, there seems to be an upward trend since then. Kang (2014) argues that this is mainly due to the increased uncertainty associated with global economic activity following the global financial crisis. Furthermore, the sustained hoarding of cash by Japanese NFCs could be a continued attribute to moderate levels of Japanese private investment, thus acting as a barrier to the success of Abenomics (Sher, 2014).

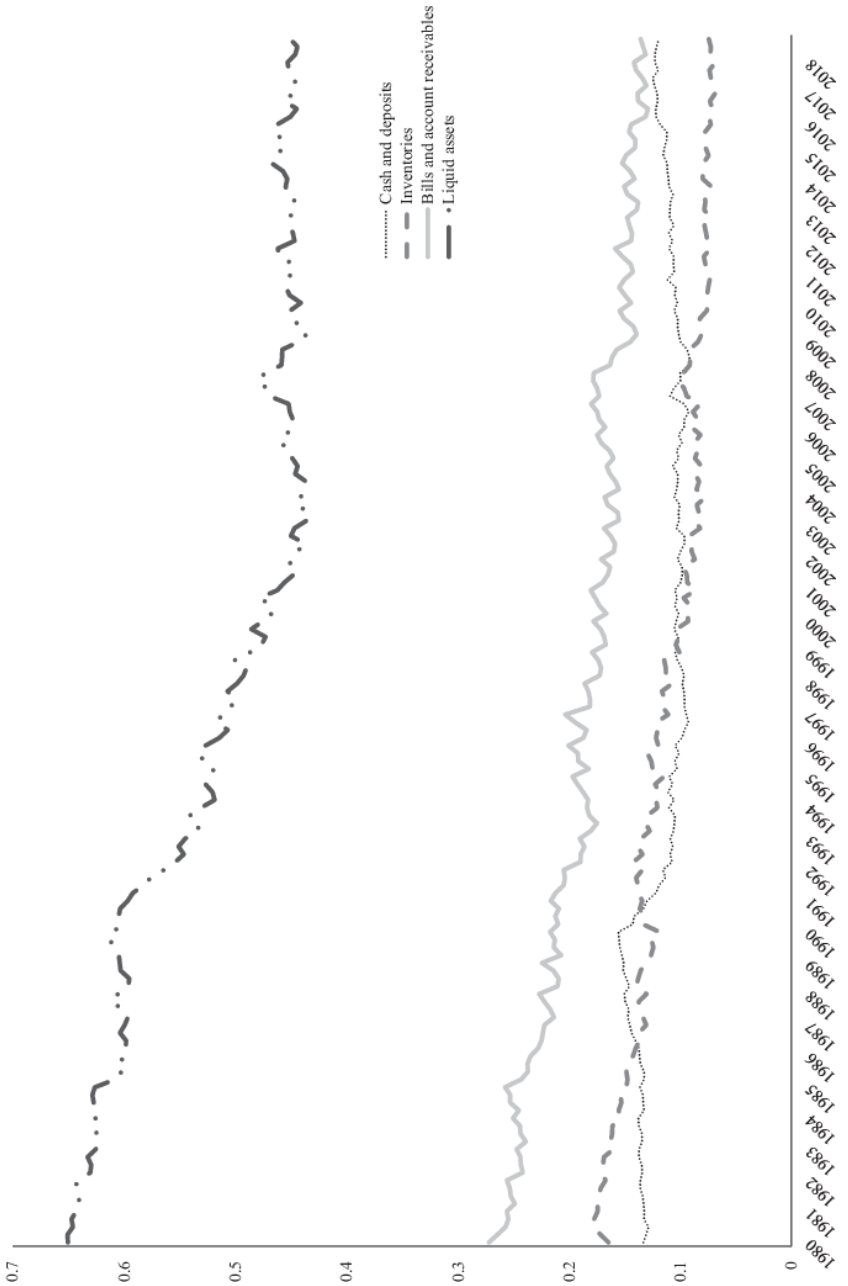

Figure 5.6 Selected liquid assets to total assets, all NFC sizes, 1980–2018(Q3)

However, the analysis of NFCs is incomplete when not taking into account the liabilities side of the balance sheet. To provide a better picture of the behaviour of NFCs, we calculate the overcapitalisation ratio, defined here as liquid assets to liquid liabilities, for large NFCs. Toporowski (2008) suggests that overcapitalisation is the process by which NFCs increasingly hold liquid assets, in response to the capital market inflation. That is, in good times, NFCs can raise finance by means of issuing equity and hold the proceeds in liquid assets. On the other hand, when equity market conditions are poor, NFCs can

adjust the impact on their equity price by increasing dividends or share buybacks. Therefore, by holding onto liquid assets, NFCs are in effect employing a safe strategy.

Figure 5.7 shows that from 1970 until the early 2000s, the overcapitalisation ratio has remained relatively constant. In situations when NFCs hold high levels of debt and out of precaution also increase their holding of liquid assets, the overcapitalisation ratio should not change much. However, for the case of Japanese NFCs, the ratio has grown steadily since the mid-2000s. Even though they have low levels of debt, they continue to expand their holdings in liquid assets. Cash and deposits as a share of liquid liabilities have fluctuated more than liquid assets. Their ratio was in the range of 0.20 in the period between the early 1970s and early 1990s. It seems that Japanese NFCs reduced their holdings of cash and deposits to liquid liabilities ratio during the crisis and the subsequent stagnation. However, after 2009, this ratio has significantly increased. According to Ivanova and Raei (2014 cited in Kang, 2014), this corporate behaviour is also evident in many other advanced economies, such as the US and Germany. The securities to liquid liabilities ratio of Japanese NFCs, on the other hand, has fallen since the early 2000s.

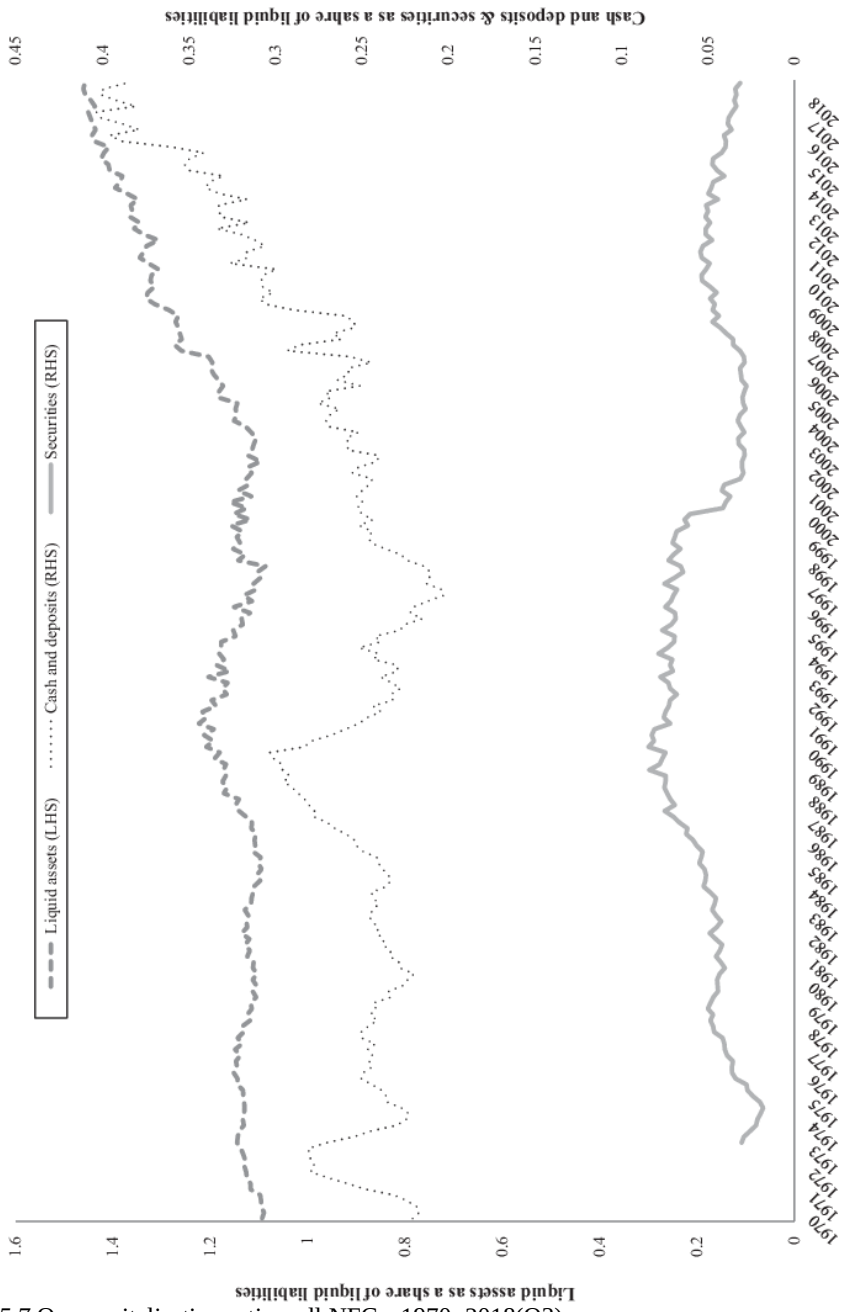

Figure 5.7 Overcapitalisation ratios, all NFCs, 1970–2018(Q3)

5 Are Japanese NFCs financialised?

Japan in recent years has gone through a privatisation wave, with the Japanese Post Office privatised in 2015, Kansai and Osaka International Airport in 2016 and more recently Fukuoka Airport in 2019. These, together with some of the Abenomics reforms (especially

the ‘third arrow’), are often described as neoliberal reforms. With these developments in place, Robinson (2017) argues that Japan is undergoing financialisation.

There are many symptoms of NFCs’ behaviour predicted by financialisation theory. In such, the shareholder value concept (Lazonick and O’Sullivan, 2000; Stockhammer, 2004) highlights the increased pressures of NFCs to improve their financial performance as reflected in high share prices. Faced with this type of pressure, NFCs are prone to leverage their balance sheet to maintain and improve shareholder value. In effect, this should be captured in the debt-to-equity ratios, but Figure 5.8 shows no such evidence among Japanese NFCs. In contrast, the ratio of debt to equity has steadily declined since the mid-1980s, recovering slightly in the mid-1990s, continuing to fall again thereafter.

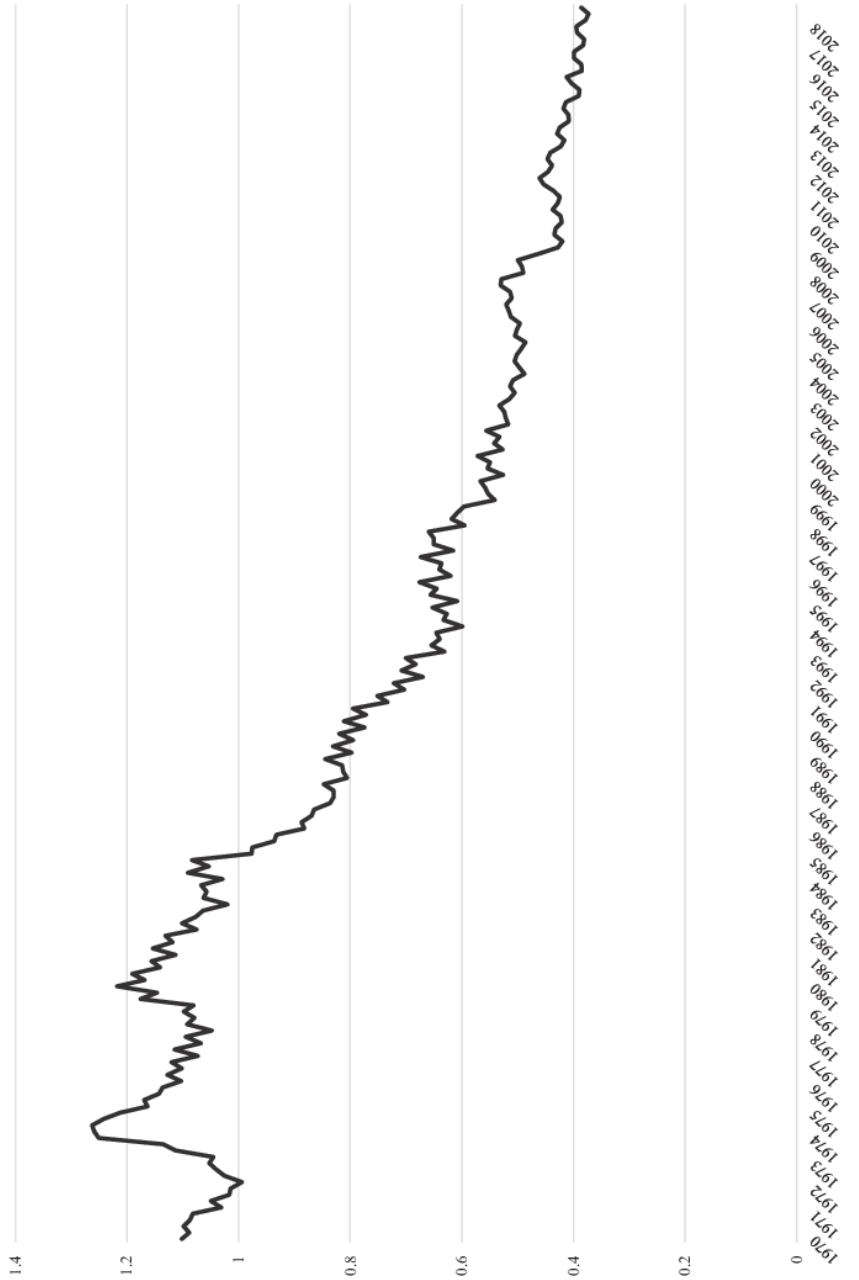

Figure 5.8 Debt to equity ratio, large NFCs, 1970–2018(Q3)

Furthermore, financialisation theory argues that NFCs, in an attempt to boost shareholder value, increase dividend payments and share buybacks. Indeed, in recent years, Japanese corporations have announced substantial share buybacks amounting to over ¥6 trillion (Lewis, 2019; Tomisawa and John, 2019). Two potential factors could explain this surge in share buybacks. First, the introduction of Japan's Stewardship Code and Corporate Governance Code, in 2014 and 2015, respectively, aimed to increase shareholder value. Second, Japanese corporations have expanded their overseas operations

since the mid-1990s, partly due to being more profitable relative to those realised by domestic production (Aramaki, 2018). A potential implication of the internationalisation of Japanese NFCs would likely place them under pressure to maintain high shareholder value in the face of host country competition.

The international expansion of Japanese NFCs is reflected in outward foreign direct investment (FDI), as shown in Figure 5.9. As can be seen, total world outward FDI has increased substantially since mid-2004, with a decline during 2008–2010 and then picking up thereafter. As of 2017, the outward FDI flow accounted for nearly 35% of GDP. Japanese FDI to Asia and the US seems to have fallen, while increasing to Europe, since 2015.

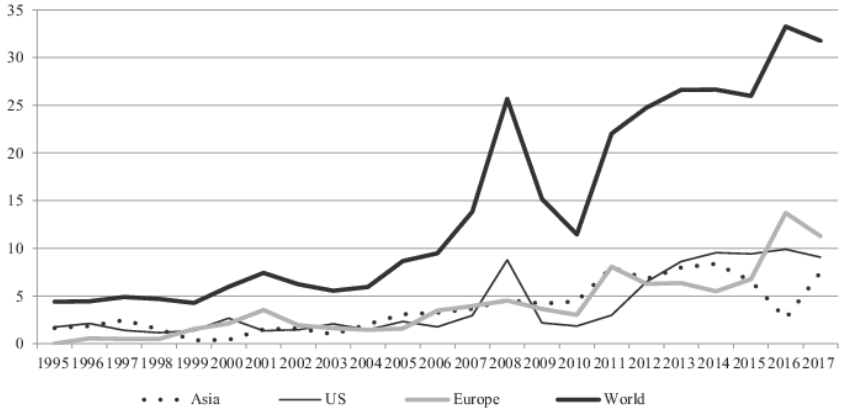

Figure 5.9 Outward FDI stock, by selected country/region (% of GDP)

Another aspect of financialisation is related to the process of moving from normal production activities to financial investment (Krippner, 2005), as a quicker, more profitable way for corporations. Figure 5.10 shows the net interest received by all Japanese NFCs and other non-operating revenue, defined here as other profits as a share of total profits. It can be seen that the net interest income ratio was negative starting in 1984, but turned positive and has remained so since 2012. In 2015 the net interest income received was around 15% of total profits, declining slightly after that. Other profits accounted, on average, for around 35% of total profits during the early 2000s, decreasing from 45% during their peak in the mid-1990s. More recently, they have accounted for approximately 20% of total profits.

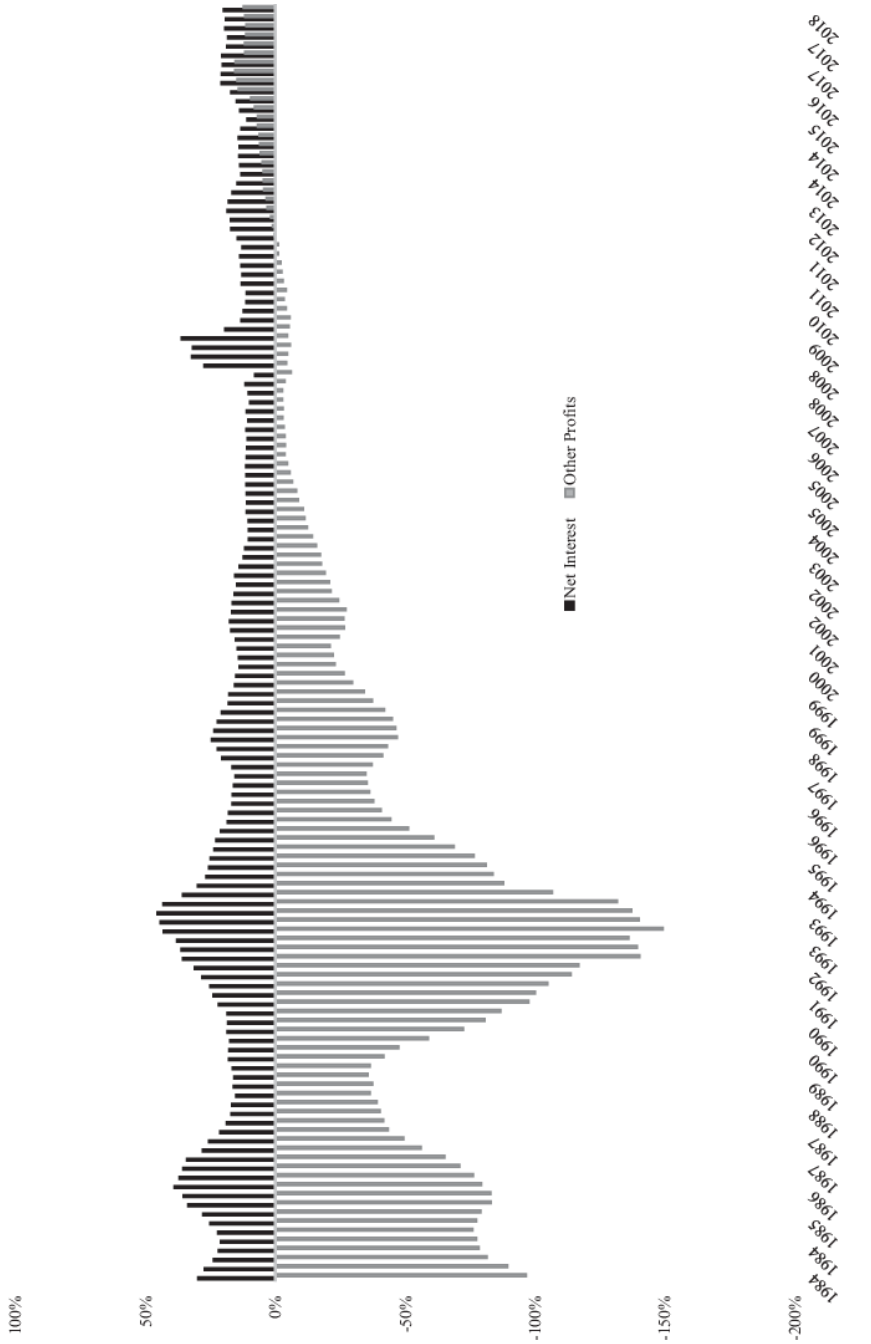

Figure 5.10 Net interest received and other profits as a % of total profits, all NFCs, 1984–2018(Q3)

If financial operations would be more important for income generation, then the share of financial assets in total assets can be expected to increase. Looking at securities and other financial investment[5] by Japanese NFCs, there is a clear downward trend in the ratio of securities to total assets since the early 2000s, as shown in Figure 5.11. This figure also

reinforces the earlier findings that Japanese NFCs have increased their hoarding of cash and deposits since 2009.

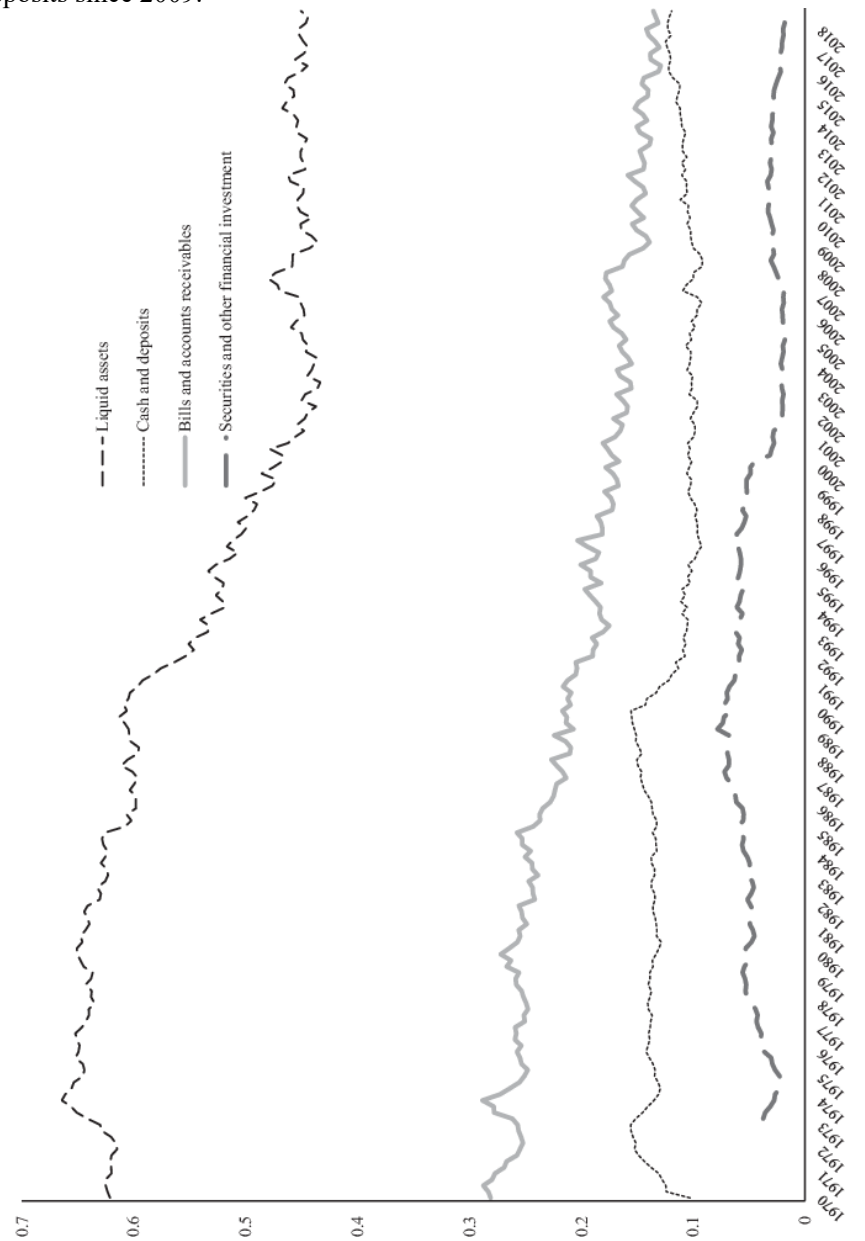

Figure 5.11 Financial investment as a share of total assets, all NFCs, 1970–2018(Q3)

6 Conclusion

This chapter has analysed the behaviour of Japanese NFCs, with a focus on recent years, particularly since the Abenomics reforms were introduced. Japan has been associated with low levels of investment following the crisis the country experienced during the 1990s.

There is still no sign of any significant improvement in the level of investment, which remains at moderate levels. On the other hand, the balance sheet recession of Japanese corporations is indeed over. Furthermore, while liabilities of NFCs have steadily decreased since the 1990s crisis, they continue to hoard large amounts of cash.

Aramaki (2018) suggests that Japanese corporations in the aftermath of the 1990s crises converged towards defensive behaviour by avoiding risk-taking. Their search for safety has led them to hold liquid assets beyond their needs, thus leading to them being overcapitalised. The findings already discussed suggest that Abenomics reforms have not been successful in inducing private investment to increase, despite measures taken, especially in the monetary front. Monetary policy measures adopted by the Bank of Japan since Abe took office in 2012 have been associated with higher levels of cash hoarding by Japanese corporations. Indeed, as of end-2018 cash and deposit holdings of Japanese NFCs have increased by more than 31% since the first quarter of 2014.

Nevertheless, it is worth noting here that foreign investment has been growing relative to domestic investment (Aramaki, 2018). This, on the other hand, indicates that Japanese corporations have yet to recover their confidence in their domestic market. Furthermore, whilst it has been argued that Japan's economy has become financialised (Robinson, 2017), we find little evidence that Japanese NFCs are financialised as the share of financial investments remain low. While there has been a trend toward the shareholder value concept, by increasing share buybacks, we argue that this is a process instigated by internationalisation rather financialisation.

Notes

References

Aramaki, K. (2018) Japan's Long Stagnation, Deflation, and Abenomics: Mechanisms and Lessons. Singapore: McMillan.

Bank of Japan (2013) Introduction of the 'Quantitative and Qualitative Monetary Easing', 4 April. Available from: www.boj.or.jp/en/announcements/release_2013/k130404a.pdf [Accessed 28 October 2019].

Bank of Japan (2016) New Framework for Strengthening Monetary Easing: 'Quantitative and Qualitative Monetary Easing with Yield Curve Control', 21 September. Available from: www.boj.or.jp/en/announcements/release_2016/k160921a.pdf [Accessed 28 October 2019].

Cabinet Office (2013a) Emergency Economic Measures for the Revitalization of the Japanese Economy, Government of Japan, 11 January. Available from: https://www5.cao.go.jp/keizai1/2013/130111_emergency_economic_measures.pdf [Accessed 28 October 2019].

Cabinet Office (2013b) Economic Measures for Realization of Virtuous Cycles, Government of Japan, 5 December. Available from: https://www5.cao.go.jp/keizai1/2013/20131205_economic_measures_all.pdf [Accessed 28 October 2019].

Cabinet Office (2014) Immediate Economic Measures for Extending Virtuous Cycles to Local Economies, Government of Japan, 27 December. Available from:

https://www5.cao.go.jp/keizai1/keizaitaisaku/2014/141227_economic_measures_all.pdf [Accessed 28 October 2019].

Cabinet Office (2016) Economic Measures for Realizing Investment for the Future, Government of Japan, 2 August. Available from: https://www5.cao.go.jp/keizai1/keizaitaisaku/2016/20160802_economic_measures.pdf [Accessed 28 October 2019].

Cargill, T. F., Hutchison, M. M. and Ito, T. (1997) The Political Economy of Japanese Monetary Policy. Cambridge, MA: MIT Press.

Dodig, N., Hein, E. and Detzer, D. (2015) Financialisation and the financial and economic crises: Theoretical framework and empirical analysis for 15 countries, FESSUD Studies in Financial Systems Working Paper Series, No. 110, University of Leeds.

Financial Times (2012) Shinzo Abe wins another chance, Financial Times, 17 December. Available from: www.ft.com/content/3612500c-4852-11e2-a1c0-00144feab49a [Accessed 18 April 2019].

Grabowiecki, J. and Dabrowski, M. (2017) Abenomics and its impact on the economy of Japan, Optimum. Studia Ekonomiczne, 5 (89), 23–35.

Hausman, J. and Wieland, J. (2014) Abenomics: Preliminary analysis and outlook, Brookings Papers on Economic Activity, 2014 (1), 1–63.

Iyoda, M. (2010) Postwar Japanese Economy: Lessons of Economic Growth and the Bubble Economy. New York: Springer.

Kang, J. S. (2014) Balance sheet repair and corporate investment in Japan, IMF Working Paper, No. 14-141.

Kojima, A. (2014) Foreign investors who became the largest stockholders, and corporate governance reform in Japan', Discuss Japan, Japan Foreign Policy Forum, No. 23, 29 October. Available from: www.japanpolicyforum.jp/economy/pt20141029221609.html [Accessed 28 October 2019].

Koo, C. R. (2011) The world in balance sheet recession: Causes, cure and politics, Real-World Economics Review, 58, 19–37.

Krippner, G. R. (2005) The financialization of the American economy, Socio-Economic Review, 3 (2), 173–208.

Kuroda, H. (2013) Quantitative and qualitative monetary easing, Speech at a Meeting Held by the Yomiuri International Economic Society in Tokyo, Bank of Japan, 12 April. Available from: www.boj.or.jp/en/announcements/press/koen_2013/data/ko130412a1.pdf [Accessed 28 October 2019].

Lazonick, W. and O'Sullivan, M. (2000) Maximizing shareholder value: A new ideology for corporate governance, Economy and Society, 29 (1), 13–35.

Lewis, L. (2019) Japan's buyback boom has the smell of activism, The Financial Times, 19 February. Available from: www.ft.com/content/ae9f218e-3456-11e9-bb0c-42459962a812 [Accessed 28 October 2019].

Nagata, T. (2016) The Japanese economy: Current status and outlook, in Japan Institute for Labour Policy and Training, International Affairs Department (eds.) Labor Situation in Japan and Its Analysis: General Overview 2015/2016, pp. 2–13. Tokyo, The Japan Institute for Labour Policy and Training.

Nakamoto, M., Dickie, M. and Soble, J. (2012) LDP crushes rivals in Japanese poll, Financial Times, 16 December. Available from: www.ft.com/content/41186cb6-4735-11e2-8f03-00144feab49a [Accessed 18 April 2019].

OECD (2019) Dataset: Monthly Monetary and Financial Statistics (MEI). Available from: https://stats.oecd.org/index.aspx?queryid=169# [Accessed 18 April 2019].

Okina, K., Shirakawa, M. and Shiratsuka, S. (2001) The asset price bubble and monetary policy: Japan's experience in the late 1980s and the lessons', Monetary and Economic Studies (Special Edition), 19 (2), 395–450.

Prime Minister of Japan and His Cabinet – Kantei (2013) Japan Revitalization Strategy – Japan Is Back – , Prime Minister's Office of Japan, 14 June. Available from: www.kantei.go.jp/jp/singi/keizaisaisei/pdf/en_saikou_jpn_hon.pdf [Accessed 31 October 2019].

Robinson, G. (2017) Pragmatic financialisation: The role of the Japanese Post Office, New Political Economy, 22 (1), 61–75.

Sadahiro, A. (1991) The Japanese economy during the era of high economic growth retrospect and evaluation, Government of Japan: Economic Planning Agency Working Paper, No. 4.

Sher, G. (2014) Cashing in for growth: Corporate cash holdings as an opportunity for investment in Japan, IMF Working Paper, No. 14-221.

Shiratsuka, S. (2005) The asset price bubble in Japan in the 1980s: lessons for financial and macroeconomic stability, BIS Papers, No. 21

Stockhammer, E. (2004) Financialization and the slowdown of accumulation, Cambridge Journal of Economics, 28 (5), 719–741.

Takahashi, W. (2013) Japanese monetary policy: Experience from the lost decades, International Journal of Business, 18 (4), 287–306.

Tomisawa, A. and John, A. (2019) Cash-hoarding Japanese firms please investors as share buybacks hits record, Reuters, 17 February. Available from: https://uk.reuters.com/article/japan-stocks-buybacks/cash-hoarding-japanese-firms-please-investors-as-share-buybacks-hit-record-idUKL3N20941K [Accessed 28 October 2019].

Toporowski, J. (2008) Excess capital and liquidity management, Levy Economics Institute Working Paper, No. 549.

Wakatabe, M. (2015) Japan's Great Stagnation and Abenomics: Lessons for the World. New York: Macmillan.

---

1 Named after the country's first emperor.

2 A reference to an episode in Japanese mythology.

3 A deity in Japanese mythology.

4 The database classifies NFCs by their size of capital: large NFCs consist of ¥1 billion or over, medium are ¥100 million to ¥1 billion and small are ¥10 to ¥100 million. All NFCs consist of all industries, excluding finance and insurance.

5 This includes securities, stock, bonds and debentures and other securities.